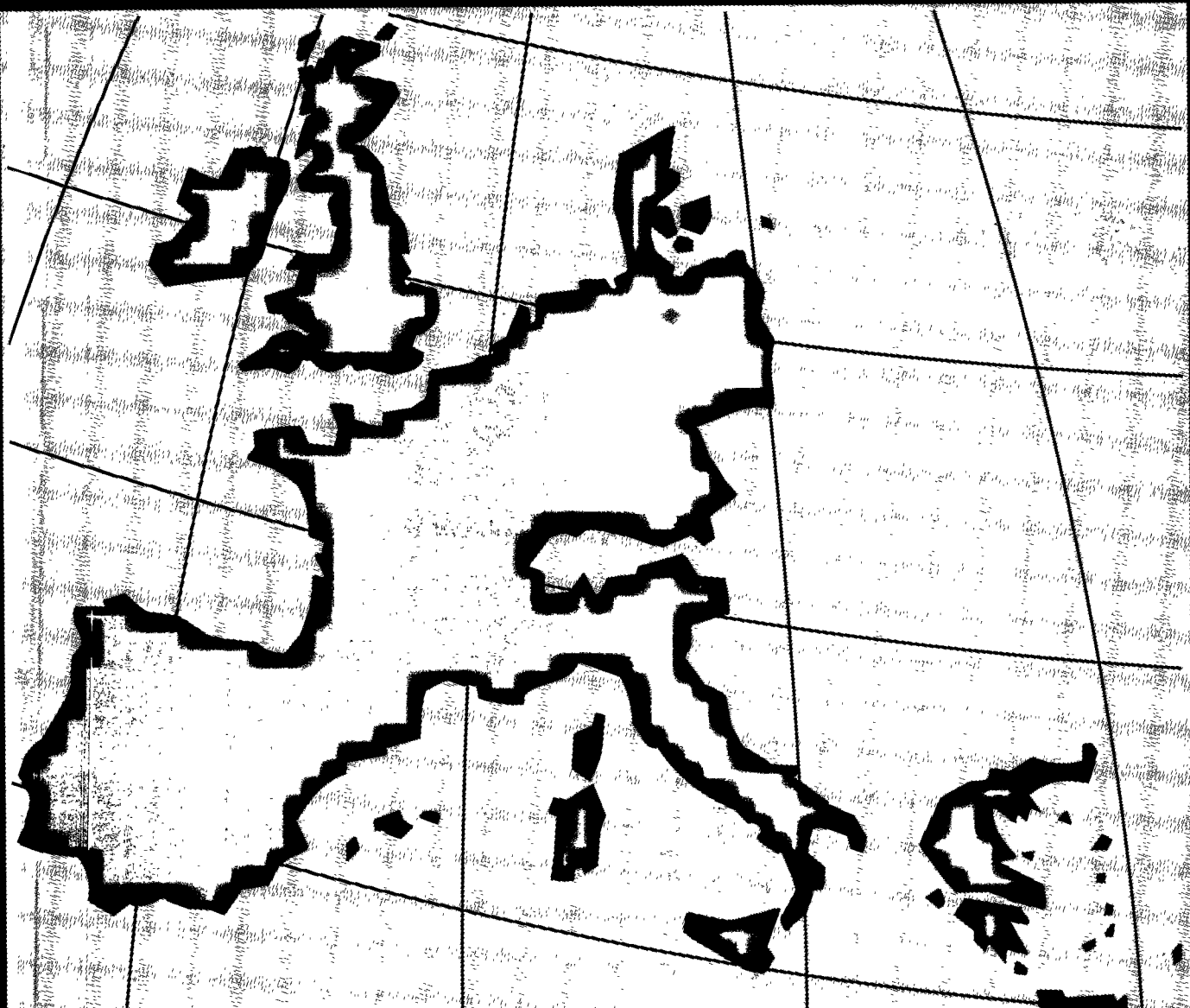


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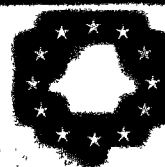
Developments in employment policies in Europe.
Series produced by the MISEP network.

47

Autumn 1994

Employment in
EUROPE

for MISEP



European Commission
Directorate-General
Employment, Industrial Relations and Social Affairs

Developments at a Glance

- Belgium:** Supported by the introduction of a new social identity card, the fight against moonlighting is being extended to all sectors of the economy, with tougher sanctions for offenders. In the Walloon Region an insertion contract has been introduced for unemployed persons aged up to 30, offering wage subsidies to employers. Similar subsidies are now also available for small and medium-sized firms recruiting job-seekers to perform certain kinds of work.
- Germany:** The Employment Promotion Act of 1994 permits private job placement by agencies. Support for part-time work has also been provided by enabling the full-time wage to be retained as a basis for calculating unemployment benefit. Additional changes brought about by the law are the reduction in wage-compensation payments for those on job creation schemes (to 90% of collectively agreed wage rates) and the extension of the so-called "productive labour promotion" scheme, which previously only applied in East Germany, to the whole of the country.
- Spain:** In future the state job placement agency is able to commission private, non-profit job placement organisations. New regulations have been introduced concerning agency workers; temporary employment agencies must fulfil a number of conditions in order to be entitled to a permit. Agency workers have been given new rights. The labour market reform has strengthened collective bargaining and changed the workers statute so as to facilitate flexibility in classifying occupational group.
- France:** The highly controversial lower initial wage for young people on insertion contracts – which in the end was not introduced – is now being succeeded by a wage subsidy for employers recruiting young people. A number of indicators have been developed and analyses conducted to measure the effectiveness of job placement by the ANPE.
- Greece:** Greek trade union legislation has been reformed with the aim of improving the dialogue between the social partners. Also envisaged is the modernisation of the labour market authority and a new financing mode, proposed by the social partners, involving two separate funds for vocational training and measures for the unemployed. The level of unemployment support has been increased.
- Italy:** Part-time contracts and contracts which maintain employment levels by reducing working time (solidarity contracts) are distinctive characteristics of the Italian labour market; they are of increasing importance. The regional employment bureaux have found their place within Italy's labour market institutions. New government initiatives are expected in the autumn.
- Ireland:** A new three-year programme has been agreed between the government and the social partners. The parties to the agreement are keen to uphold the problem-solving consensus in the fields of competitiveness and employment. The benefits available to those made redundant for economic reasons have been increased by means of a rise in the upper income limit used to calculate the benefit. A new programme for community work for the long-term unemployed is to involve around 40,000 participants by the end of the year.
- Luxembourg:** A number of changes which came into effect in 1994 had already been introduced in 1993: social insurance contributions, for instance, are paid by the employment fund for a period of up to seven years for employers recruiting older long-term unemployed persons. Improvements have also been made to the procedures – social plan and consultation – which take effect in the context of redundancies for economic reasons. A new part-time employment law has been passed based on the principle of equality between full-time and part-time employment contracts with regard to social insurance entitlements.
- Netherlands:** Although the Dutch government is of the belief that working time reduction can help in the fight against unemployment, it intends to go its own ways on the issue. A study has revealed virtually no change in the labour market situation of ethnic minorities. In order to improve this situation a law has been passed on equality at work for ethnic minorities which came into effect on 1 July. The effectiveness of the Youth Employment Guarantee Law is to be improved through greater efforts in placement activity prior to and after the period in which the law actually applies. An independent commission is to evaluate the reorganisation of the labour market authority.
- Portugal:** Support for vocational training and a more flexible organisation of working time are to improve women's chances on the labour market. The National Employment Observatory has improved knowledge of developments on the Portuguese labour market.
- United Kingdom:** A wide-ranging package of measures in support of further vocational training has been announced. Special support for small firms in the form of vocational training loans have been introduced. The introduction, planned for 1996, of a "Job-seekers' Allowance" in place of the existing forms of unemployment support, will be subject to a means test after six months' entitlement. The government sees the new benefit as an additional instrument of its active labour market policy.

EMPLOYMENT OBSERVATORY Policies



No. 47, Autumn 1994

The "Policies" bulletin is compiled on the basis of information provided by national correspondents. It is published in English, French and German. The "Focus" part is conceived and edited by the MISEP secretariat. The opinions and analyses contained in this section do not necessarily reflect the opinions or views of the European Commission or the correspondents.

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Layout: pinkuin-fotosatz, Berlin

Printing: Druckerei Conrad, Berlin

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Overall Developments

Germany

Employment Promotion Act and Law on Moonlighting Come into Force

On 8 July 1994 the German upper house, the *Bundesrat*, completed its final deliberations on a number of social policy laws. As a result, among others changes the Employment Promotion Act and the Law amending the Law on the Prevention of Moonlighting and amendments to other laws were able to come into force.

Employment Promotion Act

The 1994 Employment Promotion Act is to come into force on 1 August 1994. The Mediation Committee of the *Bundestag* (lower house) and *Bundesrat* forced changes regarding the so-called productive labour promotion, the reduction in the basis for calculating support for those on job creation schemes and in the allowance for those on structural short-time working.

Extended scope for private job placement

Private job placement, which has been permitted for specific occupations and groups of people since 1 April 1994, can now be performed for all occupations and groups of people. Private job placement agencies require a permit from the Federal Labour Office. This permit will be granted to agencies considered suitable, reliable, financially sound and with appropriate premises. Job placement agencies may as a matter of principle only charge employers for their services.

Higher unemployment benefit under new part-time agreements

A real barrier for many employees who would like to reduce their working hours lies in the fear that, if they lose their job after the reduction, they will only be entitled to unemploy-

ment benefit based on the reduced hours. In view of this, in future unemployment benefit is to be calculated on the basis of the longer hours previously worked, rather than the hours last worked. This is subject to the condition that working time is reduced by more than 20% of the collectively agreed working hours and the longer working hours had been performed for at least six months and during the last three years. This provision only applies to part-time employment contracts reached after 31 July 1994.

Extension of productive labour promotion

Since 1 January 1993 a flat-rate wage cost subsidy has been available for unemployed persons working in measures to improve the environment, in the social services, and youth aid. This flat-rate wage cost subsidy is equal to the average cost of supporting an unemployed persons (unemployment benefit, unemployment assistance, social insurance contributions): it amounts to DM 1,585 per month. In line with the wishes of the new federal states and to assist in coping with special problems there, the field of application of this subsidy is being extended to work in mass-participation sport, the cultural sphere and in preparation for measures to restore historical monuments.

This measure, known as productive labour promotion (*produktive Arbeitsförderung*), is now to be extended to the old federal states as well – for the three initial areas (the environment, social services and youth aid). There the flat-rate wage cost subsidy amounts to DM 2,017 (1995: around DM 2,170). As in eastern Germany, the subsidy is set to expire at the end of 1997; the period of individual support may not exceed two years in the old, and three years in the new federal states.

Reduction in the basis for calculating support for those on job creation schemes

The subsidies available for job creation schemes are in future to be cal-

culated on the basis of a figure of 90% of the wage paid for comparable, non-subsidised work. Given that not all the unemployed can be placed in such fixed-term activities financed out of public resources, it is felt that the difference between such income and the level of unemployment benefit should not be too wide and that as many such employment opportunities should be supported as possible out of the limited resources available. The Mediating Committee of *Bundestag* and *Bundesrat* raised the percentage figure used as a basis for calculation from 80% to 90%, dispensed with the proposed general ceiling for higher wages and postponed the introduction of the new measure until 1 January 1995. The cut in the basis for calculation also applies to the productive labour promotion.

Extension of the support for structural short-time working

The benefit available to those on "structural" short-time working, introduced in 1988, is used to cope with the structural changes under way in the steel and coal industries and in the new federal states. Whereas in the case of cyclical short-time working, continued employment in the firm must be ensured once the cyclical crisis has passed, this is not a requirement for the structural short-time working allowance. In the latter case the employees who would otherwise be made redundant are brought together in an independent organisational unit linked to their firm where they are to receive vocational training for other activities. Since the start of this year structural short-time working benefit has also been available for other branches undergoing major structural change, e.g. in the engineering industry and the armaments industry. The planned expiry of the provision at the end of 1995 left very little scope for the inclusion of new projects. The Mediation Committee has now postponed this time limit until the end of 1997.

Short training measures with continued entitlement to unemployment support

Many unemployed persons lack skills and qualifications that can be acquired in short-term measures – rather than longer-term retraining programmes. In many cases the lack of such skills means that they have scarcely any chance of obtaining work. With this in mind the trade unions (DGB) and the employers' federation (BDA) have jointly proposed that receipt of unemployment benefit or assistance should be able to be used for short-term training measures. This is now possible by virtue of a new provision under which the employment office may grant permission to take part in measures lasting up to 12 months if they are such as to provide knowledge and skills conducive to occupational reinsertion or to improving the chances of placement. In order to prevent the costs of employee training being passed on to contribution-payers, permission may not be granted if the measure aims to enable recruitment by an employer who employed the unemployed person in question during the previous three years or who offered employment to that person before his/her registering unemployed.

Facilitating labour market entry of those who have just completed training

In enterprises working short time, new recruits are normally not entitled to short-time benefit, as the aim of working short time is to prevent redundancies, but not to exacerbate employment problems. Exceptions to this basic principle can only be made if the recruitment was absolutely necessary. In future, those who have just completed their training are to be allowed to be recruited by such firms and to draw short-time working benefit.

Around 25,000 trainees either with learning difficulties, from ethnic minorities or socially disadvantaged, are currently in receipt of support in supra-firm institutions. It is often difficult to place members of these problem groups once they have completed their training. If such young people are left alone in this situation it can lead to personal instability such that

the success of the training period is called into question. For this reason, the relevant training institutions are to be permitted to provide an additional period of up to six months socio-pedagogical support where this is necessary to open up a job opportunity or helps maintain an existing employment relation and if this is desired by the young person in question.

Bridging allowance for the unemployed entering self-employment

The bridging allowance introduced in 1986 and available to recipients of unemployment benefit and unemployment assistance on entering self-employment, has proved its worth. According to a study conducted in 1988 only 14% of those receiving the benefit were again unemployed after a two-year period. In view of the difficulties of setting up a small business, this is a good result. The period of entitlement to the bridging allowance, previously normally ten weeks, is being extended to 26 weeks. In addition, the ceiling on the level of support of DM 300 per week is being abolished, so that the benefit can continue to be provided at the full level of unemployment assistance. Not only do those setting up a small business provide work for themselves, they also create jobs for others.

Further measures to facilitate conclusion of fixed-term employment contracts

In order to prevent the additional work generated by the onset of the recovery being performed by means of overtime, steps must be taken to facilitate recruitment. Studies have shown that the facilitation of fixed-term employment contracts introduced under the Employment Promotion Act of 1985 has proved positive, leading to additional recruitment. The provisions enabling such fixed-term contracts to be signed, extended until 1995 by the Employment Promotion Act of 1990, are now being extended for a further five years to the year 2000.

Extension of employment policy measures due to expire

In recent years a number of employment policy measures have been introduced which were due to expire at the end of 1995. They have now been extended by a further five years, expiring at the end of the year 2000. The extension applies to the following measures:

- support for young workers (under 26) taking part in part-time further vocational training while working part time and for those employed on job creation schemes;
- reduction in the age limit from 55 to 50 for wage-cost subsidies for the recruitment of unemployed elderly workers;
- easier access to unemployment benefit for the unemployed aged over 58 without the requirement of being available for work but with actuarial deductions to pension entitlement for this period;
- provision of vocational training allowance for unemployed persons under 25 to enable them to participate in an occupational preparation training scheme, irrespective of parental income and with a minimum level corresponding to the wage-compensation benefit previously drawn, provided that the person in question has been in paid employment for at least four – instead of the usual 12 – months.

No loss of unemployment assistance entitlement for those performing community work

Unemployed persons performing "additional" (i.e. not performed by private firms) community work as defined in Article 19, para. 3 of the Federal Social Benefit Law can now remain entitled to unemployment assistance if approved by the employment office.

Agency work made easier for the difficult to place

Agencies employing difficult-to-place job seekers through the employment office can terminate the employment relationship prematurely if the unemployed person then immediately joins the firm which had previously hired him/her through the agency.