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**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL**

Draft Joint Employment Report 2003/2004

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EXECUTIVE SUMMARY

This Joint Employment Report (JER) provides the first assessment of the progress made by Member States in implementing the new Employment Strategy agreed for 2003-2006: A strategy based around the three over-arching objectives of full employment, quality and productivity in work and strengthened social cohesion and inclusion.

The report is released at a time when the goals of the Lisbon strategy are being seriously challenged by the labour market situation. Europe continued to feel the impact of the economic downturn throughout most of 2002 and 2003. *Employment growth came to a standstill by the beginning of 2003* and is expected to rise only slowly over 2004-2005. Unemployment has *gradually increased* to 8.1% in 2003. The reforms undertaken over the past few years have made Europe's labour market more robust in adapting to shocks, but unless the economy picks up, and further labour market reforms are implemented, there is a risk of stagnation in employment, and of higher unemployment and inactivity.

Progress towards the Lisbon 2010 target of a 70% overall employment rate has come to a standstill and, at 64.3%, *it is now clear that the EU will miss the intermediate employment rate target for 2005 of 67%. The employment rate for women improved in 2002 (55.6%), and remains on track towards the intermediate target for 2005 (57%).* Progress towards the target for 2010 will crucially depend upon improvements in the employment rate of older workers. *Although this rate has increased to just over 40% in 2002, the target of 50 % for 2010 is a considerable way off.*

In the face of the economic slowdown, and reflecting a strong concern from Heads of State and Governments to intensify the momentum for structural reforms, the 2003 Spring European Council invited the Commission to establish *a European Employment Taskforce*, under the chairmanship of the former Prime Minister of the Netherlands Wim Kok, to report to the European Commission on practical reforms that can have the most direct and immediate impact on the implementation of the Employment Strategy. The December 2003 Brussels European Council invited the Commission and the Council to consider the Taskforce report in the preparation of the Joint Employment Report.

The Employment Taskforce concentrated on the need to increase both employment and productivity growth and identified four key conditions for success: increasing adaptability of workers and enterprises; attracting more people to the labour market; investing more and more effectively in human capital; and ensuring effective implementation of reforms through better governance. The Taskforce identified priorities for action of general relevance for Member States under each of these headings and specific messages on the reforms needed to each of the fifteen current and the ten new Member States. The Employment Taskforce's assessment and policy messages are shared by the Commission and the Council and, since they are fully consistent with the European Employment Strategy Guidelines, have been closely integrated into this Joint Employment Report.

The Three Over-arching Objectives:

In their response to the objective of full employment, some Member States have displayed a *wider commitment by setting national targets*, either in the form of employment rate targets or an objective of employment creation. Some of these targets reflect more ambition than in the past. The setting of targets needs to be backed up by rigorous implementation of reforms. The National Action Plans (NAPs) illustrate that the pace of labour market reform has continued,

and in some cases been stepped up, especially reforms to increase participation and labour supply. However, reforms to improve the environment for job creation are more piecemeal.

The EU has also seen a worrying decline in labour productivity growth over the past decade. In contrast, the US has been able to combine a strong employment performance with acceleration in labour productivity. *Productivity* is predominantly illustrated within the NAPs as an objective in its own right; the link with better quality in work is not as well explored. However, recent performance concerning *quality in work is encouraging*¹. Although there *is scope for improvement*, progress can be seen in terms of education and skills, gender gaps (except the pay gap), and safety at work.

The NAPs demonstrate that employment plays a vital role in fostering *social cohesion and inclusion*. Some Member States adopt a 'making work pay' approach favouring across the board social security and taxation reforms. Others focus on tailor-made measures for specific groups. Many Member States stress the importance of a multidimensional approach extending beyond labour market policies to tackle regional and social disparities.

The Specific Guidelines:

Prevention and Activation

Preventative and active labour market policies are essential in order to tap the potential of the workforce and are even more crucial in periods of economic slowdown. In line with the strengthened approach in the new guidelines, progress can be seen in ensuring all the unemployed benefit from *individual job search and guidance* services at an early stage of unemployment, and a *new start* tailor-made for each unemployed person before reaching six or twelve months respectively for young people and adults. However, substantially less attention is given to the participation of inactive persons (in particular women). Member States are committed to *modernising Public Employment Services*, with some moving towards cooperation with the private sector. Only a minority of Member States provide data on the *effectiveness of activation measures*, and more effort is needed to provide *comparable activation and prevention indicators* to allow an assessment of progress.

Entrepreneurship

More must be done to tap the job creation potential in the EU through an improved business environment and by fostering business capacity to innovate. Most Member States aim to *facilitate start-ups*, lower the administrative burden, and expand *business support services*. Several have set up taskforces on the *simplification and improvement of regulation*, including bankruptcy laws. *Access to funding for start-ups and existing SMEs* is receiving increased attention, but remains a major bottleneck. To *make entrepreneurship a career option for all*, many Member States include managerial training in all levels of education, with some providing targeted action towards underrepresented groups. Stimulating *innovation and R&D* and spreading its results more effectively across the economy remains a challenge.

Address change and promote adaptability

Member States, social partners, enterprises and workers must increase their capacity to anticipate, trigger and absorb change. In addition to action necessary under other relevant

¹ "Improving quality in work: a review of recent progress" Commission Communication COM(2003) 728

specific guidelines, the need to strike a more effective balance as regards flexibility combined with security in the labour market is increasingly recognised. Attractive contractual arrangements must be available to meet the needs of both employers and workers and avoid the emergence of a two-tier labour market. There is evidence of a trend towards *greater flexibility through changes to working time patterns and the working environment*. In a number of Member States attention has shifted towards introducing *flexibility into standard contracts, improving working conditions, and reducing the number of accidents at work and occupational diseases*. Actions to promote *geographical mobility* remain underdeveloped, and tend to focus on reducing regional disparities. The *management of restructuring* receives insufficient attention.

Develop Human Capital

Europe needs to invest more and more efficiently in human capital. A much greater effort is needed if the EU is to have any chance of reaching the 2010 targets of 85% of 22 year-olds completing upper secondary education and 12.5% of the adult population participating in education and training. A number of Member States are making efforts to reform lifelong learning systems to deliver a more *demand led system* and make opportunities more *adapted to individual needs*. Only a few Member States show a commitment to *increased and more efficient investment in human capital*. Strategies to *increase private investment* (from the individual or firm) remain partial. Reforms to encourage *individuals* to invest focus on the use of *financial incentives*. Many initiatives target *the recognition and certification of non-formal or workplace learning* to recognise existing skills. *Social partners* are more involved in the design and delivery of training, with increasing use of collective agreements. The sharing of costs and responsibilities needs to be improved and become more transparent.

Increase labour supply and promote active ageing

Increasing the labour supply is indispensable for increasing employment and economic growth in the medium and longer-term. Reaching the 70% employment rate target depends crucially on significantly increasing the employment rate of older workers and on extending the average exit age from the labour market. A growing number of Member States are implementing national ageing strategies, applying a range of measures focusing on benefit reforms, improving the working capacity through better access to training, and better working conditions. A strong focus is placed on pension reform, including increases in standard retirement age and discouraging early retirement. However poor management of economic restructuring, voluntary early retirement schemes and existing disincentives within statutory retirement schemes are preventing the employment rates of older workers from picking up significantly. It is vital that Member States develop *comprehensive strategies to increase labour force participation*. *Raising female participation* is a critical part of the ageing challenge, and Member States cannot rely on cohort effects alone to meet the targets. *Immigration* is considered an important source of additional labour supply for professions or sectors encountering recruitment difficulties.

Gender Equality

Tapping the potential of female participation is both an issue of gender equality and a matter of economic effectiveness. Many Member States aim to increase female participation and reduce *employment and unemployment gaps*, primarily through policies to reconcile work and private life. However the underlying factors of gender gaps in employment, unemployment and pay (for example gender segregation, taxation and wages) are not well addressed. Many Member States present a range of measures which should have a positive impact in reducing

the *gender pay gap*, but most actions are piece-meal, especially in countries with the highest gaps. Many initiatives remain voluntary with a lack of evaluation of impact. *Childcare* is presented as a priority in most Member States, but the approach often varies in focus and ambition, and insufficient attention is given to its quality and affordability. *Gender mainstreaming* continues to be non-systematic, lacking gender impact assessment of existing systems and new policies.

The integration of the disadvantaged

A more effective integration of *people facing particular difficulties* in the labour market is key to increasing labour supply and reinforcing social cohesion. Most Member States present policies to reduce the numbers of *early school leavers* and to improve the labour market situation of *people with disabilities, migrants and ethnic minorities*. However significant gaps remain and effort needs to be intensified and expanded to encompass other people at a disadvantage such as the low-skilled, social benefit recipients and lone parents. Employers should be more involved in achieving the objective of increased participation of disadvantaged people.

Making work pay

In order to raise labour force participation and to promote inclusive labour markets, it is essential to reduce remaining unemployment, inactivity and poverty traps. An increasing number of Member States are pursuing reforms to *make work pay* by addressing the combined impact of taxes and benefits. Reforms largely focus on *reducing taxes*, and introducing in-work benefits, which have been introduced or are planned by a growing number of Member States. Some Member States have tightened qualifying *conditions for the eligibility or duration of benefits*, but reforms of benefit systems are not sufficiently comprehensive. Several Member States still need to tackle the disincentives to take up a low paid job, in particular by addressing the situation for inactive, and by considering the non-financial incentives to taking-up a job, including aspects related to quality in work. Further benefit, tax and pension reforms aiming to encourage older workers to remain longer in work is needed, particularly in Member States with low employment for older workers. Member States should pursue efforts to reduce non-wage labour costs, particularly for the low-skilled and those on a low wage.

Transforming undeclared work

Undeclared work creates unfair competition between businesses and acts against a lasting integration of the workers concerned in the labour market. The NAPs confirm the increased commitment of Member States to address undeclared work through a more integrated approach, combining the simplification of the business environment, reforms in tax and benefit systems, improved law enforcement and the application of sanctions. More needs to be done to understand the nature and extent of the problem. A number of measures are reported by Member States to *simplify administrative procedures and the registration of employment and social security contributions* and to improve coordination between relevant authorities. In addition, to enhance work attractiveness several report on *tax measures to prevent undeclared work and make work pay*. Many Member States take measures directed at *foreign workers or illegal immigrants*, such as better information on labour market rights and greater control of working conditions.

Address regional disparities

Employment and unemployment disparities between regions remain significant, and will increase with enlargement. Research confirms a strong correlation between investment in human capital and economic performance at national and regional level, making investment an important tool of regional cohesion policy. The role of the European Social Fund is key in this respect.

Good Governance and Partnership in the Implementation of the Guidelines

The success of employment policy depends on the quality of implementation. The 2003 NAPs are generally well developed baseline documents but only rarely constitute the central instrument for discussing and defining national employment priorities. In particular the *involvement of parliamentary bodies* needs to be raised in profile. *Social Partners* as well as *regional and local authorities* are seen as important partners for national governments but their involvement in the NAPs could be improved.

Member States are increasingly attempting to report on budgetary priorities in the NAPs, but the information remains patchy. Information on the implementation of the NAP and on delivery services concentrates on the role of the PES, and little consideration is given to other delivery services such as education and training, and social services.

There is a need to improve governance of employment policies at national and EU level. At national level this implies building reform partnerships, formulating ambitious employment policies with targets reflecting those fixed at EU level, and using the NAPs more effectively as central planning and monitoring documents bringing together the different elements of reform. At European level this implies strengthening the role of EU country-specific recommendations, targeting more closely EU funds to address the Lisbon agenda, encouraging strong commitment from the European Social Partners, and reinforcing dissemination and systematic and more open mutual learning through exchange of experience.

INTRODUCTION

This Joint Employment Report (JER) provides the first overview of the employment situation and an assessment of the progress made by Member States in the implementation of the new set of Employment Guidelines agreed for the period 2003-2006 with three over-arching objectives: full employment, quality and productivity in work and strengthened social cohesion and inclusion. The Joint Report contains both an analysis of progress across the EU under the major agreed objectives and guidelines, and a brief country by country review. Key and context indicators agreed by the Employment Committee underpin the analysis and are provided in the annexes.

Title VIII of the Treaty establishing the European Community lays down the principles and procedures for developing a co-ordinated strategy for employment. Article 128 sets out the specific steps leading to the formulation of such a strategy. This includes, on an annual basis, guidelines for Member States' employment policies; Each Member State provides the Council and the Commission with an annual National Action Plan on the principal measures taken to implement its employment policy in the light of the guidelines. The examination of the National Action Plans results in the presentation to the European Council of a Joint Employment Report of the Council and the Commission on the employment situation for the EU and on the implementation of the guidelines for employment. On the basis of this report the European Council adopts each year conclusions that, in turn, may give rise to a reformulation of the Guidelines. Moreover, on a recommendation from the Commission, the Council addresses appropriate recommendations to the Member States.

The European Employment Strategy (EES), which has been developed according to the above institutional framework, is a major contribution to the wider EU political agenda defined at the Lisbon Summit and subsequent European Councils. In the context of a streamlining decided upon in 2002, of the policy co-ordination cycle, the major areas contributing to the Lisbon agenda, this Joint Employment Report, the Implementation Report on the Broad Economic Policy Guidelines and the Implementation Report on the Internal Market Strategy are presented as part of the "Implementation Package" designed to synchronise and strengthen policy coordination and coherence.

While the National Action Plans for Employment submitted in Autumn 2003 by each Member State constitute the main contribution to this report, a major input to this year's JER is the report submitted by the Employment Taskforce constituted at the request of the Spring 2003 European Council, under the chairmanship of Mr Wim Kok, former Prime Minister of the Netherlands, who presented his report to the European Commission on 26-11-2003².

On this basis, in the final section this Joint Employment Report outlines key messages for the spring 2004 European Council.

² "Jobs, Jobs, jobs – Creating more Employment in Europe" Report of the Employment Taskforce chaired by Wim Kok

1. THE POLITICAL AND ECONOMIC CONTEXT

This Joint Employment Report is released at a time of cautious optimism for a recovery in EU labour markets. The employment policies and structural reforms undertaken over the past few years have made Europe's labour market more robust in adapting to shocks, as demonstrated by the relative resilience of employment over the recent period. We now start from a better position to ensure a resumption of growth and high employment, although it should be borne in mind that labour hoarding and the lagged effects of the economic cycle on employment will delay the increase in employment. The new European Employment Strategy provides an integrated and coherent response to the employment challenges facing the EU. This report examines the commitments made by Member States under the new European Employment Guidelines and points to areas where progress and delivery are most pressing. Action now will help underpin the recovery of the economy and employment.

1.1 EMPLOYMENT GROWTH AT A STANDSTILL

After an initial strong resilience of the EU labour market, the impact of the economic slowdown has started to be felt more strongly.

Labour market developments since the start of the recent economic slowdown indicate that EU employment now resists better than in the past to weakness in economic activity. Indeed, the reaction of employment to the recent slowdown has so far been much more moderate than in the previous slowdown of the 1990s. This reflects a path of job creation and destruction different to that of the early 1990s, with smaller declines in employment so far in agriculture and industry, while the service sector has created far more jobs.

The current resilience has essentially been a consequence of changes in the European labour market that occurred over the second half of the 1990s and which affected the mechanisms linking employment and participation with the economic cycle. Altogether, the combined effects of rising female and youth participation, the increasing skill level of the working age population and greater availability of new types of contracts facilitated the development of an employment-intensive growth pattern, which was also supported by more employment-friendly wage setting by the social partners and cuts in non-wage labour costs.

Europe continued to feel the impact of the economic downturn throughout most of 2002 and 2003, with GDP growth under 1%. After several years of strong job creation *employment growth came to a standstill by the beginning of 2003*. The downward trend in unemployment reversed by mid-2001 and levels have *gradually increased* from the 2001 low of 7.3% to 8% in 2003. Employment is expected to rise only slowly over 2004-2005.

For 2004 there is a risk of continuing stagnation in employment, and possibly higher unemployment, unless the economy picks up, and further labour market reforms are implemented. Even with a modest economic recovery, employment growth may be limited since it can be assumed that enterprises have hoarded labour in the recent slowdown. Growth in labour supply is essential to meet the Lisbon targets, but with labour force growth expected to exceed employment growth, unemployment may well continue to grow in the near future.

1.2 THE MEDIUM TERM EMPLOYMENT STRATEGY REMAINS VALID

Employment performances are a key component of the Lisbon goal defined in 2000, to make the EU the most competitive and dynamic knowledge – based economy in the world, capable

of sustainable economic growth with more and better jobs and greater social cohesion. They are closely inter-related with major areas of reform in pensions, education, research and social inclusion as well as product, services and labour markets.

The new European Employment Strategy (EES) has been designed to support the Lisbon goals. The new guidelines fix the three overarching and complementary objectives: full employment; quality and productivity at work; and social cohesion and inclusion. Ten specific fields for action have been identified to support these objectives. The guidelines also cover action to improve the governance of employment policies.

In the face of the economic slowdown, the prolonged uncertainty as to the timing and scale of the recovery, and reflecting a strong concern from heads of States and Governments to keep up and intensify the momentum for structural reforms, the 2003 Spring European Council invited the Commission to establish a *European Employment Taskforce, under the chairmanship of Wim Kok, former Prime Minister of the Netherlands*, to help identify practical reforms that can have the most direct and immediate impact on the implementation by Member States of the Employment Strategy.

Recognising the structural improvements achieved in a number of Member States and the rise of employment from the mid-1990s to 2002 in the EU, the Taskforce warns that the European Union is at risk of failing in its ambitious goal set at Lisbon in 2000. Unless the Member States step up their efforts, it is looking increasingly unlikely that the overarching goal for 2010, and the employment objectives, will be attained.

In responding to the slowdown Europe should not lose sight of the wider, longer-term challenges it is facing. Globalisation and economic integration are increasingly affecting the way Europeans live and work and demanding for a rapid response to, and management of, change. The rapid ageing of the population is calling into question Europe's ability to remain competitive and achieve higher employment and economic growth in the future.

Rather than engaging in a process of further changes in EU guidelines the Taskforce considers that the emphasis at EU level should now be on stronger monitoring of reforms undertaken by the Member States. The present report examines the response given by Member States to the full range of the Employment Guidelines taking into account the assessment and proposals of the Employment Taskforce.

The Employment Taskforce exhorts Member States to act decisively *now*, so as to increase confidence and support economic growth. Beyond the need to create more jobs in the short-term, it underlines that employment policies must raise both employment and productivity levels – the key drivers of Europe's economic growth potential and vital components of the Lisbon strategy.

The Employment Taskforce identified four key requirements to boost employment and productivity:

- increasing adaptability of workers and enterprises,
- attracting more people to the labour market,
- investing more and more effectively in human capital,
- ensuring effective implementation of reforms through better governance.

The Employment Taskforce identified priorities for action of general relevance for Member States under each of these headings. It also addresses specific messages on the reforms needed to each of the fifteen current and the ten new Member States.

The new strategy has also been designed to support employment and labour market reforms in the ten new Member States due to join the EU in 2004. Faced with major restructuring at political, economic and institutional level, the new Member States have embarked on major labour market reforms over the last decade to adjust to a market economy and prepare for membership. Through a close partnership with the European Commission, they have produced Joint Assessments of their respective employment and labour market challenges and a regular process of reporting³. They will take their full part in the co-ordinated European Employment Strategy as of 1st May 2004.

2. OVERALL ASSESSMENT WITH REGARD TO THE EU EMPLOYMENT OBJECTIVES

The 2003 National Action Plans prepared in response to the new Guidelines present an employment policy approach which is overall rather balanced across the three EES overarching objectives, although in a number of cases the quality-productivity and/or the inclusion objectives are not presented on an equal footing with the objective of full employment.⁴ Progress across these objectives is reviewed below.

2.1 FULL EMPLOYMENT: THE EU IS AT RISK OF FALLING SHORT OF THE EMPLOYMENT RATE TARGETS

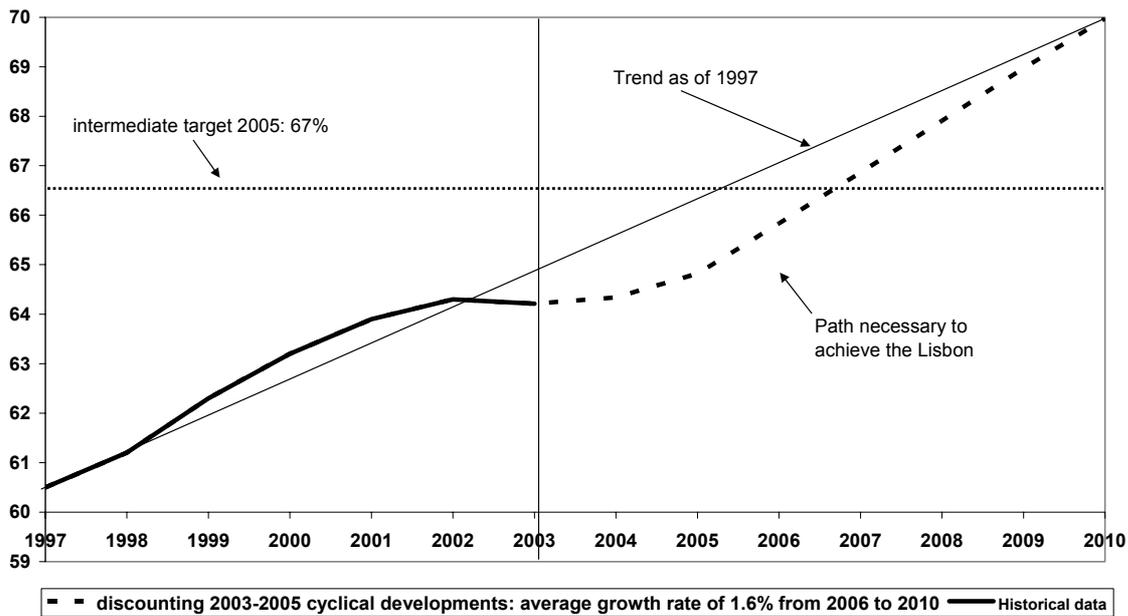
Progress towards the Lisbon target of a 70% overall employment rate for the EU has come to a standstill, and it is now clear that the EU will miss the intermediate employment rate target for 2005 (67% agreed in Stockholm). The overall employment rate is stagnating in 2003 at the level reached in 2002 (64.3%). Even with economic recovery the employment rate may only reach 65 % in 2005. Some catching up has occurred in some Member States with very low employment rates (EL, ES, and IT), where employment growth continued in 2002 and 2003. Still, only four Member States reach the 70% target (DK, NL, SE and UK), whereas FI, PT and AT are close.

The protracted slowdown implies flat or very moderate employment growth for three years (2002-2004) and no or little improvement in the employment rate in this period. Therefore, as illustrated by the graph below, the EU will miss the intermediate employment targets in 2005 and a substantial acceleration of employment growth is needed in the coming years. To reach the Lisbon target of 70%, employment would need to grow on average from 2004 – 2010 by 1.6% - a break in trend from the present performance but not out of reach if compared to the performance in the 1997 – 2000 period. This would imply an increase in employment by some 15 million jobs for the EU-15. This figure would need to be close to 22 million jobs if the target was fixed for the EU25.

³ "Progress in implementing the Joint Assessment Papers on Employment Policies in acceding countries" COM(2003) 663.

⁴ Quality is not explicitly discussed in the 2003 National Action Plans for DE (only as "accompanying measures"), IT, NL, and UK. Social inclusion is not explicitly discussed in the case of DE, AT and IT. This does however not prejudice the substantive content of the National Action Plans concerned in regard of these objectives.

Chart 1: PATH TO LISBON EMPLOYMENT RATE TARGET: 1997-2010



Source: Commission services. European Labour Force Survey until 2003. For 2003-2005 employment rate updated using DG ECFIN employment forecast and Eurostat Population projections. From 2005 employment rate extrapolated assuming a constant yearly increase.

The aggregate picture hides diverging trends in employment rates by gender. *The employment rate for women continued to improve in 2002, and remains, at 55.6%, on track towards the intermediate target of 57% for 2005.* It exceeds the 60% EU target set for 2010 in seven Member States (DK, NL, AT, PT, FI, SE and UK). The EU average is clearly determined by the low employment rates for women in only four Member States (BE, EL, ES, and IT). To reach the 60% target, the average annual increase in the female employment rate experienced since 1997 must be maintained over the next seven years. This cannot rely on economic growth alone; the pace of reform must also be maintained.

Progress towards the Lisbon target will critically depend upon the trend in employment of older workers. *Although employment rates for older workers increased more substantially to just over 40% in 2002, the target of 50% is a considerable way off.* The 50% target has only been reached by four Member States (DK, PT, SE, and UK) and is within reach in a further two (FI and IE). Progress towards the target will essentially depend on the remaining Member States (in particular BE, FR, IT LU and AT), where the employment rate of older workers is less than 33%. Urgent action is therefore required to increase the numbers of older workers in work, but also to ensure that tomorrow's older workers – the 40 to 50 age group – can remain in the labour market longer. For the EU 50% target to be reached 7 million more people in the 55-64 age bracket will need to be in work in 2010 for the EU 15.

Member States have undertaken a range of reforms to stimulate participation and labour supply, such as policies to make work pay, active labour market policies, education and training and mobility. However, reforms to improve the environment for job creation are less comprehensive. Approaches sometimes focus on job creation by reducing labour costs (BE, FR, AT); through deregulation (DE, FR, IT); by encouraging SME development and innovation (EL, IE, NL, AT, FI, SE, UK); through regional development (PT, IE) or just rely on the interaction between economic growth and flexible labour markets (DK, ES, IT). The

opportunities of the knowledge-based economy for job creation do not feature prominently in the policy package.

In their response to the 2003 Employment Guidelines, Member States have displayed a *wider commitment by setting of national targets*; either in the form of employment rate targets or an objective of employment creation during the government term of office (see Table in Annex 2). Some of them (notably BE, FR, EL, AT and FI) reflect more ambition than in the past. However, setting of targets needs to be backed up by rigorous implementation of reforms.

2.2 QUALITY AND PRODUCTIVITY AT WORK: MIXED PROGRESS ACROSS THE VARIOUS DIMENSIONS

The positive interactions between quality in work, productivity, employment and social inclusion have been underlined in the Commission report prepared at the request of the Brussels Spring European Council⁵. This report contains a full review of progress towards quality in work, following the *multi-dimensional approach* defined in the Employment Guidelines.

The decline in labour productivity growth over the last decade is particularly worrying for the EU. Labour productivity growth has further slowed over recent years, contrasting with the rise in employment. Compared with the first half of the 1990s the period 1996 to 2002 has witnessed a significant increase in the contribution of employment growth to GDP growth. By comparison, up until the recent downturn, the US has been able to combine a strong employment performance with acceleration in labour productivity, resulting in GDP growth 1 percentage point higher in the US than in the EU over period 1996-2002. It is worth mentioning that some smaller EU Member States have performed well above the EU average and even above that of the US.

In the short term actual labour productivity growth may deviate from the longer term path, in particular in a period of economic slowdown when lower productivity growth may partially result from adjustment in hours rather than in number of people. Also, although labour market reforms encouraging a more labour intensive growth pattern may lead to actual productivity growth below the longer term potential this should not be regarded as a trade-off. A higher employment rate implies an unambiguous increase in GDP per capita with no negative implications for the long-run productivity growth of the existing work force.

There is, therefore a need for acting simultaneously on employment growth and to increase efforts to improve long-term productivity growth where recent trends are clearly less than encouraging. Key to this is the existence of a well-educated, skilled and adaptable workforce and the EU must invest more, and more cost-effectively, in its human capital, within the framework of a sound budgetary policy. The EU also needs to speed up the diffusion of ICT in particular in the services sector and to increase investment in R&D and infrastructure, act on improving the entrepreneurial culture and speed up reforms of goods and services markets. As some of the sectors which created a high number of jobs showed a rather dismal productivity growth performance efforts to increase quality in work including upgrading of

⁵ See Communication COM(2003) 728 of 16.11.2003 "Improving Quality in work – a recent review of progress"

skills and more adequate work organisation in these sectors should also contribute to meet the productivity challenge⁶.

Productivity is predominantly considered within the NAPs as an objective in its own right, independently from the link with quality. It is also to be noted that most countries with a high employment rate (UK, NL, SE and FI) see productivity increases as a means to compensate for expected labour supply tightness in the medium term. In most Member States, there is thus ample scope for a more comprehensive approach, recognising the positive interactions between quality in work, productivity and employment growth and social inclusion.

Recent trends and performances around the various dimensions of quality are encouraging in some respects. Consistent improvements can be seen in the EU in terms of education and skills, in terms of gender gaps (except the pay gap), and for safety at the workplace. However, there is scope for considerable improvement under each dimension of quality. The employment rate of older workers, while slowly increasing, is still far from the Stockholm target of 50%. Young people face increasing difficulties in several Member States to find jobs with reasonable career prospects. Non EU-nationals are at a clear disadvantage in terms of employment and unemployment, and the integration of disabled persons in the labour market remains problematic, especially for people with severe disabilities. As regards gender equality, the lack of adequate facilities for childcare and care for other dependants is a constraint to higher women participation; gender pay gaps have shown little tendency to decline, and sectoral and occupational gender segregation remain. Last but not least, as indicated above, the trend in productivity growth is disappointing.

Only few Member States attempt to address each individual dimension of quality in a comprehensive approach. Rather, there is identification in each Member State of its own specific *critical dimensions as a priority for action*. For example, the balance between flexibility and security and gender equality are highlighted as key issues in IT, ES, EL and PT. Training is highlighted in PT and ES, as well as in Member States with high productivity (DK, FR, FI, SE). Health and safety emerges as an important priority in many countries, with five (DK, EL, FR, PT and the UK) having set targets for the reduction of accidents. Also working time, which is only indirectly covered by the ten dimensions, is mentioned as an issue (BE, LU, FI).

2.3 SOCIAL COHESION AND INCLUSION: INCREASING ATTENTION GIVEN TO INCLUSIVE LABOUR MARKETS

In addition to the registered unemployed, in 2002, 4.5% of the EU working age population (a slight increase compared to 2001) was inactive but wanting to work. Recent increases in unemployment are worrying as they might pre-curse an increase in long term unemployment, which is a major risk of social exclusion. This would also make it increasingly difficult for people at a disadvantage to access the labour market. In this context, the already precarious labour market position of people with disabilities, migrants and ethnic minorities, single parents, early school leavers and older workers may be even more difficult (see GL 7).

Following the presentation of National Action Plans on inclusion⁷ which present national approaches for combating poverty and social exclusion across various policy fields, Member

⁶ For a more detail analysis of Productivity trends and performance please see Chapter 2 of "Employment in Europe 2003" and the Annual Economic Review 2003.

⁷ Joint Inclusion Report 2003

States' Action Plans on employment try to set out in more detail the contribution of employment policies to social inclusion. However, there is still considerable scope for improvement in the extent to which the majority of Member States addressed the objectives laid down in the third overarching guideline on social inclusion.

There is a common thread in the employment plans in considering that participation in employment plays a very important role in fostering social inclusion. However, there are differences in emphasis as to the extent to which labour market policy can be considered as largely sufficient to tackle the problem of social exclusion. Some Member States (Netherlands, Finland) tend to focus on the removal of obstacles to participation in employment. This 'making work pay' approach favours across the board social security and taxation reforms (tax credits for low income earners, removal of disincentives to work, in combination with support measures such as childcare provision). Other Member States (France, Portugal, Sweden, Austria, Greece), while recognizing the key role of employment policy in the fight against social exclusion, tend to focus more on the difficult situation of specific groups and favour tailor-made measures taking into account the individual needs of the persons concerned. Member States⁸ also explicitly recognise the limits of employment policies and stress the need for increased synergy with policies in other fields such as education, healthcare or housing, within a truly multidimensional approach.

Member States had been invited by the Barcelona European Council to set national targets for the reduction of poverty by 2010. Most used the opportunity provided by the NAPs/inclusion and the NAPs/employment to set such targets. Relevant examples include EL (bringing down by 2010 the percentage of people at risk of poverty to the EU 15 average), NL (target to increase the employment rate amongst ethnic minorities to 54% by 2005), SE (to halve the number of persons in need of social assistance between 1999 and 2004), FR (to increase the outflow from unemployment of social minima recipients during the period 2003-2005). The UK aims to increase to 70% the proportion of lone parents in work, to reduce the proportion of children in workless households and to increase the employment rate of disadvantaged areas and groups.

The focus on regional disparities is less prominent (with the exception of PT, EL, BE and UK), although regional differences in labour market performance remain considerable. The disparities in labour market participation, between regions, especially as concerns unemployment, and the high levels of inequalities between the different social groups, result in pockets of deprivation and social exclusion even in the wealthier regions of the EU. Addressing these imbalances requires a balanced mix of productive and human capital investment, and labour market reforms such as wage setting that take account of regional and local conditions.

In order to meet the Lisbon objectives, a trend break will be needed over the coming years. Both employment growth and labour productivity growth must accelerate strongly. Recent labour market reforms have demonstrated their worth by increasing the resilience of employment to the economic downturn. Stronger support to entrepreneurship, research and the diffusion of innovation, and increased and more effective investment in human capital are all equally important to bring about this change. Such reforms need to be pursued forcefully together with reforms in product, services and capital markets.

⁸ For example DK uses the concept of "negative social inheritance", and EL recognises factors like family composition and education.

Member States should confirm their commitment to such reforms by setting national employment rate targets as proposed by the Employment Taskforce, and building up synergies between employment, quality and productivity and social inclusion policies in pursuing reforms. By implementing the ten specific guidelines Member States will contribute to the promotion of adaptability of workers and enterprises, foster labour supply and improve levels of human capital that have been identified by the Taskforce as key conditions for success.

3. IMPLEMENTATION OF SPECIFIC GUIDELINES: ASSESSMENT OF PERFORMANCES AND POLICIES

3.1 ACTIVE AND PREVENTATIVE MEASURES FOR THE UNEMPLOYED AND INACTIVE

Key facts and challenges

The economic slowdown has stopped the long-term fall in the EU unemployment rate. The unemployment rate has risen from 7.4% in 2001 to 8.1% in 2003, and some 14 million people are currently unemployed in the EU 15 as a whole. *Long-term unemployment* stabilised at over 3% (more than 5% in EL and IT). Long-term unemployment affects relatively more women than men (with average rates of 3.6% against 2.6%), except in FI, IE, SE and the UK. *Youth unemployment* increased in the first half of 2003 and very high levels continue to be registered in EL, IT, ES, FI, FR and BE⁹.

Although the overall unemployment rate is expected to stabilise over the next two years, there is a continuing *risk of a surge in long-term unemployment and inactivity*. This calls for a strengthened emphasis on activation and prevention policies in order to limit the unemployment spell, and prevent inflow into long term unemployment, detachment from the labour market and inactivity.

Policy response

The specific guideline was revised in 2003, built around a clear sequence of steps to be taken from the early stage of unemployment through to long-term unemployment. As a consequence of the change, the corresponding indicators were revised and a clear evaluation of compliance in 2002/03 would be premature. Annex 1 and 2 provide the indicators available so far under the new approach.

Nevertheless, Member States have made further progress in ensuring that every unemployed person benefits from *individual job search and guidance services at an early stage of their unemployment spell*. This is the case notably in DK (new "intensive contact programme"); in BE (early screening in Flemish part); in FR (nearly all job-seekers benefit from the PAP) - ND¹⁰ within 4 months); in DE (earlier registration and intervention by PES as result of the Hartz reforms); and in IT where, in the process of the labour market reform, the PES will have to offer orientation interviews within 3 months of the unemployment spell.

⁹ In the first half 2003, the youth unemployment ratio stood at 7.5%, (and exceeded 9% in EL, SP, IT and FI). Youth unemployment rate reached 15.7% (with figures of more than 20% in the same countries).

¹⁰ Plan d' Action Personnalisé – Nouveau Départ

Efforts are also continuing to ensure a *new start*, in the form of training, retraining, work practice, a job, or other employability measure to each unemployed person before reaching six or twelve months unemployment respectively for young people and adults. Major reforms to be highlighted include the Jump-Plus programme in DE, the revision in BE of the first-job agreements system to facilitate recruitment from enterprises, and the "High Unemployment Area Programme" in IE aiming at identifying and breaking down the barriers to employment. The indicators provided by Member States, although disparate¹¹, point to an increased coverage of the unemployed by such measures. Eight Member States (BE, DE, FR, IE, LU, FI, SE and UK) attain or exceed the new 25% target on *activation for the long-term unemployed*. However, there is still only little attention given to the inclusion of inactive persons, hindering in particular women's access to active and preventative measures. A particular effort should be made by Member States to provide *comparable activation and prevention indicators* to allow for an assessment of progress over the coming years.

Modernisation of employment services to support activation and prevention is in progress, and in some Member States there is a move towards increased collaboration between public employment services and private sector partners, in particular temporary work agencies (NL, IT, DE, UK). Steps have been taken to improve services to employers, through the development of call centres and the direct input of jobs over the Internet (UK, IE, DE, BE and SE). Services are being strengthened at the regional (FR, ES, IT) and local level (DK, NL). New ICT systems are being developed within the PES in most countries. Further efforts to continue the modernisation process are desirable.

Seven Member States (AT, DK, ES, LU, FI, SE and UK) provide data on *effectiveness of activation measures* in terms of integration into a job after an active measure. In AT, almost half of unemployed people find a job six months after participating in a measure, compared with roughly one third in SE and SP, and more than two thirds in LU. Several Member States implement tailored made measures in favour of the young (BE, DE, FR, EL, IT) and women (EL, ES, IT), often in combination with hiring incentives for employers. Several (DK, FR, NL, FI and SE) have taken significant measures to improve unemployment benefit management, through co-operation between labour market institutions. Conditionality of benefit receipt linked to participation in the activation process is a clear example of this co-operation.

Notwithstanding budgetary constraints, there remains considerable scope for further redirecting of spending and *greater efficiency* through a better timing and focusing of measures.

In this context, the Employment Taskforce has underlined that measures aimed at preventing unemployment and supporting (re-)integration of the newly unemployed and inactive people into employment are essential to tap the potential of the workforce, and that there are even more crucial in a period of economic downturn and for regions and sectors experiencing restructuring. The Taskforce urged Member States to:

- Offer personalised services to all unemployed jobseekers at an early stage, in the form of guidance, training or new job opportunities, in line with the Employment Guidelines;

¹¹ Several member States have not been able to report the indicators on the basis of the revised definitions

- To improve the efficiency of activation programmes by identifying real needs of job seekers and giving preference to tailor-made measures over general large-scale programmes;
- Develop rapid response schemes in the event of plant closures or large scale company restructuring;
- Equip employment services with sufficient capacity (in terms of staff and resources) to deliver such tailor-made services, and strengthen local employment partnerships;
- Address the specific needs of the most vulnerable, including disadvantaged younger people and people with disabilities.

3.2 JOB CREATION AND ENTREPRENEURSHIP

Key facts and challenges

In the enlarged European Union some 22 million jobs need to be created in order to reach the Lisbon employment rate target in 2010. EU employment growth was only 0.4% in 2002, equivalent to *a net job creation of 0.6 million*. During 2003, employment growth is expected to be particularly weak in DK, DE, NL and PT. The *birth rate of new enterprises* remained stable in 1997-2000. DK, LU, ES and the UK had the highest birth rates of business of those Member States providing comparable data. The *survival rate* of new enterprises was highest in LU and the UK. *Business investment* as a percentage of GDP in the EU declined from 18.3% to 17.2% from 2000 to 2002.

More must be done to tap the job creation potential in the EU through an improved business environment and by fostering business capacity to innovate. Increasing job opportunities through entrepreneurship and the creation of new enterprises is essential to reach the Lisbon employment rate targets. Stimulating innovation and spreading its results more effectively across the economy is also essential to raise employment and economic growth.

Policy response

Most Member States have made progress in *facilitating start-ups* and lowering administrative burdens, especially when combined with e-Government initiatives aiming at simplifying the registration of companies and reducing ongoing compliance costs. A few Member States have set *targets* for the creation of new enterprises (FR and BE), and further targets are announced by Member States in context of the enterprise Quantitative Target Project. The *transfer of business* has received increased attention in FR and NL, and measures to ease the tax burden of generational change of ownership are taken by EL, FI and SE. Expanding *Business support services* is a priority in most Member States, but only a few take measures to further address the quality of these services (ES, FI, DK, PT). Few Member States report on specific measures designed to ease the administrative burden to *the hiring of staff*, but systems for the registration of employment of new workers have developed (BE, ES, FR and EL).

The simplification of existing regulation continues in the Member States, and efforts have increased regarding the impact assessment of new legislation and in tackling conflicting regulations. Several Member States have set up inter-ministerial working groups or task forces on the *simplification and improvement of regulation*. In the UK the revised guide on regulatory impact assessment requires departments to carry out small business impact tests on new regulations, which are to be followed up by clear responsibility for regulatory reform in

each Government Department. A number of Member States are looking into *simplification of bankruptcy laws*, including DK, EL, PT FI, and BE. Several Member States have introduced new or strengthened existing measures for *access to funding for start-ups, and existing SMEs*, but it remains a major constraint for the development of businesses, in particular for new and small firms¹². Business angel networks, which can offer management assistance and board membership in addition to access to finance, are being further promoted in FR and BE.

To achieve the aim of *making entrepreneurship a career option for all*, Member States provide a range of training measures and targeted action towards groups underrepresented as entrepreneurs. Female entrepreneurship is mainly promoted through training and the creation of networks (UK, LU, ES, and EL). DK put emphasis on flexible services to accommodate individual needs. The opening of closed professions in EL and the lifting of requirements of obligatory grades within certain trades in DE and AT may increase the opportunities for setting up businesses. Some Member States provide particular support for start-ups in the social economy. To reduce the risk of transition to self-employment, AT plans to extend the eligibility criteria for unemployment benefits. The impact of social protection systems on incentives to take up a self-employed status and to move between the employed and self-employed status should be reviewed. In the context of an ageing population of business owners, provisions and support need to be further developed in order to ensure *a successful transfer of businesses*. Most Member States recognise the importance of *fostering entrepreneurship through education and training and some include this aspect explicitly in the curricula* at various levels of education (but little specification on the modules is given). *Improving the teaching methods* of teachers and career counsellors is important to raise the quality of the education and is outlined as a priority in FI. In some countries, links between businesses and education establishments are fostered for entrepreneurial training (AT, IE, LU, UK), for training activities to upgrade *managerial skills* or to further the innovative capacity of businesses.

In this context the Employment Taskforce has underlined the need for Member States to:

- Reduce administrative and regulatory obstacles to the setting up and subsequent management of new business, for instance by developing advisory services (such as one-stop shops) for business start-ups and providing help for SME's in managing human resources;
- Improve access to finance for start-ups and SME's;
- Promote an entrepreneurial culture, particularly by increasing managerial training in tertiary and vocational education and reviewing insolvency law with the aim of reducing excessive risks to entrepreneurs;
- Reduce the level of non-wage labour costs for the low skilled and those on low wages, as well as ensure employment-friendly wage developments that reflect the labour market situation and overall levels of productivity, and allow sufficient wage differentiation across sectors and regions;

¹² For further analysis, see the 2004 Report on the implementation of the European Charter for Small Enterprises where "access to finance" is one of the priority areas.

- Encourage networks and partnerships for the promotion and the dissemination of innovation at regional and sectoral level, and spread the use of ICT by making it more accessible and increasing training at all levels;
- Ensure proper incentives both fiscally and through intellectual property rights to encourage increased levels of private investment in research and innovation and exploit the potential of the Single Market through common standards, cross-country cooperation and mobility of researchers;
- Review insolvency law with the aim of reducing excessive risks to entrepreneurs and removing the stigma of failure.

3.3 ADDRESS CHANGE AND PROMOTE ADAPTABILITY AND MOBILITY IN THE LABOUR MARKET

Key facts and challenges

Recent years have seen increases in fixed-term and part-time employment, although this process has come to a standstill in 2002. There is now an observed trend towards convergence with Member States in which part-time and fixed-term work is under-represented showing significant increases (except EL and IE). There is also an increasing diversity of *working time patterns* in most countries. There is a medium term trend of a decline number of *work accidents*, with substantial improvements in EL, IE, PT and BE. *Geographical mobility* between regions remains rather low. In 2002, it was either unchanged or indeed decreased in Member States.

European countries are experiencing a period of *intensive economic change and company restructuring*. Behind the marginal growth in employment in 2002 and stagnation in 2003, an important number of jobs have been created and shed¹³. Member States, workers and enterprises need to increase their capacity to anticipate, trigger, and absorb change. Better responsiveness to change requires a high degree of flexibility in labour markets and a diversity of contractual and working arrangements. This can only succeed if combined with adequate security for workers in terms of their capacity to remain and progress in the labour market. Geographical and occupational mobility needs to be increased to facilitate an adaptable labour market.

Policy response

Recent labour market reforms have started to allow greater possibility for enterprises to use *a variety of different employment contracts*. There is an observed trend towards *more flexibility through working time patterns and the working environment*. For example, one can see in the majority of Member States, extended reference periods for working time accounts or new options for career breaks created to better balance work and private life. Some Member States, are beginning to focus on *introducing more flexibility into "standard" contracts*. For instance, as regards the definition of the thresholds beyond which stricter employment protection is applicable (DE), or legislation on dismissals which set out a more transparent and reliable framework for both employers and employees (ES, PT). Some Member States have launched comprehensive reviews of employment related legislation (NL, PT, FR).

¹³ See Employment in Europe 2003, quoting layoff announcements in the order of half a million, notably in the ICT and financial sector.

Efforts to foster adaptability through *vocational and continuing training* tend to be better developed in cases where social partners have concluded relevant agreements. Differences of training provision between those who are covered and those who fall outside collective agreements are particularly marked in BE, DE, ES, FR, IT, LU and PT.

The improvement of working conditions, and the reduction of accidents at work and occupational diseases are important priorities for almost all Member States, with five setting targets for the reduction of accidents (UK, DK, FR, EL, PT). The focus is on prevention through better information and counselling, and stricter monitoring. *Member States devote more attention to economic change and restructuring.* Professional re-orientation, underpinned by training, targeted counselling, and outplacement services are seen by most as the appropriate approach. The implementation of such a policy requires a better co-operation and co-ordination of all actors, improved monitoring and better early warning systems. Actions to promote *geographical mobility* tend to be placed in the context of reducing regional disparities, since, in the short-run, labour shortages are not a concern in the majority of the Member States. Policies aim to facilitate mobility and transport, often through financial incentives (ES); where relevant they address skill aspects (knowledge of foreign languages and validation of competencies in the case of trans-national mobility).

Most Member States engage with EURES to provide additional service to the supply and demand sides of the labour market. While many Member States refer to the imperative that all PES jobs should be available on a common European Platform by 2005, only a few indicate a specific ambition to do so (DE, SW, PT, DK).

In promoting increased labour market flexibility combined with security, Member States must take into account the broad spectrum of measures that impact on the capacity of workers and enterprises to adapt. Access of workers to *continuing training* (especially for the *low skilled and older workers*) is particularly important. More should be done to increase levels of participation by creating incentives for employers and individuals. The social partners should ensure effective implementation of agreements in this area.

Building on the interaction between flexibility and security, the modernisation of work organisation is key, both to increasing employment, and to boosting productivity. Whereas greater flexibility may be needed in some Member States as regard standard contracts¹⁴ a review of the contractual framework may also require strengthening security in non-standard contracts. The adoption of an EU framework directive on working *conditions for temporary agency workers* would boost the opportunities offered by the temporary agency sector to reconcile flexibility and security. More attention should be given to the *management of restructuring* notably in the light of enlargement. This should aim at a preventive approach, minimising the potential risks of restructuring for employees, enterprises and the local communities.

In this context, the Employment Taskforce has underlined the need for Member States and Social Partners to:

- Examine, and where necessary, adjust the level of flexibility provided under standard contracts, to ensure their attractiveness for employers and workers;

¹⁴ Standard contracts are defined as contracts of unlimited duration, whether full or part-time.

- Review the role of other forms of contracts with a view to providing more options for employers and employees depending on their needs;
- Ensure there is adequate security for workers under all forms of contracts and prevent the emergence of two tier labour markets;
- Remove obstacles to the setting up and development of temporary work agencies as effective and attractive intermediaries in the labour market, offering improved job opportunities and high employment standards;
- Promote the use of ICT and working time flexibility as tools to modernise work organisation;
- Remove obstacles to, and raise the attractiveness of part-time work for employers and workers;
- Adapt social protection systems to support labour market mobility and facilitate transitions between different status, such as work, training, career breaks or self employment (job-to-job insurance).

3.4 PROMOTE THE DEVELOPMENT OF HUMAN CAPITAL AND LIFELONG LEARNING

Key facts and challenges

The EU faces considerable difficulty in reaching the 2010 target of 85% of 22 year-olds completing upper secondary education. In 2002, 75.5% of 20-24 year olds¹⁵ had completed upper secondary level education, a slight increase from 2001 (75.2%). There are wide disparities between Member States with rates ranging from 43.7% in PT to 91% in UK. Women in general have higher attainment levels than men. Participation in education and training¹⁶ continues to be low, at only 8.5% of the 25-64 year old population (8.4% in 2001). If this rate of progress continues, the EU will not meet the 2010 target of a participation rate of 12.5%. Participation rates are low in several Member States, below 4% in EL, FR and PT and below 6% in ES, IT, IE, and DE. The highest adult participation levels are found in the UK and SE with rates of over 21%. Participation also varies widely by age group and attainment level. Groups most in need are the least likely to receive training. Those aged between 25 and 34 are nearly five times more likely to take part in education and training than those aged between 55 and 64 are. And the low skilled are 4 times less likely to participate in training than the high skilled – reinforcing the skills divide. Women are slightly more prone to participate in training than men are.

For the EU to reach the targets for 2010 demands an impetus in policy reform to ensure lifelong learning opportunities for all. In particular the key challenges are to enhance levels of *basic skills* by giving everyone the right to secondary education, to reduce the number of *people leaving school early*, and to *increase access to training throughout the life-cycle*. Furthermore, Member States together with the social partners need to make *transparent the rights and obligations* in terms of education and training, to define and control quality

¹⁵ Due to the sensitivity of data for 22 year olds the agreed indicator as a proxy to measure this target is the educational attainment levels of 20-24 year olds

¹⁶ Source: Labour Force Survey. For most Member States, LFS participation refers to education and training in the four weeks preceding the survey.

standards of education and training and ensure that there is a sufficient level of investment by employers. It is crucial that, especially given the current economic climate, *investment in human capital by employers* is not allowed to spiral downwards, but instead should increase.

Policy response

Several Member States have pursued considerable efforts to cover different aspects of Lifelong learning, mainly relating to employability, but few outline a coherent and comprehensive lifelong learning system or strategy. Recent reforms in DK, SE, FI, FR aim to make existing systems more flexible and *adapted to individual needs*. BE, DE, AU and FI prioritise the improvement in *the transition for school to work*. In IT, vocational training systems have seen widespread reform through a new apprenticeship system, the creation of Fondi interprofessionali, and the creation of individual training leaves. Further examples point to specific areas of reform, namely *combating illiteracy* (BE, FR, IE, and the UK), *improving basic skills* (DK, DE, IE, PT, UK), and ICT skills (DK, DE, IE, the NL, EL).

Reforms in several Member States aim to deliver a more *demand-led system* through mechanisms to better anticipate skill needs. IE has set up of an expert group on "Future Skill Needs" and the Skills Strategy for England aims to make training provision more closely related to employer needs. Most Member States report on national progress towards the EU wide targets for 2010. Several Member States set national targets that correspond to the EU targets (IE, PT, FR, SE and DK). Others set targets on other aspects of lifelong learning (BE, UK, ES). It is particularly important that Member States who lag well behind set ambitious targets to drive policy.

A few Member States illustrate a commitment to *deliver increased and more efficient investment in human capital*. However, there is little information on levels of investment or ways of encouraging the more efficient investment of these resources. A few targets have been set for increasing investment in human capital, but there is little detail on *strategies to increase private investment* – from the individual or firm. Member States have developed a reasonably wide range of policies in this field but with there is less illustration of a commitment to bringing about the increase called for in the guideline. Several types of policies exist to *encourage employers, and in particular SME's to invest in their workforce*. Approaches include reducing social security contributions for employers who train (ES), tax credits to firms which invest, aid for employers to meet the costs of giving staff paid time off, contractual agreements on training, and compulsory levies.

Social partners are increasingly involved in the design and delivery of adult education and training policies, with increasing evidence of collective or contractual agreements covering training. Efforts to encourage *individuals* to participate and invest in learning have been reinforced in a variety of ways. Some Member States have experimented with broadening lifelong learning participation through *financial incentives*, for example time accounts or individual learning accounts, and payments to compensate for time away from work. However, policies tend to be quite general, and Member States have yet to develop a range of policies that will attract all individuals - from the high to low skilled - to take more responsibility for learning. Many initiatives also target *the recognition and certification of non-formal or workplace learning* to better recognise existing skills, and cut down the length of time needed in training. The important role of ESF in investing in Human Capital could be better reflected.

In this context, the Employment Taskforce has highlighted the importance for Member States to increase investment in human capital. The Taskforce urges Member States and Social Partners to:

Raise levels of Human Capital:

- Give everyone a right of access to secondary education and a minimum level of basic skills;
- Promote access by a larger share of young people to university;
- Increase access to training throughout the life-cycle, with particular attention for the low-skilled and other disadvantaged people;
- Better anticipate future skills' needs, including through a European network of forecasting agencies;
- Member states must set themselves transparent and ambitious targets, to complement those set at European level, for establishing effective lifelong learning systems.

Share costs and responsibilities:

- Make transparent the rights and obligations in terms of education and training for each party;
- Define and control standards to ensure quality of education and training systems, whether provided by public authorities, companies or training specialists;
- Guarantee a sufficient level of investment by employers as well as a fair sharing of costs and benefits between them, through a combination of compulsory and voluntary schemes, such as sectoral or regional training funds, and through other measures such as tax credits and support services.

Facilitate access to lifelong learning:

- Improve the identification of individual needs and access to training. This could be achieved by making training a central element of contractual relationships, improving advice and guidance in creating personal development plans and enhancing the recognition and validation of competences and qualifications;
- Broaden the supply of training by better exploiting new tools that are available such as e-learning;
- Promote networking and partnerships between actors at all levels to foster co-operation and sharing of good practice.

3.5 INCREASE LABOUR SUPPLY AND PROMOTE ACTIVE AGEING

Key facts and challenges

The continued *increase in women's labour participation* in most Member States has partially offset the declining or stagnating participation rate for men. The female activity rate continued to increase, although at a slower pace, to 60.9 % in 2002 (the male activity rate slightly increased to 78.4%). *Participation rates for young people* (15-24) have been stable or falling in most Member States since 1997, and employment rates continue to be low, slightly

reduced in 2002 to 40.6%¹⁷. The *employment rate of older people* increased significantly in some Member States (FR, FI, NL) and at EU level reached 40.1% in 2002, with a significant difference between women and men (30.5% and 50.1%). However, in four Member States (LU, AT, BE, IT) the rate is still below 30%.

The ageing of Europe's population will gradually lead to a *contraction in the labour force*. By 2030 the population of working age could be reduced to 280 million for the EU25 (compared with the current 303 million) implying a significant decline in the volume of employment, even if the 70% target is reached in 2010. This has implications for growth potential and for the sustainability of pensions and benefits. Several Member States are confronted with the challenge of a *growing number of incapacity or sickness benefit claimants* (UK, NL, SE, LU, DK) which create serious inactivity traps, mainly occurring at age above 50.

Considering that the Barcelona Spring Council in 2001 called for an increase by five years of the EU *average exit age from the labour market* by 2010, withdrawal from the labour market continues to take place at relatively early ages in several Member States, although the average exit age has increased from 60.5¹⁸ in 2001 to 61 years in 2002. Without urgent and drastic measures to reverse current trends, there is no chance of getting near, let alone reaching, the European targets for increasing the employment rate of older workers and raising average exit ages from the labour market. The challenge is not only to ensure that a higher share of those currently aged 55-64 stay in work; but also to enhance the employability of those currently in their 40s and 50s.

Policy response

Member States are progressing in developing *comprehensive strategies to increase labour participation*. A few are focusing on all relevant groups, young people, women, older workers and immigrants (SE, DK, FI, UK). Policy efforts in most Member States are now better articulated and recent trends on employment rates for both older workers and women are encouraging. Few Member States report on measures promoting *youth participation* in both education and the labour market (SE, DK, FI, AT), although most Member States are promoting activation for young people under specific guideline 1. *Raising female participation* is a critical part of the ageing challenge, and Member States can not rely on cohort effects alone to meet the targets. Measures focus on childcare and other care facilities (see section 3.6 below).

Economic restructuring, voluntary early retirement schemes and existing disincentives within statutory retirement schemes are still hampering the employment rates of older workers from picking up significantly. A growing number of Member States are implementing national ageing strategies (SE, UK, DK, FI) and some have set national targets to raise the average exit age (FR, FI, PT). Member States apply a range of measures focusing on benefit reforms and more attention is given to improving the working capacity through better access to training and adaptation to working conditions. A strong focus is placed on pension reform, including increases in standard retirement age and discouraging early retirement whilst favouring flexible retirement.

¹⁷ Part of this trend is a result of increased participation

¹⁸ This figure was revised upwards from the original estimate presented in the Employment Guidelines. Figures for 2001 and 2002 remain provisional

Immigration is considered by most Member States as an important source of additional labour supply, but only for professions or sectors encountering recruitment difficulties. Several (BE, DE, ES, IE) aim to simplify the system of work permits and regulations for recruiting immigrants and facilitate immigration from the Accession countries (IE, AT, UK). Most give increased attention on integration policies for migrants currently living in the EU (GL 7) or on alleviating labour shortages and bottlenecks.

Despite progress, employment rates of older workers and women have to improve more rapidly if the agreed EU targets on employment and exit age are to be met. The ageing challenge affects all generations and cannot be tackled successfully in a piecemeal fashion. A significant change in economic incentives, especially more targeted tax-benefits structures, adequate and affordable *childcare facilities* and making *part-time work* financially more attractive to both women and men are essential to stimulate *female participation*. There is a need for stronger and *more decisive commitments by social partners* on labour supply management, especially regarding gender, age and immigration aspects, and on devising and disseminating best practices in both the public and private sector. Enterprises, respecting their corporate social responsibility, need to recognise the benefits of an age diverse workforce and make adjustments to their employment practices to retain experienced workers longer.

The development of a more active and co-ordinated *immigration policy at EU level* is necessary as part of a global approach to increasing labour supply.

In this context, the Employment Taskforce has underlined the need for Member States and Social Partners to define a comprehensive active ageing strategy for workers to retire later and for employers to hire and keep older workers. This includes:

- Providing incentives for workers to retire later and for employers to hire and keep older workers. This includes adjusting tax-benefit mechanisms, employment and pension rules to enhance incentives for older workers to stay longer in employment and to discourage early exits from the labour market. Efforts to discourage early retirement should be pursued in all member States;
- Promoting access to training for all regardless of age and developing lifelong learning strategies, in particular workplace training for older workers, who are under-represented in training;
- Improving the quality of work to provide an attractive, safe and adaptable work environment throughout working life, including the provision of part-time work and career breaks.

3.6 GENDER EQUALITY

Key facts and challenges

The potential of female participation is still largely untapped. In the EU 15, 6.4 million women of working age are not in paid employment, yet would like to work, and 6.6 million are unemployed. In 2002 the employment rate of women increased slightly from 55% to 55.6%, reducing the *employment gender gap* to 17.2 percentage points. The *unemployment gender gap* decreased to 1.8%. The *highest gaps (above 20% in employment and 5% in unemployment)* are in ES, EL and IT. The *gender pay gap* has remained high since 1998 at 16%, with a substantially higher gap in the private sector (21 %) than in the public sector (12%). The *highest overall gaps (above 20%)* are in DE, the UK and the NL. Eight Member

States have pay gaps above 20 pp in the private sector (PT, UK, NL, AT, DE, IE, ES, EL). *Working arrangements* are an important dimension as well. Almost one third of employed women work part-time, compared to less than 5% of employed men. One third of women working part-time do so because of care of children or other dependants. In view of the *impact of parenthood on employment* for women the issue of childcare is of particular importance.

Gender gaps in the labour market should be progressively eliminated, if the European Union is to deliver full employment, increase quality at work and promote social inclusion and cohesion. This requires both a gender mainstreaming approach and specific policy actions to create the conditions for women and men to enter, re-enter, and remain in the labour market. The Barcelona European Council agreed that by 2010 Member States should provide childcare to at least 90% of children between three years old and the mandatory school age and at least 33% of children under three years of age. The underlying factors of the gender gaps in employment, unemployment and pay (for example gender segregation) should be addressed and targets on the reduction of such gaps should be set without calling into question the principle of wage differentiation according to productivity and labour market situation.

Policy response

Employment and unemployment gaps are rarely addressed as such. Member States mainly refer to increased female participation. A further two Member States set *national targets for female employment* (AT and EL), now bringing the total to seven countries. The *link between setting a target and developing a policy programme* is not always clearly made. *Reconciliation policy* is generally seen as the only way to increase women's employment rate and reduce gaps. There is rarely a reference to removing *financial disincentives* related to wages and taxation. PT, EL, FR set *national targets to reduce unemployment gaps or rates for women*. ES and IT, two of the countries with the highest gender gaps in unemployment, do not present any specific initiatives.

The *gender pay gap* appears to be given a higher policy profile including through a more active role of the *social partners* (BE, IE, SE, DK, FI, FR, LU). FR and EL set *national targets* to reduce this gap, others present measures such as greater use of wage statistics, job evaluation systems, tool kits for enterprises and equal pay reviews, which should all have a positive impact. However, *most actions are piece-meal*, especially in countries with highest gaps (DE, PT, AT). Many initiatives are also voluntary with a lack of evaluation of impact. Countries with a high share of women in part-time work (the UK, the NL) have not analysed the implication of this on the gender pay gap. Many Member States link the gender pay gap with *gender segregation*, making it *a more concrete policy priority* than in the past. Apart from the Nordic countries, the UK, IE, NL, FR, AT, DE and BE mention in their NAPs initiatives with differing degrees of ambition (mainly related to educational choice and encouraging women to enter into technology sectors and occupations). Generally, *policy efforts to reduce segregation do not seem sufficient*, especially in view of recent increases in segregation in the majority of Member States. This is a pressing issue for countries with high female employment growth rates such as ES, IE, LU and AT.

Some Member States have improved opportunities to work *part-time*. Some still consider reconciliation a women's issue, whereas others recognise *the role of men* in care and family responsibilities (mainly by encouraging take-up or improving paternity leave schemes). *Childcare* is a policy priority in practically all Member States, even though the approach varies in focus and ambition. Regarding the 2010 *EU childcare target* of 33% coverage for children under 3 years and 90% for those over three up to mandatory school age, only SE, DK

and BE (Flanders) reach the target for the young age group. For children above three the situation improves, but many countries exclude after-school care, which has a decisive role for parents' possibility to take up work. Those countries still facing the *greatest challenges for increasing childcare provision*, especially for 0-3 year old children, are IT, DE (old Länder), AT, LU, the UK, ES, EL, IE and PT. Many Member States set *national targets* for increasing childcare provision (BE, FR, EL, IE, PT, the UK). Policy often lacks a *link between childcare expansion and the needs of the labour market*, and little attention is given to quality and affordability. The potential traps in policies, which reinforce gender roles, like childcare allowance schemes or home care subsidies, do not seem to attract attention. *Care of other dependants* generally lacks concrete initiatives.

Gender mainstreaming continues to be weak and non-systematic (SE an exception), lacking gender impact assessment of existing systems and new policy proposals (except IE). The provision of gender desegregated statistics and the development of institutional mechanisms or tools for gender mainstreaming is given less profile in the 2003 NAPs.

Substantial efforts are thus needed to keep up momentum towards the 2010 Lisbon female employment rate target of 60% by reinforcing gender mainstreaming in the guidelines, with special attention to taxation and wages policies, and to the introduction of more family-friendly working time arrangements in those countries with low levels of female employment. Priority should be given to *expand childcare services*, especially for children 0-3 years old.

Noting that tapping the potential of female participation is both an issue of gender equality and a matter of economic effectiveness, the Taskforce urges Member States and Social Partners to:

- Remove financial disincentives to the participation of women, notably in relation to wages and taxation, including gender pay gaps;
- Increase the availability, affordability and quality of childcare and eldercare;
- Improve working arrangements, with measures to boost the attractiveness of part-time work and facilitate career breaks and flexible working;
- Tailor measures to the specific needs of disadvantaged women.

3.7 PROMOTE THE INTEGRATION OF AND COMBAT THE DISCRIMINATION AGAINST PEOPLE AT A DISADVANTAGE IN THE LABOUR MARKET

Key facts and challenges

The labour market situation of *people facing particular difficulties* continues to be much *more unfavourable* than the rest of the population. For several years definitions of disadvantaged people have varied between Member States due to the absence of an EU definition. Most cited groups of disadvantaged people are disabled people, migrants and ethnic minorities and (to a lesser extent) early school leavers and the low skilled. The situation of female disadvantaged people is often worse than of males. The *unemployment gap between EU and non-EU nationals remains stable at the high level of 7.7%* in 2002. Only FI displays an important reduction (by 8.3 percentage points compared to 2001), whereas in DK and BE the gap increased by 1.6 and 6.2 percentage points respectively. For the low skilled, young people, older workers, and disabled people, there remains an important challenge to increase labour market participation.

The EU average for early school leavers at 18.8 % in 2002¹⁹, represents a slight improvement on 2001 (19.4 %), still falling far short of the EU 10% target. The rate is particularly high in PT (45,5%), ES (29%) and IT (24,2%).

The integration of *immigrants and disabled people*, remains a key challenge in most Member States. This extends to *other persons at risk* such as low skilled, social benefit recipients or lone parents.

Policy response

Most Member States present policies to reduce the numbers of *early school leavers*. Measures range from increased co-operation between schools and companies (DE and NL) to more adapted pedagogy and increased personalised guidance of pupils in LU and FR. Most frequent policies to improve the labour market situation of *people with disabilities* are activation policies such as personalised support, increased participation in education and vocational training, improved legislation to promote integration of disabled, and tax incentives.

The majority of Member States continue to implement measures to support the integration of *migrants and ethnic minorities* such as literacy programmes, language courses, diversity plans to increase recruitment of migrants, training and vocational guidance, often funded through ESF programmes. Several Member States explicitly refer to the transposition of the two Article 13 Directives or point out additional measures such as awareness campaigns to tackle discrimination. Some also make the link between increased participation of immigrants as part of the solution to ageing and boosting labour supply (GL 5) and in relation to alleviating specific bottleneck professions (GL3). Only few Member States (NL, IE, DK, FI, SE) have set national targets for improving the labour market position of non EU-nationals or ethnic minorities. Also for other disadvantaged people such as people with disabilities or lone parents, not many Member States (NL, IE, PT, SE, UK) indicate measurable targets. Some of these targets refer to labour market outcome such as the UK target of an employment rate of 70% for lone parents whereas other targets aim to improve a specific situation as for the example the increase of participation to 95% of travellers in education in Ireland.

Employers should also be more involved in achieving the objective of increased participation of disadvantaged people, notably by using to the full *the potential of diversity* in the management of their human resources and by adjustments to the workplace and the introduction of flexible working patterns.

In this context, the Employment Taskforce has underlined the need for Member States and Social Partners to:

- Cut the number of young people who drop out of school early and give everyone a right of access to secondary education and a minimum level of basic skills;
- Build effective pathways to work and training for young people, including through personalised advice and guidance, and developing tailor-made programmes addressing the specific needs of people with disabilities;

¹⁹ Percentage of 18-24 year olds have achieved lower secondary education or less and not attending further education or training.

- Pursue a multidimensional integration policy for migrants and non-EU nationals which facilitate participation in education and training, combat workplace discrimination, address the specific needs of immigrant women, promote business creation by immigrants and improve recognition of qualifications and competences acquired abroad.

3.8 MAKE WORK PAY THROUGH INCENTIVES TO ENHANCE WORK ATTRACTIVENESS

Key facts and challenges

There still exist financial disincentives for people to enter, remain and progress in the labour market. Recent findings on the extent of *unemployment traps* reveal marginal rates of taxation exceeding 85% in several Member States, against 70% in the US²⁰. The declining trend in *the tax rate on low wage earners in the EU-15* seems to have stalled with the tax rate stabilising at 37.8% in 2002. The implicit tax rate on employed labour continued its declining trend to 36.4% in 2002 expected to stabilise in 2003. However *non-wage labour costs* remains high in several Member States with a potentially negative impact on job opportunities and incentives. The high proportion of *working poor* remains a matter of concern in some Member States (PT, LU, ES, IT). *Incapacity traps* - i.e. disincentives for people on long-term sickness or invalidity to move into work - continue to be present in NL, UK, SE, LU.

In order to raise labour force participation and to promote inclusive labour markets, it is essential to reduce remaining unemployment, inactivity and poverty traps. The Employment Guidelines call on Member States to review and, where appropriate reform to this effect their tax and benefit systems, including benefit duration and management, whilst preserving an adequate level of social protection. In particular, policies should aim at achieving a significant reduction in high marginal effective tax rates by 2010, and where appropriate, in the tax burden on low paid workers, reflecting national conditions.

Policy response

An increasing number of Member States are pursuing reforms to make work pay by addressing the combined impact of taxes and benefits (BE, FR, DK, DE, NL, SE, UK, ES). *Reforms largely focus on reducing taxes* and social contributions and introducing in-work benefits, reforms to incentives inherent in benefit systems have been less comprehensive. Such *in-work benefit schemes* or employment related premiums have been introduced or are planned by a growing number of Member States (BE, FR, NL, UK, IE), addressing at the same time the need to increase incentives to work and the issue of *the working poor*.

Several Member States need to tackle the disincentives to take up a low paid job by the inactive, mainly due to the loss of income dependent benefits combined with non-financial barriers to participation (such as insufficient access to training, lack of career prospects, difficulties to reconcile to work and family life, lack of childcare and other care facilities). Progress in effectively linking out-of-work benefits to activation measures is insufficient in many Member States.

²⁰ OECD calculations for a single person earning 67% of the average production worker's wage in 2001 and 2002. Calculations take into account the combined effects of tax and benefits on the income of a person moving from unemployment to work.

Some Member States have tightened qualifying *conditions for the eligibility or duration of benefits* (DE, NL, SE, DK, BE). Despite progress there is still a widespread resort to *early retirement schemes*. Benefit, tax and pension reforms in some Member States encourage older workers to remain longer in work (ES, AT, SE, FI, DE, IE), but further reform is needed, particularly in Member States with low employment rates.

Many Member States continue to pursue efforts to reduce *non wage labour costs*, especially for low wage earners and the low skilled, by focusing on employer's social contributions (BE, FR, NL, LU, ES, EL) accounting for the biggest share of the labour tax burden. Others have announced further reforms over 2004-2007 (FI, AT, DK) while IE focused on a reduction in employees' social security contributions. A few address targeted tax reductions for women/lone parents to remain into reintegrate the labour market after an interruption (EL, ES, IE, FI), disabled people and (young/old) unemployed (EL) or taking up part-time jobs (FR). Information is lacking as regards gender segregation in tax-benefit systems particularly in relation to poverty risk or social exclusion. Family based taxation, where applicable, remains an important disincentive especially for women (DE).

The complex nature of unemployment, inactivity and poverty traps underlines the need for an integrated approach to make work pay covering both financial and non-financial work incentives including those aspects relating to quality of work. Progress also needs to be achieved in the *measurement of such traps*. Effective implementation of tax-benefit reforms rests upon further improving *enforcement of eligibility criteria and strengthening benefit management*. Decisive efforts are needed by some Member States (NL, UK, SE, LU) to *reduce incapacity traps* not only through reviewing tax-benefits systems and eligibility criteria but also by improving beneficiaries' workability. Possibilities of substitution between unemployment and other out-of-work benefits such as early retirement and incapacity benefits should be eliminated. Reforms in tax-benefit systems need to be *linked to minimum wage setting* to ensure adequate level of earnings to make the acceptance of work more attractive to low skilled unemployed and inactive.

In this context, and with a view to ending unemployment, inactivity and low-pay traps by adjusting the balance between tax and benefits, the Employment Taskforce has underlined the need for Member States to:

- Supplement low wages, where necessary, through the use of in-work benefits, as an incentive for workers to accept low-paid jobs, while maintaining wages at a level reflecting productivity,
- ensure that income-dependent benefits (such as family or housing allowances) fulfil their role of alleviating poverty without constituting a disincentive to take up a job,
- move from family-based income taxation systems to taxation systems based on individual income,
- make part-time work financially more attractive for parents or lone parents wishing to combine family with working life, and older workers wishing to combine gradual retirement with part-time work.

3.9 TRANSFORM UNDECLARED WORK INTO REGULAR EMPLOYMENT

Key facts and challenges

Undeclared work is an issue covered under a specific guideline for the first time. Estimates on the extent of undeclared work range according to national figures from 1.5% of GDP in UK to some 14,6% in IT²¹, but many Member States do not give estimates. Moreover, national data are based on different sources and makes cross-country comparisons very difficult.

The difficulty Member States face in measuring the extent of undeclared work is the complex nature of the problem. Undeclared work affects the quality of work of those concerned, social cohesion, the overall business environment, The Employment Guidelines therefore call for a comprehensive approach, combining the simplification of the business environment, reforms in tax and benefit systems, improved law enforcement, the application of sanctions and efforts to measure the extent of the problem and the progress achieved.

Policy response

The NAPs confirm the generally increased priority given by Member States to the issue of undeclared work, and progress towards the implementation of comprehensive policy approaches. Policy should rely on a mix of preventative actions and, sanctions²². Only a few Member States have plans to improve the knowledge of the phenomenon and its extent (FR, and PT). A number of measures are taken by Member States in the fields of *simplification of administrative procedures for businesses and for the registration of employment and social security contributions* which reduces the cost of compliance to the law and contribute to better quality employment data (BE, EL, FR, ES). To enhance work attractiveness several Member States report on *tax related measures to prevent undeclared work and make work pay* in the formal economy. These include measures to increase incentives for declaring household services (NL, BE, DE, FI and SE), increasing the threshold for non-taxable employment (BE and DE), or higher thresholds for VAT-registration (DK and FI) (see also Guideline 8).

Furthering the *co-ordination between relevant authorities* is a priority in several Member States for improved control of the declaration of work, including through the exchange of data. Special interdisciplinary teams have been set up in the UK and are planned in AT. In Italy, the Committee and Commissions for the surfacing of undeclared work, fosters the cooperation between relevant bodies and partners at national and local level. In a few Member States (BE, FR, IT and PT), *co-operation with the social partners* is an integrated part of their strategy to transform undeclared work to regular employment. *Public awareness raising campaigns* about the negative consequences of undeclared work are put in place in some Member States by way of a preventative instrument.

Several Member States (EL, BE, SE, IT, AT, NL, PT, FI and FR) take special measures directed at *foreign workers or illegal immigrants*. Emphasis is placed on illegal immigrants and includes improvements to the registration process of immigrant workers and increased sanctions for employers hiring workers without work permits. Measures aimed at integrating foreign workers legally residing in Member States concentrate on better information on labour

²¹ The proportion of undeclared jobs compared to the total number of jobs (regular and non-regular) in Italy.

²² Confirmed by the Council resolution on transforming undeclared work into regular work (OJ C 260 of 29.10.2003).

market rights and increased control of working conditions (FI). *Several Member States take targeted actions in sectors where undeclared work is most prominent.* Such measures build both on a preventive approach such as incentives for the declaration of household services, and increased control. In DE and FR, the contractors' obligation for the conformity of sub-contractors of their declaration of employment is being clarified.

In this context the Employment Taskforce urges Member States to strengthen efforts to transform undeclared work into regular employment, in particular by addressing disincentives in tax and benefit systems for moving from undeclared work to regular work.

3.10 ADDRESS REGIONAL EMPLOYMENT DISPARITIES

Key facts and challenges

Regional employment and unemployment disparities are decreasing in most Member States, but still remain significant. Disparities in unemployment are more pronounced than in employment. The biggest unemployment disparities are found in IT, ES and BE. For employment they are found in IT, FR and ES. The least positive developments can be observed for IT, D and BE, whereas in FI, the UK, IE and FR, although levels of disparities are high, improvements can be noted.

Employment and unemployment disparities between regions in the European Union remain large and will increase after enlargement. Research confirms that there is a strong correlation between investment in human capital and economic performance at national and regional level, which makes such investment an important tool of regional cohesion policy. Disparities need to be tackled through a broad approach involving actors at all levels in order to support economic and social cohesion, making use of the Community Structural Funds.

Policy response

All Member States implement some form of regional and/or local employment policy for combating these disparities, often underpinned by Structural Fund Programmes. However, insufficient information is available in the NAPs for assessing the extent to which Member States develop and implement policies aimed at reducing regional employment and unemployment disparities. Some Member States have set targets for the reduction of disparities (EL, FR, UK). In general, disparities are seen as the result of inadequate economic development and supportive infrastructure, while the human capital dimension is rarely seen as a major underlying factor. Strategies to stimulate regional economic development are underpinned by public services for enterprises, business creation and investment support programmes. This approach is clearly the focus in the case of IE. Other Member States (DK, EL) favour the development of infrastructure. Some Member States aim at developing growth centres from which a spill over to surrounding areas is expected (IE, PT). The employment impact of such initiatives, however, is rarely assessed.

Regional employment policies focus on mobility and skills development. Schemes for promoting mobility have been put in place in many of the Member States, for both employed and unemployed. Skills development can affect education policies, for example in SE where parts of education policy focuses on regional imbalances (the setting up of learning centres, guidance, co-operation with business). In general, Member States indicate that they allocate important resources in supporting employment creation at regional and local level. For some Member States the demographic development is impacting on regional disparities and influencing employment policies (FI, PT).

The social economy is mostly given a place in the context of social inclusion policies. LU plans legislation on the social economy aiming to increase the transparency of funding and effectiveness. In BE the regions have specific programmes supporting the social economy with an intention to establish a legal framework for co-operatives. Only BE and PT report on Regional Action Plans for Employment, whereas Local Action Plans remain firmly on the agenda. The involvement of the social partners has been strengthened in this context (DE, ES, AU, BE, DK, IT, PT, FR and UK).

The reduction of disparities requires a balanced mix of economic and human capital development, raising productivity levels through investment in human capital needs to be given a higher priority, particularly in the most disadvantaged regions. The imminent *enlargement* will increase regional disparities and call for a sharper focus on this. The capacity of actors at sub-national levels to develop and implement employment strategies should be promoted and supported by the Member States.

The EU mobilises considerable financial resources, especially to promote the development and structural adjustment of member States and regions that are lagging behind. In this context the Taskforce notes that the improved use of the EU budget is an important financial lever to implement the European Employment Strategy.

4. GOOD GOVERNANCE AND PARTNERSHIP IN THE IMPLEMENTATION OF THE EMPLOYMENT GUIDELINES

Key facts and challenges

The success of employment policies largely depends on the quality of their implementation. This is why the Employment Guidelines put particular emphasis on better governance for employment, calling for the stronger involvement of parliamentary bodies, social partners and other relevant actors, effective and efficient delivery systems, and the adequate allocation of financial resources.

Policy response

The 2003 NAPs are generally well developed baseline documents with a medium-term orientation covering the first three-year reporting cycle of the revised EES. They provide a broad range of information on national employment policy approaches and ambitions, often underpinned by targets in a variety of areas (employment rates, accidents at work, poverty, prevention and activation, regional disparities, lifelong learning, female employment, childcare provision, non EU-nationals, enterprises, human capital, exit age).

The NAPs rarely constitute the central instrument for discussing and defining national priorities in the field of employment at national level. In particular, the *involvement of parliamentary bodies remains weak*. Some Member States report that NAPs have been sent to parliaments (ES, IE); other engage in ad hoc discussion with parliaments (FI, DK); others still have developed a practice of more continuous information (LU, SW, PT). The NAPs are generally addressed to parliamentary committees (mostly labour and social affairs) rather than plenary sessions and parliaments rarely have a decisive role in the adoption process.

Regional, and (in some cases) local authorities are important partners for national governments in developing and implementing employment policies. Involvement of the regional level in the NAP process is fairly developed in some Member States. Timely information and consultation are partly the result of constitutional frameworks (AU, BE, ES),

but emerge elsewhere from intensified co-operation. In some cases, local and regional levels of policy and administration actively seek closer involvement. Increasingly multi-layered systems of participation and joint implementation of policies sometimes entail the need for intensified co-ordination (BE, UK).

Firmly established and reliable institutional frameworks allow wider scope for social dialogue. The involvement of the social partners in developing the NAPs is progressing, and their contributions to implementation are better presented and reported. Participation has either developed within an established institutional set up or has focussed on specific action (FR, IE, EL, PT). European level social partner involvement has been strengthened by the adoption of their joint work programme 2003-2005 and the institutionalised social summit for growth and employment, which regularly meets on the eve of the Spring European Council.

The discussion within the NAPs on implementation and operational services is partial and concentrates on active labour market policies and Public Employment Services. Other delivery services such as education and training and social services are rarely discussed. The strong focus on the PES indirectly deals with sub-national authorities, to the extent to which PES de-centralisation process leads to new or changing relationships with local authorities. Sometimes this is the result of legal changes. Modernisation of PES is progressing. One of its many features is a move towards increased collaboration with the private sector/partners and in particular temporary agencies (the NL, DE, UK). Several Member States by restructuring the PES to deliver to a more differentiated client service from both the demand and supply side (DE, BE, NL, FI, IE, DK). *Enhanced customer orientation facilitated by new ICT tools has helped change the focus of PES from a back office to a public office/self-service orientation.*

Increased effectiveness of delivery is an objective shared by all Member States. However, while evaluation mechanisms are described to a certain degree, more information on outcomes and practical examples would have been welcome. Improved evaluation is sometimes mentioned in a general sense, for example the review foreseen of the effectiveness of local authority labour market instruments in the NL. The less favourable economic climate has impacted on PES performance because of the time lag between recognition of the need for increased resources and delivery. This has proven a problem in previous periods of rapid increases in unemployment. Increased resources are not consistently reflected in the NAPs. Notable exceptions include ES, FI and DE, where either more staff are recruited or reallocated.

The budgetary provisions for underpinning Member States' employment policies affect a variety of budget lines. Although budgetary constraints are experienced almost everywhere, ALMP expenditure actually increased in some Member States, such as in BE (above 4%) and FI (more than 5%), and particularly in AT with an impressive 17.0% increase in 2002 after 18.5% in 2001. Few Member States illustrate how they ensure transparency and cost-effectiveness in the allocation of financial resources to the implementation of the Employment Guidelines. Reporting tends to be tilted towards the ESF. Only a few Member States have so far undertaken to match ESF expenditure with the new structure of the guidelines (BE, FR and PT). Several Member States indicate a growing importance of ESF operations and administration for the voluntary and community sector (UK, EL). In others, a new focus of the ESF is emerging; this is most pronounced in DK, where it is now considered as a business and industry tool. The mid-term review of the Structural Funds programmes, soon to be concluded, will provide further information on how the ESF supported the implementation of the Employment Guidelines so far.

In this context the Employment Taskforce has underlined the need to improve governance for employment policies.

Member States should reaffirm their commitment to the employment objectives they have set together at European level by:

- Building reform partnerships for employment between all stakeholders;
- Formulating clear national policies with targets reflecting those agreed at EU level, in particular for the employment rate targets, the effective exit age from the labour market and the EU benchmarks for education and training; and where appropriate, redirection of spending and greater efficiency in the use of public funds;
- Using the NAPs as central policy planning and monitoring documents reflecting the broad spectrum of policies required and mobilising all key actors for reform: NAPs need increased political legitimacy involving national parliaments and consulting social partners and civil society should become the norm throughout the EU. A stronger role of national parliaments could also serve the objective of better integrating the NAPs in annual budgetary cycles;

In countries where competences for employment policy is shared between national, regional and local authorities, the relationship between the different levels might, where appropriate, be structured on the basis of an open method of coordination.

EU level instruments should be used more effectively as a lever by:

- Strengthening the role of EU country specific recommendations;
- Targeting more closely EU funds to address the Lisbon agenda and the employment objectives and targets in particular;
- Encouraging strong commitment from the European social partners;
- Reinforcing dissemination and mutual learning through exchange of experiences.

5. ASSESSMENT OF PERFORMANCES AND POLICIES OF THE MEMBER STATES

The following country sections review, for each Member State, the following topics:

- key economic and employment performances,
- the main characteristics of the employment policy mix as reported in particular in the 2003 National Action Plans for employment,
- major aspects of governance in the employment policy field,
- The response to the Council recommendations of July 2003 and key challenges ahead.

In considering key challenges ahead, the report also takes into account areas covered by the Employment Taskforce, most notably its country specific messages.

BELGIUM

Economic and labour market context: The Belgian economy has been sluggish throughout 2002 and into 2003, with 0.7% GDP growth in 2002 and an expected growth below 1% in 2003. Total employment decreased in 2002 and a further decline is expected for 2003. The overall employment rate stagnated at a low 59.9% in 2002. The employment rate for older people is still by far the lowest of the EU. Unemployment rose faster than on average in the EU to 7.3% in 2002 and a forecasted 8.2% in 2003. Long-term unemployment (LTU) represents almost half of total unemployment. Longstanding regional employment disparities persist and the tax and non-tax burden on labour is still high.

Employment policy developments: Belgium pursues a balanced and strategic approach towards the different objectives and guidelines and identified targets in many policy fields. The creation of 200.000 new jobs towards 2007 has been set as a key target, which would raise the overall employment rate to 65%. Measures, which were agreed at the Employment Conference held in September 2003, are intended to directly generate 60.000 new jobs; the remaining part should come from future economic growth. Further labour cost reduction is the centrepiece of the employment strategy, in combination with strengthened active labour market policies. Administrative simplifications are introduced in order to promote entrepreneurship. Active ageing is promoted through targeted measures but more in-depth reform might be necessary. Quality in work is addressed under its different dimensions with a good balance between flexibility and security. In spite of recent efforts, participation in education and training is stagnating.

Governance: The predominant position of employment in the government's priorities has increased awareness of the EES. Regional authorities and social partners have been actively involved in the elaboration of the NAP, and participated recently in the Employment Conference in order to underpin the national employment strategy. The ongoing reorganisation of public employment services should allow a better clarification of their mission. Important additional budgets have been allocated to the employment strategy, but budgets for vocational training remain proportionally low. The ESF contribution is mainly directed to preventive measures, life long learning and social inclusion actions.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. The *preventive approach* has been intensified and further efforts are announced, but their impact needs to be established. In this context, there is a need for a more proactive approach towards restructuring of enterprises and for addressing the situation of disadvantaged young people and of immigrants. Although inflows into LTU have been reduced they remain important and long-term unemployment has risen. Labour cost reductions, local employment systems and other activation policies should raise *employment rates*, but the targeted 200.000 new jobs are only partially covered by agreed measures. While many measures have been taken to promote *active ageing*, no target is set and incentives for early withdrawal subsist. The tax reform is implemented according to plan, and additional cuts of social security contributions have been decided. New measures are proposed to tackle remaining *unemployment traps*, but the benefit system remains essentially unchanged. Initiatives to improve the monitoring of unemployed people on their availability for the labour market have not yet materialised. Actions for local development should reduce *regional employment disparities*, but are focused on activities with low productivity. Some measures have been taken to increase labour mobility, and co-operation agreements will be concluded in order to tackle regional barriers between employment services. In addition, there is a need to strengthen incentives for *lifelong learning*.

DENMARK

Economic and labour market context: During the last year the Danish economy has shown clear signs of a slowdown in economic activity after a seven year period of strong economic growth. Real GDP growth in 2003 is expected at 0.8%, down from 2.1% in 2002, while growth in productivity is amongst the highest in EU. Both labour force and total employment have dropped significantly since 2001. Unemployment, expected at 5.5% in 2003, has risen sharply since a 25-year low was recorded in early 2002, particularly hitting graduates and worsening the long-term unemployment. Participation and activation rates in Denmark are among the highest in the EU and Denmark has already achieved all the Lisbon quantitative employment targets.

Employment policy developments: The political agenda remains focused on the long-term challenges to Danish society, such as the ageing population, potential shortages of labour and the under-representation of ethnic minorities in the labour market. The challenges to reverse the downward trend in employment and the labour force are major. To maintain the present level of taxes and social services and to balance the effects of the ageing population by 2010, the Danish authorities estimate that employment should grow by 59,000. The Government's strategy for full employment is based on a supply-side approach, with an enhanced focus on job search assistance for the unemployed. For this approach to succeed it is crucial that global economic activity improves and that the private sector recruits a large share of graduates previously recruited by the state. The Government has continued the reforms on integration of ethnic minorities following a limited success in this area in recent years. The integration strategy is seen as having two purposes: exploiting the workforce potential of this group, and improving their integration in the Danish society.

Governance: In general DK has well established structures for governance thanks to a unique tradition for involving social partners in labour market issues. Despite this, a number of issues need to be further addressed. One of the operational challenges will be to assure a more equal treatment of the unemployed between those covered by the unemployment insurance (falling under the responsibility of the PES system) and those covered by social assistance (managed by the municipalities). There is a need to reinforce the involvement of the regions and local levels in the implementation of the national employment strategy and to involve local councils more in the definition and implementation of this strategy.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address most of the Council's Employment Recommendations. On *labour supply*, a serious assessment of the challenges and identification of necessary policy response has been achieved. However the issue of bottlenecks is insufficiently addressed, with the exception of local initiatives taken in the education and health care sectors. Given that the problem is expected to become severe in the future, this response might turn out to be insufficient and call for more comprehensive and co-ordinated action. An adequate response has been given to the recommendation on *people at a disadvantage*. Reforms have been passed which build on both financial incentives to take up work as well as further measures to encourage immigrants to integrate better in the Danish society. It remains to be seen whether reductions in allowances for immigrants combined with the increased activation measures will actually lead to increased labour market participation. The response to the recommendation on *making work pay* has been a new tax package, which implies a gradual but moderate reduction in tax paid on labour between 2004 and 2007. The real effects of this reform need to be further monitored in the years ahead. In addition, efforts should be made to reverse recent year's negative trend in the participation to continued vocational training (CVT).

GERMANY

Economic and Labour Market Context: In 2002, real GDP grew by 0.2% and is expected to remain unchanged in 2003. Real unit labour costs decreased by 0.8% in 2002 and are expected to decrease further by 0.9% in 2003. Employment growth in 2002 was negative by -0.6%, with an overall employment rate at 65.3%. In 2003, employment is expected to decline further by about 1.5%. The employment rate for women was stable at 58.8% and the employment rate of older workers rose to 38.4%, but remains at the level of 1997. The unemployment rate has increased to 8.6% in 2002 and is expected to increase further to 9.4% in 2003. Long-term unemployment increased to 4.0% in 2002. Unemployment was more than twice as high in the East than in the West.

Employment policy developments: Whereas Germany confirms its commitment towards contributing to the Lisbon employment targets, there is no specific employment target set. The NAP does not explicitly establish the link between the three overarching objectives. The Job-AQTIV-law, the four laws on the promotion of employment and reform of the financial support for the unemployed (Hartz I-IV) aiming at improving ALMP and job placement services, and the wider "Agenda 2010" constitute a strengthened response to the main labour market challenges. Significantly, there is a commitment to offer every unemployed person between 15 and 25 years of age a job or qualification measure whilst at the same time limiting the entitlement to unemployment benefits to 12 months (18 months for those over 55 years old). Job creation will be fostered through favourable tax rates and social security contributions for "mini-jobs". Most of these reforms have only recently been implemented. Consequently, an assessment of the impact of the new legislation can only be preliminary.

Governance: Co-operation between the federal state, the Länder, the municipalities and the social partners is crucial. However, the visibility of the EES remains rather low. Steps need to be taken to ensure that the new system of governance of ALMP does not lead to a creaming of the unemployed and an exclusion of disadvantaged groups. In 2002, the contribution of the ESF to the implementation of the EES amounted to € 1.646 billions. The NAP highlights the role of the ESF in particular on the GL 1, 3, 6 and 7.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. Efforts to improve the *efficiency of ALMP* continue and the creation of job centres is a major positive step. However, the Job-AQTIV law has had no immediate impact. Since the reduction of regional imbalances depends on the creation of new jobs by firms, it is concerning that business start-ups in East Germany fell below the level in Western Länder. *Reform of employment protection is progressing*, and changes are intended for small firms and relaxed access to professions. It remains to be seen how the recommendations of the expert group on financing *lifelong learning* will be implemented. As regards *gender equality*, childcare provision for children less than 3 years remains well below the EU-target of 33%, especially in the Western Länder, and the gender pay gap remains high. Finally, as regards *making work pay*, splitting income taxation between couples has provided disincentives to work, particularly for women. In contrast, incentives to work have been improved for older workers and for workers at the lower end of the wage scale. In addition to the above challenges, consideration should be given to the simplification of *the business framework*; *comprehensive active ageing* strategies need to be put into place, and *integration of immigrants* has to be strengthened.

GREECE

Economic and labour market context: Real GDP growth accelerated in 2002 to 3.8%, well ahead of the EU average of 1.1%, and continued to grow in 2003 by 4.1%. Growth is projected to remain strong in 2004, but to slow down in 2005. Labour productivity grew in 2001 and 2002 by over 4%, well above the EU average. In contrast, the overall employment rate in 2002 was far below the EU average (56.7% compared to 64.3%), especially for women (42.5%). It is estimated to rise by 1% in 2003, and to grow at a slower rate in 2004 and 2005. Older workers employment rate was very close to EU average in 2002 at 39.7%. The unemployment rate at 10%, although clearly declining in 2002, remains above the EU average (7.7%). It is estimated to drop to 9.5% in 2003, and fall further to 9.0% in 2005. The unemployment rate is particularly high for women (15% in 2002) and youth (9.6%). Adult participation in learning is comparatively low (1.2% of the working-age population compared with the EU average of 8.5%).

Employment policy developments: Raising participation and employment – notably of women and young people, reducing the high level of unemployment and strengthening social cohesion and inclusion are amongst the main objectives of the Greek government. An ambitious target of creating 300,000 jobs has been set and the government plans to create 25,000 part time jobs in the public sector in 2003. The NAP puts high priority on the improvement of equal opportunities, health and safety at work, and participation of adults in education and training. Effectiveness and efficiency of ALMPs should be increased, notably through a major reform of measures and programs of the PES (OAED), in consultation with the social partners. Further incentives to make work pay should be provided in tax and pension systems, to encourage increased employment in the formal economy.

Governance: The Greek government has actively pursued close collaboration with the Social Partners and they are now represented in the National Employment Committee, thus taking an active part in the planning and implementation of the NAP. Local and regional authorities are also represented in the Committee, and links have been made with respect to NAP inclusion. Further efforts should be made to involve social partners more intensely in the planning and assessment of activities. ESF provides a substantial contribution to the implementation of the NAP, notably in the field of education, training and gender equality.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. In the context of adaptability, new measures promoting *part-time employment* are foreseen, but the recent labour market reform package has had only limited impact and is currently under review. Diversity in working arrangements should be encouraged, notably by making part-time or temporary agency work more attractive for companies and workers. Measures to promote *lifelong learning* go in the right direction but more effort is needed to co-ordinate education, training and employment systems and to increase participation in lifelong learning, especially for adults. Progress towards *gender equality* is evident, but high employment and unemployment gaps remain. Greece has taken a number of measures designed to enhance female employability and to reconcile work and family life, although the NAP does not report on progress since 2002, making it difficult to assess the effectiveness of policies. Challenge remains to achieve the targets on childcare. As regards *activation* a shift from passive policies to active policies is planned, while measures to reduce social security contributions have had only a limited impact to date. More attention needs to be focused on stimulating labour supply and making work pay. Although steps have been taken to speed-up the *reform of the PES* and to apply uniformly the preventative and individualised approach, the reform should be further pursued. In addition, the *administrative burden on business* should be reduced to foster job creation.

SPAIN

Economic and Labour market context: In spite of the international context, the Spanish economy performed well in 2002 and the first part of 2003, with GDP growing at a quicker pace than the EU (2 % in 2002 and 2.3% forecast in 2003). Employment growth remains strong (1.5% in 2002 and 1.7 expected in 2003). The employment rate increased in 2002 to 58.4%, but unemployment rate also increased to 11.3% (forecast for 2003). In both cases the increases were greater for women. Significant gender gaps persist together with a tendency to increased gender segregation in occupations and sectors. The employment rate for older workers also increased by 0.5 percentage points to 39.7%. *Fixed-term* hiring remains high and explains partly the low participation in training. On the contrary, *part-time work* is underrepresented.

Employment policy developments: In general terms, the measures presented are a continuation of existing policy. Job creation and labour market participation are a major objective, notably pursued through measures to make work pay and improve quality at work and productivity. Despite the low employment rate, no national targets have been set. Reducing fixed term contracts and increasing the participation of women and older workers is actively stimulated. Strengthening social cohesion and inclusion is addressed through focusing active measures on groups and regions with particular difficulties. Although there has been a strengthening of measures for the participation of older workers, the approach is essentially based on financial incentives. Better provision of childcare facilities is needed to support female participation. To reduce regional disparities, measures are taken to increase geographical mobility, but the functioning of the housing market remains an obstacle. The integration of the increasing number of immigrant workers needs further attention.

Governance: The employment policy involves both autonomous communities and local municipalities. This results in a complex process of co-ordination, in which the definitive completion of the information system is a key challenge. A wide range of partners have been consulted during the preparation of the NAP, but a more systematic follow-up and elaboration process has been requested. The NAP provides detailed budgetary information for each of the guidelines. The overall budget was increased in 2003 by 9.5% compared with 2002. Although the ESF contribution has been highlighted, no analysis is presented about the concentration of resources and results.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. Action to *Address change and promote adaptability* relies heavily on agreements between public administration and the social partners and on incentives to promote stable hiring. Notwithstanding the great efforts of the last few years, progress in reducing levels of fixed term work is very limited. Diversity in working arrangements should be encouraged, notably by making part-time or temporary agency work more attractive for companies and workers. *Gender equality* has been addressed through continuation of measures implemented in previous years and an important increase in budgetary resources. Provision of childcare for children under three is expected to improve significantly but out-of-school care for children over three and other dependants' care have not been addressed in the NAP. *Regional disparities* in employment and unemployment rates have been reduced slightly in 2002 however, there is limited evidence of new instruments being introduced to further address this issue. *Modernisation of the public employment services* has registered some. However, the completion of the statistical monitoring system, announced in the 2001 NAP, has not been achieved. In addition, access to active labour market policies should be widened for disadvantaged persons (in particular young and immigrants) and access to training improved through incentives.

FRANCE

Economic and labour market context: The economy and labour market performance deteriorated substantially over the 2002-2003 period. Economic growth fell to 1.2% of GDP in 2002 and is forecasted to fall to 0.1% in 2003. The labour market adjustment to the prolonged downturn resulted in sharply moderated employment growth (0.7%) in 2002 and negative employment growth (-0.2% forecasted) in 2003. In parallel, unemployment rose by 0.3% to 8.8% in 2002 and is forecasted to rise to 9.4% in 2003. Although the employment rate stands at 63% (2002), it remains heavily concentrated in the 25-54 year age group (79.5%) as opposed to the 15-24 year age group (30.1%) or the 55-64 age group (34.8%). Participation in education and training, at 2.7%, remains substantially below the 8.5% EU average.

Employment policy developments: The French NAP sets out quite well balanced approach towards increasing the employment rate, quality and productivity at work and social inclusion, based on targets for the government's remaining term of office (2003-2006). It contains several policy orientations which, although dependent upon economic growth, will improve the balance of the policy mix. Key policy orientations relate to more generalised reductions in social security charges for enterprises, the encouragement of labour market participation through increased financial attractiveness and activation policies for the unemployed and inactive, and increased efforts to accompany change and investment in human resources. The role of the social partners in delivering several reforms, notably in the area of lifelong learning, gender equality, benefit reform and the modernisation of work organisation will be enhanced. Active ageing strategies will be reinforced, leading on from the recent pension reform.

Governance: Improving governance of employment policy is part of wider institutional reforms and a devolution of responsibilities for some labour market instruments (cf. vocational training) to the regional level. It has also become closely associated with the re-launch and ongoing reform of social dialogue. The new Employment Budget has gained in transparency as it now indicates financial allocations for all major policy measures. The NAP has indicated the link between current ESF support and the employment guidelines, with a focus on prevention and human capital development.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. Policy response with regard to *prevention and activation* is reflected in extended personalised guidance schemes for the unemployed, the activation of income support schemes and a review of unemployment benefits. *Lifelong learning* was addressed in a major social partners agreement on the individual right to vocational training and it will be important to ensure that low skilled workers as well as SME worker benefit from increased access to training. *Labour supply and active ageing* is anticipated to improve through the increase of the legal pension age, the reduction of early retirement schemes and the encouragement for older workers to remain in employment. *Social partnership* is being promoted with the social partners invited to negotiate agreements on the accompaniment of economic restructuring and on professional gender equality. In addition to the above issues, France should consider how to counter *labour market segmentation* by encouraging the transition of people employed under fixed term contracts into permanent contracts. The weak position of *young people* and of *immigrants in the labour market* deserve close attention. The reduction of *early school leaving* and easier access to *apprenticeships* should be pursued.

IRELAND

Economic and labour market context: Although Ireland again recorded the highest real GDP growth (6.8%) amongst all Member States in 2002, growth rates have slowed significantly, due to deterioration in the global economy. This is reflected in a GNP growth rate of just 0.1%. It is expected that the economy will remain relatively weak throughout 2003 before strengthening somewhat in 2004. Employment continued to increase by 1.4% in 2002, compared to 2.9% in 2001, mainly due to growth in the public sector. The overall employment rate was 65.3%, with the employment rate for women at 55.4% (EU average 55.6%), the male employment rate at 75.2% (EU average 72.8%), and older workers at 48.1 (EU average 40.1). Unemployment rose from 3.9% to 4.4% and long-term unemployment to 1.3%. Labour productivity growth, both per capita and per hour, increased substantially to 4.6% and real unit labour costs, which had increased slightly in 2001, declined by -3.6, the greatest reduction in the EU.

Employment policy developments: Ireland faces a dual challenge: to increase participation rates in inactive and unemployed groups, and to ensure that those recently unemployed do not drift into long term unemployment. The mainstreaming of the 'full engagement' process, to all unemployed people, when they are six months unemployed, is a significant move that emphasises the importance of activation policies. There are also a range of employment programmes targeted at those who are socially excluded, specific vulnerable groups and areas of deprivation. National targets have been set to increase the participation rates for women and vulnerable groups. Ireland is active in a number of areas to improve quality of work and productivity. In the health and safety area, good reductions in both serious and fatal accidents have been recorded. Research and development has been prioritised for investment. An Expert Group on Future Skills Needs has produced a number of reports identifying emerging skills gaps and recommending a strategy to address them. This has led to an increase in investment, including computer training. However, the NAP is weak in reporting on impacts.

Governance: Social partnership remains strong in Ireland, but the recent downturn in the economy has put pressure on the partnership process. Awareness of the European Employment Strategy is low amongst the general public. Apart from ESF, little information is provided on financial allocations to support the Guidelines.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address most of the Council's Employment Recommendations. Good progress has been achieved in addressing *regional imbalance*. The gap in unemployment rates has now narrowed to just over one per cent between the two regions and targeting of investment and grants towards the poorer region has shown positive impacts. The recent National Spatial Strategy presents a 20 year strategic framework to promote a more even spread of development across regions. Good increases in participation rates in *lifelong learning* have been achieved and initiatives in the in-company training area have commenced. However, despite evidence of a large number of initiatives and measures in this area, it is difficult to see an overall coherent framework. Some targets are mentioned but there is little information on progress. A number of measures are being taken to address *gender* issues, and Ireland is committed to developing a five-year National Women's Strategy. However, occupational segregation and the gender pay gap (19% in 2000) remain high and no targets have been set in this area. Some progress has been made in the childcare area but supply and affordability continues to be a problem. Further progress was made in removing low wage earners from the tax net but not in the area of tax individualisation.

ITALY

Economic and labour market context: GDP grew only by 0.4% in 2002, and the forecast for 2003 does not go beyond 0.3%. Job creation continued at a good pace in 2002 (+1.1%), but at a lower pace throughout 2003 (+0.8% is forecast). Despite exceeding for the first time the 55% mark in 2002 (55.5%), Italy's employment rate is still the lowest in EU-15. Women's employment rate is on the rise, but remains very low at 42.0%. The rate for older workers also grew marginally, but at 28.9% remains very low. Unemployment declined further in 2002 and reached 9.0%: another marginal decline to 8.8% is forecast for 2003. Youth unemployment remains a concern (with a ratio of 9.7% in 2002 against the EU average of 7.2%), as does the LTU rate at 5.3% and the female unemployment rate at 12.2%. The vast geographical imbalances persist despite recent favourable trends.

Employment policy developments: The NAP 2003 confirms the following targets for 2005: an overall employment rate of 58.5%, a rate for women at 46% and for older workers at 40%. These targets are intended to be met as a result of reforms enhancing flexibility of contractual and working time arrangements, and of the education and pension system reforms. Two more reforms in the pipeline (of duration and level of unemployment benefits and of the tax rates on labour income) should also increase labour supply by making work more attractive. While the reforms have increased the flexibility of the labour market in order to improve its efficiency, the issue of segmentation across types of contract and sectors, together with the risk of gender segregation, remains to be addressed. For the South the NAP confirms the targets contained in the CSF 2000-2006: achieving above-EU-average growth by mid-decade and an employment rate of about 60% by 2010, through greater flexibility and transparency in the labour markets, which should also indirectly favour the emergence of workers already employed in the informal economy. A much-needed boost to continuous training and lifelong learning should come from the launch in 2004 of "inter-professional funds" that will be managed by the social partners.

Governance: There has been a strong involvement of the regions which are invested with policy-making tasks and with the management of the PES and of the ESF within their geographical boundaries. A similarly strong involvement of the social partners was limited by lack of agreement among their 37 different organisations. The ESF contribution is especially important for the regions, for which it represents the main financial tool for active policies.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. As a response to the recommendation on *adaptability*, legislation on flexibility was adopted. Attention should be given to countering the segmentation of the labour market between permanent and non-permanent contracts. The recommendation on *labour supply and active ageing* was addressed through the recent pension reform. Adequate incentives should be offered to retain workers longer in work (including part time work) only limited progress was made in the provision of childcare services. As for *lifelong learning*, the announced release of additional funds would go a long way in addressing existing weaknesses. Educational reforms should contribute to the prevention of early school leaving and increase the labour market relevance of tertiary education. Uneven progress can also be reported concerning *delivery services*, because if the PES was indeed strengthened (but less effectively in the South), a computerised national data system is not yet in place. The coverage and effectiveness of unemployment insurance and of ALMP should be improved, especially in the South. Concerning *job creation*, performance indicators show that improvements have been obtained, but the net-result of the incentives aimed at the South is not clear, even though it appears likely that the transformation of undeclared work into regular work was helped. Undeclared work should be further reduced through a removal of disincentives in the tax system and an improvement of the law enforcement capacity.

LUXEMBOURG

Economic and labour market context: The poor economic situation in 2002 influenced the labour market with a marked slowdown of GDP growth (+1.3% in 2002 against +8.9% in 2000). The unemployment rate increased for the first time since 1998 (2.8% of the working population in 2002 and is forecast at 3.7% in 2003). The rate of growth in employment slowed (+3.2% in 2002 compared with +5.6% in 2001). The employment rate increased slightly (63.7% in 2002, i.e. + 0.6%), the female employment rate showing the same tendency (51.6% in 2002; 50.9% in 2001). The employment rate of old workers progressed well but remains low (28.3% in 2002; 25.6% in 2001).

Employment policy developments: On the whole, detailing a number implemented or planned measures, the NAP rarely announces fixed targets. The NAP concentrates on raising the employment rate of women, using employment to strengthen social inclusion, and continued reform to education and training policy. The problem of the low rate of employment of old workers still remains mainly at the stage of examining potential causes. Even if unemployment has a largely frictional nature, employment creation continues to be encouraged, either by better recognition of social initiatives for employment or through the promotion of entrepreneurial activity. The improvement in the quality and productivity of work through the search for a better reconciliation between professional and family life, and through the extension of the legal provisions on the organisation of work, should be better exploited, in particular to the benefit of older workers.

Governance: A tripartite Committee (government-employers-Trade unions) adopted the NAP, with l'observatoire des relations professionnelles et de l'emploi assuring the monitoring of implementation. The Social Partners also play an important autonomous role either through common (for part-time work, teleworking) or specific initiatives. Collaboration between all Luxembourg services, private or public, concerned with employment or training seems to have been strengthened. The Ministries most involved in the NAP (for Work, for Women, for Education) are also members of the Programme management Committee for Objective 3 and EQUAL.

Response to Council recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. The improvement of the quality of education and training continues, in particular through new measures targeted on young people without qualifications, and through the facilitation of individual access to further training. The evaluation of the overall strategy, announced in the 2002 NAP should make it possible to strengthen consistency between the education and training systems. There is no overall strategy currently developed, at least in the private sector, to react to the low rate of employment of the *older workers*. One should note the intention to abolish the obligation for prior authorization imposed on the recipients of a incapacity benefit or old-age pension who would like to work. The legislation voted in 2002 encouraging economic activity through the reform of the system of incapacity benefit and of reclassification, has yet to be subject to an evaluation. The progression in the *employment of women rate* continues to be supported by measures of reconciliation of professional and family life, through facilitating the return to employment, and through strengthening the attractiveness of professional activities for women. In addition, work oriented solutions, should be further developed for people covered by the *disability schemes* who are able to work. With a view to *diversifying the business structure* and encouraging alternative sources of job creation, *start-ups* should be supported and business training promoted.

THE NETHERLANDS

Economic and labour market context: For 2003 a negative GDP growth of -0.9% is forecast, the weakest performance of the EU and illustrative of the continued economic slowdown. Real unit labour costs, at a peak level in 2003 which has considerably weakened the competitive position, are expected to decrease as from 2004. Unemployment has been rising fast since the end of 2001. While the employment rates for women and men well exceed the Lisbon targets, employment of ethnic minorities stays much behind. Employment of older workers has fairly improved and exceeds the EU average.

Employment policy developments: The NAP identifies the main challenges against a three-year horizon. While the strategic approach to the objectives of "full employment" and of "strengthening social cohesion" is strong, the objective "to improve quality and productivity" remains somewhat underexposed. However, for the implementation of the principle that "everybody able to work should do so", less shallow investments in people and strong investment in capital and innovation seem very important. Ambitious national targets have been set for the labour market participation of ethnic minorities and women. Youth unemployment shall not exceed twice the overall level. Tax measures reduce but do not yet fully tackle the unemployment traps. Social security reforms focus on reducing the high benefit dependency: around 8% of the work force is in the unemployment or social assistance scheme and around 13% in the disability scheme. Subject to fine-tuning with the social partners, the favourable tax treatment of early retirement schemes should end. Immigration policies, rejected as an opportunity to counterbalance the ageing of the population, are restrictive. The continued weak use of the comprehensive approach to adults (78% non-compliance and 25% entries into LTU) is worrying. Figures on the sustainability of job placements also point to a need to improve the quality of activation measures.

Governance: The recent agreement on a contractual wage freeze confirms the strong role of social partnership. Self-regulation by the social partners is also well advanced. Reintegration programmes are tendered out to private companies on a results basis. These companies have yet difficulties to reach these results and to meet the demand of programmes for people remote from the labour market. The PES role is reduced to job mediation for new unemployed. Charged with the full financial responsibility, municipalities have become the key actors in activation policies. The financing system gives municipalities a strong interest in mediating as many welfare clients as possible as quickly as possible towards work, which may be at the expense of the sustainability of job placements. The NAP is relatively silent on budgetary allocations at the level of policy measures. Shrinking national budgets may trigger a better take up of the 1.8 billion available from the ESF.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. In response to the new recommendation on *life long learning*, the NAP lists some measures to prevent low skilled workers from drifting away from the labour market but without indication of expected results. The response to the call to also use re-training and education for tackling unemployment is not yet insufficient. For an adequate response to the new recommendation to reduce *the gender pay gap* (21%), policies to tackle the gender segregation in occupations need to be complemented by policies encouraging more women to take up full-time work. In line with the recommendation *to make work pay*, the limits put on municipalities (from 2004) to provide additional income assistance may contribute to a further reduction of the unemployment trap. The envisaged reform of the disability scheme, combined with a "carrot and stick" mechanism giving employer and sick employee a shared interest in (where possible) a quick return to the work place, seems adequate to reduce the inflow. Although more attention is paid to the activation of disability benefit recipients and to the over representation of ethnic minorities and (young) women in the scheme, the envisaged results, in terms of outflow, are

not clear. In addition action is needed to develop a comprehensive system to encourage *active ageing* and discourage early retirement. Consideration should be given to *strengthening preventative and active measures for adults* and to facilitating the *integration of minorities and non-nationals into both the school system and the labour market*.

AUSTRIA

Economic and labour market context: GDP growth was 1.4% in 2002 and is expected to slow down to 0.9% in 2003. The unemployment rate increased in 2002 to 4.3% and is estimated to reach 4.5% in 2003. However, the LTU rate decreased to 0.8%. Youth unemployment increased to 3.7% in 2002, and continues to increase, but remains one of the lowest in the EU. Overall employment growth in 2002 was -0.4%, but the employment rate increased to 69.3%. While the male employment rate went down again (75.7%), the female rate went up strongly (63.1%), mainly due to part-time work. The employment rate for older workers (55-64) shows an increase to 30.0% in 2002.

Employment policy developments: The Austrian government has set a national target to increase the female employment rate to 65% in 2005. To tackle Austria's key challenge, namely to raise the participation of older workers, the parliament adopted a pension reform package and a number of measures, such as reductions in social security contributions and a more balanced early retirement scheme. A strengthening of the right to work part-time is on the agenda. Measures are being taken to increase the rate of business start-ups and develop active labour market policy. To strengthen the economic base and use the labour force potential in the best way, the government considers it very important to gradually increase the share of R&D from 1.95% of GDP in 2002 to 3% in 2010. As regards improving quality and productivity, Austria is focusing on measures in the fields of lifelong learning, flexibility and security at work, better health and safety protection, fighting discrimination and improving work organisation and the work-life balance, though policies to implement this objective have been kept very general in the NAP. With regard to strengthening social cohesion and inclusion, the NAP essentially refers to the NAP on inclusion. With a few exceptions, the medium-term perspective of the policies is not sufficiently elaborated.

Governance: All major actors (various ministries, the social partners, the Länder, regions, certain NGOs) have been involved in the drafting of the NAP. By tradition, the social partners play a major role within Austria's employment policy efforts, which goes beyond NAP-related issues. In Austria the ESF is particularly used to re-integrate disadvantaged groups into the labour market, and represented about one sixth of the annual ALMP budget in 2002.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. A number of actions are described to foster *lifelong learning*, such as a pact for youth, employment and training, agreed between the government and the social partners in 2002. The implementation of a comprehensive strategy as laid down in the current government programme is currently underway. Important pension reform policies, ALMPs and labour cost subsidies are being undertaken. Increasing labour market participation of older workers is a long-term goal and the improvement of the employment rate of persons aged 55-64 of 1.4 percentage-points from 2001 to 2002 is a good sign. A range of interesting projects are being undertaken in the field of *equal opportunities*, but the only target set has been the increase in the female employment rate. The gender pay gap is tending to increase. The offer of childcare does not yet match demand. First assessments of the impact of the childcare allowance on the quality and quantity of female employment are mixed. In addition action is needed to monitor and complement recent reforms to facilitate occupational mobility, and to reduce non-wage costs for the low paid.

PORTUGAL

Economic and Labour Market Context: GDP growth has been decreasing since 1998 (4.6%). In 2002, growth was only 0.4% and negative growth is expected in 2003. The productivity level continues to be the lowest in the EU (62.6% of the EU average). Progress towards the Lisbon employment targets has been very encouraging since 1998, but trends have reversed in 2002. However, only the total employment target for 2010 has not yet been accomplished (68.2% in 2002), but above the target for 2005. The unemployment rate has increased significantly from 4.1% in 2001 to 6.3% in the third quarter of 2003, with female unemployment higher than male. For the first time since 1997, the number of long-term unemployed has increased in 2002.

Employment policy developments: The approach to the three Strategic Objectives is fairly balanced and addresses both demand and supply policies. The authorities are committed to reforms aimed at developing the entrepreneurial structure, which continues to be characterised by labour intensive micro sized companies with difficulties in restructuring and embracing innovation. The government has responded to these challenges mainly through Programmes that have a predominant economic intervention, but play a fundamental role in re-structuring the economy and providing the conditions that facilitate the creation of qualified employment. In spite of progress since 1997, employment in the service sector still has a large potential for development. Strong focus is given to the lifelong learning strategy (LLL), which has a crucial role in addressing the serious weaknesses in education, training and qualification levels, including the reduction of the high level of early school leavers. However, the implementation of the LLL strategy is not yet fully operational and requires better monitoring mechanisms. Co-ordination with the Inclusion strategy and National Plan for Equal Opportunities has improved. Greater emphasis on management, control and evaluation systems is crucial to assure the successful achievement of the objectives, and adequate assessment of employment policies.

Governance: Employment and economic policies need to be closely co-ordinated. Effective delivery systems and structures at the regional and local levels must be assured together with adequate financing. Emphasis should go beyond the government level, and include the active involvement of social partners and civil society in the implementation of the NAP.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. *Lifelong learning:* a comprehensive LLL strategy was adopted in 2001. Recent legislative initiatives for new basic laws on Education and Vocational Training are also positive contributions to the legal framework supporting LLL. However, the persistent negative indicators call for improvements to the implementation of this strategy. Urgent measures are required to reduce the level of early school leavers, and assure the provision of an education system with greater quality and more responsive to labour market needs. *Gender equality:* the supply of family support services continues to be improved, and progress has been made in particular in terms of childcare facilities, although still not meeting the demand. Concrete action aimed at addressing the gender pay-gap in the private sector and high levels of gender segregation is required. Mainstreaming of the Equal Opportunities dimension (from a gender perspective) should be further developed throughout the NAP. *Social partnership:* A new labour code will enter into force in 2003. It has been subject to extensive consultation between the social partners, and some of its main features include the simplification of the administrative and regulatory framework, and the imposition of limits to the use of non-permanent contracts. In 2003 the government presented a proposal for a "Social contract" on Competitiveness and Employment, which builds on previous agreements signed in 2001. The effort invested at the negotiation phase must be matched with equally strong implementing mechanisms, to assure the fulfilment of expectations.

FINLAND

Economic and labour market context: In 2002, GDP grew by 2.2 and this year GDP growth is expected to stay at 1.5. Despite the sluggish economic growth, employment remained unexpectedly high. The total employment rate of 68.1% was above the EU target set for 2005. The female employment rate was 66.2 %, and above the Lisbon target for 2010. The employment rate of those aged 55-64 increased to 47.8%, which is above EU average, but below the EU target of 50%. The unemployment rate remained high and was 9.1% for both sexes in 2002. It is expected to increase to 9.3% this year.

Employment policy developments: The Finnish employment strategy focusses on increasing the employment rate and reducing structural unemployment, in order to address the medium-term challenge of a shrinking workforce. This policy is supported by measures to improve quality and productivity at work and strengthen social inclusion. The goal of the Government is to increase employment by at least 100,000 persons by the end of the electoral period in 2007. The long-term projection is to achieve the employment rate of 75% by the end of the following electoral period in 2011. The aim is to raise the workforce participation rate in all regions and all age groups, in particular in older age groups, in which employment growth potential will centre. Unemployment is to be decreased to 5%. The Government is preparing to increase labour-related immigration. However, if economic growth continues to be modest, reaching the 70% target for overall employment by 2010 remains a challenge in view of the demographic situation.

Governance: The NAP was prepared in a tripartite co-operation, and regional bodies were also involved in the process. The focal points of the NAP were discussed in the Employment and Equality Committee of the Parliament. However, there is still space for improvement to ensure active involvement of all relevant actors in the NAP process. There is some financial data in the NAP. The budget proposal for 2004 included an increase of 8% for the implementation of active labour market policy. The support of ESF operations to the NAP has been reported by guideline.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address most of the Council's Employment Recommendations. An employment policy programme in co-operation with social partners has been launched to *improve the effectiveness of labour market programmes and to boost adequate labour supply*. It is well recognised in Finland that to decrease structural unemployment, the activation rate needs to be raised. It is to increase to 30% in 2003-2007. Following its *active ageing* strategy, Finland aims to ensure that by 2010 people stay on at work 2-3 years longer than present. The Government's tax policy is to *make it profitable to accept work and to employ people* as well as to promote job creation for those with low income. The aim is to reduce taxation by at least €1.120 billion over the electoral period. The tax cuts in 2003 will total €792 million. In 2002, taxation on low-wage earners was 40.4%, which was 0.6 percentage points lower in 2001, but above the EU average of 37.8%. Despite efforts, there is no significant trend towards *less gender segregation or lower pay gap*. A more strategic long-term approach is needed. In addition Finland needs to continue with its efforts to improve access to training for low-skilled and further consideration should be given to reducing unemployment traps and labour costs for the low paid.

SWEDEN

Economic and labour market context: The slowdown of the economy continued in 2002 (growth rates of 0.9% and 1.9%), and employment growth was negative for the first time in five years, the employment rate dropping from 74.1% to 73.6%. This was mainly due to a 0.8% drop in male employment, female employment remaining stable, at 72.2%. On the positive side, employment of older workers increased from 66.8% to 68%. Despite the slight drop in employment, the Lisbon targets have been more than met, and unemployment has remained stable at 4.9%, though youth unemployment ratio has risen slightly, from 5.9% to 6.4%. Long-term unemployment remains one of the lowest in the EU, at 1%.

Employment policy developments: The first priority for Sweden is full employment, i.e. 80% of the age group 20-64, though the date for achievement will be later than the 2004 target. To achieve this, measures are being taken to raise the effective exit age, to raise the participation rate of immigrants, and (the biggest labour market challenge) to try to reduce the numbers on long-term sick leave, 65% of whom are women, particularly in the public sector. The high rate of illness is at odds with other indications implying a quality working climate, such as the well-developed continuous training mechanisms, effective gender mainstreaming and paternity leave. Productivity per hour grew by over 3% in 2002, but from a relatively low base. Women make up a low proportion of entrepreneurs and self-employed, but have taken up 2/3 of funds available for a new scheme encouraging business set-ups. The main tool for social cohesion remains assisting weak groups to obtain jobs.

Governance: Social dialogue is strong in Sweden and the social partners are active, not only in contributing to the NAP, but in concluding collective agreements for new work organisation, the working environment, life-long learning, etc. These agreements are becoming less centralised – minimum requirements are set centrally, and local agreements drawn up within them. Since 2001, the government has provided reports to Parliament on the implementation of the EES, but the relationship between the EES and national policy decisions is not clear. In 2003, the ESF under its various programmes (around €148 million) corresponds to about 3% of Swedish labour market policy, and indicates guidelines to which the ESF contributes.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address most of the Council's Employment Recommendations. The gap between the unemployment rate of Swedes and *immigrants* continued to decrease, reaching 11% in 2002. Further efforts are being made to increase employment, including improved language training, combined with on-the-job training, and recognition of previously acquired qualifications. In order to halve the number of the long-term sick by 2008, action is being taken through temporary job subsidies, joint agreements between the sickness insurance and the public authorities to improve rehabilitation, and working with employers on prevention. It is too early to say whether these measures will have positive effects. The reform of tax and benefit systems in order to *improve work incentives* is an on-going process, having started in 1999. The marginal tax rate has now dropped to 46% from 47.8% in 2000. In addition further challenges deserve attention, including the need to facilitate the development of SMEs, ensure the school system takes effective action to reduce early school leaving, and increase access to training for the low skilled, particularly inactive youth.

UNITED KINGDOM

Economic and labour market context: The UK continues to demonstrate solid macro-economic performance, with growth rates above the EU average. In 2002, real GDP grew by 1.7% and is expected to rise to 2.0% in 2003 and to be 2.8% and 2.9% 2004 and 2005 respectively. Labour productivity growth picked up slightly in 2002 to 1.6% but the UK still has a significant productivity gap with major competitors. The overall employment rate remained stable at 71.7% in 2002, with the upward trend continuing for women (65.3%) and older workers (53.5%). Employment is expected to grow moderately over the period 2003-2005. Unemployment edged up slightly in 2002 to 5.1%, but remains significantly below the EU average. Long-term unemployment continued to decline but youth unemployment increased to 9.2%. Concentrations of unemployment and inactivity persist in certain communities and amongst particular groups. Overall unemployment is expected to decline to 4.9% in 2003 and to remain at or around this level throughout the forecast period. The number of working age people claiming sickness and disability benefits remains high at 2.7 million.

Employment policy developments: The UK exceeds all of the Lisbon quantitative employment targets. The key challenge for the UK is to ensure that its strong performance on employment rates can be matched by increased levels of labour productivity and a more inclusive labour market. The NAP does not provide an explicit assessment of the national situation with respect to the three overarching objectives, but the overall policy response appears relatively strong on full employment and social inclusion. There is an increased emphasis on tackling high levels of economic inactivity and inequities in the pattern and distribution of employment. Efforts to tackle the UK's relatively poor skills position continue, with a range of additional demand and supply side measures. The policy response to quality and productivity at work focuses on promoting flexible working practices, combined with minimum levels of security. Regulatory reform and improving health and safety at work are also priorities. Less emphasis is given to broader job quality issues, including working time, and marked gender inequalities persist.

Governance: Social partners and regional and local actors are increasingly involved in the delivery of employment initiatives and action is underway to strengthen regional planning systems. In addition to the devolved administrations and social partners, progress has been made in engaging a broader range of stakeholders in the preparation of this year's NAP. The ESF is identified as a key instrument in advancing the UK's employment strategy and examples of ESF supported actions are highlighted. However, no information is provided on overall financial allocations to support the Guidelines.

Response to the Council Recommendations and key challenges: Measures have been adopted which begin to address some of the Council's Employment Recommendations. There is a general absence of evaluation evidence in the NAP on the effectiveness of policy interventions. A progressive shift of focus towards the *economically inactive* is taking place notably people on sickness or disability benefit, with a policy mix including benefit and tax reform, the modernisation of the employment service and a number of new pilot projects. Efforts to strengthen *activation* focus on providing some additional flexibility in mainstream programmes, but the New Deal for adults still applies only after 18 months unemployment and questions remain about the adequacy of the "active job search" response in tackling the low skills amongst the unemployed and promoting job sustainability. On *gender equality*, the emphasis is on measures to promote work-life balance and to improve childcare. Overall, the issue of gender equality is insufficiently mainstreamed in the plan and questions remain about the effectiveness of action to address the equal pay gap. Finally, although the UK has no plans to establish a general framework for the involvement of *social partners*, there is evidence of increasing social partner involvement in specific policy issues, including the skills agenda. In addition, in view notably of the UK's poor performance in terms of labour productivity, particular attention should be given to the effective implementation of the *national skills strategies*.

6. CONCLUSIONS: FURTHER STRENGTHENING OF THE EUROPEAN EMPLOYMENT STRATEGY TAKING FULL ACCOUNT OF THE EUROPEAN EMPLOYMENT TASKFORCE REPORT HEADED BY WIM KOK

The present report demonstrates that reforms are continuing on a wide range of aspects covered by the Employment Guidelines. Such reforms have already played a part in improving the performances of the labour market throughout the last decade, as confirmed by the resilience of employment in the recent economic downturn. They must be continued and extended.

In order to support Europe's growth potential and increase our chances of reaching the employment objectives in 2010, actions need to be taken to accelerate both employment and productivity growth. This is strongly underlined in the report of the Employment Taskforce headed by Wim Kok. Such action must also be supported by efforts to improve other dimensions of quality in work and to promote inclusive labour markets.

A narrow approach to labour market reforms will not suffice. Sound macro-economic policies are needed to secure confidence and stability. An improvement of the environment for entrepreneurship in general, and for research and innovation in particular, is a key to more job creation. Structural reforms are also needed in the products, services and capital markets to support competitiveness and job creation. Progress on all fronts of the Lisbon agenda, notably in terms of research and innovation, education and training and the reform of social protection systems including pension systems, must go hand in hand.

Policies in these areas should boost business investment in Europe, both in physical and human capital, and create better conditions for job creation and productivity growth.

Need to focus on implementation

A major thrust of the EES review in 2003 and of the streamlining of the economic and employment policy co-ordination has been the emphasis on medium-term orientations and the recognition that increased attention must be given to implementation. The Employment Taskforce has underlined the consistency between the reforms proposed in its report and the overall policy framework resulting from the revised Broad Economic Policy Guidelines and Employment Guidelines. It has confirmed the need to put emphasis on an intensive monitoring of reforms undertaken by the Member States, including through more forceful EU country-specific recommendations and a more effective use of peer review, rather than engaging in a process of further change of the Guidelines.

Member States should pursue the full range of policies recommended in the Employment Guidelines. They will strengthen the adaptability of employers and workers, increase the labour supply and improve human capital, which, together with better governance, provide the thematic focus for action in the Taskforce report.

The Employment Taskforce's assessment and policy messages are shared by the Commission and the Council and are fully consistent with the European Employment Strategy Guidelines. The analysis of the report from the Employment Taskforce shows that Member States should give immediate priority to:

- **Increasing adaptability of workers and enterprises** by focusing on improving the attractiveness of both standard and non-standard labour contracts, and avoiding a two-tier labour market, and by reducing obstacles to setting up new businesses.
- **Attracting more people to the labour market** by building comprehensive ageing strategies, by ensuring active labour market policies with personalised services to all those seeking employment, and by developing "making work pay" policies especially focused on the low paid.
- **Investing more and more effectively in human capital** by setting out ambitious policies for raising levels of human capital, by sharing costs and responsibilities and by reviewing incentives for increasing investment and access to lifelong learning.
- **Ensuring effective implementation of reforms through better governance** by building reform partnerships that mobilise the support and participation of various stakeholders, by defining clear national policies and targets to reflect those set at a European level, and through an efficient use of public funds. The EU level has an important role to play to support Member States' efforts by strengthening the role of the country-specific recommendations, by linking the EU budget more closely to the Lisbon objectives and by developing a more effective system of mutual learning.

This report and these priorities, as well as the country-specific messages in the Employment Taskforce report provide the basis for the formulation of the EU recommendations on national employment policies in 2004.

Opening the EES to ten new Member States

Labour market challenges in the acceding Member States are well identified²³ and the Employment Guidelines have been designed to support reforms both in current and new Member States. The ten new Member States will submit their first NAPs shortly after accession and be fully integrated in the implementation of the new European Employment Strategy. The resources available from the ESF in 2004 and 2005 must be used to the full to support the most urgent reforms needed in the new Member States.

²³ "Progress in implementing the Joint Assessment Papers on Employment Policies in acceding countries" COM(2003) 663.

ANNEX 1: KEY AND CONTEXT INDICATORS^{24,25}

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Key Indicators																
Unemployment Rate	7.3	4.5	8.6	10.0	11.3	8.7	4.4	9.0	2.8	2.7	4.3	5.1	9.1	4.9	5.1	7.7
Men	6.6	4.4	8.7	6.6	8.0	7.8	4.6	7.0	2.1	2.5	4.1	4.2	9.1	5.3	5.6	6.9
Women	8.2	4.6	8.3	15.0	16.4	9.9	4.0	12.2	3.9	3.0	4.5	6.1	9.1	4.5	4.5	8.7
Employment rate (15-64)	59.9	75.9	65.3	56.7	58.4	63.0	65.3	55.5	63.7	74.4	69.3	68.2	68.1	73.6	71.7	64.3
Men	68.2	80.0	71.7	71.4	72.6	69.5	75.2	69.1	75.6	82.4	75.7	75.9	70.0	74.9	78.0	72.8
Women	51.4	71.7	58.8	42.5	44.1	56.7	55.4	42.0	51.6	66.2	63.1	60.8	66.2	72.2	65.3	55.6
Employment rate (55-64)	26.7	57.8	38.4	39.7	39.7	34.8	48.1	28.9	28.3	42.3	30.0	50.9	47.8	68.0	53.5	40.1
Men	36.1	64.5	47.1	56.0	58.6	39.3	65.1	41.3	37.9	54.6	39.8	61.2	48.5	70.4	62.6	50.1
Women	17.6	50.4	29.9	24.4	22.0	30.6	30.8	17.3	18.6	29.9	20.9	41.9	47.2	65.6	44.7	30.5
Growth in labour productivity (per capita)	0.9	2.3	0.8	4.2	0.7	0.5	4.6	-0.7	-1.9	-0.3	1.4	0.3	1.3	1.7	1.1	0.7
Growth in labour productivity (per hour)	0.9	2.3	1.2	4.2	0.7	0.4	4.6	-1.0	-1.9	-0.5	1.4	0.3	1.4	3.1	1.1	0.6

²⁴ Reference year is 2002 unless specified otherwise

²⁵ Indicators marked with * are based on data from non harmonised national sources and therefore not strictly comparable

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Long-term unemployment rate	3.6	0.9	4.0	5.1	3.9	2.7	1.3	5.3	0.8	0.7	0.8	1.8	2.3	1.0	1.1	3.0
Men	3.1	0.8	3.9	3.0	2.3	2.3	1.7	4.1	0.6	0.6	0.6	1.4	2.5	1.2	1.4	2.6
Women	4.1	1.0	4.1	8.3	6.3	3.3	0.7	7.2	1.0	0.8	1.1	2.2	2.0	0.8	0.7	3.6
Preventative services (young unemployed)	:	:	:	:	:	:	11.7	:	30.3	:	3.9	:	:	2.6	16	:
Preventative services* (adult unemployed)	:	:	:	:	:	:	12.9	:	22.3	:	2.1	:	:	17.4	9	:
New start(a) (young unemployed)*	:	:	:	:	:	:	59.6	:	22	:	82.2	:	:	2.6	0	:
New start(a) (adult unemployed)*	:	:	:	:	:	:	49	:	46.4	:	82.9	:	:	17.4	0	:
New start(b) *	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Activation of long-term unemployed*	32	24	:	:	:	:	32	:	:	:	14	:	25	50	47	:
Rate of inflow into employment*	:	:	:	:	:	:	:	:	:	:	:	:	:	:	40	:
3 months after participation in a measure	:	:	:	:	:	:	:	:	68	:	44	:	47	35	:	:
6 months after participation in a measure	:	:	:	:	32	:	:	:	:	:	49	:	:	38	:	:
Rate of return to unemployment*	:	:	:	:	:	:	:	:	:	:	:	:	:	:	19	:
3 months after participation in a measure	:	29	:	:	:	:	:	:	11	:	24	:	47	20	:	:
6 months after participation in a measure	:	27	:	:	52	:	:	:	:	:	27	:	:	17	:	:
Enterprise births (gross) (2000)	7.0	10.0	:	:	9.7	:	:	7.8	11.4	9.4	:	7.6	7.3	7.0	8.9	:

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Employment growth	-0.2	-0.7	-0.6	-0.2	1.3	0.8	1.4	1.4	3.2	0.8	-0.4	0.2	0.3	0.2	0.2	0.4
Men	-0.9	-0.8	-1.3	-0.7	0.5	0.1	0.3	0.9	1.1	0.0	-2.5	-0.1	-0.8	-0.2	0.0	-0.2
Women	0.7	-0.6	0.2	0.6	2.6	1.7	2.9	2.1	6.6	1.9	2.3	0.5	1.6	0.6	0.5	1.1
Survival rates of newly born enterprises (2000)	:	63.8	:	:	69.3	:		71.3	78.4	:	:	71.6	68.4	:	77.8	:
Diversity of working arrangements (part-time + fixed-term + self-employment)	35.5	32.9	37.8	39.9	45.6	33.8	33.2	35.1	21.3	54.7	32.9	43.1	34.4	36.4	36.4	38.0
Diversity of working arrangements (part-time)	18.3	18.3	19.2	1.9	3.7	12.9	13.2	6.3	10.8	34.8	18.0	2.4	8.1	14.0	22.2	15.4
Men	4.8	9.6	4.2	0.8	0.8	3.0	3.2	1.7	0.8	14.7	3.8	0.6	4.6	5.2	6.8	4.3
Women	35.7	27.6	36.9	3.6	8.1	24.2	24.6	12.9	25.1	59.9	34.8	4.6	11.6	23.0	39.2	28.9
Diversity of working arrangements (fixed-term)	4.6	5.9	10.0	9.3	26.5	10.2	2.3	7.0	3.3	5.0	6.2	19.2	13.2	8.6	3.2	9.7
Men	4.2	5.7	10.6	8.7	27.5	10.4	2.4	6.5	3.4	6.0	6.8	19.0	11.1	8.7	3.7	10.1
Women	5.1	6.2	9.2	10.2	25.0	10.0	2.2	7.8	3.1	3.8	5.6	19.5	15.2	8.4	2.8	9.1
Diversity of working arrangements (self-employment)	13.6	8.0	10.0	32.0	17.5	9.7	16.8	23.4	7.4	11.1	10.9	25.4	12.3	10.2	11.4	14.0
Men	16.5	11.8	12.9	38.0	20.5	12.9	24.3	28.3	9.5	13.2	13.1	27.8	15.9	14.8	15.4	17.8
Women	9.7	3.7	6.4	22.3	12.5	5.7	6.3	15.2	4.1	8.4	8.3	22.6	8.5	5.2	6.5	8.9
Trends in accidents at work (serious)	83	82	88	86	106	98	105	92	97	92	83	:	87	111	110	94
Trends in accidents at work (fatal)	124	55	65	78	81	79	43	62	37	79	94	:	98	105	92	79

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Trends in occupational diseases	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Transparency of job vacancies*	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Educational attainment of 20-24 year olds	81.1	63.9	73.3	81.3	64.9	81.7	83.9	69.1	69.8	73.3	85.0	43.7	86.2	86.7	91.0	75.6
Men	77.6	65.4	72.6	76.3	58.2	80.5	79.7	64.2	74.0	70.0	85.6	35.4	81.9	85.2	90.7	72.9
Women	84.7	62.5	73.8	85.9	71.9	82.8	88.1	74.0	65.5	76.7	84.4	52.0	90.4	88.3	91.3	78.4
Participation in education and training	6.5	18.4	5.8	1.2	5.0	2.7	7.7	4.6	7.7	16.4	7.5	2.9	18.9	18.4	22.3	8.5
Men	6.8	16.2	6.1	1.2	4.5	2.4	6.5	4.5	8.9	16.9	7.6	2.4	16.5	15.7	18.6	7.9
Women	6.3	20.7	5.5	1.1	5.4	3.0	8.8	4.7	6.4	15.9	7.4	3.3	21.4	21.2	26.3	9.2
Investment in human resources (2000)	5.2	8.4	4.5	3.8	4.4	5.8	4.4	4.6	:	4.8	5.7	5.7	6.0	7.4	4.4	4.9
Participation in continuous vocational training (Men) (1999)	.	54	51	28	48	64	55	51	54	50	43	52	62	67	53	:
Participation in continuous vocational training (Women) (1999)	.	58	44	30	46	59	54	53	56	40	47	47	67	69	51	:
Activity rate	64.7	79.6	71.5	63.1	66.0	69.1	68.4	61.1	65.5	76.5	73.0	72.1	74.9	77.6	75.6	69.7
Men	73.1	83.6	78.7	76.6	79.0	75.7	79.0	74.3	77.1	84.5	80.1	79.5	77.0	79.4	82.7	78.4
Women	56.2	75.5	64.2	50.1	52.8	62.7	57.8	47.9	53.7	68.3	66.0	65.0	72.8	75.8	68.3	60.9
Average exit age from the labour force (2001)	57.0	61.9	60.7	59.6	60.6	58.1	63.1	59.4	56.8	60.9	59.6	62.0	61.6	62.0	62.1	59.9
Men	57.8	62.2	60.9	61.2	60.7	58.2	63.2	59.6	57.5	61.1	60.0	62.0	61.6	62.1	63.1	60.5
Women	55.9	61.1	60.4	57.7	60.2	58.0	62.2	59.2	55.3	60.3	58.6	61.5	61.4	61.9	61.0	59.1

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Employment gender gap	16.9	8.3	12.9	28.9	28.5	12.8	19.8	27.1	24.0	16.3	12.6	15.1	3.8	2.7	12.7	17.2
Unemployment gender gap	1.6	0.2	-0.4	8.4	8.4	2.1	-0.6	5.2	1.8	0.5	0.4	1.9	0	-0.8	-1.1	1.8
Gender pay gap	12	15	21	15	15	13	19	6	:	21	20	8	17	18	21	15.8
Private sector	15	16	24	22	23	:	23	15	:	26	24	28	15	16	26	21.9
Public sector	:	13	20	9	3	:	15	0	:	19	14	-17	25	18	18	11.0
Employment impact of parenthood (Men)	-10.6	:	-7.9	-6.5	-13.1	-14.3	:	-14.2	-8.3	-4.7	-5.4	-10.6	-9.9	:	-4.8	-9.5
Employment impact of parenthood (Women)	3.1	:	21.4	5.2	8.8	11.5	16.3	4.9	5.4	11.5	8.9	-1.4	:	:	22.9	12.7
Childcare coverage 0-3 years* (1998 DE;2001 NL,FI)	28.3	68	7	:	11	30	:	7	10	22.5	8.8	16.3	26.1	73	10.8	:
Childcare coverage 3- compulsory school age* (1998 DE;2001 NL,FI)	100	94	89.5		100			98		82.5	81.6		61.3	76.7	29.4	
Early school leavers	12.4	15.4	12.6	16.1	29.0	13.4	14.7	24.3	17.0	15.0	9.5	45.5	9.9	10.4	:	18.8
Men	14.9	13.8	12.6	20.1	35.4	14.9	18.5	27.9	14.4	15.7	8.8	52.9	12.6	11.4	:	21.4
Women	9.9	17.0	12.6	12.3	22.3	11.9	10.8	20.7	19.6	14.3	10.3	38.1	7.3	9.3	:	16.2
Unemployment rate gaps for people at a disadvantage*	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Unemployment rate gap between non EU and EU nationals	27.2	8.9	8.2	-0.1	4.6	16.8	-0.3	:	6.6	3.2	5.5	3.5	11.8	10.2	5.0	8.7
Working poor	6	5	4	13	8	8	7	10	8	7	6	14	5	7	6	7
Men	6	4	4	14	9	9	8	12	8	7	6	14	5	8	5	8
Women	5	5	5	12	5	6	6	6	7	7	6	15	5	6	7	6
Unemployment trap	91.3	90.7	88.4	80.8	81.7	84.0	73.4	59.9	86.7	84.8	72	87.0	83.4	87.1	70.3	:

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Taxation on low-wage earners	48.9	40.4	45.9	34.3	33.9	37.8	16.6	42.7	27.3	37.2	39.9	29.5	40.4	45.9	24.7	37.8
Regional disparities (employment)	7.4	:	:	5.61	8.7	:	:	15.5	:	1.9	:	4.8	8.9	:	6.5	:
Regional disparities (unemployment)	45.5	:	:	25.1	34.8	:	:	76.5	:	21.5		29.5	37.3	:	30.1	:
Context Indicators																
GDP growth	0.7	1.6	0.2	4.0	2.0	1.2	6.0	0.4	1.1	0.2	1.0	0.5	1.6	1.9	1.8	1.1
Employment rate (age group 15-24)	29.4	63.5	45.6	26.5	33.3	30.1	47.9	25.8	32.3	70.0	51.8	42.1	40.7	42.8	56.3	40.6
Employment rate (age group 25-54)	76.5	84.1	78.7	71.1	70.1	79.5	76.1	70.1	79.1	82.8	84.1	81.6	81.6	84.2	80.6	77.2
Employment rate (age group 20-64)	64.9	77.7	68.7	61.4	62.6	68.7	70.7	59.4	68.5	75.8	72.3	73.4	72.6	78.5	74.7	68.2
Employment rate full-time equivalent	55.4	69.7	58.1	56.3	56.2	60.4	60.7	53.6	60.9	58.1	63.0	67.1	65.8	68.1	62.1	58.9
Men	67.6	76.7	69.9	72.0	72.2	70.4	74.4	68.4	76.0	74.7	74.8	76.7	69.3	72.9	74.0	71.2
Women	43.2	63.1	46.4	41.3	40.1	50.9	47.0	39.2	45.7	42.0	51.4	58.0	62.4	63.4	50.8	46.8
Job Satisfaction	4.6	4.9		4.0	4.3	4.7	:	4.2		4.8	5.2	4.2	4.4	:	:	4.4
Real unit labour costs	1.2	0.5	-0.8	-1.2	-1.1	0.7	-3.6	0.4	5.0	1.7	-0.6	0.4	-0.2	0.8	-0.7	-0.2
Labour productivity (per capita)	120	99	97	83	93	112	124	111	131	97	99	63	102	93	93	100
Labour productivity (per hour)	125	106	108	68	82	117	118	110	128	115	103	58	96	94	87	100
Inflow into long-term unemployment*																

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Youth unemployment ratio	6,3	5,2	4,9	9,6	9,5	7,4	3,9	9,7	2,8	3,9	3,7	5,5	10,8	6,4	7,8	7,2
Men	7.1	6.5	6.0	7.6	8.8	7.5	4.7	9.6	2.4	4.0	3.9	5.1	11.0	6.4	9.2	7.6
Women	5.5	3.9	3.8	11.4	10.3	7.4	3.2	9.7	3.2	3.8	3.6	5.9	10.6	6.5	6.2	6.8
LMP expenditure (active) (2001)	1.0	1.6	0.9	0.3	0.7	0.9	0.7	0.5	:	0.9	0.4	0.2	0.7	1.3	0.1	0.7
LMP expenditure (passive) (2001)	2.2	2.3	2.0	0.4	1.4	1.4	0.7	0.6	0.5	1.7	1.2	1.0	2.1	1.1	0.4	1.3
Employment in newly established enterprises (2000)	1.6	2.4	:	:	4.5	:	:	2.9	:	:	:	2.7	0.5	1.8	:	:
Employment rate in services	47.6	58.1	49.1	34.7	38.2	48.8	43.1	40.8	74.0	59.3	46.6	39.2	45.7	56.4	60.6	48.3
Men	46.5	51.9	43.8	39.9	39.1	45.4	39.1	44.9	76.7	57.4	40.4	36.5	37.1	47.7	55.7	46.0
Women	48.7	64.4	54.5	29.7	37.2	52.2	47.2	36.8	71.2	61.2	53.0	41.8	54.3	65.4	65.6	50.6
Working time	39.3	39.1	39.9	41.0	40.4	37.7	39.5	38.5	39.5	38.9	40.0	40.3	39.2	39.9	43.3	40.0
Men	39.7	40.1	40.3	41.9	41.0	38.2	40.7	39.8	40.3	39.1	40.1	41.1	40.0	40.1	44.9	40.8
Women	38.3	37.7	39.2	39.7	39.5	36.9	37.7	36.4	37.9	38.1	39.9	39.2	38.2	39.6	40.6	38.6
Overtime work	1.1	4.8	7.9	0.3	0.2	2.2	1.5	1.4	3.8	6.4	6.3	1.4	8.5	8.0	4.2	4.1
Men	1.4	5.4	10.2	0.3	0.2	2.3	2.2	1.8	5.4	7.4	8.2	1.8	10.4	10.9	4.7	5.0
Women	0.8	4.1	5.2	0.2	0.1	2.1	0.8	0.9	1.6	5.0	3.9	0.9	6.6	5.3	3.5	3.1
Vacancies per unemployed*	0.10	0.03	0.11	:	0.03	:	:	:	:	0.49	:	:	0.01	0.28	:	:
Use of computers	53	72	57	35	36	45	46	59	56	72	62	32	70	73	58	53
Investments by enterprises in training of adults (1999)	0.9	1.4	0.7	0.5	0.9	1.2	1.0	0.6	1.0	1.1	0.5	0.6	1.1	1.3	0.8	0.8

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Labour reserve	2.9	3.6	3.7	1.4	4.4	2.0	4.3	8.0	1.8	3.7	3.9	1.5	6.1	1.8	6.0	4.4
Men	2.2	2.7	2.9	0.8	2.9	1.5	3.6	5.1	1.3	2.8	2.6	1.0	5.7	1.8	5.0	3.2
Women	3.7	4.5	4.4	2.0	6.0	2.5	5.0	10.9	2.3	4.6	5.2	1.9	6.4	1.8	7.1	5.6
Labour supply growth	0.5	-0.3	0.0	1.0	1.4	0.3	0.0	0.5	1.1	0.7	1.6	0.3	-0.1	-0.3	0.0	0.4
Men	0.0	-0.2	-0.2	0.3	0.7	0.4	-0.7	0.3	0.9	0.2	0.5	0.0	-0.5	-0.6	-0.3	0.1
Women	1.1	-0.4	0.3	1.5	2.1	0.3	0.7	0.6	1.4	1.2	2.8	0.5	0.4	0.0	0.3	0.7
Employment gender gap in full-time equivalent	24.4	13.6	23.5	30.7	32.1	19.5	27.4	29.2	30.3	32.7	23.4	18.7	6.9	9.5	23.2	24.4
Employment gender gap (age group 15-24)	5.7	0.8	3.1	10.0	12.3	8.0	6.5	9.1	7.8	2.6	8.2	11.2	1.3	0.6	3.6	6.5
Employment gender gap (age group 25-64)	19.4	7.8	13.8	34.3	31.9	16.1	21.9	31.8	28.8	18.5	13.7	15.2	4.4	3.3	13.4	19.5
Employment gender gap (age group 55-64)	18.4	14.3	17.3	30.7	36.1	8.6	34.4	24.2	19.5	25.9	19.4	20.6	0.6	5.2	17.4	19.6
Employment gender gap (high educational attainment)	4.2	2.4	2.4	6.3	11.0	4.9	7.6	8.6	10.5	6.3	2.1	3.4	1.0	0.2	3.3	4.5
Employment gender gap (medium educational attainment)	17.7	5.4	8.6	25.6	21.4	13.1	20.5	18.3	18.8	10.7	12.7	8.6	8.3	5.6	9.4	12.3
Employment gender gap (low educational attainment)	20.6	15.7	18.2	25.6	31.6	13.4	27.6	29.0	23.5	25.8	15.6	19.8	12.2	11.6	8.2	22.8
Gender pay gap (age group 16-24) (2000)	13	6	6	11	7	:	2	6	:	:	17	10	10	:	5	6
Gender pay gap (age group 25-54) (2000)	11	15	19	13	14	:	19	5	:	:	19	10	18	:	22	15
Gender pay gap (age group 55-64) (2000)	18	19	34	19	15	:	28	16	:	:	28	-14	21	:	27	23
Gender pay gap (high educational attainment) (2000)	18	15	19	9	21	:	17	13	:	:	29	10	26	24	:	18

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU15
Gender pay gap (medium educational attainment) (2000)	12	14	16	23	14	:	25	9	:	:	19	16	18	16	:	14
Gender pay gap (low educational attainment) (2000)	12	9	14	24	24	:	30	15	:	:	16	20	17	14	:	17
Gender segregation (occupations)	25.3	28.3	26.9	21.8	25.2	26.3	26.9	21.8	27.1	24.5	27.7	27.7	29.4	27.8	26.4	25.1
Gender segregation (sectors)	18.2	18.5	18.1	15.5	19.4	17.5	21.0	15.4	19.7	16.7	20.3	22.1	21.6	21.5	18.8	17.7
Dependent elderly*	:	56.6	:	:	:	14.1	:	:	:	:	:	:	28.6	17.3	:	:
Labour market gaps for disadvantaged groups	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Implicit tax rate on employed labour	43.4	40.0	39.8	36.2	30.3	42.5	26.7	40.7	30.9	30.6	39.3	34.2	43.4	45.7	24.8	36.3

Transitions into employment and training

Transitions of unemployed people into employment and training
from year n to year n+1

1999 (year)	2000 (year)	AT	BE	DE	DK	ES	EU-15	FI	FR	GR	IE	IT	LU	NL	PT	SE	UK
	WORK	61	42	48	33	46	42	46	39	45	44	30	:	35	62	:	:
	EDUC_TRAI	3	6	5	12	1	3	3	2	2	13	3	:	10	0	:	:
	NON_EMPLOYE	36	52	48	56	53	55	51	59	53	43	67	:	55	38	:	:
WORK	WORK			80		75	79	76	74	82		81	:		91	:	:
	EDUC_TRAI	--	--	0	--	1	1	0	0	0	--	4	:	--	1	:	:
	NON_EMPLOYE			19		24	20	24	26	18		15	:		9	:	:
EDUC_TRAI	WORK	:	:				:	:	:				:			:	:
	EDUC_TRAI	:	:				:	:	:				:			:	:
	NON_EMPLOYE	:	:				:	:	:				:			:	:
NON_EMPLOYE	WORK	45	27	26	13	30	25	29	24	21	25	17	:	21	39	:	:
	EDUC_TRAI	2	7	5	11	1	4	5	2	2	16	2	:	7	0	:	:
	NON_EMPLOYE	53	66	68	76	69	72	66	74	76	59	81	:	72	61	:	:

Source: European Community Household Panel (ECHP),
Eurostat

Notes

Age Group: 17- 65 in 2000 and unemployed in 1998

Classification based ILO activity status and self-defined main activity status

WORK includes persons

- working with an employer in paid employment
- self-employees and
- unpaid family workers

NON EMPLOYED includes persons

- whose ILO activity status is 'unemployed', 'inactive' or 'discouraged worker'
- who work less than 15 hours in paid employment and do not consider this work as main activity

EDUC TRAIN includes persons

- working with an employer in paid apprenticeship or in training under special schemes
- in education or training

Transitions by pay level

Transitions between non-employment and employment and within employment by pay level (gross monthly earnings) from year n to year n+1

1999 (year n)	2000 (year n+1)	AT	BE	DE	DK	ES	EU-15	FI	FR	GR	IE	IT	LU	NL	PT	SE	UK
TOTAL	DECILE1	7	6	6	6	6	6	7	6	6	6	6	:	6	7	:	6
	DECILE2	7	7	7	7	5	7	7	7	6	7	5	:	7	7	:	7
	DECILE3	7	7	7	8	5	7	7	7	6	7	6	:	7	7	:	8
	DECILE4_10	51	46	51	59	39	47	51	46	41	48	39	:	54	52	:	55
	NON-EMPLOYED	28	35	29	19	45	33	28	35	41	32	44	:	25	27	:	24
DECILE1	DECILE1	63	59	55	46	34	53	44	54	60	38	59	:	52	48	:	56
	DECILE2	13	9	12	25	12	14	12	19	13	20	11	:	18	12	:	13
	DECILE3	8	4	5	3	8	5	6	4	4	7	4	:	3	7	:	6
	DECILE4_10	2	4	4	4	7	5	6	4	6	8	4	:	6	13	:	5
	NON-EMPLOYED	13	24	24	21	39	23	31	19	16	26	21	:	20	21	:	20
DECILE2	DECILE1	5	9	11	3	15	11	12	10	12	10	11	:	7	18	:	10
	DECILE2	60	53	55	45	36	48	36	44	45	32	44	:	52	46	:	54
	DECILE3	17	15	11	23	15	16	15	20	20	19	16	:	21	15	:	15
	DECILE4_10	12	18	13	12	19	14	18	14	11	16	19	:	11	16	:	10
	NON-EMPLOYED	6	5	9	17	15	11	20	12	13	24	11	:	10	4	:	11
DECILE3	DECILE1	1	2	2	4	2	2	3	2	1	3	3	:	1	1	:	3
	DECILE2	11	17	11	6	10	12	16	11	16	9	13	:	6	24	:	16
	DECILE3	61	49	55	49	25	45	47	42	45	32	38	:	57	42	:	47
	DECILE4_10	19	24	23	31	50	32	28	39	32	43	37	:	31	30	:	27
	NON-EMPLOYED	8	8	9	10	14	8	6	6	6	12	8	:	5	3	:	7
DECILE4+	DECILE1	0	0	0	1	0	0	0	0	0	0	1	:	0	1	:	1
	DECILE2	1	1	1	1	1	1	1	1	1	1	2	:	1	1	:	1
	DECILE3	1	3	2	2	5	3	4	3	3	3	5	:	2	4	:	3
	DECILE4_10	93	92	92	92	88	91	90	91	92	90	89	:	95	89	:	92
	NON-EMPLOYED	5	3	4	4	5	4	4	5	4	5	3	:	3	5	:	4
NON_EMPLOYED	DECILE1	6	5	6	9	5	5	7	5	3	5	3	:	6	5	:	4
	DECILE2	3	3	4	6	4	4	7	4	3	7	2	:	6	3	:	3
	DECILE3	2	2	3	5	2	3	3	2	2	4	1	:	3	2	:	3
	DECILE4_10	6	4	5	10	5	5	7	5	3	7	3	:	7	9	:	6
	NON-EMPLOYED	83	87	82	71	84	84	76	83	89	77	91	:	79	81	:	84

Source: European Community Household Panel (ECHP), Eurostat

Notes

Age Group: 15- 65

Classification based on ILO activity status and gross monthly earnings

NON_EMPLOYED = ILO activity status is 'unemployed', 'inactive' or 'discouraged worker'

: means data not available or sample size below 20

SOURCES AND DEFINITIONS

Data used in this report mainly originates from Eurostat, the Statistical Office of the European Communities. Some data is also provided in the National Action Plans on Employment. The main Eurostat data sources are:

- the European Community Labour Force Survey (LFS),
- the Eurostat Quarterly Labour Force Data series (QLFD),
- the European harmonised series on unemployment, and
- the European Community Household Panel (ECHP).

The European Community Labour Force Survey (LFS) is the EU's harmonised survey on labour market developments. Some Member States provide quarterly results from a continuous labour force survey, others conduct a single annual survey in the spring.

The Eurostat Quarterly Labour Force Data series (QLFD) is a harmonised series of quarterly employment statistics based on LFS and on national sources where applicable. The QLFD consist of two sets of quarterly series: 1) population, employment and unemployment by sex and age, mainly based on the Community LFS results, and 2) employment by economic activity and employment status (mainly based on the ESA 1995 national accounts employment data), further broken down by sex and by some job characteristics.

The European Community Household Panel (ECHP) is an annual longitudinal survey of a representative panel of households launched in 1994, covering living conditions, employment status, health, education and income. Data were available for the time period 1994-2000. at the time of publication of this report. The survey is based on a harmonised Eurostat questionnaire, adapted by national institutes.

Key indicators

Unemployment rate

Definition: Total unemployed persons as a share of total active population (by gender)

Source: Eurostat unemployment harmonised series

Employment rate

Definition: Total employment rate (age group 15-64), breakdown by gender and breakdown for older workers (age group 55-64). Persons in employment as a proportion of total population in the same age group.

Source: Quarterly Labour Force Data (QLFD), Eurostat²⁶

Transitions by pay level

Definition: Transitions between non-employment and employment and within employment by pay level (gross monthly earnings) from year n to year n+1²⁷.

Source: European Community Household Panel (ECHP), Eurostat

Growth in labour productivity

Definition: Growth in GDP per capita of employed population and per hour worked.

Source: ESA95, DG ECFIN

Transitions by employment status

Definition: Transitions between employment, unemployment and inactivity from year n to year n+1.

Source: ECHP, Eurostat

Long-term unemployment rate

Definition: Total long-term unemployed population (12 months or more) as a proportion of total active population (by gender)

Source: QLFD, Eurostat

Preventative services

Definition: Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having benefited from intensive counselling and job-search assistance. (LMP category 1) [target value 0%=full compliance] (by gender)

Source: National data

New start (a)

Definition: Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure. (LMP categories 2-7) [target value 0%=full compliance] (by gender)

Source: National data

New start (b)

Definition: Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start in the form of training, retraining, work experience, a job or other employability measure. (LMP categories 1-7) [target value 0%=full compliance] (by gender)

Source: National data

²⁶ QLFD are comparable estimates based on the Labour Force Survey and ESA-95

²⁷ Pay levels shown are deciles 1, 2, 3 and 4-10. Non-employment refers to ILO activity status 'unemployed', 'inactive' and 'discouraged worker'.

Activation of long-term unemployed

Definition: Number of long-term registered unemployed participants in an active measure (training, retraining, work experience or other employability measure) in relation to the sum of the long-term unemployed participants plus registered long-term unemployed (yearly averages). Broken down by types of measures and gender. (LMP categories 2-7)

Source: National data (in the medium-term the LMP database)

Follow-up of participants in active measures

Definition:

1. Rate of inflow of LMP participants into employment (3 or 6 months after participation in a measure)
2. Rate of return of LMP participants into unemployment (3 or 6 months after participation in a measure)

Source: National data

Enterprise births

Definition: Gross birth rate of new enterprises as a percentage of total stock of active enterprises

Source: Eurostat Structural Business Statistics (SBS)

Employment growth

Definition: Annual change in total number of employed persons, overall and by main sector (by gender)

Source: QLFD, Eurostat

Survival rate of newly born enterprises

Definition: Newly born enterprises of year n that are still active in year n+3

Source: Eurostat Structural Business Statistics (SBS)

Diversity of contractual and working arrangements

Definition: Total employees in part-time and/or fixed-term contracts plus total self-employed as % of persons in employment. Employees in non-standard employment (part-time and/or fixed-term) as % of total employees. (Breakdown by part-time, fixed-term, part-time and fixed-term, by reason, by gender.) Total self-employed as % of total persons in employment. (Breakdown by part-time, by gender.)

Source: LFS, Eurostat

Transitions by type of contract

Definition: Transitions between non-employment and employment and within employment by type of contract from year n to year n+1.²⁸

Source: ECHP, Eurostat

Trends in accidents at work

Definition: The evolution of the incidence rate, defined as the number of accidents at work per 100 000 persons in employment.

Source: European Statistics on Accidents in Work (ESAW), Eurostat

Trends in occupational diseases

Definition: Trends in occupational diseases

Source: European Occupational Diseases Statistics (EODS), Eurostat

Transparency of job vacancies

Definition: Share of job vacancies advertised through Member States' public employment services that are accessible on a common platform by jobseekers throughout the EU

Source: National sources

²⁸ Type of contract refers to permanent, fixed-term, education and training (e.g. paid apprenticeship), and self-employed.

Educational attainment of 22 year olds

Definition: Percentage of 22 year olds having achieved at least upper secondary education (ISCED level 3). The age group 20-24 is used as proxy. (by gender)

Source: LFS, Eurostat

Participation in education and training

Definition: Participation in education and training (25-64), overall, and by age group, working status and educational attainment. (by gender)

Source: LFS, Eurostat

Investment in human resources

Definition: Total public expenditure on education as a percentage of GDP²⁹.

Source: Joint UNESCO/OECD/Eurostat questionnaire

Participation in CVT

Definition: Share of employees participating in continuous vocational training (CVT) (by gender)

Source: CVTS, Eurostat

Activity rate

Definition: Share of employed and unemployed in total population of working age 15-64. (by gender)

Source: QLFD, Eurostat

Average exit age from the labour force

Definition: The average age of withdrawal from the labour market, based on a probability model considering the relative changes of activity rates from one year to another at a specific age. (by gender)

Source: LFS, Eurostat and DG EMPL

Employment gender gap

Definition: The difference in employment rates between men and women in percentage points.

Source: QLFD, Eurostat

Unemployment gender gap

Definition: The difference in unemployment rates between women and men in percentage points.

Source: Unemployment harmonised series, Eurostat

Gender pay gap

Definition: Difference between men's and women's average gross hourly earnings as percentage of men's average gross hourly earnings (for paid employees at work 15+ hours). Breakdown by public and private sectors.

Source: ECHP, Eurostat

Employment impact of parenthood

Definition: The difference in percentage points in employment rates without the presence of any children and with presence of a child aged 0-6, by gender (age group 20-50).

Source: LFS, Eurostat

Childcare

Definition: Children cared for (other than by the family) as a proportion of all children of the same age group. Breakdown by: before entry into non-compulsory pre-school system (0-3 years), in the non-compulsory or equivalent pre-school system (3-6 years), and compulsory primary education (6-12 years)³⁰.

Source: National data (until EU-SILC data is available)

²⁹ The demographic structure should be taken into account in the analysis.

³⁰ The age of the child may differ between countries in terms of start of pre-school and primary education.

Early school leavers

Definition: Percentage of 18-24 year olds having achieved lower secondary education (ISCED level 2) or less and not attending further education or training. (by gender)

Source: LFS, Eurostat

Unemployment rate gaps for people at a disadvantage

Definition: Difference in unemployment rates for disadvantaged groups (according to national definitions) and the overall unemployment rate, in percentage points. (by gender)

Source: National data

Unemployment rate gap between non EU and EU nationals.

Definition: Unemployment rate gap between non EU and EU nationals, in percentage points. (by gender)

Source: LFS, Eurostat

Working poor

Definition: Number of working poor as % of working population, calculated separately for wage and salary employees and self-employed. (by gender)

Working poor (in-work poverty) is defined as the share of individuals who are classified as "at work" (either in wage and salary employment or self-employed) according to the definition of most frequent activity status (the status that individuals declare to have occupied for more than half the total number of months for which information on any status in the calendar of activities is available) whose household equivalised disposable income is below 60% of national median equivalised income.

Source: ECHP, Eurostat

Unemployment trap

Definition: The marginal effective tax rate on labour income taking account the combined effect of increased taxes and benefits withdrawal as one takes up a job. Calculated as the ratio of change in gross income minus (net in work income minus net out of work income) divided by change in gross income for a single person moving from unemployment to a job with a wage level of 67% of the APW, measured at the first month of unemployment.

source: OECD-Commission

Taxation on low-wage earners

Definition: Tax wedge on labour cost: ratio of income tax plus employee and employer social contributions including payroll taxes less cash benefits divided by the labour costs for a single earner earning 67% of the APW.

Source: OECD-Commission

Regional disparities – coefficients of variation

Definition: Standard deviation of employment (unemployment) divided by the weighted national average (age group 15-64 years). (NUTS II)

Source: LFS

Context indicators

GDP growth

Definition: Annual average of GDP growth.

Source: ESA95, DG ECFIN

Employment rate by age groups

Persons in employment in age bracket 15-24, 25-54 and 20-64 years as a proportion of total population in the same age bracket. (by gender)

Source: LFS, Eurostat

Employment rate in full-time equivalent

Definition: Total hours worked divided by the average annual number of hours worked in full-time jobs, calculated as a proportion of total population in the 15-64 age bracket.

Source: LFS, Eurostat

Job satisfaction

Definition: Satisfaction with type of work in present job expressed as the average on a 1 to 6 score

Source: ECHP, Eurostat

Real unit labour costs

Definition: Growth in total compensation per employee adjusted for labour productivity and GDP deflator

Source: ESA95, DG ECFIN

Labour productivity

Definition: Total annual output divided by number of occupied population and hours worked (GDP in PPS per person employed/per hour worked relative to EU-15)

Source: ESA95, DG ECFIN

Transitions into employment and training

Definition: Transitions of unemployed people into employment and training from year n to year n+1.

Source: LFS, Eurostat

Inflow into long-term unemployment

Definition: Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12 without any break.

Source: National sources

Youth unemployment ratio

Definition: Total unemployed young people (15-24 years) as a share of total population in the same age bracket (by gender)

Source: Unemployment harmonised series, Eurostat.

LMP expenditure

Definition: Active/passive LMP expenditure as % of GDP

Source: Eurostat LMP database

Employment in newly established enterprises

Definition: Number of persons employed in newly born enterprises (in year n) and in surviving enterprises (set ups in years n-3, n-2 and n-1) in relation to the number of persons employed in all active enterprises (in year n).

Source: SBS, Eurostat

Employment rate in services

Definition: Number of employed persons working in the services sector (in main job) aged 15-64 as percentage of the population of the same age group. (by gender)

Source: QLFD, Eurostat

Working time

Definition:

1. Average weekly number of hours usually worked per week defined as the sum of hours worked by full-time employees divided by the number of full-time employees (by gender)
2. Trends in average effective annual working time per employed person. (by gender)

Source: LFS, Eurostat

Overtime work

Definition: Number of employees for whom the number of hours actually worked exceeds the number of hours usually worked due to overtime as a % of all employees. (by gender)

Source: LFS, Eurostat

Vacancies per unemployed

Definition: Trend within a Member State of the ratio between the total number of the stock of vacancies compared to the total number of unemployed (v/u ratio)

Source: National data (Job Vacancy Survey as from 2004)

Use of computers

Definition: Share of the workforce, using computers at home and/or at the workplace for work purposes

Source: Eurobarometer survey on ICT and employment (2002)

Investments by enterprises in training of adults

Definition: Investment by enterprises in continuous vocational training (CVT) in relation to labour costs.

Source: CVTS, Eurostat

Labour reserve

Definition: Inactive persons wanting to work as a percentage of working age population 15-64, breakdown by main reason for inactivity. (by gender)

Source: LFS, Eurostat

Labour supply growth

Definition: Annual change in labour supply (including employed and unemployed in working age 15-64). (by gender)

Source: QLFD, Eurostat

Employment gender gap in full-time equivalent

Definition: The difference in employment rates measured in full-time equivalent between men and women in percentage points.

Source: LFS, Eurostat

Employment gender gap by age group and educational attainment

Definition: The difference in employment rates between men and women in percentage points, by age group (15-24, 25-54, 55-64) and by education level (less than upper secondary, upper secondary and tertiary education, according to the ISCED classification).

Source: LFS, Eurostat

Gender pay gap (breakdowns and adjustment)

Definition:

1. Gender pay gap by age group and educational attainment (difference between men's and women's average gross hourly earnings as percentage of men's average gross hourly earnings for paid employees at work 15+ hours).
2. Gender pay gap, adjusted for sector, occupation and age

Source: ECHP, Eurostat

Gender segregation

Definition:

1. Gender segregation in occupations, calculated as the average national share of employment for women and men applied to each occupation; differences are added up to produce a total amount of gender imbalance presented as a proportion of total employment (ISCO classification).
2. Gender segregation in sectors, calculated as the average national share of employment for women and men applied to each sector; differences are added up to produce a total amount of gender imbalance presented as a proportion of total employment (NACE classification).

Source: LFS, Eurostat

Dependent elderly

Definition: Dependent elderly men and women over 75 as a proportion of all men and women over 75. Breakdown by: living in specialised institutions, help at home (other than by the family), and looked after by the family.

Source: National data

Labour market gaps for disadvantaged groups

Definition: Gaps in the labour market (such as employment, unemployment and inactivity gaps), for disadvantaged groups (such as disabled people, ethnic minorities, immigrants, low skilled people, lone parents, etc.) according to national definitions.

Source: National data

Implicit tax rate on employed labour

Definition: Ratio of total taxes on employed labour (personal income taxes plus employees' and employers' social security contributions plus payroll taxes) divided by the total compensation of employees plus payroll taxes

Source: Commission

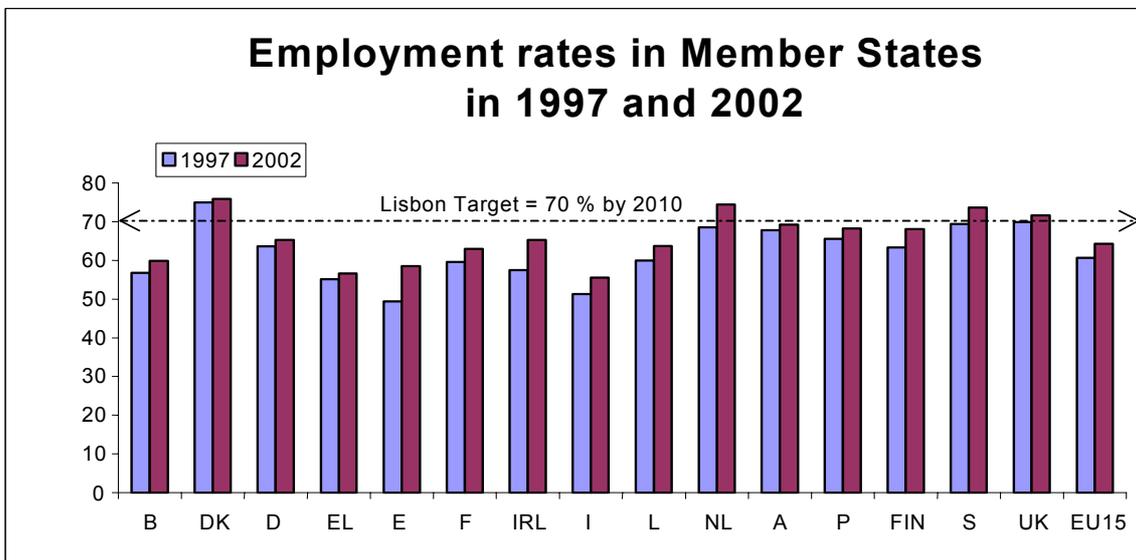
ANNEX 2: PROGRESS AGAINST THE TARGETS

THE LISBON AND STOCKHOLM EMPLOYMENT RATE TARGETS:

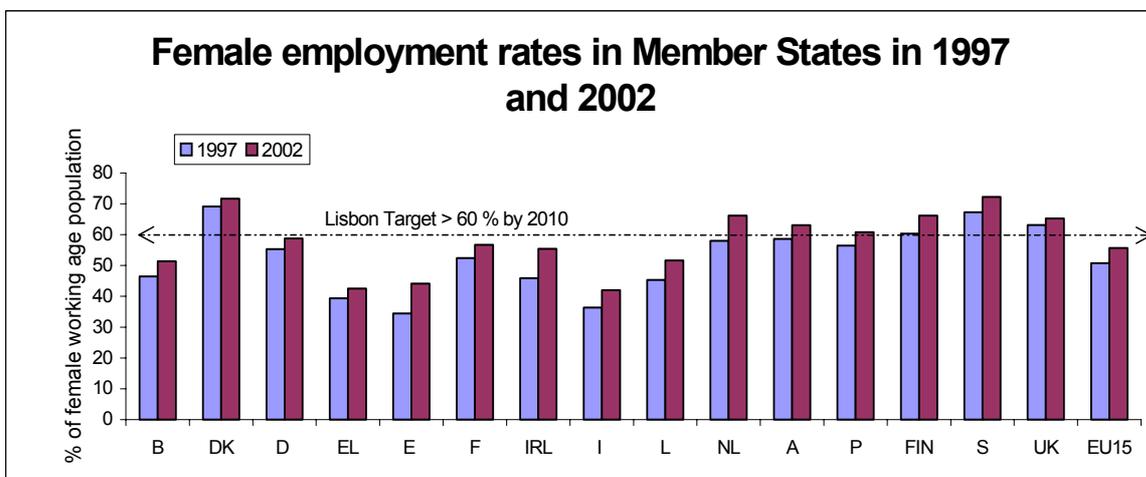
Policies shall contribute towards achieving on average for the European Union:

- An overall employment rate of 67% in 2005 and 70% in 2010
- An employment rate for women of 57% in 2005 and 60% in 2010
- An employment rate of 50% for older workers (55-64) in 2010.

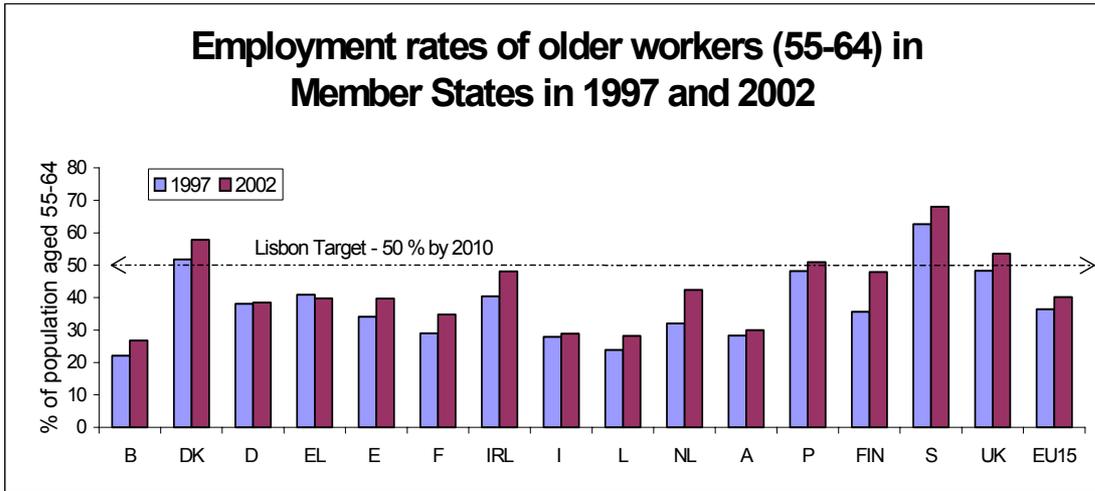
Any national targets should be consistent with the outcome expected at European Union level and should take account of particular national circumstances.



Source: QLFD, comparable annual estimates based on LFS and ESA95, Eurostat.



Source: QLFD, comparable annual estimates based on LFS and ESA95, Eurostat.



Source: QLFD, comparable annual estimates based on LFS and ESA95, Eurostat.

National Employment Targets

MEMBER STATES	NATIONAL TARGETS			
	TOTAL	WOMEN	OLDER WORKERS	OTHER TARGETS / REMARKS
EU Targets	70% for 2010 67% for 2005	60% for 2010 57% for 2005	50% for 2010	
Austria		65% by 2005		No other targets set on the grounds that Lisbon and Stockholm targets are nearly attained (except for older workers)
Belgium	Employment growth objective 2007 of 200.000 new jobs (employment rate : ca. 65%)			Regions have set their own employment rate targets.
Denmark	Employment growth objective of 60.000 new jobs for 2010 (result: employment rate 75 %)			All Lisbon/Stockholm targets are already reached.
France	65% by 2006 (+ 2% vs. 2002)	60% by 2006 (+ 3% vs. 2002)	40% by 2006 (+ 5% vs. 2002)	
Finland	Employment growth objective of 100.000 new jobs for 2007, consistent with aim to reach by 2010 employment rate of 75%			No other targets set (close to Lisbon/Stockholm targets, and the target for women is already exceeded).
Germany				
Greece	Employment growth objective of 300.000 new jobs for 2008, (resulting employment rate 62%)	50 % by 2008		Employment rate for young people to reach 35% in 2008. By 2008 the unemployment rate should be reduced to 6% overall and 8 % for women.
Italy	58.5 % (2005)	46% (2005)	40 % (2005)	The 2005 employment rates represent only a forecast.
Ireland				No targets set.
Luxembourg				No targets set.
Netherlands		65 % (2010)		Lisbon/Stockholm targets are already reached (except for older workers). Target for ethnic minorities (54% by 2005). Youth unemployment not to exceed twice the average rate (2010).
Portugal	67 % (2005)	60 % (2010)	50% (2010)	Targets correspond to government commitment to keep employment rates at least at current levels.
Spain				No targets set.
Sweden	80 % (2004) (+ 2% vs. 2002)			Lisbon/Stockholm targets are already met. Target for 2004 corresponds to age group 20-64.
United Kingdom		70 % for lone parents (2010)		Lisbon/Stockholm targets are already met.

SPECIFIC GUIDELINE 1: ACTIVATION AND PREVENTION

Member States will ensure that:

- every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months of unemployment in the case of adults in the form of training, retraining, work practice, a job, or other employability measure, combined where appropriate with on-going job search assistance;
- by 2010, 25% of the long-term unemployed participate in an active measure in the form of training, retraining, work practice, or other employability measure, with the aim of achieving the average of the three most advanced Member States.

Information is only presented for the Member States providing the indicators in their NAPs.

Indicators on prevention according to the new definition³¹

	Non-compliance: Young unemployed people			Non-compliance : Adult unemployed people		
	Men	Women	Total	Men	Women	Total
AT	82.2	82.1	82.2	81.8	84.3	82.9
IE			59.6			49.0
LUX	18.4	26.4	22.0	45.5	47.4	46.4
SW	3.1	2.1	2.6	19.6	15.0	17.4
UK			0			0

³¹ Share of young/adult unemployed becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start for example in the form of training, retraining, work experience, or a job. Figure broken down by gender.

Indicators on prevention according to the previous definition³²

	Non-compliance Young unemployed people			Non-compliance Adult unemployed people		
	Men	Women	Total	Men	Women	Total
BE	26.2	24.6	25.4	45.1	46.6	45.9
DK	76.0	75.0	76.0	57.0	43.0	50.0
DE	-	17.5	16.2	-	19.9	18.4
ES	50.8	47.2	49.0	65.6	56.6	61.1
FR	15.8	12.3	14.0	16.7	14.4	15.5
NL			0			78.0
PT	14.0	12.4	13.0	15.4	14.2	14.7
FIN	9.1	10.3	9.6	5.9	6.4	6.1

³² Share of young/adult unemployed becoming unemployed in month X, still unemployed in months X+6/12 and having not started an individual action plan (involving a range of actions including one to one assessment of needs and job search assistance) Figure broken down by gender.

Activation rates of the Long-term Unemployed (2002)³³

	Activation LTU ³⁴		
	M	W	T
BE	32	32	32
DK	27	20	24
DE			
Young	43	45	43
Adults	24	24	24
FR			
Young			36
Adults			42
IE			32
LUX			
Young	95	91	93
Adults	68	68	68
NL			
AT	13	17	14
FIN			25
SW	54	45	50
UK			47

³³ Long-term unemployment defined as a young person in registered unemployment for 6 months and an adult for 12 months.

³⁴ Number of long-term registered unemployed participants in an active measure (in the form of trainings, work practice, or other employability measure) in relation to the number of registered long-term unemployed (%)

SPECIFIC GUIDELINE 3 : ADAPTABILITY

Policies will aim to achieve in particular a substantial reduction in the incidence of accidents at work and of occupational diseases.

Accidents at Work National Targets:

UK	<p><i>All targets to be achieved by 2009/2010 (baseline 1999/2000).</i></p> <ul style="list-style-type: none"> • Reduction of the incidence rate of fatal injuries by 10%. • Reduction of the rate of incidence of work-related ill health by 20%. • Reduction of the number of days lost because of work-related injuries and ill health by 30%.
DK	<p><i>Targets for 2005 (baseline 2000).</i></p> <ul style="list-style-type: none"> • Reduction of number of serious accidents at work by 15%. • Reduction of highly repetitive work by 10%. • Reduction of lifting/pulling/pushing activities by 15%. • Reduction of the number of persons with psycho-social problems by 5%.
FR	<p><i>Targets for 2006.</i></p> <ul style="list-style-type: none"> • Reduction of work-related accidents by 15% overall. • Reduction of work-related accidents by 20% in high-risk sectors. • Reduction of commuting accidents by 20%. • Reduction of the number of persons exposed to noise by 20%.
EL	<p><i>Target for 2008.</i></p> <ul style="list-style-type: none"> • Reduction of work-related accidents by 20% overall. • Reduction of work-related accidents by 25% in high-risk sectors.
PT	<p><i>No target year.</i></p> <ul style="list-style-type: none"> • Reduction of incidence rate of accidents at work by 40%.

The remaining Member States did not present a target in the National Action Plan. Comparable data is not available at EU level.

By 2005, jobseekers throughout the EU should be able to consult all job vacancies advertised through Member States' employment services.

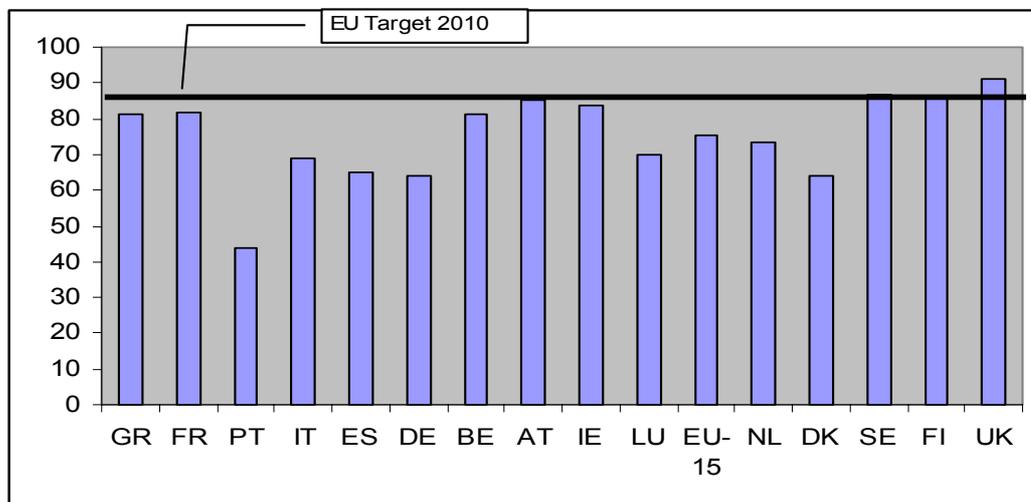
All Member States commit within the National Action Plans to this target.

SPECIFIC GUIDELINE 4: HUMAN CAPITAL

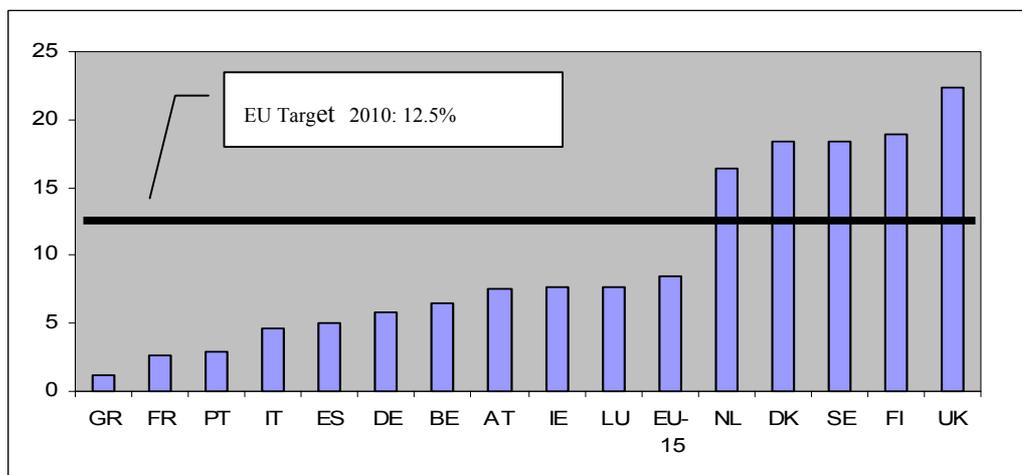
In accordance with national priorities, policies will aim in particular to achieve the following outcomes by 2010:

- at least 85% of 22 year olds in the European Union should have completed upper secondary education;
- the European Union average level of participation in lifelong learning should be at least 12,5% of the adult working age population (25-64 age group).

Percentage of 22 year olds having achieved at least upper secondary education. The age group 20-24 is used as proxy. (2002)



Percentage of the working age population participating in education and training (2002)



SPECIFIC GUIDELINE 5: ACTIVE AGEING BARCELONA TARGETS FOR THE AVERAGE EXIT AGE

Policies will aim to achieve by 2010 an increase by 5 years, at European Union level, of the effective average exit age from the labour market (estimated at 59,9 in 2001³⁵). In this respect, the social partners have an important role to play. Any national targets should be consistent with the outcome expected at the European Union level and should take account of particular national circumstances.

Average Exit Age from the labour market:

	2001	2002 ³⁶	Difference: total
BE	56.8	58.5	1.7
DK	61.6	60.9	-0.7
DE	60.6	60.7	0.1
GR	59.4	62.6	3.2
ES	60.4	61.5	1.1
FR	58.1	58.8	0.7
IE	62.8	62.4	-0.4
IT	59.8	59.9	0.1
LU	56.8	59.3	2.5
NL	60.9	62.2	1.3
AT	59.2	59.3	0.1
PT	61.8	62.9	1.1
FI	61.4	60.5	-0.9
SE	61.7	63.2	1.5
UK	62	62.3	0.3
EU 15	60.4	60.8	0.4

National Targets on Average exit age:

France: to increase the average exit age by **1.5 years** and raise the employment rate of older workers by 5 percentage points by 2008.

Finland: increase the exit age by **2-3 years by 2010**.

Portugal: 2006 target to maintain the current average exit age of 62.

³⁵ Subsequently revised upwards to 60.5 years

³⁶ Provisional figures

SPECIFIC GUIDELINE 6: GENDER EQUALITY

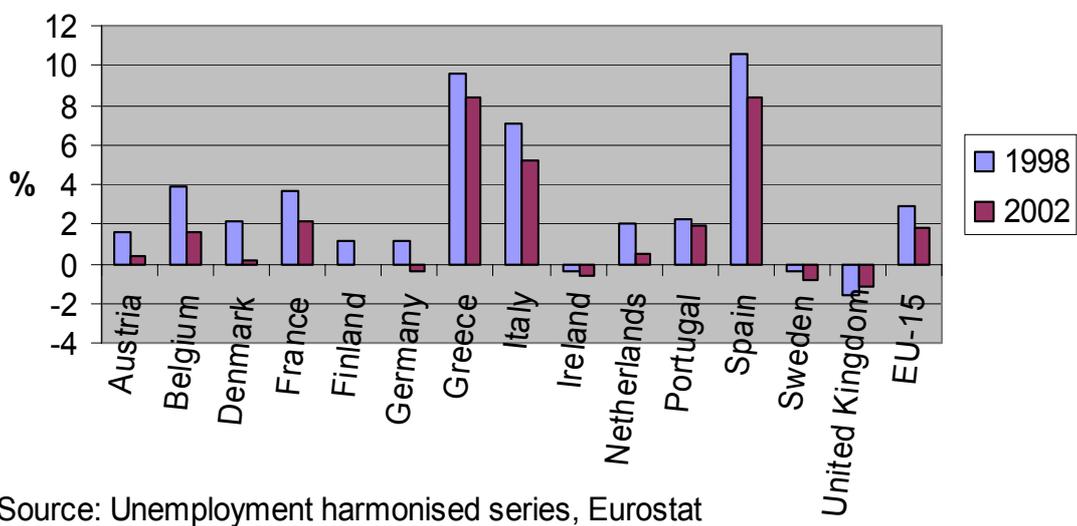
Member States will, through an integrated approach combining gender mainstreaming and specific policy actions, encourage female labour market participation and achieve a substantial reduction in gender gaps in employment rates³⁷, unemployment rates, and pay by 2010.

MEMBER STATES	UNEMPLOYMENT GENDER GAP		
	CURRENT SITUATION AND NATIONAL TARGETS		
% (year 2002)	Gender gap (women – men)	NATIONAL TARGETS	
EU Target	<i>A substantial reduction in the gender gap in unemployment rates by 2010</i>		
Austria	0.4		
Belgium	1.6		
Denmark	0.2		
France	2.1	Decrease long-term unemployment of women with 5%	
Finland	0		
Germany	-0.4		
Greece	8.4	Reduce unemployment of women to below 10% by 2006 and to 8% by 2008	
Italy	5.2		
Ireland	-0.6		
Luxembourg	1.8		
Netherlands	0.5		
Portugal	1.9	Reduce unemployment gender gap with one third by 2005/2006.	
Spain	8.4		
Sweden	-0.8		
United Kingdom	-1.1		
EU-15	1.8		

³⁷

See chart 2

Unemployment gender gap 1998-2002

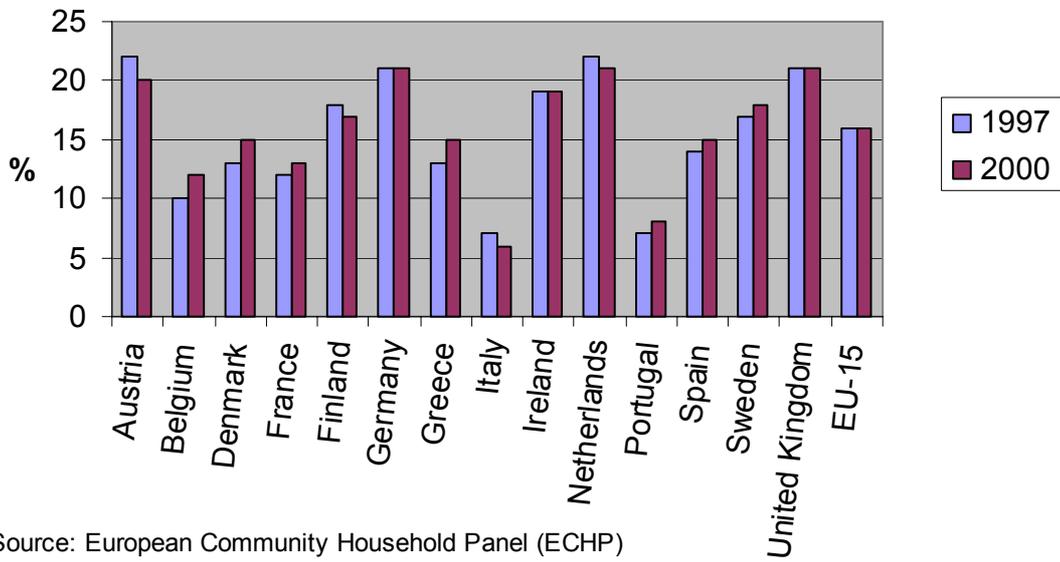


Source: Unemployment harmonised series, Eurostat

MEMBER STATES	GENDER PAY GAP ³⁸			
	CURRENT SITUATION AND NATIONAL TARGETS			
% (year 2000)	TOTAL	PRIVATE SECTOR	PUBLIC SECTOR	NATIONAL TARGETS
EU Target	<i>A substantial reduction in the gender pay gap in each Member State by 2010</i>			
Austria	20	24	14	
Belgium	12	15	-	
Denmark	15	16	13	
France	13	-	-	Reduce the gender pay gap by one third between 2003 and 2010
Finland	17	15	25	
Germany	21	24	20	
Greece	15	22	9	
Italy	6	15	0	
Ireland	19	23	15	
Luxembourg	-	-	-	
Netherlands	21	26	19	
Portugal	8	28	-17	
Spain	15	23	3	
Sweden	18	16	18	
United Kingdom	21	26	18	
EU-15	16	22	11	

³⁸ Difference between men's and women's average gross hourly earnings as percentage of men's average gross hourly earnings (for paid employees at work 15+ hours).

Gender pay gap 1997-2000



Source: European Community Household Panel (ECHP)

NATIONAL TARGETS IN THE FIELD OF CHILDCARE

Member States should remove disincentives to female labour force participation and strive, taking into account the demand for childcare facilities and in line with national patterns of childcare provision, to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age.

Country:	Latest performance 0-3 years	Latest performance 3 years - compulsory school age	National target
EU TARGET	<i>33% by 2010</i>	<i>90% by 2010</i>	
Austria	<i>0-3 years</i> <u>Institutional childcare centre (KTH)</u> 2002: 8.8% ; 2001: 7.81% (61.6% for 3 year olds)	<i>3-6 years</i> <u>Institutional childcare centre (KTH)</u> 2002: 81.6% ;2001: 78.43%	-
Belgium	<i>0-3 years</i> <u>Belgium</u> 2002: 28.3% ; 2001: 28.0% <u>Flanders</u> 2002: 32.0%; 2001: 31.4% <u>Wallonie</u> 2002: 23.8%; 2001: 23.8%	<i>3-6 years</i> <u>Belgium, Flanders and Wallonie</u> 2002: 100% 2001: 100%	Flanders: 10,000 new childcare places during 2000-2004; 1,400 new after-school care places will be created 2003-2004

Germany	<p><i>0-3 years</i></p> <p><u>1998:</u></p> <p>Germany 7.0% -old Länder 2.8%; new Länder 36.3%</p>	<p><i>3-6.5 years</i></p> <p><u>1998:</u></p> <p>Germany 89.5%</p> <p>-old Länder 86.8%; -new Länder 111.8%</p>	
Denmark	<p><i>6 months-2 years</i></p> <p><u>Day-care provision, clubs for school children, etc.</u></p> <p>2002: 68% ;2001: 67%; 2000: 66%</p>	<p><i>3-5 years</i></p> <p><u>Day-care provision, clubs for school children, etc.</u></p> <p>2002: 94%; 2001: 93%; 2000: 93%</p>	-
Spain	<p><u>Children in schooling</u></p> <p><i>0-2 years</i>: 11%</p> <p><i>3 years</i>: 92.9%</p>	<p><u>Children in schooling</u></p> <p><i>4-5 years</i>: 100%</p>	
Finland	<p><i>0-2 years (2001)</i></p> <p><u>Total day-care arrangements</u>: 26.1%</p> <p>-day-care centre 11.6%</p> <p>-family day-care 11.7%</p> <p>-other charged arrangement 1.3%</p> <p>-other arrangement free of charge 1.5%</p>	<p><i>3-6 years (2001)</i></p> <p><u>Total day-care arrangements</u>: 61.3%</p> <p>-day-care centre 43.5%; family day-care 15.4%; -other charged arrangement 1.1% -other arrangement free of charge 1.3%</p> <p><u>Afternoon care</u>: 10.6%</p> <p>-charged arrangement 4.8%; arrangement free of charge 0.6%</p> <p>-no arrangement for care (?) 5.2%</p>	-

France	<u>2001:</u> Crèches collectives: 6.7% (0-3 years) Crèches parentales: 1.4% (0-3 years) Crèches familiales: 1.3% (0-6 years) Jardins d'enfants: 0.3% (2-6 years) Halte garderies: 1.6% (0-6 years) Assistantes maternelles: 20.6%	See first column.	Increase childcare coverage by 2010 in line with the targets of the Guideline.
Greece	-	-	Increase childcare coverage by 2010 in line with the targets of the Guideline.
Ireland	-	<i>Pre-school children</i> -73,000 families (42.5% of all families) rely on non-parental childcare -23,000 families rely on unpaid relatives	2003: Increase childcare places by 30%; 450 new facilities 2006: Increase childcare places by 50%; 800 new facilities
Italy	<i>0-2 years</i> Public childcare: 6.5% Other type of nursery services: 0.6%	<i>3-5 years</i> Infant school: 98%	-
Luxembourg	<i>0-4 years</i> Crèches 9.98%	<i>4-12 years</i> Out-of-school care 5.87%	
Netherlands	<i>0-2 years (2001)</i> Day nursery or childminder 22.5%	<i>2-4 years (2001)</i> Playgroup, day nursery and childminder 82.5% -playgroup 60%	

		-day nursery or childminder 22.5%	
		4-12 years (2001)	
		After school care and/or holiday care 7%	
Portugal	0-3 years <u>Care before pre-school</u> 2002: 16.3% 2001: 16.0% 2000: 14.6%	-	2006: 20% coverage of childcare services for 0-3 year olds 2010: 90% coverage of pre-school education for 3-5 year olds
Sweden	1-3 years <u>Total pre-school and nursery:</u> Public: 61.2% Private: 11.8% <u>Pre-school:</u> Public: 54% Private: 11% <u>Nursery:</u> Public: 7.2% Private: 0.8%	4-5 years <u>Total pre-school and nursery:</u> Public: 76.7% ; Private: 14.8% <u>Pre-school:</u> Public: 69% ; Private: 14% <u>Nursery:</u> Public: 7.7% ; Private: 0.8% 6-9 years <u>Total out-of-school care and nursery:</u> Public: 68.5%; Private 6.1% <u>Out-of-school care:</u> Public: 67% ; Private: 6% <u>Nursery:</u> Public: 1.5%; Private: 0.1%	-

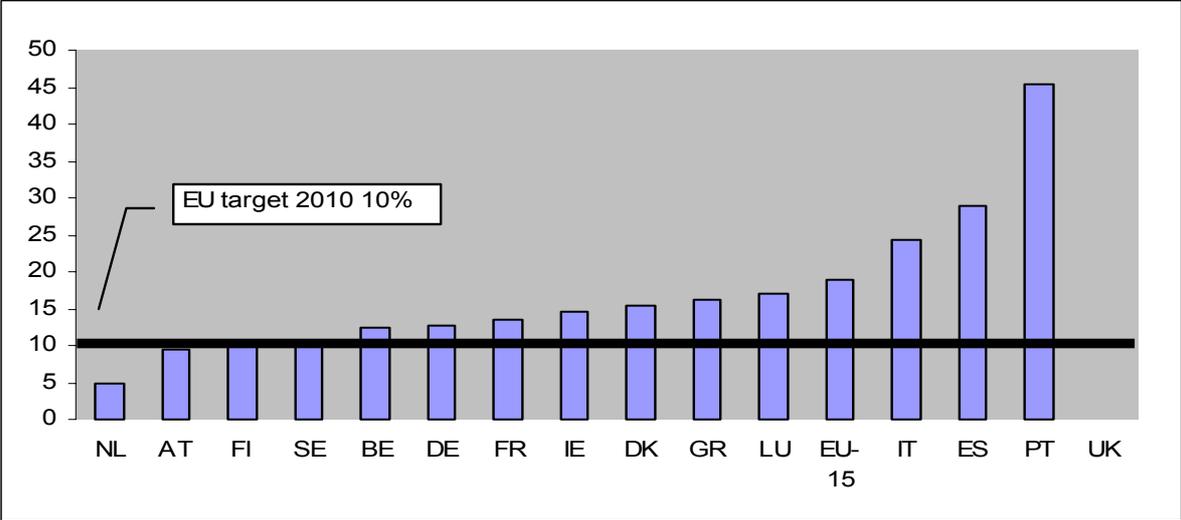
UK	<p><i>0-2 years</i></p> <p>Formal and informal care 27.6%</p>	<p><i>3-4 years</i></p> <p>Formal and informal care 58.1%</p> <p>Only formal 29.4%</p> <p>Only informal 8.9% ;Only family care 3.6%</p> <p><i>5-14 years</i></p> <p>Formal and informal care 23%; Only formal 10.8%</p> <p>Only informal 46.9%; Only family care 19.3%</p>	<p>2004: Have a total of 1.6 mio childcare places; Early education for all 3-year olds</p> <p>2006: Create an additional 250.000 places</p>
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SPECIFIC GUIDELINE 7: DISADVANTAGED GROUPS

In particular, policies will aim to achieve by 2010:

- an EU average rate of no more than 10% early school leavers;
- a significant reduction in each Member State in the unemployment gaps for people at a disadvantage, according to any national targets and definitions;
- a significant reduction in each Member State in the unemployment gaps between non-EU and EU nationals, according to any national targets.

Rate of Early School Leavers – as measured by the percentage of 18-24 year olds having achieved lower secondary education or less not attending further education or training (2002)



MEMBER STATES	NATIONAL TARGETS			
	Early school leaving	Migrants and ethnic minorities	disabled	Other groups or targets
EU Target	Max 10% by 2010			
Austria				
Belgium				
Denmark		3.5% of state employees should be immigrants or descendants from countries outside Western Europe and Northern America		
France	A reduction of the early school leavers by 10.000 in 5 years	90% of the target group of immigrants should sign an integration contract by 2005		<p>Increase the job return of long-term unemployed by 2% each year</p> <p>Individual guidance of all job seekers from the first month of registration during 2003-2005</p> <p>Increase the outflow out of unemployment of RMI during 2003-2005</p>
Finland				
Germany				
Greece				The percentage of individuals at risk of poverty and social exclusion to be reduced, after social transfers, to the EU average by 2008
Italy				
Ireland		All travellers attending primary education and the transfer rate of travellers to post primary schools increase to 95% by 2004	Employment of people with disabilities in the public sector to 3%	The elimination of long-term unemployment as soon as circumstances permit but in any event no longer than 2007
Luxembourg				

Netherlands	Target of a reduction of 30% for early school leavers by 2006 and of 50% by 2010	Target for employment rate of ethnic minorities 54% by 2005		
Portugal	Reduction of early school leaving for those aged 18-24 to 35% in 2006 and 25% in 2010		Attendance of 13.000 disabled individuals in vocational training and socioprofessional integration actions in 2004	Attendance of 50.000 individuals in programmes connected to the Social Employment Market in 2004
Spain				

SPECIFIC GUIDELINE 8: MAKING WORK PAY

Policies will aim at achieving by 2010 a significant reduction in high marginal effective tax rates and, where appropriate, in the tax burden on low paid workers, reflecting national circumstances.

Marginal effective tax rate³⁹:

	2000	2001	2002
AT	:	74.8	72.0
BE	:	88.8	91.3
DE	:	87.9	88.4
DK	:	91.2	90.7
ES	:	81.3	81.7
EU-15	:	:	:
FI	:	80.6	83.4
FR	:	86.8	84.0
GR	:	79.4	80.8
IE	:	72.6	73.4
IT	:	59.6	59.9
LU	:	87.6	86.7
NL	:	85.2	84.8
PT	:	87.7	87.0
SE	:	87.3	87.1
UK	:	70.4	70.3

Source: OECD-Commission

³⁹ The marginal effective tax rate on labour income taking account the combined effect of increased taxes and benefits withdrawal as one takes up a job. Calculations take into account the combined effects of tax and benefits on the income of a person moving from unemployment to work.
This indicator is one of the agreed Structural indicators (long list)

Tax wedge on labour cost⁴⁰:

	1998	1999	2000	2001	2002
AT	41.5	41.6	40.1	39.7	39.9
BE	51.1	51.0	49.9	49.1	48.9
DE	47.5	47.0	46.5	45.5	45.9
DK	40.4	41.3	41.2	40.6	40.4
ES	35.1	32.6	32.8	33.4	33.9
EU15	40.3	39.1	38.6	37.7	37.8
FI	44.0	42.6	42.4	41.0	40.4
FR	42.5	40.3	39.6	38.4	37.8
GR	35.1	34.3	34.3	34.3	34.3
IE	23.4	21.5	18.1	17.3	16.6
IT	44.4	44.1	43.3	42.8	42.7
LU	28.9	29.5	30.4	28.8	27.3
NL	39.2	40.2	40.6	36.8	37.2
PT	30.7	30.2	30.4	29.5	29.5
SE	49.3	48.7	47.9	46.8	45.9
UK	28.5	25.8	25.3	24.5	24.7

⁴⁰ Ratio of income tax plus employee and employer social contributions including payroll taxes less cash benefits divided by the labour costs for a single earner earning 67% of the Average Price Wage.

SPECIFIC GUIDELINE 10: REGIONAL DISPARITIES

In addition, some Member States have set a target for the reduction of regional disparities, although not specifically required under the Guidelines.

EL	<ul style="list-style-type: none">• An indicator of regional disparities (no definition provided) should develop from today's 9.6% for Greece to 7% in 2008 (EU-15 at present 11.4%).• The per capita GDP of regions should, by 2008, in no Greek region be less than 65% of EU average.• The unemployment rate in regions should not exceed by more than 3 percentage points the national average.
FR	<ul style="list-style-type: none">• For 85 deprived city areas:<ul style="list-style-type: none">▪ Reduction of number of jobseekers by one third by 2008.▪ Decrease of unemployment levels to those of the surrounding agglomerations.• For the Départments d'outre mer (DOM):<ul style="list-style-type: none">▪ Stronger development of commerce than in the mainland.▪ Reduction of disparities in unemployment.
UK	<ul style="list-style-type: none">• For the 30 local authority districts with the lowest employment rates: bringing them closer to the overall UK employment rate.