

Employment Observatory

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Summer 1999

Employment & European Social Fund



Employment & social affairs



European Commission

Developments at a Glance

- Belgium:** A service-cheque programme has been introduced, initially for a two-year trial period, for enterprises in the painting and decorating sector, the aims of which are to expand the market for private customers and to reduce moonlighting in this area.
- Germany:** In order to achieve a high level of employment and to improve further the innovativeness and competitiveness of German firms, the government and the social partners have agreed, within the framework of an "Alliance for Jobs", on common aims.
- Greece:** A new, integrated support programme has been established for people threatened with labour market exclusion, under which employers are given subsidies for recruiting people from this target group.
- Spain:** According to the labour market statistics for 1998, a record employment level was achieved last year thanks to a further rise in the number of people in employment.
An "Employment-Workshop Programme" is being introduced, targeted at unemployed people aged over 25 who face particular difficulties on the labour market; it combines training and employment measures.
- France:** In accordance with the goals of the National Action Plan for employment, a third Progress Contract has been signed between the state and the Public Employment Service (ANPE) covering the period 1999-2003. The government is to provide additional staff and financial resources in order to ensure its implementation.
- Italy:** In order to reduce the damage to the public resulting from illegal strikes, legal reform of the right to strike is currently being implemented; it provides, among other things, for tougher fines against firms and trade unions breaking the new rules.
- Netherlands:** The results of a study conducted in the Nordbrabant Province into the causes of bottlenecks in filling vacancies and possible solutions by employers were presented to parliament in April 1999.
Within the framework of the EWLW Programme ("40,000 Jobs"), 87% of the jobs approved had been successfully filled in local authorities and care institutions by the start of 1999.
In order to reduce the number of people dependent on unemployment or minimum social benefits, since May 1999 unemployed persons aged 57.5 years and over have been obliged to register as looking for work.
On the basis of draft legislation, experiments are to be conducted, financed out of a special budget of the National Unemployed Fund, to promote the vocational training and faster reintegration of recipients of unemployment benefits.
- Austria:** According to a preliminary evaluation of the NEW START special programme developed in 1998 to create new, permanent jobs in the service sector, a large number of projects pursuing interesting new approaches had already received support by April 1999.
Within the framework of its "Tax Reform 2000", the federal government has proposed, alongside tax cuts and steps to promote economic growth, tax incentives for vocational further training and innovative activity by enterprises.
A package of measures, implemented since the spring of 1999 with a supplementary budget, and which aims, among other things, to activate, train and reintegrate unemployed people, especially the long-term unemployed, has already shown sign of initial success in the form of a slight reduction in unemployment.
Development paths have been defined in order to meet the targets that were formulated in 1998 in the Guidelines of the National Action Plan for employment and have been integrated into the employment policy target system of the Public Employment Service (AMS).
An evaluation of ESF-supported measures shows that female wage- and salary-earners are less than proportionately represented and that there is still substantial gender-specific segregation in terms of training content.
- Portugal:** The "Culture/Employment" Programme for the registered unemployed aims to encourage and expand activities of particular social interest in the cultural sphere.
In order to improve domestic services for those in need of care, a pilot programme in the Alentejo Region provides training support for those providing social services and financial support in creating new jobs.
In January 1999 a special measure was introduced for the cooperative sector, the aims of which are, among other things, to promote the creation of new cooperatives, the strategic development of the cooperative sector, the expansion of new activities and the restructuring of the sector.
The "Employment-Training Rotation" measure offers employers technical and financial assistance if they offer on-the-job training to people recruited to stand in for workers undergoing external further training.
- Finland:** The new Wage Security Act, which came into force at the start of 1999, has brought about changes in the regulations governing wage security and has reformed the legislative procedure.
A study into the impact of working-time reduction in local authorities, financed by the labour ministry, has revealed positive effects in coping with work and regarding the reconciliation of work and family life.
- Sweden:** Results of recent studies indicate that re-recruitment by a former employer occurs to an extent previously unknown, even among highly skilled workers.
- United Kingdom:** The New Deal continues to prove successful, having created more than 61,000 permanent jobs for young people by the end of February 1999 and enabled the participation of a total of 58,000 in vocational training and work experience measures.
In order to reduce the number of households without anyone in work, a new programme is being set up for the partners of unemployed persons on benefit, which provides individual guidance with the aim of improving their employability.
The "Single Work-Focused Gateway" Programme, introduced as a pilot, aims to determine which individual forms of support are required for people entering the social security system for the first time in order to improve their employability.
A new initiative aims to ensure that in specific employment zones the financial resources available for unemployed people looking for work can be deployed more flexibly.
In London a new employment agency ("Workbridge") will assist the visually impaired and blind people in overcoming their individual obstacles to employment.

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No. 66, Summer 1999

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“Policies” and the Development of the European Employment Policy Guidelines

In the previous edition of “Policies” (No. 65), the background to the ongoing development of the employment policy Guidelines and their new emphases were presented. These are reflected in the National Action Plans for employment (NAPs); a number of the measures reported on in this issue make explicit reference to the NAP of the Member State in question.

The measures reported on in this issue relate primarily to the *first pillar* of the employment policy Guidelines: Improving Employability. For instance, the third Progress Contract in France places particular emphasis on the goal of tackling youth unemployment and preventing long-term unemployment within the framework of the “New Start” (Guidelines 1 and 2). The experiments within the framework of the unemployment insurance programme in the Netherlands, too, are linked directly to strategies to prevent long-term unemployment. In Austria, steps have been taken to ensure that the NAP has been integrated into the system of targets for the Public Employment Service (AMS); this relates in particular to Guidelines 1 and 2. The measures adopted by the Austrian government at the start of 1999, some of which have already been implemented, are also targeted towards activating the (long-term) unemployed to an even greater extent and improving the placement intensity of the AMS.

The *transition from passive to active measures* is an integral component of a number of packages of measures, including the French Progress Contract. The new pilot programme “Single Work-Focused Gateway” in the United Kingdom also seeks to improve employability. In this context, the obligation in the Netherlands of older recipients of unemployment support benefits or minimum social benefits to report as jobseekers to the employment office

needs to be mentioned; the aim is to raise participation rates.

The aim of *encouraging a partnership approach* plays an important role in Germany’s “Alliance for Jobs”; the measures adopted in Austria at the start of the year aim to expand training opportunities in three areas (IT applications, social services and IT development; cf. Guideline 6). Also important for Germany’s “Alliance for Jobs” is Guideline 8; similarly, under Austria’s Tax Reform 2000, tax incentives are to be made available for further training.

A new component of the first pillar taken up in the 1999 Guidelines – *creating a labour market open to all* (Guideline 9) – is clearly reflected in the measures reported on by the various Member States in this issue. In Greece, for example, an integrated support programme has been set up for people threatened with exclusion from the labour market. In Spain the employment-workshop programme is targeted at unemployed people aged over 25 who face particular difficulties on the labour market. The new “Workbridge” employment agency in London is to provide the visually impaired and blind people with individual support in overcoming employment obstacles. A new programme in the United Kingdom that aims to improve the employability of the partners of unemployed people receiving benefit can also be seen, in a broader sense, as coming under this category.

Measures aiming to exploit *new opportunities for job creation* can be classified under the *second pillar* of the 1999 employment policy Guidelines. We have a report from the Netherlands on the success of the EWLW Programme (“40,000 jobs”), the aim of which is to create jobs in local government and care institutions (Guideline 12). The Culture/Employment Programme in Portugal and the pilot project in the Alen-

tejo Region in the area of domestic services for those in need of care are also examples of the implementation of this Guideline. Also worthy of mention in this context is the service-cheque programme for painters and decorators in Belgium. The special “NEW START” programme in Austria also intends to create new, permanent jobs in the service sector. Compared with the above-mentioned programmes in other countries, this Austrian Programme is broader in scope, encompassing market segments such as new media and energy consulting, i.e. industry-related services.

Only two measures can be classified under the *third pillar*: the Portuguese “Employment–Training Rotation” measure comes under Guideline 16, which makes explicit reference to schemes to interrupt employment biographies and to further training; the reorientation of the Austrian AMS towards the targets of the NAP also refers explicitly to this Guideline, as well as to Guideline 18.

The same applies to Guideline 19, which forms part of the *fourth pillar*. An Austrian evaluation of ESF-supported measures in terms of realising equality of opportunity between men and women shows just how important it still is to pursue this aim. The evaluation reveals that female wage- and salary-earners are less than proportionately represented and that there is gender-specific segregation in terms of training content. A Finnish study on the impact of working-time reduction in local authorities, on the other hand, points to positive effects in terms of reconciling work and family life (Guidelines 16 and 21).

The Employment Policy Guidelines for 1999

I. Improving employability

Tackle youth unemployment and prevent long-term unemployment

1. Offer young people a new start before reaching six months of unemployment.
2. Offer adults a new start before reaching 12 months of unemployment.

Transition from passive measures to active measures

3. Active measures to promote employability.
4. Incentives in the tax and benefit system to work, to enhance employability and to promote lifelong learning.

Encouraging a partnership approach

5. Agreements between the social partners on training, work experience, traineeships, etc.
6. Member States and social partners endeavour to develop possibilities for lifelong learning, particularly in the fields of information and communication technologies; appropriate measures should be easily accessible to older workers.

Easing the transition from school to work

7. Substantially reduce the number of young people who drop out of the school system early.
8. Young people should be equipped with skills relevant to the labour market.

Promoting a labour market open to all

9. Develop appropriate forms of preventive and active policies to promote the integration of the disabled, ethnic minorities and other groups and individuals who may be disadvantaged.

II. Developing entrepreneurship

Making it easier to start up and run businesses

10. Significantly reduce the overhead costs and administrative burdens for businesses, especially SMEs, in particular where an enterprise is being set up and when hiring additional workers.
11. Encourage the development of self-employment.

Exploiting new opportunities for job creation

12. Exploit fully the possibilities offered by job creation at local level, in the social economy, in the area of environmental technologies and in new activities linked to needs not yet satisfied by the market.
13. Exploit fully the employment potential of the services sector and industry-related services, *inter alia* by tapping the employment potential of the information society and the environmental sector.

Making the taxation system more employment friendly

14. Where appropriate, gradually reduce the overall tax burden and the fiscal pressure on labour and non-wage labour costs, in particular on relatively unskilled and low-paid labour.

15. Examine the advisability of reducing the rate of VAT on labour-intensive services not exposed to cross-border competition.

III. Encouraging adaptability of businesses and their employees

Modernising work organisation

16. Modernise the organisation of work, including flexible working arrangements.
17. More adaptable forms of employment contract.

Support adaptability in enterprises

18. Re-examine the obstacles, in particular tax obstacles, to investment in human resources.

IV. Strengthening equal opportunities policies for women and men

Gender-mainstreaming approach

19. Adopt a gender-mainstreaming approach in implementing the Guidelines of all four pillars.

Tackling gender gaps

20. Reduce the gap in unemployment rates between women and men.

Reconciling work and family life

21. Designing, implementing and promoting family-friendly policies.

Facilitating reintegration into the labour market

22. Gradually eliminate the obstacles in the way of such return.

Overall Developments

Germany

Alliance for Jobs, Training and Competitiveness

On 7 December 1998, representatives of central government, the employers' associations and the trade unions agreed, at a top-level meeting chaired by Chancellor Gerhard Schröder, to work together in an Alliance for Jobs, Training and Competitiveness in order to reduce unemployment and raise the competitiveness of the German economy.

The parties participating in the Alliance for Jobs, Training and Competitiveness have reached agreement on the following points:

- Reducing the high level of unemployment is the most urgent challenge facing politics and society at the threshold to the next century. A high level of employment in a globalised economy is not a utopian idea, but a realistic goal that can be achieved, step by step, by means of a problem-oriented combination of economic policy activities.
- Positive trends on the labour and training markets require stable cooperation between government, trade unions and employers. It is particularly vital that the three parties coordinate their activities closely. In the light of this, the Alliance for Jobs, Training and Competitiveness is long-term in its orientation and is conceived as a process of understanding in which mutual trust is to be created, but where differences of interest and opinion can be settled.
- Swift and comprehensive reforms are vital in order to lastingly raise the level of employment and improve economic dynamics. Effective preliminary measures can be initiated immediately, however.

- It is necessary that government, business and the trade unions all make an effective contribution, and that collective bargainers enter into binding commitments. All must work together in order to achieve perceptible employment success together. The participants are agreed that autonomous action by the partners to the alliance, for instance by collective bargainers and government, is to be oriented towards the goals of this alliance and should support the agreements reached there. Collective wage bargaining will remain free of government intervention.

- A successful course of training in Germany's dual system of vocational training offers favourable opportunities for successful integration on the labour market. Every young person in Germany who is willing and able to undergo such training is to receive a training opportunity.

- The participating organisations will support state governments, local governments, trade unions and employers' associations, and individual employers and works councils in their joint activities in seeking out new ways of maintaining and creating employment in their respective areas. The alliance will promote these efforts by setting an appropriate framework of conditions.

Specifically, the parties to the Alliance for Jobs, Training and Competitiveness seek to achieve the following:

- a further and lasting reduction in statutory indirect labour costs and structural reforms of the social security system;
- an employment-promoting distribution of work and flexible working hours, enabling reductions in overtime, annual working time accounts, and extension and promotion of part-time work;

- implementation of the reform of business taxation, in particular with the aim of reducing the tax burden on small and medium-sized enterprises, as of 1 January 2000;
- further improvements in the innovative capacity and competitiveness of firms;
- more flexible and improved opportunities for early retirement within the framework of the existing statutory retirement ages by means of statutory, collectively agreed and company-level provisions;
- wage trends that promote employment growth;
- an improvement in the access to venture capital of small and medium-sized enterprises;
- greater opportunities for asset formation and profit-sharing by workers;
- expert and subject-related dialogues on employment, innovation and competitiveness;
- a further reduction in the structural barriers to the establishment of new, and the growth of existing, firms;
- the opening up of new employment fields and training opportunities for low-skill workers, involving the trial and deployment of new instruments;
- an extension of the range of labour market policy instruments to combat youth unemployment and long-term unemployment, in particular by improving further training opportunities and providing additional incentives to take up employment. The instruments of active labour market policy must increasingly be deployed in such a way as to promote innovation.

As a first step, the participants in the Alliance for Jobs, Training and Competitiveness will immediately establish working parties or expert groups on the following topics:

- Further training: implementation of the immediate action programme to reduce youth unemployment. The participants in the alliance will send a joint letter to companies and works councils in order to stimulate greater efforts to make more training opportunities available;
- taxation policy;
- working life, early retirement;
- reform of the social security systems;
- working-time policy;
- economic reconstruction in eastern Germany;
- redundancy payments;
- benchmarking.

In addition, the participants are agreed that expert and subject-related dialogues are to be conducted under the auspices of the government department responsible, for instance, on small and medium-sized firms, research and know-how transfer, and the craft sector.

Since the initial meeting, negotiations have begun at all levels.

growth achieved in the fourth quarter of 1997 (53,800, representing 0.4%). On an annual comparison, employment in the fourth quarter of 1998 was up by 42,500, or 3.3%, on the fourth quarter of 1997. This annual growth rate is below that recorded for the two previous quarters. Even so, the total employment figure of 13,342,100 at the end of 1998 marks an historical record.

This figure represents 40.9% of the population aged over 16; the employment rate was 1.1% higher than at the end of 1997.

The average figures for 1998 are also the best of the entire decade. Employment was 440,300 higher than in 1997, an increase of 3.4%. One has to go back to 1989 to find more favourable data regarding net employment growth; in that year, employment rose by 485,600, or 4.1%, on the previous year. The average employment rate for 1998 – 40.6% of the active population – was 1.2% higher than in 1997.

A particular feature of the labour market in 1998, which was also observed in the latter years of the last expansionary phase, is the strong elasticity of employment with respect to GDP growth; the gap between the annual rate of growth of the two variables has narrowed markedly. The real rate of GDP growth in 1998 exceeded employment growth by just 0.4%. For 1999, GDP growth of 3.5% and employment growth of 2.8% are forecast.

An even more favourable picture of the labour market than that derived from LFS data is provided by statistical data from the membership lists of the social insurance funds (*Estadística de los Afiliados de la Seguridad Social*) on registered employment relationships (i.e. registered employment covered by the various social security systems). This is immediately apparent from the number of members, which rose to 13,591,000 in 1998, 658,900, or 5.1%, higher than the 1997 figure. These figures reflect the appreciably faster rate

of job creation, but to some extent also the uncovering of previously illegal employment.

At the same time, the “Statistics on Companies Registered with the Social Security System”, which cover all companies with at least one employee (with the exception of those in the agricultural sector), report 1,023,100 firms in December 1998, representing an increase of 45,200, or 4.6%, on the previous year. This is a very positive trend. These figures, too, are significantly higher than in previous years. In employment terms, the number of workers employed by these enterprises rose by 681,000, or 7.3%, compared with December 1997, to 9,961,000.

As far as labour turnover is concerned, 1998 saw a marked increase in the number of employment contracts concluded. The public employment service (INEM) registered a total of 11,663,300 contracts, 1,569,700 more than in 1997, representing an increase of 15.6%.

The most positive aspect of contracting trends last year was the increase in the number of permanent contracts, which represented 8.3% of all the contracts concluded. This figure points to a continued increase in the importance of permanent contracts, although they have not made an impact on the supremacy of fixed-term contracts to the extent desirable. Even so, the 1997 figure of 7% was exceeded, and the figures in the early years of this decade were lower still. However, at between 32% and 33% of total dependent employment, the proportion of workers on fixed-term contracts remains very high.

During the first ten months of 1998, 11,089,600 workers registered with the social security fund, 1,367,600 more than in the corresponding period the previous year; the annual growth rate was 14.1%. Of the total number of registrations, 676,000, or 6.1%, were first-time registrations, in most cases implying entry into the labour market. The

Spain

Labour Market Trends in 1998

The most recent data available from the Labour Force Survey (LFS), relating to the fourth quarter of 1998, confirm the positive labour market trend observed since 1995, although both the quarterly and the annual figures show emerging signs of a slow-down in the rate of growth in the area of employment.

Employment rose by 17,000 between the third and the fourth quarter of 1998, an increase of 0.1%. This is considerably less than the

Overall Developments

number of new registrations rose by 72,300 on the previous year, an increase of 12%, figures that point to an acceleration of the growth trend in this area.

Following the sharp increase in the active population in the third quarter of 1998, the figure declined by 55,000 in the fourth quarter, a fall of 0.3%. This trend is in contrast to the previous year, when the active population rose between the third and the fourth quarters by 20,700, or 0.1%. Due to this decline, the increase in the active population compared with the fourth quarter of 1998 – by 98,200 – was relatively small; at 0.6% the growth figure was less than that recorded in recent years.

Given that the rate of growth of the population aged 16 or older remained virtually stable at 0.6%, the number of actives in the fourth quarter (16,305,500) represented 50% of this population (and 63.4% of the population aged between 16 and 64). Because the active population declined as a proportion of the total in the fourth quarter by 0.3% compared with the third quarter, the figure returned precisely to the previous year's value. Even so, the average figure of 50% calculated for 1998 is 0.2 percentage points above the 1997 level.

According to LFS data, unemployment fell markedly in the fourth quarter of 1998. Compared with the previous quarter, unemployment fell by 72,100, or 2.4%. The unemployment figure of 2,963,400 was 329,000 lower than in the last quarter of 1997, revealing a very positive trend between the two years. The fall in unemployment amounted to 10%, marking a substantial acceleration in recent years.

The reduction in the number of people registered unemployed led to a lower unemployment rate of 18.2% of the active population in the fourth quarter of 1998. In the previous quarter the figure had been 18.6% and in the last quarter of 1997, 20.3%.

The 1998 annual average is also very positive. Unemployment fell by around 300,000, or by 8.8%; the average for the four quarters was 18.8%, and thus two percentage points lower than in 1997.

Finally, the data provided by INEM confirm the favourable trend in terms of unemployment. In 1998, the number of people registering as unemployed fell to a monthly average of 229,000, a decline of 10.8% on average monthly registrations in 1997, following a fall of 6.9% in 1997 and 7.1% in 1996.

Austria

Tax Reform 2000

In mid-April, the Austrian federal government reached agreement on its Tax Reform 2000. The aim was to make a contribution to promoting economic growth and to reduce the tax burden in a socially just way. In addition, measures to promote further training and innovative activity in the economy were initiated. The Tax Reform 2000 involves a total volume (including the family package) of ATS 32.5 billion (EUR 2.36 billion). Due to time lags and counter-financing measures, the effect on aggregate demand in 2000 will be less than ATS 30 billion (EUR 2.18 billion).

As of 1 January 2000, the *rates of wage and income tax* will be cut substantially. This will reduce the tax burden by a total of ATS 17 billion (EUR 1.23 billion). Those on low and medium-range incomes will benefit most from the cuts in tax rates. Around ATS 11 billion (EUR 799,401) of the total of ATS 17 billion (EUR 1.24 billion) will benefit the income scale up to ATS 20,000 (EUR 1,453). Those on a monthly gross income of ATS 13,000 (EUR

945) will experience a reduction of ATS 4,000 (EUR 291) in their annual tax dues. It is expected that the tax reform will raise personal disposable income by around one percentage point in 2000.

An important element of the tax reform is the new provisions on the *taxation of families* already introduced in 1998. The second stage of this part of the reform enters into force on 1 January 2000. Compared with 1998, family allowance and the tax-free allowance per child will be increased by a total of ATS 500 (EUR 36.34) per month. On top of this comes an additional figure of ATS 400 (EUR 29.07) for the third child and further children per month for families on low to medium incomes (annual family income up to a maximum of ATS 511,200 or EUR 31,150). Single earners and single parents who cannot take full advantage of the single-earner or single-parent tax-free allowance of ATS 5,000 (EUR 363.36) receive a tax credit of the same amount as of 1 January 1999.

In addition, the volume of tax concessions in *support of research expenditure* is being increased substantially. This represents an additional measure towards the overall aim of raising R&D expenditure to 2.5% of GDP by 2005. The tax-free allowance on research expenditure is increased to 25% of total spending on research. As a special incentive, a tax-free allowance of 35% is to be made available to firms expanding research or embarking on research for the first time.

For *apprentices*, the tax-free allowance of ATS 20,000 (EUR 1,453), introduced on a fixed-term basis under the 1998 National Action Plan for employment (NAP), has been raised to a total of ATS 60,000 (EUR 4,360). The new tax-free allowance for apprentices applies to all apprenticeships which will have begun prior to the end of 2002.

Tax incentives have also been introduced in the area of *lifelong*

learning. An investment allowance of 9% has been introduced for firms investing in the further training of their workforce. Employees, too, have greater scope for deducting the cost of training from their taxable income.

Another important aim of the reform was to promote new *business start-ups*. With this in mind, the tax reform introduces special support measures for young entrepreneurs. This includes a reduction in indirect labour costs of around 7 percentage points during the year in which the company is founded and exemption from the charges normally imposed by the authorities on setting up a new company. Normally, no inheritance and gift tax will be imposed when firms are taken over: a tax-free allowance of ATS 5 million (EUR 363,364) per enterprise will exempt 90% of such changes of ownership from tax.

Furthermore, payments as part of a *redundancy plan* ("social plan") above a tax-free allowance of ATS 300,000 (EUR 21,801) will be subject to only half the average tax rate paid in the previous year.

An improved equity base makes firms more resistant to crisis. In the light of this, support for annual equity *capital inputs* has been introduced for companies by way of a fictitious interest rate. For those providing capital, a final tax rate of 25% will be imposed on the fictitious interest. From a macro perspective, this means that profits up to the level of the fictitious equity-capital interest will be taxed at 25%.

Finally, the *speculation period* for the imposition of tax on securities, including shares in investment funds, will be extended to two years. In order to ensure that the tax dues are paid, the taxpayer will be obliged to report speculative gains to the tax authorities or, if he or she prefers, the bank managing the portfolio will deduct a flat-rate tax of 25% from speculative gains and transfer it to the tax office.

Austria

Implementation of the National Action Plan for Employment in the Austrian Labour Market Service

Incorporation into the Labour Market Service's target system

The implementation of the National Action Plan for employment in the Austrian Labour Market Service (AMS), and in particular the implementation of the Employment Policy Guidelines 1–3 of the first pillar (improving employability), which are especially important for the Labour Market Service, will enable three main targets, in the areas covered by Guidelines 1 and 2 as output targets, to be realised:

- halving the number of young people (25 or younger) entering long-term unemployment;
- halving the number of adults (over 25) entering long-term unemployment;
- incorporating 20% of the unemployed in labour market reintegration measures in 2002.

Guidelines 16 and 18 (women) and 19 (disabled), which form part of the fourth pillar (equality of opportunity), are also of central importance for the Labour Market Service.

Due to the decentralised implementation of the various labour market policy measures and instruments, in 1998 the special labour market policy target orientations of the NAP were integrated into the general implementation of labour market policy in order to *ensure that the quantified targets set could be achieved by the overall mix of instruments deployed within the framework of Austrian labour market policy*.

Within the framework of the process of target-steering used by the Labour Market Service, the annual

labour market policy targets are drawn up in a process of negotiation between the federal organisation and the state-level organisations and are then adopted by the Administrative Council.

The medium-term strategic goals of the Austrian Labour Market Service for the period 1997–1999, as presented in the draft longer-term plan for 1999–2002, are as follows:

- preventing permanent exclusion from the labour market;
- optimising labour market matching;
- supporting workforce adjustment to structural change;
- optimal provision of administrative services.

Equality of opportunity between women and men constitutes an overarching target dimension within the AMS target system. Hence, all indicators in the field of reducing and preventing long-term unemployment among youths and adults are presented separately by gender and are agreed upon separately in the AMS annual targets. In this way, it is possible to mainstream Pillar IV of the NAP in all the relevant guidelines and measures.

Table 1 indicates the match intended between the relevant guidelines of the 1998 NAP and the targets formulated there and the labour market policy targets for 1999.

Definitions of the indicators used

Guidelines 1 and 2

In order to achieve the 1998 NAP targets in Guidelines 1–3, development trajectories were defined for the *output indicators of Guidelines 1 and 2*, which for a considerable time now have formed part of the annual labour market policy targets of the AMS. The importance attached to women as a target in reducing entries into long-term unemployment in Guidelines 1 and 2 aimed to underline the importance given to equality of opportunity as an overarching goal.

In the context of the obligation to draw up a guidance plan for all un-

Overall Developments

<i>NAP 1998 Targets</i>	<i>AMS Targets 1999</i>
Preventing LTU among youth (GL 1)	Integrating youth into the labour market
Preventing LTU among adults (GL 2)	Preventing LTU (age-specific restriction: above 25)
Equality of opportunity: focus on women (Pillar IV, GL 16, 18)	Increasing the labour market opportunities of women through training
Focus on youth: catch-all net (GL 1, 4, 7)	<i>No target, but activities to implement the law guaranteeing youth training (JASG) outside the 1999 targets</i>
Equality of opportunity: focus on the disabled (Pillar IV, GL 19)	Stabilising the level of vocational rehabilitation of disabled unemployed at the 1997 level
20% of the unemployed in measures (GL 3)	Not an output target, but result of the activities of the AMS
<i>Overarching target dimension "equality of opportunity"</i>	

employed persons, all those in acute danger of becoming long-term unemployed (two to four months before the six or twelve months of unemployment, to the extent that re-integration in the labour market has not yet been achieved) are invited to a guidance interview. Where appropriate, an active measure is proposed in order to prevent entry into long-term unemployment or to help reduce long-term unemployment. To this end, the entire range of labour market policy measures and instruments at the disposal of the Labour Market Service can be deployed.

Indicators	Actual values			Forecast values not allowing for NAP intervention*			
	Base year 1996	1997	1998	1999	2000	2001	Target value 2002
Unemployment (annual average)	230,507	233,348	237,794	237,800	230,000	219,600	210,000
Unemployment rate (register data)	7.00	7.10	7.20	7.10	6.90	6.50	6.20
Unemployment rate (EU rate)	4.40	4.40	4.50	4.40	4.30	4.20	4.10
Persons seeking training opportunity and immediately available (annual average)	5,630	5,855	4,720	4,000	4,000	4,000	4,000
Unemployment potential (job & training-seekers)	236,137	239,203	242,514	241,800	234,000	223,600	214,000
	Actual values			Target values allowing for NAP intervention			
	Base year 1996	1997	1998	1999	2000	2001	2002
Participants in training measures (Status SC, annual average)	17,972	22,211	20,930	25,000	26,000	28,000	30,000
Employment measures (new approvals)	10,687	17,488	12,560	20,000	22,000	24,000	26,000
Apprenticeship measures (new approvals) including JASG participants	3,099	10,444	6,568	6,000	6,000	6,000	6,000
Supportive measures childcare support (new approvals)	8,433	11,714	10,733	14,000	14,000	14,000	14,000
Participants/new approvals in active measures, total	40,191	61,857	50,791	65,000	68,000	72,000	76,000
Indicator: annual average participants in active measures	26,443	37,764	38,402	43,666	45,240	48,240	51,240
Total potential on annual average (job & training-seekers and in active measures)	262,580	276,967	280,916	277,666	269,240	262,240	255,240
Entry rate (GL 1, New Start for youth)	9.00	8.70	7.90	7.00	6.30	5.70	4.50
Entry rate (GL 2, New Start for adults)	6.90	7.40	6.60	5.80	5.00	4.20	3.40
Activity rate (GL 3)	10.07	13.63	13.67	15.73	16.80	18.40	20.08
Unemployed (annual average)	230,507	233,348	237,794	230,000	220,000	210,000	200,000
Unemployment rate (register data)	7.00	7.10	7.20				5.80
Unemployment rate (EU rate)	4.40	4.40	4.50				3.50

* Wifo forecast, March 1999.

The entry rates can be presented in simplified terms as the proportion of all those entering unemployment in the year in question for whom the Labour Market Service was unable to prevent entry into long-term unemployment (more than six/twelve months) via placement in employment or the use of active labour market policy measures.

Guideline 3

Achieving these output targets for Guidelines 1 and 2 requires, at the same time, increased deployment of the range of labour market policy instruments, which can be described with reference to Guideline 3 (increasing the number of persons in active measures). To this end, for the first time an "in-measure ratio" was defined and calculated and a development trajectory was set to the year 2002; the aim is to incorporate 20% of the unemployed in reintegration measures.

The "in-measure ratio" is defined as the average annual number of unemployed persons in active measures (including replacement staff for those on unpaid parental leave as a proportion of total unemployment (including those in active measures) and the solidarity bonus level.

The significantly higher in-measure ratios among women achieved during the last two years will be

maintained during the entire NAP planning period. The proportion of measure for women, already clearly higher in the last two years, will be kept to the planning time period of the NAP and, through the aim of doubling the number, will also lead to a higher value.

The indicator "increasing the number of people in active labour market policy measures" is composed of a complex structure of data and definitions but is essentially derived from Labour Market Service data on support provided. Given the lack of current statistics on participants, a volume concept is used, which, with the help of appropriate weightings, enables *annual participant equivalents* to be calculated.

Indicators for the period 1996–1998 and revised targets for 1999–2002

The upper half of Table 2 indicates the long-term evolution of unemployment figures and rates as forecast by WIFO/IHS in the spring of 1999. These forecasts do not allow for the expected effects of the bundle of employment policy measures contained in the NAP, although by virtue of the favourable economic trend alone, it is expected that NAP targets will be achieved to a considerable extent (e.g. an increase in employment).

The lower section of Table 2 presents the development trajectory on the basis of the additional labour market policy interventions by the Austrian Labour Market Service, which is to lead to the achievement of the goals of the Austrian National Action Plan for employment mentioned above. The apparent discrepancy between the decline in the level of new approvals for participation between 1997 and 1998 and the increase in the average annual number of participants in 1998 is explained by the fact that the apprenticeship measures implemented in 1997, with a weighting of 0.75, did not make their effects felt until the following year.

In order to achieve the ambitious targets, corresponding budget scenarios have also been developed, although so far they have only been established for 1999. In the first budget year following the decision on the NAP (1999), the financial resources committed to active and activating labour market policy increased by no less than 36% (from ATS 8.2 to 11.1 billion). Here, an integrated approach was followed, that is, so-called passive transfer benefits were converted into activating measures in order not to endanger the process of fiscal consolidation.

Placement and Vocational Guidance

France

The Third Progress Contract

The essential points

The first two Progress Contracts concluded between the public employment service (ANPE) and the government have enabled the ANPE to improve the quality of its services to jobseekers, to perform its task of providing public services more effectively and flexibly and to reinforce its presence on the labour market.

The third Progress Contract, covering the years 1999–2003, is a logical continuation of its two predecessors, aiming, as it does, to push ahead with the modernisation of the ANPE. It differs from its predecessors, however, in terms of its unprecedented efforts to ensure the successful integration of young people, to prevent long-term unemployment and to fight against exclusion from the labour market. In these respects it is in accordance with the National Action Plan for employment (NAP) adopted by the government in April 1998.

Priority for the prevention and reduction of long-term unemployment

The successful prevention of long-term unemployment depends largely on the extent to which it proves possible to provide a differentiated response to the real needs of each jobseeker at as early a stage as possible. This, incidentally, is one of the key elements of the new range of services offered by local employment offices, especially those that have obtained a certificate for their quality-oriented approach. From next year on, all local employment offices will be certified with respect to the quality of their services.

While most independent jobseekers will use the instruments placed at their disposal within the agencies or telecommunications tools (remote access), and others will require only occasional forms of support (such as advice on organising a jobsearch and drawing up a career project), the jobseekers most seriously affected by problems will benefit from ongoing guidance on the path towards employment that is tailored to their personal needs.

This guidance, which will mobilise substantial human resources, will be offered within the framework of the “New Start”, as envisaged by the NAP for young people in their sixth month of unemployment, for adults in their twelfth month of unemployment, for the long-term unemployed (adults unemployed for more than 24 months and young people unemployed for 12 months) and for recipients of minimum social benefit. A diagnostic interview held systematically with each jobseeker of the various categories aims to serve the needs of each individual. For some of them, an individual action plan will be drawn up, consisting of applications, jobsearch workshops and skills evaluation. For others, individualised guidance must be provided. In yet other cases, a vocational training plan must be drawn up with the Association for the Vocational Training of Adults (AFPA). Finally, in cases where serious social problems are blocking access to employment, the ANPE will coordinate its approach with the social services or with the organisations responsible for social guidance.

Facilitating recruitment

Part of the ANPE’s mission is to bring the supply and demand sides of the labour market into line, drawing on its detailed knowledge of the labour market. Similar to its services for jobseekers, the public employment service is also able to vary the

services it offers to employers according to each firm’s recruitment needs.

For the period covered by the Progress Contract, the ANPE has set itself the target of consolidating its market share by registering 3 million job offers each year. To this end, it looks for the most durable job offers and those most appropriate to the profile of jobseekers, while at the same time bringing in new forms of employment (groups of employers, job-sharing, company buy-out, etc.). At the same time, it seeks to continue to expand specific types of job offer (opportunities for managerial staff, international jobs, etc.).

As part of its role of mediating between supply and demand, it is vital for the agency to recognise and evaluate the skills of jobseekers. This is to the benefit of the jobseekers in question, whose skills are not always evidenced by a certificate, and the employer, whose recruitment is thus facilitated and optimised.

Finally, the mediation role requires even greater awareness of structural trends on the labour market and the dissemination of this knowledge. The recent creation of the ANPE “Observatory” marks a step in this direction. The observatory will help to ensure that employment and occupational trends become more readily comprehensible to the clients and partners of the ANPE.

“Globalising” resources in the struggle against unemployment

As far as those groups facing particular difficulties on the labour market are concerned, the ANPE will press ahead with the globalisation of resources in the struggle against long-term unemployment and exclusion. For the various actors of the public employment service, globalisation involves defining and implementing, within a given area, a coherent poli-

cy of labour market insertion. Within this framework, the ANPE becomes the sole port of call for jobseekers for all forms of support in regaining employment. It will be responsible for prescribing the individual forms of support offered and for their allocation (placement in subsidised employment, insertion offers, etc.).

Working with the AFPA

In addition to the above, steps will be taken to achieve a greater degree of complementarity between the services offered by the ANPE and those provided by the AFPA. This will take concrete form in the creation of an integrated service that brings together the services offered by the ANPE to develop access-to-employment projects and those put forward by the AFPA to draw up a training programme. This service will offer overall support to the jobseekers without unnecessary comings and goings, and will range from drawing up the individual training programme to the choice of vocational training provider.

This complementarity will also be developed in two other areas:

- the ANPE will assist the AFPA in helping AFPA trainees back to work; to this end, jobsearch support services will be established in all AFPA centres;
- for its part, the AFPA will support the ANPE in developing measures with which to evaluate jobseekers' skills.

Developing both remote and local services

In order to facilitate access to ANPE services, steps will be taken to expand the range of services which can be used at a distance (Internet, voice servers, telephone platforms, etc.).

In addition to the network of local employment offices, the provision of local services will also be extended within the framework of partnership with local authorities and youth aid network structures (espaces jeunes, etc.). A target scheme is to be drawn

up in each labour market region with the aim of strengthening territorial networking and improving the quality of the services provided.

The organisation and management of local employment offices are to be modified in such a way as to take account of both labour market trends and the new range of services offered by ANPE (improving advisory services, expanding free-access services, etc.).

A fundamental modernisation of the information system

Although less visible to the general public, a fundamental restructuring of the ANPE's information system is a precondition for all of these changes. The new system for administering the jobseekers' data bank, Géode, is to be in place by the end of 2001. This will facilitate the processing of data at each workstation and also make it possible to exchange data with other partners, especially with the AFPA. In addition, in the course of the Progress Contracts, pilot schemes will be conducted for the use of chip cards in order to facilitate jobseekers' access to the services on offer. In addition to this, in the course of this year an internal control system is to be developed. It aims to permit better ongoing observation of performance, support for self-control procedures and a better evaluation of the cost of various activities.

The organisation of work within the ANPE will continue to be based on the advisers, who maintain direct contact to both employers and jobseekers. The Progress Contract provides for a strengthening of the instruments used to intervene in specific branches or within specific populations. The system used to train, and to recognise the skills of ANPE staff will be adjusted accordingly.

Human and financial resources appropriate to the task

In order to successfully complete all these projects, the government has

committed itself to providing the ANPE with the human and financial resources required. Following the creation of 1,000 additional positions during the period 1988/1999, an additional 1,500 jobs will be created from now until 2002. The 2,500 additional staff members, backed up by efforts to redeploy existing staff and to raise productivity, will enable the ANPE to step up its activities to the benefit of jobseekers. With the 500 positions for young people who will support the development of new services, the proportion of staff in direct contact with jobseekers and employers will rise to 25 percent. There will also be a significant increase in the funding made available for measures and services for jobseekers'; from FRF 452 million in 1998 to around FRF 1.7 billion in 2002.

A vigorous evaluation system will enable the Progress Contracts to be monitored and the results achieved to be measured, with the help of both quantitative instruments (results indicated, indicators for measures and financial resources) and qualitative techniques (surveys and studies).

Netherlands

Bottlenecks in Filling Vacancies

Companies having problems with the filling of vacancies recruit their personnel only to a limited degree from so-called "non-traditional groups". These groups include unemployed, disabled, female and foreign people. Companies experiencing few or no problems in filling their vacancies seem to be more willing to recruit their personnel from the above groups. And in the long run, increased attention to the training needs of employees as well as safety

Placement and Vocational Guidance

and health at the workplace lead to a reduction of bottlenecks in filling vacancies.

These conclusions are drawn in a research report entitled "Sectoren in de knel" by the *Nederlands Economisch Instituut* (NEI) on the causes of and possible solutions to bottlenecks in the recruitment of personnel. The report was commissioned by the Ministry of Social Affairs and Employment and was submitted to the Dutch parliament in April of this year. The researchers were asked to answer the following questions: To what extent do bottlenecks in vacancy-filling manifest themselves on the Dutch labour market, and what economic factors have caused these problems? Further, the research was to describe solutions selected by economic sectors to resolve these bottlenecks as well as alternative solutions not (yet) applied by employers.

The actual investigation was carried out in the province of Noord-Brabant in sectors experiencing many problems in filling vacancies, such as the metal sector, the building industry and the care sector. Noord-Brabant is an area with a higher incidence of problems in the recruitment of personnel. Bottlenecks in the ICT sector were investigated on a national scale.

It is expected that personnel shortages may become more serious in the coming years, especially in the metal industry, the care sector and ICT.

The Minister of Social Affairs and Employment has reported to the parliament that, in his view, companies and economic branch organisations are primarily responsible for finding the solutions to bottlenecks in filling vacancies.

In his opinion, training of current employees and new personnel, re-

taining (older) workers, improving the quality of work and recruitment of unemployed as well as disabled, female and foreign people could possibly offer a solution.

The minister intends to maintain frequent contacts between the government and representative organisations of employers and employees in order to tackle the problems caused by bottlenecks on the labour market. If there is a desire to reach central-level agreements on solutions to these problems, the minister is prepared to put this subject on the agenda of his regular discussions with the social partners.

In addition, the minister will advocate that under certain conditions government funds may be used for training jobseekers with relatively good prospects on the labour market, should this lead to a solution of the vacancy-filling problem. Reintegration trajectories for the (long-term) unemployed, the labour handicapped and women reentering the labour market already consider the possibilities of work in vacancies that are hard to fill.

An integrated agreement has recently been reached in the care sector which also pays attention to labour market bottlenecks and an adequately geared demand to the supply of labour. The structural deficit of personnel in the ICT sector will be combated in various ways: for instance, by improving the image of the sector, by offering more training and by making ICT jobs more appealing to women (who are clearly underrepresented in this economic sector).

In the present cabinet period, there will also be intensified efforts to strengthen technical vocational education and further stimulate the interest of pupils in this type of education.

United Kingdom

Single Work-Focused Gateway

The Single Work-Focused Gateway is a new pilot programme to promote a new approach to supporting individual needs in getting back to work. The Single Gateway into the benefits system will be piloted in four areas of the United Kingdom from June this year and in a further eight areas in November. The programme aims to help people become independent rather than writing them off for a life on benefit.

It will help all people of working age entering the benefits system by looking at how barriers preventing them from getting into jobs can be broken down. In the pilot areas, everyone of working age in receipt of benefit, including lone parents and people with disabilities, will be given an interview to establish the help they need to improve their employability. Clients will be given their own personal adviser who will work with them to assess their potential and provide access to a variety of help, such as training. This interview will normally take place within three days of the initial contact.

The Single Gateway will stop clients being shunted from pillar to post and, by requiring them to take part in an interview, will make them aware of their responsibilities and opportunities as well as their rights. It will help them access the wide range of support available to help them out of benefit dependency. The initial pilots will be on a voluntary basis.

Job Creation

Belgium

The Service Cheque

Aims of the service cheque

The service-cheque programme aims to develop the market for personal services and to promote employment in sectors in which unofficial economic activity is common and where individuals often perform small-scale tasks themselves.

On 1 April 1999, the service cheque was introduced on an experimental basis for a period of two years (Chapter II, Section VIII of the Law of 26 March 1999 on the Belgian National Action Plan for employment 1998, and Royal Degree of 26 March 1999 on service cheques). If it proves successful, the experiment will be extended.

The sector chosen for the purposes of the experiment was interior painting and decorating, performed in the customer's main domicile. Relatively high labour costs are typical of this branch; it is estimated that only one out of seven jobs is performed by a specialised company against payment. The services targeted by the service cheque are to be performed by the enterprises in the branch. All interior painting and decorating enterprises have access to the system. The sole precondition is that they are registered as companies in the painting and decorating category.

Basic principles

Under the service-cheque system, the state assumes half of the labour costs (the working hours invoiced) before VAT for painting and decorating work performed by a registered company in the main domicile of a private individual; those parts of the domicile used for business purposes are excluded, however.

Example:

A private individual commissions interior painting work and receives the following invoice:

Material:	BEF 20,000 (EUR 495.79)
Labour:	BEF 70,000 (EUR 1,735.25)
	<hr/>
	BEF 90,000 (EUR 2,231.04)
VAT:	BEF 18,900 (EUR 468.52)
	<hr/>
Total:	BEF 108,900 (EUR 2,699.56)

The customer pays this bill to the company as follows:

- with a service cheque for BEF 35,000 (half of the item "labour");
- by transferring the balance of 108,900 - 35,000 = BEF 73,900.

Thus, the service cheque constitutes a separate means of payment which must be paid to the company along with the outstanding balance.

It should be noted that the government grant is not available if the work is performed by a subcontractor.

Registering private users and enterprises

Any private individual wishing to have interior painting and decorating work performed in their main domicile may participate in the system. To this end, the future user must first register with his or her local employment agency (ALE - see BIR B-iii.12). This registration is valid for 12 months. The employment agency may charge a registration fee of up to BEF 300. The registered user receives an inscription number and a list of the enterprises participating in the service-cheque scheme which can be contacted for the performance of the painting or decorating work. From this moment on, he or she may order a service cheque from the issuing office.

Enterprises wishing to perform such work and to make use of the service-cheque system for payment must register directly with the issu-

ing office and pay a registration fee of BEF 1,210 (EUR 29.99). This registration is also valid for 12 months.

Acquisition and use of the service cheque

The user wishing to acquire a service cheque transfers to the account of the issuing office the sum of BEF 500 (EUR 12.39) in order to cover the costs of administration. Within five working days he or she receives from the issuing office a blank service cheque which can be filled out up to a maximum value of BEF 40,000 (EUR 991.57). The user must have ordered the service cheque at the latest within a month of the work having been completed.

Once the work is completed, the enterprise writes an invoice in triplicate indicating the amount paid by the customer using the service cheque and the balance paid by transfer to the firm's account. In order to cash the service cheque, the enterprise performing the work submits the following documents to the issuing office: the service cheque, a copy of the invoice and a copy of the bank statement confirming receipt of the balance paid by the user.

The sum indicated on the service cheque is then transferred to the firm's account within the following 15 working days.

Validity of the service cheque

The customer must use his or her service cheque within three months; the painting and decorating firm also has three months to submit the cheque to the issuing office.

Maximum value of the service cheque

The government support is limited to a maximum of BEF 40,000 (EUR 911.57) per household and year. The first service cheque ordered by a private individual indicates that the support is limited to

Job Creation

BEF 40,000. If this sum is not fully utilised, a second service cheque may be ordered, which must clearly indicate the remaining sum available.

A total of BEF 200 million (EUR 4.95 million) has been earmarked for the service cheques in the 1999 budget. From the year 2000, BEF 400 million (EUR 9.91 million) is to be made available each year.

Evaluation

Every month the issuing office is to compile a report on the use of the service cheques to the labour and finance ministries; twice a year these ministries will produce a report in which the impact of the measure is evaluated. More specifically, this evaluation comprises:

- an analysis of the enterprises making use of the service cheque;
- the employment trends in the branch concerned;
- an analysis of the target group of consumers utilising the system;
- the regional distribution of the above-mentioned aspects.

Netherlands

EWLW Programme

In early April 1999, the Minister of Social Affairs and Employment submitted new information to the Dutch parliament on the state of affairs of the EWLW ("40,000 jobs") programme at the beginning of 1999. Between 1995 and 1999, there have been 40,000 job allocations to local communities and the care sector. In early January 1999, some 35,000 of the jobs had been filled (i.e. 87% of all allocations). Local communities in particular performed very well: on aggregate 24,000 jobs (i.e. 92% of allocations to local communities) have been filled. The care sector did

less well: it filled no more than 76% of its 14,000 allocated jobs.

Local community EWLW jobs: These were essentially spread over the following subsectors: "public safety and surveillance" (43%), "education" (21%), "supervision of public spaces" (16%) and "child-care" (10%).

Since 1995, some 21% of the new entries flowed out of the scheme. About a third of these found another job.

The programme participants have been predominantly male (57%) and young (64% < 40 years). In most cases (approx. 70%), they received a social minimum benefit before entering the scheme. The sex and age structure of EWLW jobs in the care sector is rather different (27% male; 56% < 40 years).

Austria

NEW START: Results to Date and Further Developments

As reported in inforMISEP No. 64, in 1998 the Austrian federal government developed a special programme to create new, permanent jobs in the service sector. This programme, under the name "NEW START", is implemented directly by the Federal Ministry of Labour, Health and Social Affairs (BMAGS) together with the Federal Ministry of the Economy (BmwA), with the support of the Austrian Study and Advisory Society (ÖSB).

After the final date for submitting applications in January of this year, the projects were subjected to a preliminary evaluation with the help of this support structure. The criteria on which this evaluation was based were: "the intended duration of the jobs created" (i.e. whether the jobs

in question would be maintained after the end of the one-year support period), the "degree of innovation" (does the service already exist, is the product well known and established, or is the service new, in a new market segment, the product new, etc.), the "social utility" (such as care for groups in need, the integration of marginalised groups, a service for multipliers, or an ecological project orientation), "consideration of specific target groups" (is there a willingness within the project to recruit the long-term unemployed, people aged over 40, the disabled and women returning to the labour market) and "provision of training" (for those taking the jobs). Points were awarded on the basis of these criteria, enabling a preliminary selection to be made from among the 485 projects submitted.

Projects were then approved by advisory councils within the BMAGS, in conjunction with the BmwA. On this basis, 184 projects had received support by mid-April, enabling all of the planned support volume of ATS 150 million (EUR 10.9 million) to be disbursed. Most of the jobs were located in the "personal services, health, guidance and care" sections of the market, although numerous projects were also related to the areas of "leisure and culture", "environment and energy consultancy", and "new media". In all these areas, there were a considerable number of initiatives with a gender-specific approach (e.g. women's cultural projects) and projects whose aim is to combat xenophobia and racism. In terms of full-time equivalents, a total of 736 jobs were approved. In the light of the successful development of "NEW START" and the large number of applications, at the start of April the federal government decided to make an additional ATS 150 million available.

Portugal

Culture/Employment Programme

The Culture/Employment Programme (*Programa Cultura/Emprego*) has been set up by virtue of Joint Decree No. 243/99 of 17 March 1999 by the Ministry of Labour and Solidarity and the Ministry of Culture. The aim is to support the development of activities "of social interest" in the cultural sphere, which are to be implemented within the framework of action plans at national or regional level. The programme receives support from the public employment service (IEFP) and from the Ministry of Culture via its institutes and offices and the institutions responsible for the cultural sphere.

The programme is geared to all unemployed persons registered with the employment office, with the exception of those receiving unemployment benefit. The following bodies can be recognised as provider organisations for the implementation of public-interest activities in the cultural sphere: public-law institutions under the guidance of the Ministry of Culture and private-law non-profit organisations recognised by the Ministry of Culture as valuable in the cultural sphere.

The following types of activities, in particular, will be considered "of social interest" within the framework of the Culture/Employment Programme:

- preserving and upgrading artefacts that, because of their historical, artistic, social or technical value, form part of the architectonic and archaeological cultural heritage of the country;
- upgrading movable cultural artefacts in the country's museums;
- preserving and making available cultural artefacts in libraries and archives;

- protecting cineastic cultural artefacts and recording the history of cinema;
- exhibiting contemporary Portuguese visual arts;
- developing the network of local libraries as a basic infrastructure providing local communities with access to information, knowledge and education;
- developing cultural promotion programmes in various cultural spheres in local communities and urban centres.

The Culture/Employment Programme will be operationalised by means of projects, which will be divided into two phases:

- special training lasting at least 250 hours in order to acquire the vocational skills required to perform specific activities of social interest in the cultural sphere;
- performing a specific activity of social interest in the cultural sphere for a period of 12 months. An extension of up to a maximum of six months is possible if this is justified by the project and provided this is approved by the IEFP.

The two phases can be performed in alternation. The precise conditions are to be determined by the IEFP and the responsible bodies of the Ministry of Culture.

Following a proposal by the providing organisation, the responsible bodies of the Ministry of Culture define the profile appropriate to developing the activities in question and draw up a corresponding training plan.

Financial support is provided by the IEFP for the special training (ESP 150 per hour for training services) and for the development of activities in the social interest (the national minimum wage or one and a half times the minimum wage per unemployed person, depending on the educational level of the participant - up to 11 years of schooling/12 or more years of schooling).

The action plans are accompanied and evaluated by a bipartite

commission composed of two representatives each from the labour and the culture ministries. The representatives are appointed by the ministries.

Portugal

Domestic Help Support Network in the Alentejo Region

Within the framework of the National Action Plan for employment (NAP), Decree No. 250/99 of 8.4.99 has established a pilot scheme for the Alentejo region that is to run until 2001. It involves a support network (*REDE AJUDA*) that is to bring together those providing social services in the field of domestic care for the elderly and the disabled.

The programme will receive support from the public employment service (IEFP) by way of its regional delegation in Alentejo (DRA), and in close cooperation with the Alentejo Regional Social Security Office (CRSSA).

The aims of the network are as follows:

- to improve the quality of life of those requiring care and of their families;
- to provide support in the provision of care services and in providing psychological and social guidance for those requiring care and for their families. The aim is to promote independence, mental and emotional stability, and the general well-being of those affected;
- to support those in need of care and their families in the day-to-day provision of basic services;
- to raise the quality of care in the home, in particular by informing, training and recompensing those providing care;

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- to improve training and employment in the area of domestic care of the elderly and the disabled.

The support offered to those providing care services is of either a technical or a financial nature; it is not possible to draw more than one support of the same type at the same time.

- Support in the *area of training*:
 - a) special training lasting at least 250 hours in order to acquire the skills necessary to perform care functions;
 - b) a six-month course of practical training on the job, in the area of domestic care for the elderly and disabled.
- Support in the *area of employment*:
 - a) non-repayable financial support equal to 18 times the national minimum wage per new job created. A supplement of 20% is provided in cases where the job is taken by a person from one of the following groups:
 - recipients of the guaranteed minimum income,
 - young people aged between 18 and 30 looking for their first job,
 - the long-term unemployed,
 - the disabled;
 - b) financial support in the form of an interest-free loan equal to 50% of the non-repayable grant for the creation of jobs by private-law organisations that had not been active in the area of domestic care during the previous six months;
 - c) an equal opportunity grant equal to 10% of the total non-repayable support, provided that at least five jobs are created and no more than 60% of those jobs are taken by members of one or other of the two sexes;
 - d) the above-mentioned support and the grant are available on the condition that a new job is genuinely created and maintained for a period of at least three years.

In order to enable them to take advantage of domestic care services, the Alentejo Regional Social Security Office grants the elderly and the disabled financial support if:

- they do not have a spouse, children, parents or brothers/sisters; or
- it is not possible for the above-mentioned family members to provide the care; or
- the beneficiaries lack adequate financial resources to assume, in part or in full, the costs of the care services.

The level of support provided is as follows:

- persons drawing an income equal to or below the pension level paid under the special provisions for the social security system in the agricultural sector receive an allowance of PTE 24,000,000;
- persons drawing an income that is higher than the above-mentioned pension level, but equal to or lower than the guaranteed disability and old-age pension guaranteed by the general social security system, receive an allowance of PTE 18,000,000.

The DRA and the CRSSA will accompany the programme systematically and in close cooperation with one another, and will prepare an annual report that will be presented to the Committee for the Social Labour Market, the Executive Committee of the IEFP and the Directorate General for Social Action.

The support network is financed out of the budgets of the CRSSA and the DRA. The amount of funding will be set annually in a joint ordinance by the Secretaries of State for Social Integration and for Employment and Education.

Portugal

Programme for the Development of Cooperatives

As a special measure to promote the cooperative sector, Decree No. 52-A/99 of 22.1.99 has created the Programme for the Development of Cooperatives (*Programa de Desenvolvimento Cooperativo* – PRODESCOOP), as foreseen by the National Action Plan for employment.

A coordination committee has been set up to manage the programme, consisting of representatives of the Institute for the Cooperative Sector (*Instituto do Sector Cooperativo* – INSCOOP) and the public employment service (IEFP).

By means of support measures in the fields of employment and training, PRODESCOOP is to:

- support the creation of new cooperatives;
- provide incentives to expand the current areas of cooperative activity;
- enable the modernisation of existing cooperatives; and
- strengthen the competitiveness of the cooperative sector.

Priority is to be given to the following areas of activity: culture, environment, craft, marketing local products, horticulture, new technologies, domestic services, cultural heritage, producer services, services for the elderly and children, and tourism.

Support from PRODESCOOP comes in the form of:

- direct job creation;
- special training programmes aimed at upgrading the skills of skilled workers and executive staff in cooperatives;
- projects to improve the quality of management and the use of new technologies, so as to raise com-

petitiveness and promote the development of the sector;

- the drawing up of studies on the strategic development of cooperatives and cooperative sectors;
- setting up and developing organisations to represent cooperatives at regional and sectoral level.

The support is available for new cooperatives, organisational development, in particular the development of new activities, and the restructuring of the cooperative sector.

The support offered to new cooperatives involves assistance in job creation, investment and consultancy.

Support for the creation of new jobs

For each newly created job for which an unemployed person is recruited, new cooperatives receive a non-repayable grant equal to 18 times the monthly national minimum wage. Up to a total of 20 jobs per new cooperative can be supported in this way.

The support grant is increased by:

- a) 20% if the vacancies are filled by the long-term unemployed, recipients of guaranteed minimum income or disabled persons;
- b) 10% if the vacancies are filled by persons whose skills are equivalent to Level III;
- c) 20% if the vacancies are filled by persons whose skills are equivalent to Levels IV or V.

The increases under b) and c) cannot be accumulated.

Cooperatives are also entitled to apply for an equality of opportunity supplement, equal to 10% of the support offered, provided that at least five jobs are created and not more than 60% of the vacancies are filled with members of the same sex.

The support and the supplement are only granted to cooperatives committing themselves to maintaining the jobs created for at least three years.

Investment support

New cooperatives may apply for a non-repayable grant for investment in plant and machinery. This grant is limited to an absolute maximum of PTE 20,000,000 and a relative ceiling equal to 20 times the equity capital of the cooperative.

The financial support is provided in the form of interest-free loans for a period of five years, with a two-year grace period. If the loan is paid back more quickly than agreed, the repayment dues are reduced by 5% per annum, up to a maximum of 10%.

Consultancy services

New cooperatives are entitled to claim the advisory services of a consultant for up to one year.

The consultant is selected by the promoters of the new cooperative and is appointed by the Coordination Committee.

The functions of the consultant are set out in a contract between a representative nominated by the promoters, the consultant and the bodies represented on the Coordination Committee.

Support for organisational development consists of grants for the development of new activities, for the recruitment of qualified staff and for strategic development studies.

Grants for the development of new activities

Applications may be made for loans of up to 75% of the total costs of projects in order to develop new activities by the cooperative, provided these projects create new jobs.

Interest-free loans are available up to a ceiling of PTE 5,000,000 for a period of three years, with a one-year grace period.

Support for the recruitment of qualified personnel

Support is available for the recruitment of up to 20 unemployed persons per new cooperative within the framework of projects for the devel-

opment of new activities, provided no claims are made for support under the provisions of the previous section. Non-repayable grants are available as follows:

- a grant equal to 12 times the monthly national minimum wage per newly created vacancy filled by workers aged up to 30;
- a grant equal to 6 times the monthly national minimum wage per newly created vacancy filled by workers aged over 30.

The support grant is increased by:

- a) 20% if the vacancies are filled by the long-term unemployed, recipients of guaranteed minimum income or disabled persons;
- b) 50% if the vacancies are filled by persons whose skills are equivalent to Level III;
- c) 70% if the vacancies are filled by persons whose skills are equivalent to Levels IV or V.

The increases under b) and c) cannot be accumulated.

Cooperatives are also entitled to apply for an equality of opportunity supplement equal to 10% of the support offered, provided that at least five jobs are created and not more than 60% of the vacancies are filled with members of the same sex.

The support and the supplement are only granted to cooperatives committing themselves to maintaining the jobs created for at least three years.

If an employee in receipt of support becomes a member of the cooperative, the cooperative is entitled to a non-repayable bonus equal to five times the minimum deposit payable by each member stipulated in the statute of the cooperative. The bonus is subject to an absolute ceiling of PTE 500,000.

Strategic development studies

Within the framework of PRODESCOOP, a cooperative may apply for support for strategic development studies to be carried out. Subsidies are available in the form of a non-

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repayable grant of 80% and a loan of 20%. The maximum level of the subsidy is PTE 2,000,000.

The loan is interest-free and is to be repaid within one year.

Support for the restructuring of the cooperative sector

Support is available for the creation and start-up of new cooperative unions, federations or confederations. Up to 80% of the cost may be covered by a non-repayable grant, up to a maximum of PTE 3,000,000.

In this context, the recruitment of up to two unemployed persons by such institutions is also a ground for the provision of non-repayable financial support:

- a grant equal to 12 times the monthly national minimum wage per newly created vacancy filled by workers aged up to 30;
- a grant equal to six times the monthly national minimum wage per newly created vacancy filled by workers aged over 30.

For an increase in the support amounts, the conditions a), b) and c), already mentioned under "Support for the recruitment of qualified personnel", are effective.

The increases under b) and c) cannot be accumulated.

The support and the supplement are only granted to cooperatives committing themselves to maintaining the jobs created for at least three years.

The grants can only be claimed if no other cooperative federation or confederation exists in the cooperative sector concerned, and to the extent that the institutions applying for the grant are active in the area of the new cooperatives.

Support for participation in international conferences

For participation in international conferences, federations and confederations that are legally constituted and recognised by INSCOOP may obtain support in the form of non-repayable grants equal to 75% of the

costs incurred by them as members of international cooperative organisations and of the direct costs of participation for up to two representatives per conference. The grants are subject to an annual ceiling of PTE 2,000,000.

Support for studies

For studies into the development of cooperative sectors conducted by unions, federations and confederations, support is available in the form of non-repayable grants covering 50% of the costs up to a maximum of PTE 1,000,000.

The financial support under PRODESCOOP is provided by the public employment service and INSCOOP, according to terms set out annually by an ordinance issued by the Ministry of Labour and Solidarity.

The ordinance will also contain the annual level of funding available for the implementation of PRODESCOOP and the division of the funding between the support areas indicated above.

The Government Statistical Service figures confirm that up to the end of February:

- 48,870 young people had entered sustained unsubsidised jobs;
- 12,510 young people had started sustained subsidised jobs;
- 58,100 young people had started work experience and training through the New Deal options; 10,700 people were on the Environment Task Force, 11,400 on the Voluntary Sector Option and 36,000 on the full-time Education Option;
- in total, 249,200 young people had started on the New Deal for Young People;
- 104,800 people had started on the national New Deal for the Long-term Unemployed aged over 25.

In addition, over 8,700 long-term unemployed people have now started sustained jobs through the national New Deal for people aged over 25.

United Kingdom

New Deal Update

The Minister for Employment, Welfare to Work and Equal Opportunities confirmed that more than 7,800 young people moved into jobs from the New Deal in February.

The latest Government Statistical Service figures show that the total number of sustained jobs secured through the New Deal reached 61,380 by the end of February, with a further 58,000 gaining work experience and training through the other New Deal options.

Nearly a quarter of a million young people have now entered the New Deal, and 47,000 employers have signed up to the New Deal.

United Kingdom

New Deal for Partners of the Unemployed

The Minister for Employment, Welfare to Work and Equal Opportunities has announced the launch of the New Deal for Partners of Unemployed People.

The main priority of this New Deal is to ensure that people from households without a wage-earner who want to work have the opportunity to improve their employability and are given support tailored to their individual needs. The New Deal for Partners has been designed to help those who have faced a lifetime on benefit.

It offers partners of people who have been receiving benefit for six

months or more the opportunity, on a voluntary basis, to receive guidance on jobsearch and training from specialist Employment Service Personal Advisers. At an initial interview, advisers will look at how to break down barriers to employment through discussing Employment Service programmes, training op-

portunities, in-work benefit and, where appropriate, information on local childcare provision. Partners aged 18 to 24 who do not have children will have the chance to enter the New Deal for Young People.

Partners such as carers or the recently bereaved who are not in a position to think about taking a job

will have an opportunity to join the New Deal for Partners at a later stage if they want to.

This New Deal will provide both members of an unemployed couple with the expert and personalised help of the Employment Service, thus helping to reduce the number of workless households.

Training

Netherlands

Using Unemployment Benefit Programme Funds for Reintegration Experiments

In February 1999, the State Secretary for Social Affairs and Employment submitted a Bill on Unemployment Insurance Programme (WW) Experiments to the Dutch parliament. The bill establishes the possibility for launching experiments in which financial means from the General Unemployment Fund (Awf) can be used for the reintegration and training of unemployment insurance (WW) beneficiaries.

The intention behind the experiments is to determine empirically what type of measures are best suited to promoting an earlier return to employment of unemployment insurance benefit recipients.

The new bill is directly related to the so-called "comprehensive ap-

proach" strategy to preventing long-term unemployment. This implies that new unemployed jobseekers who – according to labour market authorities – stand little or no chance of finding themselves a job without some supportive measures will be offered a new start within a year. The offer may take the form of a job, (re)training or work experience. The gradual implementation of the "comprehensive approach" will start in 1999 and shall be fully realised in 2002.

The WW experiments regarding training and reintegration will be paid out of a special budget from the General Unemployment Fund. The budget will be created out of the WW benefit money that has been saved and out of a government contribution.

The bill also creates the possibility for experiments targeted at the long-term unemployed receiving WW benefit. Together with the National Institute for Social Insurance ("Lisv"), potentially successful experiments have been selected. Examples of these are:

- trial placements;
- wage supplements for those accepting lower paid employment;
- encouraging self-employment.

In principle, the costs of these experiments will be borne by the unemployment insurance funds. The aim of the experiments is to bring about a more rapid reintegration into paid employment while simultaneously reducing the costs of the unemployment benefit programme. Thus, the premise for all experiments will be that the costs will be recovered.

The state secretary considers it important to first try these measures concerning training and reintegration in practice before taking a decision on a more structural implementation. Practice is the best way to test which measures really contribute to an increase of opportunities for WW beneficiaries to reenter the world of work. The bill provides the statutory support for the possibility to experiment. Later in the process, administrative regulations will stipulate the conditions regarding the set-up and implementation of an experiment.

Training

The implementation of the experiments will be in the hands of the implementing bodies of the social insurance funds (i.e. the "UVIs") under the responsibility of the "Lisv". The maximum duration of the experiments will be four years. However, (interim) evaluations will be carried out before the experiments are scheduled to expire.

Austria

Special Programme to Combat Unemployment

At its policy-making meeting in January, the Austrian federal government reached agreement on a number of measures to combat unemployment. The measures ranged from a special labour market policy programme and taxation reform (see the article on page 8) to a package of measures for elderly workers. The package of measures for elderly workers had been proposed by the social partners and is currently still under discussion. Some of the measures contained in the special labour market policy programme have already been implemented by the Labour Market Service (AMS) and are beginning to make their effect felt.

The federal government has provided the Labour Market Service with additional funding totalling ATS 335 million for additional measures focusing on the following areas:

Expanding training measures in growth sectors:

- In 1999 and 2000, additional emphasis is to be placed on training, with additional spending in this area. The supplementary training measures are concentrated in three areas (IT users, social services and IT development) and are developed and implemented in close cooperation with employers.

All the measures commence during the first half of 1999. A total of ATS 135 million has been made available for this purpose.

- Around 1,800 participants are being trained in schemes lasting an average of three months in two areas: IT applications (standard office packages, Internet/e-mail, special software packages such as SAP, etc.) and training in social services.
- In courses lasting an average of five months, around 1,200 unemployed people with higher skill levels are to be trained in IT, software development and multimedia in close cooperation with appropriate firms.

Additional activation of 40,000 people:

- In 1999, an additional 40,000 unemployed people are to receive support for jobsearch via participation in so-called "job-coaching measures". Complementing the standard advisory interviews, the aim is to offer support measures at an early stage in order to speed up reintegration on the labour market. More than half of these measures will take place in Vienna; the Viennese advisory staff will receive support from staff from other states in implementing these measures.
- An additional ATS 200 million is to be provided for this programme by central government.

Increasing the placement intensity of the public employment service by improving organisation and staff deployment:

- Given that Vienna is not only the largest regional labour market in Austria, but also the most difficult, and that almost half of total Austrian long-term unemployment is concentrated in the capital, special emphasis is being given to Vienna. First and foremost, a fundamental and long-overdue organisational reform of the Viennese AMS is to be implemented as quickly as possible.

- Examples of "good practice" in advisory and placement activities in regional AMS offices are currently being identified and analysed, and "model regional offices" are to be set up by the end of this year.

Reintegration of the long-term unemployed:

- By means of a special campaign, the use of existing instruments to promote the reintegration of the long-term unemployed, especially wage subsidies to the employer (cf. Austrian BIR, p. 91, Special Integration Subsidy), is to be increased.
- Additional financial resources from the budget for passive labour market policy have been made available for supporting labour market training since 1 March 1999.

This package of measures was implemented by the AMS in the spring and has already made its effects felt in the form of a slight fall in unemployment.

Portugal

Employment-Training Rotation Measure

A new measure entitled "Employment-Training Rotation" (*Rotação Emprego-Formação*) has been established by virtue of Decree-Law No. 51/99 of 20 February 1999. It offers, on the one hand, employed workers the opportunity to undergo further training and, on the other, unemployed persons the chance to gain work experience by enabling them to stand in for the workers taking further training.

The measure is geared to unemployed persons registered with the employment offices and to employers who require replacements for

workers undergoing training within the context of their training plans.

Employers wishing to participate in the measure must present a training plan. Priority will be given to enterprises with less than 50 workers. The training plan must make provision for the substitute worker to receive on-the-job training as well as for the further training measure during the working time of the original worker. It is possible for several employers to join together and draw up a joint training plan.

The substitute workers conclude a *fixed-term employment contract* with the employer in question, or a *training contract*, which must be approved by the public employment service (IEFP).

The further training measures, which must last between one month and one year, must be performed

during working time, and the volume of hours must be such as not to permit the employee to perform his or her functions at the workplace. The training must be directly linked to the interests of the firm or genuinely upgrade the skills of the worker, and must mean that the employee in question no longer attends his or her place of work.

The IEFP provides the following technical and financial support:

Technical support:

- organising training plans and determining the profile of the unemployed persons to be used as substitutes;
- selecting the candidates for a further training measure and the unemployed persons serving as substitutes, and help with implementing the training plans.

Financial support:

- wage-cost subsidy at a level equal to the national minimum wage for each substitute worker recruited on the basis of a fixed-term contract;
- subsidy towards the remuneration of a tutor to supervise the replacement workers, up to a maximum figure of 20% of the national minimum wage;
- assumption of the employer's social insurance contributions (23.75%) for the substitute workers.

The Ministry of Labour and Solidarity will issue a decree setting out the regime for providing support to the substitute workers in cases in which such training is indispensable in order for the function in question to be performed.

Special Categories of Workers

Greece

New Programme "Combating Labour Market Exclusion"

The Ministry of Labour and Social Security is implementing, with the support of the European Social Fund, the new and integrated programme "Combating labour market exclusion", which creates new opportunities and prospects.

The programme will help participants:

- acquire and improve their knowledge, skills and abilities for work;
- plan their career effectively;
- create new businesses;
- find work.

In order to implement the programme, the labour ministry is setting up in all parts of the country:

- specialised centres and vocational training centres offering careers advice, vocational training and placement services tailored to the needs of each group;
- the provision of organisations specialised in supportive services and careers advice;
- centres for job placement.

The programme is geared to the needs of the following groups:

- the disabled;
- migrants, former emigrants returning to Greece, refugees;
- convicts, former convicts, young offenders;
- former drug addicts;
- persons from cultural and religious minorities;
- persons from remote mountain and island regions;
- single parents;
- persons with psychological illnesses.

Also within the framework of the operational programme "Combating labour market exclusion" de-

Special Categories of Workers

scribed above, the labour minister has decreed a programme of wage subsidies for employers recruiting persons who belong to the above-mentioned groups and who undergo training within the framework of the operational programme in certified vocational training centres.

By virtue of the same ministerial decree, a programme to support young entrepreneurs belonging to the above-mentioned target groups is to be implemented, along with a programme of subsidies for the ergonomic restructuring of workplaces for disabled persons who have been integrated in one of the two programmes (the wage-cost subsidies and the programme for young entrepreneurs).

Spain

The Employment Workshops Programme

On 23 February 1999, Royal Decree 282/1999 of 22 February on the "Employment Workshops" (*Talleres de Empleo*) Programme was published in the official gazette (*Boletín Oficial del Estado* - BOE). On 23 March 1999, the provisions implementing the Royal Decree, and on 12 April, the resolution on the implementation and development of these provisions, were also published in the BOE. These regulations set out in detail the characteristics of the programme with regard to content, training aspects, the procedures for the granting of subsidies, follow-up and monitoring.

The Employment Workshops Programme is being introduced within the framework of the 1998 National Action Plan for employment (NAP). It has been conceived as a mixed programme that combines the effects of training and employment in

order to promote the employability of unemployed persons aged over 25 and facing particular difficulties on the labour market (aged over 45, long-term unemployed, women, disabled). At the same time, the programme broadens the range of active labour market policy measures available.

The methodology is the same as that used in the Workshop Schools and Youth Training Centres Programme (*Programa de Escuelas Taller y Casas de Oficios*), which has been running since 1985 and is geared to training and integrating unemployed persons aged under 25. This programme has proved its effectiveness, enabling almost 60% of the pupil-workers to find their way into the labour market. The employment workshops will receive funding totalling PTA 10 million, financed out of the general central government budget for 1999.

Aims and content

The employment workshops perform tasks or services that are of general public benefit or social interest. These tasks or services must offer the participating workers the opportunity of performing work that improves their vocational skills and facilitates their integration into the labour market. The vocational training content is directly linked to practical work in the workshops.

Participation in the employment workshops lasts for a minimum of six months and a maximum of one year. The participants are recruited by the providing organisations on the basis of the contractual form that is most appropriate to the circumstances of the employee and of the project. In all cases, a full-time employment contract must be concluded that does not extend beyond the duration of the project.

The statutory provisions set out the following evaluation criteria that are to be considered in selecting projects for approval:

- suitability of the project for the integration of those groups on

which particular emphasis is placed in the respective annual National Action Plan for employment;

- the number of unemployed aged 25 or older in the area surrounding the planned project;
- the employment prospects of the participating group;
- the innovative character of the project, whereby the incorporation of new employment areas will be taken into account, such as
 - community services (improving public and urban areas, waste management, water supply, protecting and maintaining natural areas, or energy-saving measures),
 - leisure and cultural services (promoting tourism, cultural and local development),
 - daily personal services (child-care, domestic services for the disabled or elderly, support for young people in difficulty and with social problems);
- quality of the project and the training plan; and
- qualitative and quantitative results of earlier projects provided by the same organisation (labour market integration of participants, vocational training and experience acquired).

Training aspects

During the course of the employment workshop, participants receive, alternating with practical training theoretical occupational training in accordance with a training plan submitted by the provider organisation along with the application and corresponding to the task or service to be performed.

The time spent on theoretical training must be at least equal to practical working time and constitute at least 25% of maximum working hours under the applicable collective agreement, or, in the absence of such an agreement, 25% of the statutory limit.

Participants receive orientation, advice, careers information and entrepreneurial training throughout the training programme.

On completion of the employment workshop, the provider organisation, in cooperation with the public employment service (INEM), provides participants with support both in looking for salaried employment and in starting up a new business.

Implementation of the projects

The implementation and management of the Employment Workshops Programme is the joint responsibility of the INEM and the provider organisations. The INEM is responsible for drawing up the programmes and approving the projects, coordination, follow-up and monitoring. It also evaluates the results of the project and provides finance in the form of subsidies.

The providers develop the initiatives and bear responsibility both for managing the project and for the subsequent integration of the participants; they also finance that proportion of the project costs that is not supported by the INEM. The project can be implemented by central government organs, local corporations, the autonomous regions, autonomous public bodies, associations, foundations and other non-profit organisations.

Selection of participants

Participants in the employment workshops and the managerial, training and support staff are selected jointly by the provincial office of the INEM and the provider organisation. The minimum conditions include age (25 years or older), registration as a jobseeker with the public employment service and belonging to one of the groups set out in the Royal Decree as target groups for this programme (aged over 45, long-term unemployed, women, disabled).

Financing the employment workshops

The INEM can provide subsidies for the costs incurred by the provider organisations in implementing the training programmes and paying the participants. At the same time, the providers may conclude cooperation agreements with other public or private bodies in which the latter agree to assume some or all of the cost of the employment workshops. Such contributions are deducted from the support provided by the INEM.

Netherlands

Promoting Higher Labour Force Participation for Older Workers

Unemployed persons reaching the age of 57.5 years after 1 May 1999 will again be obliged to register as a jobseeker at the public employment offices. This applies to older people receiving Unemployment Insurance (WW) benefit as well as to those receiving a social minimum benefit (ABW, loaw or loaz).

The obligation for this specific group to register as jobseekers has been enforced as of 1 May 1999. It constitutes one of the measures to promote the labour force participation of older workers and to reduce unemployment insurance and national assistance benefit dependency.

However, persons aged 57.5 years and over will remain exempt from the obligation to apply for vacancies. Notwithstanding this fact, they will have to accept suitable employment if such is offered to them by the public employment offices.

United Kingdom

Workbridge

In March 1999, the Parliamentary Under Secretary for Employment and Equal Opportunities launched "Workbridge", a new job agency to provide support for blind and visually impaired people in London who wish to work.

Serving around 250 clients, Workbridge is breaking down the barriers to work that many impaired people experience. It carries out professional assessments of individuals' skills, knowledge and experience and matches them with an employer's requirements. It also offers business advice to disabled people who want to be self-employed.

Workbridge is a joint initiative between the Royal London Society for the Blind and Action for Blind People. Its aim is to highlight the difficulty that many visually impaired people face when applying for a job and to tackle the resistance shown by some employers. Career development and business advice for those who are self-employed are also offered by the new initiative.

Working Time

Finland

Municipal Working-Time Experiment Improves Everyday Life of Employees

Of the effects of reduced working time, the most positive are on working ability and reconciliation between work and family life. This is a result of the Finnish Ministry of Labour's study on the effects of working-time reductions on the wages of employees as well as on their everyday life and leisure time.

Follow-up studies assessed working-time experiments implemented during 1997 and 1998 in 19 Finnish municipalities. The regular employees of the municipalities reduced their working time, while at the same time unemployed jobseekers were recruited for the workplaces. The working time of the employees was reduced by 20%, the wage level dropping by an average of 7–8%. Some of the employees worked six-hour shifts, some worked four-day weeks and some condensed their working time into three weeks per month. The connection between the form of working-time reduction and the wage cut determined in local agreements was obvious. Shorter daily working hours reduced the wages to a lesser extent than a four-day working week or reduced monthly working time. (cf. "Policies" No. 59, pp. 20–21.)

The majority of the experiments were implemented within municipal social and healthcare services, where working ability has been experienced as a problem and where the average age of the employees has risen due to meagre turnover. The average age of employees who reduced their working time was 43.7

years. The persons recruited for the experiments were nine years younger. The resulting younger organisation was experienced as very positive.

In some municipalities, the office hours of social and health-care services were extended to evenings and weekends through a six-hour work-shift scheme. At the same time, the aim was to make working hours more flexible in accordance with the needs of clients.

The study compared the effect of different forms of a shorter working week on, for example, work fatigue, the use of leisure and work organisation. The most positive effects were on working ability and reconciliation between work and family life. Among those participating in the experiments were many parents of small children who wanted to devote additional time to their families. Working ability was improved especially for those who shortened their

daily working time. Shorter work shifts during so-called unsocial hours are a compromise solution between more flexible working time and family life.

The municipalities participating in the experiments often aimed at covering the expenses caused by recruitment by means of the savings through wage cuts and the state subsidy allocated to the experiments. The state subsidy accounted for 50% of the wage costs and the social security contributions for new recruits. Usually one new employee was recruited for every three old employees who reduced their working time. The experiments involved 1,300 employees, while 580 unemployed persons were recruited.

The study was carried out at the University of Jyväskylä by researchers Timo Anttila and Paula Tyrväinen and was funded by the Ministry of Labour.

Rough currency conversion rates

One Euro is equivalent to the following amounts of national currencies (15 July 1999):

Belgium	BEF	40.3399
Denmark	DKK	7.4456
Germany	DEM	1.95583
Greece	GRD	324.570
Spain	ESP	166.386
France	FRF	6.55957
Ireland	IEP	0.787564
Italy	ITL	1,936.27
Luxembourg	LFR	40.3399
Netherlands	NLG	2.20317
Austria	ATS	13.7603
Portugal	PTE	200.482
Finland	FIM	5.94573
Sweden	SEK	8.7150
United Kingdom	GBP	0.6600

Italy

Amendments to the Law on the Right to Strike

A legal reform of the law on the right to strike is currently under discussion in Italy; it is to amend and supplement Law No. 146/90 on the self-regulation of the right to strike. The aim of the reform is to limit the damage caused to citizens by "wildcat" strikes. The most important amendments are: an extension of the new regulations to self-employed workers (lawyers, traders, pharmacists, haulage enterprises, etc.); measures to avoid the so-called "strike announcement effect" for strikes called off at the last moment; tougher and more consistently applied sanctions for firms that infringe the law; more incisive provisions, and heavy fines for trade unions that fail to respect them; "cooling-off" procedures and arbitration prior to the order to strike); increase in the powers of the Guarantee Commission responsible for the correct application of the prevailing legislation protecting the right to strike.

The right to strike must be balanced against the interest of citizens at large, so that even during a strike a minimum level of services is to be provided. The associations representing the various groups concerned must apply a code of self-regulation. If this code is undefined or is declared to be inadequate, the above-mentioned Guarantee Commission will draw up a provisional set of regulations. These codes must stipulate, among other things, a notification period for the strike – which may not be less than ten days – and the duration of, reasons for and purpose of the strike. The Guarantee Commission will perform a preventive and conciliatory function. It can

take the appropriate decisions, in the absence of an agreement or of a code for the self-employed, in order to provisionally determine the services that must be performed in the case of a strike. Consumer associations will be able to seek legal redress for the injury caused by illegal activities in the context of strikes.

Austria

Evaluation of the Implementation of Equal Opportunities Policies for Men and Women in the European Social Fund

Labour market policy measures in Austria have received funding from the European Social Fund (ESF) since 1995. The measures focus on training schemes, which are supplemented by support structures and employment-promotion measures. Resource deployment is concentrated in regions facing economic adjustment problems in terms of the Regional Objectives 1, 2 and 5b of the ESF, and across the country on groups of persons facing adjustment difficulties in terms of the Horizontal Objectives 3 and 4 of the ESF.

Since 1998, the measures receiving ESF support have been analysed, within the framework of normal evaluation of current programmes, under the aspect of the implementation of the policy of equality of opportunity between men and women in the European Social Fund. The Austrian Economic and Research Institute (WIFO) has focused on measures for the unemployed under Ob-

jective 3, Objective 1 and in the seven 5b areas and the four Objective 2 areas, while the Institute for Labour Market Guidance and research (IFA, Steiermark) has concentrated on the measures for the employed under Objective 4.

The aim of the evaluation is not to draw up rankings, but rather to draw together the experience gained to date, that is, which parameters are conducive to, and which militate against, pursuit of the aim of equality of opportunity in the ESF. The results of the evaluation will subsequently be used as a basis for preparing the next programme planning period.

The thematic evaluation can be divided into the following five substantive foci of analysis:

1. the parameters for the interventions receiving ESF support;
2. programme planning for the current period;
3. following up and evaluating the current period;
4. the quantitative and qualitative analysis of the realisation of the goal of equality of opportunity between men and women in the ESF;
5. the labour market policy effects of the measures.

As far as the aim of promoting equality of opportunity between women and men under Objective 4 between 1995 and 1997 is concerned, it is still the case that a number of crucial preconditions underpinning individual programmes are not in place, thus preventing the goal being attained. Evaluation of the evaluation results for Objective 4 with regard to equality of opportunity reveals an unambiguous picture, consistent across all levels of analysis, regarding the quantitative participation of women and the training content for female workers supported by the measures. Although positive signs were observed

Miscellaneous

in certain areas, in spite of the unfavourable conditions for promoting equality of opportunity in Objective 4, they were insufficient to exert a perceptible effect on the evaluation results as a whole.

Women were underrepresented in Objective 4 support measures in terms of their share of dependent employment: women account for 42% of dependent employment, whereas only around 26% of those in receipt of support under Objective 4 were women. They accounted for around one third of participation and costs.

As far as the training content of the Objective 4 measures is concerned, the results of the evaluation clearly reflect the gender-specific segregation of the labour market in general and the employment situation in firms in particular. Women are significantly underrepresented in the areas of "technical training" and in schemes aimed at providing "extrafunctional competencies and personal development"; they are overrepresented, on the other hand, in EDP courses, courses in the area of "workplace organisation and processing" and in language courses.

The evaluation of measures for the unemployed who receive support from the ESF under Objectives 1, 2, 5b and 3 will have been completed by the end of May 1999. It will provide an analysis of the scope for, and limitations to, the ESF as a way of promoting equality of opportunity, contain figures on the quantitative positioning of the ESF in the labour market promotion budget, and include a quantitative and qualitative analysis of the realisation of the goal of equality of opportunity, such as the integration-promoting effect of measures for unemployed women and especially for youth, and ESF support structures for men and women with responsibility for caring for dependants.

All the evaluation results were drawn together in a single study and presented in June 1999 at a conference held in Vienna. The study is

available as a brochure from July 1999; it can be ordered from the labour ministry: Bundesministerium für Arbeit, Gesundheit und Soziales, Sektion III, Abteilung 9, Europäischer Sozialfonds (Tel. 0043-1-71100/6434, Fax: 0043-1-171100/6049).

Finland

New Wage Security Act

In Autumn 1998, the Finnish parliament adopted a proposal for a new Wage Security Act to replace the previous act, which had been in force for 25 years. The new act aims at clarifying the provisions on wage security and at a reform related to the technical legislative procedure. The most important revisions concerning the contents apply to the state's participation in trials relating to wage security, the prevention of wage security abuse and restrictions on wage security claims.

Where an employer in a wage security procedure has contested an employee's entitlement to a claim to wage security, action must be brought only against the employer. The state may, however, participate in the trial if it deems it necessary. The objective of the revision is that the state is no longer required to participate in trials concerning mere disputes between an employee and an employer and regarding which the state has no statements to issue.

To prevent wage security abuse, the new act prescribes that the wage security authorities are entitled to refuse wage security on valid grounds or to take the amount of wage security to be paid under consideration if the wage security claimed is in disproportion to the work performed or other circumstances. Wages must not be paid as

wage security in so far as they exceed a wage that is considered reasonable. Other provisions in the former wage security act, aimed at preventing abuse, have remained largely unchanged. The right of the wage security authorities to receive information from other authorities has been extended.

A special period of limitation was prescribed for the wage security claims of the state. The state's wage security claim from an employer lapses ten years after the end of the calendar year when the wage security decision was made. This period of limitation cannot be interrupted.

The new Wage Security Act entered into force at the beginning of 1999.

Sweden

Rehires Reduce Unemployment

Rehires (or recalls) seem to be very important on the Swedish labour market. About 40-45% of the unemployed who find jobs return to employers who had employed them previously. New findings and conclusions on temporary lay-offs have recently been published (F. Jansson, Swedish National Labour Market Board).

The high proportion of recalls is quite consistent in studies performed on three different periods. This is not surprising, given some knowledge of the functioning of the Swedish labour market. The benefit system is generous and requires relatively short qualifying periods of work; there is extensive use of temporary substitutes; Sweden has distinct winter/summer seasons; and, finally, persons who have been laid off have a right of precedence to their occupation. Nevertheless, the above findings are new.

Recalls were previously considered to be negligible. The implicit understanding of temporary lay-offs is that persons who are laid off are either recalled or they search for another employer. This led researchers to assume previously that almost every unemployed person in Sweden who finds a job also finds a new employer, which in this new light is not true.

Every higher level of education significantly increases the hazard for new jobs. For recalls the effect is not clear-cut. Consequently, we tend to underestimate the actual returns to higher educational levels if not accounting for the recall possibility.

The results do not support the hypothesis that the unemployed are discouraged or stigmatised or lose human capital or that they are negatively typed when the duration of unemployment lengthens. The data do not support the possibility that people systematically return to a previous employer shortly before benefit exhaustion with the intention of becoming unemployed again when they requalify for benefits.

In recent years, evaluations of the impact of Swedish labour market programmes have become more frequent. Rather in consistence with previous research on a negative duration dependence, the conclusion in this study was that programmes are an ineffective means to improve individual prospects on the labour market. Have recall expectations the possibility of altering such conclu-

sions? In all of the evaluations on the Swedish active programmes, programme participants were compared to unemployed people not participating in a programme. In light of the results presented above, this means an obvious risk of comparing the programme participants to persons who have a recall expectation. High recall expectations would lead people to self-select away from programmes, while at the same time they have a shorter duration of unemployment. This will thus tend to downward bias the effects of programme participation. Evaluation approaches that explicitly try to control for recall expectancy find more positive outcomes for programmes. Including recall expectations (or even the expectation of finding a job) in an evaluation may be very important.

The findings lead to the question of how resources for labour market policy should be allocated. In Sweden, which makes extensive use of labour market programmes to improve job-matching, it is actually only new recruitments who need special attention in reducing friction. It remains unknown whether Employment Service officers have acknowledged this fact. Knowledge of job expectations would also be important information in the early detection of people with long-term unemployment risks. People with high, credible job expectations could be removed from the risk group, thus increasing the probability of detecting people at high risk.

United Kingdom

Employment Zones

In February 1999, the Secretary of State for Education and Employment announced a new initiative, giving unemployed people more say on how money is spent on them in order to find them work.

From April 2000, Employment Zones will target available resources more flexibly and effectively on unemployed people over 25 years old in 14 areas of Great Britain covering up to 48,000 people in areas of persistently high long-term unemployment. The new accounts will enable them to set up small businesses, improve their skills or gain extra help in finding employment.

Unemployed people aged 25 and over in the Employment Zone areas who have been claiming benefit for 12 or 18 months will agree an action plan with their own personal adviser. If after three months they still have not found work, they will have access to a Personal Job Account.

The account will ensure that unemployed people and their advisers have greater control over funds from a range of sources, including money attributable to them from benefits, training and jobsearch funds. For instance, this might include start-up costs to run their own business or to fund a training course, a suit for a job interview, tools or a driving test.

FOCUS

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Work Incentives for Low-Income Families with Children

Marco Doudeijns, Marcel Einerhand & Arthur van de Meerendonk¹

Introduction

For people with low educational attainment or little or no work experience, starting wages are likely to be low. Consequently, the gap between net earnings and net social security benefits tends to be small. Employed people face work-related expenses, such as transportation costs and work clothes, and will find that their welfare benefits are reduced with the income they earn. Income tests on benefits, income taxes and payroll taxes can work together to make paid employment unrewarding for many of those on long-term unemployment benefits. Among all households, this problem will be most acute for families with children, as they have the highest benefit entitlements. The lower the expected wage, the more severe this 'unemployment trap' becomes.

In the Autumn 1998 issue of "Policies" (no. 63), Gregg and Wadsworth (1998) raised the issue of polarisation: the simultaneous growth of the number of households with no one in work and the number of households where more than one adult has a paid job. Gregg and Wadsworth find a simultaneous increase in both the proportion of "work-poor" and "work-rich" households in many Member States of the European Union during the period from the mid-1980s to the mid-1990s. The OECD (1998, p. 21) reports similar results and suggests

that "this problem is more likely to occur in countries with extensive income-testing of welfare benefits based on family resources".

In this article, we aim to analyse the tax/benefit systems of a number of European countries and a few non-European, Anglo-Saxon countries in order to highlight the extent of the unemployment trap. Because households without the potential to acquire well-paid jobs are most exposed to the unemployment trap, we concentrate on households' financial incentives to take up employment in the lower segments of the earnings distribution. We use the first-decile earnings level (D1) as a proxy of low income. Because the labour supply decisions of individuals are not independent of the household situation, we take the household as the unit of analysis. We restrict the analysis to families with two married adults and two children² and take only financial incentives into account.

We will focus on the following questions:

To what extent does the tax-transfer system change the (secondary) income variation relative to the (primary) earnings variation?

This question deals with the net earnings range, starting from the level of social assistance benefits up to the level of earnings of a full-time average production worker (APW). The spread in gross earnings shows much bigger differences between low and high earnings in Anglo-Saxon countries than in most European countries. The tax-transfer system gives money to people with little or no earnings and takes away money from people with high earnings. To what extent does this affect the relative difference between the net in-

comes of those with low earnings and those with earnings at the top of the scale?

How does the receipt of income-tested benefits affect the household's incentive to work?

This question addresses the issue of working whilst on benefits. If a person's earned income is clawed back by the income test of the family's benefit entitlements, work may not be financially rewarding. Ultimately, receipt of income-tested benefits does imply an unemployment trap for low-income families. Hence, it could be one of the causes of the polarisation of participation rates amongst households.

The gap between social assistance and after-tax incomes

The OECD has recently developed a tax/benefit simulation model which enables the user to make international comparisons. The features of the OECD tax/benefit simulation model are described in OECD (1998b) and in Doudeijns (1999). Its possibilities have been used for various OECD publications (see, for example, OECD, 1998a; OECD, 1999). This model calculates in-work and out-of-work income taking into account all taxes and benefits that are available

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2 Most countries have special allowances for families with children. The results we obtain do not necessarily apply to other household types.

to able-bodied people of working age.

In this article, we make use of this model to calculate the hypothetical benefit entitlements, tax liabilities and after-tax incomes of APW-earning families as well as the net incomes of families who are living on social assistance benefits³. Figure 1 shows in each country's left bar the net income that would result from receipt of social assistance benefits relative to first-decile net income and in the right bar the after-tax income of APW earnings, both for two-parent families with two children. For example, a family living on social assistance (SA) in Canada would have just over 60% of the net income of a similar family with earnings at the D1 level⁴. A Canadian family with earnings at the APW level would have about 130% of the net D1-level earnings of a similar family.

Taller bars indicate a wider after-tax distribution than shorter bars. Austria, the USA, Belgium and Canada have the largest stretch of both bars, while the Scandinavian countries have the smallest. Figure 1 shows that for the Anglo-Saxon countries and the Continental Euro-

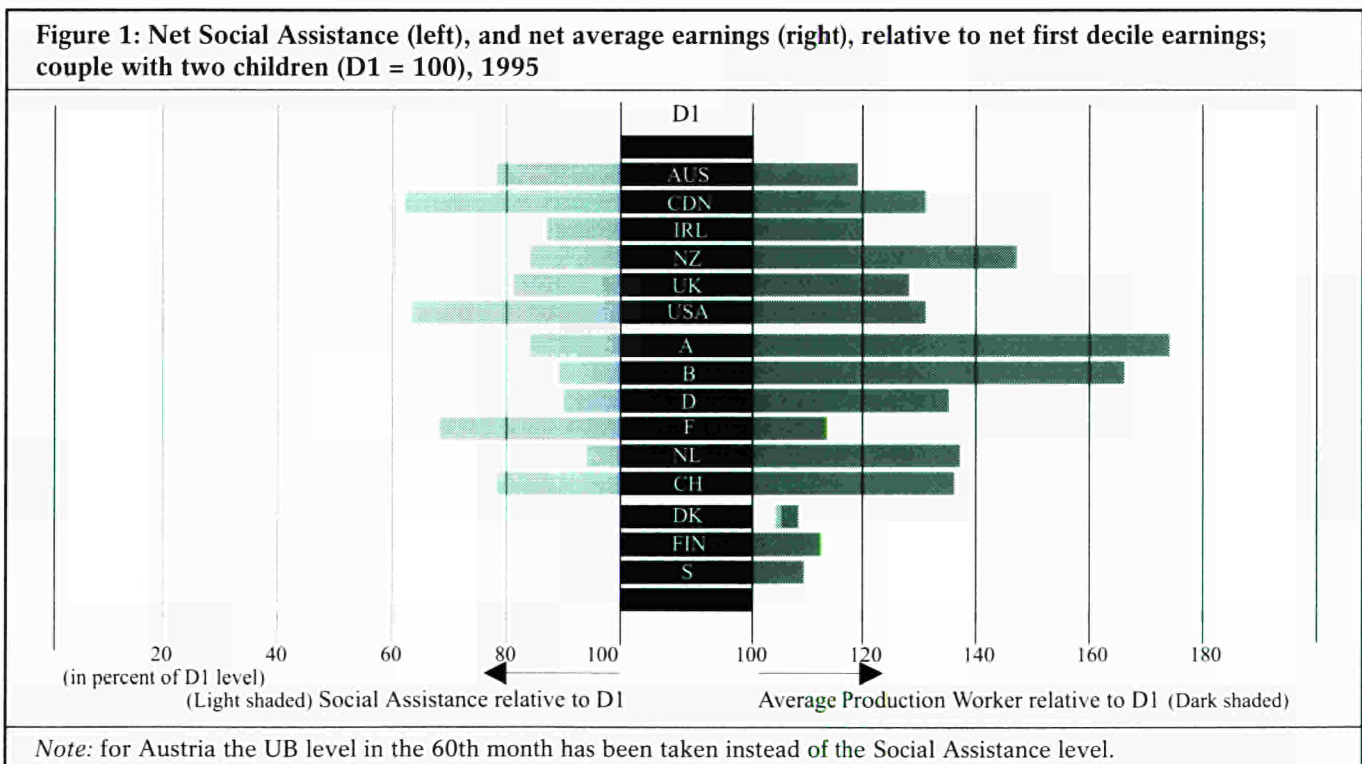
pean countries, the "within-group" variation is larger than the variation between the two groups. The distribution of earnings before tax (not shown in Figure 1) in Anglo-Saxon countries is much wider than in Continental European countries. However, this pattern is not present in the after-tax distribution of earnings. The difference between gross earnings at the D1 level and at the APW level is much larger in, for example, the United States (124%) than in the Netherlands (84%). The after-tax APW earnings for a couple with two children in the United States are only 31% higher than the after-tax earnings at the D1 level and only 37% higher for a couple with two children in the Netherlands.

For most Continental European countries, the light-shaded bars in the left-hand panel of Figure 1 indicate high SA payment levels, whereas the dark-shaded bars in the right-hand panel indicate substantial differences between net income at the APW earnings level and at the D1 earnings level. France is an exception, with a large difference between net SA and net D1 earnings and a relatively small difference between

net D1 and net APW earnings. For the Scandinavian countries, Figure 1 indicates narrow distributions of after-tax earnings. SA entitlements are at least equal to the net income of a family earning at the D1 level. SA in Denmark equals about 105% of the net income of a similar family with earnings at the APW level, which is indicated in Figure 1. Whereas in most countries a family of the type assumed here with earnings at the D1 level would have entitlements to income-tested benefits (e.g. rental allowances or employment-related benefits), this is not the case in Austria and Belgium. As a result of the lack of subsidisation of low incomes, the gap between after-tax earnings at the D1 level and the

3 We assume a one-earner family with two children aged 11 and 9 not receiving any form of paid childcare. The family is renting accommodation on the private housing market and is paying a rent equal to 10% of the country's APW-earnings level. The net income is calculated as gross earnings plus benefit entitlements minus tax liabilities and payroll taxes. For a complete overview of the benefits included in the OECD's model, see OECD (1998b).

4 The left-hand panel of Figure 1 in fact shows the net replacement ratios for working families of the type assumed here.



APW level is quite large. Hence, the replacement ratios for these two countries are high.

Most of the Anglo-Saxon countries and Canada have benefits that are specifically targeted at people employed with low earnings. Supplementing work income by supplementary benefits increases the gap between benefit income and in-work income, thus improving work incentives. The Earned Income Tax Credit (EITC) in the United States is an example. For a couple with two children, SA is 63% of earnings at the D1 earnings level after tax and including the EITC. Without the EITC, the level of SA would be 97% of the after-tax earnings at the D1 level. At the same time, the EITC increases the level of net D1 earnings relative to net APW earnings. Similar effects are found in other countries with employment-related benefits. Hence, employment-related benefits increase the financial incentives to start a low-paying job but reduce the financial incentives to move up the earnings ladder.

The effect of the partner's income on work incentives

The receipt of income-tested benefits may affect the household's incentives to start a paid job. We distinguish between three situations in which the income may be low enough for the household to be entitled to income-tested benefits:

- The principal earner lost his or her employment and now receives unemployment benefits.
- The principal earner lost his or her employment but has exhausted the entitlements to unemployment insurance and now receives social assistance benefits.
- The family is not unemployed; instead, there is one earner engaged at the D1 level.

For these cases, we illustrate what would happen to the household income were the non-active partner to receive a wage at the D1 earnings level. We also show the situation of a two-earner couple where the partner

of someone earning at the APW earnings level starts to work for a wage at the D1 earnings level. The calculations take account of temporary provisions to help people return to work. An example of such a provision is allowing beneficiaries to earn up to a certain level before their earnings are used to reduce their benefit entitlements.

Figure 2 is divided into four panels, each illustrating financial work incentives for the non-active household member. The bars indicate the Net Retained Income (NRI). The NRI is defined as the percentage of the (additional) gross earnings that is not forfeited through income tests, tax liabilities or payroll taxes. Thus, a high NRI indicates a high reward for work, a low NRI indicates strong financial disincentives to work⁵.

Situation A: The principal earner lost his or her employment but has exhausted the entitlements to unemployment insurance and now receives social assistance benefits⁶.

Panel A shows the income gain for a couple with two children where Partner 1 has been unemployed for a long time (hence, the household receives assistance benefits), while Partner 2 starts to work, earning at the D1 level. The income test of the assistance benefits creates severe disincentives to work. In Finland and Sweden, the income test for social assistance (SA) applies to 100% of earned income without disregards. Thus, SA is reduced by 100% of additionally earned income. Although part of the income is disregarded in the income test for the Austrian benefits, the withdrawal of all benefits once earned income exceeds a specific level creates strong financial disincentives to work. In the Netherlands⁷ and Switzerland, SA entitlements are also reduced by 100% of additionally earned income. Because D1 income is higher than the SA level for the family type assumed here, the NRI is positive.

In the other countries, there are no financial incentives to work unless the total earned income exceeds the

assistance benefit amounts (e.g. in the Netherlands and Switzerland this implies that working part time will not be financially rewarding). In Canada, SA is not income-tested unless earnings exceed certain threshold values. Once earnings exceed these levels, SA is reduced by only 75% of additionally earned income. In Germany, too, the clawback rate is less than 100%. The earned income does not affect the benefit amount unless the income exceeds the dependants' tax allowance (which equals about one-third of the first-decile earnings level), and the remainder of income is taken into the income test at less than 100%.

In the United States, employment-related benefits (the Earned Income Tax Credit, EITC) partly offset the income test for food stamps and family benefits and create a strong incentive to work for one or both partners in a long-term unemployed couple. NRIs in Canada are high thanks to the employment-related Working Income Supplement (WIS)⁸. Family Credit in the United Kingdom cushions the drop in net income caused by the withdrawal of Income Support if the combined work effort of the household is more than two days

5 Formally, the NRI was defined as the ratio of the total increase in the net household income and the total increase in gross earnings. In this case, the total increase in earnings equals the total gross earnings that the non-active partner would attain were (s)he to work.

$$NRI = 100\% \times (NI_1 - NI_0)/GE$$

Where:

NI_0 is the net household income in the starting or reference situation.

NI_1 is the net income that the household would attain were the non-active partner to work.

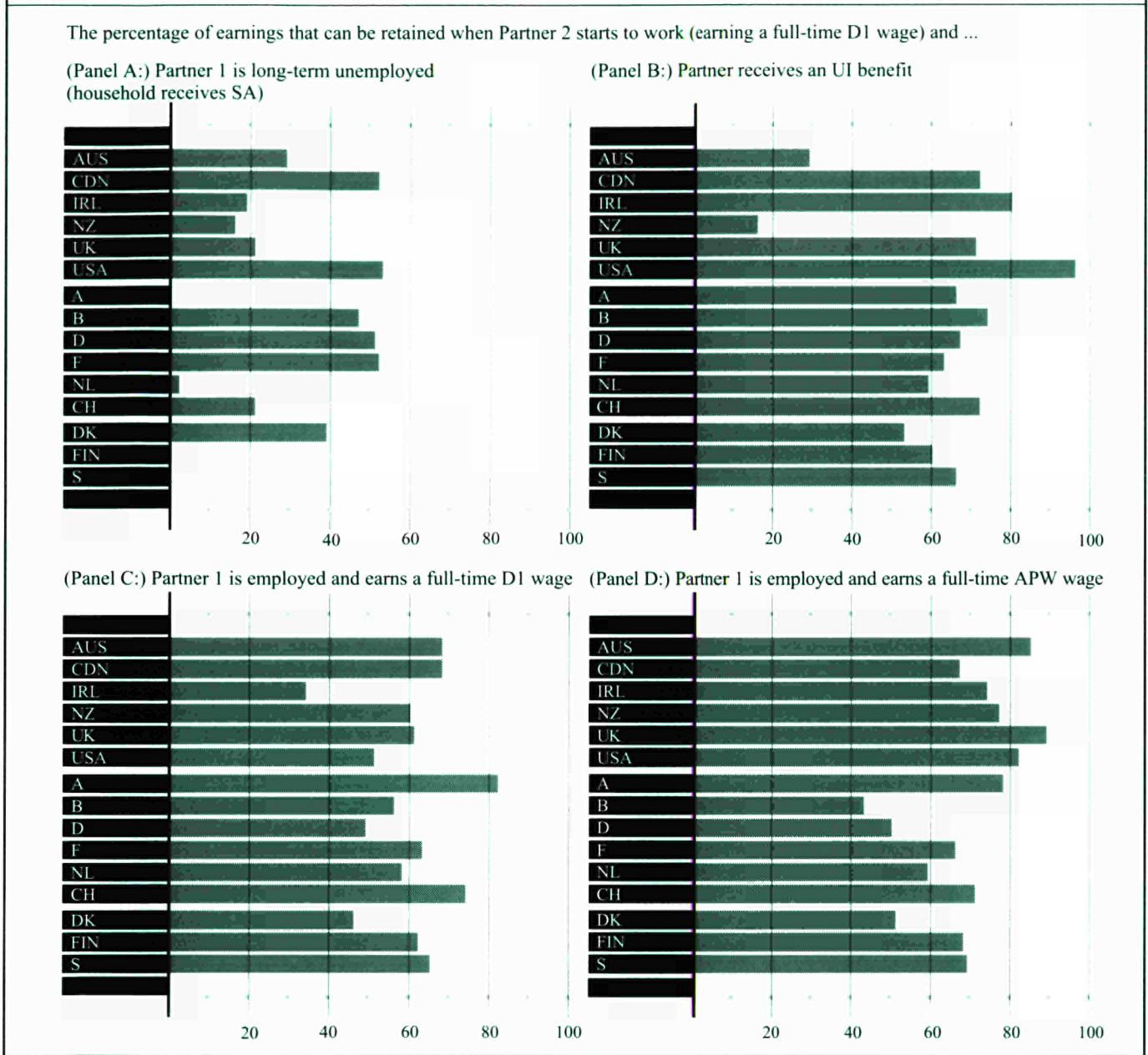
GE equals the total gross earnings that the non-active partner would attain were (s)he to work.

6 In Australia, Austria, New Zealand, France and Germany, unemployment assistance benefits are assumed to be paid.

7 In the Netherlands, it is up to the municipalities to exempt some part of earnings from the income test. Because there is no systematic information on how municipalities handle this possibility, it is not taken into account here.

8 This benefit was enhanced in 1998 to become the National Child Benefit (OECD, 1999).

Figure 2: Net retained income for a couple with two children, 1995



per week. A supplement provides an extra boost if either partner works 30 hours or more. In Ireland, the Family Income Supplement (FIS) lifts net retained income up to nearly 70% if either partner should work half-time, but the withdrawal of unemployment assistance when either partner works more than three days per week causes the NRI to fall considerably. If individual benefits are paid, as is generally the case in Australia, the incentives to work for each household member are determined by their own individual entitlements.

Disincentive effects do not spill over from the beneficiary to the other household members, unlike the case when income-testing procedures are based on household income.

Situation B: The principal earner lost his or her employment and now receives unemployment benefits.

Panel B shows the net retained income rates for the partner of a recently unemployed APW worker. In this situation, one adult receives unemployment insurance benefits. The first observation is that the NRI is

much higher than in Panel A: the work incentives for the partner of someone who has just become unemployed are much stronger than for the partner of a long-term unemployed person receiving SA benefits. The main reason is that the benefit unit and the resource unit for insurance benefits are the insured person, the individual, and not the household. The amount of benefit is therefore not affected by other household members' incomes.

Nevertheless, there still are considerable differences in retained in-

come. For instance, for Australia and New Zealand, net retained income in Panel B is relatively low and identical to Panel A. Dependent partners in Australia receive an individual unemployment assistance benefit which is income-tested on individual income, and the payment level is unrelated to previous earnings. In New Zealand, unemployment assistance is also paid disregarding employment history, income-tested on income from other sources and after the income-testing is paid in equal amounts to both partners. The income test does not come into effect until the earnings of both partners exceed a certain threshold. Hence, the incentives are strong to earn up to this point and are then strongly reduced because of the withdrawal of the remainder of unemployment benefits if the partner of the beneficiary is working full time. The other extreme is the United States, where the existence of the EITC lifts the percentage of retained earnings up to almost 100%. Similar results appear in Britain, Ireland and Canada, thanks to their employment-related benefits.

As the partners of unemployment benefit recipients are allowed to retain a considerable share of their gross earnings, in general there are strong financial incentives to start a low-paid job. This applies in particular when unemployment benefits are granted on an individual basis, i.e. they are not income-tested against household income.

In comparing Panels A and B, we find that:

- Non-employed households whose net incomes include substantial amounts of income-tested benefits suffer most from financial disincentives to start working.
- Employment-related benefits and earnings disregarded in the income test in part compensate for this and significantly improve incentives to start working.

Situation C: The family is not unemployed; instead, there is one earner who is in paid employment.

Panel C shows the income gain for a previously one-earner couple where Partner 1 is full-time employed and Partner 2 starts working full-time at the D1 earnings level. Panel D differs from Panel C in that it assumes that Partner 1 has earnings at the APW level.

The low income level if the household's earned income is at the D1 level, the initial situation in Panel C, may mean that the family is receiving income-tested benefits. The associated reduction of benefit entitlements with earned income damages work incentives. For most European countries, the NRIs are roughly at the same level in Panels C and D. The high NRIs in Austria are caused by the absence of income-tested benefits for low-income families and the low marginal tax rate on low incomes.

However, for the Anglo-Saxon countries, with the exception of Canada, the NRIs in Panel C are significantly lower than in Panel D. In Australia, this can be entirely attributed to the income test for the partner's individual benefit, which has phased out all entitlements in Panel D. In New Zealand, tax rebates have a positive effect on work incentives which increase with the level of earned income. In Ireland, the initial income level in Panel C entitles the family to receive the Family Income Supplement; the very strict income test gives rise to strong disincentives to take a low-paid job. In the United States, a family with earnings at the D1 level is entitled to EITC. The income test for this benefit causes the low NRIs if the non-active partner starts to work. In Panel D, where the family has earnings at the APW level, EITC is no longer paid and its income test does not depress the NRIs. Instead, their eligibility for another tax credit, the Dependent Care Credit, reduces their tax liability and causes NRIs as high as 80%.

The entitlements of income-tested benefits in low-income households

clearly reduce the NRIs. The employment-related benefits in Britain, Canada, Ireland and the United States suffer from the income test and have no positive effects on the non-active partner's work incentives.

On the basis of Panels C and D, we conclude that:

- There is no clear distinction between the levels of the NRIs in Continental Europe, Canada and the Anglo-Saxon countries in Panel C. In Panel D, the NRIs in Canada and the Anglo-Saxon countries are higher than in the Continental European countries with the exception of Austria.
- In a one-earner household, the incentives to take up low-paid work for the non-active partner are significantly reduced if the family is in receipt of income-tested benefits. Employment-related benefits also have these negative effects.
- In Anglo-Saxon countries, except Canada, the incentives for the partner to take up work are much higher when the already working partner earns a higher income than that at the D1 level. This is a result of income-testing employment-related benefits and could be considered a form of poverty trap.

Conclusions

This article analyses the tax/benefit system of a number of continental European countries, the Anglo-Saxon countries and Canada the existence of the unemployment trap. We restrict the analysis to families with two adults and two children and concentrate on the families' financial incentives to take up employment in the lower segments of the earnings distribution. We use the first-decile earnings (D1) as a proxy of low income.

The increasing attention that is being paid to the simultaneous growth of so-called "work-rich" and "work-poor" households leads us to focus on the question of whether the structure of tax/benefit systems may fuel these developments. We illustrate that receipt of income-tested benefits

negatively affects the low-income household's work incentives. In low-income one-earner families, the non-active spouses have few financial incentives to take up paid employment. Their situation is much worse in families where social assistance or unemployment assistance is the only source of income. On the other hand, if there already are earnings at the average level in the household, there are no financial disincentives whatsoever for a non-active partner to take up paid employment.

We found that:

- Households receiving unemployment or social assistance benefits have very little financial incentive to start a job at a low earnings level. The net replacement rates for social assistance are over 80% in the majority of the countries reviewed. Scandinavian countries have the most generous social assistance levels, which equal or even exceed low wages.
- Earnings top-ups and employment-related benefits improve work incentives. These instruments increase the gap between net out-of-work income and net in-work earnings and thus reduce the unemployment trap. Employment-related benefits in some of the Anglo-Saxon countries (Britain, Ireland and the United States) have significant and positive effects on work incentives. In countries where social assistance benefits are reduced by 100% of additionally earned income (Austria, the Netherlands, Finland and Swe-

den), there is no financial incentive for families to take up a low-paid job.

- The gap between low and average after-tax earnings is limited for the Anglo-Saxon countries, Canada and the Continental European countries except Austria and Belgium. This gap is roughly similar in Britain, Canada, Germany, the Netherlands, Switzerland and the United States. For the type of families assumed here, the inclusion of employment-related benefits in a number of countries increases the financial incentives to start to work at low pay but at the same time reduces the incentives to move up the income ladder.
- In unemployed households, the financial incentives to start a low-paid job depend on whether the benefit system is individualised or not. If the resource unit is the individual (usually the case with insurance benefits but also true for Australia), each partner's work decision does not affect the other's benefit entitlements.
- The net retained incomes for the partners of APW-level earners to take up low-paid work are generally much higher than for partners of low-wage earners. This effect is more visible in the Anglo-Saxon countries, where income-tested employment-related benefits are still paid to households with earned incomes exceeding the D1 level.

The obvious limitation to the approach we use in this article is that we give no indication of the number of

families that are receiving income-tested benefits. The number of people living outside a traditional family situation, e.g. single individuals and lone parents, is growing and in some countries will exceed those of traditional families. Their situation may be less apparent from a study of the tax/benefit systems but more serious because of their greater number. We only take account of financial incentives to work and the calculations are based on a number of assumptions regarding the housing market. Furthermore, the costs of childcare and private health insurance, which can be significant barriers to employment, are disregarded in the analysis. Future research may improve on these points.

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

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

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

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

inforMISEP Policies

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

Basic Information Reports

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

Tableau de bord

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

Trends

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

RESEARCH report

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

Electronic Documentation System

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