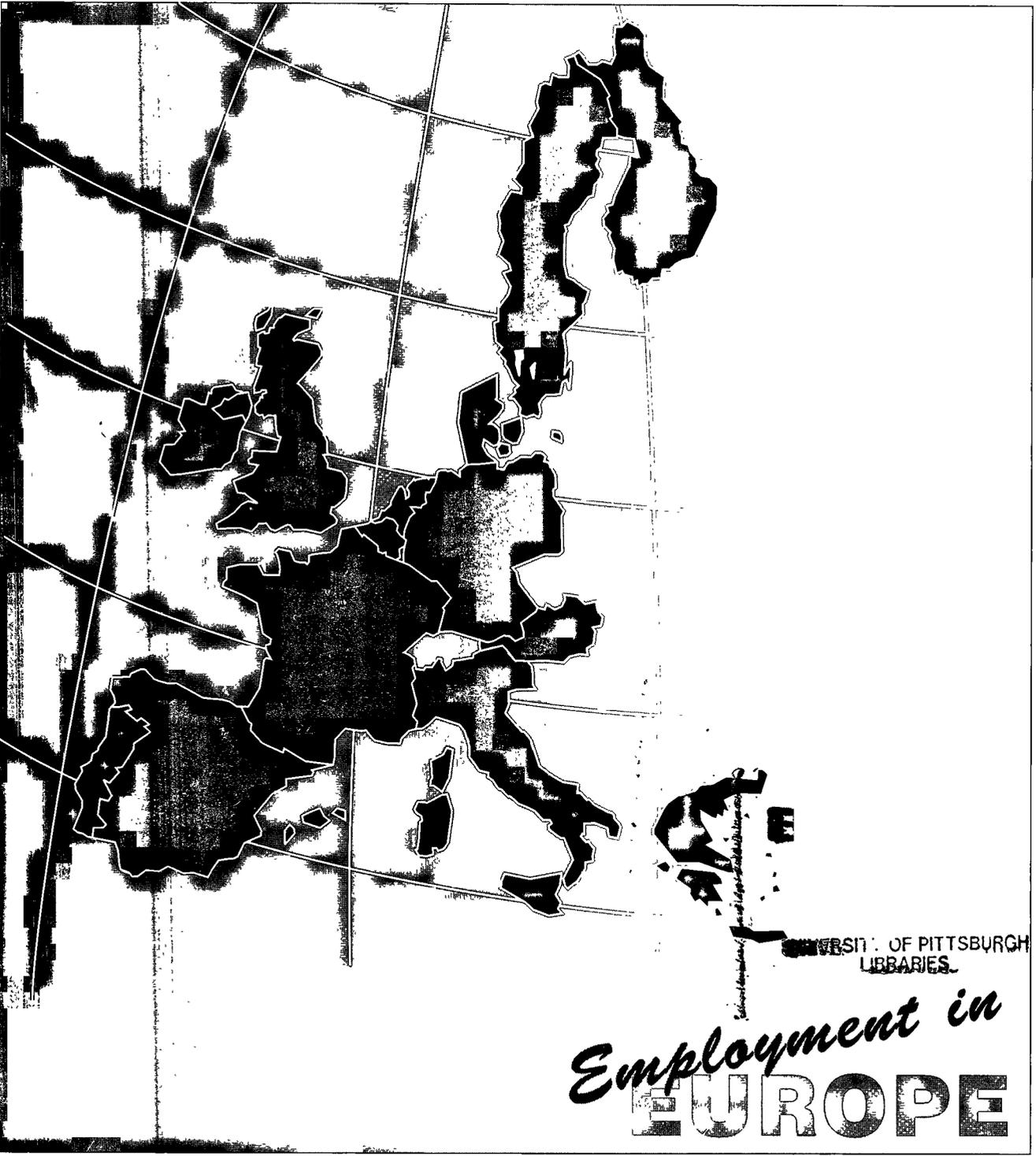


# EMPLOYMENT OBSERVATORY

## Trends

23

Changes in employment, analyses, evaluations  
Series produced from the SYSDEM network



 EUROPEAN COMMISSION  
DIRECTORATE-GENERAL FOR EMPLOYMENT  
INDUSTRIAL RELATIONS  
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# EMPLOYMENT OBSERVATORY Trends



The Bulletin of the European  
System of Documentation  
on Employment (SYSDÉM)

Nº. 23, 1995

TRENDS Bulletin is the quarterly publication of the European System of Documentation on Employment. It disseminates information collected by SYSDÉM on the evolution of employment at European Union level. SYSDÉM is managed on behalf of the Commission of the European Communities (DG V) by ECOTEC Research and Consulting Limited.

**Editors:** Gill Whitting, Tina Weber, Caroline Lambert

**National Correspondents:** Tuire Santamäki-Vuori, Kenneth Walsh, Søren Villadsen, Brigitte Sivan, Kurt Vogler Ludwig, Jerry Sexton, Inge Van Berkel, Luis Toharia, Ferdinand Lechner, Maria João Rodrigues, Theo Papatheodossiou, Anna Thoursie, François Pichault, Manuela Samek

**Translation:** Marie-Dominique Maison.

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**Economic Performance: Better Prospects and More Flexibility** 3

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The articles in the TRENDS Bulletin and the information presented in the Statistical Supplement reflect the views of the authors and do not necessarily reflect the opinions of the Commission of the European Communities.

# Commission Launches Medium-Term Social Action Programme 1995-97

On 12 April 1995, the European Commission adopted a communication on a medium-term social action programme (the Programme), covering the three-year period 1995-97. This Programme is the culmination of 18 months of wide-spread consultation and public debate which started in 1993 with the launch of the *Green Paper on the future of European Social Policy*, and continued in 1994 with the *White Paper on European Social Policy*. It sets out in detail how the Commission intends to take forward the conclusions of the December 1994 Essen European Council.

The Programme takes into account the achievements of the 1989 social action programme which it replaces, while at the same time articulating a strategy to meet new needs and challenges as identified in the White Papers on *Growth, Competitiveness and Employment* and *Social Policy*. The Programme highlights the importance of striking a balance between economic and social considerations and argues the importance of measures to combat unemployment, poverty, crime, poor health and educational under-achievement.

The key issue to be addressed is the challenge to European competitiveness caused by the globalisation of the economy. The technological revolution occasioned new training requirements and important adjustments in production processes and work organisation. Systems of public welfare provision are also considered because of increasing difficulties in gaining funding. These are exacerbated by demographic and socio-economic trends.

Five key themes run through the 1995-97 social action programme:

- employment;
- consolidation and development of legislation;
- equality of opportunities between men and women;
- an active society for all;
- medium-term reflection and analysis.

In spite of encouraging economic indicators, unemployment remains persistently high, particularly among low skilled people. The Commission argues that what is required is an integration of social, economic, taxation, training, environmental and regional policies.

While responsibility for job creation lies mainly with the individual Member State, the Programme sets out the Commission's proposals for monitoring employment trends and assessing the progress of Member States in implementing their multi-annual programmes. In doing this it will place particular emphasis on the implementation of the recommen-

dation of the Essen Council which identified five priority areas in the fight against unemployment: the promotion of investments in vocational training; the increase in the employment-intensiveness of growth; the lowering of indirect wage costs; the increase in the effectiveness of labour market policy; and the strengthening of measures for groups particularly affected by unemployment. The programme also contains a range of proposals designed to achieve greater co-operation between national governments, the Commission and the social partners.

The document highlights the vital contribution of the Structural and Social Funds in promoting employment and outlines the aims and objectives of new initiatives (LEONARDO, SOCRATES). It also focuses on the importance of training and education and the free movement of people within the European Union. In order to achieve entirely free movement of individuals around the Union, the Commission is launching a number of initiatives in relation to social security and pension rights as well as the recognition of diplomas.

The Programme emphasises the Commission's plans to review the Social Charter with the European Parliament seeking to drive forward the legislative proposals which are still under discussion in the Council, including the Directive on the posting of workers and a number of health and safety Directives. Some of these initiatives are to be pursued under the Social Protocol.

The Programme emphasises the high priority which the Commission accords to the issue of equal opportunities and sets out the priorities of the fourth equal opportunities action programme. The Commission is seeking to expand its social policy concerns to cover all citizens while continuing to accord special attention to key social problems such as poverty, racism and the exclusion of older and disabled people. It also aims to expand its analytical capacity by, for example, setting up a high level group of experts to examine the social and societal implications of the emerging information society.

With its Action Programme the Commission intends to broaden the scope of social policy in the European Union, while at the same time focusing its proposals more clearly on a set of priority issues.

*Medium-Term Social Action Programme 1995-97*, published in *Social Europe*. Available from: Office for Official Publications of the European Communities, L-2985 Luxembourg. All EU-11 languages.

# Economic Performance: Better Prospects and More Flexibility

*Reports from a range of international sources highlight an improved economic situation. Unemployment remains a top priority. Data are also provided on the incidence of labour market flexibility. Documentation on the finance sector examines employment trends in one of the key sectors affected by new working practices.*

## OECD Economic Outlook

OECD (1995)

The *OECD Economic Outlook* published in June 1995 shows that the economic situation in most OECD countries has improved substantially after the deep recession of the early 1990s. Overall unemployment is falling and inflation has dropped to rates unseen since the 1960s. Beyond these favourable figures, the report argues that much has been done to lay the foundations for sustainable improvement in economic performance over the longer term. A stronger competitive position in product markets has been achieved by a variety of agreements reducing barriers to trade, including the Internal Market, NAFTA (North Atlantic Free Trade Association) and the Uruguay Round. A number of countries have also made some progress in enhancing labour market flexibility. However, the report also reminds readers of the necessity to reduce unemployment, not only to reduce the waste of human resources but also to reduce the social distress caused by high and prolonged unemployment.

In the medium-term the report argues that it is imperative to maximise the benefits of globalised and liberalised financial markets while avoiding abrupt movements in exchange rates and a prolonged misalignment of currencies. Macro-economic policy requirements include keeping down inflation, and achieving exchange rate stability. The report also highlights key issues for structural reform.

Available from: OECD, 2 rue André-Pascal, 75775 Paris Cedex, France. EN, FR.

## World Employment 1995

ILO (1995)

This report was produced by the ILO in response to the worldwide concern over the problem of unemployment. The is-

ssues are considered in the context of profound ongoing change in the global economy. In spite of an increase in global output unemployment remains persistently high calling into question more traditional policy solutions. The report assesses the problem from a variety of angles. Part one looks at the effects of the globalisation of the economy on employment with particular reference to the resolutions of the Uruguay Round. It also looks at recent trends in foreign direct investment and emerging concerns over globalisation of the economy.

Part two is devoted to the policy issues and employment trends in developing countries, focusing on the reduction of underemployment and poverty and the causes behind and remedies against the marginalisation of Africa in the global market place.

Part three looks at employment trends in the emerging economies and at how they attempt to deal with the growing problem of long-term unemployment. Part four charts the causes and tried and untried solutions to the problem of unemployment, while the final chapter assesses the possibility of a return to full employment.

Available from: ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. EN, FR, ES.

## Labour Force Survey Results 1993

EUROSTAT (1995)

The *Labour Force Survey* produced by Eurostat provides the most comprehensive set of comparative data on employment in the European Union. This edition does not cover the new Member States as the data were collected prior to enlargement. The national statistical institutes are responsible for selecting the sample, preparing the questionnaires, conducting the direct interviews and forwarding the results to Eurostat in accordance with a

standard coding system. The survey produced 122 tables looking at issues including labour force participation rates, levels of unemployment, temporary and part-time work, self-employment and the make-up of the inactive population. Most data are provided by age, sex, sector and other relevant classifications. The *Labour Force Survey* is an invaluable source of comparative European labour market data which is constantly under review in order to respond to key labour market policy questions.

Available from: Office for Official Publications of the European Communities, L-2985 Luxembourg. EN, FR, DE.

## OECD: Trends in International Migration: 1994 Annual Report

OECD (1995)

The latest annual report, *Trends in International Migration*, shows the scale, type and direction of recent migratory flows. The report highlights that after a rise in the 1980s and early 1990s, immigration flows stabilised in several OECD countries in 1993 and 1994. This can largely be attributed to recent measures by host countries to control flows more effectively and to introduce more selective entry criteria for immigrants. The diversification of the channels used by migrants and the broader range of nationalities involved in international migration flows is clearly reflected in the data. Three other factors are also emphasised: the lower numbers of asylum seekers; the growing proportion of temporary workers; and the migration of highly skilled workers.

The report argues that while migration flows may well diminish over the next few years, due to the development of new migration poles in Asia and Central and Eastern Europe, the deterioration of the economic and political situation in many areas close to OECD countries and

the increasing labour demand in the latter may reverse this trend.

Official measures have been less successful in containing illegal immigration, and the report therefore argues for greater international co-operation to achieve employment creation in emigration countries. The report describes recent developments in migration movements and policies in each country studied. These include OECD countries (with Denmark, Ireland and Mexico appearing for the first time) and five central and Eastern European countries.

Available from: OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France. FR, EN.

### **Multiple Job Holders in the European Union in 1992**

EUROSTAT (1995)

This short report, published as part of the series *Statistics in Focus: Population and Social Conditions*, shows that the number of people with more than one job, expressed as a percentage of the total population in employment, remained more or less stable between 1987 and 1992, at slightly below 3%. In 1992 Portugal, Denmark and the Netherlands had the highest percentages.

The majority of multiple job-holders in the EU consider their second job as regular. In 1992 multiple job-holders worked an average of 46.4 hours per week in both jobs, of which 12.6 hours were spent in the second job. The data show that generally in countries with a relatively large agricultural sector (Greece, Ireland, Spain) the number of actual hours worked in second jobs considerably exceeds the European average.

The majority of second jobs were to be found in the service sector, with the exception of Greece where agriculture provided the greatest relative share of secondary employment. Approximately one half of all second jobs were carried out as self-employment or family work.

The data on which the report is based are extracted from the Community Labour Force Survey, in which figures on the existence of second jobs have been included since 1983. The report is particularly pertinent due to the increase in part-time work in the European Union.

*Statistics in Focus, Population and social conditions, 1995, 2.* Available from: EUROSTAT, L-2920 Luxembourg. EN, FR, DE.

### **Working Time in the European Union: Estimated Actual Annual Working Time (1983-1993)**

EUROSTAT (1995)

Eurostat's preliminary estimates indicate that in every country of the European Union actual annual working time remained stable or declined between 1983 and 1993. In 1993 the average European employee worked 1668.8 hours per year, with the highest figure being achieved by workers in Portugal (1822.6 hours) and the lowest by workers in the Netherlands (1451.7 hours).

A breakdown of average working time between full-time and part-time workers showed that, for full-time workers, the shortest working years were found in Italy and Belgium and the longest in the UK, Ireland and Portugal. For part-timers, values varied more widely, with extremes ranging from 734 hours in the Netherlands (1990) and 1194.5 hours in Italy (1985). The report found that, as a general rule, male employees worked longer than female employees. However, the gap narrowed when data was restricted to full-timers.

Annual working time is longest in agriculture, and working time in industry was generally slightly higher than in services. The report concedes that national data on annual working hours are difficult to render comparable but argues that the Eurostat approach is currently the only indicator which allows a satisfactory comparison between Member States.

*Statistics in Focus, Population and social conditions, 1995, 4.* Available from: EUROSTAT, L-2920 Luxembourg. EN, FR, DE.

### **Service Vouchers: An Analysis of the Job Creation Potential and Feasibility of Service Vouchers in the Netherlands**

KNIGGE J A, RIJNHOUT M J (1995)

The persistent problem of large-scale unemployment throughout the European Union has led to the recognition that initiatives on a similar scale are needed to change this situation. There is a particular mismatch between labour demand and supply in the lower segments of the labour market. The European Commission White Paper on *Growth, Competitiveness and Employment* focused attention on service vouchers as a labour mar-

ket instrument. This study defines the different variants of service vouchers, and assesses the extent to which they could contribute to reducing unemployment. In a second stage researchers questioned interest groups and practitioners about their opinions of the impact on employment of the introduction of service vouchers. The models which were seen to have the greatest job creation potential proved the least popular as they contained an element of compulsion (ie, compulsory deductions from salaries; compulsory work schemes for those on benefits). Models borrowing from international experience were more popular but were viewed to be capable of creating only 20,000-50,000 jobs in the European Union.

Available from: EIM Small Business Research Consultancy, P.O Box 7001, 2701 AA Zoetermeer, The Netherlands. EN.

### **CEA ECO+**

COMITÉ EUROPÉEN DES ASSURANCES (1995)

This issue of the bulletin published by the European Committee of Employers in the Insurance Sector aims to fill a gap in the availability of data on employment in the insurance sector in the European Union. The Associations which took part in this study cover all EU Member States except Ireland, Luxembourg and Finland. Instead it includes Switzerland and Norway. The study looked at the employment situation in the European insurance sector in 1993 and the profile of employment in European insurance in 1993. The latter chapter looked at the issues of wage negotiations and wage costs in the sector. Insurance undertakings provided a not inconsiderable source of employment in Europe with an average 64 jobs per 10,000 for the period between 1989-1992. Switzerland has by far the largest percentage of employees in insurance undertakings in overall salaried employment, followed by Great Britain and Germany. Until 1992 employment in this sector grew constantly but in 1993 it experienced a slight drop. The experience of growth and decline in employment in this sector was by no means uniform and tended to fluctuate every year. Since 1992 employment has been declining while income from premiums has grown. In some countries wage and social costs have grown

more rapidly than premium income, whereas in others the opposite was true.

Available from: Secrétariat Général, 3 bis, Rue de la Chaussée d'Antin, F-75009 Paris, France. EN, FR, DE.

### Social Europe: New Working Practices in Banking and Insurance

CEC (1994)

The three papers published in this edition of *Social Europe* were commissioned by DGV to assist debate at the Employment Observatory Seminar which was organised by SYSDEM in April 1994 with the co-operation of the Greek Ministry of Labour, during the Greek Presidency. In his paper Amin Rajan looked at employment trends in eight Member States, the major trends in the restructuring of the sector and the implications for the social partners. Iain Begg discussed the factors influencing the level and character of employment in insurance, demand for such services, the level and effect of international competition and the emergence of "bancassurance". He also examined policy issues, training requirements and possible action by the CEC. He recommends the establishment of a European Employment Observatory for the insurance sector. Vincent Merle looks at developments and adaptations of qualifications and skills linked to the rationalisation of financial activities.

Available from: Office of Official Publications of the European Communities, L-2985 Luxembourg. EN, FR, DE.

### Your Social Security Rights when Moving within the European Union: A Practical Guide

CEC (1995)

Freedom of movement was one of the first and continues to be one of the most important aims of the European Union. The Commission published this guide with the purpose of providing citizens of the European Union (or at least the EU-12) with easily understandable information about their rights and obligations in the field of social security. In Part one it describes the relevant Community provisions and in Part two goes on to outline national legislation. The main rights covered relate to the areas of sickness and maternity, accidents at work and occupational diseases, invalidity, old-age pensions, death grants, survivors benefits, and unemployment and family benefits. A section of Part one is devoted to outlining the rights of particular types of beneficiaries for whom there are special Community provisions: frontier workers, seasonal workers, posted workers, pensioners, students, tourists, non-active persons and third country nationals. Apart from providing a guide for those travelling, working or retiring in another country within the EU, it gives a useful summary of benefit systems and entitlements in other Member States together with addresses to contact for further information.

Available from: Office for Official Publications of the European Communities, L-2985 Luxembourg. EN, FR, DE.

## ABBREVIATIONS USED IN SYSDEM

<b>SYSDEM</b>	European System of Documentation on Employment
<b>EU</b>	European Union
<b>CEC</b>	Commission of the European Communities
<b>DG</b>	Directorate-General of the CEC
<b>ETUC</b>	European Trade Union Confederation
<b>Unice</b>	Union of Industries of the European Communities
<b>MISEP</b>	Mutual Information System on Employment Policies
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>ILO</b>	International Labour Office
<b>CEDEFOP</b>	European Centre for the Development of Vocational Training
<b>GDP</b>	Gross Domestic Product
<b>GNP</b>	Gross National Product
<b>SMEs</b>	Small- and Medium-sized Enterprises
<b>EMS</b>	European Monetary System
<b>EMU</b>	Economic and Monetary Union

## COUNTRY

<b>A</b>	Austria
<b>B</b>	Belgium
<b>DK</b>	Denmark
<b>D</b>	Federal Republic of Germany
<b>E</b>	Spain
<b>F</b>	France
<b>GR</b>	Greece
<b>IRL</b>	Ireland
<b>I</b>	Italy
<b>L</b>	Luxembourg
<b>NL</b>	The Netherlands
<b>P</b>	Portugal
<b>S</b>	Sweden
<b>SF</b>	Finland
<b>UK</b>	United Kingdom

## LANGUAGE

<b>DA</b>	Danish
<b>DE</b>	German
<b>EN</b>	English
<b>ES</b>	Spanish
<b>FI</b>	Finnish
<b>FR</b>	French
<b>GR</b>	Greek
<b>IT</b>	Italian
<b>NL</b>	Dutch
<b>PT</b>	Portuguese
<b>SV</b>	Swedish

# The National Dimension: Abstracts and Commentaries from Member States

## The New Member States: Austria, Finland and Sweden

Following the enlargement of the European Union from the EU-12 to the now EU-15, this is the first SYSDM-Trends Bulletin to cover labour market trends, statistics and policy developments in the new Member States: Austria, Finland and Sweden.

Before joining the EU on the 1st January 1995, the three new Member States had previously participated in the Internal Market as members of the European Economic Area (EEA) which they joined in January 1994. As members of EFTA, they had taken part in European economic cooperation for several decades.

What took place in January 1995 was clearly not only an enlargement but also an enrichment of the European Union. One of the many reasons for this enrichment is the different labour market characteristics, trends and policy making traditions which the new Member States bring into the European Union.

All three countries have traditionally displayed relatively high labour market participation rates, low levels of unemployment and a history of active labour market policies. Unlike most other EU Member States, these countries have only recently experienced more severe unemployment problems (particularly long-term unemployment).

The entry of Austria, Finland and Sweden into the European Union therefore provides increasing scope for policy learning, and this issue of the SYSDM Trends Bulletin therefore devotes particular attention to the labour market trends and policy backgrounds of the New Member States.

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### The correspondents for the New Member States are:

**Austria**  
Dr Ferdinand Lechner  
*L&R Sozialforschung, Vienna*

**Finland**  
Dr Tuire Santamäki-Vuori  
*Labour Institute for Economic Research, Helsinki*

**Sweden**  
Dr Anna Thoursie  
*Swedish Institute for Social Research, Stockholm University, Stockholm*



# Austria

## Labour Market Trends

The level of unemployment in Austria is, at 4.4% (1993), noticeably lower than the EU and OECD averages. Nevertheless, the developments of the 1980s pointed to a need for measures to combat and control unemployment.

In the 60s and 70s, the unemployment rate amounted to less than 2% (measured by registered unemployed). This situation prevailed until 1982, with the government staving off the economic decline which affected most European nations after the oil price shock, by means of a special policy-mix instigated to counteract recessionary pressures. This has come to be known as *Austro-Keynesianism*. One of the most important elements of this policy was an expansive fiscal policy aimed at compensating for the decrease in private demand with increased state demand. This helped fuel rapid economic growth. The successive shortening of the working week also had a positive effect on employment, and the expansion of the public sector (in particular in health care and education) and private services equally helped to make up for jobs lost in other areas. State owned-industry also had a stabilising effect on employment. The essential institutional pre-requisite for the Austro-Keynesianism of the 1970s was the co-ordination of incomes, demand and currency policies through the system of social partnership.

At the beginning of the 1980s, however, the labour market situation changed dramatically. The average number of registered unemployed people doubled from 53,000 in 1980 to 105,000 in 1982, thereby exceeding for the first time the 3% mark, which at the time was still considered the limit for full employment. From the beginning of the decade economic and budgetary policy had less effect on the labour market than before. Even the combination of a restrictive budgetary policy, supply-side oriented economic policy (direct and indirect support), shorter working hours for individual industries, and specific, active labour market policy

measures were not able to prevent a further increase in unemployment.

The number of jobless rose continually to 165,000 by 1987. After a short recovery in 1988/89 unemployment figures (measured by registered unemployed) began to rise again and reached 222,000 (or 6.8%) in 1993. In the second half of 1994, economic recovery led to a slight decline in unemployment to 6.5%, or 215,000 registered unemployed. According to EU measurement standards, this represents an unemployment rate of 4.4%.

The economically active population (employed, self-employed and unemployed) increased by 10.7% in the period between 1983-1993 and most recently stood at 3.683 million. It experienced a significant increase in the years 1991/92 due to a wave of immigration following the opening up of Eastern Europe. The increase in labour supply was accompanied by a growth in labour force participation rates by 5% between 1980 and 1992, when it stood at 69.4%. This growth was due to a significant increase in female labour market participation rates (from 48.7% in 1980 to 58% in 1993, according to OECD measurements). During the same period, male labour market participation was relatively stable and amounted to 80.7% in 1993.

The increase in unemployment brought a crystallisation of certain high risk groups. In the mid-1980s young people (below the age of 25) were particularly hard hit by unemployment. By the end of the decade, the structure of unemployment had clearly shifted towards older workers. Whereas in 1989, the unemployment rate for those aged between 50 and 54 was only half a percentage point over the average rate, by 1993 it was 3.1% higher.

The development of unemployment in Austria is also characterised by a growing number of long-term unemployed people. Persons registered as unemployed for at least a year only accounted for 11% of total registered unemployed in 1987. By 1994 this proportion had risen to 17%. The continuous expansion of the ranks of

long-term unemployed people, even in times of general recovery on the labour market is seen as one of the major challenges for Austrian labour market policy.

As unemployment has risen, labour market policy has expanded its range of instruments to include more active policy measures. New forms of job creation and vocational training, combined with the satisfaction of previously unmet public need, are the outstanding characteristics of an active labour market policy which began to bear fruit in the mid-1980s. In the course of this process, the supportive infrastructure of counselling services and re-entry programmes was expanded for those seeking employment and advisory facilities were improved for suppliers of job creation and training measures. In 1993, the budget for active labour market policy measures amounted to ATS 6,934 million.

## Current Debates

A comparison of expenditure on labour market policies in the OECD countries reveals that Austria is one of the countries with the lowest rates of expenditure (as part of GDP). However, the debate on an intensification of active labour market policy in Austria is not held with a view towards increased spending, but under the remit of improving efficiency and effectiveness. Several evaluation studies looking at the long-term employment effects of participation in an active labour market policy measure are currently being carried out on behalf of the Public Employment Service. The majority of studies point towards a high success rate of such schemes. One example is the evaluation of Action 8000 carried out by L&R Sozialforschung, *Die Entwicklung der Aktion 8000 im Zeitraum 1988-1990*.

The framework of future labour market policy and expenditure is mainly determined by the reorganisation of the public employment service. Its management structures were redesigned, resulting in a new organisational structure where the joint decision-making and supervisory function is being carried out by

the social partners (who previously only had an advisory role) and additional responsibility is being devolved to the provincial offices. It is hoped that these changes will bring an improvement in the service and swifter co-ordination of labour demand and supply.

Future expenditure on active labour market policy will also depend on the extent of budgetary constraints which are widely expected to be imposed, since budgetary consolidation currently commands top political priority. In order to reduce the budget deficit to comply with the Maastricht convergence criteria, the government recently agreed a package of savings. This provides for measures to lower personnel costs in the civil service, reductions in transfer payments and restrictions on state subsidies. This programme did not meet with the approval of the opposition parties and the trade unions who argued that it would hit disadvantaged people hardest. The debate on public budget consolidation highlighted the fact that further cuts in public expenditure are to be expected until 1998. In view of these budgetary constraints an increase in expenditure on labour market policies (as suggested in the White Paper) does not seem feasible.

### Aspects of entry into the EU

In view of Austria's comparatively stable labour market situation, the debate on entry into the EU was mainly determined by fears that the unemployment rate would move in the direction of EU levels. A study by the Austrian Institute of Economic Research estimated that the employment effect of EU entry would amount to a net gain of 42,000 jobs by the year 2000. The study made it clear that the continuing internationalisation of the economy would further increase the need for structural adjustments. The impact of market liberalisation will be felt particularly in the agricultural sector.

At present negative employment effects are obvious in customs inspection, transport and the foodstuffs industry. Further job losses are expected in raw materials. To counteract these effects, labour foundations have been established in different sectors. These measures are financed through the unemployment insurance system, contributions from employers, subsidies from the provinces and

resources from the European Social Fund. The foundations' services range from career counselling for assistance with active job search and work experience to higher qualifications and assistance with business formation. Over the following three years these schemes expect to target 6000 workers who have become unemployed due to structural changes in the Austrian economy.

Positive effects are expected from an investment push stemming from the implementation of measures which are co-financed by the ESF. The emphasis lies in strengthening rural areas by developing infrastructure and attracting new businesses.

### Reference to the White Paper/ Essen Conclusions

Other initiatives arising from EU entry are presented in a central government White Paper (*Österreichische Bundesregierung: Weißbuch der Bundesregierung*, Wien 1994). This document refers to priorities in the areas of labour market and employment policies mentioned in the Commission White Paper. From Austria's point of view, a major task is the creation of employment programmes for those particularly affected by rapid structural change. The battle against long-term unemployment equally presents an important challenge for labour market policy. Marginalised groups such as older workers have particularly high priority on the policy agenda.

The debate on labour market flexibility is muted. Discussions on the White Paper proposals have only just begun and it is not yet time for the realisation of concrete measures. These topics are usually picked up by the social partners. Concerning the flexible organisation of working time, employers are demanding negotiations with representatives of labour on the annualisation of working hours, with the aim of achieving a more flexible distribution of working hours. Another crucial topic of debate is the institution of a recommendation for maximum daily working hours as demanded by employer organisations. The liberalisation of shop closing times is also being debated by the social partners.

In Austria the extension of part-time work is not an important topic in the

employment debate. It is expected that part-time work may reduce unemployment in a statistical sense, but only at the cost of creating an increasing number of employment relationships which do not provide a living wage (Ludwig Boltzmann-Institut für Wachstumsforschung, 1995).

The White Paper proposals on the reduction of non-wage labour costs, particularly for the lower income groups, is not receiving any serious consideration. There is an agreement between the social partners that a lowering of social security contributions must not place a burden on the national budget. In recent years, reductions in the cost of labour have mainly been achieved by lowering employer contributions to company pensions and similar fringe benefits.

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### Review of publications

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#### Die Entwicklung der Aktion 8000 im Zeitraum 1988-1990 (*The Development of Action 8000 between 1988-1990*)

L&R SOZIALFORSCHUNG (1994)

Action 8000 is an initiative aimed at the promotion of employment opportunities in sectors benefiting the well-being of the community. Its funds are open to charitable (non-profit making) organisations and other public bodies offering jobs to long-term unemployed people.

This study takes stock of the development and impact of the programme between 1988 and 1990, during which time it promoted 10,000 jobs. An analysis of beneficiaries shows that the programme targeted those groups facing particular problems with re-integration into the labour market.

The programme suffered from severe criticism from employer organisations, who questioned its usefulness with regard to improving the labour market situation. This study therefore focused on an evaluation of the labour market impact of Action 8000. The analysis of beneficiaries' career paths showed that 53% of participants obtained stable employment after completing the programme. However, the success of Action 8000 is highlighted most clearly by carrying out a cost-benefit analysis. A comparison of the public expenditure and

revenues associated with the programme reveals that, on average, the costs of a measure are fully amortised ten months after its completion. Potential for the expansion of this instrument lies in the creation of further initiatives combining training with work experience.

Available from L&R Sozialforschung, Proschkogasse 1/12, A-1060 Wien. DE.

**Österreich in der Europäischen Union. Anforderungen und Chancen für die Wirtschaft (Austria in the European Union. Demands and Opportunities for the Economy)**

ÖSTERREICHISCHES INSTITUT FÜR WIRTSCHAFTSFORSCHUNG (WIFO) (1994)

This volume assesses the medium- and long-term impact on the Austrian economy of EU entry. Apart from looking at the overall and sectoral economic impact, it assesses the nature and extent of regional structural change, as well as developments in business formation and direct investment. The latitude for environmental and transport policy development is also explored.

The authors predict a positive overall economic impact with the benefits of entry amounting to an additional 2.8% increase in GDP by the year 2000. This will result in a net employment effect of 42,300 jobs created. This is based on the calculation that sectors with adjustment problems (trade, manufacture of foodstuffs, agriculture and forestry) and sectors displaying a high productivity dynamic (paper industry, energy generation and transport) stand to shed 10,700 jobs, while 53,000 jobs will be created in construction, services, metalworking, tourism and catering. Agriculture is the sector with the greatest adjustment problems and a whole chapter is dedicated to this issue.

Two areas receive particular attention in the analysis of possible adverse economic effects. One is the expected increase in imports occasioned partly by the wave of investments following EU entry and its subsequent rise in the demand for imported investment goods. This may well exceed export demand, thus increasing the balance of payments deficit. A growing entry of foreign brand names onto the Austrian market is also to

be expected. A second aspect is the burden placed on the exchequer in the form of EU budgetary contributions and increasing assistance to domestic sectors and regions adversely affected by industrial restructuring. These factors serve to further highlight the importance of budgetary consolidation.

Available from: Österreichisches Institut für Wirtschaftsforschung, Arsenal, Objekt 20, A-1030 Wien. DE.

**Österreichische Arbeitsmarktpolitik (Austrian Labour Market Policy)**

BUNDESMINISTERIUM FÜR ARBEIT UND SOZIALES (1994)

This brochure provides a comprehensive overview of current Austrian labour market policy. The first section refers to the separation of the Employment Service from the overall framework which took place in 1994 and stands to have an effect on the design of labour market policy in the future.

The recent reorganisation brought a change in the structure of decision-making, with more power being accorded to the social partners and provincial offices. This will inevitably entail changes in political alignment.

The second part of the publication concentrates on the broad spectrum of active labour market policies. It includes an overview of traditional forms of active labour market policy, such as training and employment measures, as well as new instruments such as the labour foundations which are attaining increasing importance due to structural changes in the economy. An overview shows expenditure on such policies which in 1993 stood at 6,934 million ATS.

The third part of the brochure looks at passive labour market policy measures which include unemployment benefit, income support and other benefits designed to enable the transition to retirement and parenthood. In 1993, expenditure on passive labour market policies amounted to 41,977 million ATS. The fourth part covers the legal regulations governing the labour market (ie, concerning the employment of foreigners).

Available from: Bundesministerium für Arbeit und Soziales, Stubenring 1, A-1010 Wien. DE.

**Teilzeitarbeit - Auswirkungen einer flexibleren Arbeitsorganisation (Part-time Work - Effects of More Flexible Work Organisation)**

LUDWIG BOLTZMANN-INSTITUT FÜR WACHSTUMSFORSCHUNG (1995)

This study looks at the development of part-time work in Austria as well as the social and labour law framework covering part-time work. It also includes the results of a survey on the working conditions of female part-time workers.

Part-time employment has increased more substantially than full-time work since the mid-1980s. This is particularly the case in the areas of office work and administration, trade, catering and cleaning. In 1992 part-time work made up 8.6% of employment, with significant differences between the sexes: the rate of part-time employment was 19% for women and 1.6% for men. The increase in part-time employment has been an important factor in the growth of female labour market participation rates.

An analysis of labour market trends shows a significant discrepancy between supply and demand. Particularly in the retail and administrative sectors the demand for part-time work far outweighs supply. There is, in particular, a great shortage in suitable part-time employment opportunities for highly qualified women. An income analysis shows that for two thirds of part-time workers income from such employment is insufficient to cover all necessary expenses. In spite of legislation providing for the equal treatment of full- and part-time workers in most areas, there remains widespread discrimination against part-time employees in matters such as levels of work, working time, adherence to break times and the remuneration of overtime. Legislative changes and the improvement of part-time workers' knowledge of their rights could go some way towards alleviating this situation.

Available from: Ludwig Boltzmann-Institut für Wachstumsforschung, Maria-Theresienstraße 24/5, A-1010 Wien. DE.



# Finland

## Economic Trends

After a good performance for most of the 1980s, the Finnish economy was hit by severe recession in 1991. A slowdown was already under way in early 1990, and in the next 3 years, output declined by around 12% - the most severe drop in any OECD country. As a consequence of the deep recession, unemployment rates rose nearly six-fold in just a few years, reaching an average level of 18.4% in 1994 - the second highest figure in the OECD countries. This dramatic surge in unemployment contrasts with the relatively impressive labour market performance of the preceding three decades, when unemployment in Finland was generally 1 - 3% below the OECD average. The main factor behind the crisis was a collapse in domestic demand, but the depression was also exacerbated by external shocks such as the recession in the world economy, a collapse in exports to the former Soviet Union and a reversal of the favourable terms of trade. The relative significance of the individual factors underlying the economic crisis has been the subject of extensive debate in Finland. Fundamental questions about the conduct of macro-economic policy have also been raised, because the process of decline started with the deregulation of financial markets in the mid-1980s.

In early 1993, the Bank of Finland asked three foreign experts - Professor Christian Bordes from Bordeaux, David Currie from London and Hans Tson Sönderström from Stockholm - to present their views on the causes of the crisis and on the future outlook for the Finnish economy and economic policy. Given the similarities with the Great Depression of the 1930s (including a banking crisis and debt deflation) and the experience of other countries like Sweden, a few comparative analyses have also been conducted in recent years. Papers presented at the 40th Anniversary Symposium *The Great Depression of the 1990s in Finland: Lessons and Solutions* at the Yrjö Jahnsson Foundation in August 1994 provide additional perspectives on these issues.

## Labour Market Trends

Labour market developments during the recession have been considered in several reports. The proceedings of the *Symposium on Unemployment* mainly deal with the consequences of poor economic performance, although some aspects relating to the functioning of the labour market are also raised. The study by Santamäki-Vuori and Sauramo focuses on recent developments in youth unemployment in Finland. It highlights how strongly the opportunity to study featured in young people's labour market behaviour during the recession years. Labour force participation rates decreased by almost 40% among teenagers and 14% among those aged 20-24 years. Although the number of employed young people decreased by 50% during the recession, their unemployment rate did not increase relative to that of adults. This was due to the sharp drop in labour supply among young workers, who chose to follow courses of higher education rather than enter an unfavourable labour market. This trend is likely to reverse with the economic upswing, thus slowing down any reduction in the unemployment rate.

The Finnish economy started to recover at the end of 1993, as nearly two years of strong growth in exports were finally beginning to be reflected elsewhere in the economy. Lower interest rates, which were equally crucial to the recovery were made possible by the floating of the Finnish marka (FIM) in September 1992. Economic growth is expected to accelerate this year and the short-term economic outlook is generally considered to be favourable. However, high unemployment and burgeoning public debt will remain key problems for the Finnish economy in the near future. The management of these problems will require several years of economic growth. An authoritative address on medium-term economic prospects was presented by an independent working group appointed by the President of the Republic last year. The working group's proposals provide elements of an action package that is supposed to set the Finnish

economy on the path of sustainable growth by the year 2000, and cut unemployment to 200,000, from the average level of 456,000 in 1994. Strong economic growth, averaging 5% a year, is thought to be a necessary, albeit insufficient, precondition for attaining this ambitious target. Sizeable cuts in public expenditure are felt to be a key element in creating a basis for lowering long-term interest rates and hence creating stable economic growth. The report also proposes supplementary measures in order to tackle unemployment, such as changes in the tax structure, a scaling up of labour market programmes and experiments with various working time arrangements, for example, a job rotation system or a shift model whereby employees work 6 hours in two 6 hour shifts, bringing total operating hours to 12.

In its political programme the new Finnish government accorded job creation top priority and emphasised the joint responsibility of the social partners in reaching the ambitious target of halving unemployment before the next general election. The planned cuts in public expenditure - amounting to FIM 20 billion in four years - aim to stabilise state debt as a percentage of GDP in conditions of moderate growth, thus eliminating pressures on interest rates caused by growing public debt. Apart from cuts in public expenditure, cuts in individual social security contributions, designed to ease the burden on income tax, are also part of the fiscal programme. These are measures which also found the support of the working group.

## Membership of the EU

Finnish membership of the European Union has been analysed in a number of studies in recent years. The impact of accession is usually considered on a sectoral basis. Studies focused particularly on the agricultural and the public sector, and looked at trade, taxation and social security policy, as well as environmental and macro-economic policy in the context of European Monetary Union. The recent report by Kotilainen,

Alho and Erkkilä represents a carefully elaborated contribution to the Finnish debate pertinent to European economic integration, the weighting of arguments in the report reflecting quite commonly held views in Finland. However, in evaluating the costs of currency union two issues are dealt with too superficially. The premise that the independent exchange rate policy has in the past (in stabilising the competitiveness of the private sector) also served to stabilise the whole economy, is accepted without question. Previous recurrent devaluations of the Finnish marka have certainly entailed inefficiency effects. If these harmful effects are neglected, the loss of monetary autonomy could indeed be viewed as a mere disadvantage. Yet changes in real exchange rates are sometimes inevitable. The consequences of adjusting exchange rates either by changes in nominal exchange rates or by changes in domestic wages and prices are not given any serious consideration.

Greater labour market flexibility is advocated without acknowledging any possible problems. Firm-level wage flexibility - similar to recurrent devaluations at the macro-level - may maintain inefficiency by offering management a free insurance against inadequate performance, while providing an insufficient incentive for the formulation of more innovative company strategy. Difficulties in tying down trained employees may also provide inadequate incentives for providing in-house training. There seems to be some trade-off between short-term flexibility and long-term efficiency. Greater flexibility in the short-term may include risks of inefficiency, entrenching the long-term dependence of the economy on low pay as a means of competitive survival. This trade-off is often neglected as unfortunately it is in this report.

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## Review of publications

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### Proceedings of the Symposium on Unemployment

ERIKSSON T, LEPPÄNEN S, TOSSAVAINEN P (EDS) (1994)

This book is a collection of papers which were first presented at the symposium on unemployment held in Finland in November 1993. The purpose of the symposium

was to discuss the causes and consequences of high unemployment, as well as possible remedies. The papers provide a useful perspective on the Finnish unemployment problem. Besides describing the characteristics of the problem they focus on two main topics: long-term unemployment and wage structure. Most contributors are Finnish but authors from Poland and Denmark provide additional insights into the problem of persistent unemployment: one from recent experience in a country in transition and another from lessons drawn from a large follow-up study using a longitudinal database of individuals collated in the 1980s.

Apart from a few more general contributions, the papers tend to present the results of ongoing research projects. The macro-economic study on long-term unemployment in Finland conducted over the period 1970 - 1992 lends no support to the hypothesis that the proportion of long-term unemployed people is affected by the generosity of the unemployment benefit system. In the papers on the wage structure two findings are particularly apparent. Firstly, fifteen years of wage compression was followed by widening wage differentials during the late 1980s. Wage inequality has increased in almost every age, gender, industry and educational category. Secondly, even after controlling for a broad set of personal and job characteristics substantial industry-related wage differentials remain. Nearly half of the observed wage dispersion across Finnish industries can be attributed to different levels of qualification in the labour force.

Government Institute for Economic Research Publications 14. Available from: Government Institute for Economic Research, Hämeentie 3, FIN-00530, Helsinki. EN

### Nuorten työttömyys Suomessa vuosina 1993 - 1994 (*Youth Unemployment in Finland in 1993 - 1994*)

SANTAMÄKI-VUORI T, SAURAMO P (1995)

This study considers the main developments in youth unemployment. The relative position of young people in comparison with adults is analysed both in terms of employment and unemployment rates in the course of the recession and at the beginning of the recovery. In addition the accumulation of youth unemployment

and the effects of education and labour-market measures on the incidence and characteristics of youth unemployment are considered.

The results show that when developments in youth and adult unemployment rates are compared, it can be seen that the relative position of young people did not worsen during the recession. However, the number of young people employed has clearly contracted more than that of adults. The deterioration in employment was not fully visible in youth unemployment figures due to the fact that the supply of labour has diminished because of a rise in education enrolment rates. The number of full-time students was about 30% higher in 1994 than in 1990. During the depression studying therefore acted as a buffer which dampened the impact of the deteriorating labour market position on the living conditions of young people.

However, in spite of higher enrolment rates in education, the unemployment experience has started to worsen among young people. The duration of spells of unemployment increased and the recurrence of unemployment spells became more common. During the period 1991- 1994, more than 80% of those young people who were unemployed in the early phase of the recession experienced recurrent spells of unemployment. The labour market position of educated young people has clearly been better than for poorly trained young people. Thus sound education has given some shelter from unemployment.

During the depression, labour market measures changed significantly. In the early phase, temporary jobs were provided for young unemployed people mainly in the public sector. This was due to the obligations of the Employment Act, which were repealed from the beginning of 1993. In the latter half of 1994, as much as 70% of placements among teenagers were made to work practice without pay or an employment contract against a new unemployment benefit, the so-called labour market support.

*Studies in Labour Policy*. Available from: Ministry of Labour, Publications sale, Box 536, FIN-33101 Tampere. FI.

## **Presidential Working Group on Employment: Unemployment down to 200 000**

MINISTRY OF LABOUR (1994)

In 1994, the Finnish President appointed a working group with the task of identifying obstacles to a permanent cut in unemployment and making recommendations for effective measures to reduce unemployment. The working group was to work independently, yet in sufficiently close co-operation with the political parties, the authorities, the social partners and representatives of business and industry. A digest of various measures proposed to reduce unemployment, such as those included in recent reports like the *OECD Jobs Study* or the *EU White Paper on Growth, Competitiveness and Employment*, was prepared as background material.

In its findings the Working Group warned that the prevailing economic upswing could well be rather short-lived if the economy is dominated by an unbridled fight over income distribution. A credible public economic stabilisation programme would also have to be launched to overcome present difficulties. The report's recommendations are based on the following vision of the outcome of its proposals: firstly, total output will rise rapidly during the second half of the 1990s, prompting a fast increase in permanent jobs. Secondly, reforms in the tax and social security system and in working life will be made, with the outcome of creating employment opportunities. Thirdly, more intensive training and research will further the upgrading of skills and production processes. Fourthly, intensive special programmes will combat long-term and youth unemployment and finally, new economic and social approaches will win acceptance among the nation at large.

The proposals constitute an action package that would set the Finnish economy on the path to sustainable growth that will effectively promote employment. It is estimated that the strong economic growth will create jobs for 270,000 people, with special programmes to boost

demand for labour which it is estimated will cut unemployment by a further 60,000 by the year 2000. The aim of the programme is to propose lines of action to generate the required growth, such as limiting government expenditure, maintaining good competitiveness and easing income tax, as well as to undertake supplementary measures related to improvements in the functioning of the labour market which should help to reduce unemployment to the target level of 200,000 by the year 2000.

Available from: Printing Office Book Shop, Valtikka, Eteläesplanadi 4, FIN-00130 Helsinki. EN.

## **Suomen valmistautuminen EMU-jäsenyyteen (Finland's Preparation for EMU Membership)**

KOTILAINEN M, ALHO K, ERKKILÄ M (1994)

This book was commissioned by the Ministry of Trade and Industry and has two main aims. The first is to analyse the economic motivations behind, and the strategies for the transition to Economic and Monetary Union (EMU). Secondly, it is to study the effects of Finland's participation in EMU, putting special emphasis on the challenges for fiscal policy, and the functioning of the labour market in the new environment.

In the first chapters of the study it is argued that the main benefits of EMU are micro-economic cost and efficiency gains, and macro-economic credibility gains. Credibility gains are due to the abolition of currency risks with respect to EMU countries. Because Finland has, from time to time, suffered from very high interest rates by international standards, an increase in credibility could diminish interest rate fluctuations and lower interest rates.

The cost of the introduction of a common currency is discussed by comparing the structure of production and the country composition of foreign trade in Finland with that of other Union members. The report argues that as the similarity of such structures increases, so does the similarity in the size and nature of eco-

conomic disturbances experienced. The greater such similarities are, the lower the cost is of disarming any independent monetary and exchange rate policy. The study concludes that differences in the structures of production and trade are still substantial - though diminishing - which requires more efficient use of the remaining economic policy instruments. It also requires the introduction of new innovative measures to tackle the different and greater shocks pertinent to the Finnish economy compared with other Union members. For this purpose, greater flexibility in fiscal policy, increasing flexibility in the labour market with respect to wages, as well as greater labour mobility are called for. The study focuses on the principles that these arrangements should comply with, rather than formulate concrete proposals for such measures. Yet the authors place great emphasis on firm-level contracts in order to stabilise profitability at the local level.

Research Institute for the Finnish Economy, Series B103. Available from: Taloustieto Oy, Yrjönkatu 13, FIN-00120 Helsinki. FI.



# Sweden

## Most severe recession since the 1930s

The Swedish economy is currently recovering from the most severe recession since the 1930s. During the period between 1991 and 1993 GDP decreased by 5%, which is a more serious decline than in any other OECD country except Finland.

Prior to this dramatic downturn, the Swedish labour market was characterised by very low unemployment figures in an international comparison. During the previous economic slowdown in the early 1980s, unemployment rates peaked at 3.5%. In 1993, the corresponding figure was 8.2%, with only a minor decrease to 8.0% in 1994.

The Swedish labour force participation rate has been declining since 1991 but remains high in an international comparison, particularly for women. The total figure was 78% in 1994, of which 79% were men and 76% women.

## Extensive labour market programmes

The use of active labour market policy measures designed to combat unemployment and improve the functioning of the labour market has a long history in Swedish economic policy. The current extent of labour market programmes is markedly higher compared to the situation during previous slowdowns. In 1994, around 5% of the labour force participated in such programmes (excluding programmes for disabled workers). This means that, in 1994, around 13% of the labour force were either unemployed or on labour market programmes. Evaluations of such labour market initiatives indicate that, in the present economic situation, their labour market impact has been less favourable than in earlier periods.

## Factors behind the recession

The recession and remarkable rise in unemployment started as a collision between inflationary wage developments and efforts to pursue a hard currency policy. This followed a period of re-

peated devaluations in the second half of the 1970s and the early 1980s. The resulting loss of international competitiveness was followed by a rise in interest rates, collapsing real estate prices and a related severe financial crisis in the early 1990s.

At the same time, and partly as a result of a tax reform increasing the incentive to save, there was a substantial reversal in the household savings rate. This had been negative during most of the late 1980s and also in 1990, as a consequence of earlier periods of negative after-tax interest rates and a deregulation of the credit market which facilitated loan possibilities.

All these developments led to an extraordinary slump both in domestic and international demand in the 1990s. Unemployment started to rise rapidly, albeit from an extremely low level. After the floating of the Krona in November 1992 and the following sizeable depreciation, weak domestic demand, underlined by a continuing sharp rise in the household savings rate, has become the main short-term problem. At the same time exports are soaring.

## Drastic deterioration of public finances

During the recession, there was a drastic deterioration of public finances in Sweden, mainly due to lower tax revenues, expenses for labour market policy measures, unemployment benefit and other costs related to high unemployment. As a consequence of a large accumulated public sector deficit, the debt-to-GDP ratio rose rapidly, from less than 50% in 1990 to around 85% in 1994.

A restrictive fiscal policy has been proposed to remedy the drastic deterioration in public finances. The new minority Social Democrat government, which took office after the general election in September 1994, has stated that a rapid increase in labour demand is not an adequate solution to the problem of unemployment. Instead, it states that policy must emphasise measures aimed at adapting labour supply to the structure of demand and generally improving labour

market efficiency. New jobs must primarily be created in the private sector.

## Slow decrease in unemployment projected

The deterioration of public finances has increased the risk premia on long-term interest rates. There are serious doubts among investors concerning the ability of policy-makers to tackle the high budget deficit. Rapid debt accumulation has revived fears of possible problems containing inflation in the future. High interest rates are likely to continue to depress domestic demand. In the Government forecast in *Kompletteringspropositionen 1994/95;150* (The Supplementary Budget Bill 1995/96)<sup>1</sup>, an annual GDP growth rate in the 2.5 - 3% range is predicted for 1995 and 1996. This growth rate will not substantially facilitate a lowering of unemployment figures. The unemployment rate is expected to decrease slowly to around 6% in 1996 while around 5% of the labour force will continue to be on labour market programmes. The forecast from the National Institute for Economic Research, *Konjunkturläget Mars 1995* (The Swedish Economy March 1995)<sup>1</sup>, projects similar figures.

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## Review of publications

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To underline the above discussion, the review of publications in this issue focuses on two recent major studies on current problems in the Swedish economy and one major study addressing the possible economic consequences of Sweden's entry into the European Union. All three reports have aroused some controversy in the Swedish debate.

The scope of analysis in the report *Turning Sweden Around* is very comprehensive. The study looks at recent policy developments in order to identify the causes of current problems in the Swedish economy. It also highlights characteristics of the Swedish institutional framework and processes of decision-making

deemed to contribute to economic instability, low economic efficiency and slow growth. The main argument of this study is that the design of simple policy solutions is not enough to solve the current crisis. The authors argue that what is required is a combination of economic and political analyses aimed at making recommendations for the redesigning of political institutions and policy-making mechanisms. The report has attracted substantial attention in the economic debate, and certainly contributes to a better understanding of the complexity of the current crisis in Sweden.

*NBER-rapporten. Välfärdsstat i omvandling* (The NBER-report. The Welfare State in Transition) pursues two main themes. The first looks at how a very even distribution of wages and incomes, together with the tax pressures historically prevailing in Sweden, have been able to combine with low unemployment and, to all appearances, an acceptable growth rate. The other theme assesses the built-in conflict between the twin goals of a relatively even income distribution and maintaining economic efficiency, arguing that this conflict is growing more serious with time. Critics of this report focus on the fact that the all-pervading American perspective on the Swedish economy yields an exaggerated picture of the welfare state, and that the collapse in demand after 1990 is not accorded a sufficiently important role in explaining the current crisis. Moreover, one particular analysis, based on the tacit assumption that only mothers are responsible for the care of children, is seen as being obsolete. The study's systematic view that factors such as low unemployment, high taxes, a compressed wage structure, high labour force participation (but relatively few hours worked), and subsidised child care are connected and reinforce each other is, however, interesting. Problems arise when the system is exposed to severe disturbances and when formerly used remedies cannot be applied in new circumstances.

The report *Sweden and Europe* assesses the differential impact on the Swedish economy of a) joining the European Union b) merely being part of the Internal Market as part of the EEA Agreement or c) not participating in the Internal Market at all. It suggests that the most important

long-term economic advantage of membership compared with a continued EEA Agreement is a permanently higher share of investments relative to GDP.

The study has proved controversial for a number of reasons (see for example the discussion in *Norden i EU - Vad säger ekonomerna om effekterna?* (The Accession of the Nordic Countries to the European Union)<sup>2</sup>. One critical argument asserts that the analysis is biased towards the positive economic effects of membership of the European Union. Another argument maintains that the assumptions underlying the macro-economic simulations have not been adequately scrutinised and that no far-reaching conclusions can therefore be made on the basis of the simulation results.

**NBER-rapporten. Välfärdsstat i omvandling. Amerikanskt perspektiv på den svenska modellen (The NBER-report. The Welfare State in Transition. An American Perspective on the Swedish Model)**

FREEMAN R B, SWEDENBORG B, TOPEL R (EDS) (1995)

This study was written as a joint project between the Center for Business and Policy Studies (SNS, a Swedish organisation) and an American research organisation, the National Bureau for Economic Research (NBER), for the purpose of analysing structural problems in the Swedish economy.

It covers different characteristics of the welfare state and of the workings of the labour market, and how these features affect productivity development, growth and international competitiveness. The study is comprised of different independent chapters, based on research reports (occasional papers). According to the statutes of NBER, no direct policy recommendations are given.

The recurring assessment in the different chapters is, that one of the most important questions is, how can the costs for the Swedish welfare state be efficiently cut in order for the system to be sustainable in the future? The distorting effects of tax wedges on resource allocation are thoroughly discussed. It is argued that if the current high levels of unemployment become persistent, the pressure on government costs will be even more sizeable, thus forcing additional cuts in the system of transfer pay-

ments, a system that has to a large extent contributed to the even distribution of income in Sweden.

Available from: SNS Förlag, Box 5629, S-114 86 Stockholm. SV. English version to be published by the University of Chicago Press in late 1995 or early 1996.

**Sverige och Europa. En samhällsekonomisk konsekvensanalys. (Sweden and Europe. Committee of Enquiry: Consequences of the EU for Sweden - the Economy. Summary and Conclusions)**

VARIOUS AUTHORS, MOLIN B, (DIRECTOR) (1994)

This study was undertaken by a committee appointed by the government, with the mission to investigate the economic consequences for Sweden of various types of participation in the process of Western European integration. The original main report, *Sverige och Europa. En samhällsekonomisk konsekvensanalys*, was accompanied by nine annexes written by various experts. The English version contains only the summary and conclusions.

According to the report, the economic consequences of membership of the European Union differ from the effects of mere participation in the EEA Agreement in two respects. The first is that the total volume of investments may be expected to increase as a result of entry because companies which are dependent on exports and trade know that the conditions for participating in the Internal Market will be stable. The EEA Agreement may be terminated subject to one year's notice on either side. The short-term upswing resulting from membership could be substantial and would spread via multiplier effects into other areas of the economy.

The second aspect is that, as long as companies do not regard the EEA Agreement as fully comparable to membership in terms of stability and long-term character, there will be differences in the direction of investments. According to the study, membership of the European Union could bring more specialised investments.

Available from: Fritzes kundtjänst, S-106 47 Stockholm. SV. English version available from: Ministry of Finance, Press Secretary, S-103 33 Stockholm.

## Turning Sweden Around

LINDBECK A, MOLANDER P, PERSSON T,  
PETERSON O, SANDMO A, SWEDENBORG B,  
THYGESEN N (1994)

This book contains the main report from a committee appointed by the Swedish government in 1992, charged with analysing the economic crisis in Sweden, dealing with short-term as well as long-term problems. The original main report, *Nya villkor för ekonomi och politik*, was published in 1993 accompanied by two annexes (a total of 27 papers) containing background material and texts written by various experts.

The study focuses on three major challenges: most urgently the reduction of cyclical instability to enable a departure from the current deep economic recession and to avoid high long-term unemployment; the achievement of a more efficient use of resources in both the private and the public sectors; and finally

the improvement of the long-term growth performance of the Swedish economy.

The authors argue that the crisis in Sweden is explained by both system failures and specific policy misjudgements: a complex mixture of chronic (long-term) and acute (short-term) problems. The system failures include distorted incentives and markets, ageing institutions and ossified decision-making mechanisms which have not been conducive to favourable long-term economic outcomes. The chronic problems are revealed in low productivity growth in both the private and the public sectors. The acute problems are clearly evident in the deep recession, the financial crisis and the large public deficits.

The report emphasises that good policy advice is not enough, it is also necessary to analyse and reform the institutions which continually produce undesirable outcomes, with respect not only

to macro-economic stability but also to economic efficiency and growth. The proposed institutional reforms are designed to restore a highly competitive market system and to facilitate a responsible fiscal stabilisation programme. The report maintains that this would also enhance the medium-term credibility of government policies and provide scope for a more expansionary policy in the short-term.

Available from: MIT Press, Cambridge, Massachusetts, USA. EN. Swedish version available from Fritzes kundtjänst, S-106 47 Stockholm.

<sup>1</sup> Available from: Fritzes kundtjänst, S-106 47, Stockholm. EN, SV.

<sup>2</sup> Available from: SNS Förlag, Box 5629, S-114 86 Stockholm. SV. English version available from Blackwell Publishers, Oxford, UK.



## Belgium

### **Développer l'entreprise sociale. Portraits d'aujourd'hui. Questions pour demain (*Developing the 'Social Company'. Today's Profiles. Questions for Tomorrow*)**

DEFOURNY J

This study was commissioned by the Fondation Roi Baudouin and carried out by researchers at the Department for the Study of the Social Economy at the University of Liège. It is designed to contribute to the debate on how to develop new options for the employment of low skilled individuals. There is a rising number of long-term unemployed people who stand very little chance of ever being re-integrated into the traditional labour market. This is despite efforts and initiatives which have emerged from the public authorities such as training to re-qualify those individuals whose skills are no longer needed in the labour market, measures to encourage employers to employ low skilled long-term unemployed people and other public employment initiatives as well as those by the charitable sector,

and what has more generally come to be known as the sector of the 'social economy'.

Albeit proposing only partial, but at the same time bold and innovative responses to the problem of unemployment among low skilled people, these initiatives are faced with financial limitations due to the fact that they rely almost entirely on public finances to cover salary costs. This has increased interest in the concept of the so-called social companies. These are companies which subscribe to entrepreneurial dynamics and combine commercial and non-commercial resources with the aim of achieving the integration of poorly qualified individuals into the open labour market.

It is precisely these initiatives which the authors have chosen to investigate, starting with an analysis of existing experiences - in Belgium and elsewhere - and examining the conditions and the possible terms for the development of such companies.

This publication is divided into five parts. Initially the authors paint the picture

of 14 existing social companies in the French speaking part of Belgium. On the basis of these brief papers, they carry out a comparative analysis in order to illuminate the management and employment characteristics of such companies, ie, the kind of people they employ; the training they receive; the results obtained in terms of successful re-integration into the labour market; their funding and the legal concessions which applied to the initial project; and the factors which have allowed their creation, such as the profile and motivations of their founders, the role of sponsors, chosen activities and legal status.

In the second part of the study, the authors analyse similar enterprises in Flanders, notably the Sociale Werkplaatsen, but also outside Belgium, such as the integration companies in France and the social solidarity co-operatives whose numbers have grown at an astonishing rate in Italy.

The two following parts look more to the future. Particular attention is given to two questions which have an important bearing on the future of social companies:

the possible challenge of unfair competition claims and the resentment against their privileged access to public procurement contracts. With regard to the former the study goes through the relevant parts of national and European competition law in detail to see whether the granting of substantial public subsidies to social companies could be open to legal challenge in a market where they could crowd out traditional enterprises. With regard to access to public procurement contracts the study shows the important role certain public authorities, particularly at the local level, can play in re-integration policy.

Finally, in the last part the authors refer to a number of draft bills which have recently been proposed regarding the provision of social companies with a specific legal status, recognition and support which they are so far lacking. They examine particularly a model of integration companies which benefit from a substantial exemption from employers' contributions and certain subsidies to assist them in the creation of stable jobs for poorly qualified people. On the basis of different possible scenarios it is shown that it will indeed lower the financial burden on society: its predicted impact on public funds is largely positive since it eases the burden on the social security system as well as generating supplementary tax revenue.

Available from: LENTIC, 1 Chemin du Trèfle, B13, B-4000 Liège (Sart Tilman). FR.

### **Arbeidsmarkt en sociale wetgeving Niet-arbeid? Wel arbeid! (Labour Market and Social Legislation. No Work? Good Work!)**

VAN STEENBERGE J, KLOSSE S, VAN DIJK H  
(1995)

To avoid the creation of an increasingly large pool of individuals who find themselves excluded from the traditional labour market, the public authorities have - since the end of the 1970s - introduced a large number of initiatives aimed at the social re-integration of unemployed people. This study examines the impact of these initiatives. It is less concerned with the technical or legal aspects than with the ideas behind these policies.

The research addresses the following questions: are the measures formulated in Belgium and the Netherlands sufficient to achieve a more equal distribution of labour? Are current labour market initiatives excessively inspired by a narrow minded traditional concept of paid work in the la-

## Comment

*The question of how to create jobs and provide training for unskilled workers is very much at the forefront of the Essen conclusions and the Medium Term Action Programme. The two studies referred to here make an interesting contribution to this debate. The report and the paper given by Prof Steenberge sparked off a lively debate. One of the central questions was that of the definition of the term social usefulness: who is to determine it? On the basis of which factors is one to decide which activity is more useful than another? On this question no reply is given, which is regrettable because this is without a doubt where the real issue lies.*

*This report was produced within the framework of a cycle of conferences organised by the Fondation Roi Baudouin on the theme 'Work, No Work in Tomorrow's Society'. The objective was to encourage reflection and debate on the issue of technological, demographic, and economic and social changes in the next decades and their impact on employment and unemployment. A large number of studies on these themes were carried out by the Fondation Roi Baudouin, and their main findings are presented at monthly conferences.*

*The study on social companies was carried out by a University team of researchers specialising in the subject of the social economy. It was commissioned by the Fondation Roi Baudouin, which has, since its establishment, played an active part in the struggle against poverty and development of solidarity. This study is one example in a research series that focuses on the theme of employment to which the Foundation has decided to commit a large proportion of its resources over the next few years.*

*This study has to be placed in the context of the debate generated by the publication of the CEC's White Paper which raised the question of the potential for job creation in the so-called third sector. It is argued that this sector not only constitutes a labour intensive growth sector but also helps to fulfil previously unmet needs.*

*While the White Paper is essentially a discussion document, this research provides a more concrete example looking at current policy initiatives in Belgium and using several international comparisons. It looks at the effect of the development of social companies on public funds (a crucial consideration in the context of greater budgetary austerity), by attempting an evaluation of the potential for job creation contained in these initiatives and finally by reflecting on the transferability of this formula.*

bour market, when in the current socio-economic climate the notion of work should command a wider definition? In analysing a series of policies proposed to assist in the fight against unemployment, the authors point out that the classical view of work is currently changing. However, so far there have been no efforts to put this wider vision into practice, for example by recognising that the social value of unpaid work is comparable to that accomplished in the traditional labour market. To defend their hypothesis the researchers analyse the implementation, as well as the advantages and disadvantages, of measures introduced with the aim of creating jobs inside as well as outside the traditional labour market.

From their exploration of the Belgian and the Dutch situation, the authors' assessment is that people continue to consider paid work as the best means of making themselves socially useful. Most of the measures instituted in the fight against unemployment are aimed at re-integrating benefit claimants into the paid labour mar-

ket by means of financial incentives. However, the use of such policies can be counterproductive in the sense that measures taken to support certain categories of claimants can lead to other workers being priced out of jobs. There is a fear that this could lead to the creation of a dual society. The traditional view of employment is also found in the conditions imposed on claimants, requiring them to carry out some socially useful activity. This applies to the Netherlands as well as beneficiaries of the Belgian system of "local aid for employment" (ALE). The authors argue that the focus of efforts on paid employment can also be attributed to the way the social security system is financed, ie through contributions from workers and employers. The maintenance of an adequate volume of paid work is a fundamental condition for the operation of the system.

This has the perverse effect that only those measures which aim to increase the individual's chances of professional integration are considered useful. Activities

undertaken outside the labour market are not considered to be useful which explains why there are more and more people who no longer feel needed or useful to others and society.

The authors argue that to resolve the problem of unemployment one has to recognise the value of all paid or unpaid activ-

ity. As this choice should be a right, the criterion according to which benefits are granted ought to be social usefulness. This allocation should provide a basic minimum while maintaining a sufficient financial incentive to assist the integration of individuals into the paid labour process. This extension also applies to the social security sys-

tem. The granting of a basic income should be a first step towards the establishment of a right to social protection.

Available from: Koning Boudewijn Stichting/  
Fondation Roi Baudoin, Programma Toekomstzorg,  
rue Bréderode 21, 1000 Bruxelles. NL.



## Spain

### **La penúltima reforma del mercado de trabajo (*The Penultimate Reform of the Labour Market*)**

JIMENO J F, TOHARIA L (1995)

1994 witnessed the introduction of important labour market reforms which the government hoped would improve the competitiveness of Spanish companies by increasing their adaptability, while at the same time maintaining the European culture of employee protection. This article attempts an assessment of the effects of this reform on the operation of the labour market. After only a year it is too soon to assess their impact fully, so any evaluation of the success or failure of the reforms is, at this point, speculative. The authors aim is therefore primarily to identify the main problems inherent in the workings of the Spanish labour market, by analysing up to what point these problems are caused by legal regulations. Using the results of this analysis, they make some predictions about the effectiveness of the reforms.

This article is divided into three parts. In the first part, the main consequences of labour legislation are identified. The next two parts focus on two aspects of the labour market which the authors consider to be problematic (dismissal costs and collective bargaining). The main conclusion is that the 1994 reform is a step in the right direction, but cannot be the final answer to solving existing problems.

The authors argue that the debate about the legal regulation of labour markets should be focused on the costs incurred by employers due to the operation

of such regulations. It is therefore necessary to look at the labour market from a macro-economic point of view. The authors dispute the notion that the changes introduced will have a significant effect on the main macro-economic indicators.

Available from: Colegio de Economistas de Madrid, Hermosilla, 49, 28001 Madrid. ES.

### **Emigración y economía en España (*Migration and Economic Analysis in Spain*)**

RODENAS C (1994)

The main objective of this book is twofold: firstly, it intends to provide an analysis of various topics surrounding the issue of internal migration in Spain. Secondly, it raises some new hypotheses and questions which could provide a focus for future migration research. It also looks at the influence of migration on the labour market situation. The author analyses the determinants of Spanish inter-regional migration flows from the 1960s to the present, and studies the historical origin of migration and how this type of movement affects the Spanish labour market. She aims to explain the dynamic of the migration process, its nature and how it responds to changes in economic variables. The author argues that it is very important to know exactly what the determinants of migration are, otherwise the efficiency of public policies could decrease, or even produce the opposite effects.

The book is structured in four parts. In the first part, there is an historical de-

scription of Spanish migration movements from the beginning of the twentieth century to the 1950s. The second chapter looks at the period between the Spanish Stabilisation Plan (1959) and the first economic crisis (1975). During this time migratory movements were very closely related to regional and national economic developments. These migrations made it possible to transfer labour between sectors and geographical areas. The third part analyses the effects of the economic crisis in the 1970s on migrations (1974-85), a period during which Spain witnessed a decrease in migration flows. The last part of the book centres on the economic recovery and Spain's new situation in an international context.

Available from: Editorial Civitas, Ignacio Ellacuría, 3, 28017 Madrid. ES.

### **Generación de empleo en España: perspectivas y condicionantes (*Employment Creation in Spain: Outlook and Conditioning Factors*)**

GARCIA-PEREA P (1995)

Two of the most important characteristics of the Spanish labour market are high unemployment rates and the inability to create employment opportunities. This article evaluates the outlook of employment generation in the light of recent labour market reforms. In order to do so, the author first embarks on an analysis of the evolution of the labour market in the last thirty years. This is compared with the situation in the United States labour market which, contrary to the Spanish

experience, has shown a high capacity for employment creation. Secondly, she analyses to what extent the earlier reform of the Workers' Statute (1984) effected a change in the observed trends. Lastly, the perspectives of employment creation in the Spanish economy are analysed after the most recent labour market reform (1994), as well as the conditioning variables that may hinder the creation of new jobs.

Based on a Spain-USA comparative analysis the author concludes that the failure to create employment in Spain in

the last three decades is not only due to a lack of dynamism during the expansion phases, but also to the intense and prolonged falls in employment recorded in the recessionary phases. This is seen to be due to the rise in labour costs during expansions and the difficulties in adjusting employment and wages during the downturns.

The 1984 reform has, as a consequence, created a rise in employment, although in practice all of the net jobs created were temporary. The new reform of the Workers' Statute approved in 1994

intends to go some way towards solving the problems in the Spanish labour market, focusing on a global perspective. The author assesses to what extent the changes introduced are appropriate to check the rise in labour costs and favour rapid adjustments of employment and wages.

Available from: Colegio de Economistas de Madrid, Hermosilla, 49, 28001 Madrid. ES.

### Comment

*The 1994 reform of labour market regulations is one of the main issues of debate in the Spanish polity. After two years of discussions about what kind of reform was needed, the government introduced a wide set of measures, including the ending of the government's monopoly on job placements, the promotion of apprenticeship schemes and the removal of legal impediments to part-time employment. The full effect of these measures remains to be seen.*

*The papers by Jimeno and Toharia and García-Perea, which were published in the Annual Balance of the Spanish Economy published by Colegio de Economistas (the official professional association of economists), deal with this issue from different perspectives, although both tend to adopt the view that the reform has not gone far enough to help solve Spain's unemployment problem. However, as Jimeno and Toharia recognise, it is still too early to determine the consequences of a reform which has been very far reaching. They argue that their full effects may take several*

*years to be felt, as they may affect the whole collective bargaining system in ways yet to be seen and analysed. The topic appears to be far from closed and further analyses of this issue are to be expected in the near future.*

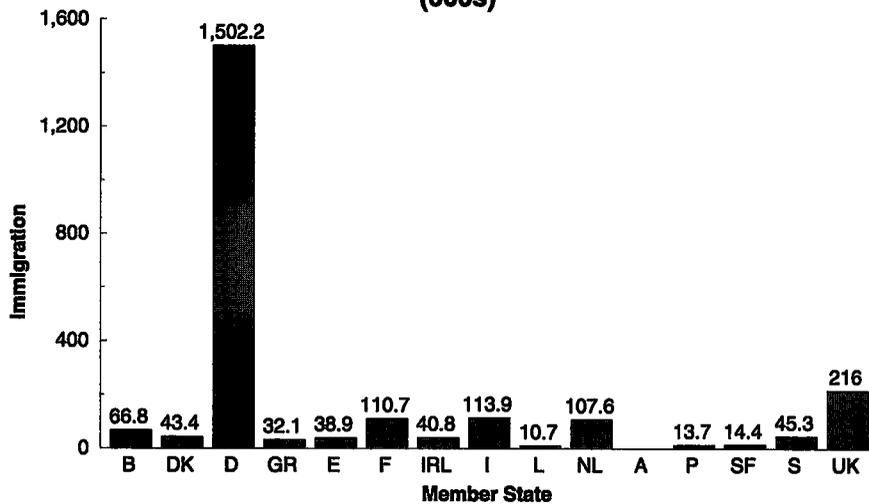
*One of the interesting characteristics of Spanish unemployment is the wide regional differentials, which have tended to persist over time. Labour market economists have wondered why labour movements have not responded to these differentials, thus reducing the element of mismatch. The book by Rodenas is very interesting as there are not many comprehensive studies on the issue of internal migration in Spain. Its wide historical perspective makes the point that a low level of internal migration has not always been a problem but, on the contrary, it is rather a novel one. Although there have been several research papers on the determinants of internal migration, they have tended to focus on the more recent period, therefore failing to provide the perspective which this book offers.*

# Statistical Supplement N° 23

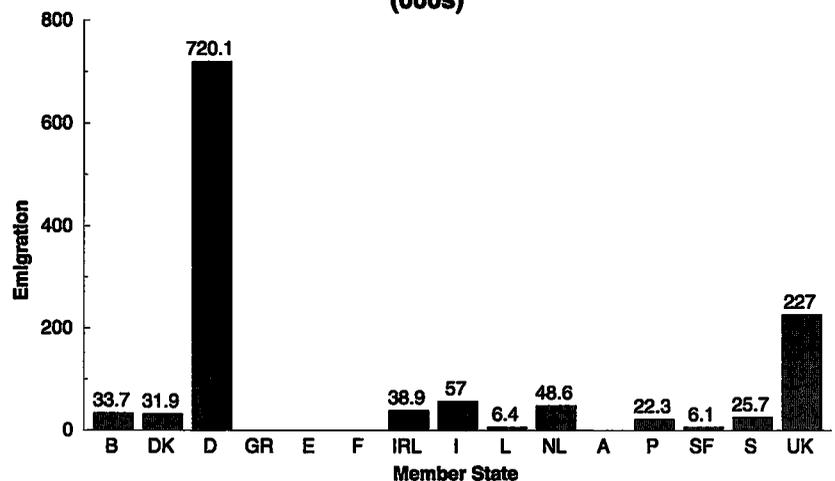
## International Migration in the European Union

This statistical supplement considers, from a Member State perspective, migration from within and outside of the European Union. The data are taken from a Eurostat publication that concentrates on the recently released data for 1992, thus covering a period of substantial change in Europe, including the continuing unification process in Germany and the democratisation and fragmentation of the states of Central and Eastern Europe.

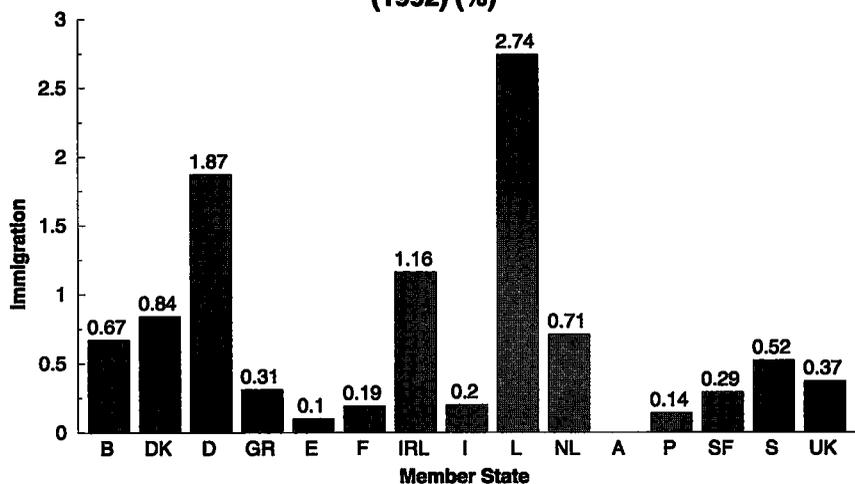
**Figure 1a**  
Total Immigration (1992)  
(000s)



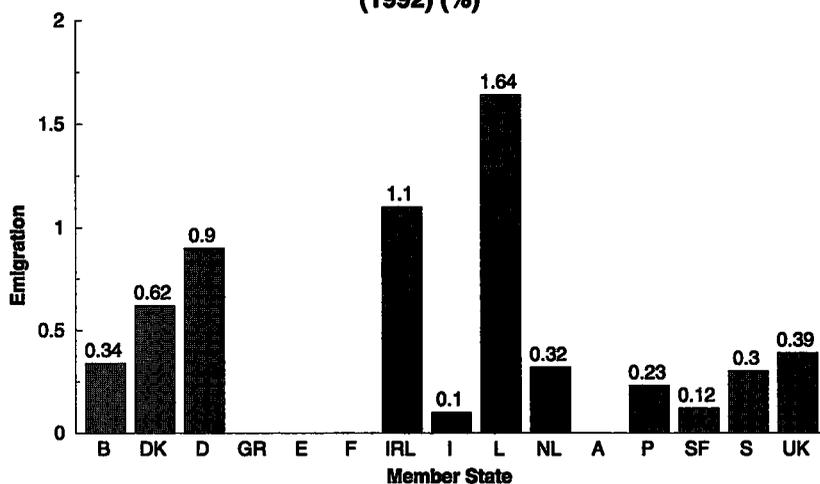
**Figure 1b**  
Total Emigration (1992)  
(000s)



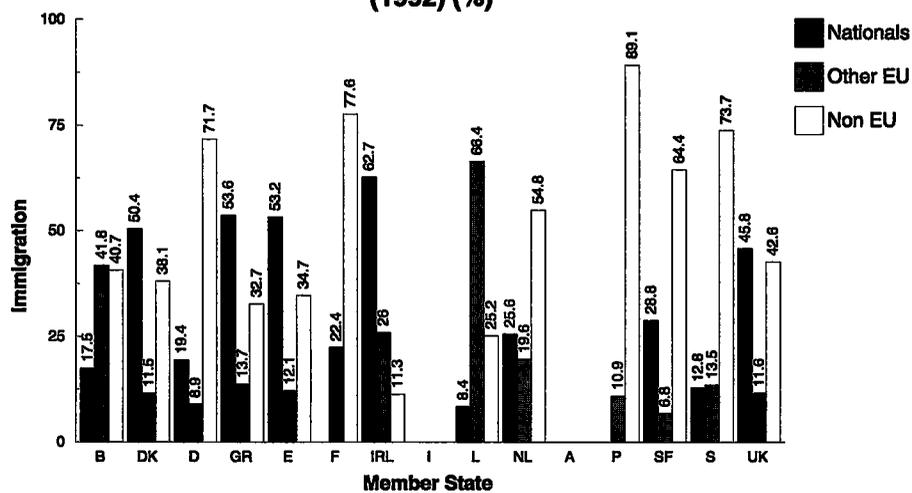
**Figure 2a**  
Immigration as a Proportion of Population  
(1992) (%)



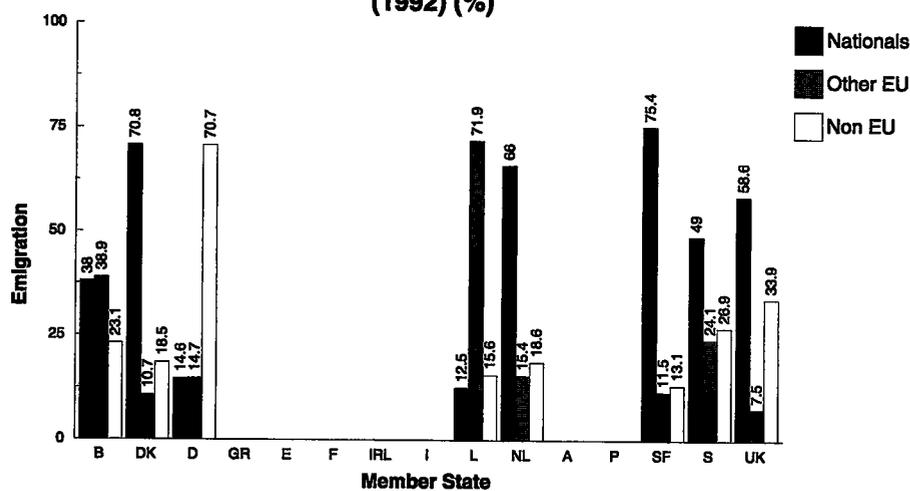
**Figure 2b**  
Emigration as a Proportion of Population  
(1992) (%)



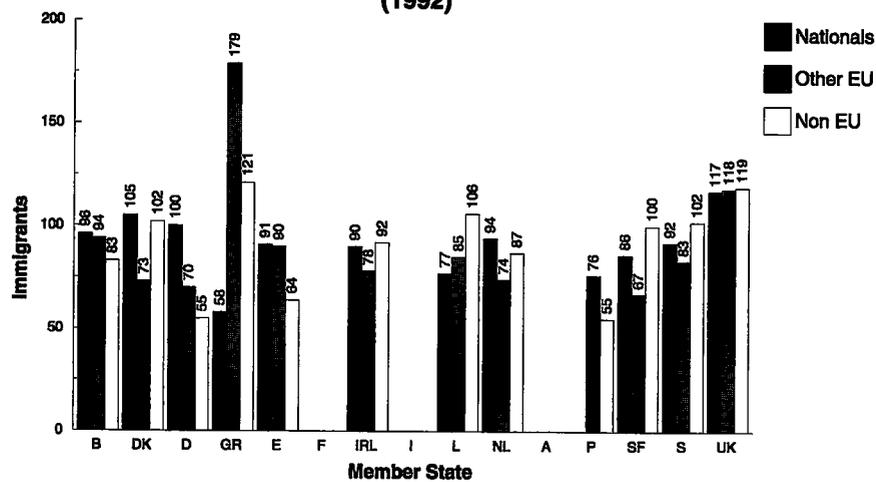
**Figure 3a**  
Sources of Immigration  
(1992) (%)



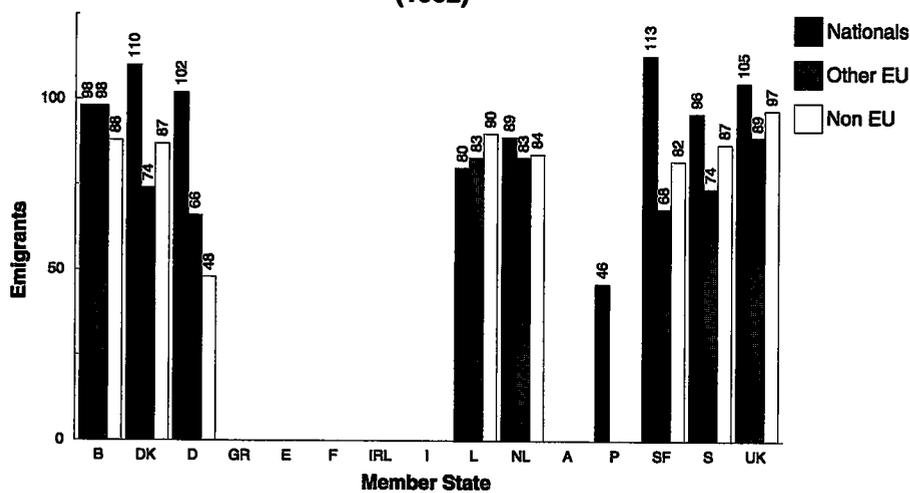
**Figure 3b**  
Sources of Emigration  
(1992) (%)



**Figure 4a**  
Ratio of Females to 100 Male Immigrants  
(1992)



**Figure 4b**  
Ratio of Females to 100 Male Emigrants  
(1992)



## Commentary

### International Migration in the European Union

This statistical supplement considers, from a Member State perspective, migration from within and outside of the European Union. The data are taken from a Eurostat publication that concentrates on the recently released data for 1992,<sup>1</sup> thus covering a period of substantial change in Europe, including the continuing unification process in Germany and the democratisation and fragmentation of the states of Central and Eastern Europe.

#### Data Considerations

There are some significant problems to consider regarding the available statistics on migration.<sup>2</sup> Firstly, the measurement of immigration and emigration is difficult since it largely rests on interpretations of an individual's circumstances. For example, some Member States use a register of such movements, whilst others rely on survey-based information or population projections. No single system is without its problems, which is unfortunate for comparability.

More fundamentally, there are serious differences between Member States concerning the recognition of migrants. For example, there are different rules about the length of stay: some Member States would record a person staying for just a few months as an immigrant whilst others apply much longer residency rules. To add to the problem, some Member States exclude certain groups of people from the statistics. Asylum seekers in particular are treated with great variation in the statistics in virtually all Member States. Furthermore, some Member States fail to provide any information at all. France, for example, does not provide emigration figures and limits immigration data to non-nationals only.

#### The Statistics

For 1992, the basic numbers of immigrants and emigrants to and from the EU-15 Member States are shown in Figures 1a and 1b. In 1992, immigration to Germany was by far the highest, with around 1.5 million arriving. These were accounted for mainly by the continuing flows from Eastern Europe (a significant proportion having German origin). Aside from Germany the largest flow was into the UK with 216,000 immigrants, followed by Italy and France with just over half that number.

In terms of emigration from the EU Member States, again the most significant flow was from Germany with around 720,000 leaving the country in 1992. This to some extent represents the transient nature of some of the immigration, a situation artificially bolstered by the German classification of immigrants which includes those people who stay in excess of just two months. The UK had the next highest emigration figure of 227,000, a large proportion of which was to destinations outside the EU except for a substantial flow of around 10% of this total to Ireland (mostly Irish nationals returning home).

Expressed as a percentage of the total population, the immigration and emigration figures assume a different inter-

pretation. Figure 2a shows that Luxembourg had the highest proportion of immigrants at 2.74%, reflecting its geographical location (adjacent to Belgium, France and Germany) and small size. The high number of immigrants to Germany still represents a comparatively high proportion of its population (1.87%). Ireland, Denmark, Belgium and the Netherlands also have relatively high figures. The information on emigration is less complete with four countries absent due to data limitations. Nevertheless, the largest proportions are found in Luxembourg (for the reasons already mentioned), Ireland and Denmark.

For many of the Member States the main source of immigration in 1992 was nationals returning home, in many cases after a spell working abroad. In the case of Denmark, Greece, Spain and Ireland more than half the immigrants fell into this category according to Figure 3a. However, in Belgium and Luxembourg, in particular, the major source of immigration was from within the EU, reflecting their positions as centres of the institutions of the EU. For Germany, Finland and Sweden almost three quarters of immigrants were from outside the EU and this can principally be attributed to the influx of immigrants from Central and Eastern Europe.

The statistics on sources of emigration are restricted by the unavailability of data in seven of the Member States (Figure 3b). For the remaining eight where data is available, the majority of emigrants were nationals of the country concerned. In Denmark and Finland, for example, this accounted for almost three quarters of all emigrants in 1992. In the case of Germany, over 70% were from non-EU countries and this again shows the transitory nature of much of German immigration.

Figures 4a and 4b present an analysis of the ratio of women immigrants and emigrants to men expressed as the number of women per 100 men. In the majority of cases the number of men entering the EU Member States exceeds that of women except in a few instances. In the UK, for example, the number of women entering the country consistently exceeds the number of men in all three categories shown. In Greece however, the ratio is more variable with fewer female nationals but many more from other EU Member States and countries beyond the EU. The opposite situation is to be found, for example, in Germany and to a lesser extent, Denmark.

In terms of emigration there are four Member States (of the eight where data are available) that show more women than men leaving in at least one of the three categories shown. It is highest in Finland and Denmark where there are more female nationals emigrating than males.

<sup>1</sup> *Migration Statistics 1994*, as summarised in *International Migration in the EU Member States 1992 (Statistics in Focus: Population and Social Conditions, 1995:3, Eurostat, Luxembourg)*

<sup>2</sup> There are recommendations on the collection of international migration statistics from the UN in 1976 but few countries have adopted them with most claiming them to be too difficult to comply with under existing systems in use.



# Denmark

## **Det storkøbenhavnske arbejdsmarked i tværsnit (*The Greater Copenhagen Labour Market in a Cross-section*)**

NIELSEN A A (1993)

This report provides a thorough assessment of the structure of the Greater Copenhagen labour market. The detailed empirical evidence is based on material from the National Statistical Bureau which includes data on firms, jobs, population, labour force, unemployment and commuting. This study provides a follow up to a previous report from 1990. The period covered is 1987-1991. In 1990 there were 69,000 firms in the region providing 710,000 jobs (27% of all jobs in Denmark). The decline in the number of firms between 1987-88 has been reversed and there is now a moderate growth in business formation. In the central areas of Greater Copenhagen the industrial structure is very specialised, consisting mainly of a few branches in the service sector.

Since 1987 40,000 jobs have disappeared, particularly in construction and public service. Education and higher education are playing an increasingly important role for employment in the region. Unemployment has been growing and stood at 11.8% in early 1992. During the years covered by the study unemployment, and particularly long-term unemployment, increased primarily among men and the unskilled. A growth in employment was registered among graduates of further and higher education institutions. The sharp decline in manufacturing and construction, together with the dramatic unemployment rates among immigrant workers from Turkey and the former Yugoslavia, created particular problems. These were rendered more severe by the rapid growth in unemployment among individuals falling outside the employment insurance scheme (ie, those on local government welfare benefits).

Available from: Jette Isgaard, AF-Storkøbenhavn, København. DA.

## **Labour Market Policy in a European Perspective**

GREVE B (ED) (1995)

This edited collection of papers includes a chapter by Fraser which looks at the use of low pay as a means to achieving employment growth. His contribution questions the theory that increased salary inequality can enhance employment creation. This conclusion is based on a comparison of the UK and US experience in particular. The second chapter (by Wickham) is dedicated to an analysis of the employment effects of the extension of non-standard forms of employment in Europe and draws on comparative European material. Traditional assumptions about the positive employment effects to be gained from an extension of temporary and part-time employment relationships are questioned and the arguments are supported by empirical studies.

The chapter by Greve concentrates on the development of active and passive labour market policies in Europe; the possible outcomes of active labour market policies; and finally, the impact of unemployment on income distribution. The writer demonstrates the relatively high levels of expenditure for both active and passive labour market policies in Denmark: Denmark spends the most out of all the Member States in this respect. The relationship between political regimes and the emphasis on active or passive labour market policy is further demonstrated. The impact of unemployment on the distribution of income varies substantially between the Member States. For example, in Luxembourg unemployment benefit provides 85% of previous earnings whereas, in the UK, the replacement rate only stands at 23% of previous earnings for unemployed people. The general conclusion drawn is that countries are increasingly resorting to active labour market policies in order to deal with long-term unemployment. This conclusion is particularly true in the case of Denmark.

Available from: FS&P, University of Roskilde, PB 260, DK-4000 Roskilde. EN.

## **Vækst og beskæftigelse (*Growth and Employment*)**

DANSK ARBEJDSGIVERFORENING (DANISH ASSOCIATION OF EMPLOYERS) (1993)

This report from the Danish Association of Employers is a thorough discussion and analysis of economic and employment growth as forecast in November 1993. It also discusses measures to be introduced regarding remuneration and income distribution in order to achieve an increase in employment opportunities. The main argument made in the report is that sustainable growth in employment can only be achieved if major changes are introduced to the salary systems and welfare benefit structures. Unemployment is perceived to be an essentially structural problem, which employers argue can only be resolved through a reduction in the salaries of unskilled workers. Unemployment benefit and other benefits would have to be cut radically in order to push unemployed people into jobs. Under present conditions, growth in employment is only envisaged to be marginal.

The report argues that public expenditure should be redirected from consumption to infrastructure investment. Demand management measures traditionally used in Denmark to increase private demand are not considered to be of any positive value. The decreasing wage differentials since 1970 are analysed and identified as one of the major factors behind youth unemployment and the increasing number of jobless unskilled workers. Appropriate measures to increase wage differentials are suggested. The report includes detailed empirical analyses and comparative material from other OECD countries.

Available from: Vester Voldgade 113, DK-1790 København V. DA.

## Medarbejderne og lokallønnen (Employees and the Local Wage System)

ANDERSEN T ET AL (1994)

This book is part of a major study which looks at attempts to introduce a more decentralised wage system into the public sector (ie the state, counties and municipalities). A more localised system of determining remuneration allows certain individuals and groups of employees to receive special performance-related bonuses over and above their basic salaries. The decentralisation of wage determination is intended to increase motivation and local leadership performance. Since the public sector in Denmark is very decentralised, with 72% of all public employees working in local and county government, the consequences of a decentralised salary structure could be strongly felt. It is generally assumed that a more localised determination of pay awards will increase wage inequalities. This study was designed to ascertain the views of employees on local salary structures, and the book presents the results of a questionnaire survey of around 4,000 employees (although, at only 47%, the response rate was fairly low). In addition, case studies were carried out in 37 public sector establishments.

The main finding of this study is the generally negative reception of decentralised remuneration systems, with 54% of individuals questioned either opposed or strongly opposed to such developments. Only 17% pronounced themselves in favour, with a further 3% strongly in favour of a more localised system of pay awards. All trade union groups were opposed, although some professional groups (who have benefitted more) provided a slightly less negative assessment. The study came to the remarkable conclusion that the consequences of such a system for the work environment were also judged to be very negative. The case studies also reveal a number of problems with the implementation of the system.

Available from: Forlaget Kommuneinformation, Nyropsgade 37, DK-1602 København V. DA.

## Comment

*Unemployment has been at the top of the government's (Social Democrat-Centre party coalition) agenda since its accession in 1993. The report by the Danish employer organisation from the same year urges the government to introduce measures increasing external labour market flexibility to provide an impetus for employment creation. At that time it was assumed that the economic and employment outlook would be bleak and rising long-term unemployment among young and unskilled people was attributable to the institutionalisation of policies designed to achieve a certain degree of equality in living conditions. The report presents very detailed arguments against the prevailing salary structure and the existing welfare system.*

*The economic and employment forecasts in the report have proved to be far too pessimistic, particularly with regard to the increase in full-time, open-ended private sector employment. 1994 witnessed a marked shift in labour market trends. This was initially due to new government policies extending the right to temporary leave but the latter half of 1994 saw the creation of many conventional full-time jobs. Clearly, it was impossible to evaluate the argument that vulnerable groups could be employed if their wages were reduced by around 30%. Nevertheless, the present rapid growth in employment may influence these debates considerably.*

*Employment growth was particularly strong in the west but subsequently spread to the more densely populated areas around Copenhagen. The study by Nielsen provides a particularly thorough assessment of the employment crisis in the Greater Copenhagen area and, in particular, of the serious social and industrial problems in the central parts of the region. Recent developments have proved that these problems are difficult to solve. The present remarkable growth in employment has hardly affected the central parts of the Greater Copenhagen region, and unemployment is now at a higher level here than in any other region. However, the outer parts of the Greater Copenhagen region are now experiencing a decline in unemployment, caused by employment growth, which may eventually also improve conditions in the central parts of the city.*

*As economic growth strengthened the position of the trade unions, tension between the social partners re-emerged. In the general labour market agreements which were completed in March 1995, the decentralised wage system received a severe blow. The use of local wage settlements was in most areas reflecting the negative attitude towards such arrangements in most trade unions. This occurred despite the strong support for this arrangement by employers and to a certain extent reversed the gradual trend towards a decentralised wage system, apparent since 1987. In 1993 local wage pools constituted 0.7% of the total wage sum.*

*The decentralisation of wage negotiations is a common issue in many Member States and is being opposed by trade unions in most EU countries. Despite this opposition, the general trend is away from centralised wage bargaining to allow for more local and company level wage flexibility.*

*Labour market flexibility is also the issue underpinning the collection of papers in the volume 'Labour Market Policy in a European Perspective'. It gives some very useful comparative insights illuminating the rather large differences in specific labour market interventions between the Member States. Conventional wisdom on the beneficial labour market impact of external flexibility measures is seriously questioned. However, the issue of the possible effect of active labour market policies in Greve's chapter is not answered and cannot be answered on the basis of the material presented. The experience of recent rapid growth in employment in Denmark and the influence of the employment and finance policies on this development would have added another dimension to the discussion.*



# The Netherlands

## **Economische effecten van liberalisering van winkeltijden in Nederland (*Economic Effects of the Liberalisation of Shop Opening Hours in the Netherlands*)**

CENTRAAL PLANBUREAU (1995)

This working document by the Central Planning Bureau provides an analysis of the possible economic impact of the proposed liberalisation of shop opening hours. The proposed revision of legislation on shop opening hours would allow retailers to extend their opening hours into the evening and Sundays. The document compares the theoretical and empirical results of previous national and international research. This information is supplemented by results of statistical analyses performed by the Central Planning Bureau on the basis of data from Netherlands Statistics and the Association of Chambers of Commerce. The authors found that employment in the retail sector, would in the long-term, increase by 11,000 working years. Employment effects are mainly determined by flexibility in working hours and the level of wage supplements. Total turnover would increase by approximately 0.4%, prices by about 0.2%.

Available from: Haageman Verpakkers, Postbus 281, 2700 AG Zoetermeer. NL.

## **The Right of Dismissal and Labour Flexibility. An International Comparison of Redundancy Rules and Regulations**

MAYES D G and SOTERI S (1994)

The objective of this study is to investigate whether the dismissal framework in the Netherlands is more restrictive than other European systems, and to consider whether such rules and regulations are hindering an increase in Dutch labour market flexibility. Part one of the study offers a comparison of redundancy rules and regulations in the Netherlands, Germany, France, Italy and Great Britain. The analysis suggests that although the Dutch system is unique, it should not necessarily be viewed as being more restrictive, since it embodies both advan-

### Comment

*The national and Europe-wide discussion on the need for greater labour market flexibility has also raised a debate on dismissal frameworks. In some countries changes have already been made to enhance the right of management to hire and fire. The Dutch dismissal system is unique in Europe, in that it is the only system where prior authorisation needs to be obtained from the Director of Regional Employment Services or the district courts before redundancies may take place. The study by Mayes and Soteri provides a helpful international comparison, taking into account not only the dismissal systems of five European countries and the USA, but also the economic situation in these countries, related to several institutional aspects of the labour market. Even though the new Dutch government has already decided not to abolish the system of prior authorisation for dismissals, the conclusions of the report are valuable. The authors state that, whatever redundancy system is adopted, the effectiveness and incentive mechanisms regarding labour market entry and re-entry need to be thoroughly examined.*

*Legislation in the field of opening hours of retail departments has been the object of political debate since the early 1990s. In 1993, shops were allowed to be open for 55 hours a week (instead of 52 hours), while in some municipalities experiments have been carried out with the further liberalisation of opening hours. Presently, the political debate concentrates on a proposal to enable shopkeepers to open shops in the evening and on Sundays. It is suggested that decisions on the permits for the possibility to open on Sundays should be taken at the local level. The study only offers an assessment of the possible economic effects arising from the liberalisation of opening hours. A qualitative assessment of the increase in customer comfort and the quality and nature of employment created and possible displacement effects is not made. Quantifying the direct effects of the liberalisation of opening hours requires many assumptions in terms of retailer and customer behaviour. The quantitative results produced by this study need to be seen in this light. Nevertheless, the results of the study are interesting because similar debates are currently on the political agenda of several other Member States. In England and Wales legislation for Sunday opening has recently been relaxed (legislation in Scotland has long been more liberal). In Germany, this debate has been on the political agenda for many years. Late night opening is currently only allowed one day per week for all retailers and on other weekdays, Saturdays and Sundays for petrol stations and shops near stations and airports etc. However, retailers are increasingly trying to side step the Ladenschlußgesetz (law on shop opening hours). The Ifo Institute in Munich has been commissioned to carry out an impact analysis which will be completed in 1995.*

*Systems for the setting of a minimum wage and the regulation of low wages have recently regained prominence on the political agenda of many Member States. In the burgeoning debate on labour market flexibility it is often no longer the level of the minimum wage which is in question but its very existence. Collective bargaining as an institution is also increasingly coming under fire, calling the future of centrally agreed wage settlements into question. At the same time the extension of atypical forms of employment has rendered the problem more acute, which only serves to highlight the necessity for in-depth studies of the nature and social and economic causes and consequences of low pay. This study makes a valuable contribution to the currently limited data on the composition and incidence of low-wage jobs.*

tages and disadvantages relative to other frameworks. In part two it is argued that hiring and firing practices adopted by employers are not ad hoc responses to changing economic conditions. Decisions are taken within a framework where employers view the hiring of labour as an

investment decision based on the expected future return over the lifetime of its usage.

Available from: Sdu DOP, Postbus 30405, 2500 GK Den Haag. EN.

Continued on page 26

### Low Pay in the Dutch Economy. Full-Time Low Wage Jobs in the Dutch Economy 1972 - 1992

SALVERDA W (1994)

This paper presents the findings of the first stage of a piece of research carried out on the issue of low pay. It analyses how both volume and socio-economic composition of full-time low-wage employment developed in the 1970s and 1980s. The study selected three different definitions of low pay to assess how definitional issues affect the findings.

The study found that low pay defined, firstly, as payment below a certain constant level of earnings and, secondly, as payment below a certain percentage (25%) above the current statutory minimum, appears to have declined considerably, albeit with fluctuations. This evolution is found to be directly linked to the rapid decline in youth employment. Low pay is concentrated in very few sectors of the economy, especially in the retail sector and catering. When, thirdly, low pay is defined relative to the current distribu-

tion of earnings (80% of median income), the volume of low-wage employment is almost stable over the years. The present, mainly descriptive, stage of the research serves to shed more light on the evolution of low wage employment and influences the agenda for further research into the causes of the developments presented here.

Available from: University of Groningen, Faculty of Economics, P.O. Box 800, 9700 AV Groningen. EN.



## France

### Coût du travail et emploi. Plus de doutes que de certitudes (*The Cost of Labour and Employment. More Doubts than Certainties*)

EUZEBY A, EUZEBY C (1995)

The authors of this article carried out an analysis of the links between the cost of labour and levels of employment (considering mainly substitution effects, effects on competitiveness, and the impact of incentives on hiring and demand). Their work highlights the weakness of the results of econometric studies designed to quantify the intensity of such links. These findings lead the authors to call into question the widely supported notion that a reduction in the cost of labour, particularly for unskilled workers, could act as a key measure in the fight against unemployment, by increasing companies' price competitiveness. The authors argue that policies aimed at reducing the cost of labour have but a limited effect on international competitiveness. The increasing globalisation of markets has led firms to rationalise their production methods in order to maximise their productivity gains and to remain competitive. Labour costs are therefore seen to play an ever decreasing role in determining overall product cost and choice of location. Unemployment is

considered to be more of a problem inherent in the structure of society rather than an economic problem.

Available from: Futuribles, Revue mensuelle, 55 rue de Varenne, 75341 Paris Cedex 07. FR.

### Le travail à durée limitée (*Temporary Work*)

INSEE, LIAISONS SOCIALES, DARES (1995)

As cost competitiveness is becoming an increasingly important consideration for company policy, European companies are increasingly making use of flexible employment contracts, which enable them to respond more easily to market pressures. Such employment relationships are generally considered to be external flexibility measures par excellence. This study conducted by the national statistical service is based on research reports, articles and findings of surveys on the issue of 'new forms of employment'. Its main focus is on companies' use and individuals' experience of temporary and fixed-term contracts. In the first instance, the causes for resorting to temporary work are examined. The use of fixed-term and temporary contracts and their characteristics are illustrated using observations from around 20 case studies. This is one of the first studies

looking at the issue of temporary work from the point of view of the persons concerned. It found that such employment is generally considered to be precarious and merely a provisional substitute for a permanent contract. However, the authors argue that certain specific forms of temporary employment should not be confused with precarious employment. Fixed-term contracts increasingly serve as trial periods and provide many newly employed young people with their first taste of professional experience.

Available from: Groupe Liaisons, Service Vente par Correspondence BP 78, 92503 Rueil Malmaison Cedex. FR.

### Le transfert de la production domestique de la famille aux services (*The Transfer of Domestic Production from the Family to the Service Sector*)

BARRERE-MAURISSON M-A (1994)

This study looks at the increasing transfer of services, traditionally provided by women in the household, away from the family to outside agencies, and the service sector in particular. This 'domestic production' encompasses primarily general housework, child care and caring

responsibilities for elderly people, as well as D.I.Y. and gardening. This is of particular interest as labour market policy in France is currently seeking to encourage the development of jobs in locally provided private personal social services. Many jobs have already been created in this highly labour intensive sector. The author looks at the form these transfers take, paying particular attention to different rates of take-up according to socio-economic group and type of family. A comparative study of 15 OECD countries highlighted the different views taken on the issue in the southern and northern European countries. It also illustrated that the rate of female labour market participation is a decisive factor shaping the way the domestic sphere is managed, as it is working women who are more likely to seek outside help to carry out household work or caring duties. The changing balance between family duties and employment also requires a social adjustment between the professional and the domestic spheres. It has essentially led to the creation of a new division of labour, with the domestic needs of one group becoming the means of subsistence for another. Skilled women delegate their domestic responsibilities to unqualified people, who in turn transfer their skills to the professional sphere.

Available from: Centre Pierre Mendès France,  
90, rue de Tolbiac, 75013 Paris. FR.

## Comment

*The study by Barrere-Maurisson provides an interesting angle on two issues central to the academic and policy debate in France. It constitutes part of a long series of research carried out by the author on the sexual division of labour and the links between family and professional life. Most Member States have witnessed an increase in female labour market participation rates, albeit starting from very different levels. Women are making an important and often vital contribution to household income and there is also a trend towards higher levels of qualifications being achieved among the female workforce. These developments are slowly changing the traditional perceptions of women being in charge of the domestic sphere, while men were dominant in the public sphere. With the increasing entry of women into the labour market the need for the outside provision of domestic and caring services has grown. In recent years public sector budget restraints have meant a decrease in the public provision of such services and a shift towards the private sector. The creation of employment in the private service sector and particularly in the locally supplied personal social services is currently at the heart of the labour market policy debate in France. Since most of this employment is considered to be unskilled (and therefore relatively low paid), this policy poses questions surrounding the conception of women's work and the increasing cleft between qualified and unqualified women. Unfortunately, the study does not assess in any detail the way so-called women's work is valued and whether what is needed is a reassessment of the way different forms of work are remunerated.*

*Another measure favoured in the battle against unemployment is the introduction of increasing wage flexibility. This is generally seen to assist companies in attracting outside investment and maintaining price competitiveness. The article by Euzéby and Euzéby is dedicated to the analysis of the links between the cost of labour and employment. It is part of a publication looking at the subject of 'Labour Cost and Employment: Diagnosis and Proposals, Consensus and Controversies'. Numerous authors, economists and politicians, plead in favour of a reduction of labour costs, arguing that the excessive nature of such costs, particularly for unskilled workers, can be blamed for an increasingly alarming employment situation. They argue that such a policy is to be implemented either by the rethinking of the level and necessity of minimum wage legislation, or by limiting employer social security contributions. The authors question these demands at a time when the debate is particularly acute in France, since it was one of the main issues debated during the presidential campaign. Although certain employment measures have been introduced aimed at limiting the cost of labour through a reduction of employer social security contributions, the pressure in favour of a policy aimed at the reduction of the cost of labour of unskilled people, particularly for SMEs, has been reinforced. Nevertheless, recent studies seem to indicate that companies now put the problem of labour costs into perspective and tend not to think solely of price competitiveness on a global scale.*

*Another external flexibility measure increasingly used is the introduction of fixed-term contracts. The percentage of open ended contracts among new employees continues to decline (according to INSEE it declined from 53% in 1990 to 44% in 1994). The authors of this report argue that, as with flexibility measures, recourse to temporary employment has a multitude of motivations and does not merely respond to the need to reduce labour costs. Manpower management schemes have been modified and there can be no doubt that the relationship between employees and their work has changed permanently. There is no longer an assumption that an individual will stay with the same employer for most of his/her working life and attitudes towards the desirable relationship between employment and leisure time have also changed. However, although the study argues that many forms of fixed-term employment can be beneficial to the individual concerned, it acknowledges that, particularly amongst women, one of the main reasons for job change is the desire to move on to less precarious work. Issues of rights to employment protection of such 'atypical employees' are not addressed by the two contributions.*



# Greece

## ΞΕΝΟΙ ΕΡΓΑΤΕΣ ΣΤΗΝ ΕΛΛΑΔΑ (*Foreign Workers in Greece*)

KATSORIDAS D (1994)

This publication provides a summary of the findings of a study on foreign workers in Greece. Despite the importance and scale which this phenomenon has assumed over recent years, there has so far been a paucity of scientific evidence quantifying the problem and charting its causes and effects on Greek society. The study looked at those legally and illegally employed in Greece, coming from other EU Member States or the Third World and Eastern Europe. Reference is also made to the immigration of Greek nationals from the former USSR and Albania.

The author looks at European and national legislation covering immigration and examines individuals' reasons for seeking work in Greece. Finally, the impact of the increasing influx of migrants on the Greek labour market is analysed.

Part of the study is an examination of the attitudes of Greek society towards illegal immigrants, as well as the issue of immigration and human rights.

Lastly, the publication presents the views and policy proposals of the Greek trade unions and the Labour Centre of Athens on the issue of immigration.

Available from: IAMOS Editions, Smailis L & Co, 2 Thiseos Street, Athens. GR.

## ΜΕΛΕΤΗ ΑΞΙΟΛΟΓΗΣΗΣ ΤΟΥ ΣΥΣΤΗΜΑΤΟΣ ΜΑΘΗΤΕΙΑΣ ΤΟΥ Ο.Α.Ε.Δ. (*A Study on the Evaluation of the Training System Provided by the Organisation of the Employment of the Labour Force (OAED)*)

TSEKOURAS J, STAVROU S,  
PAPATHEODOSSIOU TH, PARASKEVOPOULOS  
P, STEFANIDIS TH (1994)

This publication presents the final report of the first phase of a study commissioned by the Organisation for the Employment of the Labour Force (OAED) and carried out by a team of experts at the University of Macedonia.

The study aimed to provide an evaluation of training provided by the OAED

## Comment

*The study by Katsoridas goes some way towards filling a gap in Greek literature on immigration. Legal, and particularly illegal, immigration has been of growing political and social concern. Legal immigration is measured by the National Statistical Service. These data show more than a 120% increase between 1981 and 1991. However this figure includes a considerable number of individuals who do not enter the labour market (pensioners, students, non-employed family members). Nearly 50% of legal immigration is from Europe.*

*As estimated by unofficial sources (press etc), there is also a considerable number of illegal immigrants in Greece. It is estimated that there are between 350,000 and 500,000 such immigrants, subject to seasonal fluctuations. Most of them are economic refugees from Albania and other neighbouring countries. The fact that much of the data on illegal immigration is only available from such unofficial sources constitutes one of the main weaknesses of the study. However, this should not detract from its importance, particularly in analysing the impact of the rapidly rising number of illegal immigrants on the unemployment rate. Similar problems are facing other Member States, which is why the Greek experience can be instructive.*

*The publications by the Institute of Labour - Confederation of Greek Workers have an importance beyond the content of the reported research. The publications present the views of the Confederation of Greek Workers which are based on scientific research evidence, therefore making an important contribution to the creation of conditions for a process of informed and efficient social dialogue. As such the publications provide an important counterpart to the research carried out by the Institute for Economic and Social Research which traditionally represents employers' views. The study by Ioakimoglou complements research on the competitiveness of Greek industry carried out by the Institute of Economic and Social Research and provides an important contribution to research and public debate on this issue.*

*The study by Tsekouras, Stavrou, Papatheodossiou, Paraskevopoulos and Stefanidis provides an evaluation of the training schemes run by the OAED and is as such unprecedented. The OAED became operational in 1984 offering job search, placement, training and retraining services as well as operating several centres for vocational education and training throughout Greece. These comprise various types of schools. Apprenticeship schools offer three year school and work-based vocational training, operating according to the German dual system. These are equivalent to the secondary technical vocational schools of the Ministry of Education. Training schools offer short-term vocational training covering different specialisations.*

*The aim of the OAED is to offer alternative education, its ambition being to provide the dominant initial educational/training system in Greece. Greece operates a dual training system similar to that of Germany, which is why the German Bundesinstitut für Berufsbildung participated in this research as an external consultant. In spite of a number of shortcomings due to its limited scope, this study, when completed, will fill an enormous gap in the field of the evaluation of educational/training systems in Greece. It will also allow its improved adaptation to the constantly changing needs of the labour market.*

and to make recommendations for the reorientation of training, taking into account the experience of projects run by other bodies. The OAED also hoped to learn from the international and, in particular, the German dual training system and to use this experience in the planning of new projects and educational mod-

ules. A further aim was the experimental implementation of an innovative training system for certain specialisms, to take place at selected technical education/training centres of the Organisation and to carry out subsequent evaluation.

The findings were based on a questionnaire survey of a representative sam-

ple of students, teachers and graduates of the training system, as well as of the staff of enterprises employing graduates on such training schemes.

The study constitutes part of a series of research recently commissioned by the OAED and initiated with the support of the European Union. The work aims to evaluate the training system and investigates other issues such as the creation of an Employment Observatory in Greece.

Available from: University of Macedonia, 156 Egnatias Str., 540 06 Thessaloniki. GR.

ΚΟΣΤΟΣ ΕΡΓΑΣΙΑΣ,  
ΑΝΤΑΓΩΝΙΣΤΙΚΟΤΗΤΑ ΚΑΙ  
ΕΥΣΣΩΡΕΥΣΗ ΚΕΦΑΛΑΙΟΥ ΣΤΗΝ  
ΕΛΛΑΔΑ (1960-1992) (*Labour Cost,  
Competitiveness and Capital  
Accumulation in Greece (1960-  
1992)*)

ΙΟΑΚΙΜΟΓΛΟΥ Ι (1993)

This book belongs to the series *Studies* published by the Institute of Labour - Confederation of Greek Workers and includes the findings of a study initiated within the framework of the Institute's research programme for the years 1993-1994.

The study aimed to assess the reasons behind the Greek economy's decline in competitiveness. The study focused on the following issues: an analysis of the development of unit labour costs; an assessment of the development of prices compared with those in the countries representing Greece's main competitors (in a common currency); and an analysis of capital accumulation.

The study's findings show that the level of unit labour costs cannot be con-

sidered to be a major determining influence on competitiveness, as labour costs in the developed countries only constitute around 20-35% of the total cost of industrial production.

Moreover, the study found that the increase in unit labour costs in Greece over the five years between 1988-1992 cannot be attributed to an increase in real wages but is solely due to the revaluation of the drachma.

The study concludes that the main reason for the low competitiveness of Greek products is the decline in capital productivity.

Available from: Institute of Labour - Confederation of Greek Workers, 27 Pipinou Str., 112 52 Athens. GR.

ΕΥΕΛΙΚΤΕΣ ΠΟΛΙΤΙΚΕΣ  
ΕΡΓΑΣΙΑΚΩΝ ΕΧΕΣΕΩΝ. Η  
ΒΙΟΜΗΧΑΝΙΚΗ ΑΝΑΔΙΑΡΘΡΩΣΗ  
ΚΑΙ ΟΙ ΕΠΙΠΤΩΣΕΙΣ ΤΗΣ ΓΙΑ ΤΟΥΣ  
ΕΡΓΑΖΟΜΕΝΟΥΣ ΣΤΗ  
ΒΙΟΜΗΧΑΝΙΑ (*Flexible Industrial  
Relations Policies. Industrial  
Restructuring and its Impact on  
Industry Workers*)

INSTITUTE OF LABOUR - CONFEDERATION OF  
GREEK WORKERS (1994)

This bulletin is part of a series of publications by the Institute of Labour - Confederation of Greek Workers. The series is an introduction to the Institute's in-house and commissioned research activities, and documents the views of the Confederation of Greek Workers on a variety of policy questions. This particular issue comprises reports on eleven studies focusing on the restructuring and organisa-

tion of the labour market, as well as the use of flexibility measures which are being used increasingly at the regulatory and company level. It highlights the findings of empirical research carried out on the politics of flexible industrial relations. The research looked at the level of technological change and modernisation of the production process and its effect on employment and job descriptions. It also studied the incidence and nature of flexible employment patterns, working time flexibility and the trends in company staffing and wage policies.

The other major research project is focused on *Industrial Restructuring and its Impact on Industrial Workers*. This research looked at the position of Greek industry in the European system of production and in the Internal Market. It also examined the role of industrial policies and comprises specific findings focusing on the textile industry.

Lastly, the bulletin presents some interesting findings and recommendations on the training, specialisation and multi-skilling of the workforce as well as the classification of vocational skills by special regulatory bodies.

The bulletin also contains information relating to the new convergence programme for the Greek economy drawn up by the government within the framework of the Maastricht Treaty.

No 40-41, 1994. Available from: Institute of Labour - Confederation of Greek Workers, 27 Pipinou Str., 112 51 Athens. GR.



## Ireland

### Enterprise Related Training and State Policy in Ireland: The Training Support Scheme

O'CONNELL P, LYONS M (1992)

This study has two objectives. Firstly, it examines the incidence of training activity within enterprises in Ireland and seeks to assess the extent of skill deficiencies in the Irish workforce. The study concludes that Ireland suffers from deficiencies in both qualifications and skills when compared with other leading industrial countries. There is evidence of a skills gap for operatives, supervisory and management levels, particularly in smaller indigenous firms, which adversely affects productivity, competitiveness and prospects for economic growth. The level of training of employees is lower than the European average and is, therefore, unlikely to be sufficient to bridge the deficiencies in qualifications and skills.

The second element of the study involves an evaluation of the impact of the Training Support Scheme (TSS), a programme initiated in 1990 to promote training in small and medium-sized enterprises through the provision of training grants. The scheme is operated by FÁS - the National Training and Employment Authority. The evaluation was based on a survey in which detailed information was collected on the training activities of a sample of over 300 firms which participated in the TSS in 1992 and on a comparison group of some 120 firms which did not participate in this scheme. The results indicated that TSS aided firms engaged in substantially more training than non-participant enterprises did. The greater level of training among TSS aided firms was most pronounced among small firms with less than 20 employees, whilst among large firms the differences between aided and unaided firms was not significant. When factors which would be expected to influence the level of training irrespective of participation in the scheme were controlled for, multivariate analysis techniques indicated that the net effect of the TSS in stimulating an increase in training was confined to small firms (with less than 20 employees) while its effects on larger firms were marginal.

This suggests that there is a high element of deadweight in the scheme and for larger enterprises the TSS resulted in subsidies to training which would have been undertaken without State aid.

The study concluded therefore that greater targeting of grant aid towards smaller firms would reduce its deadweight by enhancing its impact on producing a greater overall level of training. The study also recommended that there should be a greater emphasis on management (as distinct from operative) level training.

Available from: The Economic and Social Research Institute, 4 Burlington Road, Dublin 4. EN.

### Ireland: Population and Labour Force Projections 1996-2026

CENTRAL STATISTICS OFFICE (1995)

This report provides projections of the Irish population classified by age and sex at five year intervals for the period from 1996 to 2026, and labour force projections similarly classified for a shorter time span up to the year 2006.

The projections are based on assumptions relating to future trends in fertility, mortality, migration and labour force participation. Two sets of assumptions were chosen for fertility and one for mortality trends up to the year 2026. In the case of migration two sets of assumptions were also applied for the period up to 2006. However, in view of the high degree of uncertainty attached to this component in the longer term, no specific assumptions were used for the post 2006 period, ie, a 'zero' net migration scenario was used. For the labour force projections a single set of assumptions relating to future labour force participation rates was chosen.

The model used in this projection is the demographic component method which projects the base 1991 population forward under the chosen assumptions covering births, deaths, migration and labour force participation. Considering first the population projections for the period up to 2006, these indicate only a modest rise in the total population, but significant changes in its structure. The forecasts indicate a rapid fall in the

number of children (ie, those aged less than 15 years); an ageing of the population of working age (15-64 years); and little change for the numbers of older persons. After the year 2006 the population as a whole will increase rather more rapidly and, in terms of structure, the most notable feature will be a sharp rise in the number of persons aged 65 years or over.

The labour force is projected to increase significantly in the period up to 2006, even under the assumption of significant outward migratory flows. The greater part of this increase can be attributed to basic changes in demographic structure, but it will also be due to a substantial rise in labour force participation among females.

Available from: Government Publications Sales Office, Sun Alliance House, Molesworth Street, Dublin 2. EN.

### Jobs Potential of the Services Sector

THE NATIONAL ECONOMIC AND SOCIAL FORUM (1995)

The services sector has been selected for special analysis by the Forum because it offers the greatest potential for net employment creation in the years ahead.

The report profiles the main features of the services sector highlighting, in particular that:

- services are a major determinant in living standards, quality of life and overall economic competitiveness. The argument that the sector is less important than the 'traded' sectors (eg, industry and agriculture) is refuted;
- the market services sector is relatively small compared to the EU average in both output and employment terms;
- employment growth in services has been relatively poor compared to other countries, although this has improved significantly in recent years; and
- the social economy is a distinctive component of the sector.

The report assesses a number of key issues which it considers will influence the future potential of the services sector

and the overall employment possibilities. There will, in particular, be a need to target particular growth areas where a wider range of jobs can be created. In addition, there are many unmet needs in Irish society which can be delivered through the social economy and, in this regard, a number of policy approaches are presented with a view to developing the employment potential in this particular area.

The report identifies a number of barriers to employment creation in the services sector. While many of these apply to other areas of the economy, they are of particular relevance to services, given its high employment intensity. In this context the report refers to the employment bias of the taxation system and the differential treatment of manufacturing and services (for example corporate taxation is much lower in the manufacturing sector); furthermore compliance costs are a particular concern to smaller firms which are predominantly in services. There is also an imbalance with regard to state aids/support to services and there are also, in some areas, impediments to competition which should be addressed in policy terms.

With regard to conclusions and recommendations, the report states that there is an urgent need to redirect policy towards the services sector. This should involve a number of key elements, including:

- redressing the relative neglect of the sector;

- tackling the barriers/restrictive practices which inhibit employment growth;
- the provision of measures to exploit the employment potential of newly emerging and unmet needs, including those that can best be delivered through the social economy.

The report concludes that a policy strategy should now be initiated by the government and implemented across all service-related areas in a concerted, inte-

### Comment

*The report on Population and Labour Force Projections is, in effect, an updating of a previous set of similar projections produced in 1988 which covered the period upto 2021. The changes indicated in the current projections will have significant implications for policy formulation in areas such as education, child support schemes, health and funding of pension arrangements. The broad outline of the changes in question are already known and a certain amount of research and investigative work is underway with a view to informing policy in this regard. The projections are, however, valuable insofar as they quantify the expected changes (subject to the assumptions made) plus providing a better focus for related research initiatives.*

*This report on employment prospects in the services sector is particularly relevant in view of the ongoing debate regarding the unfavourable relationship between output growth and employment expansion in Ireland as this sector offers the best prospects in the context of further job gains. While the document does point to the need to identify key growth areas, the recommendations are wide ranging and numerous and, with regard to implementation, would need to be set in some further order of priority. The net cost of enlarging the social economy (and the associated displacement effects elsewhere in the economy) would also need to be borne in mind.*

*The report on training within firms is also timely in view of the current interest in this issue, deriving in part from the emphasis it has received under Objective 4 of the 1994-1999 Structural Funds arrangements. Some of the policy suggestions made, eg, greater concentration of support on smaller enterprises, are being implemented.*

grated and determined manner. This would yield significant employment gains and, for this reason, the application of individual elements of the recommended reforms (as distinct from a more comprehensive approach) should be resisted.

Available from: National Economic and Social Forum, Centre Block, Government Buildings, Upper Merrion Street, Dublin 2. EN.



# Italy

**La Gestione delle Eccedenze di Personale in Europa. Una Analisi Giuridica ed Economica (The Management of Workforce Adjustment in Europe. A Legislative and Economic Analysis)**  
DOCUMENTI CNEL (1995)

These two volumes present the results of research undertaken on the issue of workforce adjustment patterns in Europe. The research was commissioned by CNEL in 1993 and co-ordinated by Liso, a labour law expert, with the assistance of an international research team consisting of lawyers and economists.

The aim of the research was to analyse relevant legislation as well as looking at the management of workforce adjustment processes and the related income support systems adopted by different Member States (Denmark, France, Germany, Great Britain, Italy, Spain and The Netherlands) and to extract useful lessons from other European countries to inform policy making in Italy. The first volume presents a synthesis report, while the second volume contains the full country case studies. These are divided into sections on the legal and economic aspects of workforce restructuring.

Two main issues are considered in an interdisciplinary framework: the limits to workforce restructuring and the protection accorded to redundant workers. In both cases experiences in the Member States vary greatly, and the two volumes by CNEL give a very detailed and informative picture of the different regulations and their effect on the labour market.

*Documenti CNEL*, No 58. Available from: CNEL, Viale Davide Lubin 2, 00196 Roma. IT.

**Equità, Efficienza e Crescita. Il Futuro del Welfare State (Equity, Efficiency and Growth, the Future of the Welfare State)**

BALDASSARRI M, PAGANETTO L, PHELPS E S  
(1995)

This volume contains a collection of 16 papers presented at the 6th international seminar of the University of Rome, Torvergata, which took place in Villa

Mondragone. These papers were produced by renowned Italian and international experts. Their focus was the future of the welfare state in OECD countries, and in Italy in particular.

The question of the future of the welfare state is at the centre of the policy debate in Italy, particularly since attempts were made by recent governments to reduce public debt by cutting public expenditure. The rising number of elderly people as a percentage of the Italian population has placed greater burdens on the pension and health care systems. This and other socio-economic factors have contributed to a substantial increase in Italian social expenditure to 30% in 1992, thus putting the welfare state under pressure.

The papers presented and discussed at Mondragone are organised into 5 themes.

Papers by Snower and Phelps look at the problems of the welfare state, with the former focusing on its sustainability and the latter assessing the negative collateral effects of the welfare state.

The second theme is active labour market policies and the welfare state. The paper by Layard discusses the case for switching from unemployment benefits to employment subsidies in order to increase employment opportunities and reduce social expenditure. Brunetta, Tronti and Turatto look at the relationship between the labour market, the welfare state and European convergence, while Teck-Hoon analyses the economic impact of work sharing using a dynamic model of labour turnover.

A number of papers look at economic policies and the welfare state. The paper by Mundell discusses the relationship between unemployment, competitiveness and the welfare state. Goisis and Porrini present the Italian case with an analysis of labour market regulation in Italy and its effects on employment and welfare. Caravale discusses the change in income policy in the light of recent Italian experiences, and Dell'Aringa discusses unemployment benefits and employment subsidies.

The issue of equity and efficiency is discussed in a paper by Malinvaud which

again looks at the sustainability of the European welfare state model. Baldassarri and Piga analyse the trade-off between equity and economic efficiency, while Kakwani considers the Australian case.

In a section on competition and social state Fitoussi analyses the trade-off between competition and social cohesion. Forte and Padovano discuss the need for deregulation in the Italian labour market, especially with regard to labour relations and wages for young workers entering the labour market for the first time. Paganetto and Scandizzo analyse the relationship between the Social state and endogenous growth within a formal model.

The volume ends with a conclusion by Phelps and the outcomes of a round table on economic policy recommendations.

Available from: Editore SIPI, S.R.I., Viale Pasteur 6, 00144 Roma. IT.

**Indennità di Disoccupazione (Unemployment Benefits)**

DOCUMENTI CNEL (1995)

This volume contains a paper by Liso, a labour law expert, which discusses the system of ordinary unemployment benefits in Italy that are regulated by law 160/1988. It also includes the results of a study carried out by the Italian sociologists Pugliese, Reyneri and Lagala on the effects of this system, focusing on certain areas of central and southern Italy. The research, commissioned by CNEL, was intended as a general assessment of the legislation regulating unemployment benefits.

Ordinary unemployment benefit in Italy is aimed at workers affected by individual redundancies who have fulfilled a minimum contributions record, as well as seasonal workers and/or workers with precarious jobs (mainly in the agricultural sector). In the latter case the benefit acts as income support for workers with precarious jobs, because it is not linked to the search for a new job.

Together with other measures which provide income support for redundant workers (mainly the Cassa Integrazione

Guadagni and a special unemployment benefit for workers collectively dismissed), these measures are currently under review. The debate focuses primarily on the need to integrate these different measures in a comprehensive system, in order to eliminate a situation in which unemployed workers are treated differently depending on their previous job (some workers receive much more support than others). It is also to clearly separate insurance measures from assistance measures and to reduce the work disincentive effects of current instruments.

The research by Pugliese, Reyneri and Lagala was aimed at evaluating the impact of law 160, by analysing its impact on beneficiaries and the labour market as a whole. The research considered four geographical areas where the benefit is widely used, given the large share of employment in agriculture and/or in the tourist sector. The authors give a positive evaluation of the law, even if some drawbacks ought to be corrected. The drawbacks are mainly:

- the strong incentive for employers to use non-standard employment contracts (even when there is the possibility of long-term employment contracts) in order to benefit from the subsidy at the expense of the state;
- the high risk that the weakest workers are excluded from the benefit (mainly young people and those that are not able to reach the 78 working days per year that give benefit entitlement);
- the abuse of ordinary unemployment benefit by public sector temporary workers who have no legal entitlement to it.

*Documenti CNEL*, No 61. Available from: CNEL, Viale Davide Lubin 2, 00196 Roma. IT.

## Comment

*With the issue of labour market flexibility at the top of the EU agenda, the two volumes on workforce adjustment patterns published by CNEL are particularly interesting and timely, especially as they provide some comparative data. Italy differs from most Member States because of the relative rigidity of its legislation covering individual dismissals. This is quite distinct from legislation on collective redundancies. A reform of collective redundancy legislation in 1991 further relaxed constraints on the possible reasons for dismissal. However, legislation still requires adherence to a precise procedure, and companies are still left to pick up part of the cost of carrying out redundancies. Individual dismissals, on the other hand, are very strictly controlled by legislation and costly to a firm which comes under the scrutiny of the judicial system.*

*The aim of legislation is to protect existing employment contracts, even when the firm needs to reduce its workforce, by externalising the costs of labour hoarding from the individual firm to the collectivity (for example through Cassa Integrazione Guadagni). On the other hand the Italian system of employment services remains inadequate and active labour market policies are insufficiently developed.*

*Equally, the income support system is differentiated according to the position of the worker prior to being laid off (by sector, firm size, area etc) and to the nature of the dismissal (either collective or individual). Moreover there is no control capacity against many forms of abuse.*

*All these issues and the measures to improve the Italian situation are widely discussed in the papers presented, especially in those collected in the first volume.*

*Liso's discussion of the issue of unemployment benefit in 'CNEL Documenti No 61' is very informative. His discussion of issues dealing with the income agreement of July 1993 is detailed and gives a clear picture of the drawbacks and shortcomings of Italian labour market policies. His conclusion is that the proposal to increase the level of unemployment benefit to 30% of previous earnings is correct for laid-off workers. However, it is not helpful for the area of the under-employed in the agricultural and construction sector. In this case the benefit will become a mere assistance measure and could be used as a way to finance irregular and clandestine labour at the expense of the state. He argues that other measures are needed to protect precarious workers.*

*The papers collected in the volume edited by Baldassarri, Paganetto and Phelps mainly analyse the relationship between the labour market and the welfare state, with a focus on labour policies. The cause for a switch from generous unemployment benefits to employment subsidies is discussed by Snower, Layard, Dell'Aringa and Mundell. The papers by Italian experts deal mainly with the Italian labour market system and a discussion of Italian labour market policies. Foreign experts, on the other hand, deal mainly with the more general issue of the role of the welfare state and its effects in terms of allocative efficiency in a welfare economics framework. The round table at the end of the volume is centred on the reform of the pension system, which is currently under debate in Italy. Most of the papers have already been published or summarise other work undertaken by the authors, however, the collection in a single volume in Italian for the Italian public is very useful, since the issue of the welfare state is so important to the Italian debate.*



# Federal Republic of Germany

## **Geht den Deutschen die Arbeit aus? Neue Wege zu mehr Beschäftigung (Are the Germans Running Out of Work? New Paths to Increasing Employment Opportunities)**

SIEBERT H (1994)

The author argues that unemployment is a long-term structural problem of a magnitude which cannot be compared with that of the USA or Japan. Each recession has left Germany with a higher number of unemployed people, with the aim of full employment remaining an elusive goal. This book seeks to highlight the many and varied factors contributing to a worsening of the unemployment situation, and to show possible paths towards creating more employment opportunities.

The increase in both labour supply and migration are hardly variables which can explain persistent unemployment. Siebert argues that a flexible labour market should have been capable of absorbing an increase in labour supply and this factor alone cannot therefore be blamed for high unemployment figures. Economic growth has failed to bring the expected improvement in employment opportunities. The book looks at the process of wage determination in some detail, assessing in particular the necessity to match real wages with productivity.

Protectionism and industrial policy are not only the wrong instruments to safeguard employment, but they are also economically unjustifiable. Keynesian demand management, wage subsidies and the creation of a state-funded labour market are regarded as flawed. An increase in labour market regulation and a reduction of working hours are also rejected as a solution.

The author argues that labour market equilibrium can only be achieved under the following conditions: wage differentiation in companies, sectors and regions; the possibility to negotiate wage settlements below the collectively agreed level; increasing innovation and investment in human capital; greater divergences between basic wages and social provisions; and an increasing deregulation of the

labour market. The general plea is for more flexibility in all areas of the labour market. Wage and labour market policies have to be recognised as integral parts of employment policy.

Available from: C. Bertelsmann Verlag, Neumarkter Str. 18, D-81673 München, DE.

## **Arbeitskräftebedarf in Deutschland bis 2010. Arbeitskräfteeinsatz 1978 - 1990 und Szenarien bis 2010 für die alten und neuen Bundesländer (Demand for Labour in Germany Until 2010. Deployment of Labour 1978 - 1990 and Scenarios Up Until 2010 for the Old and New Länder)**

WEISSHUHN G, WAHSE J, KÖNIG A (1994)

This volume offers long-term projections for the development of German labour demand. For methodological reasons, involving the differences in data collection, the new and the old Länder are considered separately.

In West Germany, the number of employees increased by 2.4 million between 1978 and 1990 with their level of qualifications also increasing. The extent of the change in the structure of qualifications was remarkable and could be attributed to changes in the job content and skill demands. In East Germany there were 9.3 million people in employment in 1989. For 1990 the following distribution of qualifications was observed as a proportion of the total of employees (in brackets the comparative figures for West Germany): degree qualifications 6.8% (6.5%), technical (Fachhochschule) 5.1% (3.4%), completed vocational training 75.7% (64.5%) and no completed vocational training course 12.4% (25.7%). However, these results are only partly reliable because of the necessary conversions to western educational qualifications.

Four framework scenarios for possible growth patterns between 1990 and 2010 were established. Only the results for the lower and median expectations are recorded here: for West Germany there is a projected total increase in labour demand by 1.115 million to 2.815 million. Demand for employees with

university degrees and completed vocational training is increasing noticeably while the need for unqualified workers is decreasing sharply. East Germany shows a projected reduction in labour demand between 2.666 and 2.464 million. There is, however only a marginal decline in demand for university graduates.

Available from: K.H.Bock Verlag, D-53604 Bad Honnef, DE.

## **Das IAB-Betriebspanel - Ergebnisse der ersten Welle 1993 (The 'IAB-Company Panel' - Results of the First Wave 1993)**

BELLMANN L, DOSTAL W, HADLER B, KOHAUT S, KÜHL J, LAHNER M, ULRICH E, WOLFSTEINER M (1994)

The Institute for Labour Market and Employment Studies (IAB) established a Company panel in order to gain comparable data on labour demand for all company sizes and sectors. This contribution represented the first analysis of a cross-section of the data for 1993 as well as projections for mid-1994. It also provided an initial indication of the connections between employment and its determining factors such as company policy and volume, investment, innovation, working and operating hours, initial and further training. The response rate of companies was high at 71%.

The research provided the following data: between mid-1993 and 1994 the west German economy anticipated a 2% reduction in employment. This overall balance concealed a paradoxical development: of the 1.6 million companies approximately 175,000 wanted to reduce their workforce by 0.95 million. At the same time 230,000 companies envisaged an increase in employment by 0.44 million.

Most employment was lost in industry while the service sector was set to expand. The trend was for small companies to grow while larger companies were reducing their workforce. Blue collar workers tended to be more affected by job cuts than white collar workers and the latter were also more likely to benefit from extensions in employment opportu-

nities. When a company shrank, the number of trainees was reduced by 13%, but the same figure increased disproportionately during times of expansion to 26%. Even at times of recession there was continuing demand for trained staff, which clearly highlighted a skills mismatch at the local level. From the companies' point of view, it was the lack of qualifications and suitability for existing vacancies which were the main bar to employment. Eighteen percent of employers envisaged an increase in investments from the previous year while 43% wanted to invest less. About 60% of all investments served to provide for modernisation and expansion of businesses.

Available from: Institut für Arbeitsmarkt und Betriebsforschung der Bundesanstalt für Arbeit, Regensburger Str. 104, D-90327 Nürnberg, DE.

**Europa im Zeichen der Migration. Szenarien der Bevölkerungs- und Arbeitsmarktentwicklung in der Europäischen Gemeinschaft bis 2020 (Europe in the Light of Migration. Scenarios for Population and Labour Market Development in the European Community Until 2020)**

HOF B (1993)

With the breakdown of the Warsaw Pact the issue of migration has returned to the focus of public debate. In the past migrants have provided a useful addition to the labour market in Germany. Without the assistance of foreign workers, Germany's economic growth since the 1960s would have been harder to maintain.

The pool of migrants in the less developed countries by far exceeds the industrialised nation's assimilation potential. South-north migration from North Africa, and east-west movement from countries of the former eastern bloc are of particular importance for Europe.

In spite of concerted efforts it will be impossible to eradicate the causes of migratory pressures so effectively in the short-term as to quell the flow of refugees and migrants, as the wounds of colonialism and totalitarian rule still run too deep. The author argues that there is a

**Comment**

*The Essen Summit highlighted the fact that, in spite of the improvement in the economic situation, employment indicators are not encouraging, with unemployment remaining at a high European Union average (11%). It was agreed that with adequate macro-economic policies a growth rate of 3.5% could be expected until the year 2000 coupled with the creation of 11 million jobs. However, to reach the Commission's target of 15 million jobs new policies to encourage employment growth will be required. Such policies as well as labour market developments will have to be closely monitored. The documents reviewed here provide interesting data on how labour market trends are set to develop in Germany and the factors influencing such trends.*

*There are many methodological and empirical problems surrounding labour market projections. These arise from the unpredictable nature of sectoral developments in the new Länder and the inability to employ traditional methods of long-term forecasting. But, in spite of these problems, the prognosis presented here provides some important pointers. It highlights likely growth, as well as declining sectors, and underlines the ever increasing demand for well qualified staff.*

*IAB company panel data so far only includes information from West German sources, but an extension of data collection to the new Länder is currently under way. This data allows policy makers to assess not only the immediate but also the long-term impact of investment decisions, thus providing a better analysis of the nature of the skills mismatch and a more valuable basis for policy intervention.*

*Siebert's work provides an important and accessible contribution to the European and national debate on how to enhance the link between economic growth and job creation. His arguments mirror the widespread demand for increasing labour market flexibility, particularly in the area of wage determination. The book avoids simplistic, monocausal explanations and stops short of making clear policy recommendations.*

*Hof's study goes some way towards dispelling the myth that migration constitutes a major contributory factor to the problem of unemployment in the European Union. In an extremely factual and interesting overview he initially charts the impact of migratory movements on German economic development in different phases of post-war history. Using labour market and demographic projections he reaches a fundamentally positive assessment of the impact of migration, but argues that a common European policy will be hard to achieve because of the great diversity of trends and experiences.*

danger of almost uncontrollable migratory pressure building up: "The future of Europe can be viewed in the light of a new migration wave."

In this quantitative study, the author assesses the question of how many migrants the European Union could support, without jeopardising the efficiency of Europe as a site for production. Determining parameters are migration patterns, the development of birth rates, life expectancy and employment as well as labour market developments, which are described in different scenarios.

The author comes to the conclusion, that due to the different demographic and economic structures in the Member States,

there can be no uniform migration policy for the European Union. The determination of migratory patterns should remain within the remit of the Member States, to take account of country specific factors, and to safeguard local labour markets. It is argued that Europe needs an active rather than a passive migration policy.

Available from: Deutscher Instituts-Verlag GmbH, Gustav-Heinemann-Ufer 84-88, D-50968 Köln, DE.



# Portugal

## **Evolução das Qualificações e das Estruturas de Formação em Portugal (The Evolution of Qualifications and the Structure of Vocational Training in Portugal)**

MONIZ A B, KOVÁCS I (1995)

This paper summarises the results of a study carried out at the request of the Industrial Association of Portugal to be presented at the Euroformation Forum.

The objectives of the study were first of all to provide a quantitative and qualitative analysis of the current structure and availability of qualifications. Secondly, the study identified the extent of the existing skills mismatch. The aim was to assess how far this was caused by a divergence between the supply and demand for qualifications. Thirdly, the study aimed to identify the evolutionary trends in the structure and provision of qualifications in various sectors of production as well as an analysis of the main trends in this development. Lastly, the paper outlines recommendations for the development of new qualifications and vocational training policy.

To achieve these objectives the researchers adopted a qualitative approach. The methodology included a literature review and analysis and a number of interviews.

The authors construct a matrix centred around the achievement of company competitiveness and the logic of regulation, and identify possible scenarios for developing qualifications. These arguments are underpinned by a series of key variables such as changes in technology, qualitative and quantitative changes in employment, management methods and work organisation, skill demand, collective labour relations and education/training. According to this analysis, the recommendations are aimed at assisting qualitative changes in the Portuguese production system, a strengthening of vocational training, the dissemination of any learning from innovative practices and the renewal of entrepreneurial culture.

Available from: UNINOVA/FCTUNL, Quinta da Torre, P-2800 Monte da Caparica. PT.

## Comment

*One of the main debates in the area of labour market policy in Portugal centres around the question of how the country should develop its human resource potential. The main challenge is how to cope with the threat of competition posed by the increasing Europeanisation and internationalisation of markets. As Portuguese industry attempts to move away from being primarily dependent on low skilled, low cost production, the question of a skills mismatch is highlighted. The necessity to provide adequate training systems to equip workers with skills in newly emerging sectors and to keep up with technological developments in existing sectors is becoming more acute. Since 1991 several decree laws and other agreements between the social partners were signed which were designed to alleviate the existing skills mismatch by increasing the provision of vocational training and improving access to such training for disadvantaged groups. The aim was to regulate vocational training in general and to support scientific research to improve information sources on training and employment (for more detail see Bulletin 22). The Essen conclusions equally called for a promotion of investment in vocational training. The increasing stress on initial and lifelong training is the result of the realisation that to maintain European economic competitiveness vis-à-vis the highly productive economies of many developing nations, competitiveness has to be based on quality rather than price. The aim is to maintain and develop the 'European model' of high skilled, high quality production, with workers being guaranteed an equal, minimum level of protection. Vocational training is to be accessible to all groups in society, even the most disadvantaged. Portugal particularly aims to utilise the experiences of innovative practice developed in the framework of European Human Resource and Social Fund initiatives.*

*The study by Lopes underlines such thinking. The publication, part of a research series on the economics of labour, is an important contribution because the reflection, developed by the author himself at the macro-economic level, enhances the debate around the relationship between qualifications and economic competitiveness. The author argues that the failure of traditional labour market policies (employment, income and social policies) is due to the changing nature of unemployment: involuntary, massive, continuous and recurrent. The answer to this challenge can be found in the replacement of Keynes' concept of full employment by Brunetta's model of conflict-compromise. This model applies the disequilibrium theory, considering unemployment to be mainly a symptom of global economic inefficiency. In this context governments should use employment policies to solve conflicts and to promote social compromises.*

*The paper by Moniz and Kovacs provides a synthesis of the main obstacles to a transformation of training structures and the greater efficiency of the vocational training system in Portugal.*

*Despite certain methodological limitations associated with the process of constructing the sample and the refusal of certain institutions and companies to collaborate, the results obtained serve to reinforce the main conclusions of studies carried out by other*

## **Estratégias de Qualificação e Metodologias de Avaliação (Strategies for Qualifications and Methodologies for Evaluation)**

LOPES M C (1995)

Carried out by a university professor at the Institute of Economics and Management this contribution provides a theoretical ac-

count of the significance of qualifications to the current socio-economic changes.

The work is divided into two parts. The first part establishes the link between company policies and the challenges of European convergence. It is argued that the increasing integration of European markets has enforced new perspectives on macro-economic training policies. If

companies are to achieve or maintain competitiveness in the global market, it is argued that human resource management strategies have to be in place at company level to provide employees with qualifications to suit the needs of the market. There are three chapters that analyse, respectively, the relationship between competitiveness, qualifications and

type of company; the macro-economic impact of company training strategies; and the European model of development.

The second part makes reference to labour market policies, particularly with regard to vocational training and the method of evaluating such policies. There is an historical introduction to the concept of vocational training, followed by an analy-

sis of the main strategic skills and the role of vocational training. In the last chapter the methodologies for evaluating labour market policies are outlined and alternative models of evaluation are suggested.

Available from: Celta Editora Lda, Apartado 151, P-2780 Oeiras. PT.



## United Kingdom

### Labour Market Flexibility

BEATSON M (1995)

This research report from the Employment Department represents a welcome contribution to the topic of labour market flexibility. It provides a detailed appraisal of the scale of flexible working in the UK, drawing on information from official and unofficial sources.

The report is organised into 13 main chapters which focus on the following subjects: part-time work; temporary and self-employment; hiring and dismissals; working time; functional flexibility; labour mobility; wage determination; relative wage flexibility-regions; relative wage flexibility-industries; relative wage flexibility-human capital; aggregate employment and hours worked; and aggregate real wage flexibility. Each chapter includes the appropriate statistics and makes reference to previous research where appropriate.

The chapter on Functional Flexibility maps out the current situation in Britain relying for the most part on research based on collective agreements. It shows that the main barriers to such flexible working have been eroded over the past decade or more, yet there is little to suggest that many firms have achieved 'full-blown' functional flexibility. With regard to the achievement of this form of flexibility, the UK still tends to lag behind countries like Germany or Japan. This is a short chapter that reflects the paucity of

information on the subject and somehow it fails to explore the issues fully.

The report prefers to use hard statistical information and this to some extent explains the apparent over emphasis on wage flexibility with no less than four chapters devoted to this subject. Unfortunately some of the data are rather old with, for example, 1990 data used concerning skill differentials.

The author attempts to conclude this wide-ranging discussion on flexibility. One of the more important conclusions is that, from the available evidence, it is difficult to detect the effects of greater flexibility on the overall performance of the labour market. There are signs that the level of flexibility in the UK is allowing jobs to be created (and lost) but the author cautions as to the effects of wage changes which can diminish any positive effects.

*Employment Department Research Series No 48.* Available from: Research Strategy Branch, Employment Department, Moorfoot, Sheffield S1 4PQ. EN.

### Unemployment: Choices for Europe

ALOGOSKOUFIS G, BEAN C, BERTOLA G, COHEN D, DOLADO J, AND SAINT-PAUL G (1995)

The basis of this analysis of unemployment is that it is a problem with no simple cause or easy cure, yet it represents a fundamental challenge to politicians and

their advisers throughout the industrialised world. The six authors (from the UK, Greece, Italy, France and Spain) tackle the problem by firstly refuting many of the traditional reasons given for the European experience of unemployment compared, for example, to those of Japan and the USA. They dismiss the view that competition from developing countries has taken jobs away from the industrialised nations. The authors equally deny the job displacement effect of new technology (they argue that there has not been sufficient new technology in Europe). The well-established idea that European countries have overly generous welfare provisions is explained away by the fact that they have not become more generous since the 1960s (when unemployment was consistently low).

As regards the development of the flexible labour market, the study suggests that the idea of some kind of 'Eurosclerosis' does not match the statistics which, for example, show that the rates of job creation/destruction in Europe are not far behind those found in the USA. This suggests that efforts to deregulate labour markets may not bring the desired benefits in the form of reducing unemployment. Here the UK example, as the most deregulated labour market in the EU, is used to illustrate the point that, despite all the efforts to break down any perceived barriers to employment, unemployment has altered little and indeed has been much more volatile.

Having dismantled the traditional explanations for Europe's unemployment problem, the authors move on to suggest ways in which the problem might be tackled more effectively. A predictive model is constructed around the sorts of labour market reforms proposed by the OECD (principally a deregulated labour market in the USA fashion). This attempts to assess which segments of the labour force would benefit or lose out. However, the mixture of positive and negative effects suggests that there may not be the political will to see through such labour market reforms. This leads the authors to propose a more modest and incremental range of measures including a reduction in the duration of unemployment benefits, alterations to the minimum wage in the form of reducing its relative value and improved training.

Available from: Centre for Economic Policy Research (CEPR), 25-28 Old Burlington Street, London W1X 1LB. EN.

### **An Analysis of Working Time 1979-1994**

BUTCHER S, HART D (1995)

Changes in working time are central to the debate about the flexible labour market. This article provides a comprehensive overview of the trends in hours worked in Great Britain over a long period spanning the years 1979-1994. The source used is the *Labour Force Survey* of Great Britain, and there is a valuable discussion on the relative merits of this benchmark source alongside other potential sources of data on working time.

Analysis of such trends is, however, complicated by the normal fluctuations in hours worked resulting from changes in economic activity. So, for example, during the period 1983-1990 when GDP grew by almost one quarter, total hours worked grew by only half this rate (12.5%). To complicate matters further, the relationship between changes in hours and GDP is not fixed, illustrated by the fact that during the recession of 1990-93, when GDP fell overall by 0.6%, total hours fell more sharply by around 7.8%.

Other factors influencing the changes in hours include the growth in part-time working in Britain. According to the authors, this has led to a gradual fall in the average weekly hours worked by all employees (ie, full- and part-time). Never-

## Comment

*The prominence of the debate on increasing labour market flexibility in the European and Member State policy arena is reflected in the amount of recent research and documentation on this issue in the UK. The government has been favourable towards the extension of external flexibility measures and has encouraged the use of atypical employment contracts for the last 10-15 years. The UK experience can therefore give some indication of the success or failure of such policies in assisting employment creation.*

*The report by Beatson (1995) is particularly welcome as a thorough mapping exercise of the extent to which flexible forms of working are currently used in the UK labour market. It relies on a fairly wide range of data sources in an attempt to plot all types of flexibility. However, it mainly succeeds in measuring external labour market flexibility (such as part-time working, self-employment, etc). It is less successful in measuring internal flexibility such as different patterns of working hours, flexitime, multiskilling and the reorientation of work organisation. This is partly due to the paucity of quantitative data available on such developments, but it also illustrates a fundamental weakness in the understanding of labour market flexibility.*

*Working time is one of the most important issues in the flexibility debate. The review by Butcher and Hart (1995) looks at the incidence and effect of working time flexibility in Britain, using data from the Labour Force Survey. The increase in part-time working is clearly illustrated in its effect on average working hours across all groups. However, with equal clarity it also shows that for the majority of full-time employees the average number of weekly hours worked has hardly changed since 1979. Any sign of increased labour market flexibility clearly lies elsewhere.*

*The case for greater labour market deregulation is far from proven according to the two other documents referred to here. The TUC (1995) paper questions the basic arguments that are put forward to show the positive effects of deregulation. In particular, it is postulated that the available evidence on job creation (largely from the LFS) suggests that unemployed people are not finding work in large numbers and those that do may find themselves in low paid and low quality jobs. This theme is explored in more depth in the study by Alogoskoufis et al (1995) who seek to find a better solution to the European problem of persistent unemployment other than through wholesale deregulation. In essence they do not suggest that deregulation will fail to confer some benefits to unemployed people, but that the scale of the measures required are unlikely to ever command political majorities. Their list of solutions is more modest and focus on a traditional range of measures from limiting unemployment benefits to improving training measures. This serves to confirm the view that there is little new in labour market policy, just different ways of interpreting the fairly limited choice of basic approaches available.*

*These choices are clearly visible in the latest spending plans of the Department for Education and Employment contained in the Fifth Departmental Report (HMSO Cmnd 2805). The financial year 1995/96 will see a total expenditure of around £3.5 billion, much of the money going on a familiar range of active measures such as Training for Work (which provides training and counselling for long-term unemployed people) and Community Action (which creates temporary jobs). Newly introduced measures include Workwise and 1-2-1 aimed principally at young jobseekers. All programmes will lay greater emphasis on positive outcomes, encouraged by payment-by-results for the administering network of Training and Enterprise Councils (TECs) and their Scottish equivalents (LECs).*

theless, this does not alter the fact that, for full-time employees, the average hours worked per week altered little between 1979 and 1994.

*Employment Gazette* Vol 103, No 5, May 1995 pp211-222. Available from: Employment Gazette, Subscriptions and Sales, 16c Challenge House, Sherwood Drive, Bletchley, Milton Keynes MK3 6DP. EN.

### **Has Deregulation Delivered the Jobs?**

TRADES UNION CONGRESS (1995)

This paper is part of the material submitted by the TUC to the ILO Committee of Experts on Employment Policy. It critically examines the role of deregulation, as encouraged by the UK government, in

creating job opportunities. At first, the paper is critical of some of the OECD pronouncements concerning changes in the UK labour market and gives the TUC's own assessment of these developments. It also assesses the role of the trade unions following the spate of industrial relations reforms of the 1980s.

Using the readily available sources of information such as the *Labour Force Survey* and the claimant count of unemployed people, the paper suggests that whilst unemployment has fallen relatively swiftly over 1993-94, this has not been matched by an increase in employment, indicating that more unemployed people are moving into economic inactivity. The

paper goes on to explore the reasons for the recent UK labour market performance, questioning some of the more common assertions.

Unemployment is given considerable attention in the ensuing analysis. For example, it explains that despite a significant fall in the level of long-term unemployment over the past two years, it is still rather higher than in the period before the 1980s and thus still affects some two out of every three unemployed people.

The extent of the flexible labour market is also discussed at length and here it is clear that the TUC associates much of the flexibility with a growth in precarious

jobs. The paper points to the potential problems for those in insecure work and how employers have been 'encouraged' to adopt working practices that minimise the costs to the employer (but at the expense ultimately of the employee).

The paper concludes that deregulation of the UK labour market has failed to bring about any significant improvements in employment or the position of unemployed people. Furthermore, the disadvantages are all too clear in the prevalence of lower quality jobs which compromise training and pay levels.

Available from: Trades Union Congress, Congress House, Great Russell Street, London WC1B 3LS. EN.



## Luxembourg

### **La Situation Economique au Luxembourg à la Fin de 1994 (The Economic Situation in Luxembourg at the End of 1994)**

STATEC (1994)

In its first section this economic outlook provides a general outline of the situation of the world economy. It then goes on to look at Luxembourg's position in 1994 and provides a forecast for 1995. The analysis presents economic trends by industrial sector: industry, steel, construction, and the service sector. The annexes provide a synoptic table with key business indicators for the Luxembourg economy. These indicators are: value added; GNP by volume; the main macro-economic aggregates; survey results on industrial activity; the outlook survey results; the principal measures of economic and social policy; and a bibliography of the Grand Duchy's economy.

The international outlook confirms the economic recovery in the European Union. Among the EU Member States (excluding the three new Member States), GDP rose from 2.6% in 1994 to 2.9% in 1995, and is projected to rise to 3.2% in 1996. According to the CEC, the factors

which lay at the root of the economic recovery in the spring of 1994 were the improvement of international competitiveness and a stabilisation of the monetary situation. These reassuring prospects have already been reflected in unemployment figures. Apart from seasonal fluctuations, these have seen a slight decrease to 10.7% in October/November 1994, compared with 10.8% in September 1994. According to the CEC, unemployment is set to decrease further to around 9.75% in 1996.

In the case of Luxembourg, the employment situation appears to be somewhat paradoxical. A growth of 2.6% or 5000 units (provisional figure) in the internal labour market participation rate (including cross-border workers) contrasts with a 31% (or 1100 units) increase in the number of registered unemployed people. By analysing variations in the number of unsuccessful job applications from one year to another it can be shown that unemployment declined in 1990. Since 1991 it has risen, reaching a peak in February 1994. It seems that unemployment is not a macro-economic problem. In fact, labour market opportunities are

considerable and, in spite of a slight decrease in 1993, progress continues. In 1993 and 1994, internal employment (including cross-border workers) increased by 2% and 2.6% respectively. The trend in cross-border employment slowed down. Compared with growth rates of more than 10% between 1990 - 1992, it currently stands at 8.3%. The majority of newly created employment, however, has been taken up by such cross-border workers. The level of internal paid employment has increased by 4850 units in 1994 while the number of cross-border workers has increased by 4100. At the same time the number of resident job seekers increased by 1100 units. For 1995, a slight reduction in the number of unsuccessful job seekers is predicted with the figure falling from 4600 in 1994 to 4500, which will reduce the rate of unemployment to 2.6%. The growth of internal paid employment should continue more steadily than in 1994 due to the consolidation of the economic recovery and the persistently rising number of cross-border workers.

Available from: STATEC, 6 Bd. Royal, BP 304, L-2013 Luxembourg. FR.

*Continued on page 40*

## Comment

*The economic outlook produced by STATEC remains an indispensable bibliographical tool for the analysis of the socio-economic situation in Luxembourg. It reviews the year 1994 with numerous tables containing all forecast indicators and annual comparisons dating back to 1990, setting national socio-economic trends in the context of increased international competition.*

*The outlook shows clearly the paradoxical situation facing the labour market in Luxembourg, with the rise in overall labour market participation rates and a concurrent increase in jobless figures. Labour market analysts have attributed this phenomenon to the high number of cross-border workers who appear to be the prime beneficiaries of the growth in employment opportunities.*

*In the context of the debate following the publication of the two Commission White Papers 'Growth, Competitiveness and Employment' and 'Social Policy' government, trade unions and employer organisations met in tripartite negotiations throughout 1994 to discuss the issues of unemployment, training and labour market flexibility with a view to enhancing the competitiveness of the Luxembourg economy. During these negotiations, the Federation*

*of Industrialists of Luxembourg (FEDIL) rejected demands for the reduction of working hours, arguing that this could not be justified due to the shortage of domestic labour, highlighted by the employment of 50,000 foreign workers in domestic enterprises.*

*Unemployment figures do not bear out this notion of a shortage of labour. An alternative explanation would be the existence of a skills mismatch, which only serves to highlight the importance of the improvement of training systems. It could be assumed that much of cross-border labour is attracted by the numerous international organisations which have their seat in Luxembourg. However, the nature and level of employment in these organisations escapes the control of statistical analysis since such workers are deemed to be working abroad, thus causing problems for the collection of labour market data.*

*It is therefore difficult to assess why such a large number of jobs are taken up by cross-border workers while domestic unemployment is rising with obvious implications for the system of social protection and the public purse.*

## Forthcoming events

The third **Employment Week Conference and Exhibition** will take place on 7-9 November 1995, at the Palais des Congrès, Brussels. Under the patronage of the European Parliament, the main themes will address: consensus in northern Europe; creating employment in southern Europe; economic and social restructuring of eastern Europe; and linking social and economic policies to employment growth. Each day will have parallel sessions on these main themes. A feature for 1995 will be short information briefings providing delegates with detailed information about ECOSOC; ETUC; UNECE; UNICE; the activities of the EC; OECD; ILO; and the European Parliament. A 'networking room' will also be made available throughout the conference for delegates to exchange experience in an informal and less structured setting.

For further information contact: Touchstone Exhibitions and Conferences Ltd., 4 Red Lion Street, Richmond-upon-Thames, Surrey TW9 1RW. Tel: +44 181 332 0044; Fax: +44 181 332 0874.

The **1996 Annual Conference** of the European Association of Labour Economists (EALE) will be hosted by Greece and will take place at the Mediterranean Agromonic Institute of Chania (MAICH), Crete on 19-22 September 1996. The Conference will be organised by The Centre of Planning and Economic Research (KEPE), Athens.

For further information contact: Dr Nicholas P. Glytsos, KEPE, 22 Hippokratous St., 106 80 Athens, Greece, Tel.: +30 1 3614475, Fax: + 30 1 3611136.

## Editor's note

The editor would like to receive full details of any forthcoming conferences, seminars and workshops.

Please send information to the SYSDM Analysis Unit, ECOTEC Research and Consulting Ltd., Priestley House, 28-34 Albert Street, Birmingham, B4 7UD, UK. Tel: + 44 121 616 1010; Fax: + 44 121 616 1099.

## EMPLOYMENT OBSERVATORY



# Trends

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## The SYSDM National Correspondents are:

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*L&R Sozialforschung, Vienna*

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### UK

Kenneth Walsh  
*Training and Employment Research Network (TERN), Kidderminster*

## Where to Write... Who to Contact

For further information please contact

### EUROPEAN COMMISSION DG V/A/2

Panayotis Sigonis,  
Rue de la Loi 200,  
J-27, 6/100  
B-1049 Brussels, Belgium.

Tel: +32 2 295 6746

Fax: +32 2 296 9848

### SYSDM INFORMATION UNIT

Anne Cawthorn,  
ECOTEC Research and Consulting Ltd.,  
13b avenue de Tervuren  
B-1040 Brussels, Belgium.

Tel: +32 2 732 78 18

Fax: +32 2 732 71 11

### SYSDM ANALYSIS UNIT

Gill Whitting,  
ECOTEC Research and Consulting Ltd.,  
Priestley House,  
28-34 Albert Street,  
Birmingham, B4 7UD, UK.

Tel: +44 121 616 10 10

Fax: +44 121 616 10 99



## Trends

### SYSDEM

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

### Policies

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

### Trends

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

### Research

The "Research" papers present the results of studies on specific themes carried out jointly each year by the Commission and the Member States. The themes for these studies are chosen by the Commission in consultation with the Member States and the social partners in the light of the contribution which can be made by the national co-ordinators and of their relevance for on-going policy analysis. They are published annually in English, French and German.

### Central and Eastern Europe

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

### East Germany

The aim of the series on "East Germany" is to present analytical and up-to-date information on the transformation process and its implications for the labour market in the one part of the former Eastern Bloc which has already become a part of the European Union: the new German Federal States (Länder). The publication is aimed at persons and institutions in Western, Central and Eastern Europe who have an interest in the transformation process from a planned to a market economy. This newsletter is published quarterly in German, English and French.