

Employment Observatory

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Developments at a Glance

- Belgium:** With the aim of promoting vocational training, the Belgian government has introduced vocational training cheques for companies with a production location in the Walloon Region and with a workforce of no more than 50 employees. The cheques provide for partial reimbursement of the cost of vocational training courses attended by employees, managers or active partners. – On the basis of a decree issued in September 1998, the Flemish government has now passed legislation for a plan under which private-sector employers recruiting difficult-to-place unemployed persons under a permanent contract or a fixed-term contract of at least one year are entitled to a work-experience grant. – In July 1998, a bill was passed on the equal treatment of women and men in working life in preparation for an independent law which will include provisions for sexual equality in systems of occupational classification and increased scope for monitoring and sanctioning discrimination.
- Germany:** The labour and economy ministries have jointly developed a “Telework Initiative” with the aim of exploiting the employment-creating potential of telework. Obstacles to the diffusion of this new form of work are to be identified and removed, and information offered to those potentially affected in order to promote acceptance.
- Greece:** A new law on employment relations and the establishment of a labour inspectorate contains provisions on such questions as special employment forms, part-time employment, working time, local employment agreements, parental leave and the tasks to be performed by the labour inspectorate.
- Spain:** Studies have shown that, since the labour market reform implemented in 1997, an increasing number of employees have received a permanent employment contract, although the number of workers employed under fixed-term contracts remains high, despite a slight decline. – The National Action Plan (NAP) for employment has accorded top priority to those measures aiming to raise female employment rates and counter discrimination against women in terms of pay, recruitment and access to executive positions.
- France:** Six ANPE staff members spent six months gaining work experience in a German employment office within the framework of a staff exchange scheme agreed between the German and French public employment services. This work experience is now being analysed with a view to examining which German practices could be applied in French employment offices. – In October 1998, the employers’ federation in the textile industry presented a draft branch-level agreement to the social partners in implementation of the law on the reduction in statutory working hours to 35 hours a week; it applies as of 2000 or 2002. The agreement defines the overtime quotas and regulates pay questions and the working time of managerial staff. – A reform of the vocational training system is currently being prepared by the Minister for Employment and Solidarity.
- Italy:** Legal proposals are currently being drawn up at the behest of the labour ministry as a basis for employment promotion measures with which, among other things, firms are to be enabled to emerge from the black economy; a public body is to be set up to supervise and observe firms on the path to legality. – Recently, an agreement was signed between the leading trade union organisations and an employers’ federation (Assindustria) – under a framework agreement reached in 1998 – the aim of which is to promote the reintegration of workers made redundant and the recruitment of the long-term unemployed. – A decree-law published in August 1998 lists local authorities that have been declared crisis areas on the basis of precisely defined conditions. – In the future, non-profit organisations wishing to implement pilot projects, developed jointly with local government, in order to counter social exclusion and develop support services for marginalised groups and those in difficult social situations, will be entitled to financial support from the Fund for Non-profit Initiatives. – Under a two-year pilot project entitled “Minimum Integration Income”, individuals and families threatened with social exclusion are entitled to supplementary income and may participate in individual programmes to promote their social integration. – The Ministry of Industry Trade and Craft has issued precise definitions of the criteria and procedures applying for the provision of capital grants and tax concessions provided within the framework of the law to support entrepreneurial activity by women.
- Netherlands:** The coalition agreement of the new centre-left government sets the creation of paid employment by means of a special employment policy enjoying additional funding as one of the most important goals for the coming four years. – Following a reform of support programmes and their administration, in the spring of 1998 parliament approved the “Reintegration Law” (REA Law), which stimulates the individual responsibility of beneficiaries and offers a comprehensive plan to solve the problems currently experienced by those seeking to return to working life. – Alongside the cooperation units (“Centres for Employment and Income”) being set up throughout the country in cooperation between the local authorities, the public employment service and the social insurance agencies, a new uniform system is to be created to categorise registered jobseekers, in order to be able to evaluate as precisely as possible the labour market chances of each jobseeker. – According to information provided by the Minister for Social Affairs and Employment, by 1 July 1998 more than 30,000 jobs had been created in local authorities and the care sector within the framework of the “Regulation on additional employment for the long-term unemployed” (EWLW).
- Austria:** With the aim of exploiting the new employment potential in the services sector, the labour minister has announced the implementation of a pilot programme entitled “New Start”, for which ATS 150 million has been earmarked, within the framework of the National Action Plan for employment. – In view of rising unemployment among disabled persons, an additional labour market policy measure specifically tailored to the vocational training and integration of this target group has been developed within the context of the National Action Plan for employment. – Also within the framework of the NAP, a territorial employment pact has been put forward for the city of Vienna, under which both labour market and structural policy measures are to be implemented. – In an effort to convert passive labour market policies into more active measures, discussions are currently under way on permitting recipients of unemployment benefits and emergency support to retain their benefit entitlement during all training measures approved by the public employment service.
- Portugal:** Within the framework of an international meeting held in Lisbon in September 1998, the creation of jobs in disadvantaged urban and rural areas was analysed. – During a seminar on underemployment held on the Azores in September 1998, questions relating to its definition and the development of a reliable statistical coverage system were discussed.
- Finland:** The government has presented proposals for a law to protect privacy in working life. Provisions relate to the data on employees collated and stored by employers and on genetic testing during recruitment and the employment relation.
- Sweden:** At the request of the government, the public employment service has conducted a study into the displacement effects of labour market policy measures, the results of which have recently been published. – The results of a recently published study show which channels employers use to select candidates suitable for jobs in both occupational and personal terms and also reveal employer attitudes to recruiting persons from disadvantaged target groups. – A working policy set up by the government has recommended the conclusion of a tripartite agreement that is to promote qualitative and quantitative improvements in job-related skills. – In its most recent budget proposal (October 1998), the government has proposed a new general employment policy target: the employment rate of the working-age population is to be increased to 80% by the year 2004. – An initiative to raise the educational level of the working population, proposed by the government in the autumn of 1997 and targeted primarily at the unemployed, has been shown to be successful. The measure is to run for five years, offering around 600,000 people the opportunity to raise their educational level to the equivalent of an upper secondary qualification.
- United Kingdom:** Data on the New Deal for Youth presented in September 1998 show that more than 23,000 young people have found employment, more than two thirds of them in unsubsidised jobs. – In six pilot areas, a personal advisory service was established in September 1998 for disabled recipients of occupational disability allowances. If it is successful, the programme will be introduced at national level from the year 2000.

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No. 64, Winter 1998

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“Policies” and the Four Pillars of the Luxembourg Guidelines for 1998

The four “pillars” of the “guidelines” for 1998

- I. Improving employability
- II. Developing entrepreneurship
- III. Encouraging adaptability in businesses and their employees
- IV. Strengthening equal opportunities policy

The Presidency Conclusions of the Extraordinary European Council Meeting on Employment held in Luxembourg on 20 and 21 November 1997 contain the employment policy “guidelines” for 1998. They encompass 19 separate policy areas and are grouped in four main lines of action (“pillars”).

As in previous issues of “Policies”, by way of introduction the reported measures from the various Member States will be briefly set in relation to these four pillars.

First, the new measures introduced will be classified. Once again, most of the measures presented in the contributions to this issue aim to improve employability (*Pillar I*). A wage-cost subsidy introduced in the Flanders Region of Belgium aims to improve the chances of people who have been unemployed for more than 36 months by enabling them to gain work and occupational experience, and in doing so facilitating their search for a job in the private sector. In the Walloon Region of Belgium, a system of vocational training cheques has been set up to promote vocational training. It is restricted to companies with up to 50 employees and covers some of the costs incurred by the company for the vocational training courses attended by its employees. In Italy, agreements have been reached between the social partners, within the framework of territorial pacts for areas in the Mezzogiorno, that aim to facilitate the placement of some groups of the unemployed and long-term unemployed or to provide them with training by per-

mitting recruitment under more favourable conditions to employers than would normally apply under collective agreements. In the Netherlands, the coalition agreement of the new government reached in August 1998 envisages a reinforcement of measures to integrate the long-term unemployed and to improve their career chances. As part of the implementation of its National Action Plan for employment (NAP), the Austrian federal government has initiated a pilot programme called “NEW START” that provides for support for all institutions and enterprises offering permanent jobs in the service sector to unemployed persons pre-selected by the Labour Market Service (LMS). A similar aim is emphasised in the third Territorial Employment Act for the City of Vienna, which is supported jointly by the City, the Federal Ministry of Labour, Health and Social Affairs, and the LMS. It has been endowed with financial resources totalling around ATS 750 million, with the help of which both labour market policy goals (i.e. job creation at regional and local levels) and structural policy goals (i.e. reinforcing the positive prospects for employment in the service sector) are to be realised in Vienna, where unemployment is above the Austrian average.

Only a few of the adopted measures reported on from the Member States in this edition aim to stimulate entrepreneurship (*Pillar II*). Particularly noteworthy in this context are political initiatives in Germany and Austria that aim to exploit to the full the scope for creating new jobs. Against the background of the fundamental structural changes associated with the deployment of modern information and communications technologies, Germany has started a so-called “Telework Initiative” in order to exploit the employment potential of this area to a greater extent than has been the case so far. In Austria, the measures mentioned under Pillar I (“NEW START” and “Territorial Employment Act for

the City of Vienna”) form part of initiatives which aim to promote and exploit the employment potential of an expanding service sector. In addition, proposed legislation in Italy to enable firms to emerge from the black economy is also, in a broad sense, to be seen in the light of this Pillar: it is expected that these changes will make a positive contribution to reducing unemployment.

Under Pillar III can be classified a draft agreement on reducing statutory weekly working hours to 35 hours in the French textile industry; it constitutes one example of branch agreements implementing the working-time reduction law (“Loi Aubry”; see inforMISEP “Policies” No. 63, p. 28). Sections of the new Greek legislation to “Regulate employment relations and establish a labour inspectorate” relating to specific forms of employment such as telework and domestic work and certain aspects of part-time work also serve to underpin the modernisation of work organisation. The proposed legislation in Italy to enable firms to emerge from the “black” economy should also be mentioned in this context.

To a greater extent than in previous issues, our correspondents report on numerous measures relating to the goal of promoting equal opportunities (*Pillar IV*). In Belgium, legislation is being proposed on the equal treatment of men and women within social security systems and at the workplace, a step that takes account of EU directives on the burden of proof in cases of sexual discrimination. Within the framework of the implementation of the Spanish National Action Plan for employment, which has set the realisation of the equality of opportunity for women as a specific goal, two new measures have so far been enacted with the aim of promoting both the integration of women into the labour market and stable employment relations for them in occupations and activities where they are under-represented. In Greece, regulations on pa-

“Policies” and the Four Pillars of the Luxembourg Guidelines for 1998

rental leave contained in the above-mentioned law to “Regulate employment relations and establish a labour inspectorate” aim to make it easier for parents to reconcile family and career responsibilities. In the Netherlands, the coalition agreement signed in August 1998 contains proposals for improved child-care facilities.

The goal of promoting the integration of the disabled into working life set out in Pillar IV is taken up by new measures in the Netherlands and Austria. In the Dutch measure, the reintegration of occupationally disabled persons into working life is to be facilitated by means of a trial scheme for a personalised reintegration budget for unemployed partially and entirely occupationally disabled persons. In addition, an increase in the number of places in sheltered employment relations (WSW law) was announced in the coalition agreement of the new Dutch government. In Austria, special measures for the disabled have been extended within the framework of the NAP in the form of active labour market policy measures (“Working Foundation for the Vocational Training of the Disabled”).

In this context, mention should also be made of the “Minimum integration income” introduced by a new decree-law in Italy; in a number of pilot projects at local level, measures are to be taken against poverty and social exclusion for people threatened with economic and social marginalisation.

In addition, non-profit initiatives in Italy are to receive support if they take action to counter social exclusion.

A number of contributions describe recent *trends* in existing labour market and employment policy *programmes*. In the Netherlands, by 1 July 1998 more than 30,000 jobs (each of 32 hours per week) had been created and filled in local authorities and in the public care sector within the framework of the “Regulation on additional employment for the long-term unemployed” (EWLW). A report from Austria provides a summary of expenditure on labour market policy in 1996 and 1997, revealing a shift away from passive and towards active spending between these two years. Quantitative information is also provided on the five-year initiative for adult training (AIE) proposed by the Swedish government in the autumn of 1997, the aim of which is to enable those with only compulsory schooling to undergo training and education up to upper secondary level. Finally, readers are informed of the successes of measures to reduce youth unemployment under the United Kingdom’s “New Deal”.

In addition, some contributions describe *proposed reforms* that are relevant to employment and labour market policy. They include preparations for a reform of vocational training in France as well as the policy measures that aim to increase the number of people in paid employment incorpo-

rated into the coalition agreement of the new Dutch government; various elements of this have been described above in the context of the relevant pillar. Our Swedish correspondent reports on a proposal by a working group to upgrade the vocational skills of the labour force. In October 1998 the Swedish government also proposed a new overall employment target: the employment rate of the 20–64 age group is to rise from 74% in 1997 to 80% in 2004. This is in addition to the goal of halving the unemployment rate to 4% by the year 2000.

Other contributions portray more *general trends* that impact on employment and labour market policy. From Spain, for instance, we have a report on preliminary experiences with the agreement on job security signed by the social partners in April 1997, the aim of which was to make fixed-term employment relations less attractive and permanent employment relations more attractive.

A Dutch report deals with proposals for important organisational changes within the public employment service and in its cooperation with local authorities; the reforms are seen as an important pre-condition for the efficiency of labour market policy, and centre on proposals for a uniform national categorisation of jobseekers based on their perceived chances on the labour market.

Overall Developments

Belgium

Equality between Men and Women at Work

On 17 July 1998, the Council of Ministers approved a legal proposal on equal treatment between men and women at work. This bill brings together and adapts already existing provisions and at the same time introduces a series of new regulations on issues such as the burden of proof in cases of discrimination and gender neutrality in job classification systems.

This is the first time that a law dealing specifically with equal treatment at work has been prepared in Belgium. The new law will permit a clearer view to be taken of the subject of "equal treatment" and will simplify the application of legal provisions. In addition, the bill proposes an extension to existing possibilities of monitoring and imposing sanctions.

New equal treatment fields

The first new area arises out of the transposition of two European directives on supplementary social security regimes (such as pension funds, group insurance schemes and supplementary family allowances). The new bill provides for a complete equality of treatment between men and women for both employees and the self-employed. The provision will enable such practices to be monitored, and cases of discrimination will lead to penal sanctions.

The European directive relating to the change in the burden of proof in cases of sexual discrimination has also been transposed into national law. It is incumbent on the employer to prove that he/she has not violated the principle of equality of treatment. In addition, the new bill foresees that, alongside organisations representing workers and employers, other organisations (provided they

meet certain conditions) will also be able to pursue cases of discrimination against their members before the courts.

Definition of indirect discrimination

The bill will also adapt Belgian law to the European directive banning indirect discrimination. Indirect discrimination exists when a seemingly neutral provision has in reality a more negative impact on one of the two sexes.

Sexual harassment at the workplace is linked to the principle of equal treatment

Sexual harassment at the workplace can be considered a form of sexual discrimination. For workers producing evidence of sexual harassment, legal recourse can be taken on the basis of the law on equal treatment.

Job classification

The new law creates a legal basis to ensure that the systems of job classifications used in enterprises are neutral in terms of gender. The equality of treatment between men and women applies not only to the wage/salary itself, but also to the way in which it is calculated. The social partners will be given time to review these classification systems and to eliminate any cases of discrimination identified. If they fail to do so, legal action may follow.

Greece

New Law Governing Employment Relations and the Establishment of a Labour Inspectorate

On 2 September 1998, the Greek legal gazette published Law 2639 on "Reg-

ulations governing employment relations and the establishment of a Labour Inspectorate".

This law contains provisions on the following aspects of employment relations:

1. Specific forms of employment (telework, domestic work, etc.).
2. Part-time work: Some of the most important provisions on part-time work contained in the new law include a preference for part-time workers when the firm recruits workers for a full-time position, recognition of part-time employment when calculating years of service, the opportunities for part-time workers to participate in the firm's vocational training measures and equal social benefits compared with full-time workers in the firm.
3. Working-time issues.
4. Local employment agreements: in view of the need to promote the development of underdeveloped regions and to expand employment opportunities there, public-sector bodies, local authorities and the social partners are empowered to reach special collective agreements for the execution of concrete projects, the duration and conditions of application of which are to be set out in the agreement.
5. Creation of private job placement agencies. Natural persons and legal entities are permitted to set up private job placement agencies (so-called IGSEs) whose task is to find certain categories of jobs for domestic and foreign workers at the employer's cost. Among the pre-conditions for the setting up of an IGSE required by the new law is that the costs of placement by the IGSE are not borne by the employee.
6. Under the new law, a new body will be set up with the title of "Labour Inspectorate" (SEPE) under the auspices of the Ministry of La-

bour and Social Security. It will be directly accountable to the labour minister. Its main task is to oversee the application of the provisions of labour law and to identify and sanction infringements of labour law and illegal employment. Additional tasks include monitoring workers' social insurance and providing information and advice to employers and employees on the statutory provisions in force.

7. The law also contains regulations on the provision of medical benefits to unemployed persons aged up to 29; as of 1 January 1999, such persons will be able to apply for benefits in kind from the Social Insurance Office (IKA) in case of sickness.
8. Parental leave: a parent employed for at least one year with his/her current employer is entitled to take parental leave to care for the child for the period between the end of maternity leave and the time at which the child is three years and six months old. Each parent may take parental leave for up to three and a half months during this period. No wage or salary is paid during this time. Parental leave is granted by the employer on the basis of a ranking of the workforce in the firm drawn up every calendar year. This ruling also applies to employees in the public sector, legal public-law entities and local authorities and their bodies.

partners in April 1997 (see inforMISEP "Policies" 58, 59 and 60). The agreement did not provide a precise definition of rotation, however. Since the conclusion of the agreement, labour market trends have been heterogeneous in this regard. Although there can be no doubt that the regulations introduced in support of the agreement were the decisive factor behind the growth of permanent employment contracts, changes in other indicators give a rather different impression. This is because the higher stability achieved has been more pronounced in some areas than in others.

Job security is a key theme of the Spanish labour market. It is therefore important to analyse changes in the main indicators in order to understand the impact of labour market reform on employment turnover and stability.

The 1997 reform implemented the following measures with the aim of expanding permanent employment at the cost of fixed-term jobs:

1. Permanent contracts were made more attractive to employers. The overall costs and the uncertainties for the employer implied by permanent contracts were to be reduced with the help of the following measures:
 - clarification of the reasons justifying redundancy for economic reasons;
 - reducing the compensation for illegal dismissal under a new permanent contractual form applying to specific groups of persons;
 - reducing the employer's social insurance contributions during the first two years of the employment contract for persons recruited under permanent employment contracts from specific groups of persons.
2. Fixed-term contracts were made less attractive. Various forms of fixed-term contracts that could be concluded even when the work in question was not fixed-term in nature were abolished. These contracts (fixed-term contracts for employment promotion and con-

tracts within the framework of new activities) were of relatively long duration compared to other forms of fixed-term contract.

The following trends can be observed on the Spanish labour market:

- a rapid increase in dependent employment, both permanent and fixed-term;
- a further decline in exits of permanent employees;
- a marked growth of recruitment under permanent contracts;
- a decline in the average duration of fixed-term employment (due to the abolition of longer-duration contractual forms) and an increase in the number of contracts concluded.

These trends have occurred against the background of a rate of employment growth that has been significantly higher than would be expected from the rate of economic growth. This is evidence of the positive effect of the reform.

Permanent employment contracts

When the reform was introduced, fears were expressed that the new regulations on redundancies would lead to increased rotation among employees working under the new permanent contracts. Yet the available data to March 1998 show that the opposite has been the case.

If the three possibilities for terminating an employment contract considered in the study are added together (mass redundancy proceedings with contract termination, mediation by the authorities leading to agreement on termination, and termination of the contract without appeal), the total for the last 12 months amounts to 210,000 redundancies; this is the lowest annual figure for the 1990s.

Since the reform was introduced, there has been a substantial increase in the number of permanent contracts reported to the public employment service (INEM). In the first 12 months after the reform, almost 1 million contracts were concluded. Prior to the reform the number of contracts did not exceed 370,000 in any year during the 1990s.

Spain

Job Security and the Labour Market Reform of 1997

Reducing the extent of employment turnover (rotation) on the labour market was a prime aim of the agreement on job security signed by the social

Overall Developments

As a result of the increase in permanent contracts and the fall in redundancies, the level of permanent dependent employment rose. This trend is reflected in the Labour Force Survey (LFS), although not to its full extent. In the last available LFS (June 1998), the number of permanent jobs is put at 6,793,100, the highest figure reported since this indicator has been calculated. This represents an increase of 405,000 compared to the second quarter of 1997. It can be concluded from the results of the survey that this increase largely reflects the reduced number of redundancies and, among long-service employees, the conversion of fixed-term into permanent contracts.

70% of the growth in permanent contracts covered by the LFS were among employees who had worked for the employer for more than two years. It may be that the survey failed completely to cover the new contracts reached during the course of the year.

Fixed-term contracts

The labour market reform has not prevented employers from continuing to conclude fixed-term contracts. According to the LFS, between the second quarter of 1997 and June 1998 the number of employees working under fixed-term contracts rose by 135,700. In relative terms, however, the share of fixed-term contracts fell from 33.6% to 33.1%.

Duration of fixed-term contracts

At the same time, it emerges that the average duration of fixed-term contracts has declined. On the one hand, short-duration contracts – less than one month – increased between 1996 and the first five months of 1998 from 49% to 58% of all fixed-term contracts; on the other, the proportion of fixed-term contracts with a duration of more than six months declined from 6% to 3%.

The estimated average duration of fixed-term contracts on conclusion amounted to 90 days in 1995, 81 days in 1996 and 82 days in the first five months of 1997. In the last few months of 1997 and the first months of 1998,

the duration specified at the start of the contract declined to 69 days.

This trend reflects not so much an actual decline in the initially specified duration of the forms of fixed-term employment that continued to exist, but rather the reduced importance of longer-term contracts following the abolition by the reform of fixed-term contracts to promote employment (with an initial average duration of 12 and a half months) and contracts in the context of new areas of activity (average duration: 7 months).

Due to the possibility of extensions, the actual duration of fixed-term contracts is frequently greater than the duration initially specified. Conclusive statements about the duration of fixed-term contracts can therefore only be made once they have terminated. The average duration of completed contracts signed in 1995 is estimated at 152 days, for example, 69% longer than initially stipulated. At 137 days, the figure for 1996 is also 69% longer than the average duration initially agreed. Estimates have not yet been made for 1997 and 1998, as a significant proportion of the contracts signed then are still in force.

Accumulation of contracts by individual workers

Given the short duration of fixed-term contracts, some workers experienced frequent changes of contract. For 1997, the average number of contracts per employee amounted to 1.99, a figure that was 1.87 in 1996 (allowing for those under contract).

Generally speaking, it can be said that the shorter the average duration of a fixed-term contractual form, the greater is the probability that an individual worker will have had several contracts. For instance, 60% of interim employment contracts were concluded with workers who in eight months (between the reform in April 1997 and the LFS in June 1998) had had three or more contracts, albeit not necessarily of the same form or with the same employer. Just 20% of the contracts were concluded with workers who had had no other contract.

On the other hand, 83% of permanent full-time contracts were concluded with persons who had not had another employment contract during these eight months.

Increase in fixed-term contracts

The absolute increase in the number of employees working under fixed-term contracts and the shorter duration of such employment relations led to a steady increase in the number of new contracts signed. During the first five months of 1998, a monthly average of 924,000 contracts were signed, of which 90.5% were fixed-term.

The growth of permanent contracts is difficult to determine from the statistics, as it is usually compared with the sum of all contracts concluded, and there has been a sharp increase in the number of fixed-term contracts since 1993. Yet this was due not so much to greater recourse to such contracts but to the following factors:

- the proportion of all employment contracts that are covered by INEM statistics is steadily increasing. This is due both to changes in regulations and to the efforts made by the public employment service to obtain as much information as possible;
- the legalisation of private employment agencies has revealed employment relations of a very short duration that previously had not been registered;
- as mentioned above, the labour market reform restricted the utilisation of longer-duration fixed-term contracts or abolished such contractual forms, in both cases reducing average duration.

Given that the very short-term employment contracts were registered individually, in a number of areas or occupations, all the contracts reached by one and the same employee in the course of the year were recorded in the statistics.

Does a large number of fixed-term contracts imply higher labour turnover?

The standard practice of considering the number of new contracts without

any allowance for their duration distorts the real importance of fixed-term contracts for employment. In order to consider the overall volume of employment, each contract must be weighted according to its expected duration. Including extensions, the average duration of fixed-term contracts currently being concluded is around three and a half months.

It is more difficult to estimate the expected duration of permanent contracts. Labour market survey data indicate that in recent years an average of 6.5% of permanent employees left the company for various reasons. This figure implies an average contract duration of around 15 years. There does not appear to have been an increase in exits due to redundancies in recent years. Another possibility of establishing the duration of permanent contracts is provided by LFS data that reveal how long an employee has been working for his/her employer under a permanent contract. In the fourth quarter of 1997, 70% had been with the enterprise for more than six years and 39% for more than 15 years. This distribution also implies an average duration of more than 15 years.

It can be concluded that in Spain permanent contracts last 52 times as long as fixed-term contracts. If this ratio between the contract duration of fixed-term and permanent employment relations is maintained, permanent contracts will create far more jobs in future than fixed-term contracts, even if the latter are far greater in quantitative terms. On average, 836,000 fixed-term and 88,000 per-

manent contracts are concluded per month. If contract duration is in line with the previous estimates, every month fixed-term contracts for 87.8 million days (836,000 contracts with an average duration of 105 days) are concluded, compared to 481.8 million days (88,000 contracts with an average duration of 5,475 days) under permanent contracts. Thus only 15% of total contractual working time in the coming years is covered by fixed-term contracts.

These estimates depend, however, on the new permanent contracts created under the framework of the reform exhibiting a similarly higher degree of stability as permanent contracts in the past. Little information is as yet available on this issue. In August 1998, the only month for which data are available, 837 persons applied for unemployment benefits having left permanent first-time contracts signed under the reform. A further 905 benefit applications came from workers whose permanent contracts had been converted from previously fixed-term contracts. This amounts to 0.2% of the permanent contracts reached within the framework of the reform within the space of one month. The total number of terminations is certain to have been higher, however, as not all those whose employment relations are terminated apply for unemployment benefits. Moreover, August is traditionally a quiet month in this regard. Even so, it appears that at present the new contracts are comparable to traditional permanent employment contracts.

Impact on unemployment benefits

Favourable economic trends together with the labour market reform have led to a fall in unemployment and a decline in spending on benefits by the social security system. At the same time, there was a decline in the number of entries from fixed-term employment relations into the contribution-financed social security system, so that in June 1998 one half of entitlements resulted from fixed-term and the other half from permanent contracts. This is the lowest proportion observed in the last 15 years.

This effect can also be observed when entries into the social security system are analysed with respect to the duration of entitlements and previous employment relation.

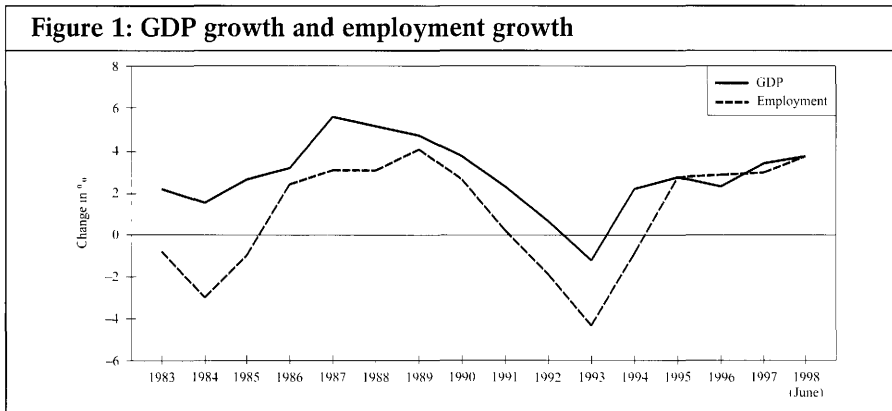
Studies of fixed-term contractual forms that can be converted into permanent contracts show that these contracts, where they are terminated without conversion, generated benefit entitlements of between eight and 12 months. In 1996, 40% of registrations were due to such contracts. This percentage was maintained with some seasonal fluctuations until May 1997; since then, however, the trend has changed. On annual averages, this group of recipients declined as a proportion of all entries by two percentage points.

Conclusions

The labour market reform has meant that more and more Spanish workers now have a permanent employment contract, without any evidence that such contracts are significantly less stable than previously (the number of redundancies continues to decline) or any sign of tensions emerging on the labour market, as in the 1980s (employment growth is high in relation to economic growth).

As can be seen from Figure 1, until the mid-1980s, employment growth was around 3% below that of the GDP, whereas currently, both variables are growing at the same rate.

A large number of employees are still working under fixed-term contracts, despite a slight fall in the overall number. The pace of labour turnover,



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i.e. the frequency with which such workers change job, has increased further for this group of workers.

In terms of future employment, fixed-term contracts are significantly less important than permanent contracts. This is due to their much shorter duration, which accounts for just 2% of that of permanent contracts.

(e.g. the issue of insurance contributions). On the other hand, the legalisation of illegal employment will have a decisive effect on the actual level of unemployment. Given the importance of this topic, further reports will be given once the corresponding legal proposals have passed into law.

Structural improvements have been carried out, but the currently favourable economic climate may change again.

The Constitutive Document of 1998 sees as the most important task of government in the years ahead that of finding a responsible balance between economic forces and protection of the environment, between economic dynamism and social justice, between individual self-realisation and mutual responsibility. Another important task is to bridge the gap between the ever-increasing demands made of employees and the failure to modernise the necessary skills and qualifications of many employees and the (long-term) unemployed. The new cabinet intends to promote a combination of – on the one hand – liberty and the development of individual talents and – on the other – solidarity and mutual responsibility. Thus, economic *élan*, social responsibility and sustainability can exist together. Also, the involvement of citizens can be stimulated and the tide of societal fragmentation stemmed.

According to the preface, a vital economy is essential as a basis for employment and prosperity. At this point in time, the performance of the Dutch economy is outstanding, thanks to the efforts and quality of entrepreneurs and employees and a government policy directed at economic dynamism and financial solidity. Nevertheless, there are still serious shortcomings, both in fiscal-economic and social terms. In the years ahead, attention will again be focused on the necessary growth of employment, innovation of the economy, investment in the environment and care of social groups at risk. These aims converge in what is sometimes called the “polder model”.

A strong economy demands substantial investment in the physical, economic and knowledge infrastructures. Working together is one of the most important factors binding people. Therefore it will be necessary to create sufficient employment for the great number of people who wish to participate in the labour market. The

Italy

“Emersion” of Illegal Employment

A number of legal proposals which relate to employment promotion measures that are to form part of the next budget law are currently being prepared by labour ministry officials. Among them are a number of measures aiming to legalise unofficial economic activity: “black” work.

Without going into the details of the law, which is still in preparation, a number of issues can be highlighted. The first task is to create a public body that exercises the required control and accompanies firms’ transition from illegal to legal employment.

One area in which intervention will probably be required is employment contracts, which will gradually, as part of a staged process, have to be adjusted to meet collectively agreed minimum standards. Additional questions that need to be resolved are the payment of social insurance contributions for employees for the period of illegal employment and the question of tax payments and auditing. An additional important aspect that requires examination relates to an amnesty or legal protection for those firms that decide to normalise their situation, in order to preclude the risk of disputes or legal claims by the employees. A further important aspect relates to the adjustment periods regarding security provisions in these companies.

Thus, a whole range of difficult and costly questions needs to be resolved

Netherlands

Policy Initiatives of the New Netherlands Government

In August 1998, a new cabinet was presented to the Dutch parliament. After about three months of discussions and negotiations, the Social Democrats (PvdA) and the left- and right-wing Liberals (D66 and VVD) reached an agreement regarding the *Constitutive Document* for a new “purple” coalition cabinet. This document has paved the way for the second “lib-lab” cabinet led by Prime Minister Wim Kok. The Constitutive Document (some 100 pages) describes general policy aims as well as the more concrete policy initiatives the new government has agreed to take in the next four years. The following paragraphs contain a summary of the policy aims and the proposed new policy measures in the area of employment.

Policy aims

The “preface” of the Constitutive Document starts by stating that the Netherlands can enter the next century with confidence. The country has a strong economy, an elaborate social security system and a culture of freedom, responsibility, tolerance and solidarity. The central aims of the last government’s Constitutive Document of 1994 (i.e. to create employment and rebalance the welfare state) have largely been realised. However, the preface goes on, we should take care not to become sluggish or self-satis-

new government expects that – in addition to dependent employment – work will also increasingly be found in entrepreneurial activities.

The vitality of a society will be determined by the degree to which individual citizens and groups in the population are prepared – and in a position – to participate in economic and social organisations and structures. By far the majority of the population has no problems in this respect. They are well educated, active in employment, receive a satisfactory to good income, and are healthy and well integrated into society. However, too many people in the country do not – or do not sufficiently – enjoy such a situation. Because of lack of education, low labour productivity or bad health, they cannot live up to the ever-increasing demands of working life and have become marginalised. Consequently, they often become socially excluded as well.

The present government considers it a central task to either prevent or bring to an end this type of social disadvantage. At the same time, it believes that individuals should be stimulated and offered possibilities to contribute to this end themselves as well. In this respect, the policy of the first “purple” cabinet (1994–1998) will be continued. Social programmes and facilities have already become more oriented towards activation to stimulate benefit recipients to participate in the labour market and thus to reduce the risk of exclusion. However, these programmes will initially remain solidarity-based in order to help those who are not yet capable of succeeding in life on the basis of personal strength. The government will try to find the right balance between personal responsibility and self-management (for the socially disadvantaged as well) and a collective responsibility for those who are really in need of support.

Proposed policy measures

The paragraph on “Financial-economic policies and the budgetary framework” of the Constitutive Document considers an increase in the number of people in paid employment as one of the spearheads of the policies of the

new cabinet. In line with this, some major policy expansions for the next four years have been put forward. These will be elaborated in the following areas:

The participation in employment of those in an unfavourable labour market situation will be increased by means of *specific employment policies*. The budget line for these policies will cumulatively increase over the next four years by approx. NLG 250 million per year (i.e. an additional NLG 950 million by 2002).

Some 21% of the additional funding will be used to increase the number of sheltered workshop placements (cf. WSW Act) in order to offer more occupationally disabled people a chance to enter employment.

Approximately 42% of the extra resources (i.e. NLG 400 million) are intended to increase the number of additional jobs in the public sector under the EWLW programme from 40,000 to 60,000 by 2002. Thus, the EWLW programme for the long-term unemployed will be continued and extended (also see article on page 17). And for a specified number of EWLW participants, the possibility will be created to move up into higher-qualified jobs (the so-called “flow jobs”) within the framework of the programme. These flow jobs can be paid at up to 150% of the statutory minimum wage.

Some 26% of the additional budget has been earmarked to realise the so-called “offer for all (long-term) unemployed” (NLG 250 million) in accordance with EU Directive 2. The scheduled budget for the “offer for all (long-term) unemployed” may even increase because of additional ESF funds. The intention is to realise a coherent set of measures aimed at providing training, work experience and integration into employment.

Some 11% of the policy expansions regarding specific employment policies will be in the area of improving working conditions in enterprises (in order to prevent sickness, absenteeism and disability).

To further increase labour force participation, an additional financial impetus will be given to child-care

facilities. The capacity of these facilities will be extended in order to accommodate the growing demand for child care. The state subsidies for child care will increase gradually (but on a structural basis), requiring additional funding of NLG 250 million in the year 2002. In addition, fiscal measures (NLG 150 million on a structural basis) will be taken with the intention of lowering the threshold to parents for paid child care and stimulating employers to provide child-care facilities for their employees.

In order to realise the ambitions of the new government concerning policy expansions, reductions of tax and social security contributions, and the lowering of budget deficits, the Constitutive Document has also announced a set of cutbacks. These focus essentially on more effectiveness in the government sector and the social security agencies (i.e. implementing bodies). The cuts also stem in part from policy expansions.

Some of the cutbacks – especially those relevant with respect to employment and labour market policies – are:

- Government departments will have to slim down their personnel volume by approx. 5% before the year 2002.
- The realisation of the “Centres for Work and Income” (CWIs) (also see article on page 14) and the accompanying changes in the organisation of training and counselling activities (including more contracting out of these activities) are expected to increase efficiency and will therefore lead to cuts in the government grant to the Public Employment Service (structurally NLG 90 million in 2002).
- The financial responsibility for carrying out the National Assistance Act (ABW) will be shifted away from central government towards the local communities. This is expected to create an incentive for local communities to reinforce their activation policies regarding social assistance beneficiaries (possible savings: NLG 500 million in 2002).
- Reduction of the inflow into and increase of outflow from the Disa-

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- bility Insurance Act (WAO) by paying more attention to preventive policies and reintegration (on the basis of the REA Act 1998), more frequent assessments of disability and qualitative improvements in the assessment procedures (structurally NLG 300 million in 2002).
- Reduction of waiting lists/waiting time in the care sector. As a consequence, this will lead to less outlays under the Sickness Benefits Acts (ZW) and the Disability Insurance Act (WAO) (structurally NLG 200 million in 2002).
 - Strengthening activation policies in the Unemployment Insurance Act (WW) in order to promote the labour force participation of older workers. A decline of the WW volume is expected from an increase in the financial interest of employers, from changes in the years-of-service stipulations, from a more strict implementation of sanctions policies and from a change in the regulation regarding suitable employment for ageing workers (structurally NLG 100 million in 2002).
 - A decline in the volumes of the National Assistance Act (ABW) and the Disability Insurance Act (WAO) due to intensification of the sheltered workshop programme (WSW).

Finland

Law on the Protection of Privacy in Working Life

Along with the continuous progress in information technology and biotechnology, the risks of inappropriate use of personal data in working life have increased significantly. The Finnish government intends to counter this trend by introducing legislation on the protection of privacy in working life (Government Proposal 121/1998).

The proposed law on the protection of privacy in working life would apply to all employment relationships. Under this law, the employer would be allowed to collect and register personal data only where this is necessary with regard to the employment relationship of the employee. It would not be possible to deviate from this requirement even with the consent of the employee. When testing the employee, the employer should aim at using reliable testing methods.

The use of genetic tests when hiring new employees or during the employment relationship would be prohibited, unless permission is given by the National Board of Medico-legal Affairs.

The personal data concerning an employee should be collected primarily from the employee him- or herself. The employer should notify the employee about further data collected about the employee. Only those persons whose duties make it necessary should handle the personal data of the employees.

The employer would be entitled to handle data on employees' health only in cases based on law or on collective agreements for civil servants and other state employees. Only persons who make decisions on the basis of the health data regarding the employment relationship or who prepare such decisions would be allowed to handle the health data on the employees.

The law would supplement the provisions of the Personal Data Act concerning the handling of personal data. This latter law will be enacted simultaneously with the first. The bill aims at implementing, as far as working life is concerned, the Data Protection Directive (95/46/EC) issued by the European Parliament and the Council of Europe. It also takes into consideration the reform of 1995 concerning the provisions on fundamental rights included in the Constitution Act of Finland. The reform provides for more precise provisions on the legal protection of personal data.

The legislation on codetermination would be revised to the effect that the codetermination procedure would

also cover the collection of personal data during the employment relationship, as well as the purpose, introduction and methods of technical control of the personnel.

The occupational safety authorities and the Data Protection Ombudsman would jointly monitor the enforcement of the proposed law. Disregard for the provisions of the law, whether deliberately or through neglect, would be punishable.

The proposed laws are to enter into force by 24 October 1998, which is the deadline set for the national implementation of the EU Data Protection Directive.

Sweden

Proposal for a New Employment Target

In the latest budget bill, which was presented to parliament on 13 October 1998, the Swedish government proposed a new overall objective for employment, an objective that will complement the existing unemployment goal of halving the open unemployment rate to 4% by the end of the year 2000.

The unemployment rate has fallen rapidly during the last 12 months, from more than 8% in the summer of 1997 to slightly above 6% in the summer of 1998. This positive development in the labour market is partly due to the Adult Education Initiative, but also to an overall increase in the demand for labour.

Against the background of this positive development, the Swedish government has named as its target an increase in the employment rate among 20–64 year-olds from 74% in 1997 to 80% in the year 2004. This goal does not replace the goal of halving the open unemployment rate to 4% in the year 2000. On the contrary,

it is a complementary objective. To fulfil the employment goal by the year 2004, the number of employed must increase by about 55,000 people every year until the year 2004. This corresponds to an annual employment growth of around 1–1.5%.

The implication of the new objective for employment is that policy

emphasis will be put to a greater extent on how to stimulate and facilitate economic growth and thereby employment growth. This development is supported by a well-functioning education system and an active labour market policy. This implies, among other things, that active labour market policy will concentrate even more on

labour market training, with the aim of eliminating bottlenecks in the labour market. Furthermore, the policy must seek to foster a culture of entrepreneurship, which implies, among other things, a tax system designed to support entrepreneurs and economic growth.

Placement and Vocational Guidance

France

Exchanges of Staff between Employment Services

In 1998 a first trial exchange of staff took place between the French and the German public employment services (the ANPE and the BA, respectively).

Each of the national services selected six staff members and seconded them to an employment office located on the other side of the border between 2 May and 30 October 1998.

At a meeting between the President of the BA and the Director General of the ANPE, the two heads of the public employment services took the decision to go beyond theoretical exchange measures and short-stop exchanges and to inaugurate staff exchanges of six staff members for a period of six months.

In the case of the ANPE, the Human Resource department worked hand in hand with the International Relations department in order to work out the practical conditions required, select the candidates and overcome all of the logistical problems involved (cost of double residence, social security coverage, information, prior training, etc.).

Selection

Immediately after a notice appeared calling for candidates, a flood of telephone calls requesting additional information were received. Around 50 written applications were made, of which 30 were initially chosen on the basis of the occupational experience of the applicants and the reasons given for wishing to participate.

Following a language test given by a colleague from the BA, the final selection of the French team was made from 13 well-founded applications. It took into account the problems associated with posts of too high a degree of specialisation, in which German colleagues could not have been placed.

The reasons most frequently given for participating in the exchange were the desire to get to know good practices, to try them out and to study them with a view to possible adoption in France. The candidates proved to be supporters of the idea of a more closely integrated labour market in Europe.

Information and training

The six French staff members participated in a two-day seminar a few days before leaving the country. The seminar was given by a French woman who had worked for the BA for seven years. This pre-training, conducted entirely in German, aimed to prepare

the advisors and principal advisors for their six-month stay in Germany, provide basic knowledge of working for the German public employment service (work certificate, curriculum vitae, etc.) and familiarise them with the specific German vocabulary.

Subsequently, the six French and six German staff members were brought together for one week in order to explain to their counterparts their respective professional environment.

During these four days together, each staff member gave talks in his/her language on subjects such as the socioeconomic and political environment, the organisation of the public employment service, the services rendered to jobseekers and employers, the organisation of a local employment office, the job performed by each person, etc. Specialist terms were explained during the presentations.

The stay in the guest country

On 8 May 1998, the staff members took up their posts in the host country.

Following practical training lasting between one and two months (new computer system, detailed information on the tasks to be performed, getting to know colleagues) and adaptation to the new working environment, each had developed his/her op-

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erational capacity to such an extent as to be in a position to effectively fill the post.

At the end of their six-month stay, each ANPE staff member had to write a report on a given topic. The aim is to gain as much information as possible and to seek to make fruitful the good practices of our German colleagues. The International Relations department will analyse the reports by the French staff and will also take into consideration the opinions and possible criticisms of French practices made by the six German colleagues during their six months in France, all with the aim of improving the ANPE's operational network.

Follow-up

This first experience is likely to be repeated in 1999. Negotiations with other European countries are already under way.

from all the parties in order to reach the agreements on cooperation which the government wishes to have completed before the end of 1998.

The memorandum also lays down that there will be a uniform, nationally applicable system of categorising registered jobseekers (the so-called "*meetlat*"). This system intends to assess the chances of jobseekers on the labour market as equitably and objectively as possible. The *meetlat* system will be developed by the Public Employment Service, the National Institute of Social Insurances (Lisv) and the Association of Dutch Local Communities (VNG). Thereafter, it will be formalised by ministerial regulation and is scheduled to become effective on 1 January 1999.

The new system of assessment will relate to the so-called "phases model" developed at an earlier stage by the Steering group "Cooperation for Work and Income" (SWI). This model enables a jobseeker's labour market position to be assessed in terms of four phases.

Phase 1 means a person is ready to find a job on the labour market ("*direct bemiddelbaar*"). To this end, the jobseeker may use, for instance, the following services: information, counselling and referral to existing vacancies.

In Phase 2, the jobseeker needs "some improvement" in order to stand a good chance of finding work. He/she is expected to have "a distance to the labour market" of at most one year. With the help of, for instance, job application training or professional reorientation training, the person should be able to (re-)enter into paid employment within one year.

Those categorised in Phase 3 will need "extensive improvement". They are considered to be not placeable into employment for at least one year, and require, for instance, intensive training and counselling and application of the instruments of the Jobseekers Employment Act (WIW).

Persons classified under Phase 4 "hardly stand a chance" of finding employment due to serious personal

handicaps which prohibit finding work within the foreseeable future. They can avail of certain forms of activation, support or care in order to again develop a realistic prospect of gaining work.

The labour market position of a jobseeker will be periodically reassessed. This may also lead to a readjustment of the categorisation according to the "4 phases model".

The categorisation into phases will be elaborated by the implementing bodies into a concrete, practice-related method of categorising jobseekers. In addition, agreements will have to be reached on a procedure for the treatment of complaints regarding the outcome of the classification. A possible solution could be the establishment of a committee on complaints. This committee would have to judge whether classifications have been reached with due care.

Netherlands

Cooperation between Local Communities, Employment Services and Social Security Agencies at the Regional Level

During 1998, units of cooperation between local communities, employment services (PES) and social security agencies are being established in all regions of the Netherlands. But the pace and intensity of creating the 220 so-called "Centres for Work and Income" (CWIs) differ sharply by region.

This can be inferred from a memorandum of the Minister and State Secretary of Social Affairs and Employment to parliament. The memorandum concludes that the process of cooperation shows adequate progress, but that some effort is still required

Sweden

Attitudes among Employers towards Different Groups of Job Applicants

An Employment Service report published recently studied the opinions of employers concerning the possibilities of finding, through the Swedish Employment Service, informal contacts or advertisements in the daily press, job applicants with the *right* post-secondary qualifications, the *right* vocational training and the *right* experience who also "fit in" socially. The relative speed of these different recruitment channels was also considered. The strength of the Employment Service, in the employers' opinion, lies in quickly finding job applicants with the right vocational training. Informal contacts are also good for finding applicants quickly, as well as applicants who fit in socially. The biggest

advantage of advertising in the daily press is the possibility of finding job applicants with the right post-secondary education. The Employment Service, however, is consistently rated as being inferior to both informal contacts and advertising in the daily press. There may be many reasons for this. It may be that the selection of suitable candidates offered by the Employment Service is considered inferior to the applicants whom employers are able to reach by other search methods. If so, perhaps the Employment Service should also try to attract groups who do not normally get in touch with the service when looking for jobs, for example, those looking for a change of employment. The reason may also be mistaken ideas about the Employment Service, based on rumours and prejudice, in which case the solution may lie in closer contacts between the Employment Service and business.

Another purpose of the report is to study employers' attitudes to hiring job applicants who have been particularly disadvantaged on the labour market during the 1990s: applicants who have been unemployed for a considerable length of time, those from immigrant backgrounds, those aged over 55 and applicants with occupational disabilities. Here we find that employers are most negative towards applicants aged over 55, followed by those who have been unemployed for a considerable length of time. They

are most positive towards applicants with immigrant backgrounds. We also looked for a connection between employers' attitudes to hiring the different groups and the sector in which a business is involved. Here it was found that representatives of the private service sector especially, but also of industry, are more negative towards these groups than is the case in the public service sector. Since labour demand appears to be higher in the private service sector, there is a serious problem if employers in that sector tend more than other sectors to use age, occupational disability, length of unemployment, etc., as selection criteria. This may be an effect of what is termed statistical discrimination, i.e. employers assess job applicants according to the group to which they belong. Increased communication between employers and the Employment Service can serve to prevent this, with the Employment Service, for example, helping by supplying employers with the information they need about the job applicants, so that job applicants from the disadvantaged groups can be assessed purely on their own merits.

The study also shows the value that employers put on job applicants who have taken part in an employment training programme, as compared with job applicants who have been unemployed for the same period. Upwards of 30% would hire the appli-

cant who had taken part in employment training, which suggests that many employers rate employment training participation higher than unemployment. Upwards of 40% were indifferent and took the view that both candidates ranked equally, while very few employers preferred to hire someone who had been unemployed. A similar conclusion also applies as regards other labour market policy programmes.

The report also shows how many months a person has to be unemployed before employers consider him or her less suitable for a job. Generally, the percentage of employers considering applicants less suitable increases with the duration of unemployment. Where brief periods of unemployment – especially up to three months – are involved, however, there is very little risk that unemployed job applicants will be considered less suitable merely on account of their being unemployed. Periods of up to half a year's unemployment also entail little risk. This, in turn, prompts an interesting and important question which has not been studied more closely in evaluation studies of labour market policy: when should a policy programme or other intervention take place? Judging from employers' assessments of unemployed job applicants, perhaps no one should be referred to a programme until six months have passed.

Job Creation

Belgium

Flanders Region: Work Experience Grant

The Flemish government has recently approved a plan that aims to improve the opportunities for the long-term unemployed of finding employment in the private sector by enabling them to gain additional work experience (*WEP privé plan*). It supplements the measures already in existence which each year offer employment in the public sector for around 6,000 people (cf. BIR B-v.1 and 2). The statutory basis for this plan is provided by a decree issued by the Flemish government on 1 September 1998 (Moniteur belge, 30.9.1998).

This decree provides for a wage-cost subsidy for difficult-to-place unemployed persons who are recruited under an employment contract and whose monthly working hours correspond to at least half of the full-time working regime. The financial support is available for up to one year.

The plan is aimed at commercial, private-sector employers: public-sector employers and non-profit organisations are excluded from the field of application of this measure.

In order to be classified as difficult to place, unemployed persons must meet the following two conditions:

- they must be entitled to participate in the Recruitment Promotion Plan (plan avantage à l'embauche: cf. BIR B-v.8), and
- they must have been registered as unemployed at the time of recruitment for at least 36 months.

An employer recruiting such an unemployed person under a permanent employment contract or a fixed-term contract of at least one year's duration is entitled to claim the work experience grant. The level of the grant per month is determined as follows:

- for a working-time regime corresponding to at least half of normal working hours:
 - unemployment period between 36 and 48 months: BEF 5,000;
 - unemployment period between 48 and 60 months: BEF 10,000;
 - unemployment period exceeding 60 months: BEF 19,000.
- for a working-time regime corresponding to at least 4/5 of normal working hours:
 - unemployment period between 36 and 48 months: BEF 8,000;
 - unemployment period between 48 and 60 months: BEF 16,000;
 - unemployment period exceeding 60 months: BEF 18,000.

The Flemish government decree also foresees the provision of a "guidance grant" (*prime à l'accompagnement*). The aim of this guidance is to improve the worker's employability with the help of an individualised guidance plan. The employer may submit an application to an organisation offering guidance (the Flemish public employment service [VDAB] or another approved organisation). A grant of up to BEF 50,000 per employed worker may be allocated to cover the cost of the aid provided by the guidance organisation.

The grants may not be combined with other wage-cost subsidies, with the exception of reductions in employer social insurance contributions and financial support under the Recruitment Promotion Plan (cf. BIR B-v.8).

- The grant may be suspended if:
- clear and confirmed suspicions exist that an employer has dismissed one or more workers with the intention of replacing them by one or more jobseekers for which he or she is entitled to claim the grant;
 - the employer fails to respect the regulations applying to pay and other working conditions.

BEF 350 million have been earmarked for the implementation of the measure.

Germany

Telework Initiative

The world of work is undergoing far-reaching structural changes resulting from the explosive developments in electronic media and the associated increase in the use of modern information and communications technologies. Telework is increasingly recognised in Germany, as in other countries, as a modern form of work that exploits these technological opportunities and that will become increasingly important in the coming years. Various studies have shown that substantial interest exists on the part of both employees and employers in this form of work, which in other countries, such as the USA and Great Britain, is already a part of normal working life to a far greater degree than in Germany.

Against this background, the federal ministries of labour and of the economy have developed a "Telework Initiative". The aims of this initiative are:

- to send out a clear signal that the advantages and opportunities of teleworking should be increasingly utilised in Germany, in order to fully exploit its employment-creating potential;
- to implement concrete measures with the aim of identifying and overcoming existing barriers;
- to provide information to and raise awareness among those potentially affected (employers, employees, self-employed) in order to increase acceptance of this form of work.

The initiative draws together a number of separate measures that come under the responsibility of the two government departments. The measures range from initiating an information and motivation campaign to supporting telework projects

through the programme "Telework in SMEs", initiated by the Federal Ministry of Research and within the framework of regional policy, to taking steps to remove legal uncertainty surrounding telework.

As part of a range of advisory services within the Telework Initiative, the labour, economics and research ministries have published a joint brochure, in cooperation with Deutsche Telekom (the former public phone company), entitled "Telework – A Practical guide" (*Telearbeit – Ein Leitfaden für die Praxis*). The guide is targeted at employers and employees in both the private and public sectors. It offers answers to technical, economic, organisational, legal and fiscal questions relating to preparations for and the introduction of telework. Using real-world examples, checklists and model plant-level agreements, the brochure provides concrete assistance in setting up jobs based on telework.

The German government is convinced that telework is a form of work that will be of increasing importance in the future, but the potential of which has so far not been fully exploited. According to a recent study by the Fraunhofer Institute, there are currently around 850,000 teleworkers in Germany, 500,000 of them in the form of mobile telework. The aim of the guide is to overcome barriers to the introduction of telework, particularly in small and medium-sized enterprises, and thus to increase acceptance of this form of work.

If properly conceived, telework can offer advantages to all those involved: firms can benefit from higher productivity, more flexible working time, the recruitment and retention of highly skilled workers, and reduced costs, for instance of office space; employees can allocate their working hours more freely and avoid long, time-consuming journeys to and from work. Telework is particularly attractive to those tied to the home by the need to care for children or dependants, but who wish to remain in work or to re-enter the labour market.

The studies and projects conducted so far within the framework of the

Telework Initiative show that telework can make a significant contribution to maintaining and creating employment in Germany.

Italy

Territorial Pact: Agreement on Flexibility in Some Areas of the Mezzogiorno

On 29 July 1998, the framework agreement for the so-called "Cratere Industrial Zones" in the Provinces of Avellino and Salerno was reached. The aim of the framework agreement is to facilitate the signing of local regional development contracts. It concerns around twenty industrial zones that have a well-developed infrastructure in southern Italy.

The aim is to achieve a degree of standardisation and uniformity in the industrial reconstruction of the areas affected by the earthquake in 1980, and where possible to coordinate the implementation of the various initiatives. In terms of employment, the agreements calls on the social partners to reach additional agreements on greater flexibility in order to offer firms broadly homogeneous conditions with respect to decisions on locations for investment.

In this context, an agreement was recently signed between the most important trade union confederations at national level (CGIL, CISL and UIL) and, on the employers' side, "Assindustria". This agreement aims to promote the reintegration of workers who have lost their jobs (recipients of benefits from the wage-compensation funds, workers on the mobility lists and workers performing community work) and the recruitment of the long-term unemployed. The long-term unemployed are recruited at a level two pay groups lower than that corre-

sponding to the skill profile of these jobs. After 36 months, the employment contract is converted into a permanent employment contract.

Recipients of benefits from the wage-compensation funds, workers on the mobility lists and workers performing community work are recruited at a level two pay groups lower than normal. After one year, the normal collectively agreed conditions apply. In addition, those workers lacking the qualifications required will be able to attend the necessary retraining or further training measures. In such a case, their pay group will be two groups below the normal level for a period of two years.

The agreement also makes provision for a suspension of the contract in terms of wage trends: employees will not benefit from any wage increases resulting from enterprise-level collective agreements. They will benefit, on the other hand, from the general rules set out in employment contracts and from any improvement in working conditions resulting from national collective agreements.

The agreement also stipulates the pay conditions applying to trainees. Trainees are to receive 60% of the standard wage in the first year, 80% in the following two years, and in their fourth year the normal wage.

Netherlands

More than 30,000 Jobs under the EWLW Regulation

By 1 July 1998, local communities and the care sector had managed to realise and fill a total of 30,219 jobs (each of 32 hours per week) under the "Regulation Additional Employment for the Long-Term Unemployed" (EWLW). Local communities were able to realise 20,179 jobs; the care sector,

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10,040 jobs. This information was recently presented to parliament by the Minister of Social Affairs and Employment.

In the second quarter of 1998, the number of filled jobs increased by approx. 2,200 (61% in local communities and 39% in the care sector). By 1 July 1998, slightly over 75% of the originally planned 40,000 jobs – which were to be realised before the end of 1998 – had been created. The financing of these EWLW jobs is on a structural basis and will be continued after 1998.

The 30,219 jobs are occupied by 29,624 persons. The difference between the number of jobs and the number of persons can be explained, amongst other factors, by the fact that some EWLW participants have to work more than 32 hours per week in order to get out of a benefit situation.

- environmental protection;
- care, health-related and domestic occupations;
- culture and communication, new technologies;
- social work in a broad sense (e.g. guidance services for young people, care for the elderly, etc.);
- repair, maintenance and recycling work.

Within the framework of the National Action Plan for employment (NAP), the federal government has stipulated that new employment opportunities in the service sector, that so far have failed to appear to any significant degree on the market, are to be opened up. As part of the implementation of the NAP, the Federal Ministry of Labour, Health and Social Affairs has initiated a pilot scheme entitled NEW START, the aims of which are:

- to incorporate new jobs in the service sector into market reality;
- offer the unemployed an integration path into working life that is long term in orientation and stable;
- provide an impetus for the creation of attractive, innovative and stable employment; and
- open up additional scope for the placement activities of the Labour Market Service.

The NEW START pilot scheme will have a budget of ATS 150 million. Support will be open to all institutions and enterprises that offer permanent employment contracts to unemployed persons pre-selected by the Labour Market Service. The level of support ranges from ATS 150,000 to 300,000, depending on the job, whereby the total of direct and indirect wage costs may not be exceeded. Part-time jobs are eligible for support. The duration of support is restricted to a maximum of one year. There is no possibility of an extension. It is assumed that local authorities will participate in financing and employers will bear a share of the costs, although this is not a necessary condition. Within the framework of the pilot project, around 800 permanent jobs are initially to be established.

The pilot scheme will be implemented by the Federal Ministry of Labour, Health and Social Affairs, which in turn has commissioned the Austrian Study Advice Society (ÖSB) with practical execution. All projects that meet the criteria set out in the accompanying guidelines are eligible for support. The criteria include permanent employment contract, respect for prevailing legal requirements in terms of social security, labour law and pay, contribution to opening up market, preclusion of substitution to prevent displacement, and innovative character. Acceptance of an application for support is given by the Federal Ministry of Labour, Health and Social Affairs.

Participants in the pilot project are “activated” by means of a four-week, public invitation-to-tender phase (including Internet access), initially in the cities of Vienna, Graz and Linz, in order to generate a stock of project applications ready for implementation as quickly as possible. In the event that the earmarked financial framework cannot be fully utilised, an additional invitation to tender will be made, possibly widening the geographical scope. In either case, the aim is to create a basis for a subsequent generalisation of the scheme.

Project participants must, following acceptance of their application, report the job in question to the Labour Market Service, filling the vacancy from among the stock of pre-selected unemployed (at the time of the invitation to tender). Special target-group-specific restrictions on the unemployed persons will not be imposed.

The corresponding ministerial decrees have already been drawn up; preparations are currently under way for the invitation to tender.

Austria

Opening up New Service Occupations in the Field of Non-market Employment – The NEW START Pilot Programme

The process of economic structural change towards a service society can be potentially expected to generate a substantial number of new jobs, according to both Austrian and international studies of this subject. So far this potential has only been exploited to a limited extent, however, because the jobs cannot (yet) be financed by corresponding market earnings. Experience in Austria and other countries suggests that it is possible to establish such forms of employment on the labour market by providing initial financing. Such work can be performed in:

Austria

The Territorial Employment Pact for Vienna within the Framework of the National Action Plan for Employment

In its National Action Plan for employment (NAP), the Austrian government has set itself the target of creating a total of 100,000 additional jobs by 2002 and of reducing unemployment.

This target is explicitly formulated in the NAP:

“This target can only be achieved by means of a comprehensive and coordinated overall employment policy strategy. The measures taken by the administration and the legislator at all levels should be examined wherever possible with regard to their impact on employment. The employment policy can only be successful if it receives support from all the relevant policy areas and in particular from the social partners and regional and local governments. Not least this requires a corresponding participation in employment promotion by all public legal bodies in both organisational and financial terms. In order to take account of specific regional characteristics, territorial employment pacts are to be reached with the help of which programmes can be developed at regional level, with the help of the social partners, in order to maximise the effectiveness of employment creation.”

Immediately after the adoption of the NAP in April, the Federal Ministry of Labour, Health and Social Affairs (BMAGS), together with the public employment service (AMS), approached the Federal Chancellor in order to initiate and concretise a new form of cooperation. From the outset, the views expressed by the Vienna city administration were clearest, so that a territorial pact for the capital can now be presented.

The main aims of this new form of cooperation with the federal states are:

- to establish a wide-ranging partnership between regions and local authorities in order to determine the employment-policy difficulties, views and aims of all regional and local actors;
- to deploy all the resources available for a coordinated strategy that is acceptable to the actors involved, is in line with genuine needs, and is set out in a territorial employment pact;
- to ensure better coordination between and targeting of employment-policy activities;
- to implement activities and measures in the form of pilot projects.

The employment pact in Vienna

The Viennese labour market can be characterised as follows: at the end of August 1998, 780,526 persons (418,834 men and 361,692 women) were in employment. This marked an increase of 7,069 (0.9%) on the previous year. The unemployment rate in Vienna was 8.3%, substantially above the Austrian average of 5.9%. Expressed in absolute terms, 70,343 persons (38,956 men and 31,387 women) were registered unemployed in the capital, 4,202 more than in the previous year.

Both labour market and structural policy measures are to be realised within the framework of the project which shall be organised jointly by the City of Vienna, the BMAGS and the AMS, and which has a budget of around ATS 750 million.

The City of Vienna will provide ATS 200 million, a further ATS 200 million will come from the budget set aside for implementing the National Action Plan, and ATS 330 million will be obtained from channelling funds for passive unemployment insurance benefits into active labour market policy (“special integration support”). In addition, the City of Vienna has committed itself under the programme to rigorously examining all its activities with a view to the scope for promoting employment opportunities.

General principles underlying territorial pacts

The principles for developing territorial pacts of relevance throughout Austria are as follows:

1. Additional employment opportunities in the service sector

In the longer term, labour market developments point to positive employment prospects, particularly within the service sector. Alongside producer services, new employment opportunities are likely to develop particularly in personal and social services, not least due to the demographic trend towards an increasing proportion of the elderly in the overall population. This means that ways must be found to transpose this genuine demand for labour services into effective and legal jobs with corresponding pay and working conditions. Here, the federal states will play a central role, as they are responsible for many of these services (child care, health and care services, etc.). Yet given the financial restrictions on the scope for extending such employment opportunities – because of strict limits on central and regional government budgets, the aim must be to open up new paths in the form of public-private partnerships in new and, above all, already existing networks.

2. Creating jobs at regional and local level

Local development and employment initiatives are of increasing importance. Additional employment can be effectively created at regional and local level when local authority investment projects are implemented as part of a conscious policy of improving local structures, setting the basis for ongoing development.

3. Increasing the employment impact of public measures

Public measures exert a significant impact on employment. However, because many of these measures have so far not been – or not prima-

Job Creation

rily been – implemented with a view to their employment effects, policy-makers are often not aware of the importance of their decisions. It is therefore an important aim to ensure that the activities of the administration and the legislator are carefully examined with a view to their employment-policy potential, so as to tap additional job-creation opportunities.

United Kingdom

Further Developments in the “New Deal”

New Deal Statistics

The number of starts under the New Deal for Young People to the end of July 1998 totalled 128,000. Taking into account the 22,800 young people who had already moved off the programme, some 90% of active participants were on the New Deal Gateway, and the remaining 10,300 were on one of the programme's options. Figures published in September reveal that over 23,000 young people have so far secured jobs through New Deal, over two-thirds of which are unsubsidised. A further 8,940 young people are improving their employability through valuable work experience and training on other New Deal options.

On the provider side, more than 25,000 employers have signed up to the New Deal, and in August alone there were 18,000 New Deal jobs on offer. Several major companies, including John Lewis Partnership plc and Goldsmiths Group plc, are due to sign employer agreements shortly.

New Deal options

Of the 16,070 young people who have been on New Deal options so far, over 7,130 went into subsidised jobs by the end of August, and nearly 8,940 have moved on to other options (voluntary sector placement, Environment Task

Force [ETF] or full-time education/training).

The ETF and voluntary sector options are key to the success of New Deal local partnerships, providing high-quality opportunities for participants to improve their employability while at the same time helping the local community. Some 1,000 young people joined the ETF and voluntary sector options in July, and provisional figures show that a further 1,200 joined in August. These partnerships are still in a state of evolution and depend on good communications and dialogue with government. When, for example, voluntary organisations let it be known that the demand-led nature of New Deal was proving a problem, the Department for Education and Employment agreed to provide a proportion of their funding up front to enable them to meet start-up expenditure. It was further agreed that, in certain circumstances, a Guaranteed Minimum Payment would be made so that voluntary organisations can receive payment each month during the first year of their contract.

Ethnic minorities

The overall rate of unemployment amongst Black and Asian minorities is currently twice the level of the rest of the community and three times as high amongst 16–24 year-olds. The extra barriers faced by many members of ethnic minorities are seen as both a moral and an economic concern. One response to the problem is the setting up in September of a new advisory body which will help identify ways to improve employment opportunities for Black and Asian people. The Race Employment and Education Forum (REEF) will play a key role in deciding what action should be taken to improve both the employability of and employment rates amongst ethnic minorities.

The New Deal programme is also helping to tackle this imbalance. Statistics are emerging on the progress of New Deal participants from ethnic minorities who started on the programme in January in the Pathfinder

areas. Although the limited scope of these pilots means that it would be unwise to read too much into these results, early indications are that young people from ethnic minorities are as likely to have obtained unsubsidised jobs as others. Of those on New Deal options, they are somewhat more likely than others to be in the full-time education/training or voluntary sector options, and somewhat less likely to be in the subsidised employment or Environment Task Force options. On the employer side, a drive was announced in September to involve more ethnic minority employers in efforts to cut unemployment. Road shows throughout the country will help ensure that ethnic minority business people, especially those running small and medium-sized businesses, are aware of the benefits offered by the New Deal programme and get involved by taking on jobseekers from their own and other ethnic groups.

New employment service for people with disabilities

A new scheme got underway in six pilot areas around the UK in September 1998, aiming to provide disabled people on incapacity benefits with dedicated help and specialised employment advice. The Personal Adviser service was launched by ministers from the Department for Education and Employment and the Department of Social Security. The service will facilitate access to training and to funds which can help secure any workplace adaptation necessary to support an individual with special needs.

The first six schemes, run by the Employment Service, have a budget of GBP 5 million. A further six pilots will be put out to open tender and are due to start in early 1999. It is thought that more than a quarter of a million people on incapacity benefits will benefit from the schemes when all twelve are running. The government wants to identify best practice from these pilots, which will run for about two years, before finalising a New Deal for Disabled People Personal Adviser Service, to be launched nationally in 2000.

Addressing the skills gap

Recent figures show that 69% of employers in the UK believe that ever more skills are required of the average employee, and that 15% of manufacturing firms expect their output to be limited by a lack of skilled labour (an increase from only 11% a year ago). Elsewhere, the first report of the National Skills Task Force was published in mid-September and called for better coordination, recruitment support for small and medium-sized companies, help with mobility, and a national strategy for skills shortages in areas such as information technology.

Existing policies that address this skills gap include efforts to create a credible and high-status apprentice-

ship system, the setting up of regional development agencies in order to enhance the economic prosperity of each region and to boost local skills training throughout the country, and the recent establishment of a Regional Skills and Lifelong Learning Forum, which will use local partnerships to stimulate interest and debate on regional skills strategy and new learning techniques. The Regional Development Agencies will receive extra funding to improve the UK's skills for the new millennium, including a new rapid response fund of GBP 5 million to retrain those involved in large-scale redundancies.

There have now been 45 successful bids to the Union Learning Fund,

which supports trade union projects designed to promote learning and skills development in the workplace. Twenty-one unions will receive funding for projects such as transferable skills training, a life-skills course which includes paid time off work, a virtual learning centre for mobile workers, an accredited workplace learning route to enable care staff to gain formal qualifications, and a project to strengthen union capacity for involvement in the University for Industry. Trade unions are seen as well positioned to influence learning in the workplace. A further GBP 6 million will be made available for the fund over the next three years.

Training

Belgium

Vocational Training Cheques in the Walloon Region

Following a decree by the Walloon government issued on 23 July 1998 (Moniteur belge, 18.8.1998), a system has been set up to promote vocational training by issuing vocational training cheques. This system is restricted to companies which employ up to a maximum of 50 employees and which have a production location situated in the Walloon Region.

The vocational training cheque involves the partial assumption of the cost of training performed by employees (or the managing director or an active partner). Such training must be provided by a training organisation

approved by the Walloon Minister for Employment and Vocational Training. The training must be provided during the normal working hours of the plant concerned.

The enterprise may purchase up to a maximum of 400 cheques per annum at a price of BEF 600 per cheque from the issuing organisation. Having been received by the training provider, the cheque is cashed by the issuer to the account of the enterprise for a sum of BEF 1,200 minus the hourly costs of the service provided by the training establishment. If, however, the cost of a training hour exceeds BEF 1,200, the company must bear the difference.

The public support in the form of the training cheques may under no circumstances be combined with other support measures granted in the Walloon Region for such training.

The regional public employment service (FOREM) is responsible for

implementing, coordinating and monitoring this measure. The Directorate General for the Economy and Employment of the Ministry of the Walloon Region is responsible for recognising and approving training providers.

A budget of BEF 300 million has been set aside for 1998.

France

Preparations for a Reform of Vocational Training

Preparations are currently under way for a reform of vocational training in France. The reform has been announced by the Minister of Employ-

Training

ment and Solidarity, Martine Aubry, and a Secretary of State for vocational training, Nicole Péry, has been entrusted by the Minister with responsibility for this major project. The French system is based on a tripartite responsibility structure: central government, regional government and the social partners. This means that central government cannot take decisions or act alone, and the reform will therefore proceed on the basis of co-operation and collective negotiation, following on from a diagnosis of the current situation shared with all the actors in the French system of vocational training.

The evaluation of the current system is certainly positive: Aubry has said that “clearly, the 1971 law has proved able to successively adapt to developments in the world of work and on the labour market”, and substantial resources have been mobilised¹. On the other hand, during the last 25 years, France has experienced profound economic, social and cultural changes, and the existing legislation suffers from a number of major defects:

- the system has become complex, opaque and incomprehensible to many of those affected: it encompasses a large number of actors whose roles and responsibilities overlap;
- it does not serve to reduce social inequalities: managerial staff are three times as likely to benefit from vocational training than a blue-collar worker in the same company².

The aim of Minister Aubry is “to re-establish an effective right to training, to skill upgrading, and to social and vocational progress throughout one’s working life”.

She has also defined three central guidelines:

- the creation of an effective right to training for everyone, vocational training for school-leavers, better access to qualification and training in the enterprise;
- recognition of the skills and qualifications acquired during the course of working life, constructing a new

system that is more open and that offers recognition for work experience and broadens the perspectives for occupational mobility;

- giving genuine chances to jobseekers to gain access to training, especially those facing the greatest difficulties on the labour market. The law on the fight against social exclusion, passed last June, already contains provisions to this end³.

The discussions on the reform are making progress. On 13 October, Péry announced that a White Paper would be published in mid-November on continuing vocational training. By the end of 1998, a report to the cabinet is expected to set out in detail the timetable for the reform, with a bill to be presented to parliament in the second half of 1999. The reform would then come into force in the year 2002.

- 1 French firms spend more than FRF 40 billion on vocational training for their employees; total spending on vocational training amounted to FRF 138 billion in 1996, or 1.4% of GDP, compared with 0.4% 20 years ago.
- 2 For 40% of the active population, the qualification level is still below Level V (very low skill).
- 3 Cf. inforMISEP “Policies” No. 63, p. 22.

Sweden

Skills Development in Professional Life

On 5 February 1998, the government decided to assign a working group consisting of representatives from the Swedish government offices and the social partners to present a proposal for a joint contribution towards increasing the development of skills in professional life, which could be supported by the government. The working group presented their proposal in an interim report on 22 April 1998;

another report was submitted on 26 June 1998.

The working group suggests that the government, employers’ associations and trade union organisations reach a tripartite agreement committing the government to the stimulation of skills development. This stimulation will aim to bring about a qualitative and quantitative increase in operationally focused skills development for employees.

The working group’s suggestion is that government stimulation should be in the form of a reduction of the employers’ general payroll tax and tax payment for the duration that the employee participates in skills training measures that have been agreed on locally between the employer and the trade union organisations. The suggestion also contains a ceiling expressed as a percentage of the employee’s total salary.

The application procedures to the authority responsible for the administration of the proposed government stimulation fund shall be as simple as possible, and not lead to new, burdensome administrative requirements on companies and administrations.

The working group stresses that the forms and content of the skills development must be adapted to the conditions of each individual company. A prerequisite of the payment of the government stimulation fund is that a local agreement on skills development has been reached between the parties to collective wage agreements.

The working group did not for now present any proposal for financing, but it is in full agreement that responsible financing is an unconditional prerequisite for implementation of a stimulation fund.

Once the introduction, volume and method of financing have been proposed, using this report as a basis, the working group considers all conditions to be present for a tripartite agreement between the government and the social partners with regard to the development of skills in working life. The area of skills development demands close cooperation between

Index of articles published in nos. 60–64

The following index relates to the contents of the articles published in inforMISEP “Policies” nos. 60–64. 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:

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

EU European Union

The “Guidelines” for 1998, which were announced at the Extraordinary European Council Meeting on Employment (20–21 November 1997) in Luxembourg, contain 19 separate policy areas and are grouped together in four main lines of action (“pillars”); many of the key words of the following index can be assigned to these policy areas and pillars:

I. Improving employability

see under: → Basic training/General education; → Disabled workers; → Equality of opportunity/Antidiscrimination policies; → Ethnic minorities; → Family; → Job creation; → Job take-up; → Long-term unemployed; → Occupational experience, work experience; → Older workers; → Placement; → Reduction of employers’ social security contributions; → Training leave; → Vocational counselling; → Vocational further training and continuing training, retraining; → Vocational training; → Wage cost reduction; → Women; → Youth

II. Developing entrepreneurship

see under: → Job creation; → Job take-up; → Moonlighting; → New business start-up; → Placement; → Reduction of employers’ social security contributions; → Self-employed persons; → Small and medium-sized enterprises; → Vocational counselling; → Wage cost reduction; → Wage policy

III. Encouraging adaptability in businesses and their employees

see under: → Development of new technologies/techniques; → Employment promotion through leave schemes; → Family; → Labour relations; → Mobility;

geographical, vocational; → Moonlighting; → Reduction of employers’ social security contributions; → Temporary work; → Training leave; → Vocational further training and continuing training, retraining; → Wage cost reduction; → Wage policy; → Working time: Full-time work, Overtime work, Part-time work, Short-time work, Working time reduction

IV. Strengthening equal opportunities policy

see under: → Basic training/General education; → Disabled workers; → Dismissal, employment protection, (mass) redundancies; → Equality of opportunity/Antidiscrimination policies; → Ethnic minorities; → Family; → Job creation; → Job take-up; → Labour relations; → Long-term unemployed; → Occupational experience, work experience; → Older workers; → Placement; → Reduction of employers’ social security contributions; → Vocational counselling; → Vocational further training and continuing training, retraining; → Vocational training; → Wage cost reduction; → Wage policy; → Women

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employer and employee, and can be developed and improved with assistance from the government.

The working group suggests that discussions regarding closely related issues proceed in an appropriate fashion. This includes the right of reservation for a company for skills development and individually focused interventions such as a "training account".

Sweden

Adult Education Initiative (AEI)

In Autumn 1997, the Swedish government proposed a five-year Adult Education Initiative which aims to increase the educational level among the working population. The aim of the AEI is to give those people who have only completed compulsory

level education the opportunity to receive an upper secondary education. The initiative is mainly directed towards unemployed people, but to some extent also towards persons already in employment.

During the second half of 1997, AEI offered 115,000 full-time places, corresponding to 2.7% of the labour force. Since a one-year, full-time student place can be filled by more than one person studying part time, the actual number of participants is higher. During the first half of 1998, AEI offered 105,000 full-time places, corresponding to 2.5% of the labour force. The gender composition averaged 33% men and 67% women.

Of those recruited via AEI, roughly 80% had previously been unemployed. Throughout the five-year period, around 550,000 one-year, full-time student places are being arranged for within the framework of the central government's grant for AEI. This corresponds to about 600,000 participants, of whom an estimated 425,000 are unemployed.

The government has charged the National Agency for Education with responsibility for monitoring and collecting data from the municipalities regarding such indicators as the volume of AEI expressed as study credits and as the number of individuals involved, the participants' gender and age compositions, education, and period of registration with the employment service. The agency has also, in the same follow-up remit, been given the task of monitoring, at individual level, the impact of AEI with respect to changes in educational level and employment. This monitoring is to be reported on 15 May and 15 December every year. The government has also entrusted to the Commission for Adult Education and Training the task of ensuring that an independent evaluation of AEI is carried out.

Several different evaluators and researchers have also been engaged by the Commission for Adult Education and Training to evaluate AEI.

Social Protection, Unemployment Benefits

Italy

Pilot Project: Minimum Insertion Income

Recently, a new statutory measure was introduced in Italy: the minimum insertion income (*reddito minimo di inserimento* - Decree-Law 237, 18.6.1998, published in the Official Gazette no. 167, 20.7.1998). This instrument encompasses measures

"whose aim is to facilitate the social integration and economic independence of recipients (individuals and families) by means of personalised programmes and income supplements" (Article 1 (2)). This pilot project is "a measure against poverty and social exclusion by improving the economic and social conditions of persons threatened with such marginalisation" (Article 1 (1)).

The experiment, which in its first phase will be introduced in a small number of local authorities, is limited

to two years and will be concluded on 31 December 2000 at the latest. Within 30 days of the above-mentioned Decree-Law coming into force, the local authorities will be selected on the basis of criteria that include the incidence of poverty and its various economic, demographic and social dimensions, and the necessity of ensuring a balanced distribution of participants in the pilot project. Among other things, the local authorities must:

- determine the procedures by which the applications are to be made;

Social Protection, Unemployment Benefits

- determine the procedures for monitoring and follow-up, in particular with reference to the required pre-conditions;
- select the persons responsible for the programme of social integration.

The Social Policy Fund will bear the costs of these initiatives up to the ceiling set by the financial framework available for this purpose; the local authorities will be called upon to provide 10% of the overall costs “where possible in the light of their resources and the level of the local authority budget”. The distribution of the available financial resources will be determined by a decree issued by the Minister for Social Solidarity. The administrative costs for organising the service, including the costs of realising the programme for social integration, will be borne by the local authorities.

In order to be entitled to the minimum insertion income, “recipients must either be without any income or drawing an income, taking into account all forms of earnings, [...] that does not exceed the official poverty line of ITL 500,000 for a single person” (Article 6 (2)). In the case of families, the poverty line is determined on the basis of an equivalence scale appended to the Decree-Law. The supplement is granted for up to one year and can be renewed if the objective conditions justifying the grants continue to exist.

The income situation of the applicant is determined on the basis of the sum of the incomes of the members of the family or those cohabiting with him/her and of those persons considered to be dependants as defined for the purposes of income tax (IRPEF).

If the applicants include unemployed persons capable of work and of working age, they are required to be willing to take up paid employment and participate in training courses. Availability for work is documented by making a personal appearance at the placement office.

As far as the income supplement is concerned, the level of the “supplementary income grant is equal to the

difference between the monthly limit of ITL 500,000 for 1998, ITL 510,000 for 1999 and ITL 520,000 for 2000 and actual monthly income” (Article 8), as calculated on the basis of the elements indicated above.

The income supplement grant is paid as of the day on which the application is received. In fiscal terms, it is comparable to the “social pension” (Article 26 of Law 153, 30.4.1969).

The above-mentioned Decree-Law introducing the minimum insertion income also makes provisions for the realisation of social integration programmes which are to be prepared “in conjunction with envisaged measures of active labour market policy” (Article 9). These programmes aim “to re-attain, promote and develop personal capabilities and rebuild social networks; for minors, the programme focuses on finishing compulsory schooling and subsequently on vocational training” (Article 9 (2)).

The recipients of minimum integration income are obliged, among other things, to respect the obligations associated with acceptance of the social integration programmes.

In verifying the veracity of the information given by the applicant on his/her economic and family situation, the local authority may have recourse to data provided by care and welfare services and to Finance Ministry data. The local authority may ask such institutions to make additional enquiries.

The Ministry for Social Solidarity has given an ad hoc organisation a special commission to evaluate the impact of this pilot project; the organisation was selected following an invitation to tender.

The Commission to Investigate Poverty and Exclusion, set up by the President of the Council of Ministers, will express its views on the impact of this pilot project.

Austria

Activating Unemployment Benefit and Emergency Aid

In accordance with the recommendation issued by the European Council that passive labour market policy measures should, where possible, be converted into active measures, the Austrian public employment service (AMS) is seeking to increase the scope for making more active use of funds spent in the field of employment promotion. In this context, attention focuses on the labour foundation measures and the continued entitlement to unemployment benefit or emergency aid for those on vocational training measures lasting up to three months. In addition, the provisions governing special emergency aid enable the support budget to be increased to an extent matching the passive benefits saved.

In 1997, a total of ATS 686 million (1996: ATS 458.5 million) were spent on active measures under the unemployment insurance law, benefiting a total of 25,895 persons (1996: 16,587). The table provides a summary of spending on active measures:

	1996	1997
Active expenditure	5,573.20	6,931.49
“Activated” passive expenditure	458.51	685.99
Total active spending	6,031.71	7,617.48
Passive spending (unemployment benefit, emergency aid)	31,027.00	30,798.00
Active spending as % of total	16.47 %	20.18 %

1998 will see a further marked increase in the extent to which passive expenditure has been "activated". Moreover, the implementation of the National Action Plan means that in 1999 an additional ATS 1 billion will be available to implement employment promotion measures within the

framework of the activation of special emergency aid. Discussions are currently under way on an even more ambitious step: continued entitlement to unemployment benefit and emergency aid during participation in all training measures approved by the AMS, irrespective of their duration,

instead of the current regulation which merely provides for a minimum maintenance allowance. This would enable an additional ATS 1 billion to be activated, enabling supplementary active measures to be implemented and project costs to be financed.

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Spain

Equality of Opportunity for Women Given Priority in the National Action Plan for Employment

Although a continuous rise in the female participation and employment rates can be seen as a main characteristic of the Spanish labour market during the past 20 years, both the participation and the employment rates of Spanish women are still below the respective EU average. Women, particularly younger women, face a higher risk of unemployment and constitute a majority of the long-term unemployed. Discrimination in wages, exclusion from certain areas of employment and difficulties in gaining access to executive positions also characterise the labour market situation of Spanish women.

These problems are now to be solved with the help of the measures brought together in the 1998 National Action Plan (NAP) for employment. Accordingly, activities to promote the integration of women into the labour market have been given priority in all the pillars and directives of the NAP.

The aims are to increase the female participation rate, reduce unemployment among women, improve the quality of work and raise the female share of the workforce in employment areas in which they are under-represented.

Within the framework of the implementation of the NAP, two new measures have already been initiated with the aims of facilitating the integration of women into the labour market and promoting stable employment. Financial resources for these measures have been earmarked in the 1999 budget law.

The first measure is a bill offering concessions in social insurance contributions to employers recruiting unemployed persons for workers absent on maternity, adoption or care leave. The initiative, entitled "zero costs", is set out in Royal Decree-Law no. 11/1998 of 4 September 1998.

In order to counter discrimination against women in recruitment, the employer is exempted in full from contributions to the social insurance schemes, including insurance against accidents at work and occupational illnesses and employers' tax contributions. The reimbursement of all these additional costs paid by an employer is granted when he/she recruits replacements for women (or

men) taking statutory maternity/parental leave. The measure aims to ensure that the decision by workers for parenthood does not disrupt the running of companies or raise company costs, and also seeks to ensure that a larger number of men take parental leave.

The second measure already initiated is a provision, enacted on 16 September 1998, that regulates the promotion of stable employment relations for women in occupations and activities in which they are under-represented.

The new provision extends the regulations already in force for occupations and activities in which women are under-represented. Employers recruiting long-term unemployed women in such areas of employment under a permanent, full-time contract are entitled to a reduction of up to 60% in their social insurance contributions for two years, provided the recruitment is associated with a net increase in the workforce. Alongside the subsidy for unemployed persons aged over 45, this is the highest level of subsidy envisaged within the framework of the 1997 labour market reform. The aim of the measure is to open up new occupational areas to women and to overcome their exclusion from certain areas of employment.

Special Categories of Workers

Aims of the National Action Plan for Employment in 1999

The government intends to give special priority to women in the 1999 National Action Plan for employment, so as to follow up the measures initiated in 1998 and improve the equality of opportunity on the labour market. To this end, modifications to various legal provisions are planned through the incorporation of women as a target group in various programmes and activities. The following projects are currently in preparation:

- a project to be conducted within the framework of a decree-law on employment workshops (*Talleres de Empleo*), in which priority is to be given to women and the long-term unemployed;
- a project to modify the National Vocational Training and Integration Plan so as to incorporate women wishing to enter the labour market as a target group. The plan includes a number of training measures for the unemployed lacking vocational training and for those with inadequate or unsuitable training, in order to promote their labour market integration. Changes are to be made to the plan to enable more women to be trained for occupations and activities arising in new areas of the economy and labour market;
- changes in the regulations that form the basis for grants provided by the public employment service (INEM) in cooperation with local authorities. The aim of the grants is to promote the recruitment of the unemployed for performing community work and services. The change means that, in future, priority is to be given to cooperation with those local bodies that primarily employ unemployed women and the disabled;
- finally, it is planned to modify the regulations governing workshop schools (*Escuelas-Taller*), youth training centres (*Casas de Oficio*), Promotion and Development Units (*Unidades de Promocion y Desarrollo*) and Entrepreneurial Initiative Centres (*Centros de Iniciativa Empresarial*) as well as to establish

bases for providing public support for such bodies. Here, too, projects are to focus on women.

In addition to the changes described above, further concrete measures are also planned. They include positive discrimination measures in the area of vocational further training and the signing of an agreement between the INEM and the Women's Institute (*Instituto de la Mujer*).

In selecting the support for vocational further training in 1998, 1999 and 2000, training programmes that take into consideration women's participation in training and development activities are to be given special attention. The proportion of women in the overall workforce of the firm is to be taken into account here.

In addition, measures are to be developed for women who have been victims of violence in order to promote their labour market and social reintegration as part of the cooperation between the INEM and the Women's Institute. Alongside participation in training programmes, women in protected houses are to be offered individual orientation support in order to facilitate their access to vocational training courses and employment.

Italy

Positive Action to Promote Female Entrepreneurs

On 27 July 1998, the Official Gazette No. 173 published an explanatory circular by the Ministry of Industry, Trade and Crafts on the procedures for granting the incentives provided for by Law 215 of 25.2.1992 ("Positive action to promote female entrepreneurs"). Essentially, the circular explains a number of aspects of the application form that is to be filled in

by companies interested in obtaining support and which is available from banks, chambers of commerce and employers' organisations.

Firstly, it should be recalled that only firms founded prior to 22 March 1992 are eligible to claim support. In addition, the firms must exhibit one of the following characteristics: small firms run by women (cf. Ministerial Decree of 18.9.1997, published in the Official Gazette No. 229 on 1.10.1997), or partnerships or cooperatives in which women occupy 60% of the positions, or incorporated firms in which women occupy at least two thirds of the positions on the administrative body.

Financial support by the Ministry can take the form of either capital grants or tax allowances. In accordance with Article 4 of Law 215/1992, this support is subject to a ceiling of 50% in non-disadvantaged areas and 60% in disadvantaged areas. For the acquisition of concrete services, the grant can amount to between 30% and 40% of the costs.

To the extent that the projects fit into the framework of regional development – another criterion on the basis of which applications are examined – these projects are evaluated under two additional aspects. In this case, it is necessary to specify the regional development plan with which the initiative is linked. A copy of all the relevant documents of a declaration by the regional authorities is to be submitted.

An additional element for a positive evaluation of the proposed initiative is its "supra-regional" or "supranational" impact or "projection". Clearly, in such cases the regions or countries involved must be indicated. This "projection" requires a suitable type of activity and an adequate investment volume.

Netherlands

Return to Work of Disabled Persons

Up until 1990, the Netherlands experienced a considerable rise in the number of disability benefit recipients. In 1990, about 140 persons per 1,000 insured employees were in receipt of a disability benefit. This benefit was awarded after eligibility had been assessed following 52 consecutive weeks of incapacity to work (absence due to sickness). The beneficiary did not have to claim the benefit, rather, the administration carried out the assessment when sickness benefit payment had (almost) been exhausted. The disability benefit was effectively permanent in nature (paid until retirement age, 65 years) and covered both sickness and occupational injuries (as causes of disability). Some other main features of the disability programme at that time were:

1. the programme covered seven categories (degrees) of disability; about 80% of all recipients were in the highest category ("fully disabled");
2. the administration of the programme (public bodies governed by representatives of employers' associations and trade unions) did not carry out regular assessments. There was awareness that the scheme was being "used" as early retirement for older workers with less than good health;
3. like other income-replacement schemes (sickness, unemployment, social assistance), the administration and supervisory agencies mainly focused on the compensation function of the scheme. Until a few years ago, instruments and provisions for the retention or return to work of (partially) disabled persons had a relatively low priority in social policy.

From early 1990 onwards, various reforms were carried out in the sickness and disability system. In the disability

scheme, benefit levels were reduced, eligibility criteria tightened, regular re-assessment introduced, and the cohorts of younger recipients re-examined in the light of the new criteria.

Reforms in return-to-work policy

After the introduction of reforms in the benefit schemes and their administration, improvements are now being prepared for the organisation and operation of programmes for reintegration (consisting of: assessment of remaining earning/vocational capacity, vocational rehabilitation, training and education, jobsearch, sheltered employment, etc.). In the spring of 1998, the "Act on Reintegration" (REA Act) was accepted by parliament. It aims to "solve" the present problems in the area of rehabilitation and return-to-work policies. Major problem areas are:

1. the prevailing rules and guidelines for reintegration measures and provisions are very detailed (e.g. regarding eligibility) and not consistent (e.g. regarding unemployed and disabled persons); there is a lack of flexibility, too much standardisation rather than "custom-made" measures; the present procedures require a lot of paper work and red tape (for clients, providers, employers);
2. clients, employers and administrators are not familiar with available measures; this has led to a considerable under-utilisation of the present repertoire of measures and provisions;
3. a lack of competition between providers of vocational rehabilitation and jobsearch and placement services;
4. monitoring and supervision of these activities is insufficient.

The new act provides a complex plan for "streamlining" the vocational rehabilitation and employment programmes, leading to more flexibility in eligibility criteria for provisions, better coordination of the organisations involved, etc. It also establishes the basis for an experiment with a "voucher" or "ticket", which gives

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the client more power and responsibility for acquiring services to improve his or her position on the labour market.

An experiment with a person-specific reintegration budget

The law supports the basic idea of giving the client more responsibility and influence regarding return-to-work measures ("empowerment"). Thus, an experiment with a voucher programme has been proposed, which takes some features from similar plans such as the Berkowitz "ticket" for disabled persons (USA) and the Snowers plans regarding vouchers for the unemployed (UK). Agencies presently providing vocational rehabilitation and re-employment under the pilot scheme have "mixed feelings" about the feasibility and impact, whereas client organisations favour this new approach. However, all these actors are willing to commit themselves to a pilot project to find out whether a voucher approach works better than the present procedures and measures.

Last year the AS/tri Research & Consultancy Group provided the government with additional information on the U.S. plans. These ideas were discussed in a report from a cross-national study of selected vocational rehabilitation measures¹. Now AS/tri has been commissioned to monitor the elaboration and implementation of the "Person-specific Reintegration Budget" programme in three regions and to prepare the evaluation of this programme.

Initial features of programme and experiment

We now present some main features of the plan, as formulated by the government. These are to be elaborated in three regional pilot projects. It should be noted that the following information does not reflect the "final" version of the programme or experiment.

1 Cf. R. Prins & E.M.C. Meijerink (1997): *Reintegratie-instrumenten in he buitenland. Research-nota in het kader van de voorbereiding van de "Wet op de Reintegratie"* [Reintegration instruments applied abroad. Research paper]. The Hague: VUGA.

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Present plans still are subject to further discussions and adaptations.

Aims of the programme:

- increase clients' responsibility, autonomy, activity;
- improve clients' work capacity and increase their (re-)integration into gainful employment;
- improve flexibility and efficiency in the operation of vocational rehabilitation and employment measures.

Clients:

- persons not working and receiving partial disability benefit, unemployed persons with health constraints, persons on social assistance with health constraints;
- participation in the experimental programme should be on a voluntary basis;
- clients should be willing to be interviewed for the evaluation study.

Person-specific budget:

- two formats will be available: a standard budget of NLG 10,000 for a maximum of one year, and a flexible "custom-built" budget of NLG 50,000 when services are needed over an extended period;
- in the case of the flexible budget, the client has to send in a personal reintegration plan for acceptance by the agency that provides the benefits;
- the budget can be used by the client to "buy" training, consultancy or placement services.

Experiment:

- pilot projects are envisaged for three different regions, each aiming at up to 150 clients in the experimental group;
- for assessing the impact on the two experimental groups (i.e. standard

budget, flexible/custom-built budget), a control group will be selected;

- administrative circumstances (available research and registration conditions in the regions) will largely determine the design of the experiment and measuring, etc.;
- evaluation of the programme should be completed after a maximum of four years.

Outlook

The preparations for the programme and its implementation in three regions started in June 1998. Many aspects still have to be elaborated, regions are being recruited, administrations have to make preparations, and researchers are elaborating an analytical frame of reference, preparing interview protocols (case managers, process information experts), etc.

The research team involved in this project will be pleased to provide further information within the conditions of the assignment. We would also be pleased to receive information about similar programmes (vouchers, personal budgets) aiming at return to work as well as other evaluation projects in this area.

Austria

New Measures for the Disabled

In Austria, as in other countries, unemployment among the disabled has increased in recent years. In 1993, the average number of unemployed dis-

abled (physically disabled, the blind, the deaf and those with mental and psychological disabilities) amounted to 26,873; by 1997, the number had risen to 37,471. Guideline 19 of the National Action Plan (NAP) for employment pays specific attention to integrating the disabled into the labour market, whereby, in principle, all labour market policy measures are open to the disabled in the same manner as to the non-disabled. On top of this, a number of measures aimed specifically at the disabled are also available.

Since 1 August, an additional measure targeted specifically at the disabled has been available, one mentioned in the NAP: the "Working Foundation for the Vocational Training of the Disabled" (*Arbeitsstiftung für die berufliche Qualifizierung Behinderteter*). The law on unemployment insurance has been amended (*Arbeitslosenversicherungsgesetz I 18 (10)*) to enable a disabled person entitled to unemployment benefit to maintain this entitlement for a longer period by participating in a measure recognised by the state office and provided by a vocational rehabilitation institution. The measure is recognised in writing by the state office. This measure, specially oriented towards training schemes for unemployed disabled persons, follows in this respect the tried-and-tested structure of other working foundations in Austria.

Until now, recipients of the transitional allowance from the statutory pension insurance scheme or accident insurance scheme were unable to claim unemployment benefit. This restriction has now been removed, enabling disabled persons, among others drawing the transitional allowance, to claim unemployment benefit for the duration of their participation in such a measure.

Working Time

France

An Example of a Branch-level Agreement on Working-time Reduction: The Textile Industry

On 16 October 1998, the employers' federation in the French textile industry (UIT - *Union des industries textiles*) proposed to its social partners an agreement on working-time reduction to 35 hours per week¹ within the framework established by the "Loi Aubry".

This agreement sets out the framework within which the enterprises in the branch can negotiate, as of 2000 or 2002², the reduction in working hours in accordance with their specific situation. It clarifies three important points.

The annual overtime quota will be increased from the current figure of 90

to 130 hours. In firms agreeing on more far-reaching flexibilisation (cut in weekly hours to below 35), the quota may be increased to 175 hours per annum. Overtime in excess of the current quota in the branch of 90 hours will entitle the worker to an overtime pay supplement of 25%.

As far as pay is concerned, the branch agreement stipulates that "in all cases the signatory parties to the agreement call for the best solutions to be found at enterprise level with regard to employment and the competitiveness of the enterprise, and so to establish the conditions for realising the working-time reduction without damaging the purchasing power of the workforce".

The working time of managerial staff is a serious problem in France³. The agreement in the textile sector stipulates that lump-sum salaries without specified working hours will be limited to executives and sales staff, who are to receive the same remuneration as other managerial staff. The

agreement recommends that compensation for hours worked above 35 hours per week but not remunerated with supplementary pay should take the form of holidays or half days off; it also provides for the establishment of working-time savings accounts and similar systems.

The agreement may be signed by all the trade unions representing textile workers. It would then be up to individual enterprises to negotiate on a case-by-case basis.

1 The reader is reminded that the reduction to 35 hours per week represents the statutory weekly working time and not effective working hours. It is possible to work additional hours, subject to the relevant legal provisions.

2 The reduction in statutory working hours to 35 hours per week will apply as of 1 January 2000 for enterprises with more than 20 workers and as of 1 January 2002 for the remaining firms.

3 In practice, many managerial staff, and not only those at executive level, work longer than the statutory maximum of 39 hours per week, without additional remuneration and without mention of a lump-sum salary in their employment contract.

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Italy

Territorial Pacts: Determining the Crisis Areas

The Decree-Law of the President of the Council of Ministers published in the Official Gazette No. 179 on 3 August 1998 has set out the crisis areas in

which productive investment projects can be implemented within the framework of territorial pacts. They are those local authority areas that:

1. have been ascribed to overall support measures and/or have been incorporated into the development programmes of the Development Fund (under Article 1.3 of Law 236/1993);
2. have abandoned production sites;

3. have the infrastructure required to attract productive investment;
4. are characterised by new entrepreneurial initiatives in various sectors of industry, agriculture, tourism and services.

These above-mentioned areas have been assigned to the territorial pacts of Manfredonia and Terni (Apulia), Crotona (Calabria), Torrese-Stabiese and Airola (Campania), Sassari (Sardinia),

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Gela (Sicily), Crema (Lombardy), La Spezia (Liguria), and Montalto di Castro (Latium).

Italy

The Fight against Social Exclusion: Support for Non-profit Initiatives

The National Observatory for Non-profit Activities, instituted within the Ministry for Social Solidarity, recently issued a circular concerning the possibility of financing pilot projects using resources provided by the Fund for Non-profit Initiatives (Article 12 (2) of Law 266, 11.8.1991). These pilot projects must have been developed by non-profit organisations registered in the regional registers (Article 6 of Law 266/1991) or in collaboration with local public authorities¹.

Non-profit organisations wishing to submit a project in the sense of this circular must provide 30% of the costs associated with the project themselves, whereby the origin of these funds must be indicated. In selecting the applications submitted, the Observatory will pay particular regard to the applications made first. The organisations allowed to submit applications may consist of individual institutions or groups of non-profit organisations set up prior to 1 January 1997.

Preference will be given to projects that:

1. contain innovative elements and an emphasis on social aspects;
2. promote cooperation between public bodies, firms and trade unions;
3. generate synergies and contracts between non-profit organisations and the "third sector";
4. can be transposed to other contexts.

In cases where projects affect a number of areas that go beyond the responsibility of the non-profit organisation in question, and where the in-

volvement of local authorities is necessary for the project to be realised, the applicant must append to the application a statement by the local authority concerned.

The projects submitted are to focus on two broad thematic areas: the fight against social exclusion and the provision of support services for specific groups of people. In the first case, the measures relate to the following target groups: people on low incomes, broken families or persons facing difficult personal circumstances (single mothers, elderly persons living alone, etc.). Such persons must belong to social strata that are marginalised, unemployed or suffering from a lack of education (immigrants, gypsies, unemployed persons on the poverty line, former convicts, etc.).

Organisations that have failed to report to the Observatory of Non-profit Activities on the progress made by projects financed in past years will not be considered for funding under this scheme.

The grant is paid in two stages:

1. 80% of the total when the organisation accepts the procedures and schedules foreseen for the realisation of the approved project;
2. 20% on completion of the project and submission of a concluding report detailing the results achieved and documenting spending on the project.

The National Observatory of Non-profit Activities will monitor the projects accepted for financial support both during realisation and in the concluding phase. In this phase, the main task will be to determine whether the targets set have been achieved and whether the central characteristics of the finished project are such that transposition to other contexts is conceivable.

Regarding the criteria on the basis of which the projects will be evaluated, the absence of one important criterion should be noted: the "multiplier effect", i.e. development trends that a project is supposed to initiate in other areas (especially employment). In this context, it must be supposed that this

criterion was probably not included in the selection criteria, as this indicator is difficult to determine and measure, particularly in regions characterised by the phenomena associated with social exclusion.

1 Cf. circular of 27.7.1998 from the President of the Council of Ministers, Department of Social Affairs, Official Gazette No. 177, 31.7.1998.

Portugal

International Conference on Employment Policy (RIPE 98)

Following the first meeting in 1997, the second International Employment Policy Meeting (RIPE) was held between 29 September and 2 October 1998 in Lisbon within the framework of PALOP, the association of Portuguese-speaking African countries. The topic of this year's meeting was "Job creation in disadvantaged urban and rural areas".

During the course of the conference, labour market dynamics in the socioeconomic context of employment policy were studied, whereby entrepreneurial projects were presented.

The role of training in helping to create jobs in disadvantaged areas was also discussed.

As was the case last year, the conference was organised jointly by the Directorate-General for Employment and Vocational Training (DGEFP) and the Public Employment Service (IEFP).

Portugal

Seminar on Under-employment

Between 27 and 30 September, a seminar on underemployment took place on the Azores, which was organised jointly by the Public Employment Service of the Azores and the International Network of Social Statisticians of Countries with Portuguese as the Official Language (RIESLOP).

The ILO also participated, given that the seminar was also held in preparation for the 16th International Conference of Labour Statisticians (CIET), to be held in October 1998 in Geneva.

The following topics were discussed:

- the underemployment situation in general,
- underemployment in Portugal,
- underemployment in the African countries with Portuguese as the official language (PALOP) and Macao,
- recommendations for the 16th CIET discussion and analysis,
- application of the new concept of underemployment in labour force surveys.

The participants arrived at the following results, which take account of the differing socio-economic situations in the participating countries:

- In the developed countries, underemployment may indicate a failure to fully utilise potential labour supply or that the quality of employment is inappropriate; in a number of the newly industrialising countries, by contrast, it may be conceived of as a way to offer people a chance of subsistence.
- Information on the extent of underemployment must be obtained by means of surveys and the available statistical sources.
- In the ILO decision for the 16th CIET, the existing definition of underemployment was specified more

precisely, although it remains to be determined to what extent it can be applied in countries whose statistical systems are less developed.

- In each country, the extent of underemployment must be evaluated with respect to the criterion of international compatibility.
- The basis for data collation are surveys on employment within families, although supplementary surveys may also be conducted.
- In order to evaluate the labour market situation, it is vital to obtain information on the incidence of employment relations that do not match the employee's skills, as this figure is more telling than that of underemployment.
- An information system must be obtained with which underemployment can be studied under various aspects and by area of activity.
- The question of international compatibility must be dealt with carefully and with respect to the specific conditions prevailing in each country.
- Employment office files must be altered in such a way that they reveal which jobseekers are underemployed.
- National labour market statistics must include new indicators, alongside the usual indicators (employment and unemployment rates), in order to determine the extent of underemployment and the discouraged-worker effect.

mented labour market policy measures on a very large scale, offering places to a huge number of participants and requiring very considerable resources. On average, between 1993 and 1997, more than 200,000 people participated annually in a cyclically induced measure. In the 1998 budget, the resources earmarked for these measures amounted to around SEK 20 billion.

Can active labour market policy be pursued at such a level without leading to undesirable side-effects in the economy? One such undesirable effect is displacement, i.e. where labour market policy measures take the place of regular jobs.

A distinction can be made between direct and indirect displacement effects. A direct displacement effect occurs when an employer receives a grant with the help of which he recruits labour that he would also have recruited without the grant. Indirect displacement effects are more complex. They occur when labour market policy measures influence competitive behaviour or wage formation.

In Sweden, the Public Employment Service is obliged to evaluate the risk of displacement before filling a vacancy in the context of a policy measure. This is usually done by seeking the advice of the branch organisation responsible for the job in question. One rule of thumb is that for every five regular employees, not more than one person should be recruited under a policy measure with the same employer. In practice, however, the employment office frequently experiences problems in acquiring the required information, and the difficult current labour market situation and the significant volume of policy measures mean that participation is more likely to be granted than rejected.

The Public Employment Service has conducted a study commissioned by the Swedish government in order to determine the extent to which various labour market policy measures are associated with displacement effects. The study was conducted in the form of two mutually independent surveys, one targeted at employees,

Sweden

Displacement Effects in Sweden

Since the rapid rise in unemployment in Sweden to a record level at the start of 1990, the government has imple-

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the other at employers. Around 11,000 employers and individuals who had participated in various measures were covered by the survey. Among other questions, both groups were asked what would have happened to the tasks performed by participants in the measure if such a measure had not been implemented, that is, if someone else had been recruited instead.

The results of the study suggest that policy measures displaced regular jobs to a limited extent: the closer a given measure is to regular employment, the greater the displacement effect is likely to be.

The most significant displacement effect was measured for the recruitment subsidy. This public subsidy, which was terminated at the end of 1997, aimed to increase the chances of the unemployed in finding a job. Support took the form of financial compensation to the employer. 90% of jobseekers who had participated in the study had been employed by a private-sector employer who benefited from the support. The study revealed that, according to employees, the total displacement effect of public support amounted to 37%. According to employers, the displacement effect represented a total of 35%. Thus, employees and employers are agreed that more than one in three recruitments would have occurred in the absence of support.

The second-largest displacement effect was identified within public temporary employment. The purpose of this measure, which was also terminated recently, was to create jobs that would not otherwise have been created. To this end, the tasks were supposed to have been for a limited time only, for which the employer lacked the necessary resources in his or her standard budget. The support consisted in compensation to the employer. The overall displacement effect of public temporary employment was estimated at 14% by the employing organisations and at 18% by jobseekers. The displacement effects doubled to 28% where the employer was a private-sector company.

Generally, the displacement effects are greater in the private than in the public sector. Even so, displacement – or rather adjustment – effects can be assumed to be a problem in all local authorities. The labour market policy measures are extremely comprehensive: almost 1 in 10 persons working on a daily basis for the local government sector was recruited under a measure. In practice, local authorities adjust their supply of services to the volume of labour market policy measures on which they think they can rely. Unemployed persons obtaining a place in a local government measure regain their entitlement to unemployment benefits, and local authorities thus save themselves the costs of providing social benefits.

It is difficult to draw the line between positive – or at least acceptable – displacement effects in the public sector and unequivocally negative ef-

fects. Clearly, though, the effects are frequently unacceptable in humanitarian terms, with many people oscillating between measures, unemployment and short periods of employment. Moreover, the displacement effects that occur when local government activities using labour subsidised by policy measures exert an impact on competitive markets should not be overlooked.

Bosse Ringholm, Director General of the Public Employment Service (AMS), concludes, in a commentary on the report, however, that the extent of this problem in Sweden is relatively minor compared to some of the claims made in the debate on the issue. In some cases, it is necessary to displace regular jobs in order to give young people, the disabled, ethnic minorities and other groups a chance to gain a foothold on the labour market.

Rough currency conversion rates

One European Currency Unit (ECU) was roughly equivalent to the following amounts of national currencies (1 December 1998):

Belgium	BEF	40.66
Denmark	DKK	7.44
Germany	DEM	1.97
Greece	GRD	330.43
Spain	ESP	167.39
France	FRF	6.59
Ireland	IEP	0.79
Italy	ITL	1,947.11
Luxembourg	LUF	40.66
Netherlands	NLG	2.21
Austria	ATS	13.80
Portugal	PTE	202.32
Finland	FIM	5.97
Sweden	SEK	9.39
United Kingdom	GBP	0.70

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Self-employment: Employment Dynamics in the European Union

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Introduction

Against the background of persistent mass unemployment, self-employment is often seen in the debate on employment policy as a ray of hope for creating additional employment opportunities. Even back in 1993, the European Commission argued in its White Paper in favour of greater support for small and medium-sized enterprises because they offer two-thirds of all employment opportunities and are seen as an important source of additional jobs (European Commission 1993). In most Member States of the European Union, self-employment is also supported in its own right as a direct way of providing the unemployed with work (European Commission 1995). Such support can also generate multiplier effects if beneficiaries in turn recruit additional employees, further easing the pressure on the labour market. Additional positive effects of self-employment are seen by the OECD (1992) in the mobilisation of the supply side of the labour market: following job loss, a transition to self-employment enables linkages with the labour market to be maintained. Self-employment may constitute a bridge back into dependent employment and thus constitute a transitional labour market with flows in both directions (Schmid 1993).

This contribution follows directly on previous analyses of employment

dynamics in the EU (cf. Schömann & Kruppe 1996; Schömann, Kruppe & Oschmiansky 1998). As was argued there in greater detail, a comparison of changes in stock values that occur between two given dates fails to reflect real labour market dynamics. For this reason, we analyse, alongside stock data, flows into and out of self-employment; these aggregated flow data (the sum of individual mobility processes during the course of a year) enable the factors determining the changes in stocks to be analysed in detail.

The analyses are based on European Labour Force Survey (LFS) data, which differentiate between dependently employed, family workers and self-employed. It contains information on flows into self-employment from dependent employment, unemployment and inactivity, but no information on the flows out of self-employment into unemployment and inactivity.

Self-employment trends in the EU

Self-employment trends have developed very differently in the various EU Member States in recent years. Figures 1 and 2 present the percentage change in the number of self-employed between 1983 and 1995. In the countries recorded in Figure 1, self-employment has risen since 1985 (or 1986). The highest rate of growth was reported for the Netherlands (65%), followed by Germany (38%). In the United Kingdom, the number of self-employed persons fell sharply after 1991, but has risen again slightly since 1994. In other countries (Figure 2), by contrast, there has been no continuous increase in self-employment. It is only in Belgium and Portugal that the fig-

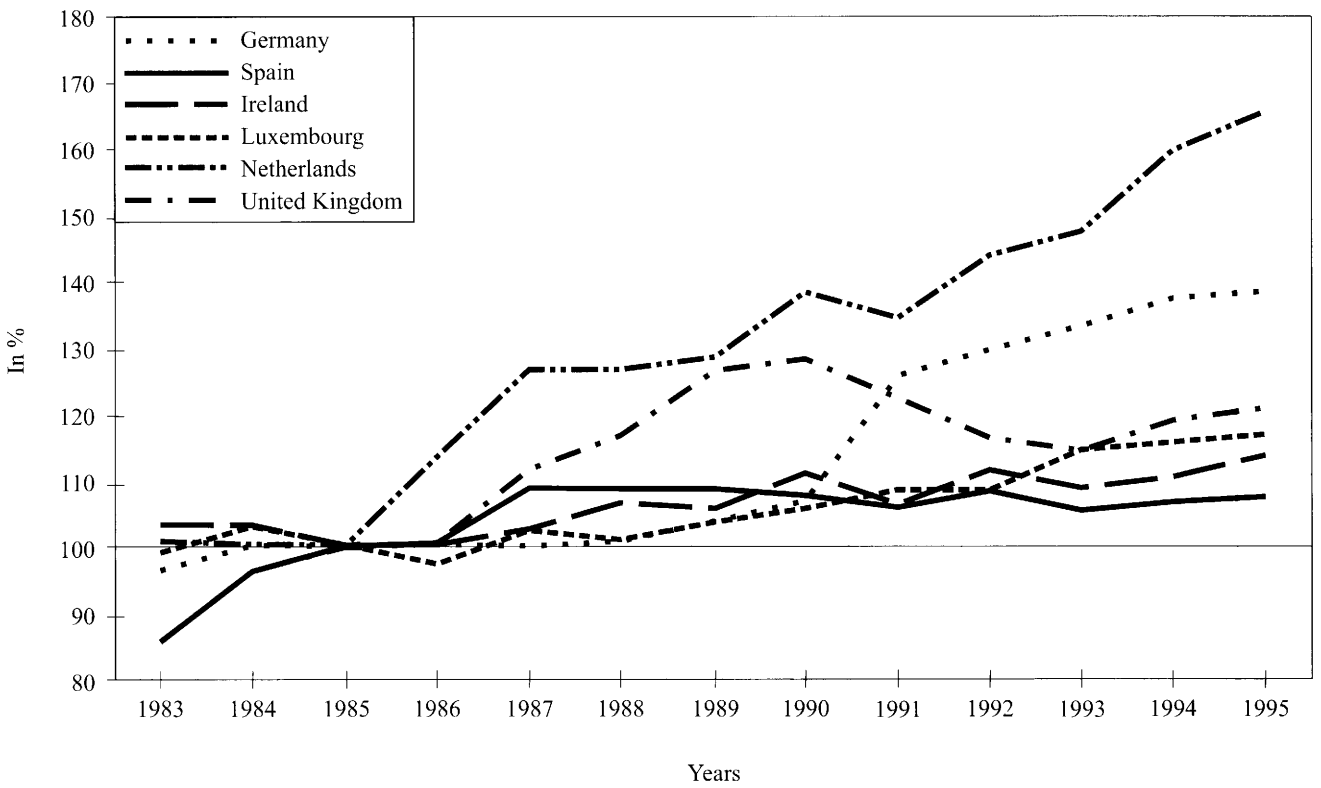
ure is – marginally – higher than in 1985 (or 1986). The sharpest decline was observed in Denmark and France, at 13% and 5% respectively.

Self-employment trends could be influenced by the interaction of a wide range of factors, mediated by statutory and institutional regulations¹ (Meager 1992, 1996; OECD 1992; European Commission 1995; Acs, Audretsch & Evans 1992):

- *business cycle*: recessionary and growth phases can lead to an increase or a decline in the number in self-employment. In a recessionary phase, for instance, both trends would be conceivable. As unemployment rises, and given the lack of alternative dependent employment, more people would be expected to move into self-employment, while, on the other hand, the very smallest firms, given their lack of financial resources, tend to be hit hardest by recessionary phases, leading to a rise in closures and bankruptcies.
- *structural change*: in many EU countries, the growth of employment in the service sector more than offset the loss of jobs in agriculture during the 1980s, thus leading on balance to a rise in self-employment.
- *changes in corporate policies*: the increase in the incidence of franchising and the increased contracting out of services by firms have led to an increase in self-employment.

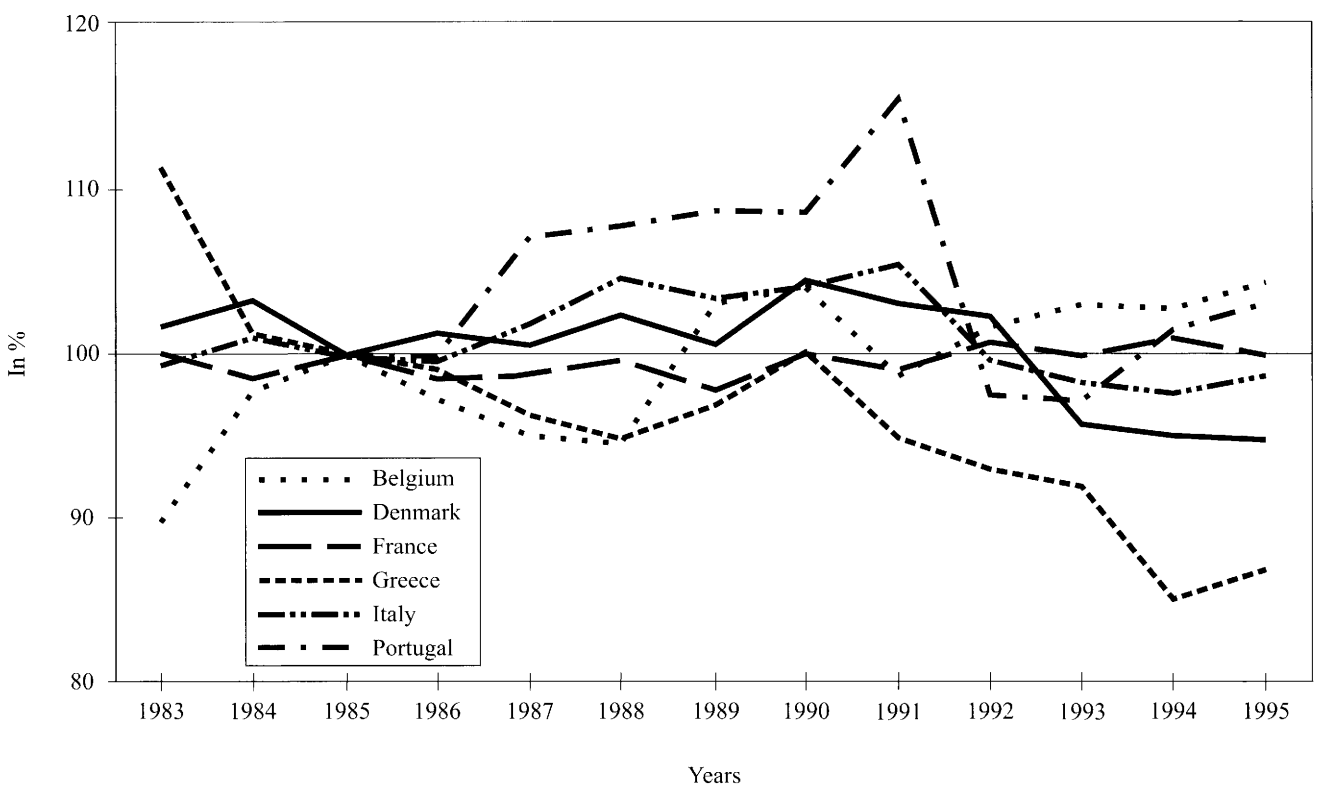
¹ These include not only taxation and social insurance regulations for the self-employed (cf. OECD 1992), but also conditions of access to certain professions, such as the *Handwerksordnung* (artisan regulations) in Germany (Meager 1993).

Figure 1: Self-employment in the EU, 1983–1995 (1985 = 100%)



Sources: European Labour Force Survey; own calculations.

Figure 2: Self-employment in the EU, 1983–1995 (1985 = 100%)



Sources: European Labour Force Survey; own calculations.

- *labour market policy*: in most EU countries, unemployed persons setting up their own business are entitled to support (see below).
- *technological change*: technological changes enable very small firms to be set up with just a small amount of capital.
- *ageing of the population*: this aspect can be expected to increase the incidence of self-employment.

Self-employment rates in the EU, 1995

The importance of self-employment in each EU Member State can be compared in the form of self-employment rates.

The standard definition (cf. European Commission 1995; OECD 1992; Meager 1993; Bögenhold & Staber 1990) sets the number of self-employed in relation to total employment (cf. Figure 3, left-hand columns). In 1995, the self-employment rate for the EU as a whole was just over 15%. This figure conceals major differences between the various Member States, however. High self-employment rates are recorded by the southern European states and Ireland, with Greece topping the

ranking at 38.5%. In Denmark and Germany, by contrast, self-employment accounts for less than 10% of total employment. To some extent, the high self-employment rates in southern Europe and Ireland are due to the importance of the agricultural sector for employment. Excluding the self-employed in this sector (cf. Figure 3, middle columns), there is a shift in level in all countries, but the six highest rates are still exhibited by the same six countries (with only slight differences in rankings). This is due not least to the importance of very small businesses (Wiethölter & Bogai 1997).

It should be noted that this definition of the self-employment rate takes no account of national differences in participation rates and unemployment. An alternative definition that reduces the possibility of distortions for these two reasons, and therefore appears better suited to cross-country comparisons, calculates the number of self-employed with respect to the population of working age (15-64) (cf. Figure 3, right-hand columns). Under this definition, too, the three southern European countries and Ireland exhibit the highest self-employment rates, at

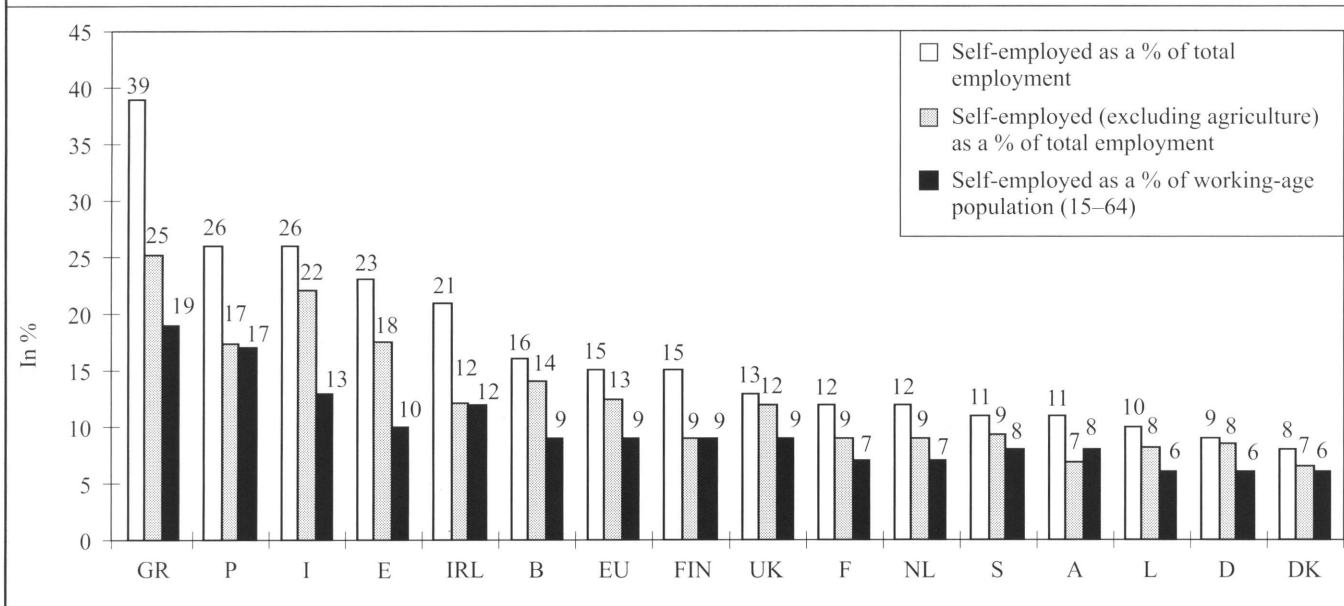
between 10% and 20%, while in the other Member States between 6% and 9% of the working-age population is self-employed. The use of this definition "improves" the ranking of Sweden and Denmark, countries with high participation rates. Yet there is little change in the position of Belgium, although its participation rate is rather low.

Although self-employment rates permit statements to be made about the level of employment on a self-employed basis, they are unsuited to telling us anything about the stability of such employment relations. The self-employment rate in a country may remain constant over a period of years because there are neither inflows into nor outflows out of self-employment, thus the self-employed are firmly entrenched. But the rate will also remain constant given high rates of both inflow and outflow, provided they are of equal magnitude.

Flows into and out of self-employment

Figure 4 enables the flows into and out of self-employment in 1995 to be compared. Flows out of self-employment can be calculated because, for

Figure 3: Self-employment rates in the EU, 1995



Sources: European Labour Force Survey; own calculations.

most EU Member States, data are available both on total flows into self-employment and on changes in the number of self-employed in consecutive years.

In 1995, inflows into self-employment were higher – in some cases considerably so – than outflows in most Member States, particularly in the Netherlands, Ireland and the United Kingdom. Only in Greece and – marginally – France did the outflow exceed the inflow. At EU level, this could mark a change in trend, for in the previous four years the flow out of self-employment exceeded that into this category on the EU average (excluding Italy). It was only in Germany (excluding eastern Germany), Luxembourg, the Netherlands and – marginally – Greece that inflows exceeded outflows in this period (cf. European Commission 1995). On the other hand, in a number of EU Member States, the rates of inflow were significantly lower than during the 1990–1994 period. This is shown, for instance, by the fact that between 1990 and 1994 four countries (Portugal, the United Kingdom, Germany and the Netherlands) exhibited in-

flow rates of 15% or greater, whereas this was the case in just one country in 1995 (Germany, at around 16%).

With the help of the analysis of inflows and outflows, the self-employment trends in the EU portrayed in Figures 1 and 2 can be described in a more highly differentiated way. The number of self-employed persons has increased consistently since 1985 in the Netherlands and Germany. In the Netherlands, this was due primarily to a decline in the outflow rate: between 1987 and 1990, the difference between the inflow and outflow rate was around 2 percentage points; between 1990 and 1994, this differential widened to around 6 percentage points. In 1995, the outflow rate in the Netherlands was around 4 percentage points below the inflow rate. In Germany, by contrast, the rise in the number of self-employed persons can be traced back to an increase in the flow into self-employment. The inflows into self-employment have been only slightly higher than outflows since 1987. But whereas the inflow rate between 1987 and 1990 remained roughly

constant at around 10%, it rose to around 20% from 1990 to 1994 and in 1995 amounted to around 16%.

In Ireland and Luxembourg, on the other hand, inflow rates that were rather low compared with the EU average led to a positive and relatively continuous expansion of self-employment because they were consistently higher than the outflow rates. In the United Kingdom, the above-average inflow rates in the period 1991 to 1993 were exceeded by the outflow rate, causing a fall in self-employment in this period.

Net effect of the transition between dependent employment and self-employment

Table 1 describes the flows between dependent employment and self-employment in the EU Member States for 1992 and 1995 (excluding Denmark and Sweden; Finland and Austria: 1995 only). The first four columns (1 to 4) relate to the overall flows into and out of dependent employment, that is, all flows between dependent employment and unemployment, self-employment, inactivity and education/training. In the next

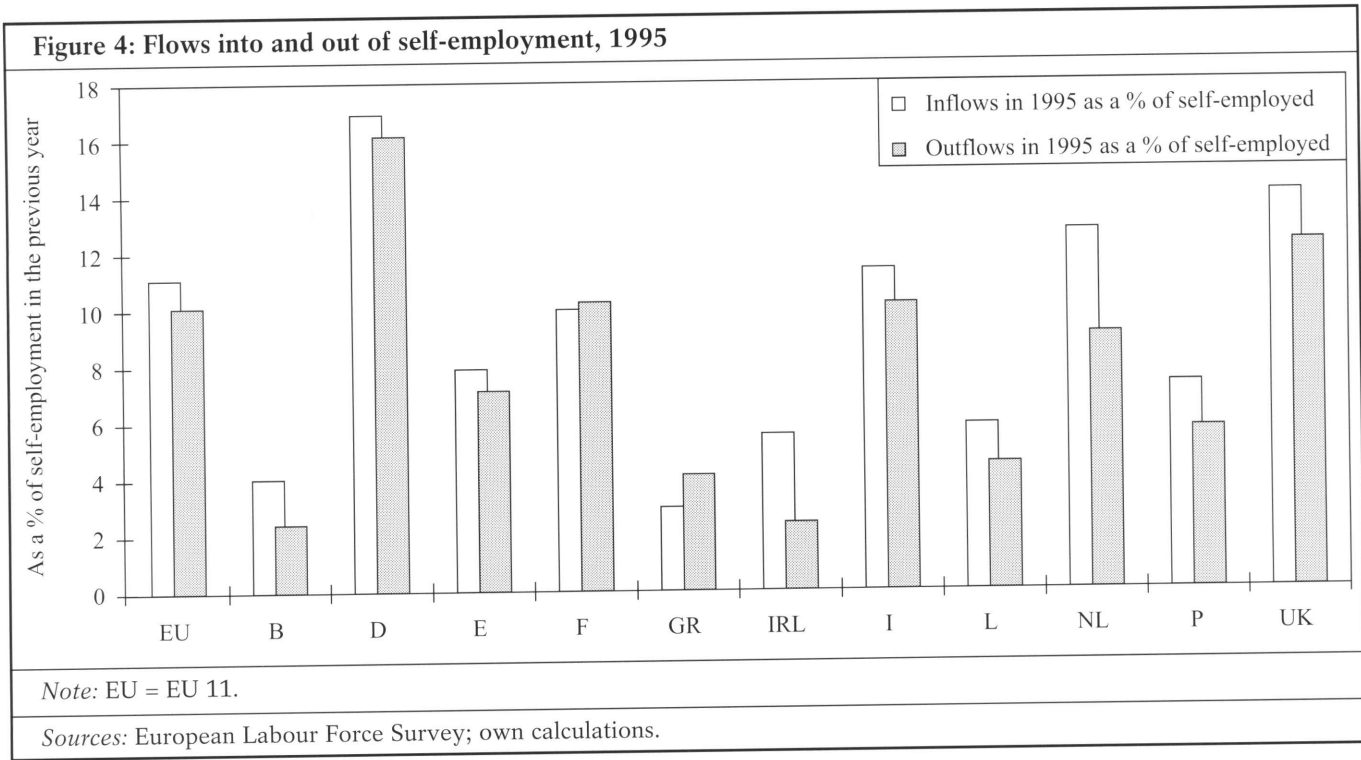


Table 1: Flows into and out of dependent employment and self-employment (in %), 1992 and 1995										
	Total flows into and out of dependent employment (a)			Flows between dependent employment and self-employment (b)						
	Flow into dependent employment	Flow out of dependent employment	Sum (1+2)	Difference (1-2)	Flow into dependent employment	Flow out of dependent employment	Sum (5+6)	Difference (5-6)	Inflow (b) as a % of inflow (a) (col. 5 / col. 1 × 100)	Outflow (b) as a % of outflow (a) (col. 6 / col. 2 × 100)
	1	2	3	4	5	6	7	8	9	10
1992										
B	5.3	5.9	11.2	-0.6	0.2	0.5	0.7	-0.3	4.3	8.5
D	7.2	9.5	16.7	-2.3	0.6	1.0	1.6	-0.4	8.3	10.0
E	15.7	14.2	29.9	1.5	0.6	1.0	1.5	-0.4	3.6	6.7
F	9.9	10.1	20.0	-0.2	0.6	0.8	1.4	-0.2	5.6	8.0
G	8.3	10.0	18.3	-1.7	0.8	1.2	2.0	-0.5	9.5	12.3
IRL	10.3	9.9	20.2	0.4	0.5	0.5	1.0	0.0	5.0	5.4
I	12.3	10.5	22.7	1.8	1.7	1.7	3.4	0.1	14.0	15.8
L	5.3	4.7	10.0	0.6	0.3	0.5	0.8	-0.2	5.9	10.4
NL	10.2	8.1	18.4	2.1	0.5	0.4	0.9	0.0	4.6	5.4
P	8.1	7.6	15.7	0.5	1.0	1.4	2.4	-0.3	12.9	17.8
UK	9.8	11.5	21.3	-1.7	0.5	1.1	1.6	-0.6	5.0	9.9
1995										
A	11.0	6.8	17.8	4.1	1.2	1.4	2.6	-0.2	11.0	20.0
B	5.8	6.8	12.6	-1.0	0.2	0.4	0.6	-0.2	3.7	6.2
D	8.5	7.8	16.3	0.7	0.6	1.4	2.0	-0.8	6.9	17.6
E	17.0	12.2	29.3	4.8	0.5	0.9	1.4	-0.4	3.0	7.0
FIN	14.7	12.2	26.9	2.6	0.3	0.0	0.3	0.2	1.7	0.4
F	11.0	9.2	20.1	1.8	0.4	0.7	1.0	-0.3	3.2	7.4
GR	8.3	10.3	18.6	-2.0	0.6	1.1	1.6	-0.5	6.7	10.2
IRL	13.0	7.5	20.5	5.6	0.8	0.7	1.5	0.1	6.3	9.4
I	13.0	10.6	23.6	2.4	1.4	1.8	3.1	-0.4	10.4	16.8
L	5.7	5.1	10.9	0.6	0.4	0.4	0.8	-0.1	6.4	8.7
NL	9.5	9.2	18.6	0.3	0.3	0.6	0.9	-0.4	2.7	6.7
P	8.3	8.7	17.0	-0.4	0.9	1.7	2.7	-0.8	11.5	20.1
UK	10.9	8.8	19.7	2.2	0.6	1.1	1.7	-0.4	5.8	12.0

Sources: Eurostat; own calculations.

four columns (5 to 8), the sub-flows between dependent employment and self-employment, their sum and difference are given. The last (column 8) is to be interpreted as follows: a negative value means that more people moved from dependent employment into self-employment than left self-employment for dependent employment; a positive figure means that more people left self-employment for dependent employment than moved in the opposite direction.

In both 1992 and 1995, the flows out of dependent employment into self-employment were higher than those from self-employment into dependent employment in most of the EU Member States. In 1992, it was only in Italy that more people moved from self-employment to dependent employment than the other way around, while in Ireland and the Netherlands the flows were of approximately equal magnitude for that year. Three years later, however, the flows from self-employment into dependent employment exceeded those in the opposite direction in Finland and Ireland. Whereas in most EU Member States the flows from self-employment into dependent employment declined slightly between 1992 and 1995, they rose in Luxembourg, the United Kingdom and, above all, in Ireland.

Column 9 of Table 1 gives the inflows from self-employment as a proportion of all inflows into dependent employment. It emerges that this form of transition is generally of subordinate importance in the Member States. In the three countries with the highest relative shares in 1995 (Austria, Italy and Portugal), only around one in ten of those entering dependent employment had been self-employed a year earlier. Moreover, this proportion declined in most EU countries between 1992 and 1995. Even so, the transition from self-employment to dependent employment in 1995 seems to have contributed to the positive overall employment trend, particularly in Austria (Table 1, column 4). Although Greece had

an average relative share and Portugal the highest proportion of entries into dependent employment coming from self-employment, the overall employment trend in these two countries was negative.

These trends must be interpreted with caution with a view to their relevance for employment policy, as an increase in the flow from dependent employment into self-employment can be due both to long-term sectoral changes² and to displacement effects³. As a result of changes in corporate strategies (the increased use of subcontracting and franchising, etc.), some of those now recorded as self-employed can be expected to be performing the same tasks as when they were dependently employed (cf. European Commission 1995). The phenomenon of the “pseudo self-employed” needs to be mentioned in this context: they exhibit some of the defining characteristics of dependent employment – in particular, working more or less exclusively for a single “client”/employer – but do not pay contributions to the social insurance system (Wiethölter & Bogai 1997). It cannot be determined using the available Eurostat data to what extent such pseudo self-employment plays a role in the various EU Member States. Nor have studies yet been made of the dynamics of such forms of employment. Yet there are grounds for the belief that pseudo self-employment is beginning to appear in branches in which it was previously unheard of and in new industries (Hanke 1996).

Subsequent labour market status of those leaving self-employment

Figure 5 presents transitions from self-employment to dependent employment as a proportion of all transitions out of self-employment in nine EU Member States. Although in 1995, in five out of nine EU Member States – Belgium, Portugal, Italy, the United Kingdom and Germany – more than one in three persons leaving self-employment moved directly into a dependent employment relation, direct transitions from self-em-

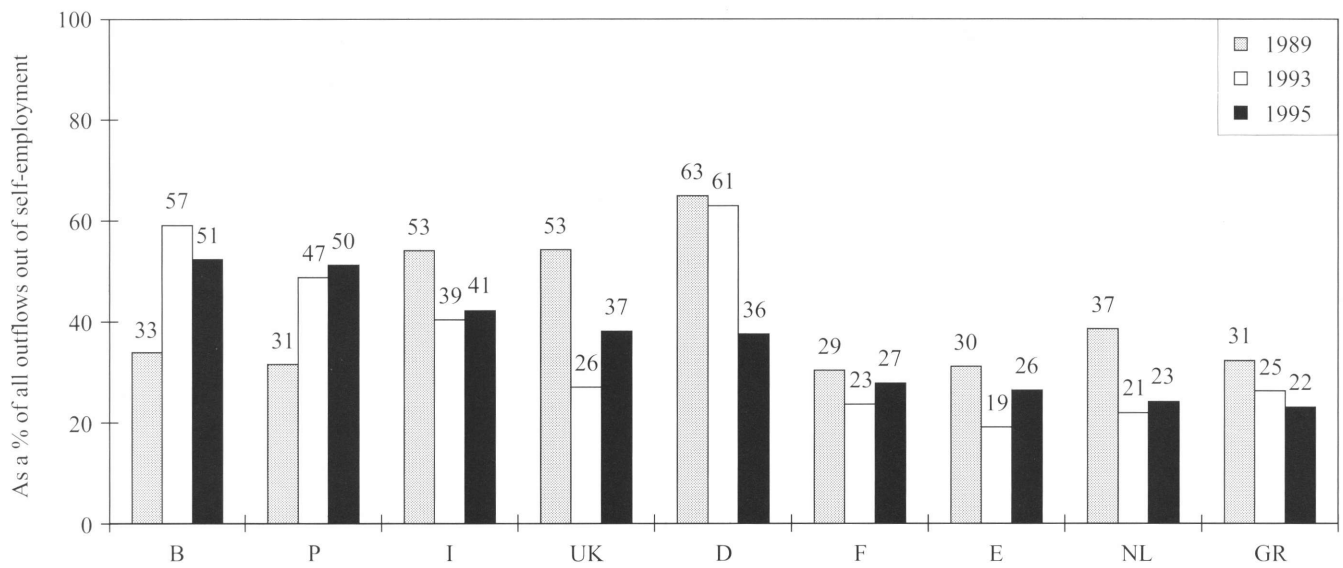
ployment to dependent employment declined from 1989 to 1995 in most of the countries considered here, the exceptions being Belgium and Portugal. Most of these countries exhibited the same pattern of change over time: between 1989 and 1993, the transition to dependent employment declined as a share of total transitions, only to increase once more between 1993 and 1995, though without reaching the 1989 level. In Greece and particularly in Germany, on the other hand, a continuous decline was recorded. One striking feature is that, particularly in Germany, the Netherlands and the United Kingdom, i.e. those countries exhibiting the highest rates of growth in the number in self-employment up to 1995, transitions to dependent employment as a proportion of all exits from self-employment declined most sharply between 1989 and 1995 (cf. Figures 1 and 2).

In Portugal, transition patterns developed differently, however: in 1995, almost every second person leaving self-employment entered into a dependent employment relation. The fact that in France, Spain and Greece the transition to dependent employment consistently accounted for a relatively small proportion of exits from self-employment is largely due to the higher outflow rates into inactivity (in particular retirement). In 1989, between 55% and almost 60% of persons – including family workers – leaving self-employment entered inactivity status (OECD 1992). It was only in Portugal that a similarly high rate of transition to inactivity (62.2%) was recorded in 1989; this confirms the fundamental changes that have occurred in the area of self-employment in Portugal since 1989.

2 Of particular relevance here is the declining importance of the agricultural sector.

3 For instance, the OECD reports that in the 1980s the rise in self-employment in the OECD countries was not always associated with the creation of additional employment opportunities. A number of forms of self-employed activity led to the displacement of dependent employment.

Figure 5: Transitions from self-employment to dependent employment



Note: data 1989 (OECD 1992, p. 167); 1989 = Italy 1983; the Netherlands 1985.

Sources: 1989 = OECD; 1992, 1995 = Eurostat.

Labour market status prior to the transition to self-employment

From the point of view of employment policy, entries into self-employment can be evaluated in different ways. Studies have shown that the chances of survival of new businesses are higher in cases where the founder originates from dependent employment than where he or she had not been employed the previous year (cf. OECD 1992). On the other hand, a transition from dependent employment to self-employment, as we have already seen, does not necessarily imply an increase in the overall volume of employment. Transitions from unemployment to self-employment, on the other hand, serve to reduce unemployment, while transitions from inactivity to self-employment raise the overall participation rate.

In most EU Member States, dependent employment is the most important source status for the flows into self-employment. In 1992 and 1995, on the average for the EU as a whole, almost 60% of those entering self-employed activity had been in dependent employment the previous year; in Luxembourg, Portugal, Aus-

tria and Germany, the proportion was over two-thirds. Whereas in most EU Member States transitions out of dependent employment into self-employment as a proportion of all transitions into self-employment increased from 1989 to 1995, they declined in the Netherlands, Portugal and the United Kingdom.

In all EU Member States – with the sole exception of the Netherlands – transitions to self-employment originating from inactivity (cf. Figure 6) declined in relative terms between 1989 and 1995. In the Netherlands, the figure initially rose between 1989 and 1992 to more than 53%, subsequently declining between 1992 and 1995 to just over 46%. In Finland and Italy, inflows from inactivity were also significant, at 33% and 31% respectively in 1995. In the Netherlands, the considerable proportion of inflows into self-employment originating from inactivity is at least partially due to the labour market policy of making new business start-up support programmes available to recipients of unemployment benefits and other social benefits (Basic Information Report [BIR] Netherlands). In Italy, too, labour

market policy support for business start-ups also plays an important role. Support from labour market policy programmes is focused here on new businesses set up by women and young people⁴, the majority of whom had not previously been in employment⁵. However, the considerable importance of self-employment for female employment in general in Italy – in 1995 almost 17% of economically active women were self-employed, compared with an EU average of just 9.4% (Eurostat 1995) – may have played a contributory role here. Particularly striking in terms of the inflows from unemployment (cf. Figure 6) is the very substantial rate in Finland. Almost 60% of persons entering self-employment

4 By October 1993, the youth programme, the legal basis of which goes back to the 1980s, had supported 867 projects with 17,714 participants, most of whom were young people (cf. BIR Italy).

5 Given that in Italy young people are not entitled to unemployment benefit until they have worked for two years, the vast majority will have entered self-employment from “inactivity” (cf. BIR Italy). At more than 66%, the inactivity rate among Italian women was the highest in the EU (Eurostat 1995).

in 1995 had been unemployed a year earlier. The very high unemployment rate in Finland⁶ – due not least to the collapse of trading relations with the former USSR – is likely to have had a determining influence on the patterns of transition into self-employment. In addition, the programme of support for unemployed persons setting up their own business was expanded in Finland: between 1992 and 1994 alone, funding was almost doubled to FIM 290 million (BIR Finland).

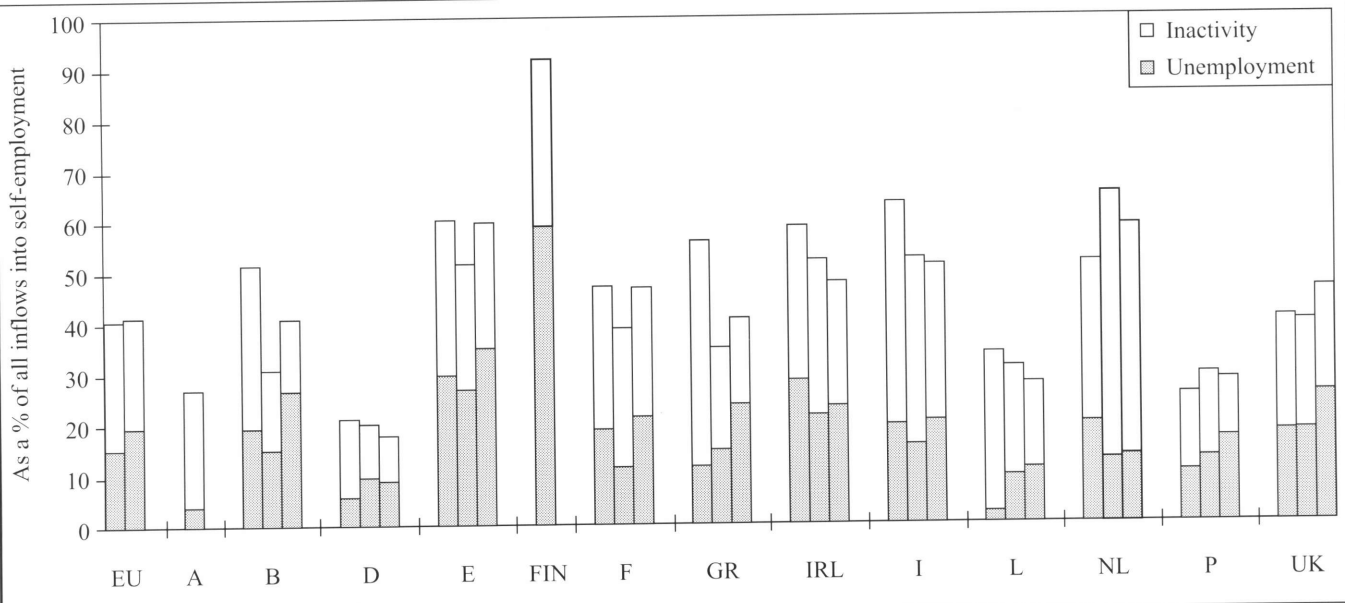
With the exceptions of Ireland and the Netherlands, between 1989 and 1995 inflows to self-employment originating from unemployment rose as a share of the total in all the EU Member States considered here. While in Greece, Luxembourg, Portugal and the United Kingdom a relatively continuous increase was recorded, in the remaining Member States for which data are available for the three observation years the same pattern of change over time was observed: in Belgium, Spain, France, Ireland, Italy and – to a lesser extent – the

Netherlands, the proportion fell from 1989 to 1992, only to rise once again by 1995. It is interesting to note that in the majority of these countries unemployment was falling between 1989 and 1992. Only in Spain and France did unemployment rates rise marginally in this period. Whereas in Belgium, Ireland, Italy and the Netherlands the decline in unemployment was clearly a contributory factor to the decline in inflows from unemployment to self-employment, in Spain the cutbacks in support for business start-ups for the unemployed played a central role, as the number of beneficiaries there fell by almost one-fifth between 1990 and 1992 (cf. BIR Spain). In France, too, the increase in inflows from unemployment between 1992 and 1995 can be partly explained with reference to labour market policy programmes to support business start-ups by the unemployed, as funding for these programmes was expanded markedly in this period (cf. Table 2) and is thus likely to have led to higher demand.

Although a parallel trend between the rates of inflows from unemployment to self-employment and the unemployment rate was observed between 1989 and 1995 in only five of the 12 EU Member States – in Belgium, Greece, Italy, Luxembourg and, very loosely, in the Netherlands – economic parameters, and in particular rising unemployment, almost certainly made a not inconsiderable contribution to self-employment trends in the EU. This appears to be confirmed above all by the fact that during the observation period, in most EU Member States, fewer and fewer persons managed to find dependent employment on leaving self-employment. Moreover, the fact that in most countries the proportion of transitions to self-employment originating from unemployment was on the increase up to 1995 is almost certainly due to the lack of alternatives to unemployment, apart from

6 Back in 1990, the unemployment rate in Finland had been just 3.5%; in 1995, it was 17%, the second-highest figure of all the OECD countries (OECD 1997; cf. Vuorinen 1995).

Figure 6: Labour market status prior to transition to self-employment, 1989, 1992 and 1995



Note: A and FIN 1995 only; EU (11) 1992 and EU (13) 1995, IT 1989 = 1983; NL 1989 = 1985. 1989 = Inactivity also includes unpaid family workers (cf. OECD 1992, p. 167).

Sources: 1989 = OECD; 1992, 1995 = Eurostat.

self-employment, for many unemployed people. On top of this, as unemployment rose during the recent recession, many Member States expanded their programmes of support for unemployed people starting up new businesses (European Commission 1995).

The decline in the proportion of inactives entering self-employment, which was also observed in almost all EU countries, is likely to be at least partly due to cyclical reasons. It appears plausible that a deterioration in the economic situation induces some inactives to postpone or abandon altogether their decision to enter self-employment (Meager 1992). Even in the case of the rising proportion of entries into self-employment originating from dependent employment, a trend observed in the majority of EU Member States, reasons related to the labour market situation cannot be precluded. It is conceivable that the threat of unemployment stimulates transition from dependent employment to self-employment. On the other hand, a deterioration in the economic situation could deter those currently in dependent employment who in fact want to enter self-employment (Meager 1992). When interpreting the interrelationships discussed here, it must be borne in mind that the self-employed in no way constitute a homogeneous group. Consequently, the reactions of individuals to given economic conditions vary considerably.

Also of interest in employment policy terms is a comparison between labour market status prior to and after self-employment. In Germany, around four out of five self-employed persons had previously been in dependent employment in 1995, whereas only one in three of those leaving self-employed activity entered or re-entered dependent employment. In Portugal, by contrast, less than 30% of those entering self-employment had been unemployed or inactive the previous year, whereas almost half of those leaving self-employment had found regular dependent employment one year later.

Ideally, therefore, transitional labour markets must be constructed in such a way that labour market policy builds solid bridges into self-employment, while at the same time offering a realistic option of returning to dependent employment.

Support for the unemployed entering self-employment

Labour market policy programmes to support unemployed persons setting up their own business offer some of the unemployed an alternative to unemployment. In addition, the support may generate multiplier effects if beneficiaries subsequently recruit additional labour. As early as the 1980s, in many EU Member States – with the exceptions of Italy, Luxembourg, the Netherlands and Austria – the unemployed were permitted to continue to draw unemployment benefits while starting up their own business (European Commission 1995). As unemployment has risen, the promotion of self-employment as an employment opportunity for the unemployed has been of increasing importance in almost all EU countries since the start of the 1990s. New programmes have been set up, and additional financing has been provided for existing programmes and/or their conditions improved⁷.

However, as can be seen from Table 2, business start-up programmes in the EU Member States considered here directly benefit only a very small group of persons. Correspondingly, expenditure on support for self-employment by the unemployed constitutes a very small proportion of total spending on labour market policy.

Caution must be exerted in drawing conclusions from these data. It is possible that in relative terms spending on start-up support programmes declined merely due to an increase in total public spending on labour market policy measures as a whole. In Finland, for example, public spending on support for business start-ups almost doubled between 1992 and 1994 (BIR Finland), while in Sweden spending actually trebled between

1992/1993 and 1993/1994 (BIR Sweden). The figures are not necessarily a good indicator of the importance of these programmes with respect to the number of participants, either. In Greece, for example (BIR Greece), the number of participants almost doubled between 1992 and 1994, and the number more than doubled in Germany between 1994 and 1995. Moreover, the figures in Table 2 are restricted to labour market policy support funding for the unemployed and exclude other sources of finance that are also available to other categories of persons starting up business⁸.

Sweden undertook the greatest efforts to expand its business start-up programmes between 1992 and 1995, recording the highest inflow rates to these programmes of all the EU countries considered here for 1995⁹. Yet in France, Finland and Germany¹⁰, too, funding of programmes to support unemployed persons taking up a self-employed activity was expanded during this period, with a corresponding rise in the number of participants. By contrast, such programmes were cut back in Greece, Denmark and in particular Spain. It is interesting to note that in these countries, in 1992 support for

7 Cf. European Commission (1995). On the programmes to promote unemployed persons entering self-employment in the EU Member States, see the respective BIRs and the following issues of "Policies": No. 43/1993 (for Portugal); No. 55/1996 (for Italy); No. 56/1996 (for Sweden); No. 60/1997 (for Germany and Austria); see also Denys & Denolf 1997 (for Luxembourg).

8 Figures are not available on the additional sources of finance available to the unemployed wishing to start up their own business in the various EU Member States. According to a study of formerly unemployed first-time entrepreneurs in 1994 and 1995, around 15% of those surveyed in Germany received financial support in addition to that from labour market policy programmes (cf. Wießner 1998).

9 In the 1994/95 fiscal year, a total of more than 20,000 people received support in setting up new businesses ("Policies" No. 56/1996, pp. 18ff.).

10 In Germany, public spending was increased from DM 200 million in 1986 to more than DM 1 billion in 1996 (Wiethölter & Bogai 1997, p. 230).

Table 2: Support programmes for the unemployed for business start-ups

	Public spending as a % of GDP		Public spending as a % of total labour market policy spending		Inflow of participants as a % of the working population	
	1992	1995	1992	1995	1992	1995
D	-	0.03	-	0.57	0.1	0.2
DK	0.11	0.09	1.65	1.33	0.2	0.1
E	0.14	0.02	3.84	0.61	0.3	0.1
FIN	0.03	0.04	0.52	1.55	0.2	0.3
F	0.02	0.04	0.07	1.29	0.2	0.3
GR	0.03	0.01	3.75	1.32	0.2	0.1
IRL	0.02	0.02	0.48	0.44	0.1	0.1
P	0.02	0.03	1.22	1.72	0.2	0.2
S	0.04	0.07	0.69		0.2	0.4
UK	0.01	0.01	0.45	0.56	0.1	-

Notes: No data are available for Belgium, Austria, Luxembourg, the Netherlands; Ireland 1992 = 1991; Sweden and United Kingdom 1992 = 1992/93; 1995 = 1995/96.

Sources: OECD: *Employment Outlook*, 1995, 1996.

business start-ups by the unemployed had accounted for a higher share of national labour market policy spending than in other countries.

The impact of such programmes on the transition flows into and out of self-employment are influenced by the nature of the programmes, and in particular by:

1. the nature of financial support: in most EU Member States, unemployed persons entering self-employment received a regular allowance in place of unemployment benefits. In France and Greece, on the other hand, support is provided in the form of a one-off grant (cf. the respective national BIRs). In Italy (cf. "Policies" No. 55/1996), an application may be submitted for a one-off payment of accumulated benefit entitlements; this was also possible in Spain until 1992 (cf. BIR Spain);
2. the participants: whereas in most EU Member States labour market policy programmes to promote new businesses are restricted to the unemployed, in the Netherlands employees threatened with unemployment may also benefit.

In a number of EU countries, labour market policy target groups receive preferential treatment: for instance, in Greece (women, the long-term unemployed, disabled), in Portugal (youth, unemployed aged over 45, long-term unemployed; cf. "Policies" No. 43/1993), in Italy (women and youth) and in Belgium (youth; cf. BIR Belgium).

Self-employment as an alternative to unemployment

Under certain conditions, self-employment may constitute an alternative to unemployment. This appears to be confirmed by the increasing proportion of persons moving from unemployment to self-employment in most EU Member States. Self-employment may also establish a bridge into dependent employment. However, in recent years the proportion of those entering dependent employment among persons leaving self-employment has declined in many EU countries.

Consequently, labour market policy support for business start-ups must not ignore the possible negative consequences of a phase of self-em-

ployment for those required to abandon their dependent-employed activity (indebtedness, loss of entitlement to unemployment benefits¹¹, etc.). For these reasons, it seems that flanking measures are required to cushion the individual risks of embarking on starting up entrepreneurial activity. This could also minimise the macroeconomic costs involved. Countries whose system of entitlement to unemployment benefits is based on the insurance principle could, for instance, permit first-time entrepreneurs to remain as voluntary members of the unemployment insurance system for a transitional period (Semlinger 1995).

More detailed analysis is also required of the possible effects of support for business start-ups on the employability of participants, particularly those previously unemployed. This requires longitudinal surveys of a sufficiently long period. However, the increasing importance of self-employment as a transitional labour

11 This can occur when entitlement to unemployment benefit is based on contributions paid during dependent employment. After a given period in which no contributions are paid, benefit entitlement is lost.

market can also be shown using the cross-sectional data of the European Labour Force Survey. Yet it is important to consider both the inflows into and outflows from self-employment: temporarily pumping up inflows into self-employment can, if such employment proves unsustainable, create additional problems which will emerge after two to three years. In the context of current debates on the employability of the unemployed, programmes for the unemployed starting up business are likely to become increasingly relevant, particularly if the subsequent bridge from self-employment to dependent employment is also designed in such a way as to ensure that it has sufficient carrying capacity.

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This book consists of a collection of "Focus" articles that originally appeared in the quarterly "Policies" during the years 1994 to 1997. Under the general topic of employment policies, contributions are thematically grouped together under one of the following subjects: "country reviews", "new forms of employment", "implementation and monitoring of labour market policies", and "labour force participation, inactivity and labour market dynamics". This is a one-time publication brought out in 1998, available in English and French (bound together in one volume).

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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.

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