

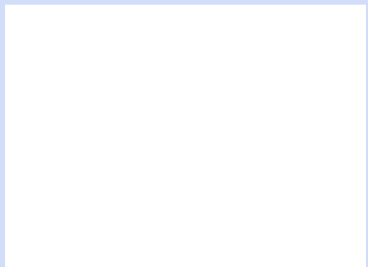
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Employment Observatory

MISEP POLICIES No. 60

Winter 1997

Employment & labour market



Employment & social affairs



European Commission

Developments at a Glance

Belgium:	In order to promote sustained job creation, the federal government plans to continue to implement measures to strengthen the economic base and economic renewal, in agreement with the regions, linguistic communities and social partners. – Draft legislation on employment policy measures, approved in October by the Council of Ministers, envisages measures to facilitate the integration of the unemployed into the labour market. – Firms in economic difficulties or undergoing restructuring are entitled to a reduction in employer social insurance contributions if they reduce individual working hours.
Denmark:	The measures implemented in 1996 for young people lacking vocational training have led to a sharp reduction in the number of persons in this target group. – The strengthening of “activating” measures aims to counter the trend towards an atrophy of vocational skills and qualifications among the long-term unemployed. – Since February 1997, firms have been entitled to grants for recruiting adult trainees in occupational areas suffering from an acute or potential lack of qualified labour, the aim being to avoid bottlenecks on the Danish labour market.
Germany:	In spite of the intensive efforts by policy-makers, business and careers advisors, the situation on the market for training opportunities has again deteriorated compared with the previous year. – Within the context of an amendment of the guidelines for the federal government’s AFG Plus Programme, which is cofinanced by the ESF, support is now available for unemployed persons taking part in training measures in order to prepare for or underpin the establishment of a new business. – A reform of vocational training has been initiated, focusing on the development of new (training) occupations that are more in line with the requirements of the future, a more highly differentiated supply of training opportunities, and more flexible further training structures. – The partners to collective bargaining are helping to promote part-time work by older workers; appropriate provisions have been included in more than 50 collective agreements.
Greece:	In order to establish a link between training and employment measures, firms are now able, in cooperation with various training providers, to implement vocational training programmes, provided they recruit at least one-third of the trainees within three months of the end of the measure.
Spain:	The government aims to increase permanent employment among employees facing particular disadvantages on the labour market by initiating “urgent measures to improve the labour market and promote permanent employment”. – Within the framework of Spain’s Multi-annual Employment Programme, various measures have been introduced in support of small and medium-sized firms. – Alongside the quantitative and qualitative development of the “social economy” in order to create new jobs, the Multi-annual Employment Programme, presented in September 1997, provides for financial support for the creation and maintenance of jobs through “collective self-employment”.
France:	With the aim of establishing an optimal range of services, half of the local employment offices are currently undergoing restructuring. A procedure entitled “Qualification of the local employment offices” is to be applied in order to determine whether or not the required quality level for the extended range of services has been achieved.
Italy:	The labour market policy department of the Provincial Labour Directorate in Rome has started to offer information on various subjects of relevance to the labour market by means of videotext. In addition, an information service - “informagiovani” - has been set up specifically to serve unemployed youth. – The government intends to present a new framework law on working time, the aim of which is the introduction of the 35-hour week. – Small firms are entitled to a reduction in social insurance contributions if they recruit unemployed executive staff for a limited period.
Netherlands:	In order to promote the (re)integration of the occupationally disabled, draft legislation proposes setting up a (re)integration budget or a “tailor-made” support package for employers. – Draft legislation presented to parliament on amendments to legislation and regulations relating to the social insurance system aims to make it easier for employees to take unpaid leave. – Pilot projects are currently being conducted in 162 Dutch local authorities in which recipients of minimum social benefit perform socially useful tasks while retaining benefit entitlement, the aim being to prepare the long-term unemployed for reintegration in the labour market.
Austria:	The aim of the corporate reorganisation law that came into force in October is to identify firms in crisis at an early stage and, by means of a carrot and stick approach, to create incentives for the reorganisation of firms whose continued existence is under threat. – Following a pilot phase lasting several years, a business start-up programme has been introduced for unemployed persons wishing to set up their own business.
Portugal:	The conditions for the recognition of training institutions receiving grants from the European Social Fund since 1 June 1997 have been laid down by decree. – Employment policy strategies and measures were discussed at the 1 st International Meeting on Employment Policy of the African countries in which Portuguese is the official language, held in the autumn of 1997.
Finland:	According to the 1997 Annual Report on Finland’s Multi-annual Employment Programme, the economic and labour market policy pursued by the government over the past two years has accelerated economic growth, increased the number of new jobs and significantly reduced unemployment. A comprehensive reform of labour market policy is planned for the start of 1998. – The reform of the regional administrations of the ministries of labour, trade and industry, and agriculture and forestry has created a strong basis for the implementation of regional economic and labour market policy.
Sweden:	The government has developed a training programme with the aim of overcoming labour market bottlenecks in the area of information technology. – In the course of a “generation shift” proposed by the government on the Swedish labour market, older workers are to enter retirement and be replaced by a long-term unemployed person. – From the start of 1998, young people available for work can be offered activation and development activities by local authorities. – A legal proposal passed by parliament will provide the basis for replacing the existing system of unemployment insurance by a unified system starting in 1998. – The results of an analysis of the effects achieved through employment training reveal positive impacts on the earned income of former participants.
United Kingdom:	The government intends to counter social exclusion by raising employability via an improvement in qualifications and an increase in the mobility of labour. – A package of measures proposed by the government within the framework of its New Deal programme aims to raise the employability of, in particular, single parents, the disabled and ethnic minorities. – The British government has made initial financing available for the “University for Industry” in order to open up new opportunities for learning.

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No. 60, Winter 1997

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“Policies” and the Five Action Areas of Essen

The five areas of action adopted at Essen

1. More investment in vocational education and training
2. Increasing the employment intensity of economic growth by reorganising working time, moderate wage growth and the opening up of new areas of employment
3. Reducing indirect labour costs
4. Increasing the effectiveness of labour market policy (activation)
5. Intensifying target-group specific measures

The five areas of action agreed at the Essen meeting of the European Council continue to play a central role for labour market policy measures in the Member States. Frequently, the measures reported on in this issue cannot be classified under one of the action areas alone. Rather, the design of the programmes aims to ensure closer linkages between the action areas. For example, target-group-specific measures are linked to a more active and more efficient structure of labour market policy spending, or the goal of maintaining employment is linked to that of a cut in indirect labour costs.

Once again, the reports in this issue indicate that most Member States continue to accord great importance to the various aspects of vocational training for improving the chances of labour market participation, especially for young people, and for the competitiveness of their economies generally. The measures continue to focus on improving initial vocational training. In Finland, the medium-term employment programme emphasises an approach that is oriented towards the real world. In Germany, for instance, both careers advice for young people and the efforts to obtain a larger number of training places have been intensified, and the spectrum of occupational fields on offer to trainees has been extended with a view to future

labour market requirements. From Sweden, too, we have reports of increased efforts to improve training in the area of information technology. From Denmark it is reported that significant successes have been achieved in raising the proportion of young people with a vocational training certificate. In a number of Member States, numerous measures have also been taken in the area of further vocational training. In addition, attention has been paid to the aspect of lifelong learning; for example, in Germany. To this end, the further training infrastructure is to be extended. Denmark is also conducting measures targeted at further training for adults. In the United Kingdom, the project “University for Industry” aims to improve further vocational training and raise competitiveness.

The second action area is covered by a number of measures implemented in the Member States. As far as working-time policies are concerned, the main actor has recently undoubtedly been the French government. The decisions taken here could not be incorporated into this issue, however. The Belgian correspondent has reported on improvements in the status of part-time employees and early-retirement measures, together with measures to promote working-time reduction; the latter consists of reductions in the employer social insurance contributions in firms facing economic difficulties or undergoing restructuring, if employees reduce working-time in order to maintain the employment level in the firm. In Italy, it is being considered whether incentives should be given for a general cut in working time by way of a reduction in social insurance contributions.

In Germany, the framework created by the law on partial early retirement has increasingly been fleshed out by means of collective agreements in key industries. In the Netherlands, measures have been taken to remove obstacles in social insurance law to taking unpaid leave. Pilot projects have also been initiated there, relat-

ing to the problem of social security for unpaid employment.

The aim of reducing indirect labour costs – the third action area – still occupies an important place in the programmes and the practical policies of several Member States. While Finland is seeking to reduce social insurance contributions as a whole, policy in Spain aims to bring about a “substantial” cut in employer contributions, in Belgium a “further” cut in employer contributions. In Belgium, the financial orders of magnitude for greater reductions – compared with 1997 – in employer contributions within the framework of the MARI-BEL measure have been set out. Reductions in social insurance contributions in the context of measures to reduce working hours have already been mentioned.

The fourth action area can be seen in the following measures reported on in this issue. In Belgium, the activation of unemployment benefit by converting it into an employment subsidy has been extended to cover the industrial sector. A further extension of the activation of unemployment benefits to facilitate labour market entry and the reintegration of the long-term unemployed is planned. In Sweden, activation has been intensified in the area of youth employment. The Finnish medium-term employment programme also contains the continued activation of labour market policy as one of its top priorities. In Germany, the activation of unemployment benefit to enable the unemployed to set up a new business is to be supplemented with additional support (training, coaching). Austria aims to support unemployed persons entering self-employment.

Target-group-specific measures (the fifth action area) are being reinforced on a broad front. In most cases, this relates to the established target groups – young people, the long-term unemployed and the disabled. Support is to be offered to young people in gaining work experience and entering working life (Belgium, Spain, Sweden, Finland, United Kingdom). In Spain, initial recruitment is to be promoted

by means of a cut in employer social insurance contributions, within the framework of the medium-term employment programme. In a number of Member States, additional measures have been initiated in support of the

long-term unemployed (Belgium and Finland) and the disabled (Denmark, Netherlands, Finland, United Kingdom). Some countries have also taken measures to help other target groups, for example raising the employment

opportunities of ethnic minorities and single parents (United Kingdom), while the Italian correspondent reports on measures to promote the employment of unemployed managers in small and medium-sized firms.

Overall Developments

Belgium

Employment Policy of the Belgian Federal Government for 1998

On 7 October 1997, the Prime Minister opened the new sitting of Parliament with his traditional “Declaration on general policy” and a presentation of the 1998 budget. The budget deficit will be limited to 2.3% of GDP, ensuring Belgium’s participation in European Monetary Union. The Prime Minister also defended the employment policy pursued by the Belgian federal government, and emphasised that the economic recovery opened up the prospect of creating new jobs.

Employment continues to be accorded top priority within federal government policy. Despite mediocre economic growth in 1995 and 1996, employment has expanded, albeit unevenly in regional terms. This employment growth has broken the trend towards net job losses observed in recent years. Prospects for the coming years are favourable. However, while the unemployment rate is below the European Union average, it is still too high. Accordingly, the federal government will continue to implement measures, in conjunction with the regions, the linguistic communities and the social partners, with a view to strengthening the economic founda-

tions and raising the employment intensity of growth.

Lasting job creation is based primarily on economic renewal and a solid economic foundation. Within this framework, the federal government has started initiatives in a number of areas. It has continued the programme to modernise public-sector enterprises and open them to private capital, modernised the financial markets and made it easier for firms to gain access to venture capital. With regard to small and medium-sized enterprises, legislation has been passed to strengthen this pillar of the economy, which, after all, accounts for the majority of jobs created in the private sector. In addition, the government plans to take initiatives to improve the climate for investment, whereby, in particular, there is to be a guarantee of stability in taxation and social regulations.

The federal government plans to take four main approaches to raising the employment intensity of growth: restraining and reducing labour costs, promoting work redistribution and labour market flexibility, special measures in support of target groups, and the creation of jobs to meet social needs.

Reducing labour costs

In accordance with the Law of 26 July 1996 on “Employment promotion and the preventive safeguarding of competitiveness” (see iMi 57, p. 5), the federal government has set a max-

imum wage margin of 6.1% for the years 1997–98, in order to prevent wage costs rising above those in neighbouring countries. In addition, in 1997 the employers were granted reductions in their social insurance contributions totalling BEF 56 million. The federal government plans to bring the level of social insurance contributions into line with those prevailing in Belgium’s three leading trading partners within five to six years.

Redistribution of work and labour market flexibilisation

The federal government has implemented a number of measures in this area: the option of concluding successive fixed-term contracts, improving the status of part-time workers, developing the schemes enabling workers to take a career break and early retirement, promoting the conclusion of employment agreements containing work redistribution provisions (see iMi 58, pp. 5–7), and support for a 32-hour week in companies in economic difficulties or undergoing restructuring, and, as a pilot project, in 20 economically healthy firms.

Target groups

The federal government has taken measures to enable young people to gain initial experience of working life by means of practical training and so-called PEP contracts (*première expérience de travail*; see iMi 52, p. 4). For the long-term unemployed, a recruitment plan (*Plan avantage à l’em-*

Overall Developments

bauche) has been developed, under which employers recruiting a long-term unemployed person are entitled to reductions in social insurance contributions. In addition, the federal government has decided to prolong its participation in the programmes for the transition to working life (see iMi 59, p. 11) by one year. It also plans, in collaboration with the regions, to extend central government participation in the programmes supporting areas in which the unemployment rate is high compared with the regional average.

Social needs in the commercial and non-commercial sector

Under the so-called Operation MARIBEL to reduce employers' social insurance contributions (see iMi 56, p. 5), firms rendering socially useful services are entitled to a flat-rate reduction in employer contributions, provided this is used to the full extent to finance additional net recruitment. The system of activating unemployment benefits by converting them into employment subsidies is being extended to the commercial sector. The federal government also intends, in collaboration with the regions, to extend the activation of unemployment benefits to the so-called "social economy". The execution decrees required to enable unemployed people placed by local employment offices to be allocated a more favourable social status will be issued (see BIR B-iii.13). In addition, a decision has been taken to set up a pilot project on the use of service cheques.

Without prejudice to its policy towards target groups and the option of granting cost reductions with a view to well-defined targets, the federal government will take steps to bring about an administrative harmonisation of the diverse measures in force, in order to make its policies more transparent and thus more effective.

The federal government has called on the social partners to conclude a national agreement for 1999–2000. With a view to such a pact, it has guaranteed the maintenance of the reduced social insurance contributions. On the other hand, it intends to abide by the rules of sound financing and avoid any threats to the financial

equilibrium of the social security system. For this reason, the cut in contributions will be staggered. In 1998, in addition to the supplementary BEF 9 billion to be spent on expanding the Operation MARIBEL (see iMi 59, pp. 5–6), as of 1 July 1998 an additional BEF 6 billion will be made available, leading to an additional annual reduction in the burden of contributions of BEF 12 billion. In doing so, the federal government has concretised its declared aim of bringing about further cuts in employer contributions every year from 1998 to 2000. Within this framework, it intends, in collaboration with the social partners, to implement a medium-term programme to bring the burden of social insurance contributions into line with the average prevailing in Belgium's neighbouring countries. In terms of financing the social insurance system, this cut will be offset by higher employment, the impact of improved administration of the system, the allocation of part of the available budgetary funds and, if necessary, by additional alternative financing. This supplementary reduction in the burden of social insurance costs must be integrated into a broader-based employment programme, one that, amongst other things, establishes a close link with work redistribution by means of reductions in individual and/or collective working hours at company level, and greater labour market flexibility. The federal government expects that its initiative will facilitate the conclusion of a social accord.

Belgium

Employment Promotion Measures – Preliminary Draft Bill

On 17 October 1997, the Council of Ministers approved the preliminary draft law on employment promotion measures. This preliminary draft contains a number of measures whose aim is to facilitate the integration of job-

seekers into the labour market. In addition, decisions relating to the more efficient functioning of the labour market were taken and provisions relating to mass dismissals adopted.

Of the various measures aimed at facilitating the integration of the unemployed into working life, the following initiatives deserve special mention.

Ban on age restrictions in recruitment or selection procedures

In future it will not be permissible to set an age limit above which applicants will not be considered when selecting or recruiting personnel. This is to give older workers the opportunity to apply for vacancies and to participate in selection procedures. From now on, any reference – even if it is informal or implicit – to an age limit is illegal.

Successive fixed-term contracts

A maximum of four fixed-term employment contracts may be concluded in succession. Each must have a duration of at least three months, and the overall duration of successive contracts may not exceed two years. Under the existing law, this provision was to remain in force until 31 December 1997. Under the legislative proposal, this stipulation will now remain in force indefinitely.

Changes relating to practical training and work experience for young people

The new draft legislation contains provisions aiming to harmonise practical training contracts and PEP contracts in the public and private sectors. In order to simplify the integration of young people, the so-called "springboard" employment contracts (see BIR B-vi-1) are to be abolished, as they have been scarcely used.

Entitlement to a career break for staff of provincial and local authorities

Also included in the draft legislation is the right to a career break for staff employed by provincial and local authorities. This is a step towards improving the policy of work redistribution.

Activating unemployment benefit

Within the framework of a policy approach that seeks to help a larger number of people back to work by activating unemployment benefits, the draft legislation contains the legal basis necessary to enable unemployment benefits to be paid to those participating in an integration programme. The two most important programmes involved are the vocational reintegration programme and the plan for the reintegration of the long-term unemployed.

Opening certain integration programmes to social security recipients

Within the framework of the fight against poverty, it has been decided to open labour market integration programmes to those people who, while in difficulty, do not meet the conditions of entitlement for minimum social benefit. Under the proposed legislation, such persons are to be entitled to utilise the services of the local employment offices (see BIR B-iii.13) to participate in the Plus-one, Plus-two and Plus-three Plans (see iMi 58, p. 18), and to perform work as domestic staff (see BIR B-v.8).

Mass redundancies

One of the aims of the proposed legislation is to ensure that employment contracts are maintained and wages/salaries paid out until the point in time at which the employer proves that all the information and consultation procedures have been exhausted. In practice, this means that employees can remain in employment, or at least can rely on continued earned income, until the information and consultation procedures have come to an end. This is in accordance with a unanimous recommendation by the National Council of Labour. The immediate occasion for this recommendation was the announcement by the automobile firm, Renault, that it intended to close its plant at Vilvorde.

Social penal law

The proposed legislation places considerable emphasis on changes in social penal law. This marks the execution of the section in the government's

programme concerning the fight against unofficial economic activity. The aim is to ensure a greater degree of proportionality between the infringement and the fine imposed, and that priority is given to pursuing violations through administrative channels, except in cases in which an employer has recruited foreign workers without a residence permit.

Spain

Growth in the Use of Permanent Employment Contracts

Introduction

The coming into force of Decree-Laws 8 and 9/1997 on 16 May, and the associated introduction of the reforms agreed upon within the framework of the social dialogue – and in particular the framework collective agreement on employment security – mark a significant turning point in labour recruitment trends.

The above-mentioned agreement described the situation in Spain prevailing in April 1997 as follows: a high unemployment rate (22% of the active population) and a high incidence of fixed-term and rotating employment contracts (34%), with both factors exerting negative effects on the working population, economic growth, firms' production activity and the social security system.

The social partners (CEOE – employers' federation, CEPYME – association of small and medium-sized enterprises, and CCOO and UGT – the two main trade union federations) proposed a number of measures and called on the government to make corresponding legislative changes as soon as possible.

The proposed measures were implemented in practice by means of the two Royal Decree-Laws.

– Royal Decree-Law 8/1997 of 16 May, which sets out urgent measures to promote the labour market

and permanent employment contracts, has as one of its central aims the promotion of the employment under permanent contracts of those employees who, on entering the labour market, are particularly disadvantaged (young unemployed aged less than 30, unemployed persons registered for more than twelve months, and the unemployed aged over 45).

Support is also provided for converting the following contractual forms into permanent employment contracts: fixed-term contracts, apprenticeship and practical training contracts, and those covering replacement recruitment in cases of early and partial retirement.

– Royal Decree-Law 9/1997 of 16 May, which regulates tax and social insurance allowances aimed at promoting employment, permanent contracts and job security, concentrates on providing incentives for both standard permanent employment contracts and for the new contracts that seek to promote permanent forms of employment.

Specific supplementary ordinances are to be issued to take account of the special personal characteristics of difficult-to-place target groups.

The incentives include substantial cuts in employer social insurance contributions which are financed out of the public employment service (INEM) budget, so that no additional burden is placed on the social security system.

Employment contract trends

Between January and May 1997 recruitment characteristics in Spain were in accordance with recent trends:

- a constant increase in the total number of employment contracts, and
- a decline in the proportion of permanent contracts relative to fixed-term contracts.

Following the coming into force of the measures to promote permanent employment contracts contained in the Royal Decree-Laws, from 17 May 1997 the number of permanent contracts increased not only absolutely,

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Table 1: Monthly increase in permanent contracts										
	January	February	March	April	May	June	July	August	September	October
1996	34,236	29,927	30,964	31,940	31,955	26,078	27,243	17,205	29,998	40,164
1997	31,769	29,578	28,227	33,302	27,245	71,309	86,094	55,103	84,045	106,107

Table 2: Age distribution for permanent contracts				
Age	New contracts	Converted from fixed term	Total permanent contracts	As a % of fixed-term contracts
Under 19 years	4,065	4,948	9,013	3.04%
19 to 24 years	26,104	46,142	72,246	24.35%
25 to 30 years	29,696	62,666	92,362	31.12%
31 to 45 years	5,289	70,604	75,893	25.57%
Over 45 years	26,648	20,590	47,238	15.92%
Total	91,802	204,950	296,752	100.0%

Table 3: Gender distribution for permanent contracts				
Age	New contracts	Converted from fixed term	Total permanent contracts	As a % of fixed-term contracts
Men	61,495	139,851	201,346	67.85%
Women	30,307	65,406	95,406	32.15%
Total	91,802	204,950	296,752	100.0%

but also relative to fixed-term contracts.

Permanent contracts increased as a proportion of new employment contracts from 4.1% in 1996 to 9.61% since the new regulations came into force. There can be no doubt that this significant growth of permanent employment contracts is the result of the labour market reforms.

Table 1 shows the number of permanent employment contracts in the form of a monthly comparison between 1996 and 1997.

Between 17 May and October, 296,752 contracts were concluded under the new regulations. This result is all the more striking as they were largely full-time contracts, as opposed to the situation in 1996 in which part-time contracts predominated.

More than 70% of the permanent contracts concluded under the new regulations since May involved conversions from fixed-term contracts. The remaining 30 % consisted of new contracts.

The growth of recruitment under permanent contracts compared with 1996, and in particular the conversion of fixed-term into permanent contracts, shows that the new incentive measures are highly attractive relative

to the low take-up of the measures previously in force.

Closer analysis of the permanent contracts concluded since the reform came into force shows that the contracts concluded between 17 May and 31 October were concentrated on workers aged less than 30 (almost 60%) (cf. Table 2).

In terms of gender, it emerges of that male employees accounted for almost 70% of the permanent contracts concluded during the same period (cf. Table 3).

sists of a large number of employment-promotion measures to be implemented over the next four years.

One of the objectives of the Programme is to strengthen and promote, in both quantitative and qualitative terms, the so-called “social economy” (cooperative sector) as a means of job creation. To quote from the Programme itself: “the creation and maintenance of jobs in cooperatives and workers’ companies is to be intensified by promoting the social economy”.

The Programme for the “Development of the Social Economy” offers firms financial support for projects to introduce new technology, initiate entrepreneurial cooperation, improve the technical skills of managerial staff, and for the training of members and directors.

The Programme also seeks to offer financial support for the creation and maintenance of jobs by means of so-called “collective self-employment” (*autoempleo colectivo*). The number of members of the cooperatives and worker-owned firms is to be increased or maintained. Technical assistance for training for management and/or cooperative or community promotion that helps to develop the social econo-

Spain

The “Social Economy” within the Framework of Spain’s Medium-Term Employment Programme

September saw the presentation of Spain’s Medium-Term Employment Programme (*Programa Plurianual de Empleo del Reino de España*). It con-

my are to receive subsidies. More concretely, the measures are as follows:

- each worker-member receives a grant in the form of a minimum benefit;
- financial support to reduce the rate of interest on loans for investment in fixed capital;
- support for technical assistance and training of members, and the diffusion of good practice in the social economy;
- extraordinary support for new workers' cooperatives whose members are aged less than 25 and for those undergoing training.

In the medium term, the framework programme also intends to introduce measures such as:

- support for initial recruitment by subsidising social insurance contributions during the first year of employment (100% in the first and 50% in the second six months);
- help in setting up cooperatives and worker-owned companies by assuming up to 80% of the costs up to a maximum of ESP 300,000.
- special attention to social-economy firms, as envisaged in the Tripartite Agreement on Vocational Further Training (*Acuerdo Tripartito sobre Formación Continua*).

It is planned to grant unemployed persons who become members of a worker-owned company an allowance of up to ESP 500,000 in the form of a subsistence benefit. The level of support in the development programme for the social economy is to be increased, and incentives provided for the creation of new cooperatives for young people and the long-term unemployed.

The Medium-Term Programme attaches great importance to the so-called tertiary sector – for example, social services, domestic services, care for the aged, child care, technical assistance and tele-work for the disabled – as it opens up great potential for new fields of activity. The aim in this area is to promote social services by creating the necessary conditions for their incorporation into the free market and their profitability. The two main actors in this context are, on the one hand, the public sector, which can

stimulate and finance this area by pursuing an appropriate welfare policy, and, on the other, non-governmental organisations, which are able to develop new programmes to meet the demand for social services not currently on offer.

Support measures for the tertiary sector that could in principle be implemented during the 1997–1999 period include: financial support for non-government organisations in expanding their workforces, with particular consideration given to the recruitment of unemployed people with occupational experience in this sector; and the expansion of privately financed, non-profit social integration activities.

Austria

Corporate Reorganisation Law

The corporate reorganisation law, which could open up new opportunities for the Austrian Labour Market Service to make early interventions in firms facing crisis, came into force in on 1 October 1997.

An “early warning system”, according to which large-scale redundancies must be reported to the Labour Market Service 30 days before the announcement of dismissals, was already contained in the EU guidelines on large-scale dismissals and in the Austrian labour market promotion law. The large rise in the number of bankruptcies in the last few years and experience with the previous early warning system showed, however, that while the previous instruments for early recognition could, to some extent, be used in matters concerning industrial law, they almost always came too late for labour market intervention. It was practically impossible to prevent the dismissal of employees; at best the Labour Market Service could set up an “employment foundation” for those made redundant.

The aim of the new law is therefore to identify company crises as early as possible and to offer companies incentives, in the form of a carrot and stick system, to undertake measures towards corporate reorganisation as early as possible. In this way it is hoped to be able to prevent the dismissal of employees or at least to react to the threat of redundancies with labour market policy measures.

The content of the law

The concept of reorganisation in the company reorganisation law is considered to be a measure, carried out in accordance with business management principles, that aims to ensure the continued operation of the firm by means of an improvement in its liquidity, financial situation and profitability.

The preconditions for initiating a reorganisation process are:

- a need for reorganisation, particularly when there is a substantial deterioration in the equity capital base of the company;
- the solvency of the company;
- the company may not be heavily in debt.

The procedure

The reorganisation procedure is initiated by the company at a hearing at a law court. The need for reorganisation is to be substantiated by the inclusion in the application of documents, balance sheets, accounting documents or a report by an auditor. The reorganisation plan may be presented together with the application, but must be presented no later than 60 days (maximum 90 days) after the application has been made. The reorganisation plan must analyse the causes for the company's crisis and must contain the measures planned and the expected chances of success, the credit requirements for the reorganisation, the effect on employment, how long the reorganisation will take, and the approval of those involved in the plan. This reorganisation plan is to be evaluated within 30 days by a competent corporate reorganisation auditor appointed by the court. The procedure will not be made public.

Overall Developments

Implementation of the reorganisation plan

Every six months — and immediately if there is a decisive change in circumstances — the employer must inform the creditors involved about the company's situation and the position regarding the measures undertaken. Responsibility for compiling these reports can also be assumed by the corporate reorganisation auditor. The reorganisation process should last no longer than two years.

Advantages of the reorganisation procedure ("carrot")

- Bridging loans granted to the company during the reorganisation procedure are irrevocable;
- loans for reorganisation remain irrevocable after the procedure has been carried out;
- measures taken as part of the reorganisation process are not subject to the regulations included in the equity capital replacement law.

Disadvantages of non-participation ("stick")

- Those organs authorised to represent the company are liable for up to ATS 1 million per person if, despite certain balance sheet figures falling short and an auditor believing there is a need for reorganisation, no reorganisation procedure is initiated, and an insolvency procedure is instigated within two years of the drawing up of the annual accounts;
- the same applies if no annual accounts are presented;
- the sanctions only apply to those companies that are subject to statutory audit (as a rule, those with more than 50 employees).

Opportunities for early labour market intervention

The implementation of the measures provided for in the reorganisation plan offers the Labour Market Service an opportunity to act much earlier than has been the case up to now. Therefore, the Labour Market Service can support the implementation of the reorganisation plan, thus promoting continued operations, by us-

ing various measures and forms of assistance, as appropriate to the situation:

- support of the restructuring process by providing training opportunities;
- short-term guarantee of employment by the granting of short-time work benefits;
- prevention of redundancies by the (possible) promotion of the redistribution of work (working-time reduction and more job flexibility);
- early intervention if redundancies are to take place by promoting the formation of so-called "employment foundations" before workers are laid off.

The extent of the Labour Market Service's actual involvement has yet to be seen, and a discussion is under way within the Labour Market Service itself concerning the extent to which these opportunities for early labour market interventions should be used.

Finland

1997 Follow-up Report on the Finnish Multi-Annual Employment Programme

According to the 1997 follow-up report on the Finnish Multi-Annual Employment Programme (1996–1999), published in July 1997, the purposeful economic and labour market policy practised by the Finnish government in the past two years and the close cooperation with the labour market organisations is bearing fruit. Economic growth is strong, there is a clear increase in new jobs and unemployment is falling.

Many of the measures under the employment programme will only achieve their full job-creation effect this year and next year. The government supervises implementation through a special monitoring system. In January 1997, the government de-

cided on new measures to further improve the employment situation, which will also support economic growth and reduce social exclusion. A comprehensive reform of labour market policy will be carried out at the beginning of 1998 in order to improve the functioning of the labour market and prevent exclusion (see iMi 59, p. 9).

Finland's Multi-Annual Employment Programme involves the implementation of 52 distinct measures to promote employment. The measures are divided into six categories:

1. To reduce the tax burden on the use of labour;
2. to reform working life;
3. to increase the amount of vocational training and bring it closer to working life;
4. to encourage entrepreneurship;
5. to increase activity in the construction sector;
6. to shift the main focus of labour market policy from passive unemployment security to active measures.

According to the latest report of the high-level working group that has been appointed to monitor the implementation of these measures, by the end of May 1997, 50 of the 52 measures of the employment programme had been implemented either completely or to a considerable extent. The effect of the measures in reducing unemployment in 1996 totalled around 35,000–40,000 person-work-years. In 1997, the effect will be about 60,000–70,000 person-work-years.

Main trends in 1996–1997

Training and lifelong learning

- The principle of lifelong learning has been put into practice in the last few years by giving local employment offices a prominent role as experts on vocational training and labour resource development, based on the needs of the labour market, companies and employees.
- The number of people in apprenticeship training has increased dramatically in the space of just a few years.

Organisation of work and working hours

- The National Workplace Development Programme that was started at the beginning of 1996 is striving to improve competitiveness and the quality of working life by raising the skills and innovativeness of staff of companies.
- Working hours have become more flexible and new models tested. The labour market organisations will be looking at working-time issues during collective negotiations in autumn 1997. The government has participated in the development of working-time policy through legislation as well as through research and experimental operations (for example, job rotation and part-time supplement).
- The government has worked in close cooperation with the labour market organisations to implement a number of other changes in labour legislation which have increased the flexibility of the labour market and improved employees' rights in a balanced way, against the background of the increasing incidence of atypical employment relationships.

Incomes policy

- Wage trends have been moderate; a new round of pay negotiations will take place this autumn. According to a joint expert report by the government and the labour market organisations, the incomes policy settlement reached in September 1995 has had a very favourable effect on the Finnish economy.

Job creation

- Considerable investment has been made in strengthening SME operations.
- In its industrial policy guidelines in 1996, the government put promotion of the service sector on an equal footing with the promotion of industry.
- The government is supporting household employment by starting a two-year regional experiment on 1 October 1997, in which households can hire domestic staff

through intermediary companies (see iMi 59, p. 22). In other regions, an employment experiment based on tax deductions for households will be carried out.

- Training programmes under the European Social Fund's Objective 4 programme have played an important part in strengthening entrepreneurship. Labour market training can also be efficiently used in recruitment situations, in tailor-made programmes based on companies' needs and in staff training.

Making taxation and social security financing more favourable for employment

- The social security contributions of both employers and employees were reduced in 1996. The aim is to continue to reduce the burden of taxes and contributions in labour over the next few years in so far as the economic situation allows. The key question in this respect will be addressed during the collective bargaining round in autumn 1997.
- The structure of taxation, income transfers and service charges are also being coordinated in a way that will ensure that the tax and social security system encourages work and study and prevents the formation of incentive traps.
- Research has been conducted into the possibilities for decreasing and/or introducing a phased system of employer contributions in order to promote employment. Attention has been given particularly to improving the relative position of owners of small companies and older workers.

Activation of labour market policy

- The comprehensive reform of unemployment security that came into force at the beginning of 1997 (see iMi 57, p. 20) provided even more incentives than before for people to actively look for work and to accept even short-term employment relationships, made it profitable to work legally rather than bend the rules, and improved the potential for older members of the workforce to remain on the labour market.

- Meanwhile, the volume of labour market policy measures has been maintained at a high level (an average of 122,500, i.e. some 5% of the labour force). Measures have focused on those with difficulties in finding work, which has considerably alleviated exclusion and lowered long-term unemployment. The importance of training and trainee work has been emphasised in the measures.

- The importance of public manpower services in coordinating labour supply with demand has increased. Services that correspond to employers' needs have been developed, there has been close cooperation with employers, and the quality of services has been consistently improved.

- According to follow-up studies, labour market training has lowered the unemployment rate, shortened the duration of unemployment, improved the prospects of finding another job and reduced the threat of unemployment. Labour market training was increased in both 1996 and 1997.

- In recent years, the labour administration has become an increasingly important body in initiating and funding regional and local business development cooperation. Promoting entrepreneurship and creating new jobs are among the key aims of this cooperation.

- The regional administrations of the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry were merged as of 1 September 1997 (see the article on this reform in this issue, p. 31). One strong regional organisation has thus emerged from this reform.

Measures for young people

- Measures which focus on young people have been accorded a key position in the employment programme. Vocational training has been increased a great deal and its contents have been brought closer to working-life conditions. The conditions of entitlement for young people to receive unemployment security have been tightened in or-

Overall Developments

der to encourage people to take vocational training. The measures are now producing clear results: the increase in training places reduced the supply of young workers on the labour market during the worst years of the recession.

- The transfer from training into working life has been made smoother by developing the advisory services and manpower services offered by educational institutions and employment offices. The new service system is already in full-scale use in all universities and university towns, and in trial use in 40 vocational training institutions.
- Workshop operations have also been expanded vigorously. At the beginning of 1994, there were a total of 172 workshops in Finland. It is estimated that by the end of 1997 the number of workshops will have gone up to 350, with about 7,000 people working in them.

Measures for the long-term unemployed

- Subsidised employment arranged by the employment office has traditionally been one of the primary ways of interrupting long-term unemployment, but emphasis is now being shifted to individual measures. The public employment service has developed working methods and service types adapted particularly to the needs of the long-term unemployed. At local level, various cooperation and operating models have been developed, especially between social welfare and health care authorities and the public employment service. New methods of dealing with long-term unemployment in cooperation between the private, public and tertiary sectors have been developed with the help of the partnership experiment. Long-term unemployment has been noticeably reduced.
- Good opportunities have been provided for the long-term unemployed to acquire vocational training. A new means of promoting life-long learning and activating the passive unemployment security system has been the development of the so-called training guarantee system

(see iMi 59, p. 15). The reform is implemented gradually by giving long-term unemployed people the right to study in 1997. The intention is then to expand the system to include other unemployed people in 1998. The possibility of extending the system to also include employed people is being studied.

Unemployed women and measures to promote equality

In February 1997, the government approved a specific equality programme in which one of the key issues was the position of women on the labour market. The government has carried out the following practical measures:

- Since 1997, women entrepreneurs have been supported with a special women entrepreneur's loan. This has generated several hundred new jobs.
- The proportion of women in employment promotion programmes has increased and now corresponds at least to their proportion of the unemployed, being slightly higher in absolute terms than men where subsidised employment is concerned.
- Special attention has been paid to the reconciliation of career and family; research on the subject is in progress, as are negotiations with the labour market organisations.
- Labour legislation has been amended so that the employment terms and social security for atypical fields of employment, which are usually dominated by women workers, are as good as those of permanent and full-time employment. On the other hand, unemployment security has been reformed to provide even more incentive to accept even short-term employment.
- The content and programmes of IT training are being altered so that they will also be of interest to girls.

Measures for other special groups (older and disabled workers)

- A study of the service needs of older long-term unemployed people involving over 15,000 employment

office clients is at present being carried out as part of the employment programme.

- In February 1997, the government reached a decision on improving the labour market position of older workers. The decision comprises 40 specific development projects. In accordance with these projects, programmes such as the national programme to improve the working capacity and working conditions of older workers have been initiated (see iMi 58, p. 26). Reduced employer social security contributions for older workers are also under consideration.
- The disabled are a focus of labour market policy. In 1996, some 7,200 disabled people started labour market training, 2,200 more than a year earlier. Similarly, employment subsidies were used to employ a total of 16,300 disabled people, the same number as in 1995.

The role of the European Social Fund in the implementation of the employment programme

- Objective 3 and 4 programmes help create jobs and promote successful jobsearch. According to evaluation studies, one out of every two persons who have completed an Objective 3 programme project was no longer unemployed six months after the end of the project. According to the results of preliminary monitoring, the training projects of the Objective 4 programme have improved small companies' potential for continuing and expanding production and have thus created a large number of new jobs.
- Regional programmes had contributed to the creation of over 11,600 jobs and the preservation of about 23,000 jobs by the end of 1996 (Objective 6, 2 and 5b programmes).

United Kingdom

Taking Forward the Employability Agenda

The UK government's approach to the labour market, both domestically and in Europe, is based upon three key elements:

- *promoting employability*, through improving skill levels, tackling long-term unemployment and social exclusion and removing obstacles to labour mobility;
- *enabling businesses and organisations to respond quickly to economic change*, both by actively helping them and their workforces to become more adaptable and confident about change, and through ensuring that we do not create unnecessary bureaucracy;
- underpinning this more flexible labour market with an *appropriate framework of minimum standards* which guarantee fair and decent treatment of employees, promote social cohesion and balance the rights and responsibilities of both employers and employees.

This approach recognises the importance of a vibrant business environment, essential for job creation, and the equitable treatment of the workforce, of paramount importance for social cohesion. The central element is the concept of employability – helping individuals equip themselves with the skills and experience they need to get a job and hold on to it.

The government believes that employability goes hand in hand with

competitiveness and is an essential component of a flexible labour market. The recent turbulence on the world's equity markets serves to emphasise the global nature of modern trade. A by-product of this phenomenon is the trend towards individuals working for a number of employers and changing their jobs several times during their lifetime as the demands of the economy change. The government believes its role is not to attempt to stop this happening, but rather to encourage and equip people to adapt and thereby gain security through employability. Focusing on employability is also a means of combating social exclusion, because it will provide opportunities for those most disadvantaged in the labour market to find jobs.

United Kingdom

Further Developments in the "New Deal" and Other Employment Initiatives

The government has embarked on a widespread national and regional consultation process which will allow business, voluntary groups, environmental groups and trainers to have their say on how the New Deal should work. The partnership theme has already been activated with the publication of an invitation to private-sector companies to help deliver the New Deal for unemployed people via contracts with the national Employment Service.

The government has recently published further details of the New Deal. The proposed package is intended to be flexible, comprehensive and innovative, and contains a common thread which binds the initiative to the employability goal. As well as the programme outlined in "Policies 59" (p. 10), the options incorporate new features, such as: work "tasters"; use of mentors; help with child care and self-employment, and target groups, including lone parents, people with disabilities and ethnic minorities:

- special attention will be focused on helping young people of ethnic minority origin into work. This will involve the introduction of ethnic monitoring by the Employment Service;
- the service offered to people with disabilities through the Employment Service's Jobcentres is to be improved, and will stand alongside a new national fund which will support projects from innovative organisations which assist people with disabilities;
- lone parents will be assisted through draft initiatives, including: dedicated teams of benefit and employment advisers, the latest new technology and support from a new national child-care strategy;
- flexible arrangements to allow people to undertake education and training while receiving benefits are to be expected. The number of participants on the pilot schemes has been increased from 4,000 to 12,000;
- at least 20,000 18–24 year-olds will be offered training, support and an allowance to help them become self-employed.

Placement and Vocational Guidance

Germany

Careers Advice: Provisional Results for the Year 1996/97

During the 1996/97 careers advice year the situation on the training market continued on the whole to deteriorate compared to the year before. Despite the greater influence being exerted by policy-makers, the greater efforts of industry and numerous career guidance activities, a balance between supply and demand has clearly not been achieved.

The number of applications for jobs received by job centres has again increased substantially, while the reported number of training places available, particularly in western Germany, has fallen further. Nevertheless, the number of applicants who are not placed has increased far less than the total number of applicants has risen.

For the first time in ten years there were more applicants who were not placed than unfilled training vacancies in west Germany.

In east Germany, the imbalance in the training market is greater than one year ago, although the "Lehrstelleninitiative 1997" (Apprenticeship Initiative 1997) was almost fully utilised.

In view of the increasing number of school-leavers and rising number of applicants who had left school in earlier years, it must be assumed that the demand for training within companies will continue to increase in the near future and that a substantial increase in the supply of training places will remain necessary.

Data on the situation

In Germany as a whole, 772,400 applications for apprenticeships have been made to the careers advice staff of the employment offices since October last year; this represents an increase of 7.8%. At the same time, 607,200 train-

ing places were reported to the employment offices, slightly less than during the year before (-0.3%). It should be borne in mind that in September far more training places were included in the federal/state government programme "Apprenticeship Initiative 1997" than was the case in the previous year. If, in east Germany, only private-sector apprenticeships are taken into account, there has been a decline of 14,128 or 2.5% in the number of training places offered by employment offices throughout Germany.

From February to July 1997, more training places were reported to employment exchanges throughout Germany than during the same period the year before. This is not least the result of intensive efforts by career guidance staff, and it played its part in further reducing the shortage of training opportunities available, even if the reduction in training places in the initial months of the careers advice year could not be made good.

At the end of September, the number of applicants who could not be found a place was 47,500. Thus, 24% more youths were still seeking a training place after the start of the training year than in the previous year. 25,800 unfilled training places were available for them (-26%). The number of unfilled training places and applicants who have not been placed is balanced only in the federal states of Bavaria, Baden-Württemberg and in Saarland, as well as increasingly in Schleswig-Holstein.

In the west German federal states, there were still 25,200 free training places registered at the end of September, 26% less than a year earlier. The number of applicants remaining unplaced at that time rose to 32,300; there are thus still 31% more youths unprovided for. 476,100 training places were reported to the employment offices from October 1996 to September this year, 3% less than in the same period the previous year. On the other hand, the number of applicants found places by careers advice staff rose by 8% to 546,300 in the same period.

The share of the places reported to be on offer which have been filled has been very high this year, too (approx. 95%). However, there are, as before, training opportunities for which it is difficult to find suitable candidates. The reasons for this are complex. Above all, they result from a change in the way youths choose their careers. Alongside the trend towards higher levels of education, there is increasingly a tendency for school-leavers to select careers in the administrative-commercial trades and the service sector, while industrial-technical careers are less in demand. Above all, careers in the areas of nutrition, chemistry, ceramics, wood and paper are less popular; for this reason apprenticeships in these sectors are more likely to remain unfilled.

In east Germany, the number of unplaced applicants increased slightly compared to the year before. The number of opportunities on offer was far less than the demand in all employment office districts.

While the number of training places remaining unfilled fell by 40% to 600 in comparison with September 1996, the number of unplaced applicants rose by 10% to 15,200. Thus the gap which has become apparent in the last few months was clearly smaller than in the years before. This can be put down to the fact that during this year the special "Apprenticeship Initiative 1997" programme, with which 15,000 training places were financed in east Germany, was implemented earlier. Almost all the places under this programme have been taken up; according to the data from the careers advice offices, there are approx. 2,000 to 2,500 places still available.

Activities of the careers advice staff in the employment offices

As in the years before, careers advice staff have continued their intensive efforts to find apprenticeships using their tried and tested measures and campaigns. In particular, contacts were initiated and maintained, by telephone and also personally, with those businesses and organisations

where, in view of below-average training quotas, there seemed to be the most chance of obtaining an increase in the number of training opportunities.

From October 1996 to September 1997:

- 298,000 contacts outside the office (previous year 280,500);
- 386,000 telephone contacts (previous year 349,000);
- 68,000 visits to companies which had conducted no training (previous year 54,800); 12,100 apprenticeships were gained as a result (previous year 13,700).

There were 65,900 visits to companies between 14 April and 9 May 1997 (previous year 44,300) within the framework of a concentrated company-visiting campaign in the east German states; 10,900 apprenticeships were obtained as a result (previous year 8,700).

This year employment offices in west Germany, depending on their regional situation, have joined in this campaign and acquired 7,600 apprenticeships by visiting 17,500 businesses.

“Apprenticeship Day” on 18 June 1997

On “Apprenticeship Day”, employment office employees in the departments responsible for careers advice, job placement and advice, as well as some from benefits departments, personally visited about 46,200 businesses and acquired 13,400 apprenticeships, approx. half of them for 1998.

The “Ausbilden – wir machen mit” (Train someone – we’re helping) campaign

Within the framework of this campaign conducted jointly by the government, business and the Federal Labour Office, numerous advertisements aimed at public mobilisation were placed and both national and regional telephone forums were conducted.

Conclusions

Against the background of an expected further increase in the demand for training, and considering the external

parameters for vocational training, intensive promotion will continue to be required to encourage the creation of apprenticeships by companies.

The Federal Labour Office will continue to make a substantial contribution to this effort. The FLO has found that the combined approach of concrete, personal interviews with companies, administrations and other organisations and appeals has been successful and will be continued.

As in the previous year, emphasis will be placed on:

- companies providing no training,
- newly founded companies, and
- those companies where an increase in the number of training places on offer might be expected.

Overall the aim is to raise the provision of training to a level in excess of demand.

Greater attempts should be made to incorporate foreign-owned companies in campaigns to provide information, advice and practical support.

France

The ANPE in the Year 2000*

Half of France’s local employment offices are currently engaged in a renewal of their range of services, the aim being to achieve a clear, enriched, diversified, fairer service, open to all.

Such progress is very demanding in the day-to-day operations of the service, particularly in the development phase, as the public must not be allowed to suffer during the “conversion period”.

From the start of 1998, around 170 local offices will be in a position to issue policy commitments to their clients regarding the services offered to firms and jobseekers.

As with any quality-improving measure, we will verify that, on com-

pleting its project, each office has achieved the quality level envisaged for its services and results. This will be ensured by means of a rather special procedure we have called “qualification of the local employment office”.

This policy measure incorporates all the executive staff and employee teams. It does not function according to the ISO norm, although it is inspired by it to a great extent. At heart, it consists of evaluating adherence to the commitments, the services and service level offered, according to the principle of quality assurance: write down what you do, do what you have written, and evaluate the efficiency of what has been done.

This method allows all the actors involved – executive staff, the workforce, jobseekers and employers – to state their views.

In order to ensure that the quality level is maintained in the longer term, we have chosen to place the measure, its method and its tools in the hands of executive staff at different levels.

- The Director of the local employment agency (project head) exercises, with the involvement of his/her staff, permanent control over the realisation of the plan – deadlines, conformity, quality and results – on the basis of a method and tools placed at his/her disposal, and the decisions taken by the local employment agency in order to implement its service offer.
- The Deputy Director, who is responsible for a regional labour market or a département (deputy head of the project), performs the role of supervising the same elements (deadlines, conformity, quality) on the basis of the same “objectivising” tools. He or she is responsible for monitoring the progress made by and the coherence of the steps taken by local employment offices in a single regional labour market.
- The regional director (project head) is responsible for the permanent supervision of the use made by the deputy director of the powers entrusted to him. He/she attends local

* Continuation of the report in iMi 55, p. 15.

“building site meetings” and reports on the progress made by the measures.

- At national level, the operations are overseen by the Director for Modernisation and Quality.

The aim of the tools is to help professionalise the act of qualification. The latter is seen as a positive and objective process, one which is only initiated in employment offices in which the prospects of success are good. Above and beyond the act of qualification itself, the tools represent a permanent source of support for management and staff to maintain and improve the level of services rendered to the public in each local employment office.

The methodology combines four different points of view:

- the point of view of clients, of
- employment office staff, of
- management, and
- an “external” perspective, provided by an observer chosen from among the internal management of an office from a different region to that to which the local employment office seeking qualification belongs.

The procedure

The Director and Deputy Director of the local employment office draw up a qualification dossier on the local employment office at the end of the project, based on the continuous evaluation implemented. They pass this dossier on to the regional director, applying for “qualification” of their office. This dossier contains all the quantitative and qualitative results elements, the decisions taken by the local office in order to adapt to the local level, the relevant national principles and the rules enabling them to be honoured, a summary of the surveys of clients conducted, and a self-evaluation made by office staff.

On the basis of this qualification dossier, the regional director organises, within the space of one month, the observation of the local office and sets a date for its “qualification”.

On this date, a commission, composed in such a way as to guarantee its neutrality with respect to the local employment office, visits the office, and announces, without reservations,

the qualification of the local employment office for a period of three years. This occurs on the basis of the qualification dossier, the reports of the observer and discussions with the staff.

Parallel to this, the Directorate General incorporates the operational audit of the qualified employment office into its annual plan.

Italy

Reform of the Employment Services: Some Initiatives from the Employment Exchange in the Province of Rome

The labour market policy division of the provincial labour directorate in Rome has been pursuing, together with a group of sociologists, an interesting initiative on the subject of finding work for about two years now. These experiences seem all the more significant, as they were implemented by administrative offices that are of importance to those affected. For one thing, there are channels of information for the unemployed, such as the office for publicity, a range of information at regional employment offices and several projects such as seminars at schools at various levels on themes such as active jobseeking, self-employment, certain trends in the labour market, etc. Furthermore, the labour market policy division has for some time been offering information on videotext on regional invitations to tender, job vacancies offered by public departments, and community work initiatives. Practical access to the information service on videotext can be gained using a digital tone telephone or by calling up page 666 of the videotext offered by RAI 3 (state television) by remote control. Those dialling a telephone number (3328524) and following a presenter's instructions will be presented with over 200

pages on the subject of work. This service is the result of cooperation between the RAI and the city administration in Rome.

In general, it provides information about finding work, unemployment benefit, redundancy, conflicts at work, employment-and-training contracts, part-time work and projects which can be selected in advance at home.

The provincial labour department, in connection with information services for improving the balance between the supply of and the demand for labour, also has its own employment inspectorate service, which may become more important in future as a result of acquiring increased responsibility for monitoring and supervising, as provided for by Law No. 59/1997 (known as the Bassanini Law). The law is designed to promote the decentralisation of functions and duties to the regions and local bodies concerned with employment. The supervisory authority is responsible for, and bound to provide information on, the following points: maintenance of industrial health and safety standards, protection of mothers, equal opportunities in the labour market, implementation of national wage settlements, length of the working week, non-EU employees, etc.

Furthermore, the Service Informagiovani has been specially created for unemployed youths aged between 18 and 35. It has a database of about 20,000 information tables on other services and structures available, important dates, forums and events, vocational training projects, invitations to tender, and grants and scholarships, etc. The service, consisting of 6 Informagiovani centres, 5 assisted Informagiovani main branches with 15 Informagiovani supplementary branches, and 3 Informagiovani buses, is operated in cooperation with Rome's city administration and the city's Youth Senator, and can also be found on the Internet at the following address: <http://www.comune.roma.it/COMUNE/usno>.

The informative seminars on work-related themes offered in schools are also to be mentioned in this connection. These are meetings in the form of

programmes providing information and orientation, and are oriented specifically towards the characteristics of the participants and the input provided by the teachers, as well as taking into account the socioeconomic situation in the neighbourhood. The themes are: current trends in the jobs market, new careers, the various types of labour contracts, employment services available, various methods for actively looking for work, etc. These meetings often end with the distribution of questionnaires to assess the participants' opinions of the event. Special brochures on individual themes, such as the environment and employment, the employment of women, and sectors involving specialised activities such as those of trade, cooperation, etc., are prepared to accompany the seminars.

Another interesting service provides information on self-employment and the starting up of businesses. It is structured as follows: first, there is

a telephone interview to ascertain the participants' distinguishing characteristics (youths looking for their first job, long-term unemployed, employees who have been made redundant, etc.) and assess their need for information. The participant is invited to a seminar on the starting up of a business in particular areas of activity. Interviews then follow, with the aim of assessing the viability of the intended business. After this a questionnaire, intended to provide a preliminary evaluation and focusing particularly on the suggested project, the market which exists for it and how it could be financed, is to be completed. Technical support is available for those interested, in the form of a register of more than 300 tables on the activities of companies and self-employment. The group of sociologists at the labour market policy division act as a useful interface for getting in contact with corporations, companies, career-based organisations and/or those representing specific sectors.

The aim is to get the necessary information on the bureaucratic-administrative procedure, the current legal situation, etc., in order for the project to have a successful outcome.

In addition to this specific service, more general interventions regarding careers guidance as well as advisory and supportive functions have been prepared. These are based on individual orientation discussions and/or regular seminars focusing on special aspects such as choosing a career with an eye to the trends in the jobs market. The following main tasks turned out to have a bearing on these interventions: (1) the formation of an information, support and advisory system that can be applied in various socioeconomic realities, in particular between regional employment exchanges; (2) the reinforcement of relationships between public and private structures with the aim of creating an integrated service.

Job Creation

Germany

New Help for the Unemployed in Starting up their Own Businesses

The guidelines for the federal programme "AFG-Plus", cofinanced by the European Social Fund (ESF) and issued by the Ministry of Labour and Social Affairs, first came into effect on 12 November 1994. The guidelines convert the European Community laws covering ESF support into national law on supportive measures. A revised version of these guidelines is

to be announced on 1 January 1998. This revised version will bring the existing support apparatus of the "AFG-Plus" into line with the framework of conditions altered by reform of the labour promotion law, and new support measures will be added.

The aim of the federal ESF programme is to supplement the labour market instrumentation of the labour promotion law (from 1.1.1998 it will be termed the "Third social welfare legal code" – SGB III) in a meaningful and effective manner. This will enable ESF funds to be used for measures and benefits which go beyond those included in the catalogue of promotional measures in the AFG/SGB III. They are always to be granted in combina-

tion with measures or benefits provided under the AFG/SGB III. In particular, supplementary benefit for the long-term unemployed, young people and women will be made available, and economic structural change is to be supported by the promotion of further training measures for those on short time.

A new aspect is that, from 1998, with the aim of helping to prepare and ensure the success of the start-up of a new business by the unemployed, participation in training measures for the creation of start-ups (seminars on starting up a new business) as well as participation in measures accompanying self-employment following the start-up of a new business (coaching)

Areas of application of the "AFG-Plus" programme

From 1998 onwards, the main elements of support provided for in the "AFG-Plus" programme are as follows:

1. Promotion of the start-up of new businesses by the unemployed by providing support for coaching and participation in seminars on the starting up of businesses as a supplement to payments of bridging finance according to § 57 SGB III.
2. Promotion of participation in modules for the teaching of foreign languages, career-oriented courses of general education, and periods of practical work experience abroad in or during training measures or further vocational training measures supported under the SGB III. Course fees and travelling expenses are to be financed using funds from the "AFG-Plus" programme; participants can receive ESF financial support.
3. ESF financial support for participants who, under the SGB III, have no right to financial support or bridging finance, on participation in another qualifical measure supported under the SGB III.
4. Paying the costs of socioeducational guidance of participants in qualifical measures before, during and after the qualification

measures using funds provided by the "AFG-Plus".

5. Paying the costs of child care while participating in a seminar on the starting up of new businesses or a training measure supported within the framework of the "AFG-Plus".
6. Work familiarisation allowances for the recruitment of particularly difficult-to-place unemployed individuals following support under the SGB III.
7. Paying, for a limited period of time, for child care for single parents' recruitment if an integration supplement (§ 218 SGB III), an employment supplement for start-ups (§ 226 SGB III) or a wage subsidy for the integration of the long-term unemployed under the Federal programme "Campaign for employment assistance for the long-term unemployed" has been granted.
8. The promotion of vocational qualification measures for recipients of short-time working allowance through the reimbursement of course fees and granting of flat-rate travelling expenses using funds from the "AFG-Plus". In special cases, the employer may in addition receive full or partial reimbursement of the social security contribution he paid during the period of the qualifical measure.

can be supported. Furthermore, unemployed persons participating in the seminars on starting up a new business will be paid a maintenance allowance – financed by the European Social Fund.

At present, the unemployed are supported while starting up a new company in the form of payment of their unemployment benefit as temporary bridging finance according to the AFG/SGB III (§ 55a AFG/§ 57 SGB III). In 1996, approximately 90,000 applications for temporary bridging finance were approved, adding up to about DM 1 billion. The efficiency of this support should be further improved by the provision of

supplementary training and qualification opportunities within the framework of the "AFG-Plus".

Italy

Incentives for the Re-employment of Managers to Assist Small Businesses

New regulations aimed at simplifying the reemployment of managers have

recently come into force. Article 20 of Law No. 266 of 7 August 1997 (published in Gazette No. 186 of 11 August 1997) empowers regional employment offices (*Agenzie regionali per l'impiego*) to conclude agreements with the most representative trade union associations for managers or with their mobility organisations (*organismi per la mobilità*). These agreements must aim to promote activities that would encourage the reintegration of unemployed managers. Furthermore, all businesses with less than 250 employees that provide a job for unemployed managers for a limited length of time will be entitled to a grant. This grant amounts to 50% of the social security contribution for a maximum of 12 months. The arrangements for granting this support are to be settled by ad hoc agreements between employment offices, employers' associations and managers' representative associations. The aims of this support are contained in a programme for small businesses defined by the Ministry of Labour and Social Affairs after consultation with the social partners. It can be seen, from the same Article, that the cost of implementing the Law is estimated to total ITL 9,599 million p.a. from 1997 onwards.

Austria

Start-up Programme

After a pilot phase lasting several years, during which more than 1,000 businesses had already been started up by unemployed people, the Austrian Labour Market Service decided, in October 1997, to create a start-up programme to provide appropriate support measures for those unemployed who were seeking a way to become self-employed. The programme is aimed at people who have been registered unemployed for at least two months, intend to become self-employed, already have a concrete idea for the project, and have the necessary professional skills required. The pro-

gramme consists of three phases: a preliminary phase, during which the idea behind the project is formulated and assessed; a preparatory phase, during which a business concept is developed and the plans are prepared for the founding of the business; and a realisation phase, during which work commences in the commercial activity chosen and the project gets under way.

During the preliminary phase, lasting a maximum of four weeks, the idea behind the project is evaluated by a consultancy firm offering advice on start-ups. A positive appraisal results in a timetable being agreed by the Labour Market Service, the applicants and the advisory company, in which the length of the preparatory phase,

the need for further qualification and advice, and the amount of any financial start-up assistance granted are defined. The applicant is entitled to continue receiving unemployment benefit or emergency relief during this phase.

Preparations for the founding of the business are to be completed within six months (maximum nine months). Depending on what has been agreed, the applicant can take advantage of the start-up advice on offer and participate in whatever further education measures have been deemed necessary. The Labour Market Service will cover the costs for a maximum of four days of individual consultations or a maximum of nine days of group consultations and the costs for further

education up to a maximum of ATS 30,000. Applicants are entitled to unemployment benefit or emergency relief until work in the self-employed commercial activity has commenced or a trading licence has been granted.

As an initial aid, to ensure that a livelihood is provided, financial start-up assistance may be granted on commencement of the commercial activity for up to nine months, the maximum total length of the start-up programme. Financial start-up assistance corresponds to the amount of the previously received unemployment benefit or emergency relief plus a supplement equal to the social security contribution based on the minimum level of social security contribution.

Training

Denmark

Successful Youth Measures

The youth measures targeted during the past year on young persons in the age group 18–25 years have proven successful. Alongside overall economic developments, the introduction in youth measures of a right and duty to undergo education/training and the lower level of benefit/allowances had led to a strong reduction in the number of unemployed young persons. In March 1997, the target group (young persons without any vocational training background who have been unemployed for six months within the last nine months) was about 70% lower than in March 1996. Unemployment among young persons falling

outside the target group fell by about 25% during the same period.

Many of these young persons have found employment or have started on education or training programmes: about one-third in each category. For those young persons who do not want to start on ordinary education/training programmes, the vocational schools and the vocational training centres have initiated specially organised education/training programmes of up to 18 months' duration. A smaller number of the young people have chosen to start on a training programme at a training centre for adult vocational training (VUC centres), day high schools, production schools, evening classes or similar training institutions.

The proportion of each age cohort not entering any form of education/training after completing compulsory schooling was about 5% in 1995; this is less than half the 1983 figure.

Denmark

Apprenticeships for Adults

As a pilot project to run for a period of two years, the Danish Minister of Labour has authorised the public employment service to grant subsidies to enterprises that recruit adult apprentices in occupational fields in which there is a shortage or expected shortage of skilled labour. The aim of this scheme – which was introduced in February 1997 – is to prevent the occurrence of bottlenecks on the Danish labour market.

The target is to provide 2,000 apprenticeships for adults during the two-year period. After only seven months (October 1997) nearly 1,000 contracts have been concluded. Three

Training

out of four adult apprentices are men. This is due to the fact that many of the potential bottleneck areas are within traditionally male-dominated sectors, such as in building and construction and in the iron and metal industry. Nearly half of the adult apprentices are in the age group 25–29 years. 25% are in the age group 30–34 years and 10% are over the age of 40 years.

Both employed and unemployed persons may be recruited as adult apprentices. About 40% were unemployed when the apprenticeship contract was concluded. 56% were in employment and two out of three were employed in the enterprise with which the contract was concluded.

Many of the adult apprentices are given credit for the skills and work experience they have already acquired. On average, the apprenticeship period is reduced by 8.5 months.

unified core of subject matter and key qualifications. Training establishments should thus gain more freedom, in terms of time, than has been permitted up to now for defining their qualifications profile according to branch-oriented and operational necessities. The occupational concept should continue to be the decisive feature of the German education system and the content and structures laid down for examinations should be more practically oriented.

2. Differentiated range of training with new opportunities for both low-ability and high-ability young people

The training opportunities for youths who, despite encouragement, have up to now failed to participate in vocational training, should be permanently improved. The aim is to drastically reduce the proportion of school-leavers without qualifications, and, as far as possible, to provide all school-leavers with the educational qualifications necessary for their acceptance for vocational training. The federal government expects the federal states to speedily introduce and implement the reforms required in the general school system.

In addition, the federal government is striving to develop new vocational training for specialist jobs requiring a greater proportion of practical qualifications for which demand in the employment market exists and which, in terms of requirements, can be accomplished by youngsters with more practically oriented abilities. This is intended to prevent young people with manual skills from ending up in the cold in labour market terms, simply because they have difficulty in getting to grips with formalised knowledge. Apprentices who fail to pass the final examinations should at least receive certificates from the professional associations and the other organisations responsible for vocational training for the parts of the examinations they have successfully passed.

Conversely, flexible supplementary qualifications which can be

gained during training or immediately afterwards should be developed for those young people who are more able and can achieve a higher performance than required by the applicable training regulations.

3. The development of new occupations and accelerated modernisation for a wide range of future-oriented occupations

As a result of an agreement reached in 1995 between the federal government and the social partners, the time required for the development of new occupations and the modernisation of existing ones was reduced by 1–2 years from the up to seven years required until then. In this way, a total of 17 new and 53 completely modernised occupational profiles came into existence in 1996 and 1997. This caused the largest-ever modernisation impulse to take place in vocational training and created new teaching positions in areas of employment in which, until then, no training could be offered.

4. Modern conditions for lifelong learning within flexible continuing training structures

Learning during the work process and self-organised learning are becoming increasingly important within continuing vocational training. Developing this further and using it more intensively is the task facing companies and employee initiative. The federal government's task is to create a framework for a well-ordered further training system which will ensure quality, flexibility, transparency and labour market relevance.

The German government's regulations covering further training should take extra qualifications acquired, individual training modules completed, as well as skills gained at work more into account when deciding on access to further training examinations.

5. More mobility in Europe as a result of clear qualifications

The German government, the federal states and the social partners support the development of clear,

Germany

The Vocational Training Reform Project – Flexible Structures and Modern Occupations

In 1997, the German Cabinet decided on proposals for a fundamental structural redevelopment of vocational training with the report entitled "The vocational training reform project – flexible structures and modern occupations". The federal government, the social partners and the federal states share responsibility for the design and development of vocational training in Germany. The German government is pursuing the following principal aims within the framework of its reform project:

1. The development of dynamic and openly structured vocational training occupations

In future, government regulations regarding training will, wherever necessary, contain a differentiated range of options in addition to a

Index of articles published in nos. 55–59

The following index relates to the contents of the articles published in *inforMISEP* “Policies” nos. 55–59. The references are grouped under country abbreviations. In each case the abbreviation is followed by two numbers: the first indicates the number of the volume, the second the page on which the contribution in question begins. Where it seemed appropriate, several key words were assigned to a single article.

The country abbreviations are as follows:

A	Austria	F	France	L	Luxembourg
B	Belgium	FIN	Finland	NL	Netherlands
D	Germany	GR	Greece	P	Portugal
DK	Denmark	I	Italy	S	Sweden
E	Spain	IRL	Ireland	UK	United Kingdom
EU	European Union				

In many cases the key words can be assigned to the five action areas of employment policy agreed at the meeting of the European Council held in Essen in December 1994:

1. More investment in vocational education and training:
see under: Ý Vocational further and continuing training, retraining; Ý Occupational, work experience; Ý Vocational training; Ý training leave; Ý Basic training, general education
2. Increasing the employment-intensity of economic growth by reorganising working time, moderate wage growth and opening up of new areas of employment:
see under: Ý Working time – full-time work; part-time work; working time reduction; overtime; Ý Employment promotion through leave schemes; Ý Wage cost reduction; Ý Wages policy
3. Reducing indirect labour costs:
see under: Ý Wage cost reduction; Ý Wages policy; Ý Reduction in social insurance contributions
4. Increasing the effectiveness of labour market policy (activation):
see under: Ý Job take-up; Ý Job maintenance; Ý Job creation; Ý Job placement; Ý Vocational counselling; Ý Self-employed; Ý New business start-up; Ý Grants, subsidies, loans

5. Intensifying target-group specific measures

see under: Ý Women; Ý Youth; Ý Long-term unemployed; *see also:* Ý Older workers; Ý Disabled workers; Ý Equality of opportunity/Anti-discrimination policies; Ý Ethnic minorities, foreign workers

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descriptive, multilingual application forms and certificates of qualification (portfolio approach). For this reason a "training profile" is being developed for all training regulations newly introduced or modernised in Germany since 1996, in which the length of the training period, the area of work typical for the occupation and the vocational skills attained through training are described in German, English and French. The aim is to ensure that they can be understood throughout Europe.

Greece

Programme to Link Training and Employment Measures

Article 4 of Law 2434/96, entitled "employment and vocational training measures" has been implemented by virtue of a decree by the Minister of Labour and Social Insurance. It regulates unemployment benefits entitlement in the context of expenditure on training and employment programmes. The above-mentioned ministerial decree provides for the implementation of a programme to link training and employment measures. More specifically, firms employing more than 30 workers can implement programmes for the vocational training of the unemployed, in cooperation with various training providers, provided they recruit within three months of the end of the training measure at least one-third of the unemployed persons trained. The programme is also open to small and medium-sized enterprises with less than 30 employees, provided they cooperate within the framework of joint training measures. This programme represents one element of an active employment policy.

Portugal

Recognition of Training Establishments

In Decree No. 782/97 of 29 August 1997, the rules and the procedure for the recognition of educational establishments which have been receiving financial assistance from the European Social Fund (ESF) since 1 June 1997 were defined, in accordance with Regulatory Decree No. 15/96 of 23 November 1996.

Applicants must have technical and educational authorisation to run training courses and award their own professional certificates of qualification within the framework of the national certification system for professional qualifications (Decree-Law No. 95/92 of 23 May, 1992).

Of decisive importance for the recognition of an educational establishment are the training structure, the range of topics covered, the training procedures, the pattern of organisation of the training as well as the target groups catered for.

Applications are assessed by the Institute for New Training Models (INOFOR). Evaluation is based on regular information on the educational establishment provided by the establishment itself, the Institute's own in situ observations and, if necessary, information from the offices responsible for employment policy measures or specialists appointed by the various ministerial departments.

INOFOR circulates the names of recognised educational establishments and provides up-to-date information about them to the Coordinating Committee of the ESF, the department for Matters Relating to the ESF and offices responsible for employment policy measures.

With regard to the technical development and updating of the recognition procedure, INOFOR is mainly responsible for:

- the development of methods and instruments to provide technical support for the procedure;

- the development of regular updating of the investigations and measures required for the procedure;
- the definition of the recognition requirements for the various areas of intervention, topics covered, organisation and forms of the training as well as the corresponding target groups;
- collecting up-to-date information on the range of courses available from the information supplied by the educational establishment involved in the recognition procedure; in particular, about the topics covered, the organisation, stages in the training process and the patterns of training organisation as well as the corresponding target groups.

After recognition, contact between INOFOR and the educational establishment is maintained in order to motivate and support it in its gradual accomplishment of the aims it is endeavouring to achieve.

Sweden

An Education Programme within the Information Technology Sector

The Swedish Government has, in co-operation with the Federation of Swedish Industry and companies active in the information technology sector, developed an education programme which will improve labour supply within the information technology sector. The demand for individuals with skills in this area has increased rapidly and there is strong evidence of a lack of well-educated labour within this field. The purpose of this education is to counteract bottlenecks and to promote positive development in this sector.

This education measure will involve 10,000 individuals until the end of 1999. Of these, approximately

Training

7,500 should be assigned from the employment office, i.e. are unemployed, while the remaining 2,500 individuals should be persons who, while employed, are in need of increasing their skills in this area.

When the participants are chosen to participate in this education programme, special attention should be paid to women as a way to improve the gender-specific nature of this labour market segment, and to immigrants in cases where there is no need of a perfect knowledge of the Swedish language. Those who are unemployed will receive compensation equivalent to the unemployment benefit, and those who are employed will receive their normal wage, paid by the employer. The education programme will, on average, last for 25 weeks. Participants completing the programme will receive a certificate.

Sweden

Effects of Occupationally Targeted Employment Training

The National Labour Market Board has analysed the effects of employment training on the participants' earnings and job opportunities. The analysis covered training programmes

concluded in the second quarter of 1994.

The results suggest that, on average, the training participants who obtained work earned 2% higher wages than they would have done without the training. There was no clearly demonstrable effect on the employment rate, however.

A division of the training programmes into short-cycle (< 100 days) and long-cycle (100 days or more) courses shows the long-term ones to have had a far more positive impact on both job opportunities and earnings. Compared with non-participation, the short-cycle courses had, if anything, a negative impact on job opportunities, and possibly a slightly positive impact on earnings. The long-cycle courses had a clearly positive effect on earnings and probably also a positive effect on employment opportunities.

No one group of participants can be singled out as deriving greater benefit from participation than the others. Longer courses showed a positive result for both poorly educated and highly educated persons and for younger and older participants alike. Nor can any particular vocational slant in the programme be considered more effective than others.

Thus, the findings suggest that the effects of the training are proportional to the input in the form of training time. A small input produces a small result, a large input a more distinct result.

United Kingdom

The University for Industry

The government has allocated GBP 5 million for the start-up costs of the University for Industry, which will bring new learning opportunities to the home, the workplace and the community. The University aims to open up new opportunities for individuals and businesses, help people to improve their skills and realise their potential, and play an important role in improving competitiveness. It seeks to improve the availability and quality of learning materials, increase and widen access by individuals and businesses (particularly small businesses), and stimulate demand, in part through the use of new technologies. The creation of a national multimedia learning network lies at heart of the concept.

Table 1: Summary of estimated effects

Type of effect	All courses	Short-cycle courses	Long-cycle courses
Employment participation	None?	Negative?	Positive?
Earnings	Positive	Positive?	Positive

Social Protection, Unemployment Benefits

Netherlands

Removal of Social Security Obstacles to Unpaid Leave

Social insurance regulations should not hinder the take-up of unpaid leave. To this end the State Secretary and Minister of Social Affairs and Employment are seeking to adjust the Sickness Benefit Act (ZW), the Disability Insurance Act (WAO), the Unemployment Act (WW) and some other social insurance regulations. A Bill regulating the necessary adjustments was sent to Parliament in September 1997.

The main hindrances concern the employees' insurance arrangements. In principle, if an employee receives no income during a period of unpaid leave – and by consequence cannot suffer loss of income – there is no need to continue the employee insurance regulations: an employee falling ill and recovering during unpaid leave does not face a problem. However, it can be a problem if a person remains ill or, for instance, becomes unemployed immediately following a period of unpaid leave. The proposed measures regarding the WW, WAO and ZW will prevent employees from experiencing a disadvantage after the leave period with respect to the determination of the daily wage, the application of the so-called “reference demands” and the acceptance of a social insurance coverage.

The Bill also envisages a continuation of coverage by the Health Insurance Act (Zfzw) during a period of unpaid leave. In the absence of further measures, the person on unpaid leave would not be insured. The Bill proposes that a person on unpaid leave will pay a nominal premium (NLG 277 per year in 1997) and a monthly additional contribution of NLG 30. Specific regulations apply to employees with a private health insurance arrangement.

Generally, the employees' insurance regulations continue to apply to those on paid part-time/full-time parental leave during the leave period.

Netherlands

Performing Unpaid Activities while Retaining Social Assistance Benefit

Experimental projects are taking place in 162 local communities with regard to the performance of unpaid activities by persons who retain their social assistance benefit. Within the framework of a national regulation, these local communities are investigating new forms of reintegrating long-term unemployed social assistance beneficiaries. 31 December 1996 was the deadline for sending in project applications by the local communities. By then, 290 proposals had been received. Of these, 14 proposals were rejected, while 59 proposals were adjusted in such a way that they could be implemented outside the framework of the specific national regulation on pilot schemes. In September 1997, the total number of operational projects was 217.

The 162 local communities have been permitted by the government to deviate from certain stipulations of the National Assistance Act (ABW). As a consequence, social assistance beneficiaries in these local communities will be able to perform useful activities while retaining their benefit. Usually the participants in the projects temporarily do not need to apply for jobs and receive (in addition to their benefit) a non-means-tested bonus. The aim of the experiments is to better prepare the participants on their way (back) to the labour market and/or to prevent social exclusion or isolation.

Some local communities have themselves set up projects in which

the participants perform socially useful tasks or trainee-like activities, and may receive training or guidance. Other local communities have tried to join in with existing voluntary organisations, have instituted a voluntary work association themselves, or work with certain welfare organisations (e.g. in the fields of old-age care and club activities).

For instance, three local communities have together set up a database in which personal information on potential volunteers is related to the demands/needs of volunteer organisations. The participants carry out activities in, for instance, community centres, with respect to maintenance of playgrounds and a shopping service for the elderly. For this work they receive a bonus paid – if possible – through the volunteer organisation.

Some experiments are targeted at certain groups. For instance, three adjacent local communities have started an experiment aimed at promoting the social participation of long-term unemployed people stemming from ethnic minority groups. In order to improve their language proficiency and to prevent them from drifting into isolation, they will be able to do language traineeships in the market sector. For the duration of this traineeship they do not have to apply for jobs.

In another area, a group of long-term unemployed gypsies has been involved in the maintenance of forests and other natural environments. Ex-offenders and drug addicts are joining in with a maintenance unit of the local community. A construction and housing project has been set up for teenage drop-outs in which restoration activities are combined with the recycling of building materials. The aim is to give participants experience of working life.

Another example involves projects in certain local communities to stimulate self-employment. Those long-term unemployed who would like to become self-employed, but are unable to start by themselves, will receive extra support and guidance and be

able to use financial facilities of the "Regulation on social assistance to the self-employed" (Bbz) for an extended period.

The experimental projects will run until the year 2000. Then they will be evaluated. These evaluations may lead to conclusions regarding the best way to apply the relevant stipulations of the National Assistance Act (ABW).

The unemployment insurance system has for many decades been based on voluntary membership in an unemployment insurance fund. These funds are strongly linked to the trade unions, but are formally independent. The reason for this system has been to insure a high degree of membership in the trade unions and, by this means, a well-functioning social dialogue. The labour market in Sweden is to a great extent based on collective agreements.

The compensation rate has traditionally been very high in Sweden compared with that in other countries. Compensation is based on previous income. Those unemployed who are not a member of an unemployment insurance fund can receive Cash Labour Market Assistance (KAS), which is independent of previous income.

In March 1997, the government presented a proposition for a new general and unified unemployment insurance, which was adopted by the parliament a few months later. On 1 January 1998, the previous system, with its unemployment insurance for those who are members and a cash labour market assistance for those who are not members, will be replaced by an unified system based on a voluntary income compensation part and a minimum benefit part. The insurance will be administered by the unemployment insurance fund linked to the

trade unions, but will be supplemented by a free nationwide fund for those who are not members of an insurance fund. The compensation period will still be 300 days for people under 57 years of age and thereafter 450 days. The minimum benefit will be SEK 240 a day and the voluntary insurance part 80 % of previous income, up to SEK 580 a day. Membership requires prior employment of 4 weeks with at least 17 hours a week.

An important principle of the unemployment insurance system has been a high compensation rate coupled with rather short duration of benefit. During the beginning of the 1990s and due to the serious financial situation in the public sector, the compensation rate was lowered from 90% to 80% in 1993 and to 75% in 1996. Now, with the budget under control, the compensation rate has been restored to 80% from 29 September 1997.

At the same time, the eligibility rules were changed. To be entitled to benefit, the unemployed must have worked for at least 6 months (compared to 80 days previously) during the last 12 months. Furthermore, the unemployment insurance has been coordinated to a greater extent with other income compensation and benefit systems, such as the education allowance and occasional resignation compensation.

Sweden

A General and Unified Unemployment Benefit System

The unemployment insurance system plays an important and integrated part in active labour market policy in Sweden. The aim is to facilitate adjustment to a new job for those who have become unemployed by providing temporary income compensation. In order to receive unemployment benefit, the unemployed must be registered with the employment office, be prepared to accept a job offer and actively search for a new job.

Special Categories of Workers

Denmark

Strengthening of Measures in Relation to the Long-Term Unemployed

Long-term unemployment tends to atrophy both the general and the vocational skills and qualifications of those affected. It is therefore vital to prevent long-term unemployment taking hold.

The earlier introduction of the right and duty to participate in active measures for insured unemployed persons, namely after two years' unemployment – which will be fully phased in by the end of 1998 – is to further strengthen the active approach in the light of the experience obtained. Unemployed non-insured persons on minimum benefit will continue to be activated after 12 months on social assistance.

Long-term unemployment – calculated as the number of persons who have been unemployed for more than 80% of a period of 12 months – has shown a marked fall since 1994. The number of long-term unemployed fell by about 25% from 1995 to 1996, following a fall of about 30% from 1994 to 1995. For the annual period ended by the first quarter of 1997 the number of long-term unemployed persons was 83,500 persons, or 11.5% of those affected by unemployment – which is a rather low level by international standards.

Denmark

Flexi-Jobs

A continued development of the active approach to labour market policy

implies a permanent strengthening of the efforts to promote the creation of a broader and more flexible labour market. The labour market is to be developed to maintain and integrate persons with reduced capacity for work.

With these aims in mind, the government will create 30,000–40,000 jobs on special flexible terms – so-called flexi-jobs – up to the year 2005. Flexi-jobs are permanent jobs in both the private and the public sector for persons with permanent reduced capacity for work. These persons do not receive any social pension and it is not possible to place them in ordinary employment by means of vocational rehabilitation programmes. A public subsidy will be granted which will correspond to a share of the minimum wage that depends upon the degree of reduced capacity for work of the individual person. Under this scheme, persons who have been employed in a flexi-job for at least 12 months will be guaranteed an unemployment allowance for up to three months in the event of unemployment between two flexi-jobs.

Greece

New Information Unit for Women

An information unit for women on employment and vocational training issues has been set up within the research centre for gender equality, which is part of the Secretariat General for Equal Opportunities. The aim of this unit is to meet the rising demand by women for information in the areas of employment, vocational training, employment relations, social infrastructure and legal questions. The unit is designed to serve unemployed women seeking to enter or reenter the labour market. It is also open to employed women who are threatened by

unemployment and who are therefore looking for vocational reorientation or an opportunity to obtain an additional qualification. The staff of the unit consists of specialised advisers. Their services are free of charge. Interviews are arranged in advance by telephone, whereby interviews can be either individual or in the form of group interviews, permitting the women to exchange their experience and ideas. The unit cooperates with ministries, public bodies, universities, vocational training centres, women's organisations, European Union institutions and with the European Commission.

Netherlands

Parliament Passes New Act on Sheltered Employment

In September 1997, the lower house of the Dutch Parliament passed the Bill on sheltered employment (WSW) presented by the Ministry of Social Affairs. The new WSW Act comes into force on 1 January 1998. In contrast to the preceding legislation, the new WSW Act will be strictly reserved to those who – due to physical, mental or psychological restrictions – can only work under special conditions. The administrative WSW units will also receive additional funds for management support and in order to shorten the list of people waiting for a job in sheltered employment.

A new aspect of the Act is that the local authorities will set up committees of independent experts to assess eligibility for a sheltered job.

The committee investigates whether a person qualifies for the target group, advises on the degree of limitation and suggests a classification into one of the three categories of employ-

Special Categories of Workers

ment disability (i.e. light, moderate and serious). The idea is that there will be a strict distinction between the committee of assessment and the authority responsible for placing the individual in sheltered employment.

The classification determines the level of the central government grant to the local authority for each of the sheltered employment jobs that have been realised. On a yearly basis, the Ministry of Social Affairs, in consultation with the Association of Dutch Local Authorities (VNG), reviews the inflow into sheltered employment and the implications with respect to the government grant per job and the number of jobs to be realised.

The committees of independent experts will also check whether people who belong to the WSW target group are able, or will be able after professional guidance, to work for a regular employer. If that is the case, local authorities may also receive a government grant for these job placings. After a period of three to five years, the committees will again measure the degree of employment disability.

Netherlands

Proposal Regarding the (Re)Integration in Employment of the Disabled

In early September 1997, the State Secretary of the Ministry of Social Affairs and Employment introduced a Bill to Parliament on the (re)integration in employment of the disabled. The plan is to increase and improve the support available to anyone whose chances on the labour market are diminished due to sickness or a handicap in finding work. Employers may receive a grant or a "tailor-made" package of facilities in order to be able to (re)integrate people with a disability. Also the application of the so-called (re)integration benefit will be extended. The already existing instruments will be simplified in order to make it easier for employers and em-

ployees to use them. The responsibility for such support will come to rest as far as possible with the agency or person who supplies a particular disabled person with a wage or benefit. The Ministry has proposed that the new law come into force on 1 January 1998.

The Cabinet expects that the proposed measures will enable approximately 6,500 additional disabled people to find a job each year. It intends to spend NLG 146 million per year on measures under the new law. The aim behind the proposal is to stimulate employers to implement preventive policies and retain or hire disabled people. The Bill fits in with the introduction of other financial incentives to employers regarding sick pay for employees, i.e. the "Act on the extension of the obligation to pay wages in case of sickness (Wulbz)" and the "Act on differentiation of contributions and introduction of market incentives at disability (Pemba)".

The existing instruments regarding (re)integration of the disabled had proven to be poorly organised and not very effective. The new law is intended to remedy this situation. It will become easier to replace someone at an early stage. Any employer who hires a disabled person or relocates such a person within his company in a different position may, without excessive red tape, receive a fairly substantial cost allowance. It will be possible for the various measures to be applied in a flexible way. It will also become clearer who will be entitled and when to a given measure.

The placement grant for a job with a new employer will be NLG 12,000 in the first year, NLG 8,000 in the second year and NLG 4,000 in the third year of employment. In the case of part-time employment, the yearly budgets will be proportional. The relocation budget (a new position with the same employer) will be fixed at NLG 8,000 for one year.

If the cost of (re)integration is higher than the grant, an employer may also choose to receive a cost allowance on the basis of an estimate of the costs (a "tailor-made" package). The fairness of the estimate will be checked by the institution responsible

for implementation. If major adjustments to the company are required, the employer will be asked to pay a contribution. For all the allowances the employers will be required to return the subsidy (partially) should the desired effect not occur. Starting point of the policy will be the principle that the employer will not be worse off when he hires a disabled person.

In addition to the (re)placement budgets and the "tailor-made" packages to employers, the Bill creates the possibility to experiment with a personal allowance to be used for reintegration activities. This allowance should stimulate disabled persons to look for employment. Due to this allowance they will be more directly involved in all aspects of their reintegration and less dependent on, for instance, the employer or the implementing body of the social security (Uvi). The Bill also aims to extend the (re)integration benefit. So far this specific benefit has been restricted to those who have been placed on probation with an employer. According to the proposal, the benefit may also be used in the case of training. The duration of probation periods will be extended to six months, and disabled people who do not receive a disability benefit will become eligible.

The risk to the employer that a disabled person he has recruited will fall ill is to be reduced. So far the employer has been exempted from paying the wage of the disabled person in case of sickness during the first three years. This period will be extended to five years. During this period the employee will receive a sickness benefit from the implementing body of the social security (Uvi).

The financial incentives in the new disability legislation – i.e. a reduction in employers' basic contributions for those pursuing an active policy of hiring disabled people – will be reinforced.

Another important element of the Bill is that it lays down a clearer division of responsibilities regarding reintegration activities. In the first instance, the employer will be responsible for reintegrating his disabled employees. Only once it has been established that a reintegration at one's

own employer will be impossible does responsibility shift to the implementing body of the social security (Uvi) or to the local communities. The Public Employment Service (PES) will be responsible for the support of all other disabled persons (i.e. essentially those without a benefit). For the reintegration of hard-to-place disabled persons, the Uvis and the local communities are for the time being to a large extent obliged to buy services from the PES. At a later stage, the government intends to liberalise this market.

All allowances will be financed out of a "Reintegration fund", which will have to be set up. This fund will be financed by the national disability funds (Aaf and Aof) and the national unemployment fund (Awf). The creation of a separate "Reintegration fund" is intended to emphasise the fact that the disabled constitute a group of people deserving special treatment. In order to cope with their new tasks, the local communities will receive a specific additional grant of NLG 85 million to the "Work fund" of the "Act on the integration of jobseekers (Wiw)" in 1998. Of this, NLG 45 million will be destined for reintegration

measures/instruments and NLG 40 million will be earmarked to buy services (incl. administrative expenses).

Sweden

A Grant for Youth Activation

From 1 January 1998, Swedish local authorities will be given the opportunity to offer young people (20-24) who are willing and able to work an activating and developing activity on a full-time basis.

The local employment service, together with the youth and the municipalities, will take responsibility for drawing up an action plan within 90 days. The Public Employment Service is, however, responsible for the unemployed youth during the first 100 days of unemployment, during which time placement service and guidance are given. After 100 days responsibility will be passed over to the municipality,

if they have assumed this responsibility, which in turn is to provide the young person with a meaningful activity.

This activity may last for no more than 12 months, but should normally be considerably shorter, approximately 4-5 months. When the activity has been completed, a period of 90 days' active jobsearch must follow. An alternative for the youth after a completed activity could be a return to education.

The compensation for the youth during the activity will amount to SEK 1,967 per month for those who are not eligible for unemployment benefits or social assistance. Central government will compensate the municipalities for this extra cost. For those young persons who are eligible for social assistance, a compensation equivalent to social assistance will be paid during the activity. This so-called "development compensation" will be paid by the municipalities during the period of an activity. Those young persons who are eligible for unemployment compensation will receive an education benefit during the activity that is equivalent to unemployment benefit.

Working Time

Belgium

Reducing Social Insurance Contributions in the Interest of Redistributing Work

Since the spring of 1997, firms facing economic difficulties or undergoing restructuring are entitled, under cer-

tain conditions, to a reduction in employer social insurance contributions, if they implement measures to reduce working hours in order to maintain as high a workforce level as possible. The federal government recently decided to extend this measure to the year 2000.

In July 1997, the federal government decided to implement a pilot scheme in economically healthy firms involving collective working-time reduction with government support.

Under the scheme, 20 companies are entitled to a reduction in social insurance contributions if they recruit additional personnel following the implementation of collective working-time reduction to 32 hours per week. What will be decisive for the selection of the pilot projects will be the relative number of additional jobs created. A preliminary selection will be made at the end of December 1997; a second round will take place at the end of April 1998.

By 30 April 1998, the companies involved in this measure must reach a collective labour agreement, to be approved by the Ministry of Employment and Labour, containing, in particular, the following elements:

- the new working time of 32 hours per week, applying to at least 20% of the workforce;
- the wage-compensation benefits accorded to employees working shorter hours;
- the commitment by the firm regarding the number of additional recruitment, by means of which at least the same volume of total working hours as in 1996 is to be assured.

Employers meeting these conditions are entitled to a reduction in social insurance contributions for each employee whose working time is reduced. For an employee whose weekly working time is reduced from 38 hours or more to 32 hours per week, the reduction amounts to BEF 97,000 for a maximum of two years. In the third and fourth year, the reduction amounts to a maximum of BEF 65,000, and in the fifth and sixth year up to BEF 32,000.

The Walloon government has decided to lend its support to this initiative and to provide assistance to the Walloon firms participating in the experiment. A one-off grant of BEF 500,000 is available to cover the costs of reorganising departments and workplaces. If the company employs less than 250 employees, the grant amounts to BEF 300,000. On top of this, firms participating in the experiment are entitled to vocational training measures, not only for their newly recruited staff, but also for their existing employees, provided they are required to perform completely or partially new tasks. Last but not least, employees moving over to a working time of 32 hours per week are entitled to compensation from the Walloon government for loss of earned income.

Germany

Partial Early Retirement Schemes Increasingly Implemented in Collective Agreements

Unions and management have concluded a large number of agreements in the last few months to implement the law of 23 July 1996 to "Provide for a smooth transition to retirement". The central feature of the law is the provision for the part-time employment of older employees who, in agreement with their employer, can reduce their working week by half when they reach 56 (*Altersteilzeit* – partial early retirement). If the employer increases the employee's part-time remuneration by 20% and pays contributions to the pension scheme on the basis of 90% of full-time remuneration then, under certain circumstances, the employment office will reimburse the employer for this outlay. An important condition for reimbursement is that the vacancy created by partial early retirement is filled by the hiring of an unemployed person or the acceptance of a trainee.

Unions and management in many sectors have accepted partial early retirement. Several agreements have been reached only recently in the metal-working and electrical industries. More than 50 such agreements were in existence in the middle of October 1997, including numerous settlements at the company level alongside agreements applying to whole sectors. A total of almost 4.5 million employees work in sectors with partial early retirement settlements. Both sides in the chemical industry estimate that in their sector alone about 10,000 employees had already started partial early retirement in the first six months of 1997. The chemical workers' union IG Chemie believes that in their sector as many as 20,000 employees will start partial early retirement in 1997.

Italy

The Reduction of Working Hours in Italy

The topic of the reduction of working hours is currently the subject of a broad debate in Italy. The government is to suggest a general outline for a new law on working hours to the "Rifondazione comunista" party, which recently raised the issue. The planned law aims to achieve a working week of 35 hours, as in France, within a specified period.

The law will be limited to setting a target. The unions and employers are to negotiate on how they can introduce the new system gradually. This is why stress has been placed on the meaning of the "Concertazione" (social contract, concerted action) between the government, unions and employers, which was set up in Italy following the agreement of July 1993. In this regard, however, it must be remembered that the "Treu" package has already provided for several interesting regulations (cf. Law No. 196 of 24 June 1997, published in Gazette No. 154 of 4 July 1997: the law introduced a contract for the provision of work of limited duration, better known as agency work).

In order to simplify the introduction of reduced working hours, Article 13 provides for the laying down of reductions in social security contributions dependent on the reduction and reform of working hours as defined in collective agreements by a regulation issued by the employment ministry in consultation with the finance ministry and the budget ministry.

The reduction in social security contributions should be carried out according to the amount of working hours involved (up to 24 hours, more than 24 to 32, more than 32 and up to 36, more than 36 and up to 40 hours per week). In this way it is obviously hoped to get employers to encourage reductions in working hours.

The regulation in question should have been passed within 60 days of Law No. 196/1997 coming into force.

The whole matter is still under discussion, however. This is because some believe that the restriction of 35 hours should not be established by law, but rather as a result of negotiations between the unions and employers.

Furthermore, this regulation also states that during the first two years after coming into effect the law should chiefly be applied to cases of the recruitment of additional labour under permanent contracts or when full-time employment contracts are converted to part-time contracts during the process of workforce reduction.

Several Italian daily newspapers have recently brought to public attention the various points of view on this topic. Among them, for example, are those in favour of a reduction in working hours because this would result in an improvement in the quality of life as well as an increase in the level of consumption and the level of economic activity, and those who are against because they believe that this reduction would not lead to an effective increase in the number of jobs available.

Another interesting aspect of this debate is the acknowledgement that the policy of reducing working hours must be coordinated at the European level.

Sweden

A Generation Shift on the Swedish Labour Market

During the last few years, the average age of the labour force has increased. At the same time, long-term unemployment among people less than 35 years has also increased.

The Swedish government has therefore, in its Budget bill, proposed a generation shift on the Swedish labour market. The proposal implies that workers over 63 years get an opportunity to enter early retirement and younger unemployed an opportunity to work. For the generation shift

to take place, an agreement has to be made between the older worker, the local trade union and the employer, under which long-term unemployed aged between 20 and 35 years can replace the older worker. One condition is that the older worker has been continuously employed for the last two years.

Under the proposal, the older worker receives a benefit corresponding to 80% of the income qualifying for sickness benefit, not exceeding SEK 14,400. The older worker receives this benefit until he or she reaches the age of 65. In order to partly finance the project, the employer has to pay 25% of the contribution paid from public funds.

The long-term unemployed person has to be registered as unemployed at the Employment Office, and must be offered employment of a permanent nature. Replacement cannot take place if somebody else claims priority for a specific employment. The County Labour Board must also approve the agreement between the employer and the employee.

Miscellaneous

Spain

Employment Promotion through Support for SMEs

Spain's support policy within the framework of its medium-term employment programme contains a number of measures in support of the development and operation of small and medium-sized enterprises (SMEs). SMEs are considered in the Programme as the "job-creating mo-

tor behind economic growth". Their importance derives from the proportion of economic activity for which they account: 99.7% of Spanish companies with salaried workers are SMEs; 74.2% of the employed labour force works for such companies, of which 90% have less than 10 employees.

Within the Programme, activities are divided between two groups: (1) activities already started and (2) those being developed in the period 1997-99. In the first category, the following measures in support of SMEs deserve particular mention: financial support,

and support for training, internationalisation and administrative simplification. Moreover, a taxation reform has been introduced with respect to SMEs. The "Centro PMYE" (SME Centre) has established an information area that can be accessed personally or with the help of its own computer-based network (ARACNE). In the Centre, which is to serve as the first point of contact, widely dispersed information on public support, administrative procedures, courses and seminars is concentrated and systemised.

One of the activities being developed between 1997 and 1999 is the

“SME Initiative for Entrepreneurial Development 1997–1999” (*Iniciativa PME de Desarrollo Empresarial 1997–1999*), which is run by the Autonomous Communities. The initiative consists of various measures aimed at increasing the competitiveness of SMEs. Both the small and medium-sized enterprises themselves and institutions rendering services to such enterprises are entitled to benefit from the measures.

The rules governing support and the system by which the Initiative is run were set out in Royal Decree 937/1997 of 20 June 1997. Under the Decree, the measures are extended to all fields of economic activity, and the budgetary allocations for 1998 and 1999, some of which are derived from the European Fund for Regional Development, are set out. The funds are distributed between seven different programmes, the aim of which is to overcome difficulties facing SMEs such as: inadequate size, lack of information, inadequate scope for investment and innovation, or scarce financial resources. The Initiative is linked to the “Initiative in Support of Industrial Technology, Security and Quality” (ATYCA – *Iniciativa de Apoyo a la Tecnología, la Seguridad y Calidad Industrial*), whose task is to create innovation networks for firms, and in particular SMEs, with the goal of improving the infrastructure for technology and research in the country.

An additional important task has been assumed by the “Initiative Art/SME 1995–1999” (*Iniciativa Arte/PYME 1995–1999*). Its goal is to make it easier for Spanish SMEs to enter the information society. This initiative, which is run centrally, comes under the auspices of European Regional Development Fund measures within the framework of the EU’s cohesion policy. The initiative encompasses:

- a system of aid to cofinance projects targeted at groups of SMEs with common needs;
- direct measures by the public administration to raise awareness among civil service staff; and
- project development.

Four types of activity or project may qualify for support: necessity and via-

bility studies, pilot projects, and the introduction and promotion of services and applications.

Portugal

International Meeting on Employment Policy (RIPE 97)

The 1st International Meeting on Employment Policy of the African countries with Portuguese as their official language (PALOP), namely Angola, the Cape Verde Islands, Guinea-Bissau, Mozambique, Sao Tome and Principe with the participation of Brazil and Macao, took place in Portugal from 29 September to 8 October 1997.

This meeting, which was organised in cooperation with the Directorate General for Employment and Vocational Training (DGEFP) and the Institute for Employment and Vocational Training (IEFP), took place in Lisbon and northern Portugal and consisted of a conference and a practical component with visits to employment offices and projects set up to encourage employment and vocational training.

The following themes were touched on:

Achieving a new upsurge in employment

- employment strategies on the international level
 - European employment strategies;
 - ILO measures to promote employment;
- national experience in the area of employment and vocational training, and instruments for an appropriate strategy.

Formulation of employment policy and preparation measures

- labour market statistics: fundamental instruments

- analysis of the labour market: instruments for methodology and observation;
- questions on institutions and partnerships;
- the role of measures implemented by employment services;
- the role of regular contact and evaluation at the employment policy level.

Conception of active employment measures

- vocational integration
 - initial vocational training;
 - training/employment.
 - methods of assisting integration.
- maintaining jobs
 - further education;
 - development of activities in the business sector.
- job creation
 - promotion of self-employment;
 - promotion of business initiatives.

The results of this meeting can be summarised in the following four points:

1. recognition and implementation of programmes to develop employment and thus ensure a rise in the quality of life and work, and also to contribute to the gradual elimination of regional imbalances in the area of employment;
2. reinforcement of the structures and roles of partnerships;
3. decisions on guidance and evaluation;
4. institutionalisation of the RIPE and in particular the holding of meetings every two years with specific themes which are important for all countries involved.

Finland

New Employment and Economic Development Centres Established

The regional administrations of the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry were merged as of 1 September 1997. The 15 new Employment and Economic Development Centres started their operations as of the beginning of September. Each centre has three divisions: an Employment Division, Business Division and Rural Division. The former labour district offices form the basis of the Employment Divisions of the new centres. The reform does not affect the role of local employment agencies, but it is expected that the reform will strengthen the position of the agencies in the long run.

The reform creates one strong regional organisation to implement regional economic and labour market policy. The potential for overall development of SMEs and for predicting training needs in the business sector is expected to improve considerably. The new centres will become strong regional actors, through which a substantial amount of resources and expertise is channelled for the development of the region. The centres offer services to enterprises, public and private institutions, entrepreneurs and, to a smaller extent, also to private citizens.

The new centres offer centralised services and, in time, this new joint organisation of the three Ministries will simplify and facilitate the transactions of employers and entrepreneurs with regard to labour and business matters. As far as the public employment service is concerned, the new centres mainly function as providers of information, as the actual customer service for both jobseekers and employers continues to take place in local employment agencies. The centres are also important in that they grant EU funding.

The centres are situated in the same places as the former thirteen labour

district offices; in addition, two new centres have been established in Seinäjoki and Lahti. The centres are subordinate to the three Ministries, and the three divisions are responsible to the Ministry concerned. General management is the responsibility of the Ministry of Trade and Industry. Previously, the three Ministries had maintained a total of 77 regional units that have now been merged into the 15 new regional centres.

The Employment Divisions of the centres implement regional labour policy, plan and organise labour market training, as well as guide and supervise the activities of the local em-

ployment agencies. The Employment Divisions participate in the development of their region by, for example, funding investment and development projects of enterprises to improve the employment situation and business conditions. They support and assist SMEs in the different stages of their operations, promote the technological development of enterprises and assist them in matters related to exports and internationalisation. The Employment Divisions also plan and coordinate the ESF projects of the region as well as handle matters related to pay security and the reception of asylum-seekers.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (11 December 1997):

Belgium	BEF	40.82
Denmark	DKK	7.54
Germany	DM	1.98
Greece	GRD	310.88
Spain	ESP	167.21
France	FRF	6.63
Ireland	IEP	0.76
Italy	ITL	1,937.50
Luxembourg	LFR	40.82
Netherlands	NLG	2.23
Austria	ATS	13.93
Portugal	PTE	202.06
Finland	FIM	5.96
Sweden	SEK	8.64
United Kingdom	GBP	0.67

FOCUS

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Profiling and Referral to Services of the Long-Term Unemployed: Experiences and Lessons from Several Countries

Randall W. Eberts & Christopher J. O'Leary¹

Structural unemployment continues to plague many developed countries, including those such as the United States which are currently experiencing a rather strong economic upswing marked by historically low unemployment. Several policy organisations have recommended shifting resources from traditional, passive income-support measures to active labour market policies (ALMPs), such as job training and reemployment services, with the purpose of getting people back to work as soon as possible. However, countries have generally been slow to make the change. Three reasons are commonly cited for the slow transition from passive to active programmes: (1) the high costs of delivering ALMP services; (2) the often uncertain outcomes of various programmes; and (3) the need to integrate and coordinate a variety of different programmes in order to provide an efficient and effective package of services.

To address these issues, several countries have explored the possibility of using statistical methods to identify individuals who may experience long periods of unemployment and thus could benefit from reemployment and other services early in their jobless spell. A few countries, principally Australia, Canada and the United States, have introduced variations

of this concept into existing programmes. The concept, referred to as profiling in the United States, is designed to reduce the cost of assessment and referral and to provide a means of integrating services more effectively. The purpose of this paper is to describe the profiling and referral concept, to examine the extent to which these programmes have been incorporated into the unemployment insurance and employment service programmes and to assess their effectiveness in promoting jobsearch, increasing the reentry of dislocated workers into jobs, improving worker well-being and reducing the costs of UI benefits.

Profiling unemployment insurance beneficiaries in the United States

Concept and purpose

State employment security agencies in the United States have embarked on an innovative approach to providing reemployment services to the unemployed. Through these Worker Profiling and Reemployment Services (WPRS) systems, states are taking preemptive action to help unemployment insurance (UI) beneficiaries shorten their time out of work. A state WPRS system identifies, primarily through statistical methods, those UI recipients who are most likely to exhaust their benefit entitlement and refers them to required reemployment services.

Profiling is performed in two stages. First, unemployment insurance recipients who are expecting to be recalled to their previous job or who are members of a union hiring hall awaiting their next assignment are dropped from the process.² Second, the remaining unemployment insurance recipients are ranked by their likelihood of exhausting regular unemployment

insurance benefits as determined by a statistical model. Beneficiaries are then referred to reemployment services in order of their ranking until the capacity of local agencies to serve them is exhausted.³

To profile workers, most states adopted a statistical methodology that assigns a probability of exhaustion to each UI recipient who is eligible for profiling. A few states – which lack sufficient data or expertise to estimate a probability model – started with a simple screening device based on one or two characteristics. Most of these states plan to move to a probability model once the deficiencies are corrected. The probability of exhausting benefits is derived from estimating the effects of personal characteristics and economic factors on the likelihood that a UI recipient will exhaust benefits. Personal characteristics typically include: educational attainment, industry and occupation of last job held, and tenure on the last job. Civil rights legislation prohibits using a claimant's age, race and gender as variables in the model. Local labour market conditions are also included to reflect the likelihood of reemployment in the various local labour markets within a state. In essence, the probability assigned to each eligible UI recipient is a weighted average of the effect of each of these characteris-

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2 Since WPRS is designed for permanently separated workers who are likely to be unemployed for long periods, workers who are job attached and not looking for a new job are excluded. Workers with specific recall dates and who find jobs through union hiring halls are considered to be waiting to return to their previous jobs.

3 See Wandner (1994) for a more detailed description of the national guidelines and requirements for the state WPRS systems.

tics on the odds that an individual exhausts UI benefits.

The purpose of the WPRS initiative is to focus UI beneficiaries on quickly finding a new job by providing reemployment services that are tailored to individual needs and to encourage claimants to use these services as soon as possible after losing a job. For state employment security agencies, this new programme marks a significant change in the way they allocate resources and deliver services. As a result, a new reemployment system is emerging wherein services are targeted to increase cost effectiveness, and barriers between unemployment compensation, employment service and public retraining agencies can be bridged to provide jobseekers a more coordinated package of services.

Background

The WPRS in the United States can trace its roots to the sudden increase in the number of dislocated workers in the late 1970s and early 1980s. Since its inception in 1935, the UI system has operated on the premise that unemployed workers have the skills and the jobsearch know-how to fill job vacancies in their local labour markets, and that it only takes time and perseverance to find the right match. Most states provide 26 weeks of benefits for laid-off workers who become eligible for UI, which up until the late 1970s proved to be sufficiently long for most workers to find employment. However, the massive downsizing of the manufacturing workforce, prompted by global structural changes and accentuated by the deep recessions of the early 1980s, left more than 2 million skilled and experienced workers permanently without jobs. These workers typically find it difficult to gain reemployment and need more than income support to find another job.

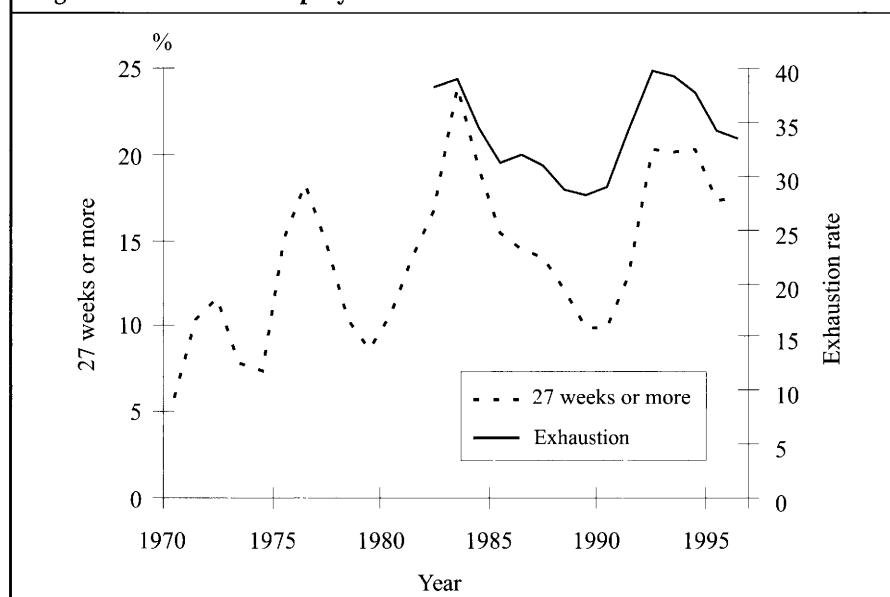
Even during the current economic expansion in the United States, the problem of displaced workers still persists. During the last several years of the expansion, both the percentage of workers unemployed for 27 weeks or more and the exhaustion rate of UI

beneficiaries has stayed relatively high. Since most states provide only 26 weeks of regular UI benefits, these two measures of displacement should be highly correlated. Figure 1 shows that the percentage of workers unemployed 27 weeks or more has remained high during most of the 1990s, peaking at 20% during and right after the 1990–92 recession. In 1996, four years into the recovery, more than 17% of the unemployed experienced jobless spells of 27 weeks or more. That percentage is still higher than at any time during the last quarter century except during the twin recessions of the early 1980s. Even then, the percentage fell quickly after the recovery began, while during this recovery displacement is staying stubbornly high. The percentage of UI beneficiaries exhausting benefits follows a similar pattern, reaching a 15-year high during the 1991–92 recession, a rate higher than what was experienced during the deeper recessions of the early 1980s. As with the unemployment rate, the exhaustion has remained higher in this recovery than in the previous one.

Studies conducted during the 1980s reveal several common characteristics about dislocated workers which could be used to identify those who would have the most difficulty finding employment. For example, workers with longer job tenure (more

than three years) and who were employed in manufacturing industries were more likely to experience long durations of unemployment and significant earnings reductions than those with shorter tenure and in industries other than manufacturing, particularly non-durable industries. In addition, demonstration projects conducted in New Jersey, Nevada, Minnesota and Washington offered convincing evidence that supported the profiling and referral concept. The demonstrations in New Jersey and Minnesota established the efficacy of using statistical methods and administrative data to identify, early in their unemployment spell, those who are likely to experience long periods of joblessness. Results from all four states showed that providing more intensive jobsearch assistance reduces the duration of insured unemployment and UI expenditures. The magnitude of the effects were large enough to make a difference in programme costs: reduction in UI receipts ranged from four weeks in Minnesota to a half week in Washington, and the government benefit-to-cost ratio varied from 4.8 in Minnesota to 1.8 in New Jersey. At the same time, workers' earnings were higher because jobsearch assistance accelerated their reemployment and thus increased the number of hours worked (see Corson et al. 1989).

Figure 1: Percent unemployed 27 weeks or more and UI exhaustion rate



Legislation and implementation

Encouraged by the prospect of UI benefit savings from the early identification and referral of long-term unemployed to reemployment services, Congress passed legislation in November 1993 that mandated states to implement WPRS programmes. The legislation gained broad bipartisan support in part because of the large and convincing body of prior research findings and the estimates by the Congressional Budget Office that the WPRS would save the federal government \$764 million over five years. Public Law 103-152 amended the Social Security Act to require each state agency in charge of administering state unemployment compensation to establish and utilise a system of profiling all new claimants for regular benefits.

The law defines the system of profiling and referral as one that:

1. identifies which claimants will be likely to exhaust regular compensation and will need jobsearch assistance services to make a successful transition to new employment;
2. refers such claimants to reemployment services, such as jobsearch assistance services available under any state or Federal law; and
3. collects follow-up information relating to the services received by such claimants and the employment outcomes.

The bill did not create new services for displaced workers, and states were required to provide only those services that were already available. Workers who were referred to available services were required to participate in the programme or risk losing their UI benefits.

Although WPRS is federally mandated, each state was asked to implement the programme themselves. The federal government provided states with one-time funds to build capacity and expertise and offered state agencies limited technical assistance. After that, states were expected to finance the programme out of ongoing employment and training programme funds. Consequently, the ability of

the states to serve claimants depends upon the capacity of the existing reemployment services. For some states, the demands of designing and testing a statistical profiling model were beyond the technical expertise of their staff, and they elicited the assistance of universities and other research groups to help develop a model. Therefore, successful implementation of the programme requires cooperation and coordination among a variety of federal and state agencies, including UI, the employment service, the Economic Dislocated Worker Adjustment Assistance (ED-WAA) training programmes, and research groups.

States implemented the programme in basically three waves. Five prototype states began operations in October 1994, first-wave states started in 1995, and the remaining states got under way by 1996. The gradual phase-in of the programme allowed states in the first and second waves to learn from the prototype states. As a result of this process and the technical assistance provided by the U.S. Department of Labor, procedures to profile and refer UI claimants are similar across states. Differences exist in the specification of the models because states tailored the statistical approaches to fit their own needs, data and technical capacities, and local labour market characteristics. The extent to which the UI and ES offices coordinated services also affected the administration of the programme.

Profiling in the State of Michigan

To understand the profiling and referral process more fully, it is instructive to examine how WPRS operates in a representative state. Michigan was one of the first-wave states and began profiling unemployment compensation recipients in November 1994, about a year after the federal legislation was passed. At the time of inception, Michigan's WPRS was a joint project of the Michigan Employment Security Commission (MESC), the Michigan Jobs Commission and local Job Training Partnership Act (JTPA) service delivery agencies.

Along with 44 other states, Michigan adopted a statistical methodology to assign probabilities to individuals.⁴ The profiling model was estimated on a sample of 13,000 Michigan UI beneficiaries who had claimed benefits prior to the beginning of the profiling programme. The model related the event of exhausting benefits to various worker characteristics and labour market factors.⁵ The results of the model are similar to what other researchers and the previous demonstration projects have found in other states.⁶ UI recipients are more likely to exhaust regular benefits if they have more education, more job experience, work at less complex tasks and work in non-manufacturing jobs, such as clerical and sales occupations or in retail and wholesale trade and financial and insurance industries. Also, the likelihood of exhausting benefits varies substantially across local labour markets.

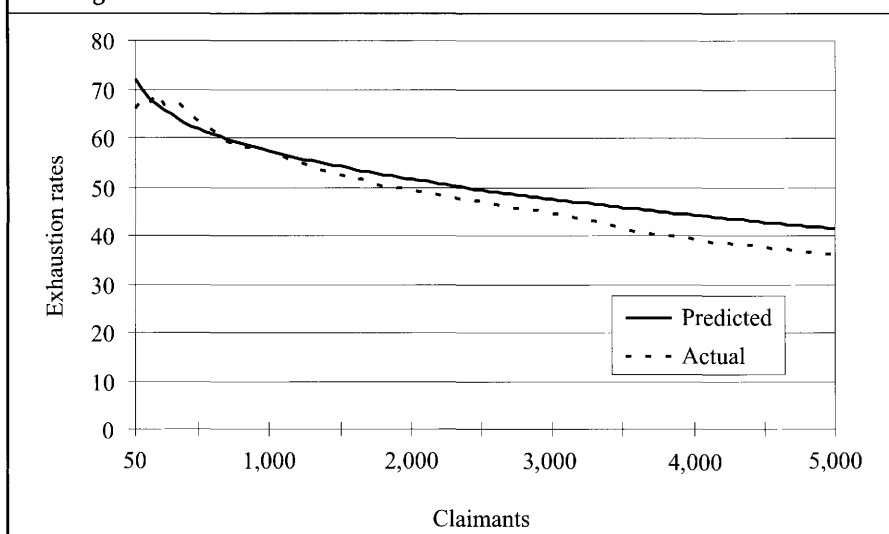
The usefulness of the probability model depends upon its ability to distinguish between individuals according to their likelihood of exhausting benefits. Therefore, the range of the predicted probabilities is important. For the Michigan sample, the estimated probabilities of exhaustion range from a high of 79% to a low of 8%. Figure 2 displays the estimated probabilities of exhaustion derived from the Michigan model and the actual rates of exhaustion for 5,000 Michi-

4 The Michigan Employment Security Agency asked an independent research organisation, the W.E. Upjohn Institute for Employment Research, to assist in developing the statistical methodology. See Eberts & O'Leary (1996a and 1996b) for more details.

5 An alternative model uses survival analysis to predict the length of an individual's unemployment spell. A few states, including Michigan, experimented with this approach at the preliminary stages of model design but found that the data requirements were too intensive and that the model did not improve the predictive power of the methodology. A pilot in the United Kingdom used both a logistic model to predict whether an individual was on the register after 12 months and the survival analysis to predict length of claims. The study concluded that the two models yielded similar results.

6 See Corson & Dynarski (1990) for a summary of this research and results of a national survey.

Figure 2: Actual and predicted probabilities of exhausting UI benefits: Michigan Model



gan beneficiaries with the highest probabilities. The beneficiaries are ranked from highest to lowest probability and are combined into groups of 100 in order to compute actual exhaustion rates for each group. One can think of this distribution as describing individuals lined up at the door of the employment service office. Those with the highest assigned probabilities are the first to be referred to services. Given that 28% of the 13,000 sampled beneficiaries actually exhausted benefits, the probability that an individual randomly drawn from the sample would exhaust benefits is 28%. Therefore, if the top 10% of the claimants in the distribution were referred to services and the claimant at the 10% decile has a 54% probability, then the model improves the efficiency of targeting reemployment services nearly two-fold over simple random assignment. One way to assess the accuracy of the model is to compare the assigned predicted probabilities with the actual percentage of those exhausting benefits for groups of UI beneficiaries. As shown in Figure 2, the assigned probabilities closely track the actual percentages along the distribution.

In practice, all individuals in Michigan who receive first UI payments within the same week are grouped together.⁷ The probability of exhausting UI benefits is predicted for each UI recipient within this group using the model which is estimated on a state-wide sample of beneficiaries. Once a week, each local employment service office receives a list of profiled UI recipients who are beneficiaries through that office. The list includes the name, social security number and estimated probability of exhausting UI benefits for each profiled beneficiary. Those estimated to be most likely to exhaust are placed at the head of the queue for reemployment services.

The number of UI recipients actually referred to reemployment services at any specific local office depends upon the amount of funds received by that office to provide WPRS. Since funding to local offices is largely based on labour market conditions,

local offices with the greatest need are able to serve a larger proportion of their UI claimants. UI recipients from local offices with tight labour markets, or with industries experiencing few layoffs, typically have state-wide rankings much lower than those from local offices with high unemployment rates. Offices located in tight labour market areas will serve a smaller proportion of beneficiaries through the WPRS system than offices in high unemployment areas.

Reemployment services in Michigan

After the Michigan Employment Security Commission identifies and ranks profiled UI beneficiaries, those most likely to exhaust benefits are notified by mail that they have been selected to receive reemployment services and that they must attend an upcoming orientation session. Participation is mandatory for those referred, and benefits are withheld until the individual participates in the programme. During the first three quarters of operation, Michigan profiled more than 240,000 UI claimants, of which approximately 32,000, or 13%, were referred to services (Table 1). More than one-third of those referred completed the programme. The others never showed up or left the programme because they found a job, were no longer searching for a job or simply dropped out of the programme.

Participants in the Michigan WPRS programme have access to a wide range of services to help them gain reemployment. As shown in Table 1, the services include short-term job-search assistance, but generally do not include longer-term skills training. Services vary by office, but they frequently include training in job-search and interviewing skills, work skills assessment, résumé writing, personal appearance tips, teamwork skills, conflict resolution methods, and an overview of resources available at Employment Service (ES) loca-

⁷ Most states have elected to wait until claimants receive their first benefit payment before enrolling them in WPRS and assigning them a probability of exhausting benefits. The federal legislation does not require workers to receive a first payment or to be eligible for UI before participating in WPRS. The state practice of waiting for first payment delays the delivery of services to participants. It typically takes five weeks from the time an individual files a claim for unemployment benefits to the time they receive their first payment. Consequently, UI claimants do not receive reemployment services until they have received nearly a quarter of their entitled 26 weeks of benefits. The five-week waiting period offers another screening device, since about one-third of the unemployed exit the UI system within the first five weeks, because they have either returned to work or have stopped looking for work. However, WPRS may be more effective if the unemployed were eligible for WPRS and received services earlier in their unemployment spell. Two states, Georgia and Illinois, do not require first payment and thus have shortened the waiting period.

Table 1: Michigan WPRS activity (January 1995 through September 1995)

Profiled claimants referred to and completing services				
Total profiled	240,293			
Number referred to services		32,343		13.5%
Number completing services		11,855		36.7%
Orientation		10,006		84.4%
Jobsearch Workshops and Job Clubs		8,337		70.3%
Assessment		5,567		47.0%
Counselling		4,303		36.3%
Job placement services/referrals to employers		912		7.7%
<i>Source: Michigan Employment Security Commission, ETA 9048.</i>				

tions. After orientation, which is attended by most referrals, service providers work with participants to develop individualised service plans that delineate reemployment services best meeting the worker's needs. As shown in Table 1, these service plans primarily include assessment, counselling and jobsearch workshop or job club, the latter being a support group for jobseekers. Only a small percentage receive job placement services or referrals to employers. Services offered to WPRS participants are similar to those offered to anyone using the employment service office. The only exception is orientation, which is reserved for WPRS referrals. Some services are used more frequently by WPRS participants than by other ES clients. These services include job counselling, individual service plans, career exploration workshops and group stress counselling.

Services typically last no more than three weeks. The length of time depends upon how long it takes participants to complete the services listed in their individualised service plans. Much of the time is spent using the resources provided by the ES office, such as computers for résumé writing, jobsearch assistance material, career information and job listings. Once services listed in the plan are completed, no further participation is required even though the worker is still unemployed. Unemployed workers can request additional services such as skills training. However, these services are provided by other agencies, and WPRS participants must

meet the requirements for these programmes and wait for an opening.

Evaluation of the WPRS

The U.S. Department of Labor (USDOL) has contracted with an independent research firm to evaluate WPRS in six states.⁸ A handful of other states, including Michigan, have contracted with other organisations to evaluate the WPRS in their own state. The USDOL evaluation is still under way, but an interim report indicates that states were successful in implementing their profiling models and that the models were successful in identifying those most likely to exhaust UI benefits. The interim report also found that WPRS participants received considerably more reemployment services, particularly an orientation and assessment, than a comparison group of non-participants. In addition, the WPRS participants received these services earlier in their unemployment spell than non-participants, which is important for successful outcomes.

A survey of participants revealed that most were satisfied with WPRS services. Overall, about 41% of the 2,100 participants surveyed reported that they were very or extremely satisfied with the services, and 42% responded that they were somewhat satisfied. 17% were not satisfied. Those expressing satisfaction with the programme were persons who felt that the services and jobs were right for them.

The study also considered the administration of services at the local

sites. Based on site visits, the report concluded that the agencies had not formed fully integrated partnerships in which the agencies administered and operated their WPRS systems collaboratively. Instead, many sites had well-functioning parallel operations. However, most of the customers who were surveyed indicated that services were well coordinated.

The Michigan evaluation has not been completed either, but the process analysis supports the national evaluation's findings that the WPRS is well received by employment service staff and clients. It finds that the programme is being administered consistently and staff are delivering a wide range of practical and relevant services that have the potential to help displaced workers quickly find employment. The national and Michigan impact analyses should be released soon.

Profiling in other countries

Programmes similar to the WPRS have been contemplated in other countries, but to date only two countries, Australia and Canada, have implemented programmes that use a statistical method for early identification of those most likely to have long spells of unemployment. At least two factors may explain the low incidence of profiling in other countries. First, profiling is most relevant in countries that are selective in offering jobseekers access to training and jobsearch assistance during the early period of an unemployment spell. Countries such as France, Germany and Sweden which offer services to all unemployed as soon as they register would find little use for profiling as a management tool to prioritise who receives services. However, those countries may find profiling useful in assessing the needs of clients and recommending the most effective and cost-efficient combination for individuals. Second, some countries have found that the predictive accuracy of their statistical profiling models has been lower than desired. For exam-

⁸ See U.S. Department of Labor (1996) for more detail of the process evaluation.

ple, from a pilot in seven employment service offices in the United Kingdom, it was concluded that the statistical model was not accurate enough to use in an ongoing programme; there were fears that some individuals who should be referred to services would be passed over by the model. To compensate for this shortcoming in formal profiling techniques, Australia and Canada allow caseworkers to override the formal model used to refer clients, while other countries, such as the Netherlands, rely solely on the judgement and experience of public employment service caseworkers to identify those who are most likely to be unemployed for long spells.⁹

Australia

Australia introduced an early intervention strategy for UI claimants in 1994 as part of the "Working Nation" initiative. The original programme has undergone major changes since it was first introduced.¹⁰ With respect to displaced workers, the government's policy is to concentrate intensive labour market assistance on the long-term unemployed and those who are most at risk of remaining jobless for long spells. The new programme establishes a competitive system of delivering labour market assistance to jobseekers through employment placement enterprises. These enterprises will be compensated through an incentive system that rewards the achievement of outcomes. Under this new arrangement, jobseekers wanting assistance and wishing to register for income support will do so at self-help facilities. They are asked for information to determine their eligibility for income support and the type of employment assistance that best meets their needs. The level of assistance depends upon the level of labour market disadvantage of the jobseeker and available resources.

To identify those jobseekers most in need of assistance, a statistical screening and assessment tool is used. The classification instrument is based on factors which have been shown to have a significant effect on a person's likelihood of becoming long-term un-

employed. The factors include: age, educational attainment, native population, birth in a non-English-speaking country, disability, English-speaking ability and geographic location. Local labour market conditions may be captured by designating an individual's geographic location, but unlike the U.S. model, employment changes in specific industries or occupations in which a claimant was previously employed or the unemployment rates of specific locations are not included.

Since the screening process determines who has access to services, the statistical approach is augmented with an assessment by agency staff of a jobseeker's capacity to benefit from the intensive employment assistance so as to minimise the risk of unfairly excluding jobseekers. The staff considers the following factors in determining who may be at risk: poor motivation, low self-esteem, poor numeracy and literacy skills, and substantial time out of work. The staff's judgement can override the statistical model at any time during the first 12 months of unemployment. In 1995, the statistical model identified approximately 5% of those registering for benefits as long-term unemployment risks, and the judgemental process designated another 10%. Claimants are then notified to report to a caseworker who determines the difficulty of placing the claimants into services. Once referred to services, claimants must participate in order to receive unemployment benefits.

Canada

Canada is currently testing a system of early identification and referral of displaced workers who are at risk of experiencing long spells of unemployment.¹¹ The overall framework of the system, referred to as the Service Outcome and Measurement System (SOMS), is similar to the WPRS in the United States in several respects. Both emphasise getting individuals into jobs as quickly as possible through reemployment services. Individuals are profiled and referred to services, and many claimants work

with case managers to develop work action plans that lay out specific steps individuals are to take in finding employment.

The Canadian system is different from the U.S. WPRS system on several counts. Instead of a statistical model, profiling is based on a combination of "characteristics screening" and the judgement of counsellors. A major point of departure from the U.S. approach (and the Australian approach) is the use of two new tools by local placement officers to help them decide on the best types of assistance for their customers. The first tool is a model that helps placement officers predict what programmes are likely to work best for their client and are most likely to be cost effective. This model has been estimated by compiling the effects of all labour market policy interventions received by Canadians over the last 10 years in terms of employment, earnings and programme costs. The data set used to estimate this model integrates 20 existing data files, including unemployment benefit files, files of training interventions, tax records and census data. Consequently, the second tool available to placement workers is extensive information about the work, income and treatment history of the client.

The profiling and referral system is integrated into Canada's new National Employment System (NES), which came into effect on 1 July 1996 to

⁹ Several other countries have initiated reemployment programmes that require the long-term unemployed to work with case managers to develop an individual action plan, prescribing a course of steps to become reemployed. In some countries, such as Denmark and Belgium, refusal to participate in such a plan may be sanctioned by benefit withdrawal. These countries are not listed as having a profiling model since they do not follow a formal statistical model or a strict classification of workers. The Netherlands, on the other hand, does not use a formal model but does have a classification scheme.

¹⁰ This section is based on information gathered from the Australia Department of Employment, Education, Training and Youth Affairs (1996) and OECD (1997).

¹¹ Much of the information for the section on Australia and Canada comes from OECD (1997).

provide a direct link between the passive income-support programmes and the active labour market programmes. The stated purpose of the programme is to get the unemployed back to work, reduce dependency on income-support programmes and maximise savings to the Employment Insurance Account. The system has four core functions: (1) labour market information, (2) labour exchange, which matches workers with available jobs and employers with available workers, (3) screening and (4) employment counselling. The system also includes employment assistance services to the unemployed, which centre on developing client-based action plans for individuals who have limited job experience. The screening identifies individuals' service needs and makes a preliminary referral to appropriate services.

The Netherlands

The Netherlands does not use a statistical profiling model, although the public employment offices (PEO) at one time considered using predictions from a statistical duration model to screen unemployed. A group of organisations (referred to as the BV, *bedrijfsverenigingen*) which administer UI and other employee insurance programmes use the judgement and experience of staff to classify the unemployed into four categories. The two extreme categories describe the unemployed as "extremely good opportunities" or "difficult". The two categories in between are comprised of the unemployed who are judged to be employable after short-term or long-term intervention (referred to as reintegration plans). Not much attention is given to the two extreme classifications, but the unemployed in the two intermediate categories are referred to a variety of programmes. Participation is not required for those referred. However, performance targets for the programmes are based on these classifications, which are expressed as the number of reintegration plans put in place and the share of participants who benefited from this intervention.¹²

UK Pilot Project

In 1994, the Early Identification Pilot was tested in seven employment service Jobcentres in the United Kingdom.¹³ The purpose of the pilot was to establish the potential for identifying at the new-claim stage those clients who may benefit from additional assistance in finding a job. The analysis centered on the accuracy of an early identification process in predicting how long a client remains on the register. Two measures of long-term unemployment were used: (1) the duration of a client's claim and (2) which clients would still be on the unemployment insurance register after twelve months. The basic difference in the outcomes is the statistical approach pursued to estimate each event. A survival function was used to predict the duration of unemployment, while a logit model was used to predict the probability of remaining on the register after twelve months. The models were estimated using the following factors: (1) office, (2) type of accommodation, such as owner-occupied or rental, (3) sex and (4) expectation of finding work and knowledge of the local labour market.

The model was tested at seven local employment offices. At the end of twelve months, 18% of the original claims were still registered. Results from the duration model showed that owner-occupiers were more likely to remain on the register than those in other types of accommodation. Also, the length of time on the register varied by office and sex. The pilot tested the accuracy of the model by examining the percentage of clients who were still on the register at various segments of the distribution of assigned probabilities. For instance, for those clients with assigned probabilities in the top 10% of the distribution, 35% were still on the register after 12 months. This percentage is roughly twice as high as would be expected if the sample mean of 18% were used. However, after the first decile, the distribution flattens out, diminishing the ability of the model to distinguish between individuals' propensities to remain on the register after 12 months. 28% of the clients selected

from the top 20% of the distribution of assigned probabilities were still on the register after 12 months. The same percentage was found for the top 30% of the distribution.¹⁴ The logit model predicting the likelihood of remaining on the register after 12 months yielded similar comparisons: 35% of the top 10% selected from the distribution were still registered after 12 months. Based on these results, the pilot concluded that the model was not sufficiently robust to be used as an early identification tool.

Conclusion

Several countries have implemented a profiling system to identify individuals who are likely to have long unemployment spells. The identification process is incorporated into a country's existing active labour market programmes as a management tool to allocate resources more efficiently and effectively. Only one country, the United States, relies solely on a statistical model to profile the unemployment insurance beneficiaries. The other countries supplement the statistical model with the judgement and expertise of agency staff, or rely exclusively on staff judgement to classify workers and make referrals.

The U.S. system focuses on unemployment insurance beneficiaries and uses a statistical model to predict the

12 Preparation of this section benefited from conversations with Jaap Abbring of Vrije Universiteit, The Netherlands.

13 Information on the pilot is obtained from the UK Employment Survey report "Early Identification Pilot: Results at Twelve Months", revised April 1996.

14 It is instructive to compare this model with the Michigan model. With the Michigan model, a higher percentage, relative to the sample average, of claimants who were assigned to the top 10% of the distribution exhausted benefits than was the case for the UK model. 61% of Michigan claimants in the top 10% exhausted benefits, which is 2.2 times the sample average. With the UK model, the ratio of the percentage in the top 10% of the distribution who remained on the register for 12 months to the sample average was 1.9. The distribution from both models flattens out in the 20th and 30th decile region, although the Michigan model has a slightly higher percentage of exhaustees in these deciles relative to the sample mean than the UK model: 1.8 compared with 1.5.

likelihood that a claimant will exhaust his or her 26 weeks of benefits and thus is most likely to benefit from reemployment services. The purpose of the system is to encourage unemployed workers who are most in need of reemployment services to use available services as soon as possible. The services are typically short term and relatively inexpensive compared with longer-term training programmes. The system does not necessarily preclude individuals from obtaining services. Individuals can enrol in most services without a referral if slots are available, which is typically the case. Therefore, the predictive power of the model is not as critical as it would be if the statistical model were used to refer individuals to longer-term and more expensive services, and if the model precluded individuals with lower assigned probabilities from using the services. Interim results of the ongoing evaluation of the U.S. system shows that the WPRS is successful in getting services to the long-term unemployed, increasing employment and reducing UI outlays.

The next step for UI profiling in the United States and several other countries is to adopt the Canadian approach of assessing the effectiveness of various programmes for individuals with specific characteristics. Incorporating this information into the profiling and referral system promises to offer a more efficient means of allocating resources and would help countries stretch their limited social service budgets further and reach in-

dividuals who can benefit most from the services.

The success of UI profiling as an effective allocation system has important implications for other government programmes. In the current political climate, particularly in the United States, where entitlements for government services are being scaled back and fewer funds are available for administering programmes, profiling may be seized as an efficient mechanism for allocating services. The new system of public welfare in the United States is a possible candidate for such a model. Many states have adopted a system that offers the same short-term reemployment services to all welfare-to-work participants, regardless of need or likelihood of finding work. Profiling offers a low-cost way of assessing individual needs and referring clients to the appropriate services. A small-scale pilot project is currently under way to test the feasibility of such an approach.

As countries continue to deal with chronic long-term unemployment among displaced workers and low-income residents while coping with tight programme budgets, the success of many active labour market programmes may rest on developing management tools, such as profiling, to allocate resources more effectively and coordinate services more fully. The current integration of profiling into unemployment insurance and reemployment service programmes may lead the way for future uses of this allocation mechanism.

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European Employment Observatory

The aim of the European Employment Observatory is to promote the multilateral exchange of information on labour markets and labour market policies between EU Member States and to produce and disseminate quality analyses and research on relevant issues for employment and labour market policy.

The European employment strategy adopted by the European Council in Essen in December 1994 imposed new demands on the Observatory. In particular, it is expected to contribute effectively to the task of monitoring the progress of labour market reforms that are in line with the common strategic goals.

Following the changes introduced in 1996 to cope with these new challenges and tasks, the Observatory now consists of two networks – MISEP (Mutual Information System on Employment Policies) and SYSDÉM (System of Documentation, Evaluation and Monitoring of Employment Policies) – and a new RESEARCH advisory group.

The main products of the networks, which consist of members of the national labour market administrations (MISEP) and independent researchers (SYSDÉM, RESEARCH) and are administered by a common secretariat, are the following:

inforMISEP Policies

This series reports four times a year on recent labour market policy developments in Member States. Following a summary drawing on the five recommendations for an integrated European employment strategy, the main section of "Policies" consists of the national reports supplied by the correspondents. Since 1993 "Policies" has also included a longer article ("Focus"), which is the responsibility of the Secretariat; "Focus" discusses a labour market or employment policy-related topic and often extends to non-Member States.

Basic Information Reports

These are comprehensive national reports on all EU member countries. They are updated every two years and report on public labour market institutions (ministries and employment services), the statutory bases for labour, labour market and employment policies and, in particular, "active" and "passive" labour market policy measures; details on information and research institutions dealing with employment policy are also provided.

Tableau de bord

The "Tableau de bord" is a synoptic overview of the labour market and employment policy measures implemented by the Member States, classified according to the five policy areas recommended at Essen.

Trends

This main product of the SYSDÉM network appears twice a year and provides a comparative and indepth overview of selected policies and developments in the labour markets of the Member States.

RESEARCH report

The RESEARCH network publishes annually a study of a selected labour market or employment policy topic.

Electronic Documentation System

Large parts of the information contained in the publications are also available on CD-ROM, the ERSEP (Electronic Retrieval System on Employment Policies) database, and are accessible via Internet (address: <http://www.ias-berlin.de>).

