

# EMPLOYMENT OBSERVATORY

## Policies

# 55

Developments in employment policies in Europe.  
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# Developments at a Glance

- Belgium:** The government intends to reduce unemployment by means of moderate wage growth – one remaining in line with trends in Belgium’s leading trading partners – and a series of employment promotion measures.
- Germany:** The “Employment Office 2000” and “Performance-oriented leadership in the BA” projects are expected to raise the efficiency of the labour market authority, in particular by granting individual employment offices greater scope and responsibility for more highly client-oriented service provision.  
Commercial job placement accounts for just a fraction of overall placement activity.  
A number of components of the Programme for Growth and Employment are currently being implemented through new legislation. They include the phased transition to retirement, the reform of unemployment assistance, changes in shop opening hours and the imminent reform of the labour promotion law.
- France:** Within the framework of the “Urban Renewal Pact” a new measure has been introduced for young people in urban areas designated as “problem zones”. Under the measure a wage cost subsidy averaging 55% over five years is provided for jobs created to meet currently unsatisfied community needs.  
Job placement in the year 2000 will be decentralised and client oriented, and will be based on a network of partners. In future the institution responsible for paying unemployment benefit will also be the place at which the unemployed register as jobseekers.
- Finland:** The consultative procedures in the context of mass redundancies have been shortened.
- Greece:** Unemployment benefit has been increased by 10% and employed schoolchildren and students have been granted an extended holiday entitlement.  
A new institution for vocational training and employment promotion has been created. Its central task is to monitor the Greek labour market.
- Italy:** The regional employment agencies are now able to make grants available to small firms to help them recruit managerial staff.  
In order to prevent illegal job placement and exert better control over employment in the agricultural sector, an employment register has been introduced which agricultural enterprises are required to complete.  
In 1996 LIT 50 billion have been made available to assist young people setting up their own businesses in the Mezzogiorno.
- Ireland:** A labour market strategy paper places the main emphasis on greater justice on the labour market. This is to be attained by maximising employment at a high and sustainable level and by facilitating the labour market access of disadvantaged groups.
- Netherlands:** A law on social benefit abuse is to generate savings of HFL 200 million a year.  
In order to reduce the demand for social insurance benefits, the division of responsibilities between the various social insurance institutions has been changed.  
In a pilot study the expansion of employment in cleaning services is being promoted in a number of local authorities by a wage subsidy for the long-term unemployed.  
The regulations governing “atypical” forms of employment have been relaxed.  
The system of occupational disability pensions is to be reformed in order to reduce claims on the system.
- Austria:** A bonus-malus system has been introduced in order to make it more difficult for firms to dismiss elderly workers and to promote their continued employment and re-employment. The conditions of entitlement to unemployment benefit and unemployment assistance have been tightened. A special programme offering wage cost subsidies for employers recruiting the long-term unemployed has been introduced.  
A study of the placement activities of the Labour Market Service has revealed the high incidence of re-recruitment with the previous employer and a rising level of satisfaction with the services provided by the Labour Market Service.
- Portugal:** Loan guarantees are being provided in order to assist firms facing economic difficulties. Also envisaged is the mobilisation of unemployment benefits in order to maintain employment in such firms and a reform of the regulations on dismissal.  
A study of vocational training requirements in small firms reveals a considerable need for vocational training.
- Spain:** Employment is to be promoted by reducing the tax burden on firms.  
An agreement has been signed on the introduction of an extrajudicial arbitration system for the resolution of labour conflicts.
- Sweden:** An evaluation of vocational training measures by the employment service shows that these generate positive employment effects, particularly for the low skilled, and also exert a positive influence on wages.  
A programme to halve unemployment by the year 2000 is to be based, among other things, on a significant expansion of education and training opportunities and the fixed-term employment of the long-term unemployed by local authorities. The level of unemployment has been increased, but at the same time the duration of entitlement has been reduced.
- United Kingdom:** Traineeships and measures enabling young people to reach the entry level for vocational training are to be introduced. These “National Traineeships” and “Entry Level Provisions” will replace Youth Training.  
The choice and diversity of training is to be extended by so-called “learning credits”, which serve as an expression of young people’s entitlement to learning.  
Pre-vocational pilot projects to enable young people to prepare themselves for vocational training have been introduced since April 1996 by 57 Training and Enterprise Councils (TECs).  
A comparative study of education and training has revealed the strengths and weaknesses of the British system.

# EMPLOYMENT OBSERVATORY Policies



No. 55, Autumn 1996

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# “Policies” and the European Employment Strategy

In the area of vocational training the various measures initiated in the United Kingdom deserve special mention: among other things they constitute a comprehensive reform of initial training for young people. In future the basic qualifications required in order to gain access to the labour market for the first time or to other forms of training are to be provided at two distinct levels. Firstly, schools, the Careers Service and other organisations will provide, in the so-called “entry level provision”, the key basic qualifications needed for the labour market. Secondly, Industry Training Organisations and the Training and Enterprise Councils are to organise traineeships leading to qualifications at National Vocational Qualification levels 1 to 3. Supportive guidance and the provision of training and career plans will be provided. Also newly introduced are pilot projects to prepare young people for vocational training measures and learning credits that entitle young people to participate in a training scheme. The strengths (in the higher educational levels) and weaknesses (at the level of medium-range qualifications) of the British education and training system have been revealed by a study.

An evaluation of Swedish vocational training measures by the employment service shows that these generate positive employment effects, particularly for the low skilled, over the longer term. The Swedish government is now extending the range of vocational training opportunities and expects that this will make a decisive contribution to reducing unemployment. In Portugal a major demand for vocational training in small firms has been identified.

Point 2 of the employment strategy adopted at Essen aims to bring about an increase in the employment intensity of economic growth by rendering working time organisation more flexible through moderate wage growth and employment promotion measures in new areas of employment. To

this end France has included in an urban renewal programme a job creation measure for inner-city problem areas, under which by means of wage cost subsidies jobs are to be created in areas, in which community needs currently remain unsatisfied, i.e. to some extent at least in new areas.

The Netherlands, too, is supporting job creation, initially on an experimental basis, in cleaning services, which, although an “old” sector, is a new field of intervention for employment policy. In addition, by easing the regulations governing flexible, “atypical” employment relations, more jobs are to be created. In Belgium the government expects that employment growth and a reduction in unemployment can be brought about by maintaining wage growth at moderate rates in line with its trading partners and through further flexibilisation of working time. In Germany it is expected that employment growth will be enhanced and the burden on the pension and unemployment insurance funds reduced by means of the phased transition to retirement.

While direct programmes to reduce indirect wage costs are reported only from Belgium – where they constitute a traditional pillar of labour market policy – in this issue of *inforMISEP*, numerous more indirect approaches to cutting corporate costs with the aim of inducing faster employment growth have been introduced in other countries. These include tax cuts for firms in Spain and also savings in the social security budget that, if successful, may lead on to a reduction in indirect wage costs. Such strategies to stem social welfare spending – whereby the accent is very much on reducing the cost of welfare policies – are also reported on in this issue, in particular from Austria and the Netherlands.

Once again the aims of improving the effectiveness of labour market policy and rendering it more “active” – at the expense of passive benefit provision – are at the centre of efforts

by the EU Member States to resolve their labour market problems. Indeed, virtually all the measures reported on in this issue have, in principle, this as one of their objectives. In particular, though, it is the aim of raising the efficiency of the national labour market authorities – with the programmes for a modern, decentralised and client-oriented employment service in the year 2000 in both Germany and France – that deserve special mention. According to a study, the Austrian Labour Market Service has already achieved an improvement in effectiveness. Greater use of unemployment benefits to maintain endangered jobs – i.e. a partial “activation” of such benefits – is planned in Portugal.

The measures for special target groups constitute a second focus of attention. In addition to the Dutch experiment to expand employment in cleaning services mentioned above, which is to benefit the long-term unemployed (LTU), the employment programmes for the LTU in Swedish local authorities, the now exclusive focussing of job creation measures on the LTU in Germany and a programme for the long-term unemployed and the innovative introduction of a bonus-malus system to support the employment of elderly workers in Austria deserve mention. The Irish government is seeking to render the labour market as a whole more just by facilitating labour market access for all disadvantaged groups. It is young people that are the focus of the changes in vocational training in the United Kingdom that were described at the start of this editorial, and the French initiative for jobs in deprived inner-city areas and part of the Swedish programme are both oriented towards the labour market integration of this group.

Last but not least, the Italian government has initiated a large-scale programme to support young entrepreneurs setting up a small business in the Mezzogiorno.

# Overall Developments

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## Belgium

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### Employment Promotion and Preventive Safeguarding of Competitiveness

At the start of February 1996 the Belgian federal government invited the social partners to join it in a tripartite attempt to set the foundations for a "contract for the future", the aim of which is to raise the level of employment and significantly reduce unemployment between now and the turn of the century. On 18 April 1995 the federal government and the social partners signed a draft "contract of the future for employment", the aim of which is to supplement and reinforce the employment promotion measures implemented within the context of the Framework Employment Plan (cf. iMi 45) and the Medium-term Employment Plan (cf. iMi 52). In view of the fact, however, that not all of the social partners approved the draft contract, the government has decided to implement it itself. At the start of May this initiative was approved by parliament, which is currently deliberating over a draft framework law on employment promotion and the preventive safeguarding of competitiveness.

#### Preventive safeguarding of competitiveness

In the interest of promoting employment, care must be taken to ensure that the safeguarding of competitiveness is not at the expense of a negative impact on employment. It is therefore politic to establish a mechanism by means of which Belgian wage trends can be aligned, in preventive fashion, with those in the country's leading trading partners, i.e. France, Germany and the Netherlands. The draft framework law takes account of all the procedures necessary to achieve

this aim and in doing so partially replaces the law of 6 January 1989 on the safeguarding of Belgian competitiveness (cf. BIR B-i.1). The procedure is described below.

Twice a year the Central Economic Council and the National Council of Labour draw up a joint report on employment and wage cost trends in Belgium and in the partner countries. This report also includes an analysis of the wage and employment policies in these countries and of the factors capable of explaining a divergence between Belgium and the other countries. The report is also to cover structural aspects and other factors determining competitiveness; applicable proposals are to be formulated with a view to improving the situation.

Each year the Central Economic Council produces a technical report on the maximum available margin for nominal wage cost increases on the basis of recent trends and the forecast nominal wage trends in the partner countries. To this end a distinction is made between the expected rate of inflation in Belgium and the margin available for real wage increases.

Once every two years the social partners, on the basis of this report, determine in a national agreement both the maximum available margin for the rise in nominal wage costs and the employment-promoting measures to be implemented in the two following years. Subsequently, the maximum margin is set out in a collective agreement signed under the auspices of the National Council of Labour.

If the social partners are unable to reach a consensus, the federal government will submit an arbitration proposal to the tripartite committee responsible for "concertation" between the government and the social partners. If this is not accepted, the government may itself set the margin.

Collective wage agreements are then reached at sectoral and company level within the range set by, as a

minimum, the wage scale and indexation figures and, as a maximum, the margin set out in the national agreement mentioned above, allowing for the wage indexation mechanism in force in the sector in question and the prospects for each sector. These collective agreements can cover both working conditions and pay and employment trends. Working time reductions, for example, can be agreed, provided the resultant increase in overall wage costs remains within the margin set.

It is to be noted that profit sharing arrangements do not form part of labour costs and are thus not subject to the norms for nominal wage costs. Profit sharing arrangements must be set up by collective labour agreements at company level; they are only possible in sectors that have signed an Employment Promotion Agreement (*Accord pour l'emploi*; cf. BIR B-i.5) and in firms that have expanded their workforce on the previous year.

The Higher Employment Council (*conseil supérieur de l'emploi*; cf. iMi 52) is to issue recommendations on the measures to be initiated if the collective agreements fail to contain sufficient employment-promoting measures or if the maximum margin for nominal wage increases is exceeded.

The national collective agreement reached under the auspices of the National Council of Labour provides for a correction mechanism that is applied if Belgian wage cost growth exceeds that in the partner countries. This correction mechanism may be applied in individual sectors, whereby the characteristics specific to the sector are to be taken into account. The correction is made at the end of the first year. The social partners must therefore identify any excessive wage growth by the end of November at the latest. The excessive wage growth compared to the three partner countries is identified in terms of the wage

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cost increase at the end of the year on the basis of the figures contained in the annual technical report published by the Central Economic Council. If no agreement is reached between the social partners, the federal government will submit an arbitration proposal to the tripartite committee responsible for "concertation" between the government and the social partners. If this is not accepted, the government may itself implement a correction mechanism.

Under exceptional circumstances the federal government reserves the right to intervene in accordance with the special procedure foreseen under the law of 6 January 1989. The special circumstances, as defined in the same law, are considered to have occurred when, despite the preventive measures foreseen, wage cost growth exceeds, contrary to expectations, that in the partner countries, and this has a significant effect on employment and competitiveness.

If employment trends diverge from those in partner countries, the cases of this divergence are to be examined by the social partners and the government, and additional measures are to be initiated in accordance with this analysis.

### Employment promotion

The draft framework law also contains eight employment promotion measures which will enable the federal government to strengthen its current employment policy in order to cut unemployment significantly by the start of the next century. The draft law also contains a number of additional provisions that are complementary to the employment measures foreseen, among other things, by the Framework Employment Plan and the Medium-term Employment Plan.

### Full-time early retirement

As of 1 January 1997 the minimum age for full-time retirement is set at 60 years. It will, however, still be possible to reduce this age to 58 years on the basis of collective agreements signed at sectoral or company level.

Collective agreements can be reached in the bipartite sectoral commissions or sub-commissions to regulate the introduction of full-time retirement from the age of 55 in 1997 and of 56 in 1998 for employees who can look back on at least 33 years in waged or salaried employment. This early retirement option is, however, restricted to workers who have been on shift work (including a night shift) for more than 20 years and to construction workers who are occupationally disabled.

### *Semi early retirement at half normal working hours*

As of 1 January 1997 the minimum age for semi early retirement at half normal working hours is set at 58 years. It will, however, still be possible to reduce this age to 56 years on the basis of collective agreements signed at sectoral or company level.

The bipartite commissions and firms tied during 1995/96 to a collective agreement on full-time early retirement at a retirement age of 55 years after a working life of 33 years (cf. BIR B-vi.14) may reach a collective agreement for 1997/98 on semi early retirement at half normal working hours at a retirement age of 55 years.

### *Recruitment plan to promote the recruitment of jobseekers*

The aim of this plan is to promote the recruitment of the long-term and elderly unemployed by granting employers a temporary reduction in their social insurance contributions (cf. BIR B-v.7).

The plan, which was to have expired on 31 December 1996, has been extended to the end of 1998.

### *Employment promotion agreements*

The reduction in employer contributions to the social insurance institutions linked to sectoral employment promotion agreements (cf. BIR B-i.5) foreseen in the national agreement for 1995/96 is to be extended to the period 1997/98. Consequently, employers who, in accordance with an employment agreement for the period

1997/98, report a net increase in the size of their workforce compared with 1996 are entitled to a reduction in their social insurance contributions of BFR 37,500 per quarter.

### *Calculation of working hours on an annual basis*

Collective agreements may permit working hours to exceed the normal limits – without, however, exceeding 9 hours per day and 45 hours per week – without the employer having to pay an overtime bonus, provided the weekly working hours set in the collective agreement are adhered to on average over a period of not more than 12 successive months. In small and medium-sized enterprises this system of flexible working hours may be introduced by a change in the labour regulations. The draft framework law provides that, in the absence of other currently authorised legal instruments, the calculation of working hours on an annual basis in large companies may also be introduced on the basis of a change in the labour regulations.

### *Part-time work*

Part-time employees whose working hours vary must be informed of their individual working time schedule at least five days in advance. Currently, this must occur by posting a notice to this effect, also five working days beforehand, on the company premises. The new provision would enable other information procedures to be introduced, either by collective agreement or by labour regulation. In order to facilitate the control of part-time working hours a notice containing this information will still have to be put up on the company premises, but only at the start of the day in question, and not five working days in advance as previously.

### *Agency work*

From now on temporary work, and thus also agency work, is to be authorised in cases of a temporary increase in the volume of work beyond the scope of a firm's normal operations.

### *Working time reduction*

An additional working time reduction regime is to be introduced for all workers who, as of 1 January 1999, do not come under a collective agreement specifying a cut in weekly working time to 39 hours. As of this date a weekly working time of 39 hours is to apply in all sectors in which employees still have a 40-hour week.

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## Germany

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### Programme for Growth and Employment

Based on the medium-term employment policy programme for the European Council in Madrid in 1995, at the start of 1996 the federal government adopted a 50-point programme for investment and jobs. In the spring of this year the government refined this programme and gave it concrete form as a Programme for Growth and Employment.

The aims of the measures adopted are:

- to reduce statutory indirect labour costs;
- to ease the burden on the pension insurance fund;
- to promote labour market flexibility by reforming labour promotion legislation and removing barriers to recruitment set by labour law;
- to consolidate the government budget by limiting federal government grants to the social insurance institutions.

To a considerable extent these programmatic points have already been implemented in the form of legislative initiatives. Parliamentary consideration of the following laws with a bearing on the labour market were completed prior to the 1996 summer recess.

### **Law on the promotion of a phased transition to retirement**

One of the corner-stones of the law, which came into force on 1 August 1996, is the promotion of part-time work for older workers. The law creates, for both employees and employers, a framework for agreements on part-time work for employees who, on reaching the age of 55, reduce their working hours by half. The distribution of the working hours remains a matter for the partners to the employment contract to decide.

If the employer tops up the employee's part-time earnings by 20% and tops up the pension insurance contributions to a level corresponding to 90% of full-time pay, the employer will, subject to certain conditions, be recompensed for these payments by the Federal Labour Office. The supplementary wage payment of 20% is not subject to taxes or social insurance contributions, so that the elderly employee working part-time usually receives at least 70% of his/her former full-time net earnings.

The payment of compensation by the Federal Labour Office is conditional on the employer filling the vacancy created by the elderly worker taking part-time employment with an unemployed person or by retaining a trainee. The payments by the Federal Labour Office are made for a period of up to five years; up to the earliest point in time at which a full old-age pension can be drawn. The Federal Labour Office will provide support measures for employees embarking on part-time employment for the elderly during the next five years.

The law has the effect of transforming the existing "old-age pension due to unemployment", which until now was available to unemployed persons aged 60 or above, into an "old-age pension due to unemployment and following part-time work". The conditions for early entitlement to an old-age pension can now be met either through unemployment (as under the existing law) or alternatively by a period of at least 24 months' part-time work. During the years 1997 to 1999

the age limit for the "old-age pension due to unemployment and part-time work" is to be increased in monthly steps from 60 to 63.

### **Law on the reform of unemployment assistance**

Unemployment assistance (*Arbeitslosenhilfe*; in force since 1 July 1996) is a state welfare benefit financed out of general taxation paid to unemployed persons on the expiry of their period of entitlement to unemployment benefit (*Arbeitslosengeld*), which is a social insurance benefit. The new law stipulates that the level of unemployment assistance is to be reduced annually, whereby the average collectively agreed wage of the lowest pay group marks a minimum below which the benefit may not fall. At the same time the instruments of active labour market policy are to be closely oriented towards rendering recipients of unemployment assistance "fit" for the primary labour market and reintegrating them into working life. Among other things the law makes the following provisions.

In future job creation measures are to focus on long-term unemployed recipients of unemployment assistance. To this end the required duration of prior unemployment is being increased from 6 to 12 months. By means of this change unemployment assistance recipients will be incorporated to a greater extent in job creation measures, which will lead to an improvement in their vocational skills and qualifications in the widest sense.

In addition the suitability of unemployment assistance recipients for certain types of work is to be determined by means of training measures, the acquisition of additional qualifications is to be promoted and assistance provided in making job applications.

Young unemployment assistance recipients, in particular, are to be offered "employee support" (*Arbeitnehmerhilfe*), the aim of which is to provide an incentive to take fixed-term and low-pay jobs. For such employment, which often is required to meet

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seasonal demand peaks, employees who were in receipt of unemployment assistance immediately prior to this employment can receive a supplement of DM 25 per day on top of their earnings from the employment office. At present large numbers of foreign workers from eastern Europe are performing such types of employment. In 1995 175,000 work permits for such types of employment were granted to foreign workers, despite the high level of domestic unemployment.

### Change in the law on shop opening hours

As of 1 November 1996 shops in Germany may open Monday to Friday between 6.00 and 20.00 (previously 18.30) and on Saturday from 6.00 to 16.00 (previously 14.00). On the last four Saturdays before Christmas retail outlets may – as previously – remain open until 18.00. Retail outlets for bakery products may open on all days as early as 5.30.

### Reform of the Labour Promotion Law

Of particular significance for the future orientation of labour market policy is the proposed law on the reform of labour promotion, which received its first reading in the German lower house before the summer recess. The proposed law is to be passed in the autumn of 1996 and will come into force in stages from 1.1.1997. The new law will replace the labour promotion law (AFG), which dates back to 1969 and until now has provided the statutory basis for labour market policy in Germany.

The provisions contained in the draft law are as follows:

The opportunities for the unemployed to enter the labour market are to be improved, as is the assistance aimed at preventing unemployment. To this end the scope for implementing the tried and tested instruments under the labour promotion law is to be improved (counselling and placement, support for vocational training and further training, short-time working allowance, work familiarisa-

tion subsidies, support for job creation measures and structural adjustment measures, etc.). In addition new instruments are to be introduced: training measures, recruitment subsidy for new businesses, work familiarisation contract for the long-term unemployed and free support by means of an "innovation pot" at the disposal of each employment office.

In line with the trend towards increasingly flexible working time, employees working above the general ceiling of "negligible" employment and earnings (DM 590 per month and less than 15 hours per week) are to be brought under the protection of the unemployment insurance scheme. Fixed weekly working hours will no longer be used as a basis for calculating unemployment benefit and the short-time working allowance.

Through greater decentralisation the employment offices are benefiting from greater scope for their own initiative and greater responsibility. This enables them to choose among the available instruments in the light of the requirements of the local labour market and to determine the use to which their budget allowance is to be put. Sums not spent may be carried over into the next financial year. Each employment office must publish annual placement figures; among other things this will stimulate competition between the employment offices.

In future the Federal Labour Office is to accord the fight against benefit abuse and illegal employment the same priority as the provision of benefits and services. In this context, among other things, personal attendance at the employment office will be required every three months, the set of jobs considered "acceptable" (i.e. refusal to accept which can lead to suspension of benefit) is to be widened and the willingness to work is to be tested by appropriate training measures. Finally, an "internal review" is to be established in the employment offices to increase staff awareness of their responsibility for combating benefit abuse.

The reform aims to achieve labour market policy targets in future with a

significantly lower resource input. By these means, and by steadily bringing labour market policy in eastern Germany into line with that in the west of the country, the burden on contributors to the unemployment insurance fund is to be eased by approximately one percentage point of taxable income. Currently, the contribution rate, paid equally by employees and employers, amounts to 6.5% of gross pay.

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## Ireland

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### Strategy Paper on the Labour Market

The Minister for Enterprise and Employment recently launched a major strategy document on the labour market, the overall thrust of which was endorsed by government. It is one of a series of four strategy papers by the Minister to cover the labour market, human resources development, enterprise and services.

The strategy paper on the labour market, entitled *Growing and Sharing our Employment*<sup>1</sup>, comprises a wide-ranging analysis of and strategic policy response promoting employment and to tackling long-term unemployment. It has two clear objectives:

1. to set a policy framework to increase employment and the employment intensity of growth; and
2. to bring back into the mainstream of the labour market those who are currently excluded.

It clearly adopted full employment over time as an over-riding employment goal for Irish society. Full employment was defined as:

- paid employment is available to all who seek it;

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<sup>1</sup> *Growing and Sharing our Employment*. Strategy Paper on the Labour Market. Stationary Office, Dublin 1996.



- paid employment is available to meet individual needs and circumstances;
- no person feels obliged to emigrate to find a job; and
- unemployment in general will be transitional rather than long-term.

There are two medium-term aims within this ultimate goal:

1. growing employment – increasing the number of sustainable jobs; and
2. sharing employment – improving access to jobs for all.

### Growing employment

The strategy paper argues that the current labour market is not operating at maximum efficiency, as indicated by the high level of unemployment and in particular the stubborn nature of long-term unemployment. Inefficiencies are impeding job creation and acceptance of job offers. It concludes that fundamental action is needed to avoid crowding out jobs and to improve the real job opportunities for people with fewer skills. The strategy paper proposes an overall approach which will help to increase employment and to boost incentives to work.

### Sharing employment

The strategy paper stresses that opportunities in the labour market are very inequitably distributed. It sets out clearly the need for radical action to help those who face the greatest difficulties in the jobs market:

- the long-term unemployed, who have little hope of finding work without special assistance;
- persons with disabilities who experience severe labour market exclusion;
- members of the travelling community for whom opportunities are limited in either their own economy or the mainstream labour market;
- persons under 21 with no qualifications who are at serious risk of a lifetime of severe labour market disadvantage with at best intermittent low-paid work;

- certain cohorts of women who suffer labour market disadvantage.

The strategic response to improving the gain from working and tackling disincentives to take up work, as promoted in the strategy paper, includes improving the after-tax income of workers, particularly those on low incomes, reducing the cost of employing people through reductions in employer social insurance contributions and easing the transition from unemployment to work through the retention, for a period, of welfare supports.

The strategy paper also suggested that an examination be undertaken of the potential for temporary and casual employment to act as a step towards mainstream employment for those who are long-term unemployed. The development of a support mechanism for creation of temporary work will be considered. The overall strategy will be to simplify the employment relationship for employers while providing the jobseeker with a foothold in the labour market as a route back to a more permanent job.

Other more radical measures proposed include a proposal for a pilot programme of income supplement for single persons and couples without dependent children. The principle of supplementing income in work is already accepted through the operation of the “Family Income Supplement (FIS)”. Piloting an in work supplement for those without children would enable an assessment of whether such a supplement can be implemented without distortions to the labour market or effects on wage levels which offset the gains to income.

The strategy paper identifies factors impacting on the employer’s ability or willingness to recruit, such as gross wage levels, the operation of the systems of income tax and PRSI (Pay-Related Social Insurance) and their interaction with the welfare system and wage setting procedures. While strongly endorsing the positive effects of the partnership approach at a national level, it does warn of the dangers, in the context of addressing so-

cial exclusion, of inflexible wage setting approaches in a time of increased global competitiveness and, in particular, the uncertainties associated with EMU.

As part of its affirmative action strategy in favour of the priority categories identified for labour market support, the strategy paper focuses on the need for a new recruitment scheme – Jobstart – as a specific measure aimed at providing employers with a positive incentive to recruit the long-term unemployed, even at the expense of other jobseekers. Jobstart provides a direct cash subsidy to employers, of £80 per week, for one year for persons who had been registered unemployed for more than three years.

Other measures to improve access to the labour market for those most disadvantaged in the labour market include the provision of workplaces with employers, for a period of up to five weeks, for priority categories, with no obligations on subsequent recruitment. Workplace provides a chance for employers and the long-term unemployed to experience a risk-free pre-recruitment period, where both employer and jobseeker may assess the suitability of the jobseeker to a particular job, and also provides real work experience which will enhance the employability of the jobseeker.

The follow-up implementation of the policy measures proposed in the strategy paper is ongoing. The paper’s analysis of employment and unemployment sets the context and goals for our society with its stress on the priority of ensuring greater equity in the labour market by maximising sustainable employment and improving access to jobs for disadvantaged groups, particularly the long-term unemployed.

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# Austria

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## Reform of Austrian Labour Market Policy

The Labour Market Policy Law 1996 and the Structural Adjustment Law 1996 have brought about a number of changes in Austrian labour market policy. These primarily affect passive benefits, i.e. relate to the field of unemployment insurance law. The guiding principle of the changes introduced by the new laws is to combine active employment policy with fiscal consolidation and to safeguard Austrian competitiveness.

### Older workers

The following measures aim to promote the employment of older workers by facilitating their recruitment and making it more difficult to force them out of the labour market:

- A bonus-malus system that offers firms cost advantages for recruiting persons aged over 50 and imposes disadvantages on making such persons redundant. This is achieved via indirect labour costs, more specifically the employer's contribution to unemployment insurance.
- Bonus: if an enterprise recruits a person aged between 50 and 55, this contribution is reduced by 50% (from 3% to 1.5% of the calculation base), and above the age of 55 no contribution at all need be made; for new recruits aged above 55 the firm is exempted completely from the employer contribution to the unemployment insurance fund. At a gross income of ATS 23,000 the saving amounts to ATS 345 for workers between 50 and 55 and ATS 690 for workers aged over 55. The reduction or exemption does not apply if the recruit had previously been employed by the same employer, unless the previous employment contract had been terminated more than three years earlier.

- Malus: firms terminating the employment contract of workers aged over 50 that have worked for the company for at least ten years – interruptions of up to one year are counted – are obliged to make a one-off payment. The level of the payment is determined by two counter-directional factors: the age of the individual and the period of time between his/her current age and the age of entitlement to an early pension. The basic figure is 0.1% (for 50-year-olds) to 3% of gross wages (up to a ceiling) depending on age, whereby from age 50 the percentage figure rises by 0.1% for each period of three months. This figure so calculated is multiplied by the number of months until the employee reaches pensionable age. For men the resultant figure is equal to between 12% and 126% of monthly income, whereby the maximum figure is reached at the age of 55, after which it declines once more (above 60 = 0). The maximum value of the payment is ATS 49,140. The corresponding values for women are between 6% and 32%.

Exceptions from the one-off payment apply if the employee resigns, if the redundancy is due to enterprise closure, etc.

The very gradual increase in the value of the malus aims to minimise the incentives to shed employees immediately prior to their 50th birthday.

As yet no empirical evidence is available on the effectiveness of the measure.

- Abolition of the *Sonderunterstützung* 2 (Special Support 2) under which women aged 54 and men aged 59 were able to enter a form of early retirement (with a supplement of up to one quarter on top of their unemployment benefit entitlement). This aims to reduce the incentive to terminate the employment relationship of employees reaching these age limits.

- Increase for older persons in the income considered negligible in determining eligibility for emergency assistance (*Notstandshilfe*). Above a certain level – considered “negligible” – the partner's income is taken into account in calculating emergency assistance. This level has now been doubled on reaching the age of 50 and trebled for those aged 55 and over. This provision had been enacted on a provisional basis and is now to apply on an open-ended basis. For unemployed women, who would have been entitled to special support on reaching the age of 54, the income limit is trebled at this point in time subject to the condition that social insurance contributions have been paid for a sufficient number of years.
- The special support for the mining industry is to be more tightly circumscribed. The opportunity of drawing special support at the age of 52 until pensionable age is reached is to be restricted to those actually performing arduous mining activities.

### Changes to unemployment benefit and emergency assistance

#### *More precise definition of conditions of entitlement*

A new condition of entitlement has been introduced by the unemployment insurance law, or, more precisely, an entitlement condition implicit in the unemployment insurance law has been more accurately specified. In order to be entitled to unemployment benefit a claimant must, among other things, now be available to the job placement agency. This means that he or she can and may enter into an employment relationship and is willing and able to work, but currently unemployed. The ability to take up employment implies that the person is willing to take up and perform work generally available on the labour market – subject to the relevant statutory and collective provisions – that is considered acceptable and is subject to social insurance legislation, and that he or she is permitted to reside in Austria for the purpose of

performing waged or salaried employment.

### *New provisions governing the level of emergency assistance benefit*

The level of emergency assistance has been tied more closely to the "insurance principle": a longer period of insurance contributions leads to a higher level of benefit. For those with relatively short insurance contribution periods, new ceilings on the level of emergency assistance have been introduced that apply after emergency assistance benefit has been drawn for six months: after one year of insurance contributions out of the last two the maximum benefit entitlement is ATS 7,887; after three years of socially insured employment in the last five the entitlement is ATS 9,100. The annual upward adjustment ("dynamisation") of emergency aid has also been restricted: the increase in the benefit level in accordance with the pension adjustment rate now only applies to those recipients of emergency aid that were in socially insured employment for nine of the last fifteen years.

A claim for unemployment benefit must now be made to the Labour Market Service within the space of three years (exceptions: periods during which sick pay and the weekly allowance were drawn and periods of temporary occupational disability).

The sanctions for those refusing an "acceptable" employment, retraining scheme or integration measure have been raised. The failure to report to the LMS and moonlighting are also to be sanctioned more heavily; in the latter case employers are also to be penalised (in the form of a special contribution to the unemployment insurance fund).

The period of time considered when calculating the level of unemployment benefit has been extended from 6 to 12 months; the annual reference period as used by the Central Association of Austrian Social Insurance Institutions (*Hauptverband der Österreichischen Sozialversicherungsträger*) is to be taken as the basis for calculation.

Family supplements to top up benefits paid by the unemployment insurance fund are in future only available for those dependants residing primarily in Austria. The entitlement of benefit recipients employed for short periods will be suspended not only for the days on which they are employed, but for the entire calendar month in cases where the earned income exceeds the level considered negligible in benefit terms (currently ATS 3,600). Health insurance coverage will, however, also be provided for the entire calendar month.

The concept of a "Werkstudent" has been more clearly defined. Students are entitled to benefits from the unemployment insurance fund if, during the year prior to becoming unemployed, they were employed for at least six months, were at the same time studying and did not voluntarily resign from their last job prior to unemployment in order to continue their studies.

The wage-category model for calculating unemployment insurance benefits will now not be raised until three years after each upward adjustment of the income level above which the maximum contribution is due.

### **New provisions on parental allowance (*Karenzurlaubsgeld*)**

Entitlement to parental allowance beyond 18 months after the birth of a child is now subject to the condition that child care is performed by the other (previously non-entitled) partner for at least three months. In this case parental leave allowance can be drawn until the child's second birthday. If the second parent is unable to care for the child due to an unforeseeable or unavoidable event, entitlement up to the child's second birthday. The period of entitlement to part-time parental allowance is also reduced if claimed by just one parent; if both parents claim the allowance no change occurs, provided each parent claims the allowance for at least three months.

### **Special programme for the long-term unemployed**

In order to increase the outflow of the long-term unemployed into employment the Labour Market Service has introduced a special programme: employers recruiting a long-term unemployed person (out of work for at least 12 months) benefit from a reduction in indirect wage costs for a period of up to 12 months.

The most important conditions of entitlement to this support are as follows: pay at least equal to collectively agreed levels; minimum duration of employment relationship of one month; application within four weeks of the start of the employment relationship (i.e. no contact with the Labour Market Service is required prior to recruitment). The level of support is a flat-rate 20% of gross pay. The programme is fixed term, running from 1.3.1996 to 30.8.1996 (date of start of employment relationship).

### **Further regulatory amendments**

A number of changes in pension law are to come into force, the aim of which is to tie individual retirement age and the pension level more closely to the actual insurance and contribution periods. Periods in secondary and tertiary education, for instance, which were previously included in the pension calculations will have to be "repurchased". The principle of "rehabilitation before pension" is to apply in the case of early retirement due to reduced capacity to work, and such pension benefits will only be granted for two-year periods.

So-called "Werkverträge" – contracts specifying contractual relations between a commissioner and a contractor and based on a specific task or piece of work, rather than an employment relationship – are now subject to compulsory social insurance obligations. The aim of this measure is to stem the "flight from labour law".

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# Sweden

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## Scheme to Halve the Jobless Rate

Economic policy in Sweden focuses on sustained growth, full employment and stable prices. At present the Swedish government's main goal is to reduce the unemployment rate by half – from 8% in 1994 to 4% by 2000.

Secure central government finances and stable prices are fundamental to the Swedish government's strategy for halving the unemployment rate. To this end the national debt is to be stabilised in 1996 as a percentage of GNP, the public budget deficit is not to exceed 3% in 1997 and a balanced budget is to be achieved in 1998.

The government had previously adopted a programme that aimed to save SEK 118 billion by 1998. However, it became evident that this figure would not suffice to achieve the goals set. In April of this year the government therefore proposed increasing savings to SEK 126 billion. The new programme is expected to move the public budget from a deficit of 12.4% of GNP in 1993 to a state of balance in 1998.

With a view to meeting its goal of halving the jobless rate by the year 2000, the government agreed on a number of additional measures to promote growth and employment that were presented in June. Funding is available for all of the proposals, which have also been approved by the Swedish parliament. The following are the most important measures to increase employment.

### 130,000 extra places in education

In the view of the Swedish government, Sweden's principal competitive strength must be a well-educated, well-qualified and well-paid work force. Thus, an increased level of proficiency and competence in working life is required to meet the challenges of the future.

All young people in Sweden are to receive a good basic education (12 years) as the foundation for a lifetime of learning. At the same time, those with a limited general education must be given the chance to improve their knowledge and skills and consequently their status in the labour market. Thus, all young people and those in and out of work must be provided with good education and training, which will enhance their abilities and thus their labour market prospects and lay the basis for life-long learning.

Over a five-year period 100,000 extra adult-education places will be made available, in particular with a view to giving unemployed persons with a low educational level a chance to enhance their skills and thus improve their labour market prospects. In addition, a special education grant will be introduced. The grant will be equal to the amount of unemployment benefit payable for one year as of July 1997 and will give persons aged between 25 and 55 the opportunity to study for one year at compulsory or upper secondary school level. The grant may be claimed by both the employed and the unemployed. Persons in employment must be replaced at the workplace by long-term unemployed workers.

Moreover, 30,000 new places will be created at universities and other higher education institutions as of autumn 1997, of which at least half will be in science and technology. While the number of applicants for higher education has doubled since 1991, many eligible applicants are still unable to obtain a place. Further expansion in this area is thus required.

The increase in the education programme by 130,000 places along with approximately 45,000 new places in vocational training schemes will result in a total of 4% of the labour force being involved in one or other of these programmes once they are fully developed.

This investment in education will be financed primarily through increased energy taxes and savings in the area of labour market policy.

### 40,000 older long-term unemployed to be provided with jobs in local authorities

It is extremely difficult for older unemployed persons to obtain new employment, and the highest long-term unemployment rate is found in this group. The Swedish government has decided to implement a temporary employment scheme in the public sector during 1997 and 1998 for unemployed persons aged over 54 years in order to help these people re-enter the primary labour market. At the same time the measure will help to meet the considerable need for supplementary input in care, nursing and other areas. The goal of the programme is to allocate 40,000 persons who have been registered as unemployed for at least two years. Employment will be provided in local authorities, county councils and central government. Remuneration will be equal to the unemployment benefit payable.

### Increased unemployment benefit for a limited period of four years

The rate of wage compensation from unemployment insurance was recently reduced from 90% to 75% of prior earnings. However, in order that unemployed people take the initiatives required to improve their prospects on the labour market, they must be aware that unemployment is not synonymous with exclusion from the community. An insurance that provides cover in the event of lost income is of key importance in this context. The government therefore proposes that the level of compensation be increased from 75% to 80% as of 1 January 1998. The increase will be fully financed, partly by more stringent conditions on the duration of previous employment.

At the same time, however, it is important that the social security and unemployment benefit systems are structured in such a way that there is no major incentive for people to live on grants and benefits for longer than is necessary. The intention behind unemployment insurance is that it should provide security for a relative-

ly short and active period of adjustment. The role of unemployment benefits as a form of insurance for periods of change will therefore be strengthened in Sweden. For example, a limit on the duration of benefit in the absence of regular employment will be introduced. Benefits will be payable for a maximum of three years with a possible extension to four years for persons who have been in regular employment during the period of compensation.

The government has already introduced changes in the unemployment insurance system that will lead to a strengthening of the work strategy principle.

The lowest daily rates of unemployment benefit and unemployment assistance (cash payments) have been reduced from SEK 245 to SEK 230. The reductions also apply to education grants for periods of participation in labour market measures.

In addition, the suspension period has been extended from 20 to 40 days for voluntary termination of the employment contract without due cause and to 60 days in the event of rejection of suitable employment or a labour market measure. In cases where the individual clearly does not want to commence employment, the suspension period has been extended until such time as the person has worked for a period of 80 days in the primary labour market.

The government has also introduced tougher regulations against fraud. Persons who are found to have engaged in fraud in relation to

unemployment benefits are denied the right to wage compensation until such time as they have maintained a regular job for a period of 80 days.

A study on the system of unemployment insurance has been initiated and will be completed by the end of September 1996.

### **More significant role for local authorities**

Local authorities have always played an important role in labour market policy, both as the implementing body for different types of policy measures and as independent actors, in particular as regards measures aimed at young people. Local authorities have long had labour market responsibility for all young people under the age of 17. They have also been obliged to provide all young people aged under 20 access to upper secondary school education. From the start of this budget year the local authorities have also been able to conclude agreements with the Labour Market Administration granting them responsibility for all unemployed persons aged under 20 in return for grants. All the local authorities in Sweden have now signed such agreements.

Certain local authorities will conduct experiments on the effect of increased cooperation at local level. Under the experiments the local authorities will be given more responsibility and increased scope to implement labour market measures in a more innovative fashion.

An agreement has also been reached between the government and the associations of local authorities stating that the latter will strive to ensure that no staff will be laid off nor taxes increased as long as the government maintains grants to local authorities at the current level.

The government also intends to initiate extensive collaboration in the counties in order to achieve effective growth-oriented industrial and regional development. The aim is to mobilise a large number of actors in the counties in order to achieve regional and local accumulation of forces for profiling and growth.

### **Other measures**

The scheme to halve the unemployment rate also incorporates a number of other measures:

- a SEK 1 billion programme for investment in sustainable development and adjustment to the principle of recycling will be implemented;
- a SEK 1 billion programme for the development, revival and expansion of small enterprises will be implemented;
- payroll taxes will be reduced by 5% for the first SEK 600,000 of the wage bill (a similar reduction will be introduced for the self-employed);
- long-term unemployed women will receive a start-up grant for 12 months instead of the previous six-month period;
- the prospects for expansion in the service sector will be reviewed.

# Placement and Vocational Guidance

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## Germany

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### Moving towards the Employment Office 2000

On the basis of a discussion paper that has been intensively debated at all levels, the Federal Labour Office (BA) has drawn up an overall conception for the form to be taken by the organisation in the future. At its meeting on 30 March 1995 the board of the BA accepted the organisational concept of the "Employment Office 2000". According to this organisational concept the four fundamental organisational aims of the BA are as follows:

- to orient services to customer needs;
- to provide services effectively;
- to provide services economically;
- to promote the job satisfaction and occupational success of its employees.

The concept also sets out the various fields of action for the "Employment Office 2000"; these include:

- establishing customer-oriented staff teams;
- delegating organisational and budgetary competences;
- spatial decentralisation of the provision of services;
- adjusting organisational structures in the employment offices and state employment offices.

Within the framework of the project organisation "Employment Office 2000" approaches are being developed to solve the problems posed by the fields of action set out in the conception. At the core of this project organisation are project groups consisting of staff members from all three administrative levels. It is their task to develop broad strategies to solve the problems arising in the various fields of action. The outcome generated by

the project groups will also be discussed by quality circles in the employment offices. A project steering committee is to evaluate the results of the project groups and to bring them together in a proposed strategic approach; this will be passed on to the divisions at headquarters for their comments. Following evaluation of these comments, the project steering committee will make a proposal to the body responsible for decision-making; the board or the president of the BA.

The project steering committee commenced work in the summer of 1995. It commissioned four – and subsequently, in the autumn of 1995, nine additional – project groups with developing solutions to the problems of the various fields of action set out in the "Employment Office 2000" conception. By mid-1996 a "rough description" of the "Employment Office 2000" should be complete.

Proposals have been developed by the four project teams entrusted with the field of action "establishing customer-oriented staff teams" on the formation of and demarcation between employment office customer groups. The customer groups constitute the point of departure for further organisational reform. They form the basis for the establishment of staff teams in which the interests of the various customer groups, such as counselling, placement and monetary benefits, are to be processed as completely as possible – that is, in holistic fashion.

The joint project with the Bertelsmann Foundation "Performance-oriented leadership in the BA" also forms part of the overall organisational concept behind the "Employment Office 2000", the aim of which is to contribute to developing a new steering and leadership concept. In the light of its complexity the project was initially restricted to the core areas of job placement and careers advice.

The project is divided into three successive phases:

- Phase I Developing a concept
- Phase II Discussion within the BA of the concept developed
- Phase III Testing the concept

In Phase I of the project the concept of a performance-oriented leadership was developed in a specialised project group composed of staff members of all the administrative levels of the BA. On 21 November 1995 the board of the BA decided to test the concept; this has been under way since the start of 1996. The aim is to test and refine the concept under real-life conditions. In particular, the impact on the four fundamental organisational aims of the overall "Employment Office 2000" concept are to be tested.

The concept of a performance-oriented leadership is based on clear operating aims formulated by the leadership for the BA as a whole. These operating aims are initially passed on to the local employment offices via the employment offices at state level. Parallel to this the employment offices decide on the foci for their activities and set their own targets. Within the framework of a target coordination process between the various administrative levels the targets of the employment offices – which are not set exclusively within the employment office – are brought into line with the aims of the BA as a whole. In the employment office the target agreement is differentiated down to the level of the individual occupational area. Staff then commit themselves to achieving together the targets set. The required transparency is provided by a system of coefficients providing information, in particular, on effectiveness and efficiency, enabling the degree of goal attainment or, conversely, the extent of deviation from the targets to be measured clearly. In order to establish the degree of customer satisfaction, a customer survey is to be conducted as a supplementary ele-

ment in the testing process. The information gained in this way will be analysed by quality circles in the employment offices and put into practice in the form of concrete measures.

In addition staff members will also be surveyed by external consultants with regard to the organisational aim of "promoting the job satisfaction and occupational success of employees". Here, too, prevailing weaknesses are to be analysed and concrete measures implemented.

The entire process – from reaching agreement on targets to goal attainment – is being supported by controlling. The results are to be presented in the form of performance comparisons. These indicate the relative position of each employment office vis à vis the others. This transparency can provide valuable impulses for optimising task processing. The ultimate aim is to develop a "learning organisation". The testing of the conception in four employment offices will be completed in the first half of 1997.

In a central reorganisation measure occupational sections in the job placement and careers advice departments in main and sub-offices are to be combined with benefit departments. The central services, such as careers advice, placement, labour market policy support and the provision of maintenance allowances are to be rendered to customers in immediate spatial proximity. This marks the first step towards realising the target of the action field "Establishing customer-oriented staff teams" of the "Employment Office 2000" concept.

In most cases this organisational measure cannot be implemented in the short term, primarily because the corresponding spatial requirements have yet to be met in most employment offices. By the end of 1995 the central areas had successfully been brought together in around 170 main and sub-offices, i.e. around 25% of the offices for which this approach is conceivable. By the end of 1996 it is planned that a further 170 offices will have implemented this measure.

## Germany

### Few Placements by Private Employment Services

In the course of 1995 the newly admitted private employment agencies played a part in bringing about a maximum of 20,700 employment relationships. The newly admitted non-commercial placement services were responsible for a further 13,100 placements. The jobs were concentrated in general service occupations, organisational, administrative and office occupations, and construction and allied trades. The new commercial placement services made employment available to a maximum of 4,200 unemployed persons. Most of the jobs were on fixed-term contracts.

The figures do not apply to those areas in which it was previously permissible to place jobseekers in employment "on behalf of the Federal Labour Office". If these placements are added the total rises to 354,800. More than half (58%) of the evaluated reports by private placement agencies – at the end of 1995 3,032 were licensed – were incorrect.

Of the 20,700 placements by new commercial placement services the Federal Labour Office has identified 7,200 placements in which it is unclear whether they were in fact commercial, because the placement agencies failed to provide the relevant information. Thus the figure for commercial job placements is likely to be too high, that for non-commercial placements too low.

Last year the employment offices placed 3,269,000 people in new employment, 87,700 more than in 1994.

## France

### The ANPE in the Year 2000

Since it was founded in 1967 the ANPE and its staff have always sought to perform their tasks in response to the wishes and the commitments of its clients, to continually improve the services it provides jobseekers and to fill the vacancies offered by firms.

The two so-called "Progress Contracts" agreed with the government for the years 1990–1994 and 1994–1998 – i.e. in a period of high unemployment and in the context of a labour market that has become increasingly complex – have made it possible to place the ANPE's activities on a permanent footing and to obtain the resources required to meet its objectives.

With the first progress contract and its internal development plan the ANPE successfully managed to:

- improve the services for jobseekers at branch office level and to improve its relations with jobseekers;
- improve the qualifications of its advisor teams; and
- win the confidence of an ever-increasing number of firms.

The ANPE's "market" share, i.e. its share of placements, increased sharply, namely from 25% in 1993 to 32.5% in 1994.

Picking up where the first contract left off, the second Progress Contract will enable the ambitious aims the ANPE has set itself to be achieved in the coming years: improving the quality of service provision, expanding the supply of vacancies and continued improvement in the skills and qualifications of ANPE staff in the interest of even better performance of the tasks at hand. The plan reflects the Agency's determination to render the range of services offered more transparent, and to widen the range by seeking to ensure that the labour market is open to all and that it functions

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in a more active, transparent and just way.

The experimental "sites" for the Progress Contracts have put forward proposals for a renewal of the range of services offered and the introduction of quality commitments. These aims are based on the results of surveys of jobseekers and firms.

The progress expected is not merely of a quantitative nature, but refers essentially to (individual and collective) attitudes on the part of service providers, concretised by a transparent range of service offers and backed by quality commitments.

The ANPE's partners to which certain services have been delegated will be required by contract to provide these services and to maintain certain quality standards.

Progress in this form does not involve a "revolution" in the content of services, but is very demanding as regards the practice of service provision. This progress will be underpinned by the requalification of tasks resulting from the progressive transfer of responsibility for administering the unemployment registers to the unemployment insurance funds (ASSEDIC).

The "service attitude" is characterised by a confluence of diverse, mutually complementary conditions which serve to place clients on an equal footing with the service provider, the ANPE:

- by rendering the services offered transparent and accessible;
- by attempting to tailor the services offered to clients' needs;
- by increasing clients' autonomy, by enabling them to perform all or part of a service themselves, either with the aid of advice provided by the ANPE or its partners, or via on-line access and self-rendering of the services offered;
- by avoiding attitudes that inhibit, dominate or are conducive to the dependent status of clients;
- by rendering the relationship between the ANPE and the client more formal and contractual in na-

ture (service level, benefits, setting additional interviews, application procedures, mutual commitments, etc.);

- by retaining control over the process agreed between the ANPE and the client aimed at job search, recruitment or developing occupational projects, even where the ANPE cooperates with partners.

### **Services on offer to jobseekers and the corresponding quality commitments**

The choice of the service proposed to the jobseeker will in future be based on the factors identified in the initial (or, where applicable, subsequent) interview with an ANPE staff member or an employee of an officially approved partner organisation.

The aim of these interviews is to establish step by step the occupational situation in which the jobseeker finds him/herself and the match between this profile and the opportunities on the local labour market. This then provides the basis for the choice of service most suited to each phase of his/her efforts to gain access to employment.

The services on offer to jobseekers comprise three main elements:

1. job offers;
2. assistance with successful job search;
3. assistance in drawing up and developing an employment access project.

All these services are rendered at three levels:

1. provision of documentation, information and equipment;
2. personal response and punctual intervention;
3. guidance.

On the initiative of individual employment offices additional "optional" services can also be offered. These services are not guaranteed by the ANPE for all its clients nationwide, and aim to meet specific needs.

In the context of ANPE services, it is not the final outcome – which cannot be guaranteed – to which the

quality commitments apply. No organisation can commit itself to successfully placing a jobseeker within "n" months. The commitments were selected in such a way as to represent "simple and tenable promises". Experiences have been gathered with such commitments in 15 local offices before being introduced at national level by the Directorate General in the following form:

- As soon as you enter our premises we commit ourselves to offering you guidance.
- We commit ourselves to proposing to you the service or course of action most suited to your situation during the first interview.
- We commit ourselves to offering you precise and comprehensible offers.
- We commit ourselves to bringing up to date the job offers displayed in real time.
- We commit ourselves to placing at your disposal self-service equipment in a good state of repair at all times.

### **Services on offer to employers and the corresponding quality commitments**

The services on offer to employers encompass two elements: assistance with recruitment and the implementation of employment measures, whereby the "assistance with recruitment" is performed at four, the "implementation of employment measures" at three levels. These various levels correspond to the level of intervention and commitment by the ANPE in the procedure leading to recruitment (from simple media for the dissemination of job offers to the selection of applicants by an ANPE staff member, following validation by the ANPE of their occupational profile).

On the initiative of individual employment offices, additional "optional" services can also be offered, the aim of which is to meet specific needs. Examples include operations linked to the settling of a new company in the area or large-scale recruitments. Such service offers are only established if



the local office is convinced that it has the required resources at its disposal and if the cost-benefit relation in terms of the number of recruitments justifies them. These services are not provided by the ANPE for all its clients nationwide.

As was the case with the quality commitments to jobseekers, the quality assurances to employers were tested in practice before they were introduced nationwide in the following form:

When you entrust us with a recruitment:

- we assure you that you will be assigned a staff member as a personal contact;
- we assure you that you will be given advice on the service best suited to your requirements;
- we assure you that you will receive written confirmation of your request from your personal contact;
- we assure you that you will be kept in touch regarding the outcome.

Parallel to the improvements in the services on offer, the ANPE is maintaining its efforts to create a decentralised and efficient organisation. To this end the appropriate tools – in particular information technology – will be made available, whereby these tools are to be refined in the light of changing requirements and are to meet quality requirements.

These improvements are accompanied by an ongoing effort to modernise its management and controlling and to ensure clear internal relationships between service providers and clients.

The aim of establishing an efficient, professional and high-quality relationship between the ANPE and its clients, jobseekers and employers, is not new. What is new is the fact that for the first time the ANPE has collectively expressed its determination continually to improve its service quality; what is more, its public service quality: a public service that offers equal treatment for all its clients and seeks to counter the selectivity of the labour market with services of quality and with personal treatment.

## Italy

### Employment Registers for Agricultural Enterprises

In the interest of greater clarity regarding the employment situation in the agricultural sector and the prompt identification of the number of working days performed in this sector, Decree-Law no. 301 of 3 June 1996 ("Urgent measures for placement and employment in agriculture and for employment promotion") requires (Article 3) that agricultural employers keep a register (a simplified model of which is in existence), as envisaged by the decree by the minister of Labour and Social Insurance of 29 September 1995 (official gazette, no. 240, 13 October 1995). The register is handed out by the INPS (the national social insurance institution) once the employer has registered his enterprise in accordance with Article 5 of the legislative decree of 11 August 1993.

The simplified model is available from the INPS and is designed in particular for those employers who, in 1994, employed workers for a maximum of 270 days. The register contains two sections, "personal data" and "pay", in which all employees are registered in the order of recruitment: name, address, tax number, location of employment, task, collective agreement applicable, employment category, agreed gross daily wage and date of recruitment are all entered.

For employees on a fixed-term contract, the type of employment, planned period of employment and the corresponding working hours must also be registered. In the case of recruitment of employees under work and training contracts the nature of the contract and its duration and the initial and terminal qualification level of the worker in question must also be indicated.

Employees are entered into the register on recruitment. The register must be kept on the premises of the

enterprise and presented on request to the organisations responsible for ensuring that social security, labour and tax law are adhered to. The employer also has the option of depositing the register with his representative organisation, providing the local labour inspectorate and the local INPS office are informed of this in advance.

The two sections, "personal data" and "pay", are in quadruplicate: one is to be sent, within five days of recruitment, to the INPS, the second (within the same period) to the local committee of employment and job placement in agriculture, the third is given to the employee on recruitment, while the fourth is retained by the employer.

An employer failing to make these compulsory reports on recruitment and/or completing the register inaccurately faces a fine of between LIT 500,000 and 3,000,000 per employee affected.

The register has been introduced as a means of countering the illegal placement of workers in agriculture; this form of recruitment is widespread in the country, particularly in the Mezzogiorno, where unemployment is above average, under the name of "caporalato". This method applies not only to Italian workers, but also to foreign labourers, some of whom are employed as seasonal workers.

A secondary aim of the measure is to gain tighter control over the agricultural labour market, a market characterised by seasonal, irregular and unskilled activities in which national collective agreements are not always adhered to. Thus the measure fulfils two tasks simultaneously: it improves transparency and at the same time permits closer control over developments in the agricultural labour market.

## Austria

### Job Placement Performance Coefficients

Since 1994 job placement, as the central task of the Labour Market Service (LMS), has been observed on a regular, quarterly basis in all nine Austrian federal states on the basis of a number of coefficients within the framework of a research project. This procedure generates planning data that go beyond a description of the Service's own activities, providing information on central indicators and market-related variables pertaining to job placement at district and state level.

#### Jobseekers and enterprises

Two groups of Labour Market Service clients are regularly surveyed: on the one hand, individuals who, in the quarter prior to the survey, entered an employment relationship; on the other, firms that, in the quarter prior to the survey, filled a vacancy registered with the LMS. The samples are made on the basis of random sampling.

#### Longitudinal analysis

The object of study are phenomena, or groups of phenomena, over the longer term. This enables a picture to be painted of change and the way in which processes develop. Although the individuals and firms questioned change from survey to survey, the samples are representative of the population surveyed. In this sense the surveys constitute a "trend study", indicating changes, such as a rise or fall in the degree of satisfaction, processing times, placement disadvantages, etc., over time. This method enables researchers to do more than merely trace the course of processes: differentiated evaluation techniques enable them to gain a more detailed impression of cause-effect relationships than is possible with individual cross-sectional studies.

The indicators listed in Table 1 are calculated at various aggregation lev-

els. The data required for this purpose are provided by the LMS, the Central Association of Social Insurance Institutions or by various research institutes on the basis of telephone surveys. The sample of survey respondents is distributed across all the labour market service districts. Consequently, representative results are available for each labour market service district.

#### High re-employment rate with the same employer

Particularly surprising for the LMS was the high proportion of the unemployed who, following a period of unemployment, re-entered an employment relationship with the same employer. Those returning to their former employer accounted for more than 44% of all those entering an employment relationship; this figure is far higher than the proportion of employees active in seasonal occu-

pations. This result has led to restructuring within the regional offices.

#### Satisfaction with the placement services of the Labour Market Service

Within the framework of the study both firms and jobseekers were questioned as to their satisfaction with the services of the LMS. The results are in the middle ground with respect to both individuals and firms (the marks were between 1 = very satisfied and 5 = not at all satisfied). From the outset this indicator was of great significance to the state and regional offices. Following the publication of the initial results, this indicator has developed a dynamic of its own, and since 1995 has been examined in a more highly differentiated fashion, whereby the individual regional and state offices follow the changes in these values with great interest.

**Table 1: Selected Results at National Level**

Indicator	1994	1995
<i>Jobseekers</i>		
Total number of placements in employment in %	74.00	74.14
Re-recruitment with the same employer in %	42.83	-
Placement by the LMS in new employment relationship in %	23.54	22.90
Duration of unemployment of persons placed by LMS in days	117.90	112.10
Duration of unemployment of persons finding employment, but not via LMS, in days	108.90	101.80
Satisfaction with LMS (average value, marks from 1 to 5)	2.30	2.23
<i>Firms:</i>		
Vacancies filled by LMS as a share of vacancies filled in %	50.90	51.90
Duration of employment relationships placed by LMS in days	29.40	27.70
Duration of employment relationships not placed by LMS in days	38.60	33.70
Satisfaction with placement efforts of LMS (average value, marks from 1 to 5)	2.50	2.40

# Job Creation

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## Spain

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### Fiscal Measures to Promote Employment

On 7 June Royal Decree-Law 7/1996 was approved as a matter of urgency. It contains a package of measures designed to promote and reduce restrictions on economic activity and also fiscal measures to promote employment. These measures are the first of a series to be implemented by the Spanish government in order to dynamise the economy and facilitate job creation.

Of particular relevance to employment promotion among the measures to promote and liberalise economic activity are those relating to risk-capital companies and funds, the activities of which are defined more clearly and extended, improving their status in terms of fiscal treatment.

Of the employment promotion and tax reform measures the following are the most important.

- In determining the net return on economic activities to which the objective-indicative method (EOSIM) of calculating the personal income tax (IRPF) can be applied, employees recruited after 9 June on a permanent contract and remaining in employment until after 31 December are not counted. At this latter date the size of the workforce must, however, be higher than on 9 June, the day on which the Decree-Law came into effect.
- In addition, even if this does not directly influence the calculation of the number of employees, the net return on economic activity subject to the EOSIM – and thus the tax burden – was reduced by raising the general tax-free allowance granted for such activities.
- In the case of companies and professionals who declare their income for the IRPF tax according to the

direct estimation system (*régimen de estimación directa*), an allowance of PTA 1,000,000 is granted for companies and professionals that recruit workers aged over 45 or disabled workers on permanent contracts from 9 June on and maintain the larger workforce for at least two years.

- Derived from the transfer of ownership following a death in a family firm, the tax burden on business has been reduced by the introduction of a special reduction of 95% of the value of individual firms or of equity holdings. Moreover, the balances may now be adjusted using a symbolic tax rate. In addition to other advantages, this means that firms know more precisely their real costs of production, can calculate profits more accurately, have greater scope for financing out of their own resources and thus gain improved access to the capital market.

This first package of fiscal measures reduces the tax burden especially on small and medium-sized enterprises, releasing resources to enable them to create jobs. At the same time deductions from income tax are linked directly to the recruitment of employees from target groups, for instance, the over-45s and the disabled.

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## France

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### Inner-city Jobs

Decree no. 96-454 of 28 May 1996 and implementation circular CDE/DIV no. 96-16 of the same date provide the regulatory framework for a new measure: "Inner-city Jobs" (*emplois de ville*). The aim of the measure is to create jobs in fields in which community needs are currently not being met

(transport, the environment, care for schoolchildren and those living alone, and maintaining urban areas) in inner-city areas classified as problem zones.

The target is to recruit 100,000 young people aged between 18 and 25 on the basis of agreements between central and local government, public legal entities or those responsible for administering public services and private, non-profit organisations.

The government has committed itself to providing work for young people whose integration into the labour market poses special problems or who live in deprived areas. This is to be achieved by mobilising all local partners behind the active preparation of the integration of this target group within the framework of the community programme that opened with the "Pact for Urban Renewal".

The "Inner-city Jobs" are, in legal and regulatory terms, equivalent to the "consolidated" employment contracts, in which the state assumes responsibility for a share of the costs incurred in recruitment and the employer may be exempted from social insurance contributions for a period of up to five years.

Indeed, in the interest of providing an impetus behind the "Inner-city Jobs" the government has adopted a rate of support 15 percentage points higher than the standard rate of support for "consolidated" employment contracts (*contrats emploi consolidé*; cf. BIR-F, vi.12). The support amounts to 75% of the costs involved in recruitment in the first year; the rate of support declines progressively to 35% in the fifth year. Over the five years the average rate of support amounts to 55%.

The government is focusing its efforts on low-skilled and unskilled youth: an improvement in their skill and qualification level will serve to facilitate their subsequent labour market integration.

## Job Creation

### Implementation of the "Inner-city Jobs" measure

#### Target groups

#### 1. Young people up to *baccalauréat* level

All young people between the ages of 18 and 25 living in deprived areas are entitled to be considered for the "Inner-city Jobs" measure and to receive the grants associated with this form of employment contract.

Government policies for the inner cities also envisage, namely, the recruitment of qualified young people – or at least those who can be quickly trained. This policy approach would be threatened if the target group were to encompass merely those without formal educational qualifications.

Having said this, priority will continue to be given to efforts on behalf of those with the lowest skill level.

#### 2. Young residents of deprived inner-city areas

In the course of changes in urban policy, the list of deprived inner-city areas has been brought up to date and published in decree no. 96-455 of 28 May 1996. Young persons must be resident in one of these areas to qualify for participation in the "Inner-city Jobs" measure.

#### 3. Requirement for prior participation in a job creation measure (*contrat emploi solidarité* – CES) waived

In deviation from the provisions governing the CES, recruitment under the "Inner-city Jobs" scheme is not linked to prior participation in a CES. There is no minimum required participation period in a CES as a condition of entry to the new scheme.

#### Implementation

#### 1. All the remaining CES provisions apply

With the exception of the special provisions mentioned in the implementation circular, all the regulations governing the use of the CES apply, notably:

– provisions relating to the nature of the permanent or fixed-term employment contract; the contract may stipulate either full or part-time work;

– provisions relating to the duration of the "consolidated" employment. Initially the contract must be concluded for a period of at least 12 months, but for a maximum of 60 months.

#### 2. Government support

The government support, provided for a maximum of five years, is calculated on the basis of the total of gross wages, unemployment insurance contributions and other social benefits of a statutory or collectively agreed nature. The level of support amounts to

- 75% during the first year of the contract,
- 65% in the second year,
- 55% in the third year,
- 45% in the fourth year, and
- 35% in the fifth year, or
- 55% over the first five years of the contract.

#### 3. Vocational training for young people employed in the "Inner-city Jobs" scheme

By creating permanent jobs in receipt of support for up to five years, the scheme enables young people to, among other things, pursue a career without interruptions and acquire a qualification in a specific occupation.

Thus even more intensive use must be made of the existing instruments in order to achieve a significant increase in the skill level of young people on the "Inner-city Jobs" scheme. These instruments include:

– Publicly financed vocational training: in order to give an impetus to the – currently inadequate – development of publicly financed vocational training measures, it is planned that each young person on the scheme is to receive suitable vocational training. The training credits that accompany the "consolidated" employment contracts can be

used to this end; they provide an allocation of 400 hours per contract.

– Vocational training organised by the regional councils (responsible for providing regular vocational training), in particular by negotiating a priority to be accorded to "Inner-city Jobs" within the regional youth employment programmes;

– Vocational training organised by employers: from the vocational training budgets of local authorities, publicly owned enterprises and associations, and financed by branch-level or national vocational training funds (*fonds d'assurance formation and offices professionnels collecteurs agréés*).

Thus the new measure "Inner-city Jobs" is one of the most important elements of the urban renewal pact. In line with the priorities set by government policy, the measures aim to facilitate the permanent integration of young people from deprived inner-city areas into the labour market.

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## Italy

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### New Tasks for the Regional Employment Agencies

Decree-Law no. 301 of 3 June 1996 (entitled "Urgent measures for placement and labour in agriculture and for employment promotion") creates, under Article 9, incentives (a) for the re-employment of managerial staff and (b) for support for small firms. In this context the regional employment agencies (*Agenzie regionali per l'impiego*) may, with regard to point (a), reach agreements with the most highly representative organisations representing the interests of managerial staff in order to perform activities aimed at promoting the re-employment of unemployed managerial staff

on the basis of the guidelines set by the Ministry of Labour and Social Insurance (circular no. 51 issued in 1995).

Within the framework of measures under point (b), firms (or consortia) employing less than 100 workers that recruit managerial staff – even on a fixed-term contract – are entitled to a grant.

This grant amounts to 50% of the social insurance contribution for a maximum of 12 months, subject to a ceiling of LIT 10 billion p.a. as of the start of 1995.

In this case, too, within a programme defined by the labour ministry and following consultation with the social partners at national level, agreements are reached between the employment agencies, the relevant employers' federations and the most representative trade union organisations for managerial staff on the payment of this support grant in which the targets of support for small firms are defined.

With this in mind, Article 11 of the Decree-Law provides for the creation of a "small cooperative" by managerial staff, consisting of at least five and no more than eight natural persons. These organisations will be subject to the laws applying to cooperatives.

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## Italy

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### Measures to Promote Self-employment for Youth

Article 7 of Decree-Law no. 301 of 3 June 1996 ("Urgent measures for placement and employment in agriculture and for employment promotion") transfers responsibility for the selection, financing and technical assistance for projects involving self-employment in which the activities

are performed by unemployed persons resident in areas covered by Target 12 of the EU programmes to the Association for Young Entrepreneurs (*Società per l'imprenditorialità giovanile* – SpA) established on the basis of Law no. 95/1995.

Applicants will be given non-reimbursed training courses of four months' duration. In these courses the feasibility of the project is examined and basic knowledge of running a firm are provided.

The criteria and formalities of benefit provision will be determined in a decree to be issued by the Ministry of Finance in cooperation with the Ministry of Labour and Social Affairs. The incentives envisaged include (a) a one-off grant of up to LIT 30 million for the acquisition of plant and equipment; (b) a subsidy of up to LIT 10 million for operating costs during the first year; (c) the provision of a tutor.

To this end the Association for Young Entrepreneurs reaches ad hoc agreements with the ministries of finance and labour. A budget allocation of LIT 30 billion has been made for 1995 and of 50 billion for 1996.

These financial resources can be used to meet the national share of programmes cofinanced by the European Union. In addition, those persons entitled to unemployment benefits by virtue of being registered in the so-called mobility lists who are admitted to these preparatory courses are entitled not only to the above, but also to the incentives under Article 7 (5) of Law 223 (1991) mentioned above. Under this article employees made redundant who subsequently commence a self-employed activity or join a cooperative may apply for a lump-sum payment of their unemployment benefit entitlement.

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## Netherlands

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### Expanding Employment in Cleaning Services

Although there has been a debate on the introduction of service cheques in the Netherlands, as elsewhere, a rather different approach has been adopted. To this end an experiment has been started in the cleaning services in three local authority areas. The aim is to stimulate the demand by private individuals for cleaning services and to help the long-term unemployed re-enter the labour market. The aim of the small-scale pilot project with a planned duration of six months is to determine the potential success of the measure and to help decide whether it should be introduced on a national basis.

Private individuals may, at a cost of HFL 15 per hour, have cleaning services performed inside and outside their home. For a period of two years the cleaning companies receive up to HFL 18,000 of public funds as a wage cost subsidy. To qualify they must, however, employ a long-term unemployed person for at least one year. The long-term unemployed person must work for at least 32 hours per week and may earn up to 120% of the minimum wage. The firms are required to present the contracts for cleaning services concluded with their clients.

The labour and social affairs minister is seeking to prove with this pilot study in the cleaning sector that it is possible to expand the market by stimulating additional demand by private individuals.

Studies are being conducted to determine whether, and if so how, the measure can be introduced at national level and what scope exists for maintaining the demand stimulated in this way once the experiment has come to an end.

# Training

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## Portugal

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### Vocational Training Requirements in Small Firms

The statistical department of the Ministry for Qualification and Employment (MQE) has conducted a survey of vocational training requirements in small firms for 1996. In the course of the survey 1,500 firms employing less than 20 workers were questioned.

The survey revealed that approx. 44% of the firms questioned had a need for vocational training. Of these firms 64% are conducting in-house vocational training measures for their staff; 28%, on the other hand, consider it more appropriate to recruit personnel that have completed a period of training. Around half of the firms with a need for vocational training reported that they had no knowledge of government-supported vocational training measures, and around 31% of these firms take the view that their employees do not have sufficient time to participate in vocational training measures.

Of the employees in the firms surveyed around 6% do not have a basic formal school qualification, 40% have only the basic qualification. The survey, conducted in September 1995, requested firms to give an evaluation of the vocational training measures conducted in the years 1994/95. It transpired that just 9% of the employees surveyed had taken part in vocational training measures of which 6% had been in receipt of government support.

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## Sweden

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### Evaluation of Labour Market Training in Sweden

Labour market training (LMT) is a central labour market measure in Sweden. During the fiscal year 1994/95 approximately 200,000 persons participated in LMT at a total cost of SEK 12 billion, including cost of purchasing LMT and training allowance. On a monthly basis about 50,000 persons participated in some kind of training course. About 25% of all active labour market policies in Sweden are accounted for by labour market training.

In a study completed in spring 1993 vocationally oriented LMT was evaluated regarding its effect on wages and employment. The performance of participants in LMT was compared with that of a control group of non-participating jobseekers. The control group was formed by a matching procedure to minimise the problem of selection bias. Further controls for selection bias were made by splitting the control group into non-participating applicants for LMT and others and by using different econometric techniques to control for unobserved heterogeneity.

On the whole our results indicate a positive effect on both employment and wages. In the long run (2.5 years after completed training) the results indicate a relatively large positive effect close to a 10 percentage point increase in the employment rate following LMT. In the short run (six months after training) the employment effect is less clear. The effect is larger for younger participants than for older ones. Courses oriented towards occupations within nursing, manufacturing and communication show better results in terms of employment than other courses.

The estimated average effect on wages is a 1.8% increase (2.5 years after training). The wage effect is heavily dependent on persons who got their job shortly after training or during the first half of 1994 – a time when labour market conditions improved significantly. This may be an indication that the effect on wages is sensitive to the phase of the business cycle at which training is completed. A possible explanation for this may be that it is easier to foresee the market needs for trained people in an upswing.

Another interesting result from the wage estimations, one which also accords with common sense, is that the impact is only effective when aimed at persons with a low educational level. The result suggests that only persons with no more than eleven years of formal education gain from training.

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## United Kingdom

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### National Traineeships

To be introduced from September 1997, National Traineeships are designed for young people aiming at Foundation and Intermediate Level work-based qualifications. They seek to offer broad and flexible learning, providing a vocational progression leading to Modern Apprenticeships, college or employment. Together with Entry Level Provision, they will replace Youth Training.

National Traineeships are designed by Industry Training Organisations (ITOs) and TECs. Each Traineeship should incorporate NVQs (at levels 1, 2 and perhaps 3, as appropriate to the industry), communication, numeracy and IT skills and, where appropriate, short courses and whole

qualifications, such as GNVQs and GCSEs.

All entrants enter into an Agreement with the training provider or TEC (possibly brokered by the Careers Service) outlining the responsibilities of both the individual and provider. All entrants receive support in drawing up careers/training plans when they start and leave a National Traineeship.

reers Service) outlining the responsibilities of both the individual and provider. All entrants receive support in drawing up careers/training plans when they start and leave Entry Level Provision.

Delivery is to be managed on a multi-agency basis. Those involved are likely to include LEAs, TECs, Careers Services, schools, FE Colleges and others.

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## United Kingdom

### Entry Level Provision

Entry Level Provision is designed for young people lacking basic skills, who have special training needs or are unclear about their career direction. Together with National Traineeships it will replace Youth Training from September 1997.

Entry Level Provision will be developed by LEAs, TECs, Careers Service, schools, colleges and other organisations with experience at this level. The aim is to foster the development of key skills (communications, application of number and information technology), self-expression and interview skills in a motivating environment. All entrants will be actively encouraged to develop these skills and have them assessed. Provision will include an initial diagnostic assessment of young people's development needs, ongoing guidance and support, and information on careers and training, together with opportunities for work experience and training.

Courses to develop skills for independent life will also be developed. Progression to higher levels will be included in the course design.

All those taking part enter into an Agreement with the training provider or TEC (possibly brokered by the Ca-

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## United Kingdom

### Third Competitiveness White Paper

The third UK White Paper on Competitiveness, "Competitiveness: Creating the Enterprise Centre of Europe", was published on 13 June. Amongst the new initiatives announced were:

- a range of new measures to improve choice, diversity and competition in learning for 16 to 19-year-olds. This includes learning credits to express young people's entitlement to learning and plans to secure greater consistency in funding arrangements for schools' sixth forms, further education colleges and work-based training;
- the publication of a summary of the government's emerging policy response to the recent consultation on lifetime learning. This includes plans for a fundamental review of policies to improve the basic skills of people of all ages, especially literacy and numeracy. A more detailed policy framework will be published shortly;
- plans to improve the delivery of government support to business, including greater local flexibility to design and deliver programmes to encourage employers to invest in training their workers.

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## United Kingdom

### Pre-vocational Pilots

Pre-vocational Pilots, announced as part of last year's Budget package, have been introduced from April 1996 to see whether there are ways of providing training in the underlying skills that unemployed people must have in order to benefit from vocational training or to compete in the labour market. Pilots are being delivered by 57 TECs, with some 10,000 starts and a budget of £23m planned in 1996/97. The basic skills courses will last from three to six months and will offer training in literacy, numeracy and communications skills as well as aiming to improve motivation and self-confidence.

In parallel, a Consultation Group has been set up to consider the lessons to be drawn from the Pre-vocational Pilots and to advise on provision over the longer term. The Group, comprising representatives from TECs, suppliers of training, the Further Education Funding Council (FEFC) and the Basic Skills Agency, will report in September 1996.

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## United Kingdom

### The Skills Audit

The Skills Audit was commissioned in the second Competitiveness White Paper to analyse the UK's education and training policies in comparison with those of other countries - France, Germany, the USA and Singapore. It involved desk research, new research and a programme of visits to the four comparator countries. The work was undertaken by an ad hoc Cabinet Office group with the support of a DfEE-chaired working group.

## Training

The key messages to emerge were that:

- more young people than ever in the UK are going into higher education;
- the UK maintains a strong system of lifetime learning;
- employers believe that the workforce is especially strong in IT skills;
- at Level 2 (GCSE and equivalents), however, the United Kingdom has

fewer qualified than France or Germany, although the percentage of qualified people has gone up from 52% in 1990 to 67% in 1995, and for Level 3 (A-level equivalents) from 30% to 44%.

### The government response

The government is already taking action to tackle some of the issues raised, e.g. through the new nursery voucher scheme and through the em-

phasis of the National Curriculum on English, Mathematics and Information Technology. These key skills are also important parts of GNVQs and Modern Apprenticeships. Further action will also stem from the Dearing Review, including the creation of a new AS level in the use of language, number and IT. The development of pre-vocational skills provision under Training for Work is also a major part of the response.

# Social Protection, Unemployment Benefits

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## France

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### Integrated Registration and Benefit Payment for the Unemployed

An experiment has been under way since 18 April 1995 in which the registering of jobseekers and all the associated administrative tasks were transferred to the unemployment insurance funds (ASSEDIC). Under the experiment, conducted between May and December 1995, experiences were gathered at seven locations, with a total of 28 local employment offices and 150,000 unemployment registrations.

The aims of the organisational change were as follows.

- The specific role of each of the institutions involved is to be clarified: The National Employment Office, the ANPE, is centred once more on its placement and reintegration mission. It is also responsible for keeping the list of jobseekers and is

to become more readily available for: supporting effective measures for successful job search; making known job offers, supporting the creation and development of labour market access projects; and providing information on the labour market and training.

The ASSEDIC registers the unemployed person as a jobseeker and simultaneously processes his/her application for unemployment benefit; this serves to harmonise the cooperation and strengthen the links between ANPE and UNEDIC, the umbrella organisation for the unemployment insurance system.

- The ANPE is to optimise the quality of its services:

Diagnostics and action proposals during an interview with the newly registered jobseeker; a new client-centred approach to service provision; continued further development of information technology and documentation support instruments.

A detailed follow-up study conducted in ASSEDIC branch offices and local employment offices and a survey

of client satisfaction conducted by the IFOP of 2,100 jobseekers registered with the ASSEDIC provided the basis for a report on the experiment by the ANPE and UNEDIC:

- 78% of the jobseekers questioned expressed a positive view of the unemployment-registration procedure at the ASSEDIC office and the subsequent job search at the ANPE; certain localities in which the ASSEDIC is located in another town and was difficult to reach by public transport constituted an exception to the positive overall response.
- The average time elapsing between registering unemployed and receipt of the certificate of entitlement to unemployment benefit was cut from 31 to 11 days.
- For 71% of jobseekers the initial advisory interview lasted longer than 15 minutes and in 41% of all cases a concrete offer was made.
- Following the interview 62% of jobseekers "had a precise idea of the steps to take in order to commence job search".
- The number of persons leaving the unemployment register over the



period in question was on average 2% higher than that in other, comparable locations; 6% higher placements were achieved in the Poitou-Charente and 8% in the Jura départemente.

As far as the more generalised introduction of the measure is concerned, a number of changes have been agreed upon, an example being the introduction of a formal procedure. Also, parallel to generalised introduction, staff are to be offered additional training to help them develop their skills and qualifications.

Since 29 May 1996 – initially for 18 months – all unemployment registrations in France have occurred at ASSEDIC offices. On the basis of the agreements signed between ANPE and UNEDIC, ANPE is able to pass on responsibility for welcoming jobseekers, processing new registrations on the list of jobseekers, renewing registration on the list and recording changes in jobseekers' occupational status.

This holiday entitlement applies to all employees who are at the same time schoolchildren, students or trainees in public educational and training establishments of any type and level or in vocational training schools run by the labour market authority (OAED) and who are required to stay away from work in order to take examinations. This entitlement is subject to the condition that the employee in question has been in continuous employment for at least one year.

In the light of the fact that employees undergoing training in training centres offering evening courses and those taking night classes in addition to their day-time work require economic and moral support, such individuals are entitled to the increased holiday entitlement of 30 days irrespective of their prior period in employment. Remuneration for these days' holiday will be assumed by the OAED and the labour ministry budget.

has been given. The extent of the fine depends on the gravity of the offence and can amount to a maximum of HFL 5,000. The fine can be imposed during benefit receipt or after the offence has been identified. Legal proceedings are terminated on imposition of the fine.

Benefit recipients failing to meet their obligations face partial or complete benefit suspension. This applies, for example, in the case of refusal to accept a "reasonable" employment or training offer. Employees suffering dismissal as a result of their own behaviour are no longer entitled to unemployment benefit under the new law. If the employee is only partially responsible for his/her dismissal, entitlement to unemployment benefit is suspended for a given period.

The social insurance institutions are obliged to require the full repayment of benefits paid out under false pretences. The new law also makes it easier for these institutions to obtain repayment. Such payments can, for instance, be offset against other social benefits. In cases of failure to make repayments, support, e.g. minimum social benefit, can be suspended.

It is expected that these tougher sanctions will enable around HFL 200 million to be saved per annum.

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## Greece

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### Higher Unemployment Benefit and Longer Holidays for Employed Schoolchildren, Students and Trainees

The level of unemployment benefit has been increased by 10% as of 1.7.1996. This increase applies to all employees whose employment contract is terminated after 1.7.1996 and to those whose fixed-term contract ends after this date.

In accordance with the general national framework collective agreement, the holiday entitlement of schoolchildren, students and trainees aged less than 28 has been increased from 20 to 30 working days as of 1.1.1996.

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## Netherlands

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### Law on Social Benefit Abuse

On 1 January 1997 the law on social benefit abuse (*Wet Boeten, maatregelen en terug- en invordering sociale zekerheid*) comes into force. This law requires that all social insurance institutions impose fines on benefit recipients providing incorrect or incomplete information when applying for or drawing benefit. Benefit recipients failing to meet statutory requirements, such as participating in a training measure, or whose job search activity is unsatisfactory can be refused benefit entitlement in part or in full.

The law distinguishes between financial penalties and administrative measures. A fine is imposed where incorrect or incomplete information

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## Netherlands

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### Draft Law on Improving the Organisation of the Social Insurance System

Alongside a number of changes in the legislation governing the social insurance system, the organisation of the social security system is also currently undergoing reform. The aim of the restructuring is to reduce significantly the demand for benefits provided by the social insurance system by re-

distributing responsibilities between the various social insurance institutions.

A national institution, the National Institute for Social Insurance (LISV) is to be made responsible for running the various social insurance schemes for employees. The LISV is explicitly to address the task of promoting the reintegration of social security benefit recipients. The social insurance organisations are, where possible, to be organised on a regional basis in order to facilitate cooperation with the labour market authority and local government. The Minister for Labour and Social Affairs is empowered to instruct the LISV to implement certain measures.

Social insurance tasks are no longer to be performed by the branch committees (cf. BIR-NL, 1.6). To this end the economy has been divided into sectors, for each of which the LISV is to approve a sectoral council. The sectoral councils are to advise the LISV on the implementation of social insurance for employees. Representatives of employee and employer organisations will sit on these councils.

As far as the actual implementation of social insurance for employees is concerned, the LISV will reach agreements with recognised social insurance institutions. These will no longer be administered by the social partners. This will ensure that decisions on benefits and entitlement can be taken independently of the social partners.

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## Netherlands

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### Proposed Amendment to the Financing of the Occupational Disability Pension

In future the level of contribution to occupational disability pensions (WAO; cf. BIR-NL, 2.1.3.3) will vary from enterprise to enterprise and are to be paid solely by the employer. In future employers making relatively infrequent recourse to the occupational disability law will have to pay lower contributions than those making intensive use of its provisions. Employers are also to be given the option of bearing the financial risk for the first five years of occupational disability themselves. These amendments have no effect on the level or duration of occupational disability pensions, however, which continue to be subject to statutory regulation.

These are the core changes introduced by a legislative proposal for increased differentiation with regard to contributions and the introduction of market mechanisms in occupational disability insurance.

Contribution differentiation according to the intensity of use means that an employer contribution varies depending on the extent to which he makes use of the occupational disability provisions. At the same time a voluntary risk assumption option is opened. The aim of these changes is to ensure that fewer employers are classified as occupationally disabled, thus reducing costs. The underlying principle is that costs can be best influenced at the point at which they are incurred. Good personnel management policies and a good working environment will in future ensure that the firm has to pay less in contributions.

The occupational disability pensions approved prior to the introduction of the new law are to be financed by a national, flat-rate basic contribution.

In order to intensify the effect of the differentiation of contributions and the own-risk option, the existing legal provisions on occupational disability (WAO and AAW, cf. BIR-NL, p. 26) are to be integrated into a uniform occupational disability system for employees. The "people's insurance" (AAW) is to be abolished and contributions paid solely by the employers. This means that the employers are to assume greater responsibility regarding the financing of occupational disability pensions.

In addition to the new, integrated system for employees, additional provisions are to be introduced for the self-employed, young disabled people and students. All inhabitants of the Netherlands will continue to enjoy insurance protection against income loss as a result of occupational disability.

In order to prevent employers from using the new occupational disability insurance as an excuse for introducing more stringent recruitment and selection policies, health checks by the employer are to be forbidden.

Also a new introduction is the reduction in the basic contribution for firms employing a relatively large number of partially disabled workers (more than 5% of the workforce).

The proposed measures, likely to come into force on 1.1.1997 are expected to bring about structural savings of HFL 750 million. The number of occupationally disabled employees is expected to fall by 24,000 benefit-years.

# Miscellaneous

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## Spain

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### Trilateral Agreement on the Extrajudicial Settlement of Labour Disputes

Ever since – following legal changes that granted the parties to collective bargaining greater autonomy – the social partners have played the dominant role in determining labour relations, they have been intensifying their efforts to find solutions in cases of conflict.

In this context a number of experiences from the autonomous regions are of note, as they offer interesting examples of negotiated solutions to labour disputes in various fields. These include, to mention just a few, the agreement between the trade unions on voluntary conflict resolution procedures (*Procedimientos voluntarios de Resolución de Conflictos – PRECO*) and the intersectoral agreements in Catalonia and Galicia on extrajudicial procedures for the solution of labour conflicts (*Procedimientos extrajudiciales de Solución de Conflictos de Trabajo*). Evidently, the signing of the agreement on the extrajudicial solution of labour conflicts (*Aceurdo para la Solución extrajudicial de Conflictos Laborales – ASEC*) played an important role in stimulating the introduction and establishment of extrajudicial conflict-solving strategies in the autonomous regions.

This trend initially emerged in specific collective bargaining fields and was subsequently extended to other areas following the positive results achieved. An example of this process is the agreement reached for the metal-working firms of the INI-TENEO group, which, among other things, stipulated procedures for the extrajudicial solution of conflicts.

Of particular relevance in this context is the detailed report on such experiences by the Economic and Social

Council, which points out certain technical and legal difficulties and recommends a number of solutions at both the legal and collective bargaining level.

Within the framework of this increasingly positive dynamic of autonomous conflict solution, the Spanish confederation of employers' organisations (CEOE), the Spanish confederation of small and medium-sized enterprises (CEPYME), the confederation of communist trade unions (CC. OO) and the socialist trade union federation (UGT) reached, on 25 January 1996, an agreement on the extrajudicial solution of labour conflicts. The agreement also sets out mechanisms for autonomous conflict resolution for conflicts arising outside the area of collective bargaining, but which are collective in nature. This serves to avoid a formalisation under the auspices of the labour market authority and the judicial organs of the social security system.

The ASEC agreement has been supplemented by provisions on its execution which stipulate that mediation and arbitration procedures are to be employed to achieve the aims set out. Both documents were published in the official gazette (BOE) of 8 February 1996.

The documents refer to the necessity of appropriate support by the government in order to achieve the aims set and to implement them in practice.

Following the formation of the new government, the social partners and the Ministry of Labour and Social Security are agreed on the need to promote dialogue between the various sectors. Thus the Ministry supports the cooperation between the social partners as represented by the ASEC agreement and its implementation provisions.

To this end a tripartite meeting was held in which an agreement was reached: on 18 July 1996 this agreement was signed by the Minister of Labour and Social Security, the general secretaries of the UGT and CC. OO

union federations, and the representatives of the CEOE and CEPYME employers' federations. The agreement is summarised below.

- The government commits itself to supporting the functions and tasks agreed by the social partners in the ASEC agreement of 25 January 1996.
- The government commits itself to providing the financial and technical resources necessary to render the compromise effective.
- For their part the social partners express their willingness to set up a state foundation under the protection of the Ministry of Labour and Social Security in order to instrumentalise the mediation and arbitration functions.
- A tripartite commission is to be set up, the main task of which will be to control and monitor the activities and spending of the Foundation in its mediation and arbitration proceedings.
- The administrative service for mediation, arbitration and conciliation in the Directorate General of Labour and Migration of the Ministry of Labour and Social Security retains its field of responsibilities and functions for those cases that are not covered by the ASEC, either because they were explicitly excluded from this agreement or in the case of enterprises or sectors that have not ratified the agreement.
- The signatory parties commit themselves to promoting and supporting the measures and, where appropriate, legislative changes, necessary in order to ensure the full effectiveness both of the ASEC (signed by unions and employers' federations) and for the later tripartite agreement.

The tripartite agreement came into force on the day it was signed, 18 July 1996, and remains in force until 31 December 2000; the agreement can be extended if this is the will of all the signatory parties.

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## Finland

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### New Regulations on the Consultation Procedure for Mass Redundancies

On 20 June 1996 the government presented a bill to parliament proposing to revise the Act on Cooperation with Undertakings (*Laki yhteistoiminnasta yrityksissä 725/78*; cf. BIR-FIN, 2.7).

The Act applies to companies regularly employing at least 30 workers. Matters dealt with in these procedures include the work performed and working conditions, employment relations and changes in them, the impact on staff of changes in ownership, training, rationalisation and staff activities.

From the beginning of 1997 the minimum mandatory negotiation periods will be shortened. The regulation on the obligation to give notice and the negotiation procedure will be revised in order to better take into account the various alternatives to job reductions that may arise. The matters to be discussed will be regulated in a more detailed manner taking into account *inter alia* gender equality matters and an action programme on occupational safety and health.

The provision of more information to the staff representatives and an improved dialogue is envisaged in the proposal by specifying the matters where mandatory information and negotiation is required.

In matters concerning reduction of staff the employer is obliged to first give information on the grounds for and consequences of the proposal in question. After a seven-day consideration period a second negotiation on alternative possibilities is carried out.

The Act specifies the obligation to negotiate. This obligation is met if the matter is dealt with jointly by the two sides and agreed upon, or the minimum negotiating periods have passed. The existing three-month negotiation period will be shortened to

six weeks (in cases concerning dismissal of at least ten workers or employees).

Previously the employer had to give the employees a written proposal on the matters to be dealt with at least three days before this negotiation procedure starts. Now this period is to be extended from three to five days.

This revision proposition has been arrived at in negotiation with the social partners and is based on the Government Employment Programme of October 1995.

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## Greece

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### A New Institute of Vocational Training and Employment

The Experimental Institute Of Vocational Training And Employment (PIEKA) is a new institution created by the Labour Ministry and the Manpower Employment Organisation (OAED) to fill the existing gap in research, documentation and analysis of supply and demand in the labour market. The broader market economic and business environment imposes its own operational dynamics. In this context, businesses themselves need an institutional framework to analyse the existing dynamics of the labour market and the future prospects of the optimum utilisation of human resources regionally, nationally and internationally.

To this end, PIEKA has developed a computer-based analytical system aiming at supporting the state in policy-making and the social partners in planning their strategies in order to utilize human resources productively. Its main ambition is, therefore, to offer to all concerned the methodological and practical "tools" for the analysis of employment, unemploy-

ment and vocational training. These analytical tools are based on a methodology founded on three studies: "Investigating the Possibilities of Productive Utilisation of Human Resources on a Local Level", "Establishment of a National Monitor of Employment", both conducted by the National Technical University on behalf of the OAED, and a feasibility study on the creation of an "Integrated Information System For The Labour Market" conducted by the Panthion University.

#### The institutional framework

PIEKA breaks fresh ground in the research field in Greece. It is the first time that a mechanism for the monitoring of the labour market has been officially established. PIEKA's breakthrough consists mainly in the systematic monitoring of the labour market at local, prefectural, regional and national levels. The Ministry of Labour and the OAED were assisted in their effort to create PIEKA by Directorate-General V of the European Union and the National Statistical Service of Greece. PIEKA was funded by the European Commission through its programme "Regional Statistics of Greece", Article 7 "Organisation, Staffing and Development of an Integrated Information System for the Labour Market" and Article 8 "Establishment of an Information System and Improvement of the Existing Data Processing Mechanism". These articles established the Institute's operational specifications, as described below.

The Institute was established as a private legal entity by Article 4 of Law 1836/1989 on an OAED initiative. The OAED instigated decision no. 31699 of the Minister of Labour, which was published in the Official Government Gazette issue no. 423B/14.6.1993 and constitutes PIEKA's Articles of Association. Accordingly, the Institute has two main aims:

- to operate and manage an integrated information system for the analysis of labour market data;
- to initiate in-depth research and studies on the optimal use of hu-

man resources according to the country's development potential.

### The character of the Institute

The Institute's nature is a watershed not only in Greece but also in the EU. It is based on constant coordination of documentation and analysis of the changing needs in the national labour market.

The main objective of PIEKA's system of analysis is to locate the needs of the labour market as well as to analyse and study present and future demand for specific skills and specialisation.

According to the relevant statute, the Minister of Labour may, after publication of the Minister's decision, create PIEKAs at regional level. Thus the first institute created was the PIEKA of Attica. It is expected to become the forerunner for twelve more regional institutes in the next two to three years according to government policy.

The regional nature of PIEKA is sustained by the already existing regional structure of the OAED and enhanced by Law 2224/94, which provides for the relative administrative autonomy of the Organisation's Regional Directorates. Thus, each one of the thirteen Regional directorates will be endowed with a PIEKA.

Economies of scale achieved by the above-mentioned institutional framework result in the establishment and operation of PIEKAs at very low cost since the OAED may provide regional institutes with building facilities, personnel and economic support.

The Athens-based PIEKA provides the basic infrastructure for a coordinating role in the development of methodological "tools" for surveying the changing needs of national and regional labour markets. Thus a National Information Network for the collection of both qualitative and quantitative is emerging.

### Administration

The Attica PIEKA is governed by a Board of Directors, composed of representatives of the OAED, the Labour

Ministry, employer and trade union organisations, and the National Statistical Service of Greece.

The Chair of the Board of Directors is held by the Governor of the OAED. Its members are appointed by the Minister of Labour after being recommended by the organisation represented at the Board.

PIEKA will give its users access to its end products, results of analyses and secondary data. At the same time the Institute is dependent on all institutions providing it with both primary and secondary data; it will treat this information confidentially, if it is required to do so.

PIEKA provides on-line information and end products on employment, unemployment and vocational training in the following categories.

#### 1. Documentation:

- development and maintenance of data bases depicting labour supply and demand analysis, e.g. labour force survey, education and voca-

tional training data, population and business census, registered unemployment and a register of business financial data;

- presentation of labour market data in tables and graphs;
- establishment of a computer-based statistical system consisting of regional labour market indicators;
- evaluation of existing data sources and design of supplementary data collection methods;
- publications.

#### 2. Research and analysis:

- analysis of labour market data on a regular and ad hoc basis;
- labour market research on specific issues;
- theoretical and methodological labour market studies;
- development of "tools" for the continuous monitoring of local, regional and national labour markets;
- labour market forecasting;
- publications.

Figure 1: The Methodology of Labour Market Analysis

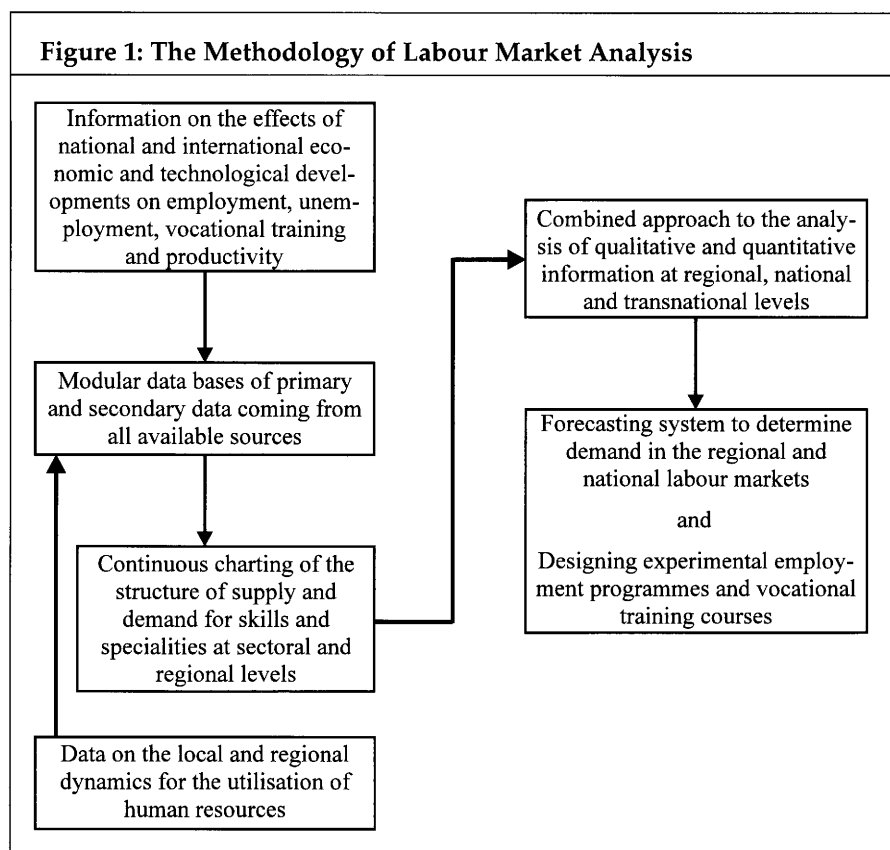
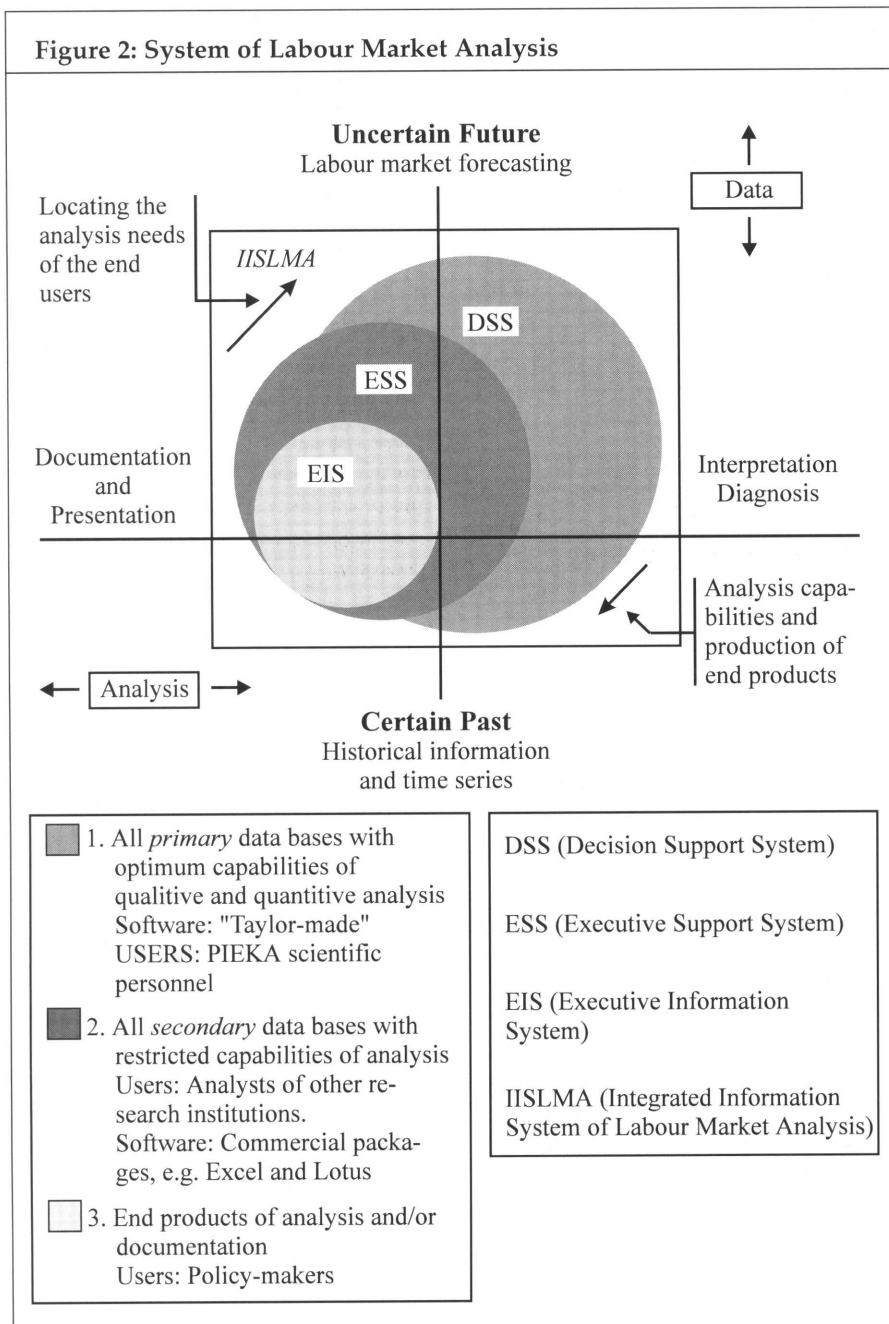


Figure 2: System of Labour Market Analysis



dimension of PIEKA's research. Together they combine to offer users the fullest possible view of the labour market both nationally and internationally. Given the three-dimensional character of the labour market, employment/unemployment/vocational training, the final aim of research is to fight unemployment by promoting both employment and professional training.

*The Integrated Information System of Labour Market Analysis*

IISLMA is an integrated system, which means that the data, the procedure and the methods of processing are considered as a whole. Therefore IISLMA supports an integrated approach in statistical analysis and processing. The analysis system structure follows the principle of functional separation. In this context the process of planning and development and the method of operation comprise separate system components, and each one may be tested, modified or upgraded without essentially affecting the other components.

The system is modular and consists of an articulated number of sub-data bases. Thus each sub-unit can be upgraded and expanded separately. This architecture ensures immediate response to the rapid developments in information technology, the continuously changing needs of the labour market and the growing number of users. The system enables multiple end users to enter and process statistical data without sophisticated knowledge of computer programming or lengthy training.

End users may have access to various software packages (statistical software, spreadsheets, word processing and DTP) without having direct access to PIEKA's primary data bases.

*The Decision Support System (DSS)*

The Decision Support System, developed by the National Technical University, is a methodological tool aimed at determining the demand for vocational specialities in order to support decision-making processes in

3. Vocational training:

- estimation of inflows, outflows and channelling of the education and vocational training systems;
- designing and implementation of pilot training programmes;
- publications.

**Data analysis system**

PIEKA's end products stem from two different systems of data analysis.

1. The Integrated Information System of Labour Market Analysis (IISLMA);

2. The Decision Support System (DSS).

The two systems are designed to be both independent from and complementary to each other from a methodological as well as functional point of view. The role of IISLMA is to process statistical data collected by institutions other than the OAED (NSS, EUROSTAT, ICAP, etc.). The DSS is, on the contrary, a primary analysis tool for observing local labour market dynamics. In other words, IISLMA is the quantitative whereas the SYA is the qualitative

matters of vocational training on a local level. In essence, the SYA functions within the OSPAE (see Figures above), but is not a data base per se. It rather generates analysis from data and information collected from primary research coming from independent surveys and areas which have never been explored.

The main features of the system are: user friendly, open architecture and capability of recording, processing and upgrading data. The forecasting of the demand for vocational specialities is based on the evaluation of probable variations in the existing occupational structure of employment. This evaluation requires predictions on the development of the various parameters that affect the labour demand by each vocational speciality. These parameters are related to the structure of the economy and its sectors (sectoral dimension) and the effects on regional development (local dimension) and on technological advances (technological dimension).

The SYA offers the analyst a qualitative research tool whose methodology aims at primary data exploration and at the collection and processing of all available qualitative and quantitative data both at local and national levels. This tool can be used to record the present structure of employment, to track local development dynamics and, finally, to evaluate technological developments.

The basic data processing methods and the main criteria for data classification have already been developed and standardised so that the SYA would be capable of readily addressing any user's inquiries.

However, there still exists the possibility of adding new data, altering the existing data processing methods and even classifying data according to users' needs and requirements.

The overall developed methodology refers to the procedure of data collection and processing, monitoring local dynamics, evaluation of technological developments and their consequences on employment and forecasting the demand for vocational

skills specialisation.

The analytical systems and methods are illustrated in Figures 1 and 2.

#### Other activities

Apart from its research activities, PIEKA is also involved in European Union Programmes. At the moment PIEKA is responsible for:

1. the management of the National Support Structure - ADAPT GREECE;
2. the management of human resources in large construction projects in Greece under the auspices of Article 6 of the European Union Innovative Programmes;
3. management and implementation of four pilot projects in the EU Programme Euroqualification. These projects were designed with regard to vocational training in the car repair industry, language and promotion of the OAED and PIEKA activities.

#### Conclusion

PIEKA aims to completely identify and analyse the fields of employment, unemployment and vocational training. It intends to achieve this by cooperating with experienced institutions whose research background in the analysis of economic and social dynamics has shaped the nature of employment/unemployment/vocational training research. According to these principles, PIEKA will focus on applied scientific research to create support systems for the state exclusively in the field of its competence.

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## Netherlands

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### New Regulations for Flexible Employment Relationships

#### New developments

Around 16% of all employees in the Netherlands are employed under "flexible" employment contracts: 6%

of all employees work "on call", 7% on a fixed-term contract and 3% as agency workers. These are the central results of a survey into external flexibilisation by firms.

In this context external flexibilisation means that employees are recruited by and made redundant from firms according to the latter's economic requirements. Half of the firms surveyed recruit workers on fixed-term contracts in response to unpredictable fluctuations in the volume of output. Firms also make use of flexible employment contracts for short-term requirements, seasonal work and in order temporarily to fill in for absent employees on standard contracts. Firms also exploit the scope to employ labour on flexible terms in order to reduce the number of employees employed under standard contracts.

Most firms recruiting workers on flexible contracts - who are often difficult to place - emphasise that such staff may be retained on a permanent basis at a later date.

The study reveals that virtually all large firms make use of flexible employment contracts, whereas just half of the small firms surveyed utilise this opportunity.

Also studied was the form taken by the flexible employment contract. In those firms making use of fixed-term contracts an average of 12% of the workforce were employed on a fixed-term basis. The average duration of the employment contract was nine months. Two-thirds of the firms surveyed made use of the scope for fixed-term contracts as a probation period. In many cases such workers are subsequently employed under standard conditions of employment.

In those firms employing agency workers an average of 7% of the overall workforce consist of agency workers. In firms making continuous recourse to agency workers, such personnel tend to be used repeatedly to perform the same tasks. The study reveals that only a few of the staff employed as agency workers subsequently receive a standard employ-

## Miscellaneous

ment contract from the firm in question.

In those firms employing workers "on call" an average of 17% of the overall workforce consist of such workers. Only one-third of the firms deploying workers on call had agreed on a fixed number of hours. Where such agreements had been made, the average number of hours was six per week.

### New measures

As was reported in inforMISEP no. 53 (p. 26), the Dutch government is seeking to strike a balance in labour law between flexibility and social security. Initially the government was unable to reach agreement on this issue, but an agreement has now been reached on the basis of a report by the Labour Foundation (*Stichting van der Arbeid*), the supreme advisory organ of the social partners.

The most important points agreed are as follows:

The regulations governing fixed-term contracts are to be relaxed. Restrictions are to remain on the repeated use of fixed-term contracts, however: once more than three fixed-term contracts have been reached with a given employee, or if the period of fixed-term employment lasts more than 36 months, a permanent position must be offered. This applies provided that no more than three months elapse between the periods of employment governed by the contracts. Amendments are also envisaged to the laws governing work on call. For certain groups a minimum duration of three hours per call is to be established. In addition, a provision for continued entitlement to pay in the case of lack of work will be introduced. This means that employers can reach agreement with individual employees that wages need only be paid for a maximum of six months in the case of lack of work. This period can only be extended by means of collective agreement.

The approval of temporary employment agencies by the labour market authority has been abolished, as

has the maximum employment period of six months for agency work. In exceptional cases restrictions may be imposed on placement activity for agency workers, however.

A white paper on these matters is to be presented by the government shortly.

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## Portugal

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### Measures to Support Enterprises in Financial Difficulties

Within the framework of the government programme to support enterprises in financial difficulties, an action plan to promote economic recovery in the firms affected has been initiated (Decree by the Council of Ministers no. 100/96, 4 July 1996).

A coordination bureau has been set up to which representatives of various departments of the ministries involved in measures to promote economic recovery and consolidation in firms are sent. The bureau comes un-

der the auspices of the Ministry of the Economy.

One measure in the action plan is the creation of a system providing public guarantees for bank loans (SGEEB) to be placed at the disposal of firms facing financial difficulties. Under the system guarantees for up to 50% of the outstanding loan risk (i.e. that not secured by collateral) can be provided.

The following instruments specifically linking economic recovery in firms, employment and vocational training policy, and the aims of social solidarity and regional development deserve mention.

- Revision of the statutory regulations on unemployment support in order to create the scope for providing firms – analogous to public support for the creation of new jobs – with financial support equal to the level of unemployment benefit that would otherwise have to have been paid in the case of redundancies.
- Revision of the statutory provisions on redundancies within the framework of enterprise-level restructuring measures.
- The formation of "Advisory Work Groups on Retraining Questions" in the offices of the Institute for Employment and Vocational training.

### Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (17 September 1996):

Belgium	BFR	38.98
Denmark	DKR	7.29
Germany	DM	1.89
Greece	DRA	301.51
Spain	PTA	159.49
Finland	FIM	5.71
France	FF	6.45
Ireland	IRL	0.78
Italy	LIT	1,911.85
Luxembourg	LFR	38.98
Netherlands	HFL	2.12
Austria	ATS	13.32
Portugal	ESC	143.35
Sweden	SEK	8.31
United Kingdom	UKL	0.81



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## The Dynamic of Employment in the European Union

*Klaus Schömann and Thomas Kruppe<sup>1</sup>*

### 1. Introduction

Many evaluations of labour market policy are based on analyses that take as their point of departure merely the level of unemployment. These include, for instance, the analyses of the so-called "Beveridge Curve", which merely compare the number of unemployed in a given year with the number of vacancies in the same year (cf., for example, Layard, Nickel & Jackman 1991). Similarly, the number of long-term unemployed as a share of overall unemployment in a given year is frequently set in relation to the unemployment rate in that year (OECD 1995, pp. 22–25). Yet at best such analyses permit a description of changes in the stock values over the years<sup>2</sup>. They provide no information, however, on the dynamic of the flows into and out of unemployment and employment, and say nothing about the reasons behind unemployment. In no way can causal analyses, not to mention policy recommendations, be developed on the basis of such descriptive indicators (Schmid, O'Reilly & Schömann 1996).

Although in the current phase of high unemployment in the EU descriptions of labour market situations are required in order to point out the priority areas for policy action, such as long-term and youth unemployment, as mentioned in the White Paper on "Growth, Competitiveness and Employment" (Europe-

an Commission 1993), it is necessary to take a step beyond such static analyses of stock values. This is the aim of this paper, which discusses flows into and out of employment and unemployment on the basis of data from the European Labour Force Survey (ELFS). The focus, therefore, is on labour market dynamics. The dynamics are not conceived in terms of rates of change of a particular level of unemployment compared with the previous year. Rather the dynamic perspective consists in the analysis of aggregated flow values based on a multiplicity of individual mobility processes.

The "Editorial" of the OECD Employment Outlook in Paris (1996, p. vii) considers the theme of labour market exclusion and the measures to be taken to counter it. Important risk factors of labour market exclusion are cited. An inefficient labour market poses a threat to the social fabric, as the risk of falling into the "unemployment trap" or remaining in poorly paid or precarious, fixed-term forms of employment is considerable. Possible escape routes from this precarious situation are via mobility processes, namely flows out of unemployment into full-time and part-time employment (O'Reilly & Bothfeld 1996), flows out of unemployment into permanent or fixed-term employment (Schömann, Rogowski & Kruppe 1995), or mobility with the aim of achieving better paid work within a company or by a change of company (Schömann 1994). These "natural" flows are increasingly being supplemented by participation in labour market policy measures, which already constitute a significant proportion of such transitions (Schmid 1993). In other words,

labour market policy supports mobility processes on the labour market.

When considering these labour market flows it is also important to consider those in the opposite direction: flows out of unemployment, for example, are matched by flows into unemployment. A one-eyed focus by labour market policy on flows out of unemployment is unlikely to be successful if there is a simultaneous increase in the flows into unemployment. For instance, policies aimed at facilitating the flow out of unemployment by deregulating fixed-term unemployment were successful only to a very limited degree because more fixed-term employment also had the effect of increasing the flows into unemployment as short-term employment contracts repeatedly expired. The level of unemployment is always a reflection of the difference between both these flows.

Derived from a systematic overview of all labour market transitions, Schmid (1993) has distinguished five types of labour market "bridge": (1) transitions between part-time and full-time employment, (2) transitions between unemployment and employment, (3) transitions between education/training and employ-

1 We would like to thank Didier Lesnicki (Eurostat) for his friendly and effective support in evaluating the European Labour Force Survey. Günther Schmid provided an important stimulus for the empirical operationalisation of the theory of transitional labour markets. Any remaining errors remain, of course, the responsibility of the authors.

2 Whereby separate analysis of trends for men and women may well generate interesting results regarding the differences in stock values between the sexes in the various countries (OECD 1995).

ment, (4) transitions between private and labour market activity, (5) transitions between employment and retirement. These employment bridges can be traversed in both directions, in some cases, several times within the space of a year. Traditionally labour market policy has focused on transitions into and out of unemployment, although direct flows between employment and unemployment are only one subset of the flows into and out of employment. Yet the transitions between education and unemployment or the transitions between working life and retirement – the new European-wide trend towards part-time retirement for elderly workers deserves a mention in this context – also constitute important flows.

The static perspective until now in general use is no longer adequate if we are to understand the dynamics of the labour market. In particular, it ignores the fact that when a flow and counter-flow are brought together, a result can not only be influenced, it may actually be reversed. Table 1 provides a synopsis of the various combinations of flows that in theory could be relevant in considering employment dynamics.

Different transitions can be examined, depending on the object of analysis. The consideration of transitions between unemployment and employment mentioned earlier, for example, is restricted to the analysis of the first four cells in the matrix (marked with a ① in Table 1). In accordance with our more dynamic approach, we consider all the transitions into and out of employment

(marked with a ③ in Table 1). If the focus of analysis were on movements into and out of unemployment, it is the cells marked with a ② that would be the object of study.

These initial and final statuses can in turn be decomposed into various components. Depending on the objective of the analysis, distinctions can be drawn between, for instance, waged and salaried employment and self-employment, full-time and part-time employment, or between permanent and fixed-term jobs.

In the following we will concentrate primarily on the flows into and out of waged and salaried (“dependent”) employment and unemployment and discuss the inflows and outflows and the differences for each EU country. Subsequently, a brief analysis of transitions between the education/training and the employment systems will be given. In a concluding summary we will consider the usefulness of all these analyses conducted on the basis of Eurostat figures for labour market monitoring.

## 2. The dynamic of unemployment

On the basis of data from the European Labour Force Surveys conducted in 1992–95 we have attempted to make rough calculations of the flows from dependent employment into unemployment and the reverse flow from unemployment into dependent employment<sup>3</sup>. In order to arrive at a more or less equal basis of comparison between the various EU countries, the absolute flow values for each country were set in relation to the number of wage and salary earn-

ers in that country. As an additional indicator we have also included the difference between flow and counter-flow in the following diagrams in order to reveal the trend towards rising or falling unemployment in each Member State.

An advance indicator of changes in the level of unemployment is the net sum of the flows into and out of unemployment. For 1995, for example, the flow out of unemployment into employment is higher than that from employment to unemployment in all EU countries except Austria and Greece. A look at the development path of each EU Member State (cf. Figures 1–3 and Table 2) shows that since 1992 some countries have managed to turn substantial surpluses in the flow from employment to unemployment over that from employment to unemployment into a trend in the reverse direction. Clearly, though, given the brevity of the observation period, caution must be exercised in evaluating the sustainability of this trend. Even so, Great Britain, Ireland and Spain exhibit a virtually linear trend towards an improvement. Clearly, in these countries the economic growth dynamic initiated by, among other factors, currency depreciation, has, after a time lag of more than one year, led to employment-intensive growth.

The flows into and out of unemployment are particularly pronounced in Spain, much more so than in the other Member States (Table 2, columns 5 and 6). This largely reflects the fact that Spanish firms make above-average recourse to fixed-term contracts, leading to a higher overall level of exchange between employment and unemployment. Besides Spain, other countries with a high overall level of mobility

**Table 1: Matrix of Transitions from an Initial Status at Time (t-1) to a Final Status at Time (t)**

t-1 \ t	Employment	Unemployment	Inactivity	Education	Retirement
Employment	① ③	① ② ③	③	③	③
Unemployment	① ② ③	① ②	②	②	②
Inactivity	③	②			
Education	③	②			
Retirement	③	②			

<sup>3</sup> The data provide only an approximation to actual mobility as the European Labour Force Survey does not account for flows on a continuous basis, but only at two points in time: spring in year t to spring in year t-1. Between these periods an individual may have experienced several changes of status. A comparison of the mobility data with “real” longitudinal data is planned.

1992	TOTAL (a)				Into/out of unemployment (b)				Percentage of inflow (b) in inflow (a) 9
	Inflow 1	Outflow 2	Sum 3	Difference 4	Inflow 5	Outflow 6	Sum 7	Difference 8	
Belgium	5.3	5.9	11.2	-0.6	1.8	1.9	3.8	-0.1	34.6
Germany	7.2	9.5	16.7	-2.3	1.9	3.6	5.6	-1.7	26.9
Denmark*	10.1	16.5	26.6	-6.5	4.6	6.5	11.1	-1.8	46.3
Spain	15.7	14.2	29.9	1.5	9.0	7.7	16.8	1.3	57.4
France	9.9	10.1	20.0	-0.2	3.5	4.5	8.0	-1.1	34.8
Greece	8.3	10.0	18.3	-1.7	3.5	3.6	7.1	-0.1	42.2
Ireland	10.3	9.9	20.2	0.4	3.4	5.7	9.1	-2.3	32.8
Italy	12.3	10.5	22.7	1.8	4.7	2.0	6.7	2.7	38.3
Luxembourg	5.3	4.7	10.0	0.6	1.0	0.9	1.9	0.1	19.0
Netherlands	10.2	8.1	18.4	2.1	2.6	1.8	4.4	0.8	25.3
Portugal	8.1	7.6	15.7	0.5	2.7	2.1	4.8	0.5	33.2
United Kingdom	9.8	11.5	21.3	-1.7	3.0	5.1	8.1	-2.2	30.4
1992	TOTAL (a)				Into/out of unemployment (b)				Percentage of inflow (b) in inflow (a) 9
	Inflow 1	Outflow 2	Sum 3	Difference 4	Inflow 5	Outflow 6	Sum 7	Difference 8	
Austria	11.0	6.8	17.8	4.1	1.2	2.3	3.5	-1.2	10.8
Belgium	5.8	6.8	12.6	-1.0	2.9	2.6	5.6	0.3	50.5
Germany	8.5	7.8	16.3	0.7	3.2	3.0	6.2	0.2	37.8
Denmark*	12.8	9.8	22.7	3.0	3.8	3.0	6.9	0.8	29.8
Spain	17.0	12.2	29.3	4.8	11.6	7.0	18.6	4.7	68.4
Finland	14.7	12.2	26.9	2.6	6.7	6.0	12.6	0.7	45.3
France	11.0	9.2	20.1	1.8	5.1	4.4	9.5	0.7	46.8
Greece	8.3	10.3	18.6	-2.0	4.6	4.7	9.3	-0.1	55.5
Ireland	13.0	7.5	20.5	5.6	4.4	3.5	7.8	0.9	33.4
Italy	13.0	10.6	23.6	2.4	5.9	2.4	8.4	3.5	45.3
Luxembourg	5.7	5.1	10.9	0.6	1.5	1.3	2.8	0.2	25.9
Netherlands	9.5	9.2	18.6	0.3	2.9	2.5	5.3	0.4	30.2
Portugal	8.3	8.7	17.0	-0.4	3.4	3.3	6.7	0.1	40.9
United Kingdom	10.9	8.8	19.7	2.2	3.8	3.0	6.8	0.7	34.4

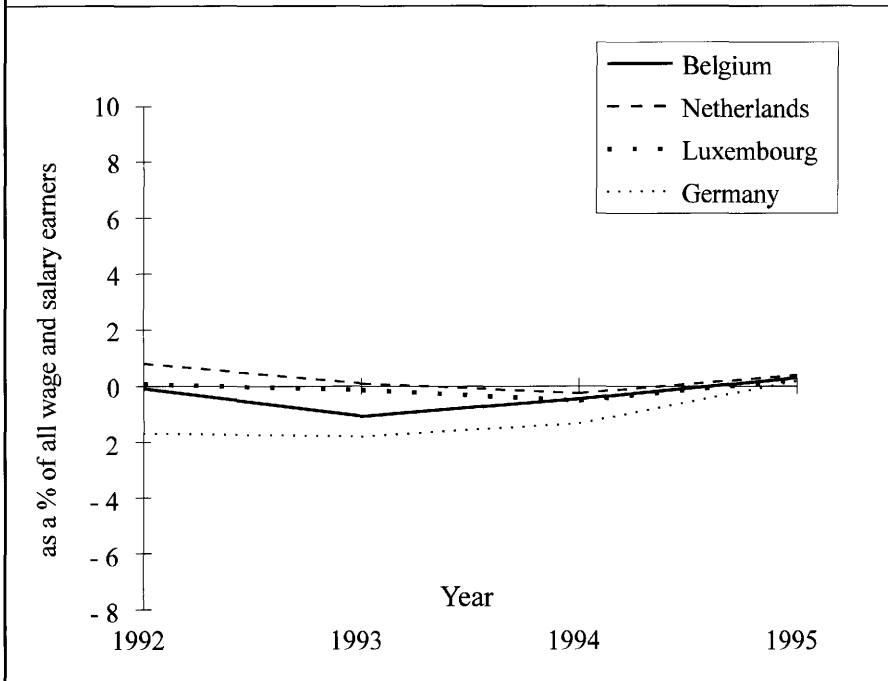
\* without inflow and outflow of self-employed persons.

are Finland, France, Denmark, Italy, Ireland and the United Kingdom (Table 2, 1995, column 3). The case of

Italy shows, however, that institutional reasons, in particular the way in which the unemployment insur-

ance system is organised, may influence the flow values. The flows from employment into unemployment in

**Figure 1: Difference in Flows between Employment and Unemployment (net flow into employment)**



### 3. The employment dynamic

We have attempted to evaluate the data from the European Labour Force Survey in accordance with the five types of employment bridge (see above) in this form. In doing so it is important to recognise that the cross-sectional data generated at the various points in time can, under some circumstances, produce significant distortions (cf. box: Methodological notes). Unfortunately, insufficient waves of the European Household Panel – which permits longitudinal analyses – are available to provide confirmation of the results. The interpretation is further complicated by the fact that across the various Member States of the EU the proportion of all employment flows consisting of transitions into and out of unemployment depends partially on the different demographic and economic developments there.

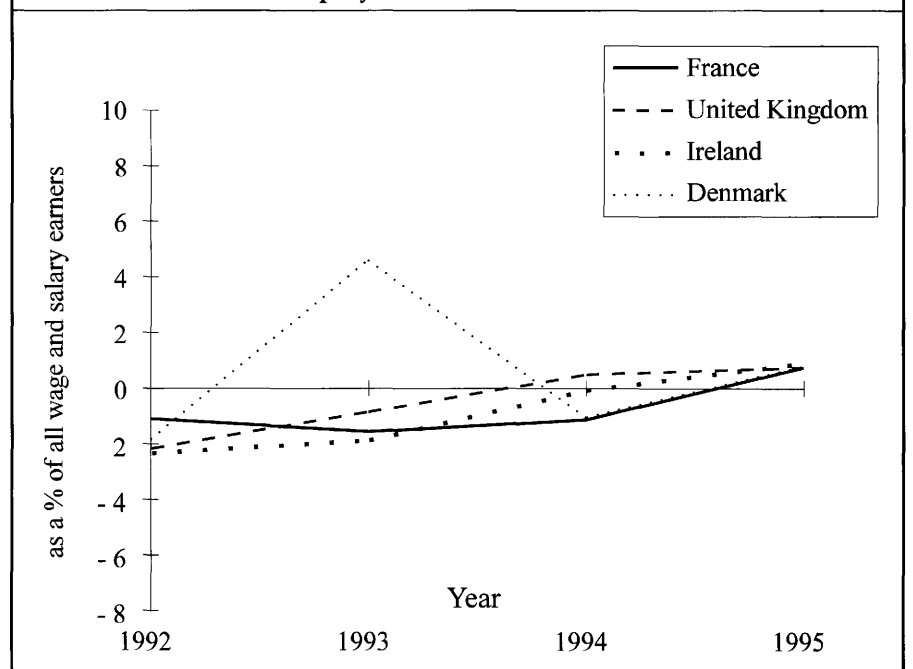
Italy are very low because many of those made redundant do not register unemployed, rather drift into “inactivity”: in the 1990s Italy has the highest rate of transition from employment to inactivity of all the EU countries. Several reasons could be responsible for this: the low transition rates between employment and unemployment could be due to the activities of the wage compensation fund (CIG) serves as a short-time working instrument in cases of corporate restructuring and temporarily slack demand (cf. Mosley, Kruppe & Speckesser 1995); the transition to inactivity could be due to the fact that the entitlement to unemployment benefit is conditional on two years’ prior unemployment (affecting, in particular, young workers). Last but not least, early retirement provisions may also play a role (cf. BIR Italy, 1995).

(1996) has noted, however, there was no decline in long-term unemployment in the spring/summer of 1995, despite the various labour market policy initiatives targeted at this particular group (European Commission 1995; OECD 1996, p. 202).

An analysis of labour market policy restricted merely to a comparison of the transitions between unemployment and employment remains incomplete if it fails to consider other flows (e.g. involving inactivity and education/training). For example,

The standardised unemployment rates for the OECD countries also reveal a trend towards a (very slight) decline in unemployment in most EU countries (OECD 1996, p. 198). At least in part this trend is due to a reversal in the relative size of the two complementary flows. As the OECD

**Figure 2: Difference in Flows between Employment and Unemployment (net flow into employment)**



## Methodological notes

The data discussed in this article are derived largely from calculations by the authors based on aggregated individual data from the European Labour Force Survey; these, in turn, are based on national surveys conducted in the Member States of the European Community. These surveys include questions not only on the current labour market status of the respondent, but also that in the previous year (Eurostat 1988/92). Our examination of the flows into and out of employment is based on an evaluation of the data from these two points in time for various years. Although such an evaluation of these data calls for a number of methodological caveats – described briefly below – we believe that this approach makes a contribution to improving our understanding of labour market dynamics as it enables, in addition to the volume of inflows and outflows (cf. OECD 1996), the sources and destinations of the flows to be identified. A comparison of the mobility flows with real longitudinal data is currently being performed for individual countries; unfortunately insufficient waves of the European Household panel are available for a comprehensive analysis of the EU countries as a whole.

Given that the original data are derived from national surveys held each spring on different

dates and that the questions refer to the labour market situation of the respondent in a particular week, deviations in the survey periods between the countries involved pose the problem of a possible slight distortion. Moreover, this method may lead to an more than proportional representation of the long-term unemployed (Auer 1984) as they are more likely to be recorded in the survey than those unemployed for only short periods, the number of which frequently declines significantly in the spring due to seasonal factors.

Given that the evaluation is based on a change in labour market status between two points in time (spring in year  $t$  and spring in year  $t-1$ ), rather than on a continuous statistical coverage of the flows, the data provide only a very rough approximation to actual mobility processes. Cases of multiple mobility cannot be identified. If, following multiple mobility, the initial and final status are the same, the individual in questions appears to have remained static. Thus it is not possible to interpret the data in the case of a – seemingly – unchanged status. Although a change in labour market status can, in principle, be interpreted, the lack of knowledge of – possible – additional changes imply a systematic understatement of the incidence of mobility processes. Short-term employment relations, in particular, and the mobility processes associat-

ed with them, are underrepresented in the data. If it assumed that in the field of fixed-term employment several employment relations are often likely to follow in quick succession (Schömann 1996), the incidence of fixed-term employment – and precarious forms of employment in general – is likely to be understated.

In order to be in a position to compare the various flows with one another and then to compare them across countries, the calculations had to be made with respect to a comparable reference variable. Reference groups such as the economically active population or the population of working age (15 to 64 years) could conceivably be used for this purpose. Within the framework of our analysis, however, which deals with employment dynamics, the number in waged and salaried employment appeared to us to represent a more appropriate reference variable. Consequently all the calculations have been made with respect to this variable. Thus the total flows into and out of employment are equal to the sums of the corresponding transitions of all persons of active age ( $a$ ). The percentages given in the text express this total as a share of ( $a$ ) to all wage and salary earners ( $b$ ) according to the formula:  $a/b * 100$ .

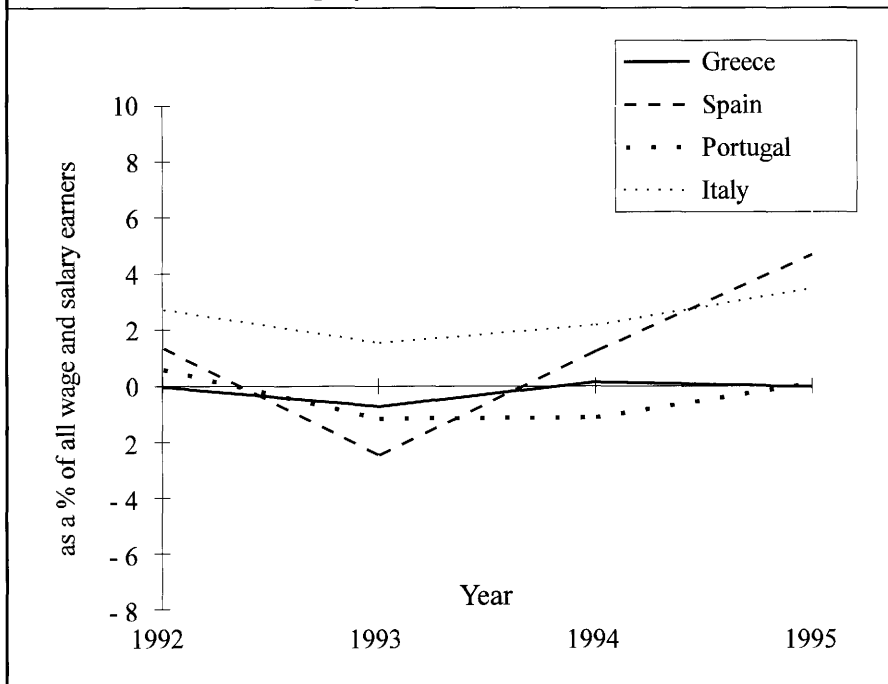
recent years have seen the emergence of the problem of high youth unemployment. This indicates that many young people are unable to find employment on completing their full-time education or training, and must first register as a jobseeker with the local employment office – in most EU countries without entitlement to unemployment benefit – or enter inactivity (“hidden unemploy-

ment”) on leaving the education/training system. Thus any comprehensive analysis of the flows into unemployment must incorporate flows of these types.

Accordingly, in Table 2 and the associated figures (1–6) we have collated all the transitions into and out of dependent employment for the years 1992–95. Column 1 indicates the sums of the flows from unem-

ployment, self-employment, inactivity and education/training into employment. Column 2 lists the respective counter-flows. Column 3 indicates the net sum of all flows (1 + 2), i.e. the total change in the employment situation for each country. Figures 1–6 show the various differences between the flows and counter-flows. These differences can be interpreted as an employment indicator.

**Figure 3: Difference in Flows between Employment and Unemployment (net flow into employment)**



A positive value means that more people have been integrated into the employment system than have left it; a negative figure, on the other hand, indicates a decline in employment.

The most striking general fact that emerges from this comparison of employment transition developments in the EU is that in most countries the net employment trend in 1995 was positive and represented a clear improvement on 1992. Only in Belgium, Greece and Portugal was the sum of all flows into and out of employment in 1995 negative (Table 2, column 4). Ireland, Spain, Austria, Denmark, Finland, Italy and the United Kingdom reveal a substantial employment surplus of more than 2%, although it was only in Ireland and the United Kingdom that this was also reflected in a decline in the rate of unemployment.

Further interesting insights into country-specific mobility flows are revealed by a more detailed analysis of the difference between the employment flows and the (sub-)flows between unemployment and employment.

In Belgium, against the background of a low level of overall mo-

bility (12.6%), the overall net value for all flows is negative for employment although the net exchange between employment and unemployment was positive. Belgium exemplifies the significant role played by labour market policy: it appears,

temporarily at least, to have successfully reversed, for those already unemployed, the more general trend towards negative employment growth by concentrating policy efforts on the unemployed. This explains why unemployment declined – albeit marginally – in Belgium in 1995. Compared with the other EU Member States the flow out of unemployment constitutes a relatively high proportion – 50% – of all employment flows, and thus constitutes a good basis for a cut in unemployment in the future (cf. Table 2, column 9).

In Luxembourg the overall net employment balance is similar to that in Belgium, and the two Benelux countries have the lowest mobility rates of the EU countries (around 10% in both 1992 and 1995; cf. Table 2, column 5), yet Luxembourg has the lowest exchange rate between employment and unemployment of all the EU Member States in both years. Whereas in Luxembourg in both 1992 and 1995, despite generally low mobility rates, the flows into employment exceed those out of it, it was not until 1995 that Belgium registered a

**Figure 4: Difference between the Flows into and out of Employment**

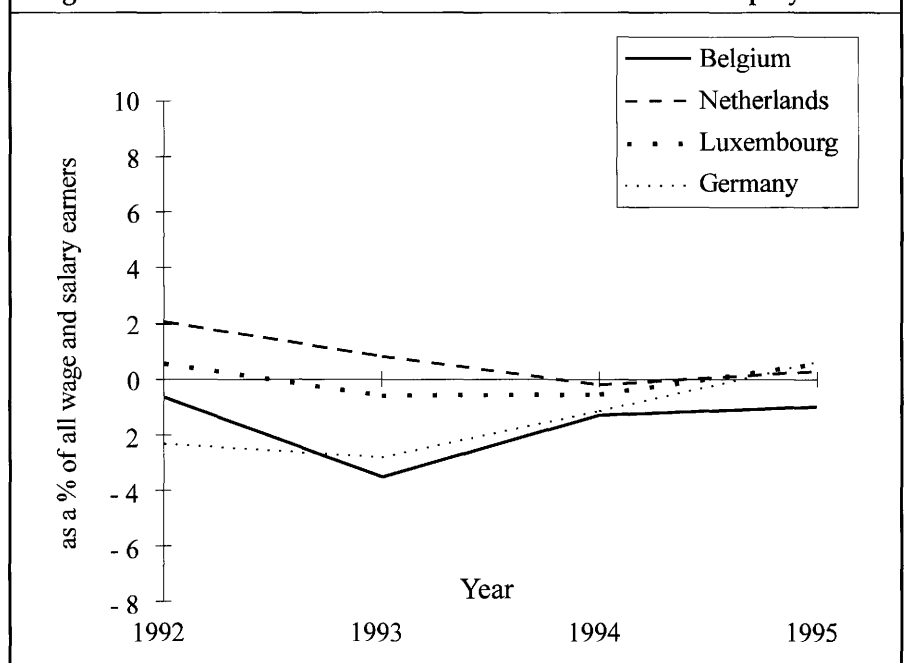
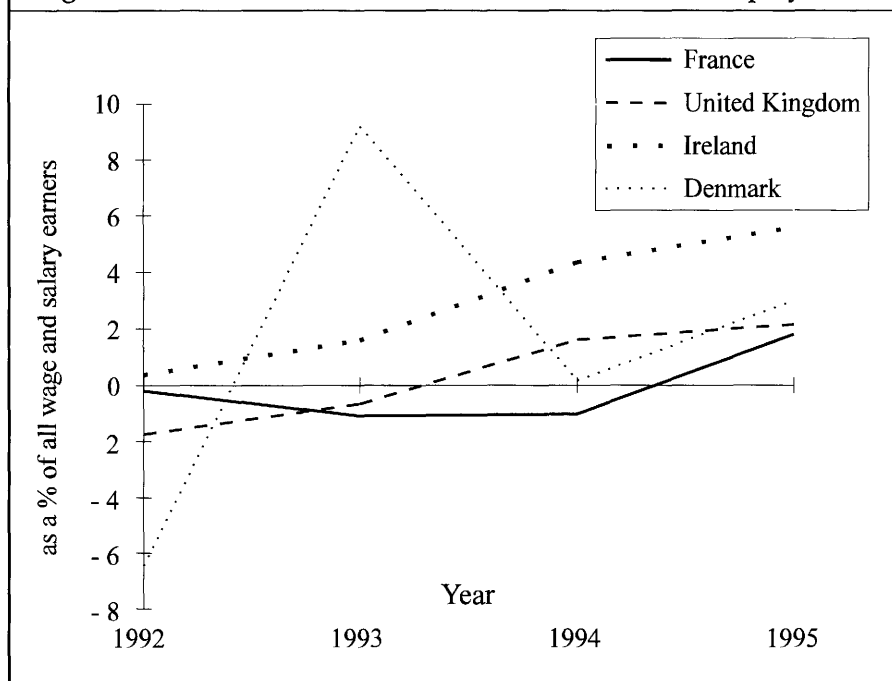


Figure 5: Difference between the Flows into and out of Employment



positive balance (in the 1990s). Shifts in the inflows and outflows against the background of the special institutional contexts led to a persistent rise in unemployment between 1991 and 1994, whereas such a trend was largely avoided in Luxembourg as a result of the marginal surpluses on its mobility balance.

Like Luxembourg, the Netherlands had a slight surplus of the flow from unemployment to employment (cf., in particular, column 8 of Table 2 and the figures), which led either directly to a reduction in unemployment or, given unfavourable flows out of the education/training system or inactivity, were at least able to prevent a sharper rise in unemployment. If we look at the sum of the mobility flows in the Netherlands (column 3 in Table 2), it is evident that the volume of the flows into and out of employment is comparable with that in the United Kingdom or France. At the same time, the fact that the flow from unemployment to employment accounts for a consistently lower proportion of all inflows into employment (around 30%) means that in the Netherlands far more new jobs have to be created

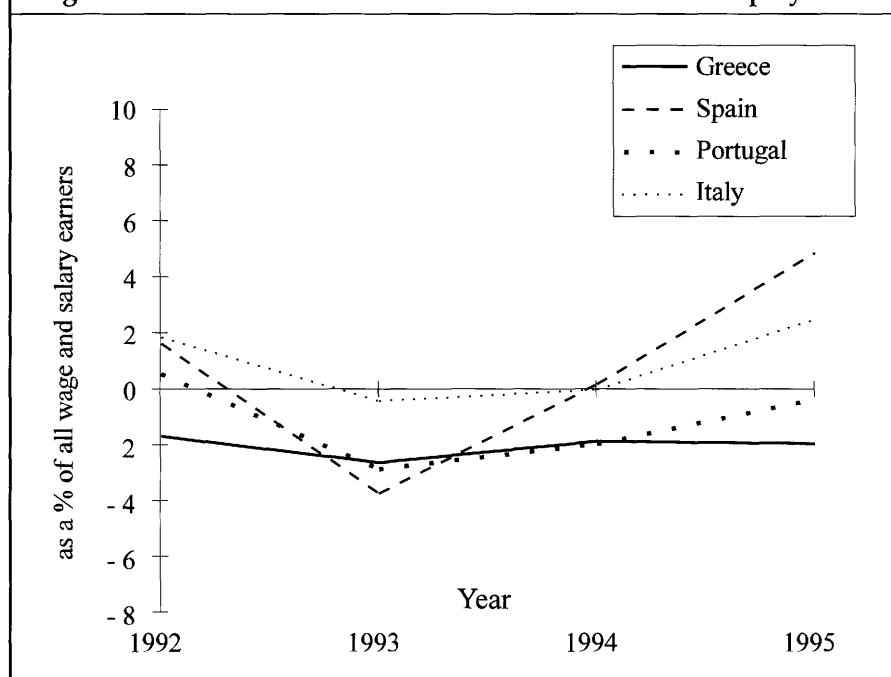
before unemployment falls perceptibly.

In Germany – against the background of below-average overall mobility (16.3% in 1995) – a slight surplus of the flows into employment led to a slight surplus on the

unemployment balance (Table 2, column 8) and thus to a reduction or stabilisation of the unemployment rate. The relationships between the inflows into employment (last column of Table 2) show, however, that, as in the Netherlands, only one in three new employment relationships is filled with a person from the unemployment register. It is noteworthy, though, that the relationship has improved continuously since 1992, although overall the improvement is only marginal.

Every year since 1992 Denmark has experienced a sharp fluctuation in employment, with sharp variants in the net flows. Indeed, in 1993 it achieved first place in the net flow from unemployment to employment. In 1995, too, the net result was positive, although broadly in line with the dimension recorded in other EU countries. Over the period from 1992 to 1995 there was a marked deterioration in the proportion of all inflows into employment coming from unemployment (from 46% to 30%). Consequently, a further decline in the unemployment rate will only be possible given more pronounced employment growth, un-

Figure 6: Difference between the Flows into and out of Employment



less labour market participation rates begin to decline once more.

In France the overall employment flows have consistently remained at a relatively high level – around 20% – during the 1990s. Not until 1995, however, did the inflows into employment exceed the outflows. Parallel to this trend, the proportion of total inflows into employment originating from unemployment improved from a ratio of about one in three to one in two. It was only thanks to this improvement that the marginal employment surplus was reflected in a lower unemployment rate in 1995. Further research will be required in order to identify the factors behind this improvement. It may be partially due to the impact of the five-year plan for employment (inforMISEP no. 45), the employment effects of which are currently the subject of intensive evaluation.

The Irish economy showed all the signs of economic expansion in 1995. While Ireland leads the field with regard to the overall surplus on the employment balance (Table 2, column 4), its success in integrating the unemployed into the labour market (columns 5–8 of Table 2) has been only slightly better than in other European countries, with a decidedly less pronounced employment dynamic. This is an indication of the large number of youngsters transferring directly from the education/training system to employment. Given that Ireland is the country with the youngest population of all EU Member States, however, this represents a success in the prevention of youth unemployment. Yet given that only one-third of employment growth results from the recruitment of the unemployed, a substantial surplus on the employment balance will be necessary in Ireland in order to reduce unemployment further.

The extent of mobility between the various labour market statuses is not, as widely believed, highest in the United Kingdom of all the EU Member States: Finland in 1995 and Spain in 1992 and 1995 have significantly higher employment turnover

rates. An allowance for the possibility of distortion in the results due to the point in time at which the surveys were conducted in the Eurostat data (cf. box) is unlikely to alter this finding significantly. The deterioration in the unemployment rate from 8.8 to 10.1% between 1991 and 1992 is not surprising given the – at –2.2% significantly negative – surplus of the flow out of employment into unemployment at the time of the spring 1992 survey. Since then, however, this negative surplus has been converted – at an increasing pace – into a positive surplus, as reflected in the heartening successes in reintegrating the unemployed. As in Ireland, the proportion of total inflows into employment coming from unemployment has – at around one in three – remained relatively constant at a low level.

Italy is one of the countries with a high employment turnover and, at least in the 1990s, one of those with a consistently positive employment balance (Table 2, column 4). In section 2 we discussed the reasons behind the positive balance on the exchange between unemployment and employment (column 8), suggesting that Italy, which also has a relatively young population compared with the EU average, also faces the difficult task of integrating young people into the labour market, but is evidently less successful in this regard than Ireland: success in reintegrating (or maintaining the employment of) elderly workers may be at the cost of greater difficulties for young people in gaining access to the labour market. To this extent the data lend support to the view that in Italy displacement effects to the detriment of young first-time jobseekers are at work.

Spain is characterised by a turnaround from negative employment balances in 1992 and 1993 to a slightly positive balance in 1994 and particularly successful overall employment results in 1995. Spain was consistent in all the years examined in exhibiting the highest degree of mobility in terms of total flow into and

out of employment. Allowing for the limited perspective permitted by the data (see box), this suggests that external mobility has taken on major importance as opposed to intra-enterprise mobility. The ratio of inflows to employment from unemployment to all inflows into employment of two to three (Table 2, column 9) reflects the high probability that a vacancy will be filled by an individual previously registered unemployed.

Greece exhibits pronounced mobility flows in both directions in most years, but the difference between the flows was relatively minor during the 1990s, and generally slightly negative (cf. Figures 1 and 4). This lies behind the slight but persistent rise in unemployment. The flow from unemployment to employment as a proportion of all inflows into employment improved from 33% to 55%, the later figure being the second highest in the EU (Table 2, column 9). This at least constitutes a better point of departure for a fall in unemployment in the future.

Against the background of average mobility rates, the Portuguese employment balance revealed marginal surpluses in both 1992 and 1995. In both the intervening years, however, the balance was negative, indicating the origin of the rise in unemployment to around 7% in 1994. Only minimal progress has been made in raising the proportion of new recruitments that are drawn from the ranks of the unemployed during the 1990s. Although this proportion rose between 1992 and 1995 from 33% to 41%, the country faces major difficulties in reducing unemployment among the large cohorts of youngsters seeking entry to the labour market.

In Austria the sum of all mobility flows (that is, the share of persons who experienced a change of labour market status between the two surveys in 1994 and 1995) is 18% (Table 2, column 3). Yet a more than 4% surplus of the flow into employment was associated with a deterioration



in the net flows into and out of unemployment (column 9). Moreover, in 1995 the flow out of unemployment accounted for just 11% of the flow into employment, the lowest figure of all the EU Member States. Given that this result refers to just a single year, however, it is necessary to analyse the precise composition of the general flows in comparison with those of earlier years; unfortunately, these data are not (yet) available from Eurostat. Significant flows from inactivity into employment, possibly due to immigration, large cohorts of school-leavers or large numbers of women returning to the labour market could explain this astonishingly positive employment balance without a concomitant impact in terms of lower unemployment.

The overall mobility rate in Finland – 27% – is exceeded only by that of Spain. Both countries had very high unemployment rates in 1995. Both countries also have the highest rates with regard to the flow from employment to unemployment and the counter-flow<sup>4</sup>. A positive sign for Finland is that unemployment peaked in 1994: slight surpluses in the flows from unemployment to employment in 1994 and 1995 were associated with a decline in the unemployment rate (cf. OECD 1996, p. 198). Given a ratio between total recruitment and recruitment from among the unemployed of almost 2 to 1 (Table 2, column 9), the prospects for a further decline in unemployment are relatively favourable even given only moderate employment growth.

#### 4. The dynamics of the transition from education/training to employment

In recent years youth unemployment has joined long-term unemployment as a focus of labour market policy attention in the European Union (European Commission 1993, 1995). Youth unemployment is linked in a very special way with dynamic processes and transitional labour markets. On the one hand, the size of a particular year's cohort determines the chances of labour market integration, while, on the other, variations in the demand for labour due to business cycle fluctuations lead to cohort-specific labour market integration patterns. The role played by labour market policy in this dynamic process of transition from education/training to working life is largely characterised by policy action "after the event", rather than a premeditated attempt to counter undesirable developments before they occur (Schömann, Blossfeld & Hannan 1995).

In this section we present some preliminary results of a comparative evaluation of the dynamics of these processes, which, naturally, are subject to the same limitations as the preceding analyses (see box). It is to be expected, however, that the understatement of the transitions caused by the cross-sectional nature of the data from the European Labour Force Survey is less pronounced with regard to transitions from education/training to employment: exits from schools, vocational training, colleges and universities all tend to occur at times other than that at which the surveys were conducted.

Table 3 shows the number of transitions from education/training to employment as a percentage of the number of wage and salary earners

**Table 3: Transitions from Education into Employment (%)**

Country	Year	Transitions*	Country	Year	Transitions*
Belgium	1992	2.37	Ireland	1992	3.81
	1993	1.32		1993	3.89
	1994	2.05		1994	4.14
	1995	1.98		1995	4.74
Germany	1992	2.45	Italy	1992	1.48
	1993	2.23		1993	1.40
	1994	2.46		1994	1.29
	1995	2.63		1995	1.61
Denmark	1992	4.88	Luxembourg	1992	2.01
	1993	5.37		1993	1.94
	1994	7.07		1994	2.05
	1995	8.23		1995	1.96
Spain	1992	2.65	Netherlands	1992	3.22
	1993	2.07		1993	3.03
	1994	1.96		1994	2.54
	1995	2.33		1995	2.83
France	1992	2.40	Portugal	1992	2.41
	1993	2.20		1993	1.73
	1994	2.02		1994	1.83
	1995	2.34		1995	1.95
Greece	1992	1.99	United Kingdom	1992	3.35
	1993	1.57		1993	3.14
	1994	1.48		1994	3.62
	1995	1.58		1995	3.75
			Austria	1995	2.16
			Finland	1995	5.09

\* as a percentage of all wage and salary earners.

<sup>4</sup> The increase in recruitment from the ranks of the unemployed in the recession can be explained by the substitution of recruitment from among previous employees by recruitment of the unemployed due to an asymmetrical change in recruitment costs (Schettkat 1995).

in the same year. To take Belgium as an example, the figures show that a sluggish dynamic of such transitions, coupled, though, with a low labour market participation of 15 to 24-year-olds (10% in 1994; Eurostat 1994) can be reflected in high youth unemployment (24% in 1994). A comparable dynamic of transitions from education/training to working life is evident in Greece, Italy and, since 1994, Portugal. Although in France and Spain the transition dynamic was higher than in the above-mentioned countries, youth unemployment was high against the background of low labour market participation rates.

Particularly striking is the observation of a high direct transition rate between education/training and employment in Denmark, the Netherlands, the United Kingdom and also Ireland (cf. Table 3). Denmark and Ireland have the highest labour market participation rates among the youngest age group of all EU Member States. It is therefore not surprising that Denmark, in particular, has been able to reduce youth unemployment since 1993, despite the large proportion of young people seeking early entry to the labour market. It seems likely that the high activity rate of labour market policy and its clear orientation towards this target group is responsible. The United Kingdom and Ireland managed to reduce youth unemployment to a comparable extent, namely by 2 and 3.4 percentage points, respectively (Eurostat Unemployment no. 5/196). However, even given low transition rates, Germany and Luxembourg have managed to keep youth unemployment at a low level.

Regarding the new Member States, information is only available as yet for Finland and Austria in 1995. For Finland at least, it is apparent that the proportion of new entries into the Finnish labour market is higher than the EU average: 5% of all employment relations were accounted for by transitions from education and training. Contrary to the situation in the past, young people

now constitute a relatively substantial proportion of the overall population in Finland, so that the potential gravity of the problem of youth unemployment is likely to increase. As far as Austria is concerned, the relatively "old" population structure and the dual training system mean that there is comparatively little pressure to devote more labour market policy efforts to influencing the transition from education/training to the labour market.

### 5. Conclusions and outlook

In summary it can be concluded that the dynamic perspective of labour market flows and mobility between different labour market statuses provides a rather vivid illustration of the dynamics of employment and unemployment in terms of the surpluses in the various balances. The annual survey rhythm of the European Labour Force Survey and the – albeit rather rudimentary – retrospective information – enable this reporting system to be developed into a labour market "early warning system". What is clear is that the ELFS can be developed into an informative monitoring system which indicates negative and positive trends at an early stage and which could, therefore, enable labour market policy-makers to take corrective action at an early stage, if it were structured in greater detail and data were collated more frequently (on this cf. Auer & Kruppe 1996).

The aim of such a monitoring system would be to permit more penetrating analyses and cover, in addition to the flows discussed here, additional, target-group-specific flows such as the flows into and out of long-term unemployment, self-employment, and branch and occupation-specific transitions. In particular, the direct transitions from one employment relationship to another need to be measured much more precisely. It would be interesting to collate all the data at quarterly intervals. Last but not least, the wide coverage of the survey ought to be used to obtain information on the influ-

ence of labour market policy measures on the various transitions.

Given that the data provide indications of gender-related difference in the composition of the flows, an extension along this dimension would be possible in the short term with little additional effort. Unfortunately, other extensions, such as the flow out of long-term unemployment cannot be realised with the prevailing data structure of the European Labour Force Survey. Here one must pin one's hopes on the increasing utility of the European Household Panel for a more comprehensive and precise longitudinal analysis of all the important employment dynamics.

A number of extensions to the existing employment balances would be feasible. Within the framework of the discussion on the flexibility of labour markets in the EU, studies of flows into and out of fixed-term employment are necessary as an additional yardstick for evaluating the quality and permanence of the transitions. For example in Spain, Ireland, France, Portugal and Denmark the transitions from unemployment to fixed-term employment accounted for between 90% (in Spain) and 46% (in Denmark) of all transitions from unemployment to employment (figures for 1994; OECD 1996, p. 16). This indicates that the employment relationships being created may lack sustainability (Schömann, Rogowski & Kruppe 1995). Wage and salary earnings in the current and previous employment relation should be determined, at least approximately, in order to gain an impression of whether employment mobility is associated with higher productivity and more generally with economic growth.

In order to identify cultural and institutional differences between national employment systems, the employment flows considered here need to be linked to the structure of participation in active labour market policy measures. Even very crude comparisons between our employment balances and labour market

policy participation balances (OECD 1996) show that in the Scandinavian countries, but also in Ireland and France, one of the reasons for the relatively high level of employment transitions are the substantial inflows into labour market policy measures. The converse of this constellation – low participation levels and relatively low employment flows – does not always apply, however. Spain, for example, illustrates that a high degree of employment mobility can be achieved even where labour market policy does not play a particularly active role<sup>5</sup>.

All the same, a modified full employment target, as called for by the theory of transitional labour markets (Schmid 1993) or the aim, proclaimed by the European Commission's White Paper (1993) and taken up by many countries, of halving un-

employment by the year 2000 will only be achieved given strenuous efforts by labour market policy and a favourable framework of macroeconomic conditions.

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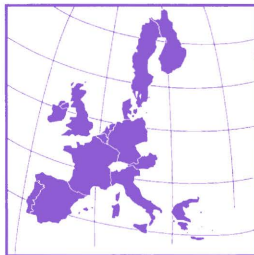
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5 This shows once more just how important it is to arrive at an evaluation of qualitative aspects of employment relationships.

# EMPLOYMENT OBSERVATORY



## Policies

### inforMISEP

The Employment Observatory of the European Commission currently produces four series of regular reports covering different aspects of the Community's labour market. The Employment Observatory complements the Commission's "Employment in Europe" report published annually in all Community languages.

#### Policies

The series inforMISEP "Policies" presents those measures, policies and instruments adopted by the Member States which are aimed at promoting and improving employment within the European Community. The reports are compiled on the basis of information provided through the Mutual Information System on Employment Policies (MISEP). MISEP was created to meet the need for an exchange of information on employment policies and institutions within the European Community. A bulletin of recent developments in employment policies is published quarterly in English, French and German. Basic Information Reports describing the national employment institutions, measures and procedures in each Member State are updated and published periodically. In addition, comparative reports on the effects of labour market policy measures will be published at regular intervals.

#### Trends

The series "Trends" contains summaries and analyses of employment developments in the European Community on the basis of published work (books, reports and scientific papers) throughout the Member States. It disseminates the information collected by the European System of Documentation on Employment (SYSDÉM), which aims to collect, analyse, synthesise and disseminate available information on employment in the Community. "Trends" is published quarterly in English, French and German.

#### Tableau de Bord (Synoptic Table)

The "Tableau de Bord" is produced by the Commission services in conjunction with the Member States and, in particular, the MISEP network. The aim of the "Tableau de Bord" is to present an overview and an easy comparison of the principal labour market measures and policies of each Member State in a number of areas. The synoptic structure of the "Tableau de Bord" reflects the policy priority areas and the follow-up processes which were agreed at the Essen Council in December 1994. Statistical tables and graphs for each chapter present more coherently some of the key changes which have taken place in the labour markets of the Member States in recent years. The "Tableau de Bord" is produced annually in English, French and German.

#### Central and Eastern Europe

The "Central and Eastern Europe" bulletin is a new addition to the Employment Observatory, containing regular reviews on labour market and social conditions of Central and Eastern Europe. It aims to present up-to-date information on labour market and social conditions in these countries. It contains not only the latest statistical labour market indicators, but also analytical articles on employment developments in the six countries currently covered: Bulgaria, Czech Republic, Slovakia, Hungary, Poland and Romania. It is published twice a year, currently only in English.