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National Reports on the Implementation of the Multi-Annual Programmes for Employment

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National Reports on the Implementation of the Multi-Annual Programmes for Employment

In 1994 at the European Council in Essen the EU Member States agreed a new strategy for employment to tackle the increasing problem of unemployment in Europe and to increase the competitiveness of European businesses. This strategy was based on action in five key areas:

- the promotion of investment in vocational training,
- the increased job intensiveness of growth,
- the reduction of indirect labour costs,
- the improved efficiency of labour market policy,
- and the strengthening of measures in favour of groups particularly hard hit by unemployment.

As part of this strategy the Essen Council agreed a monitoring process to help Member States assess their progress towards structural reform of the labour markets. This process involved each Member State in the drawing up of a Multi-Annual Programme for Employment which would provide an analysis of the structural problems of the labour market and present the measures which would be taken in each of the five key areas, in transposing the employment strategy, in accordance with the national conditions.

The Multi-Annual Programmes constitute a reference framework against which the Member States were called to evaluate progress achieved in the fight against unemployment, and in introducing possible changes. Multi-Annual Programmes were first produced by the Member States in 1995 and the European Commission produced a single volume of all 15 Programmes. The purpose of this was to facilitate a comparative analysis of national policies, reflecting the different labour market situations, and to promote the exchange of information about measures adopted in the Member States.

The European Council of Dublin, in December 1996, agreed that the Member States together with the European Commission should take stock of progress to-date in taking forward the Essen European employment strategy. Member States were asked to provide, in 1997, a progress report which would assess how the measures set out in the Multi-Annual Programmes had been implemented and draw therefore some examples of good practice. These implementation reports have been brought together in this present volume, translated into English, where necessary by the European Commission.

Together with the Member States, the Commission agreed in advance a common format for these implementation reports to ensure better homogeneity of purpose and style and to improve their comparability. The aim of this single volume is to allow policy makers, social partners and other labour market practitioners:

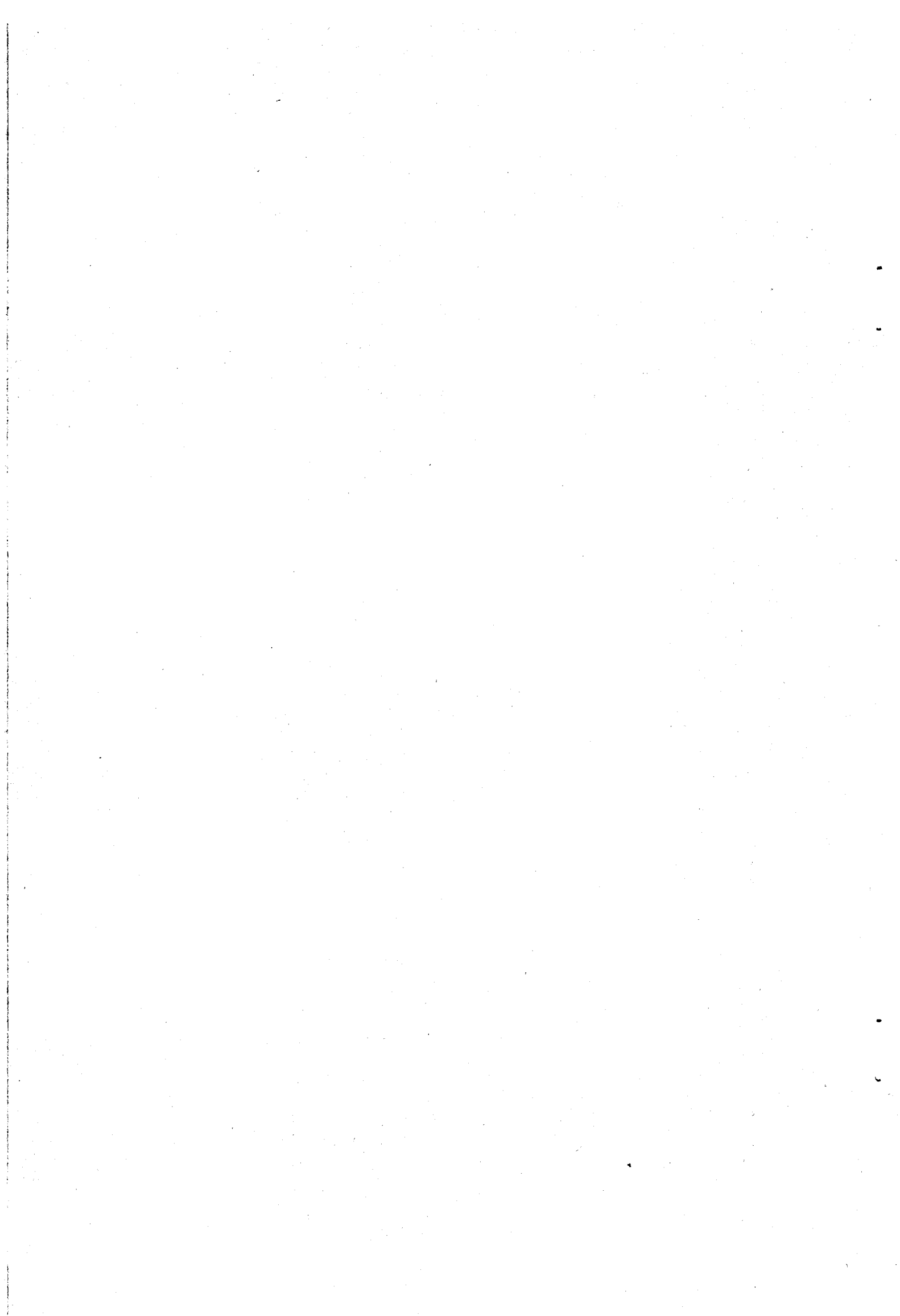
- to gain a better understanding of how the Member States have advanced within the framework established at Essen,
- to permit a comparative overview of the different policies and measures implemented in the Member States according to their different circumstances and labour market structures,
- and to provide information about good practice and innovative measures as reported by Member States, in some cases, on the basis of evaluation studies.

The national implementation reports were used by the Commission and the Council in preparing the 1997 Joint Employment Report which was presented to the extraordinary Employment Summit in Luxembourg in November 1997. Further information on the developments in European labour market can also be found in the Commission's 'Employment in Europe Report 1997' and the 'Tableau de Bord 1997', both of which have just been published.

Brussels, December 1997

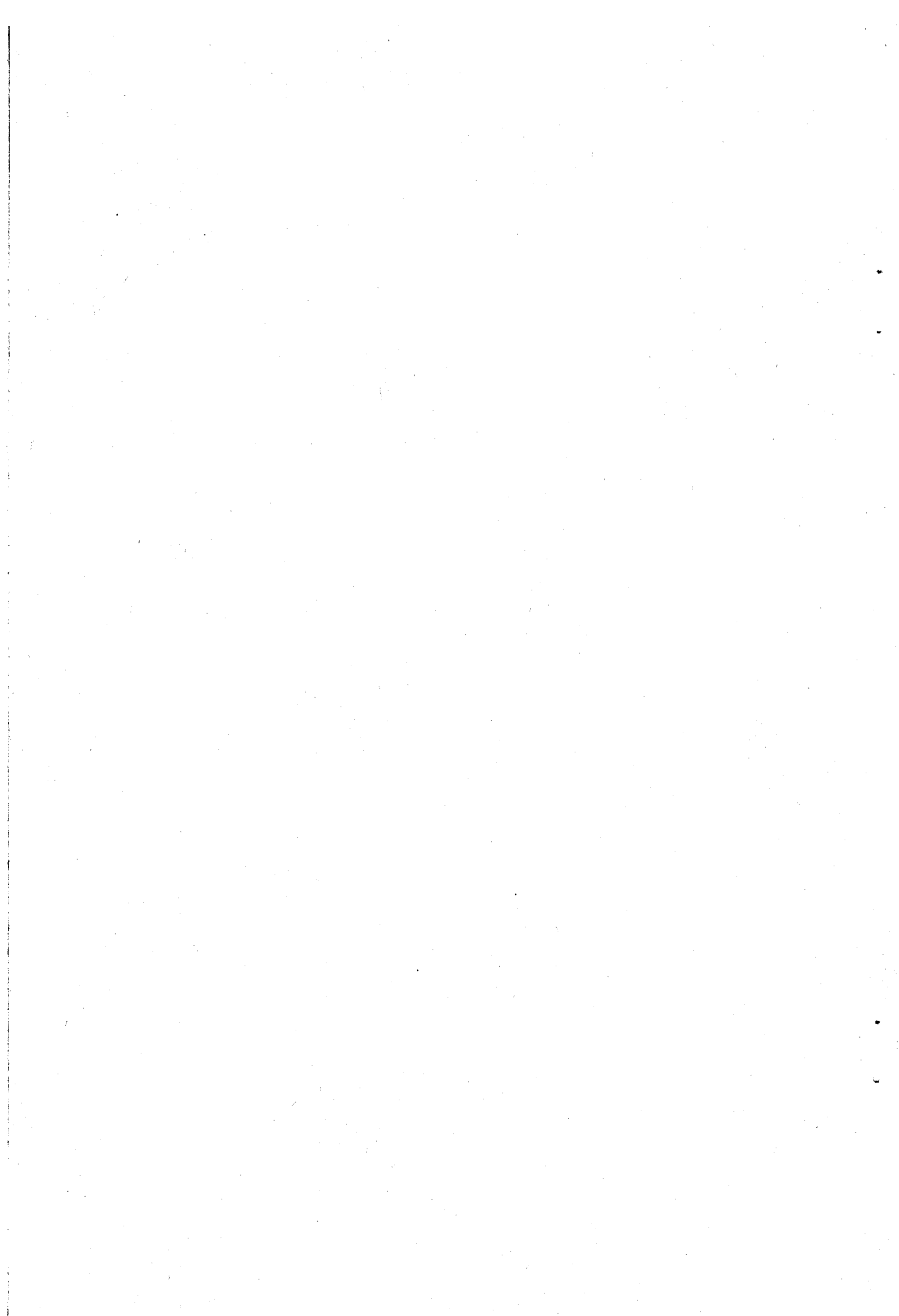
Belgium

The Minister of Employment and Labour
and Equal Opportunities Policy



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1. THE NATIONAL EMPLOYMENT AND LABOUR MARKET SITUATION

After a modest rise of 6 500 units (+0.2%) between June 1995 and June 1996, employment grew between June 1996 and June 1997 by 12 200 units (+0.3%). As the labour force increased by 8 000 (+0.2%) between 1996 and 1997, the growth in employment reduced labour force unemployment by 4 200 (-0.8%) (figures based on the actual situation (before 1996), provisional data (1996) and estimates (1997) by the Ministry of Employment and Labour).

The standardised unemployment rate (Eurostat) stood at 9.6% in April 1997, a decrease of 0.3% on the previous year. The unemployment rate within the European Union fell by 0.1% over the same period to 10.8%.

These figures conceal the fact that unemployment is not distributed evenly throughout the country. The regional unemployment rates (Eurostat, Labour force survey) in 1996 were 6.2% for Flanders, 14.2% for Wallonia and 16.1% for Brussels.

In order to assess the impact of policy on unemployment, we must remember that the labour force has increased sharply - by 68 000 - over the past five years (1992 to 1997). With the recession in 1993, not enough jobs have been created to make up for this increase. We should also bear in mind that military service has been abolished. Up to 1993, 30 000 young people were doing their military service outside the normal labour market.

From 1995 onwards, however, the trend was reversed; between 1994 and 1997, employment grew by 38 000, compared with the 75 000 jobs lost between 1992 and 1994.

The growth in employment over the past three years has largely been accounted for by women's employment. Between 1994 and 1997, male employment fell by 14 095 and female employment rose by 51 999.

In order to compare the unemployment rate in Belgium and in other countries of the European Union, the basic principles of the Belgian unemployment system need to be taken into account:

- unemployment benefit is, in principle, unlimited in time;
- young people who do not find work after finishing their studies receive flat-rate benefits after a waiting period.

This means that people who receive benefit in other countries under other social security schemes or under social assistance schemes still count as unemployed members of the labour force in Belgium.

Economic growth became more job-intensive and the level of employment stabilised in 1996 despite the fact that growth in GDP was restricted to 1.5%. The greatest job intensity came from various schemes for redistributing work.

Employment is forecast to pick up in 1997 (by 2.1%), fuelled by dynamic export activity and a modest increase in enterprises' investment. Economic growth for 1998 is expected to be 2.5%.

2. KEY FEATURES OF THE MULTIANNUAL PROGRAMME

The main strands of a policy to maintain, create and redistribute employment were defined in spring 1996 when the multiannual employment plan was extended and should enable the unemployment rate to be reduced substantially. This can be done on condition that:

- measures are taken to consolidate the economic recovery and sustain growth, which are the keys to maintaining and increasing employment;
- employment is promoted. Measures need to be taken to increase the job intensity of growth and to eliminate unemployment black spots.

Measures to promote employment fall into five main categories (with special emphasis on SMEs) which tally with the recommendations of the European Union to:

- reduce labour costs by exercising wage restraint and reducing employers' social security contributions;
- redistribute work amongst a larger number of persons and take measures to ensure that there is greater flexibility in the organisation of work;
- take steps to encourage integration of target groups facing particular problems in the labour market;
- develop sources of employment which meet society's needs;
- train workers.

This approach was put into practice in the Law of 26 July 1996 on the promotion of employment and the preventive safeguarding of competitiveness and in the governmental communication of 25 March 1997. Pursuant to the latter, several new measures to promote employment were taken. The important thing now is to ensure that they have a maximum impact on employment, which will require systematic follow-up work.

It should be mentioned in this connection that additional structures and instruments for assessing the situation in the labour market and the effect of employment measures, i.e. the "*bilan social*" and the *Conseil supérieur de l'Emploi*, have been introduced.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and lifelong learning

This falls within the remit of the communities. The region of Wallonia is responsible for the French-speaking area of its territory.

Training and integration, sandwich-type training and integration schemes (Wallonia)

At present two sets of arrangements are being experimented with in Wallonia – the training and integration programme and sandwich training – to enhance the occupational qualifications of jobseekers and to respond to the needs of enterprises at a time of change where people need to be reskilled to take up jobs.

Courses under the training and integration programme, which has reformed individual training in enterprises, last between four weeks and six months and must be followed by a period of work covered by a contract of employment, the aim being to bring about a net increase in the volume of employment.

At present, 4 500 individuals are being trained in enterprises. The aim is to increase this number to 10 000 a year within two years and to guarantee the trainees a contract of employment lasting at least as long as the training period.

The region of Wallonia has also approved an experimental scheme to expand sandwich training in order to prepare young people aged between 16 and 25 for occupations in industry and services by means of traineeships in a working environment. The training scheme, which lasts at least 180 days and involves an employer or a training provider, leads to a qualification backed up by a statutory certificate. An employer taking a young person under contract for sandwich training receives a grant of Bfrs 50 000. The training provider receives a grant of between Bfrs 30 000 and Bfrs 50 000, depending on the length of the training period.

The region of Wallonia has also implemented integration schemes to integrate and coordinate the various training activities for jobseekers. Projects are eligible for assistance from the European Social Fund only if they incorporate integration schemes. 300 training providers have signed an integration scheme charter.

“Springboard” projects and apprenticeship units (Flemish-speaking community)

“Springboard” projects are intended to increase the chances of work for young people in part-time education by offering them experience of work. This measure is aimed at young people who have not been able to find employment through normal placement activities. In order to increase their chances, they are offered an individual support plan. This means that support is provided, catering specifically for their needs, which may comprise preparation for work experience, intensive support during the experience period, participation in training, etc. During the training period (lasting a maximum of 40 weeks) the young person receives a training allowance of at least Bfrs 9 000 a month from the promoter.

Apprenticeship units offer the unskilled long-term unemployed the opportunity to follow a suitable training course or to experience work in a normal enterprise. The period of training or work experience is generally followed by a period of work covered by an employment contract.

3.2 Work organisation and working time

In Belgium, considerable imagination has been shown in redistributing work, as the bridging pension, career break or part-time work schemes show. There is no single model for redistributing work. The authorities' role is to create a framework offering a range of possibilities which can both satisfy workers' aspirations and meet the needs of enterprises. The measures set up within this framework can be both individual (part-time work, career break etc.) and collective (reduction of working hours). Agreements on this matter are concluded within the framework of collective and/or individual agreements.

Agreements on employment were proposed by the social partners under the 95-96 cross-sectoral agreement. This scheme is intended to encourage sectors and enterprises to conclude employment agreements producing net growth in employment. The social security contributions payable by the employer are reduced by Bfrs 150 000 a year for each additional worker that an employer takes on for the period in which the agreement is

valid. Applications were made in respect of 120 000 workers during the fourth quarter of 1996.

Under these agreements, enterprises can also opt for a subsidy for creating additional jobs which reduces employers' contributions by the equivalent of 20% of average pay in the enterprise, which is an efficiency incentive allowing for the specific characteristics of the enterprise in question.

Enterprises in difficulties or in the process of restructuring which implement measures to reduce working time in order to keep on as many of their workers as possible benefit from a reduction in employers' contributions.

The employment agreement scheme has been extended and enhanced for the period 1997 to 1998. The basic principles remain the same but more emphasis is laid on the fact that the measures to redistribute work must result in net recruitment gains. To this end, employment agreements must henceforth comprise a minimum of two measures for distributing work, at least one of which must feature in the standard menu.

The standard menu contains six measures:

- the right to a career break (on part-time);
- part-time work on a voluntary basis;
- collective reduction of working hours;
- flexible working hours;
- an entitlement to a bridging pension on half-time;
- introduction of additional training measures for workers during working hours.

Following the 1997-1998 sectoral negotiations, 85 employment agreements have been concluded, covering 70% of workers in the private sector. This number may increase further as a result of agreements within enterprises.

A group of enterprises employing 860 000 workers offers the possibility of a bridging pension on half-time under a sectoral agreement. Over half the workers in the private sector are now entitled to a career break on the basis of a sectoral agreement, which goes further than the statutory guarantee of this right for at least 1% of workers.

A universal entitlement to a career break has just been introduced for 1% of workers as an individual measure to encourage the redistribution of working hours. Moreover, SMEs will henceforth be entitled to a greater reduction of employers' contributions when they hire replacements for workers taking a career break (or a bridging pension on half-time). The average number of workers on a career break was 49 872 in 1996.

In order to encourage part-time work, several measures have been taken over the last 12 months. Income guarantee benefit has thus been increased and can be granted to an unemployed person who accepts part-time work in order to guarantee that his or her net income is higher than unemployment benefit. Moreover, the social security arrangements for part-time workers have been improved, especially with regard to unemployment, sickness and invalidity and pensions. Finally, the option of taking a bridging pension on half-time at the age of 58 has been introduced for everybody.

The Flemish-speaking region also grants premiums to encourage certain workers to take a career break or transfer from a full-time to a part-time job.

In order to prevent labour law inflexibility from hindering job creation, measures have been taken to enable the labour market to be organised more flexibly. These measures tie in with flexibility in the organisation of work. Recently, two measures have been added:

- first of all, temporary workers can now be taken on when there is a temporary increase in work (instead of an "extraordinary" increase in work);
- large enterprises can now – like SMEs – calculate working time on an annual basis (annualisation of working time) by amending employment regulations (instead of through a collective agreement).

In its capacity as the main employer in the country, the public sector is not indifferent to employment problems. In 1995 two specific means of redistributing work were introduced:

- a bridging pension on half-time,
- a four-day week on a voluntary basis.

These two systems of part-time work make provision for partial compensation for loss of earnings and carry an obligation to take on a replacement. As of 30 June 1996, the equivalent of 1 973 full-time jobs were vacated and 1 384 people had been hired as replacements.

3.3 Wage policy

At the end of 1993, under the global plan for employment, competitiveness and social security, two measures were taken to curb wage increases:

- health index: since 1 January 1994, salaries, wages and social benefits have been linked to a price index, excluding a certain number of products (such as tobacco, alcohol, petrol and diesel fuel);
- wages were frozen in real terms for the period between 1994 and 1996.

Since January 1997, the wage freeze has been followed by a period of wage restraint pursuant to the Law of 26 July 1996 on the promotion of employment and preventive safeguarding of competitiveness. The new wage restraint system does not permit wages to rise on average more than the average wage increase in our three main trading partners, namely the Netherlands, France and Germany. For 1997-1998, the nominal margin has been set at 6.1% which, it must be borne in mind, includes automatic wage indexing and regular annual increases. The balance (increases in wages or initiatives to promote employment) may be freely negotiated between the social partners.

3.4 Job creation initiatives¹

Another initiative to create jobs in sectors which are not part of the traditional economy are local employment agencies. This measure enables the long-term unemployed (unemployed for at least two years) to be occupied (for a maximum of 45 hours a month) in activities which do not fall within the normal categories of work but which meet a

¹ Most measures to promote employment which are accessible to the unemployed are also accessible to recipients of social assistance (minimum income benefit).

social need (home help, gardening, caring for children or the ill, etc.). Unemployed people who are occupied through local employment agencies retain their entitlements under the unemployment insurance scheme and receive additional income from their work. They keep their unemployment benefit and, in turn, their social benefits. Individuals who use local employment agencies are eligible for tax relief.

During the month of June 1997, 30 000 unemployed people were occupied under the LEA scheme and their situation has now been improved by individual contracts drawn up with the LEAs. LEAs form an interface which enable the unemployed to make the transition to the normal labour market.

In the non-market sector, there are also needs which are not attracting enough resources from existing subsidies. The aim is to create additional jobs by meeting these needs. To this end, Bfrs 3.3 billion have been made available for 1997 for funding the *Maribel social* (Maribel social programme). This provides for a flat-rate reduction of employers' contributions in the field of health and social welfare (hospitals, convalescent and nursing homes, psychiatric nursing homes, sheltered housing, authorised services for assistance to families and the elderly, sheltered workshops, reception centres, childcare facilities, services for assistance to young people, medico-pedagogical institutions, centres for social or occupational integration of persons with disabilities etc.). This reduction is granted on condition that the employer converts the gains entirely into net additional recruitment, therefore providing jobs for some 4 500 workers in all.

It was also decided to support certain initiatives in the cooperative and voluntary sector, especially *sociétés à finalité sociale* (companies pursuing social aims) and undertakings to reintegrate the unemployed. *Sociétés à finalité sociale* have a new legal status which is in keeping with the characteristics of the cooperative and voluntary sector and is incorporated in the laws on commercial companies.

Undertakings to reintegrate the unemployed are intended to bring jobseekers who are particularly difficult to place back into society and work by employing them in the production of goods or services.

These undertakings (and *sociétés à finalité sociale*) benefit from exemption, on a declining scale, from the employers' contributions for such jobseekers for a period of four years from the time that they are taken on.

This policy is also backed up by supplementary incentives from the regions.

3.5 Making taxation systems more employment-friendly, specifically to reduce wage costs in the case of Belgium

Belgium, whose economy is extremely open, faces labour costs which are higher than those of its economic partners and immediate neighbours as a result of the high employers' social security contributions. Various steps have already been taken to reduce them, but any reduction has to be made up by alternative funding. Such measures tie in with the objective of aligning the level of social contributions with the average level in our three main trading partners in the medium term.

There are two separate types of measures:

- structural measures, which are not limited in time and which apply to both active and newly recruited workers;
- measures which provide for a temporary reduction of contributions in return for taking on certain categories of jobseekers, such as young people and the long-term unemployed.

There are two structural measures, namely the Maribel operation and reducing employers' contributions on low wages.

The Maribel operation was introduced in 1981 and comprises a general reduction of employers' social security contributions for manual workers. Recently, new rules on the Maribel operation were adopted which enter into force from 1 July of this year. The amount of the reduction varies with the proportion of manual workers in the enterprise's workforce. The reduction therefore ranges between Bfrs 20 000 and Bfrs 33 200 per year and per manual worker. A fixed reduction of Bfrs 34 000 per year is applied in respect of workers in SMEs employing fewer than 10 workers. The new Maribel measure will therefore apply to some 770 000 manual workers.

Reducing contributions on low wages is intended to cut labour costs for unskilled workers who are mainly employed in labour-intensive sectors and in SMEs. As unskilled workers account for the majority of the unemployed, this measure is also intended to make it easier to take on such workers. All employers in the private sector are eligible for this reduction, which decreases as pay rises, ranging from 50% at the level of the guaranteed minimum wage and 10% for a gross monthly wage of Bfrs 60 000. This represents a reduction in total wage costs of between 12.2% and 2.4%, depending on the level of pay. At present, this measure applies to some 800 000 workers.

Of the measures which provide for a reduction of contributions when certain categories of jobseekers are taken on, the plus-one plan deserves a mention. This plan grants self-employed persons or companies which have never employed any workers or have not done so for at least 12 months a reduction (on a declining scale) in employers' contributions for a period of three years for the first worker that they take on, on condition that he or she is a wholly unemployed person receiving benefit and is taken on under an unlimited employment contract. In the second quarter of 1996, this plan was applied to 14 759 workers and from 1 January of this year was extended to the second and third workers who are recruited.

In Flanders, the rate of death duties has been reduced when a family business is being transferred to different hands, on condition that employment within the enterprise is maintained.

3.6 Activation of labour market policies

The occupational transition programmes are a recent initiative in this field. This measure stems from a cooperation agreement between the Federal Government and the regional and community governments to use unemployment benefit actively. In future, some unemployed people may continue to receive flat-rate benefit whilst occupied under an unlimited employment contract in a municipality or in a non-profit-making organisation.

The balance of the unemployed person's wages is paid by the regional or community authority and by the employer. Occupational transition programmes are intended to create additional jobs to cater for collective needs which are not being met or are not being met sufficiently at present. They therefore supplement the jobs created under work promotion programmes in the non-market sector. In Flanders, the occupational transition programmes are implemented under "work experience" plans ("WEP" and "WEP-plus"), which are intended to offer the long-term unemployed with low skills levels temporary experience of work in the non-market sector. Both in Wallonia and in Flanders, support and active jobseeking and occupational training activities will be available for workers who are employed under the occupational transition programmes to improve their chances of finding work once their employment under the occupational transitional programme ends.

First work experience (PEP) contracts and employment through local employment agencies also contribute to activating unemployment benefit. Income guarantee benefit, which is granted to part-time workers who are awaiting full-time employment, is also a form of activating unemployment benefit.

3.7 Specific measures in favour of youth

In addition to traineeships for young people - a measure which has existed for several years already - a new one has been created - first work experience (PEP) contracts.

People under 30 who have been looking for work for nine months are eligible for a PEP contract. The contract runs for six months and can be extended by six months once. A young person employed under a PEP contract is entitled to an allowance equal to 90% of the normal wage.

When a young person is employed on a half-time basis, he or she receives a fixed allowance of Bfrs 6 000 a month. This both activates the unemployment allowance and promotes part-time work and hence redistribution of work.

3.8 Specific measures in favour of the long-term unemployed

The first programme to be mentioned in this context is the support plan for the unemployed. This has a twofold aim, first to provide more intensive support for jobseekers when their motivation to actively seek work starts to weaken, and second to keep a closer check on the availability for work of unemployed people receiving benefit. All wholly unemployed people receiving benefit who are under 46 and who are starting their tenth month of unemployment and do not hold a certificate of higher secondary education must follow a programme of individual support.

However, it is not enough just to provide better support for the long-term unemployed; they have to be given more opportunities to get back to work. The recruitment incentive plan provides for generous reductions of the contributions paid by employers who take on the long-term unemployed. Contributions are reduced by 75% for the first year and 50% for the second year in respect of wholly unemployed jobseekers who have been receiving benefit for at least 12 months. If the jobseeker has been wholly unemployed and on benefit for at least 24 months, employers' contributions are reduced by 100% the first year and 75% the second year. Both fixed-term or temporary contracts and unlimited contracts may be concluded under the recruitment incentive plan. There is no obligation on the employer to make a net increase in his workforce. At the end of February 1997, the

number of people taken on under the plan was 71 456. It is striking that 44% of the recruitments were of people who had been unemployed for over two years. In order to help elderly unemployed people to get back into work, greater reductions are applied under the recruitment incentive plan when jobseekers aged at least 50 who have been unemployed for at least six months are taken on.

3.9 Specific measures in favour of unemployed women and to promote equal opportunities in employment

Two factors have left their mark on the labour market over the past few years: the steady increase in women's employment and the increase in the rate of unemployment amongst women. This proves that this group now accounts for a larger proportion of the labour force (over the past three years (1994-1997), the female labour force has increased by 42 798, whilst the male labour force has declined by 18 329).

Promoting employment by reducing charges in order to increase investment in labour has certainly had a positive impact on women's employment.

Measures aimed at redistributing work and promoting part-time work also mainly affect the female labour force.

Specific unemployment measures will not be sufficient to bring about equal opportunities for men and women with regard to employment. General measures must be adopted to eliminate segregation of women in the labour market, to ensure that they receive equal pay and to upgrade women's work in general. However, every measure in the employment plan has been examined with regard to its specific impact on women in order to ensure that equal opportunities for men and women are taken into account in all measures which are deployed (mainstreaming).

With regard to employment, there are three reforms which are intended to improve the situation of women in the labour market.

a. Job classification

The regulations were amended in 1996.

The aim of the amendment was to ensure that men and women are treated equally as regards job classification and that, *inter alia*, typically female occupations are not systematically downgraded.

b. Night work

Up to this year, the regulations on night work were fundamentally different for men and women. In principle, night work was banned except for men alone, which meant, amongst other things, that there were very few women in certain sectors of activity.

The new Law of 17 February 1997, which essentially applies to the private sector, upholds the principle of banning night work and raises the ban for women.

c. Parental leave

From 1 January 1998 onwards, male and female employees will be able to take parental leave of three months from the time when a child is born (or adopted) until it reaches the age of four. Parental leave will be treated as working days so that social security entitlements are maintained.

4. IDENTIFICATION OF MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

Since Essen, the Structural Funds' priorities have been to improve vocational training, streamline the labour market and implement measures designed to help integrate the groups of people hit hardest by unemployment.

In Belgium, the policies pursued by the European Social Fund, mainly under Objectives 3 and 4 but also under Regional Objectives 1, 2 and 5.b, constitute a strategy which is clearly geared towards training, flanked by support for employment.

The goal of coherence and complementarity, of both Community and Belgian policies, is assuming ever greater importance, but should not, however, obscure the tension generated in a clash between micro-economic or social aims and macro-economic aims or, say, between the criterion of stable employment and flexibility policy, between the concepts of target groups, the integration of disadvantaged groups and penalties under the unemployment insurance scheme, and between reintegration activities and massive redundancies in public enterprises, etc.

This new approach requires all the players involved to adopt a stance which is above all preventive and proactive and is particularly well illustrated in the new Objective 4.

5. MAJOR REFORMS OR MEASURES ENVISAGED IN THE NEAR FUTURE

5.1 Reintegration of the long-term unemployed

This measure is intended to create a maximum number of jobs for the long-term unemployed (all those unemployed for over five years and recipients of *minimex* (minimum income benefit) for more than three years, or two years in the case of the unskilled).

People employed under this measure will have a normal contract of employment at least on half time for either a fixed or unlimited period. The new jobs will be in occupations which are not, or are generally no longer, exercised. In order to enable these jobs to be created, part of the unemployment benefit will be activated. Bfrs 17 500 francs will be payable per job on at least half time and Bfrs 22 000 per job on at least 4/5 time. The worker will receive the normal wage in the sector with a ceiling of 120% of the guaranteed average monthly minimum income.

The second part of this measure introduces an allowance of Bfrs 6 000 a month, in addition to the benefits under the recruitment incentive scheme, for the first year in which anyone who has been unemployed for over five years or on *minimex* for over three years is recruited.

5.2 Reduction of contributions in order to redistribute work

A specific scheme for reducing contributions has been introduced experimentally in a maximum of 20 enterprises. This measure applies to enterprises employing over 50 workers which have concluded a collective labour agreement with the following features:

- introduction of new working hours for at least 20% of the workers (32-hour week);

- wage compensation payable to workers whose working hours have been reduced;
- an undertaking on the part of the enterprise to hire a fixed number of additional workers to guarantee at least the same volume of labour as in 1996.

5.3 Promotion of work in SMEs

In recognition of the contribution SMEs make to creating jobs, it was decided under a programme-law on the promotion of self-employment to supplement recent measures affecting them directly (reinforcement of the low-wage measure, application of the upgraded Maribel scheme, reinforcement of the +1, +2 and +3 plan) by two new ones:

- supporting job creation in the smallest SMEs (employing fewer than 11 workers) by introducing a tax exemption of Bfrs 165 000 a year (in 1998, 1999 and 2000) for each additional worker recruited earning a wage of up to Bfrs 70 000 a month;
- meeting the specific training needs of SMEs by introducing a continuing training system for wage-earners in SMEs, with the agreement of the employer and outside working hours, with the public authorities contributing 50% of the wage paid during training.

In Flanders, a measure has been introduced which is intended to encourage SMEs to take on (young) highly skilled workers in order to implement an innovation plan within the enterprise. Under this measure, part of the worker's wages is paid and support is provided.

5.4 Wallonia

There are plans both to introduce short training courses for workers in SMEs funded by the region, using a training voucher scheme, and to offer young people training in enterprise creation.

The region would like to support experiments to reduce collective working hours and recruit additional workers as a job-creation measure.

In order to stimulate demand for neighbourhood services and to ensure that it is met, the region of Wallonia is planning to issue service vouchers, mainly to promote companies pursuing social aims and build up a structured supply of services in the areas targeted.

There are also plans to encourage municipal authorities to develop new activities which will generate jobs locally through a new instrument, the "local development agency".

5.5 Flanders

The Vlaminov measure will offer enterprises the possibility of reducing their real-estate tax on condition that the average overall volume of employment within the enterprise is maintained.

As regards vocational training, additional financial resources are going to be released for enterprises which have ascertained that they have shortcomings on the training front and have taken practical steps to remedy these.

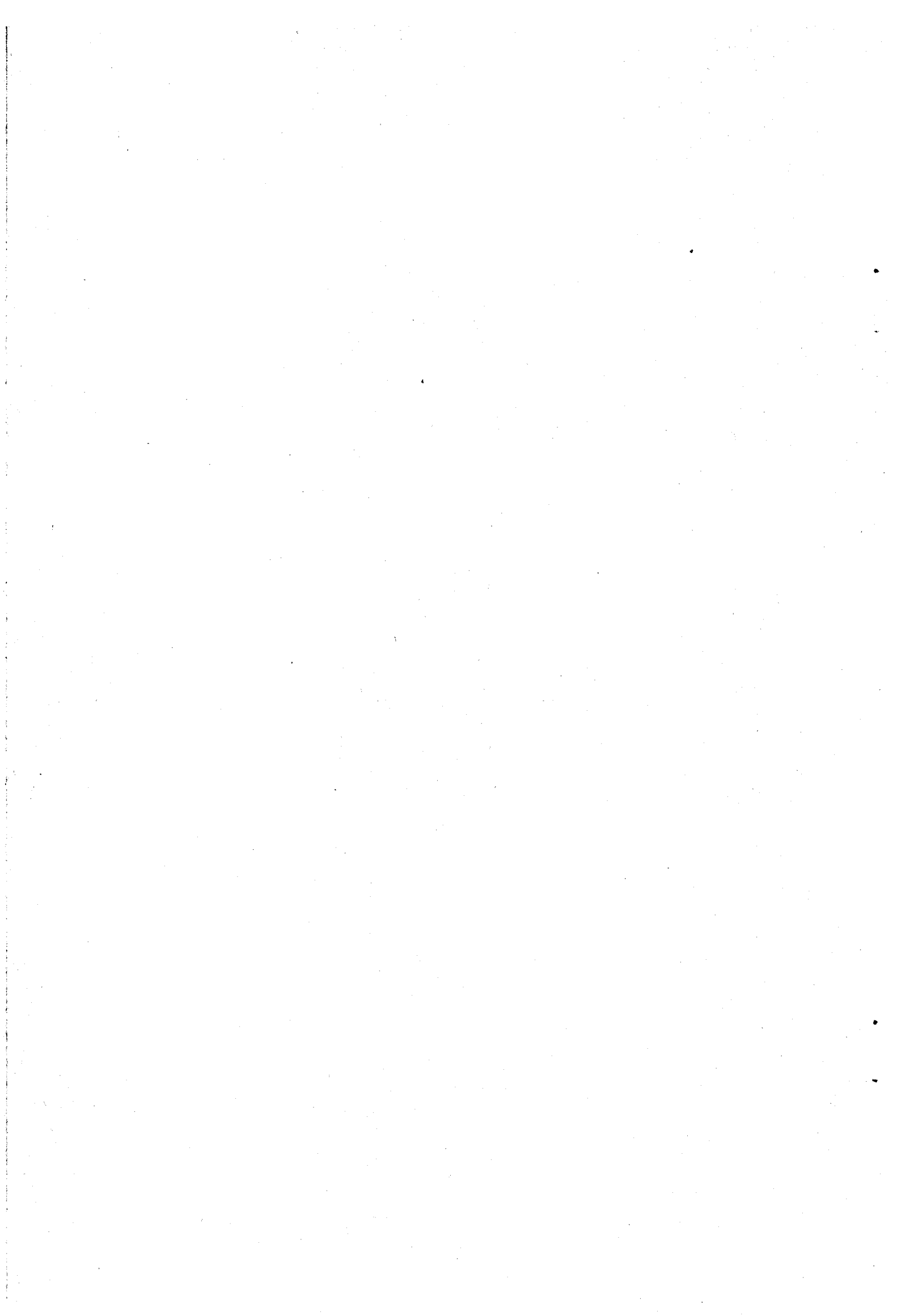
The "leverage credit" (*hefboomkrediet*), which is geared towards training and innovation, is intended to encourage investment in human resources in enterprises. It is hoped that this will increase workers' economic and occupational mobility.

There are plans to explore at municipal level the possibilities for jobs in neighbourhood services, with particular attention being reserved for jobseekers with the lowest levels of education.

LABOUR MARKET PROGRAMMES

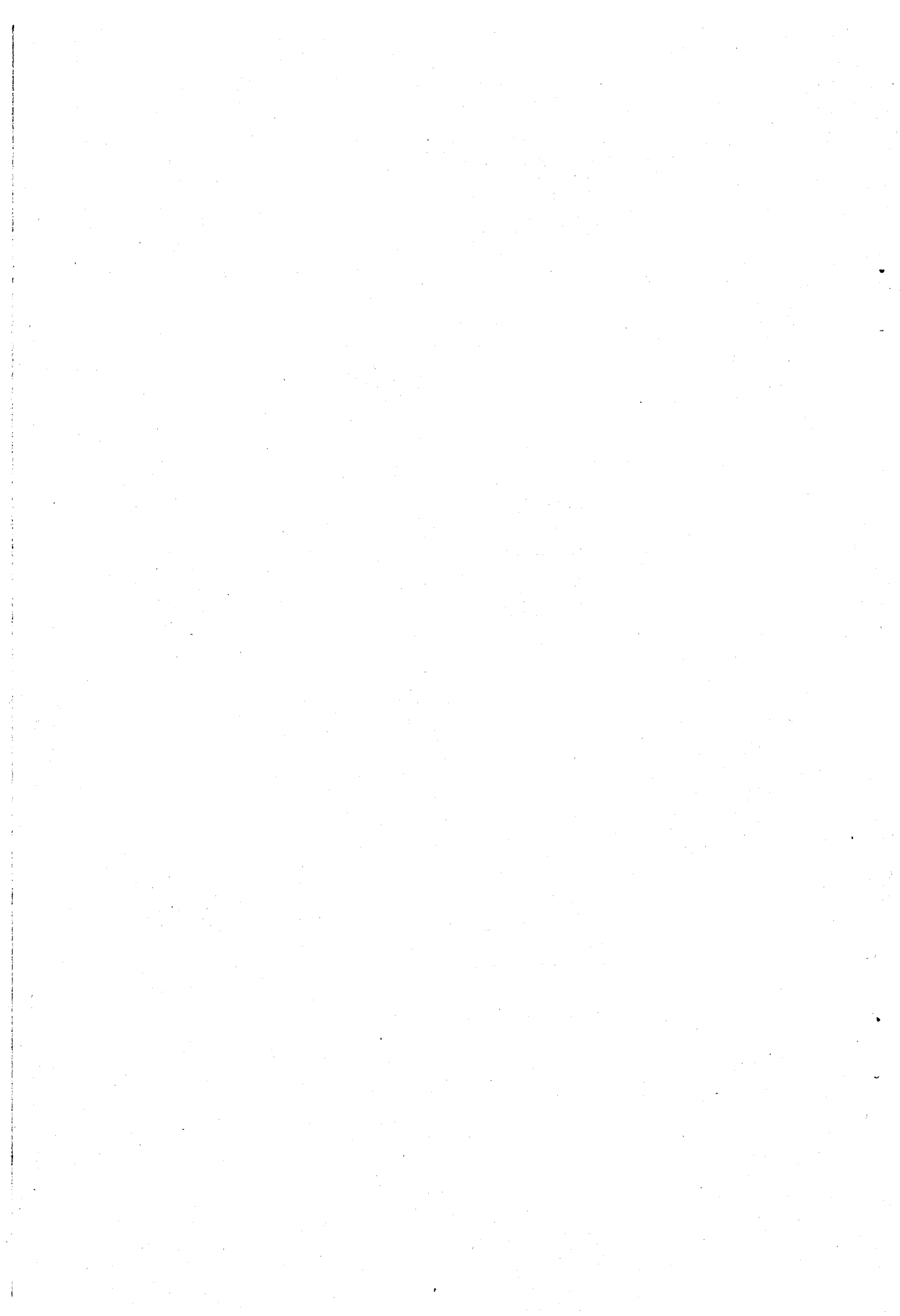
Title of the programme	1993		1994		1995		1996		
	Cost (1)	Number of beneficiaries (2)	Cost (1)	Number of beneficiaries (2)	Cost (1)	Number of beneficiaries (2)	Cost (1)	Number of beneficiaries (2)	Number of beneficiaries at the end of December
Not targeted Maribel	19 571		18 800	667 000	18 155	666 076	17 729	787 710	786 292
Targeting unskilled/low-income workers Low pay	-		7 000	446 882	9 980	474 929	13 261	790 865	/
Targeting young people Youth recruitment plan (soon to be terminated) Youth traineeship scheme and first work experience contract	- -	- 15 602 (3)	4 100	30 680 14 498 (3)	5 773	32 206 14 729 (3)	2 639 -	21 496 14 255 (3)	17 903 15 792 (3)
Targeting the long-term unemployed Recruitment plan Support plan	- 1 250	- 95 054 (5)	- 1 679	- 97 327 (5)	2 004 1 670	17 251 (4) 41 765 (5)	3 951 1 600	50 515 (4) 38 923 (5)	66 627 (4)
Others Plan +1 Agreements on employment Local employment agencies Career break	- - - 6 172	- - - 57 969	600 - - 5 506	3 488 - - 53 664	1 491 1 848 - 5 541	9 685 17 822 10 132 51 291	2 163 12 006 - 5 271	15 065 101 977 19 410 51 005	16 661 119 838 24 926 52 443

- (1) In millions
(2) Total number of workers to which the measure applies at the end of June in the year in question
(3) Source: regional employment services
(4) Total number of beneficiaries (source: National Employment Office)
(5) Annual total of agreements concluded



Denmark

Ministry of Economic Affairs
Ministry of Labour



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Update of Denmark's Employment Programme

1. STRATEGY FOR GROWTH AND EMPLOYMENT

The Danish strategy for growth and employment continues to be based on a combination of a stability-oriented economic policy and structural policy measures which aim at ensuring a well-functioning labour market through a stronger emphasis on up-grading of skills and qualification and education. These are the most important instruments to ensure a high level of employment and prosperity.

The positive economic development in combination with the labour market reforms in recent years has led to a reduction in unemployment from about 360,000 persons in early 1994 to a little more than 220,000 persons today. Employment has grown by 110,000 persons during this period. Furthermore, youth and long-term unemployment has been reduced by 50 per cent since the start of 1994.

1.1 A stability-oriented economic policy

The stability-oriented economic policy - which is in line with the principles laid down in the Treaty concerning stable prices and sound public finances - contributes to the continued stable and sustainable, non-inflationary economic growth.

Low inflation and sound public finances are necessary prerequisites for a low interest level for the benefit of private investments. Increased investments is an important pre-condition for a continued strong economic growth with a continued low level of inflation and sustained employment growth.

The fiscal policy strategy is to maintain a strict budgetary policy which will lead to a surplus on the public finances seen as an average over the business cycle. This is necessary in order to maintain a low level of inflation and a reduction in gross public debt.

In 1997 we saw a surplus on public finances for the first time in 9 years. During the years up to 2005 we will see a continued improvement in the public finances. It is expected that there will be a surplus on public finances of 2.8 per cent of GDP in year 2005 and it is the Government's target to reduce gross public debt to 40 per cent of GDP by year 2005. At the same time, unemployment has fallen by 140,000 persons since the spring of 1994. Calculated according to uniform principles, unemployment in Denmark is among the lowest in Europe.

Table 1.1 Employment and public finances in Denmark

	1995	1996	1997	1998
Employment (1,000 persons)	2,521	2,546	2,584	2,612
Unemployment (percentage)	10.3	8.8	7.8	7.4
Public sector balance (per cent of GDP)	-1.9	-1.41)	0.7	0.7
Gross public debt (per cent of GDP)	72.2	70.2	66.6	63.8

Source: The Ministry of Economic Affairs, Economic Survey, May 1997.

1) On 19 June Danmarks Statistik published revised figures for public finances for 1996. The employment programme shows the calculation made by Danmarks Statistik of the public sector balance for 1996. This figure was not available when the economic forecast and the projections up to year 2005 were made, so the estimates of the employment programme are based on a public sector balance of -1.6 per cent of GDP for 1996.

The economic development and the strategy for the economic policy up to year 2005 are thus in line with the Pact for Stability and Growth and the Resolution on Growth and Employment adopted by the European Council in Amsterdam.

The targets for the economic policy up to year 2005 are summarised in box 1.1. below.

Box 1.1

- A reduction of the number of people of working age receiving transfer payments by more than 150,000 persons
- An increase in employment by 240,000 persons
- A reduction in unemployment of 5 per cent of the labour force
- Fully repay the foreign debt
- A reduction of gross public debt to around 40 per cent of GDP

1.2 Structural policy

The structural policy aims at ensuring a broad and flexible labour market by means of for instance up-grading of skills and education which will improve the qualifications of the labour force. The objective of these measures is to ensure that the skills and qualifications of the employees will match the demand for new qualifications on the labour market.

Since 1993 the Danish Government has put the main emphasis on an active labour market policy which aims at bringing the individual unemployed persons back into employment or in education. In this connection Denmark has introduced a number of initiatives which aim, among other things, at improving the functioning of the Danish labour market. Most of the initiatives will be fully implemented in the course of 1997 and 1998, but it is expected that it will take a couple of years before the full impact of the measures can be recorded.

The Danish Government's objective of increasing employment by 240,000 persons and reducing unemployment to 5 per cent of the labour force up to year 2005 is to be achieved by means of further structural improvements on the Danish labour market, for instance by strengthening education and training programmes and measures.

Another important task in the next few years will be the creation of a broader and more flexible labour market for persons with reduced capacity for work and for older persons with an out-dated education background. This will give these persons better employment opportunities and will reduce the number of persons on transfer incomes.

2. EMPLOYMENT PERSPECTIVES AND THE PRESENT THE LABOUR MARKET SITUATION

2.1 The economic development up to year 2005

The Danish economy is experiencing a period of strong recovery. Compared with the updated employment programme from October 1996 the economic growth is now expected to be 3.3 per cent in 1997 and 3.0 per cent in 1998 which is an upward adjustment in 1997 and a downward adjustment of the estimate for 1998. When it comes to the long-term economic development in Denmark, the growth in GDP is expected to be a little more than 2 per cent on average for the period 1999-2005.

Employment is expected to increase in 1997 and in 1998 by 38,000 and 28,000 persons, of which, respectively, 26,000 and 20,000 persons in the private sector. Compared with last year's employment

programme this is an upward adjustment of total employment of 7,000 persons for 1997 and a downward adjustment of 9,000 persons for 1998. The employment rate - which indicates the share of employed 16-66 year-olds out of the total population in the age group 16 to 66 years - is expected to increase to more than 70 per cent in 1997 and 1998.

The target of the Danish Government for the development in employment is to bring a further 240,000 persons into employment up to year 2005. The increase in employment is presumed to be the result of an increase in labour force entrants of 170,000 persons and a fall in unemployment of 70,000 persons up to year 2005. The increase in labour force entrants is conditional upon a marked increase in the participation rate from 77 per cent in 1997 to nearly 81 per cent in year 2005.

Regarding unemployment the target of the Danish Government for year 2005 is to reduce it to 5 per cent of the labour force. This means that unemployment will fall by a total number of about 50,000 persons from 1999 to 2005. This target is underpinned by the expectation that unemployment will fall to 220,000 persons in 1997 and further to 210,000 in 1998. This corresponds to an unemployment rate of a little under 8 per cent of the labour force in 1997 and 7½ per cent in 1998. This is the lowest level of unemployment since 1980.

Table 2.1 Growth and employment in the EU and in Denmark, 1995-98.

	1995	1996	1997	1998
Growth in Denmark (increase in real GDP, per cent)	2.7	2.4	3.3	3.0
Growth in the EU (increase in real GDP, per cent)	2.4	1.6	2.4	2.8
Employment in Denmark (perc. increase)	1.6	1.0	1.5	1.1
Employment in the EU (perc. increase)	0.6	0.1	0.5	0.9
Employment rate in Denmark (per cent) ¹⁾	69.3	69.7	70.5	70.2
Employment rate in the EU (per cent) ¹⁾	59.6	59.5	59.6	60.0

Source: The Ministry of Economic Affairs, Economic Survey, May 1997 and the European Commission, Forecast May 1997.

1) The employment rate is calculated as total employment among the 16-66 year-olds in relation to the population in the age group 16 to 66 years. For the EU the total employment is set in relation to the population between 15 and 64 years; no adjustments have been made for the fact that some of the employees are older than 64 years.

In order to maintain a low rate of inflation and to underpin the fixed exchange rate policy, the Government has as its objective to organise the fiscal and structural policy in such a way that the inflation in Denmark is kept at a level of about 2 per cent per year. For technical calculation purposes wages and salaries are expected to increase by about 3¾ per cent per year during the period up to year 2005.

Since 1993 there has been a marked improvement in public finances from a deficit of 34 billion Dkr. in 1993 to an expected surplus of 7 billion Dkr. in 1997 corresponding to 0.7 per cent of GDP. Up to year 2005 a further improvement in public finances is expected in line with the reduction in the level of unemployment and increases in the tax base. In year 2005 the surplus on public finances is expected to be 2.8 per cent of GDP. This improvement in public finances is primarily due to a reduction in the expenditures in the order of 8 per cent of GDP from 1997 to year 2005. A part of this fall is attributable to lower expenditure on transfer incomes and lower interest costs in connection with the gross public debt.

From 1993 to 1996 gross public debt was strongly reduced from about 80 per cent of GDP to about 70 per cent of GDP.¹ Gross public debts are expected to be reduced to about 40 per cent of GDP in year 2005 due to the fiscal policy strategy and the positive economic development.

Since mid-1996 Denmark's long term interest rate differential vis-à-vis Germany has been between ½ and 1 percentage point. The reduction in foreign debt, the improvement in public finances and the continued low rates of price increases are expected to narrow down the interest rate differential vis-à-vis Germany - and later the euro-countries - up to year 2005.

The estimates for the Danish economy up to year 2005 are summarised in table 2.2. below.

Table 2.2 Key figures for the Danish economy, 1995-2005.

	1995	1996	1997	1998	1999	2000	2001-2005
<i>Real growth in per cent</i>							
GDP	2.7	2.4	3.3	3.0	3.0	2.5	2.0
<i>1.000 persons</i>							
Employment	2,521	2,546	2,584	2,612	2,652	2,684	2,823 ¹⁾
of which private sector	1,747	1,759	1,785	1,805	1,838	1,859	1,949 ¹⁾
Unemployment	288	246	220	210	192	184	150 ¹⁾
Labour force	2,809	2,791	2,804	2,822	2,843	2,868	2,973 ¹⁾
<i>Per cent</i>							
Employment rate ²⁾	69.3	69.7	70.5	71.2	72.2	73.0	76.0 ¹⁾
Unemployment	10.3	8.8	7.8	7.4	6.7	6.4	5.0 ¹⁾
Interest rate (10-year government bond)	8.3	7.2	6.7	6.6	6.8	6.8	6.5
<i>Per cent of GDP</i>							
Balance of payments	1.1	1.3	1.1	1.2	1.8	2.0	2.8 ¹⁾
Public sector balance	-1.9	-1.4 ³⁾	0.7	0.7	0.8	1.1	2.8 ¹⁾
Gross public debt	72	70	67	64	60	57	40 ¹⁾
Tax burden	51.6	52.0	52.0	51.0	50.2	49.6	48.0 ¹⁾
Expenditures	62.5	61.9	59.4	57.7	56.6	55.6	51.8 ¹⁾
<i>Growth in per cent</i>							
Consumer prices	2.1	2.1	2.3	2.4	2.3	2.5	2.3
Labour costs per hour, industry	3.6	3.6	4.0	3.7	4.0	3.9	3.8
Hourly wage, industry	3.7	3.7	3.8	3.8	3.9	3.9	3.7

Source: Ministry of Economic Affairs, Economic Survey, May 1997, and the Ministry of Economic Affairs and the Ministry of Finance, Update of the convergence programme for Denmark, June 1997.

1) Indicates the level for the last year.

2) The employment rate is here calculated as total employment in relation to the population in the age group 15-66 years and no adjustments have been made for the fact that some of the employees are over the age of 66 years. It should be noted that this definition differs from the one used in table 1.1.

3) On 19 June Danmarks Statistik published revised figures for public finances for 1996. The employment programme shows the calculation made by Danmarks Statistik of the public sector balance for 1996. This figure was not available when the economic forecast and the projections up to year 2005 were made, so the estimates of the employment programme are based on a public sector balance of -1.6 per cent of GDP for 1996.

2.2 The present state of the labour market

Employment

Following a stagnation in employment towards the end of 1995 and the start of 1996, there has been a new and strong growth towards the end of 1996 and the early part of 1997.

Adjusted for seasonal fluctuations employment has gone up by 21,300 persons from the 4th quarter of 1996 to the 1st quarter of 1997 (0.8 per cent of the labour force in 1996). From the 1st quarter of 1996 to the 1st quarter of 1997 employment has gone up by 48,400 persons (1.7 per cent of the labour force in 1996).

From the 4th quarter 1996 to the 1st quarter of 1997 seasonally adjusted employment in the private sector increased by 16,600 persons (0.6 per cent of the labour force in 1996). The growth in employment was particularly strong in the fields of building and construction, commerce, hotels and restaurants as well as household services.

In the public sector seasonally adjusted employment grew by about 4,700 persons from the 4th quarter 1996 to the 1st quarter of 1997.

In spite of a strong increase in employment in the private sector, the economic upswing has until now not led to any significant sign of bottlenecks in the private sector labour market. This is reflected in the continued stable development in prices and wages. This means, inter alia, that the labour market policy measures until now have led to a sufficient fall in structural unemployment.

Unemployment

Adjusted for seasonal fluctuations the average number of registered unemployed persons in June 1997 was calculated to be 221,600 persons or 8.0 per cent of the labour force. For 1996 as a whole, average unemployment was 245,600 corresponding to 8.8 per cent of the labour force. This is 42,800 fewer unemployed persons than in 1995 when the average unemployment was 288,400, or 10.3 per cent.

In 1996, 755,900 persons - corresponding to 27 per cent of the labour force - were registered as unemployed - for a short or longer period of time. This is a fall of a little more than 27,000 persons from 1995. The average duration of the unemployment periods was 16.9 weeks which is a reduction of 2.2 weeks compared with the preceding year. The fall in average unemployment is primarily attributable to the shorter average duration of the unemployment periods. By way of example, the number of long-term unemployed persons - i.e. persons with an unemployment degree above 0.8² - fell by nearly 25 per cent from 1995 to 1996. The development is to some degree influenced by the fact that a large number of long-term unemployed persons in the age group 50-59 years have joined the transitional allowance scheme in 1996. There has, however, been a fall in long-term unemployment in all age groups. As regards young persons under the age of 25 years the number of long-term unemployed was nearly halved from 1995 to 1996.

During the most recent 12-month period for which figures are available (2nd quarter 1996 to 1st quarter of 1997) 724,000 persons were affected by unemployment for short or longer period of time. Compared with the same 12-month period the preceding year the number of persons affected by unemployment fell by about 8 per cent, while the average duration of the unemployment period was reduced by about 7 per cent and the average number of unemployed persons fell by a little more than 14 per cent. The number of persons affected by long-term unemployment was 83,500 persons by the end of the period, corresponding to 11.5 per cent of those affected by unemployment. Young persons accounted for 11.5 per cent of the total number of full-time unemployed persons in April 1997, corresponding to 25,400 persons. Among young persons unemployment had thus been reduced to 5.4 per cent of the labour force.

The average duration of the unemployment has become shorter for both men and women and for all age groups; but the fall has been biggest in the age group 50-59 years with a reduction of 4.6 weeks. This is due, among other things, to a strong extraordinary growth in the number of persons joining the transitional allowance scheme prior to the abolition of this scheme.

As a result of the reduction in structural unemployment it has been possible to obtain a fall in actual unemployment while at the same time maintaining the stable development in prices and wages. This has been achieved by means of a number of structural improvements on the labour market.

3. THE DANISH LABOUR MARKET POLICY STRATEGY AND INITIATIVES IN 1996/97

The labour market policy strategy comprises the following elements:

- A strengthening of the active approach of the labour market policy focusing on measures in relation to unemployed persons who are members of an unemployment insurance fund
- Further development of the active approach in the social policy field so that all persons on social assistance - i.e. unemployed persons who are not insured against unemployment - will in the future have a right and duty to activation
- A strengthening of senior staff policy in order to encourage older persons to stay longer on the labour market
- Introduction of offers of up-grading of qualifications and life-long learning
- A strengthening of measures targeted on young persons, long-term unemployed persons and other exposed groups which are particularly affected by unemployment.

3.1 The general labour market policy development 1996/97

The re-orientation of the labour market and social policy which started with the reforms - which came into operation on 1 January 1994 - has been continued in 1996/97, i.e. measures in relation to both insured unemployed persons and non-insured unemployed persons.

The measures in relation to insured unemployed persons in 1996/97 have mainly had the character of implementation/continuation of already decided reorientations which include a number of improvements in education and training opportunities and stricter rules on availability, both in relation to ordinary work and to offers of up-grading of skills and qualifications. This has been described in greater detail in Denmark's Employment Programme 1995 and the Update of Denmark's Employment Programme 1996.

In connection with the negotiations concerning the Finance Act for 1997 a number of new initiatives were introduced:

- a general scheme for recruitment of adult apprentices
- more funds to the pool for financing of education/and training planning in small and medium-sized enterprises
- incentive schemes for public employers who recruit persons from job training and insertion jobs to ordinary jobs
- a continued strengthening of the quality and capacity in the education/training system.

The strengthening of the active approach in the social and labour market policy has until now mainly been concentrated on measures in relation to unemployed members of unemployment insurance funds. These measures have contributed to improving the functioning of the labour market and thus reducing structural unemployment to such an extent that the favourable development in employment and the

strong fall in unemployment have not, so far, led to bottlenecks on the labour market. Thus the general development in wages has - more or less permanently - been a little under 4 per cent.

With the recently adopted social reform - which will come into operation on 1 July 1998 - the Government has developed the active line in the social policy field. The target group is thus extended so that all persons on social assistance - i.e. persons who are not insured against unemployment - will in the future also have a right and duty to activation. Until now young persons under 25 years on social assistance who have had other problems in addition to unemployment have not been covered by the activation duty. As the same time activation measures are initiated at an earlier stage for all persons under 30 years so that they will receive an offer of activation after 13 weeks on social assistance - compared with 12 months earlier. Persons over the age of 30 years continue to have a right and duty to an activation offer after 12 months on social assistance.

As an element of the efforts to obtain the desired increase in the rate of employment, the labour market is to be made broader and more flexible. Better employment opportunities must be created for both persons with full and reduced capacity for work. 30-40,000 jobs on special flexible terms must be created - the so-called flex jobs - by year 2005. A campaign has been initiated for the purpose of ensuring that the enterprises will be more willing to continue to employ and also recruit persons with a permanent reduced capacity for work.

In the light of the continued trend towards earlier withdrawal from the labour market as well as the demographic development with smaller youth generations, the Government also encourages the enterprises to introduce senior policy in their staff policy in order to create incentives to make older persons stay longer on the labour market.

The public sector is taking the lead, but the social partners should to higher extent incorporate senior staff policy in the collective agreements.

3.2 Labour market policy initiatives in key fields of action 1996/97

At its meeting in Essen in December 1994 the European Council identified five key fields of action and invited the Member States to translate these recommendations into their national policies in the form of employment promoting measures. The recommendations may be summarized as follows:

- Improving the employment opportunities of the labour force by promoting investments in vocational training (up-grading of skills and qualifications and life-long learning)
- Strengthening the effectiveness of the labour market policy (promotion of the active approach and employment in the ordinary labour market)
- Strengthening of measures to help groups particularly hit by unemployment (for instance long-term unemployed persons and other risk groups)
- Increasing the employment-intensiveness of growth (flexible organisation of the work, working time, wage policy and job creation initiatives)
- Reducing indirect wage costs (employment-friendly tax systems).

The Danish labour market model is based on the co-responsibility of the politicians and the social partners for the employment policy.

3.2.1 The social partners and employment

The Danish model means that wages and other working conditions, including for instance the working time, are regulated by collective agreements concluded by the social partners. It is estimated that at least 80 per cent of the employees are working under terms laid down by collective agreements and that most collective agreements provide for a weekly working time of 37 hours. Most employees in the labour market are today paid in accordance with the so-called minimal pay scheme. Under this scheme the minimal pay is fixed by collective agreement and is supplemented by personal wage supplements and personal wage elements fixed by local negotiations. With the most recent conclusion of collective agreements (1997) the public labour market has now also introduced the principle of individual wage elements as in the private sector.

The development - also in the private labour market - has in recent years been in the direction of a decentralised wage formation which is assumed to be more able to take into account individual differences in qualifications, etc. than is the case with a more centralised wage formation system. This is in line with one of the main messages in the interim report on employment submitted to the European Council at its meeting in Amsterdam which calls upon the social partners to explore the possibilities for concluding collective agreements with wage differentiation on the basis of qualifications and regions, reflecting differences in productivity - with a view to promoting investments and job creation.

3.2.2 Employment policy measures

Improvements in vocational education and training

The education/training policy is an important element of the Government's policy. The objective is a significant improvement in education and training activities and education/training is a central instrument in the efforts to qualify the labour force to meet the needs of the labour market. Adult and continued vocational training activities should be organised in such a way that education/ training will become a natural and recurrent feature of working life.

In recent years the youth classes have had a significantly higher rate of participation in youth education and training programmes. The target is that at least 90-95 per cent of a youth generation will complete formal education or training by year 2000. At the same time, there has been a fall in the drop-out rate.

Life-long education and training for all has been an important political field of action for several years. The most important principles for the measures are: free admission to education/training programmes; appropriations to schools and training institutions determined by demand and participation fees which will be lowest for those with a short education background; broadly qualifying training programmes (the public employment service pays for unemployed persons with an individual action plan). In 1996 nearly 2 million persons participated in either personal growth courses or formal adult vocational training courses. This means that more than half of the economically active population participated in various forms of further or continued education and training programmes.

This development has been underpinned by the training leave scheme in combination with job rotation. Until 1996 more unemployed than employed persons took training leave. This development turned in 1996 with a fall in the number of leave granted to unemployed persons.

In connection with the Finance Act for 1997 it was agreed to establish 2,400 new education places in higher education, to strengthen education of, in particular, engineers, and to strengthen the economy of the vocational training schools.

Adult and continued training activities have been strengthened, among other things, by the reform of the management of adult vocational training activities (the AMU system) and the establishment of a bigger number of apprenticeships for adults to which subsidies may be paid to private employers in sectors with a risk of shortage of labour. The objective is to establish at least 2,000 training places for adults.

In cooperation with the Danish Employers' Confederation and the Federation of Danish Trade Unions the Government has initiated a nationwide campaign "Continued training - worth the effort" which aims at increasing awareness about adult and continued education and training among small and medium-sized enterprises as well as employees with a poor or no training background. In connection with this campaign a special pool has set up from which support may be granted to projects in the field of planning of education and training activities.

In 1997 an incentive scheme will be introduced - as a pilot project - for SMEs (under 50 employees) which initiate initiatives for up-grading of skills, continued training activities, etc.

Strengthening of the effectiveness of the labour market policy

Since the introduction of the major reform in 1994 the active labour market policy has shown a very positive development. It is the general evaluation that the reform has contributed to a bigger effective supply of labour by means of stricter rules on availability for work and better opportunities for up-grading of skills and this is also the reason why no significant bottlenecks have developed on the private labour market. This underpins the fall in structural unemployment. The marked fall in unemployment - which is due primarily to the growth in employment, and, in particular, private sector employment - together with the more or less constant development in wage increases indicates that the labour market policy has been effective.

The reform has not yet been fully phased in and it is therefore expected that we will see a further increase in flexibility on the labour market. The introduction of activation measures at an earlier stage started on 1 July 1996. By the end of 1998 all unemployed persons with more than two years' unemployment have a right and duty to activation (needs-oriented) which means a further strengthening of measures against long-term and structural unemployment. The exception from this main rule is the group of unemployed persons covered by the special youth measures, cf. below. The activation measures have been characterised by the establishment of new so-called pool jobs, cf. below, which reduce the use of public job training. In recent years education/training has become the most important instrument in the activation programmes. The share of education/training in 1996 was 51 per cent of the total number of persons in labour market policy programmes. It is estimated that the number of full-time persons in activation in 1997 (including unemployed persons on training leave) will be 87,000 persons, or 5,000 more than in 1996. This increase is solely attributable to the phasing-in of the right and duty to activation after two years. Other activation measures, for instance measures to prevent bottlenecks on the labour market, will be toned down in line with the development in unemployment and the better employment opportunities.

The pool job scheme - which is a further development of the job training instrument - was introduced to improve the quality of public job training in combination with increased efforts in important public fields of services. As from 1 January 1997 public employers who recruit a person from a pool job or from public job training to an ordinary, permanent job will receive an incentive payment. At the same time, flexible notices of dismissal in public job training and pool jobs will ensure that it will be easier for unemployed persons to take over ordinary jobs.

Leave allowances in connection with parental leave and sabbatical leave have - as per 1 April 1997 - been reduced to 60 per cent of the maximum rate of unemployment benefit. This is also an adaptation of the schemes to the improved economic situation.

The social reform which has recently been adopted will mean a strengthening of the activation of unemployed persons on social assistance with a view to ensuring their full or partial reintegration on the labour market.

All persons who receive cash assistance will in the future have a right and duty to activation, also in cases where the person concerned has other problems in addition to being unemployed. As the same time, activation measures are introduced at an earlier stage so that all persons under the age of 30 years will be given an offer of activation already after 13 weeks on social assistance. In addition to the earlier measures, there will be a strengthening of the selection criteria of the municipal authorities in the social field. This selection procedure is to cover all possibilities for active offers, such as activation, vocational rehabilitation and insertion/flex jobs with a wage subsidy.

At the same time, changes in the Act on social pension and the Act on part-time pension are to ensure that cases of application for an anticipatory social pension may only be started when all rehabilitation, medical and other measures have been exhausted. All labour market-oriented initiatives must have failed before a decision to grant an anticipatory pension is made.

Strengthening of measures to assist groups particularly hit by unemployment

Young persons

The youth measures during the past year which have been targeted on young persons in the age group 18-25 years have turned out to be successful. The economic development, the introduction in youth measures of a right and duty to undergo education/training as well as a lower level of benefit/allowances had led to a strong reduction in the number of unemployed young persons. In March 1997 the target group (young persons without any vocational training background who have been unemployed for 6 months within the last 9 months) has been reduced by about 70 per cent compared with March 1996. Unemployment among young persons falling outside the target group has at the same time been reduced by about 25 per cent.

Many of these young persons have found employment or have started on ordinary education or training programmes and this in line with the main objective of the youth measures. There are about 1/3 in each group. For those young persons who do not want to start on ordinary education/training programmes, the vocational schools and the vocational training centres have initiated specially organised education/training programmes of up to 18 months' duration. A smaller part of the young persons have chosen to start on a training programme at a training centre for adult vocational training (VUC-centres), day high schools, production schools, folk high schools or similar training institutions.

The share of a youth class which does not go into any form of education/training after completing compulsory schooling was about 5 per cent in 1995 and this is more than a halving since 1983.

In relation to non-insured young persons the youth measures have not only taken the form of a right and duty to education/training, but also a strengthening of education/training offers as well as the continued availability of other offers for young persons who will not immediately be able to profit from an education/training offer.

Long-term unemployed persons

Long-term unemployment tends to wither up both the general as well as the profession skills and qualifications of those effected. This is why it is very important to prevent long-term unemployment.

The earlier introduction of the right and duty to activation for insured unemployed persons, namely after two years' unemployment - which will be fully phased in by the end of 1998 - is to strengthen the

active line further in the light of the experience obtained. Unemployed non-insured persons on cash assistance will be activated as they have been until now after 12 months on social assistance in order to prevent long-term unemployment.

Long-term unemployment calculated as the number of persons with an unemployment rate of over 0.8 per cent - i.e. persons who have been unemployed for more than 80 per cent of a period of 12 months - has shown a marked fall since 1994. The number of long-term unemployed fell by about 25 per cent from 1995 to 1996 after a fall of about 30 per cent from 1994 to 1995. For the annual period ending by the 1st quarter of 1997 the number of long-term unemployed persons was 83,500 persons, or 11.5 per cent of those affected by unemployment - which is a rather low level by international standards. This development is also influenced by the fact that a big number of long-term unemployed persons in the age group 50-59 years joined the transitional allowance scheme and also that long-term unemployment is sensitive to economic fluctuations.

Other exposed groups

A continued development of the active approach line will create a need for a permanent strengthening of the efforts to promote the creation of a broader and more flexible labour market. The labour market is to be developed to maintain and integrate persons with reduced capacity for work.

The Government will thus create 30-40,000 job on special flexible terms - the so-called flex jobs - up to year 2005. Flex jobs are permanent jobs in both the private and the public sector for persons with permanent reduced capacity for work. These persons do not receive any social pension and it is not possible to place them in ordinary employment by means of vocational rehabilitation programmes. A public subsidy will be granted which will correspond to a share of the minimum wage depending upon the degree of reduced capacity for work of the individual person. Under this scheme persons who have been employed in a flex job for at least 12 months will be guaranteed a support basis - in the form of an unemployment allowance - for up to 3 months in the event of unemployment between two flex jobs.

In the Danish employment programme for 1996 it is stated that the Government is working together with the social partners to establish insertion/flex jobs in both the private and the public sector. The committee for insertion/flex jobs II has stated in its most recent report that the process has been started, but that the number of persons in insertion jobs with a wage subsidy has not yet been increased significantly.

In the Finance Act for 1997 an amount of 42 million Dkr. was earmarked for the campaign "It is a matter of common concern - an initiative concerning the social responsibility of enterprises". This campaign aims at involving enterprises in the local area in the measures to ensure that disabled persons and other persons with social problems will be given better opportunities for obtaining and maintaining their labour market attachment.

In the Finance Act for 1997 the Government has earmarked an amount of 30 million Dkr. for senior staff policy initiatives. A special pool has been set up for support of employee-oriented senior staff policy projects as well as development projects for elderly unemployed persons. A senior policy "tool box" has been developed as a source of inspiration for the enterprises.

The Government has - after discussions with the social partners - set up a senior policy initiative committee which is to inspire and advise the Minister of Labour as regards policy initiatives in the field of senior policy, to develop the exchange of experience and the dissemination of information among relevant actors in the labour market and contribute to ensuring the support among local social partners of the initiatives taken. The initiative committee is to work broadly to improve conditions for elderly employees and unemployed persons on the labour market.

Promotion of the potential of growth for increasing employment and reduction of non-wage labour costs

As mentioned in section 3.2.1 pay and other working conditions in Denmark are mainly fixed by collective bargaining between the social partners. This section also mentions the increased wage flexibility and the decentralised wage formation as factors which may contribute to growing employment. In addition to this, the situation in these two key fields of action is more or less unchanged compared with the update of the Danish employment programme 1996.

4. IDENTIFICATION OF TARGETS IN THE MULTI-ANNUAL PROGRAMMES SUPPORTED BY THE EU STRUCTURAL FUNDS

The structural funds support employment mainly through programmes financed by the Social Fund under the target areas 3 and 4 of the structural funds; for 1997 a total amount of appr. 400 million Dkr. has been earmarked for such purposes.

It is a common feature of targets 3 and 4 that the measures are to supplement and contribute to the active Danish labour market policy; that they are to support the continued development of human resources, targeted, in particular, on the weakest groups; and that equal opportunities on the labour market for men and women is a main principle in these activities.

As examples of such measures it can be mentioned that HK Modul Data (a trade union for office workers) has been granted financial support for the implementation of a project with the title "The integrated laboratory by year 2000". Under this project obsolete skills of laboratory workers are up-graded in the fields of environment, quality management, bio-technology, etc.

"Thorfisk A/S" in Grenaa is receiving financial support for qualification analyses for all employees in the enterprise with a view to introduction of a job rotation project under which the skills of the employees are to be up-graded to that they can function as self-managing production groups. The experience obtained from this project will be used by other enterprises in the fishing industry.

Box 4.1 Target areas 3 and 4 of the structural funds

Target 3 is oriented towards unemployed persons and has three main target groups:

- Young persons under the age of 25 years who have been unemployed for 3 months, in particular young persons without any formal education/training and a poor school background and other exposed groups.
- Unemployed persons who are at risk of becoming long-term unemployed, especially persons in the age group 35-50 years as well as persons who do not possess the necessary and sufficient qualifications for obtaining a job on the ordinary labour market.
- Particularly exposed groups at risk of exclusion from the labour market, i.e. disabled persons, refugees/immigrants and other risk groups with more than 2 years' unemployment.

Target 4 is oriented towards employees and is to "facilitate the adaptation of the employees to industrial changes...". The measures are, in particular, oriented towards employees in small and medium-sized enterprises, and, in particular, groups of persons characterised by a high risk of unemployment, frequent shifts between employment and unemployment or persons with no or poor chances for (continued) training.

“Århus Købmandsskole” (school for commerce in Aarhus) is receiving financial support for the development of computer-based training modules for employees in the retail trade with a short vocational training background; they are trained by means of computers in the individual shops which can be used at hours which suit the individual. The course modules comprise, inter alia, business economics, customer service and production knowledge.

The Social Fund is also granting financial support to Herning-Ikast Erhvervsråd (Trade Council) for the implementation of a project for employees in the textiles and clothing industry in the fields of environment, logistics, production and technology development. Education and training material is developed on the basis of a broad cooperation among enterprises, consultancy services and training institutions.

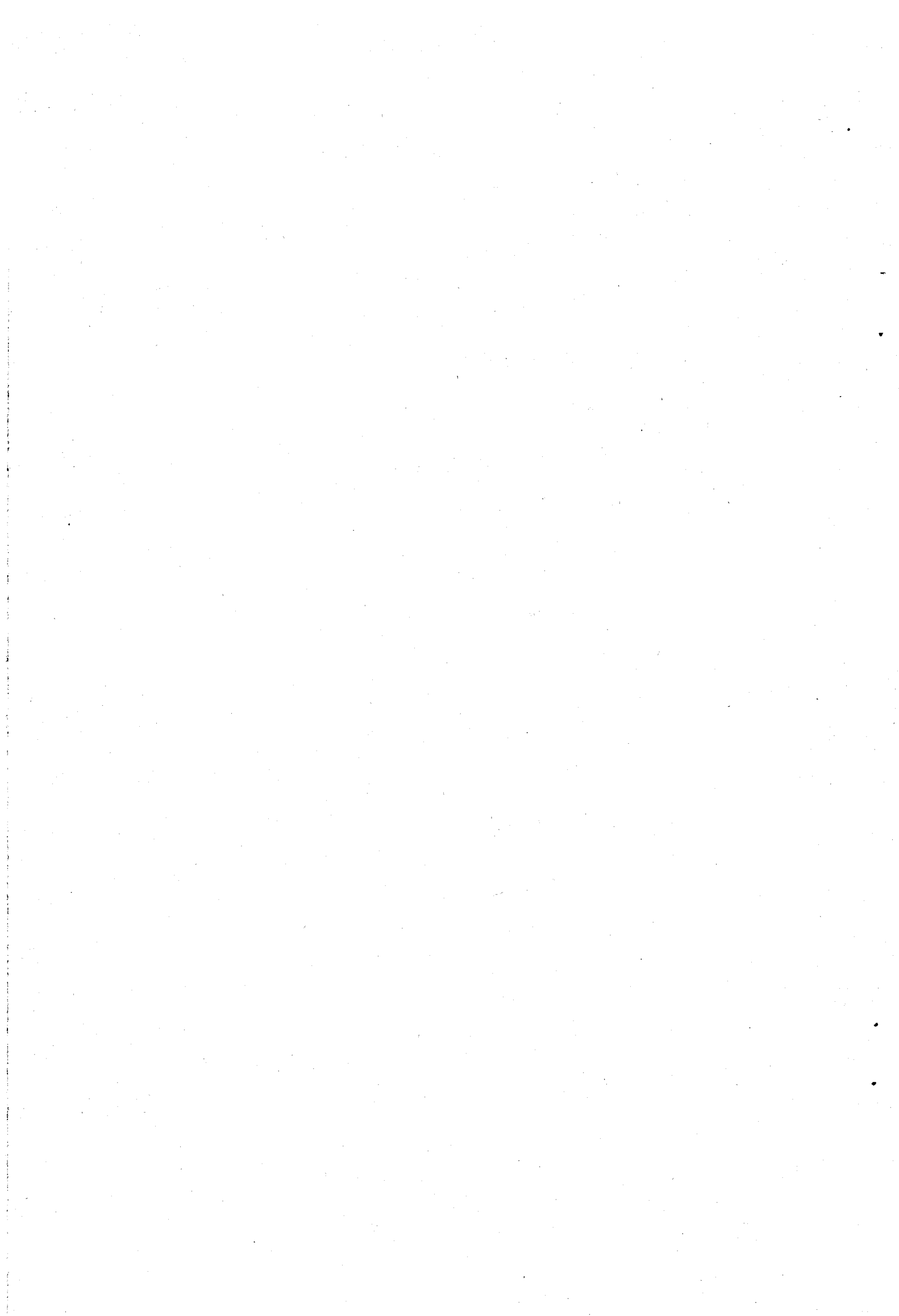
5. MAJOR REFORMS OR TARGETS IN THE NEAR FUTURE

The Government has fixed its targets for the development up to year 2005. The targets in the employment field is to create 30,000 new jobs each year up to year 2005 - corresponding to a total number of 240,000 jobs - mainly in the private sector.

Together with this employment growth, inflation is to be kept down at the level of about 2 per cent. The basis for this policy will be a continued stability-oriented economic policy combined with an active structural policy, in particular in the labour market and education/training fields. The key-word is therefore development of competences and improved qualifications for all groups: both young and elderly persons and employed as well as unemployed persons.

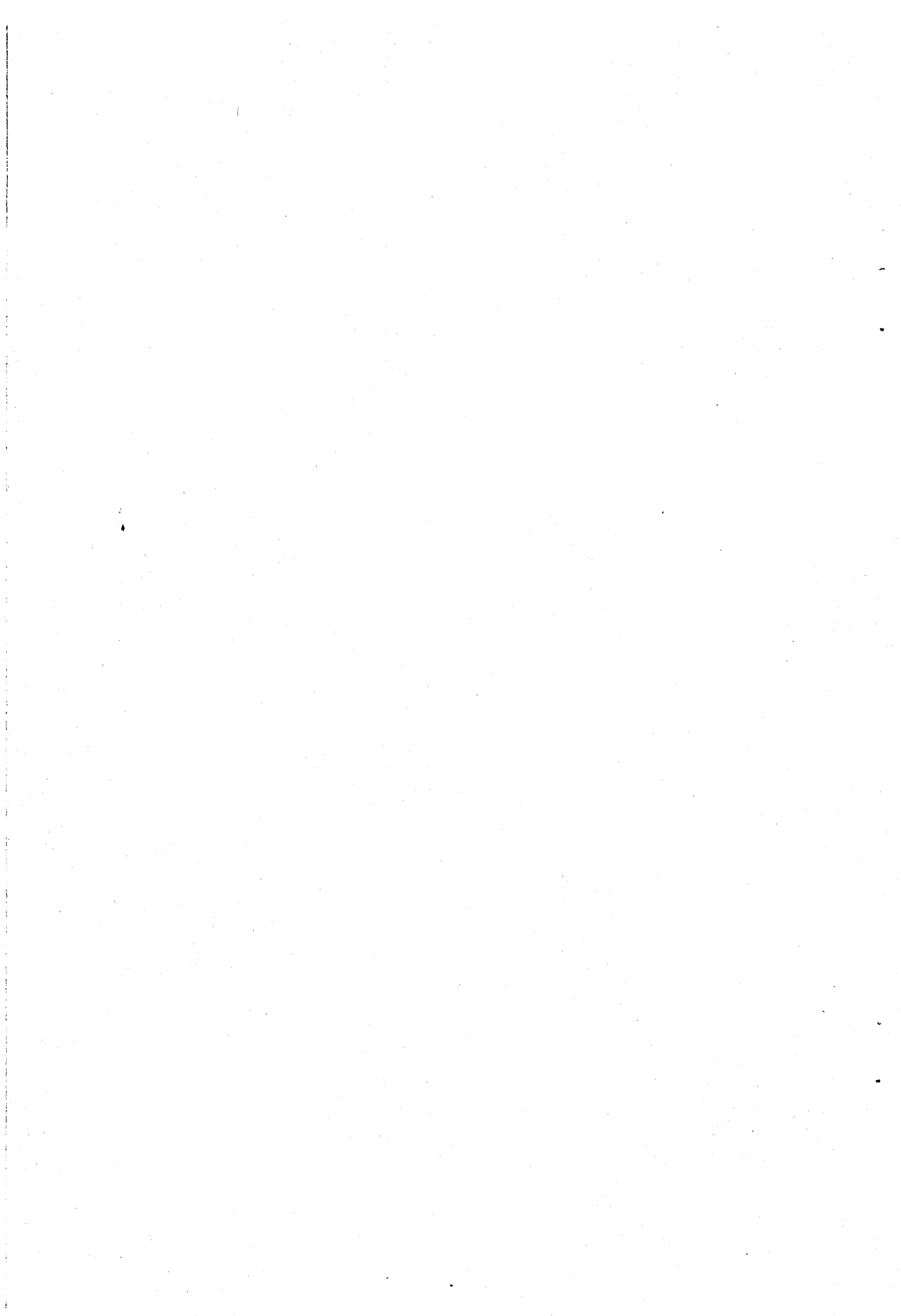
Young persons must be encouraged to start and complete education/training earlier and elderly persons must be encouraged to stay longer on the labour market and to withdraw more gradually than is the case now. To this should be added that persons who do not fully satisfy the requirements as to efficiency in modern workplaces should be given the possibility of staying on the labour market in less demanding jobs and/or with less than full working hours.

Such a development is to be made possible by means of a further strengthening and continuation of the labour market reforms with the main emphasis on the development of activation measures. The pillars of the labour market policy should continue to be activation, up-grading of skills and qualifications and development of competences. Committee work and discussions with the social partners will provide a sound and solid basis for the adaptation, orientation and simplification of the relevant labour market legislation from 1999.



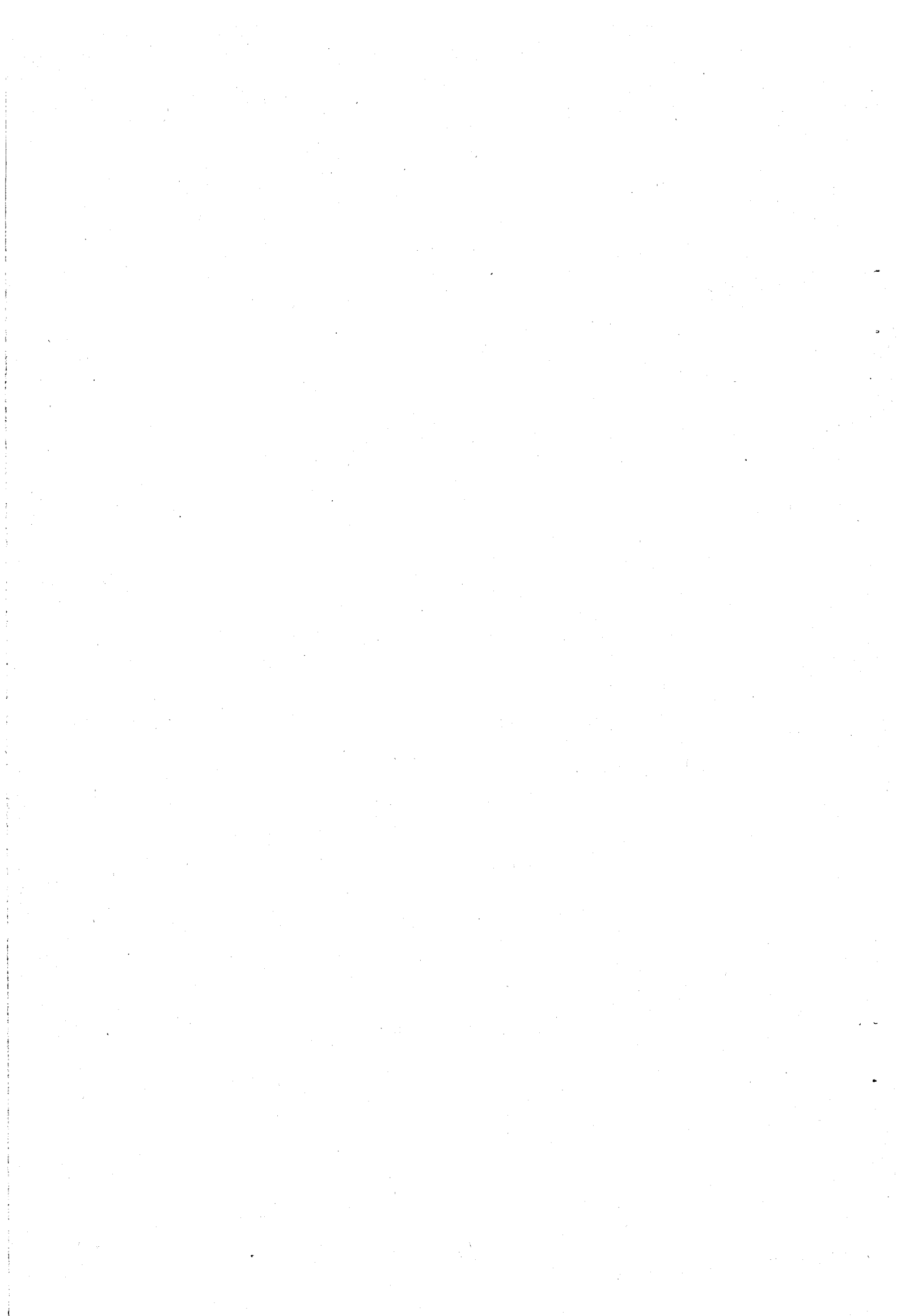
Germany

Federal Ministry for Economy
Federal Ministry for Labour and Social Affairs
Federal Ministry for Finance



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1. ECONOMIC TRENDS AND LABOUR MARKET SITUATION

Economic activity in the Federal Republic of Germany has shown a steady upturn since the beginning of the year, with gross domestic product (GDP) increasing in the first half of 1997 by a yearly rate of around 2%. This growth process continues to be driven chiefly by the strong expansion of exports, with the gains achieved through large-scale rationalisation efforts in the German economy resulting, together with moderate collectively agreed wage rises, in a lowering of unit labour costs. The favourable export situation was underpinned by a normalising of the DM exchange rate, thereby improving markedly the price competitiveness of German suppliers on the world markets. The German export trade is expected, at present, to expand more strongly than the burgeoning world market, thus winning back market share. Despite the export boom, domestic economic activity is slow to gain momentum, in terms of both investment demand and private consumption.

The pace of growth and the duration and extent of the upswing have as yet been generally insufficient to bring about a perceptible reduction in unemployment. In the summer of 1997, 4.3 million people were registered unemployed in Germany and the unemployment rate increased to 10% according to Eurostat. Latest figures also show a fall in the number of those in work, at about half a million lower than a year ago. With employment rising in the service sector and with pressure for rationalisation in industry diminishing, a turnaround in the labour market trend is expected as the year progresses.

One of the main factors accounting for the unsatisfactory situation on the German labour market is the high number of long-term unemployed, which rose to 1.4 million in June 1997. In spite of the difficult apprenticeship situation in Germany, young employees are seen to fare well on the labour market when an international comparison is made. The unemployment rate for under-25s in Germany was, at 10%, well below the EU average (21%). The reason for this is that around 70% of school-leavers commence vocational training under the dual system.

Even though the economic growth process is still somewhat fragmented, there is on the whole a good chance that the sustained and increasingly vibrant export activity will soon spark heavier domestic demand, thereby improving the prospects for employment. Besides the favourable conditions underpinning the economy as a whole, in the shape of low interest rates, modest inflation and moderate wage growth, the current economic indicators generally point to further expansion of the economy continuing apace in 1998.

2. KEY FEATURES OF THE MULTI-ANNUAL PROGRAMME

The shortage of competitive jobs and the associated high level of unemployment presents major challenges for economic policy and forms the focal point of the multi-annual programme. If these challenges are to be successfully met, it is vital that all those involved in the decision-making process (politicians, businessmen and the social partners) fulfil their respective responsibilities. The Federal Government's economic policy is geared to implementing and developing the strategy of strengthening the supply side, as set out in the January 1996 action programme for investment and jobs, and in the April 1996 programme for more growth and employment. In line with the Community approach to combating the high level of unemployment, this policy is aimed at:

- reinforcing the confidence of consumers and investors by pursuing a macro-economic policy whose goal is stability;
- improving the performance and competitiveness of the German economy by reducing the overly high burden of taxation and other charges;
- increasing the scope for private initiative by reducing government influence and making goods and job markets more adaptable;
- giving greater incentive to work by reviewing the efficiency and financing of social security systems.

The central purpose of these measures is to enhance both the workability of the social market economy and the basic conditions for growth and employment. The aims are: to reduce business costs; to foster competition; to keep markets open; to cut back on over-regulation; and to press ahead with privatisation. The Federal Government is concentrating on reducing the ratio of public expenditure to gross national product and implementing a major reform of income tax and corporation tax. If the ratio of public expenditure to gross national product is too high, private initiative is stymied and economic confidence in Germany as a business location is adversely affected. A thorough weeding out of public expenditure is therefore necessary in order to boost economic investment and innovation through lowering the ratio of public expenditure to gross national product, thereby paving the way for the creation of sustainable jobs.

The planned tax reform in 1998 and 1999 is expected to improve drastically the conditions for investment and employment in Germany. Current rates of tax are too high and thus detrimental to performance. They act as a disincentive to do extra work, hinder investment and put jobs at risk. The Federal Government is determined to stick to its guns. Accordingly, income tax and corporation tax rates are to be appreciably reduced in conjunction with cancellation of tax privileges and special rules, the taxation structure is to be improved by giving greater weight to indirect taxes in terms of revenue, and the net burden on taxpayers is to be eased considerably.

In addition, agreement has been reached between politicians, business and trade unions to the effect that non-wage labour costs should be cut to below 40% by the year 2000 through reduced social security contributions. The Federal Government has adopted a range of measures in the pension, sickness and unemployment insurance fields. The full effect of these consolidation efforts will, however, be felt only over a period of time.

Steps to counter the long-term pressures arising from demographic change will be taken with the 1999 Pension Reform Law, the aim being to maintain a balance between overall economic efficiency and old-age pension funding. The wage- and contribution-related elements of pensions will be retained, as will the expenditure-covering procedure. The benefit formula will be supplemented by a demographic factor, while disability and invalidity pensions will be reformed.

The Federal Government's overall strategy is forward-looking, aimed at developing the ability to compete on the markets of the future by boosting innovation, developing new technologies and products, and stepping up research and development. In this connection, small and medium-sized firms are the key to economic growth and job creation.

The potential for growth and employment must be exploited by enhancing the basic economic and administrative conditions. The provision of sufficient venture capital via the markets is crucial to

the success of new companies. The Federal Government has therefore set itself the goal of improving access to venture capital by opening up the capital markets.

The measures taken by the Federal Government to improve the prospects for growth and employment also constitute the appropriate framework for implementing the multi-annual programme drawn up in 1995. Key elements of this approach include reduction of non-wage labour costs, promotion of human capital investment and reform of active labour market policy.

The Federal Government will continue to pursue its economic policy line. It would be a mistake to combat unemployment by stimulating demand through government spending programmes. The concepts of demand-based policy are in every respect counter-productive, as shown by the experiences of the 1970s. On the one hand, no European country can afford to increase the ratio of public expenditure to gross national product or to raise taxes. On the other hand, such proposals strike the wrong chord, since overdue structural adjustments are thereby put off.

3. MAJOR DEVELOPMENTS IN 1996/97

Bearing in mind the reforms already achieved in 1996 and others under way, the Federal Government has created a broad spectrum of structural and administrative arrangements for improving growth and employment prospects. The basic economic conditions for business in Germany have thus improved significantly.

Key points to note include:

- abolition of property tax and trading capital tax, which are a drain on company assets;
- privatisation of government shareholdings (to give the private sector more freedom); Deutsche Telekom, Postbank and Lufthansa are just a few examples of the privatisation process at Federal level;
- current plans in the competition policy field, opening up new markets for private undertakings, e.g. abolition of the postal monopoly/current amendments to the Cartels Law and to energy legislation;
- the third Law promoting the financial market whereby, along with the establishment of the "new market" on the stock exchange and other measures, the conditions for obtaining private venture capital on the capital markets are being radically improved;
- legislation to speed up the licensing procedure, giving greater opportunity for speedy approval of investments;
- new arrangements for statutory shop opening hours, offering more consumer freedom and, in particular, giving small retailers the chance to exploit market niches;
- last but not least, the circumspect behaviour of the social partners, who have taken into account the needs of the economy as a whole.

Efforts to strengthen growth and employment are gaining strong impetus from the proposed consolidation of employment-boosting investment of March 1997 (amounting to DM 25 billion). In the face of additional pressure for consolidation, investment patterns in respect of

infrastructure are more settled, giving impetus for increased private involvement in carrying out public tasks.

During the reporting period, far-reaching reforms of labour market policy have been carried out in Germany, by means of the employment-promoting legislation of September 1996, the Reform Law of March 1997 and the vocational training reform project of April 1997. Significant steps have thus been taken towards creating the framework for the employment strategy decided upon by the Essen European Council in 1994 and endorsed by subsequent Councils, and set out in detail in the multi-annual programme of the Federal Government. A further purpose of the Employment Promotion Law reform is to target more effectively persons affected by unemployment and other at-risk groups.

3.1 Vocational training and lifelong learning

The Federal Government's vocational training policy is geared mainly to ensuring adequate availability of apprenticeships and to modernising and introducing flexibility into vocational training. The central elements of the vocational training reform project adopted by the Government are therefore as follows:

- dual vocational training as a means of giving everyone the chance to find work, offering differentiated training with new opportunities across the performance spectrum;
- dynamic free-form training arrangements for a changing world of work;
- development of new occupations and accelerated modernisation of existing ones;
- greater mobility in Europe through transparency of qualifications (portfolio approach);
- rapid mobilisation of full business apprenticeship capacity;
- modern framework conditions for lifelong learning within flexible continuing training structures.

Lifelong learning means that people must, throughout their working life, be able to choose from a variety of options for enhancing their qualifications and skills. The Federal Government is of the opinion that a properly organised continuing training policy must adhere to the principles of personal responsibility, self-organisation and subsidiarity. Only in this way can the complexity and diversity of training requirements be sufficiently catered for.

3.2 Work organisation and working time

As a result of the Employment Promotion Reform Law, the basic statutory conditions for flexible working-time arrangements and for reducing working hours on an individual basis have been improved further. With regard to the calculation of unemployment pay and compensation for short-time working, the Law no longer focuses on working hours but is based on the relevant remuneration, thereby taking into account the various forms of flexible working time. Revision of the thresholds for obligatory insurance cover has led to an additional 600 000 or so persons in employment being covered by unemployment insurance. Moreover, with the introduction of partial unemployment pay, the insurance coverage of employees carrying out more than one part-time activity subject to obligatory insurance is extended.

Flexible organisation of working time – on the basis of the new Working Time Law of 1994 – is primarily a task for the social partners, who have taken advantage of the opportunity to introduce annual working time models. Additional existing arrangements include longer-term agreements (e.g. in the chemical sector) making provision, under certain conditions, for a flexible distribution of working time over a period of up to three years. These measures can be expected to have some impact in terms of employment policy. A 40% reduction of paid overtime could, additionally, give rise to 300 000 new jobs in the original Federal Länder alone.

The employment-promoting legislation which entered into force on 1 October 1996 has improved the basic conditions for growth and job creation. In the light of amendments made to the Law on protection against dismissal (in particular, raising of the threshold from five to ten employees, proportionate inclusion of part-time employees in this threshold, simplification of social considerations in the event of company-induced dismissal) and changes to the provisions concerning fixed-term employment contracts (in particular, extension of the maximum duration to two years), companies are becoming more willing to recruit people and the path to setting up businesses is being smoothed.

3.3 Wage policy

As far as wage policy is concerned, the social partners have tended to move recently towards more flexible agreements and moderate wage increases in line with the slower pace of economic growth. The broad diversity of the collective bargaining scene is reflected both in the varying levels of remuneration and in other working conditions. Wages differ not only between sectors of business and regions but also within individual collective agreements, where wage and salary levels are graded according to employees' training, qualifications, activity, age and/or seniority. Almost all collective agreements contain, on top of the basic remuneration, further differentiation in the form of varying individual performance bonuses, hardship conditions allowances, additional pay for specific activities, assembly-work bonuses, fringe benefits and piecework arrangements.

Moreover, the social partners are paying greater attention to the needs of the economy as a whole. In particular, there are arrangements to safeguard employment, e.g. by cutting working hours with corresponding pay adjustment on the understanding that there can be no company-induced dismissals and/or with an obligation to create new training posts and to take on trainees. Also, negotiated labour legislation has been made even more flexible, e.g. with regard to working hours, lowering of initial pay rates for newly recruited employees, conclusion of collective agreements on part-time work for older persons, opening clauses for company agreements, rules for implementing a) the amended Law on shop closing hours and b) the Law on continued payment of remuneration.

3.4 Job creation initiatives

Encouraging people to work in a self-employed capacity is of great importance for tapping new employment potential. Business start-ups have been boosted through a reduction of red tape and removal of restrictions to obtaining venture capital. The Federal Government's policy is accompanied by instruments of labour market policy. Unemployed persons setting up on their own have, since 1985, been assisted by payment of a so-called stopgap allowance in place of the previously received wage compensation (unemployment pay, unemployment relief). A recent survey by the Institute for Labour Market and Vocational Research showed this instrument of labour market policy to be successful, with only a small number of beneficiaries failing to pursue their self-employed activity once the assistance came to an end.

Furthermore, the Employment Promotion Reform Law has led to the creation of additional instruments for smoothing the path of the unemployed back into mainstream work. Self-employed persons with no more than five employees receive a labour cost subsidy when taking on unemployed persons who have been out of work for at least three months, whereby two people can be assisted at the same time. A recent development in the new Länder is that labour cost subsidies for "productive employment promotion" are paid to industrial undertakings when up to ten unemployed persons are recruited additionally. In this way, the existing instruments of "productive employment promotion", which are tailored to specific areas of public interest (e.g. the environment, help for young people, social services), are supplemented by a completely new instrument fostering direct integration on the mainstream labour market.

These elements of labour market policy are aimed exclusively at re-employing persons who are out of work and in need of assistance. Especially at times of high unemployment, the Federal Government considers it important that the European Commission's task of controlling state subsidies is carried out in such a way as to allow for innovative approaches and to take account of national responsibilities in employment policy.

The service sector is another key source of potential employment. As a result of changes in the foreign trade instruments for services, the opening up of new markets for service providers through co-operation strategies with Central and Eastern Europe, and support for the liberalisation of markets in respect of internationally negotiable services, the basic conditions for exploiting such potential are being strengthened.

3.5 Making taxation systems more employment-friendly

The Federal Government has, in the past, introduced many tax-related changes to improve employment opportunities in Germany. This applies particularly to the strong investment drive in the new Länder. Investments made in the new Länder as a result of the Federal Government's tax incentives have led to the creation of a large number of jobs there.

Property tax is no longer levied with effect from 1 January 1997. This does away with an economically unjustifiable tax burden on business resources. With property tax no longer being applied, a company's capital resource base, and hence its profit base, is strengthened, while liquidity is enhanced. The abolition of property tax helps to heighten international competitiveness, to create new jobs and to safeguard existing ones.

The new rules governing capital transfer tax, which entered into force with the 1997 annual tax law, reduced the tax burden on a company's generation succession through greater write-down in respect of operating assets and through classification of the operating assets in the most favourable tax bracket. These measures make an important contribution towards safeguarding both the company's material assets and jobs in the event of a business handover.

In order to stimulate the creation of compulsorily insured jobs in private households, clear advances were made in providing assistance in this area with the 1997 annual tax law. Significant impetus for labour market purposes emanates also from the changes made in respect of fiscal support of small and medium-sized businesses, focusing particularly on start-ups, as a result of the new rules governing investment allowance.

A further step towards improving basic fiscal conditions entails the abolition of trading capital tax as part of the third stage of company tax reform. This special charge on companies, which is unique to Germany, will be eliminated on 1 January 1998.

3.6 Activation of labour market policies

The new provisions of the Employment Promotion Reform Law on enhancing the efficiency and effectiveness of employment services are designed to help bring about a speedy reintegration of unemployed persons into the mainstream labour market. Through an extensive process of decentralisation, local employment offices are afforded fresh scope for organisation, being henceforth able to select instruments of active labour market policy according to the requirements of the local labour market, and to decide for themselves how to use the resources allocated to them. They have to account for the success of their active labour market policy each year in a public review which is intended also to encourage competition between the offices. In accordance with the guidelines of the Essen European Council, the Employment Promotion Reform Law gives priority to active measures to reduce and prevent unemployment, and imposes on unemployed persons an obligation to take every reasonable opportunity to look for and take up employment and, at the request of the employment office, to prove that they are seeking work.

On top of this, more stringent requirements are applied to recipients of payments in lieu of wages. For those in receipt of unemployment pay, the criteria governing what is deemed reasonable with regard to employment are being tightened up; in particular, persons unemployed for more than half a year may no longer decline a job offer solely because the net income is just the same as the unemployment pay. In addition, the age limits for receiving unemployment pay for longer than a year are being raised.

An unemployed person looking for work may be given job-application training and advice while compensation in lieu of wages continues to be paid. As far as job creation measures are concerned, new pathways onto the mainstream labour market are being established through a combination of practical business training and priority placing with commercial enterprises. Steps to facilitate young people's employment in combined work/training schemes are being taken.

3.7 Specific measures in favour of young people

In future, assistance may be provided for pre-vocational training measures under certain conditions even if part of the training is carried out abroad. Initial vocational training may be fostered abroad where corresponding training is not possible in Germany or if it is unreasonable for the trainee to do the training there. Training back-up aid may in future also continue to be granted in the event of a break between the end of one training period and the commencement of another, and may also be provided upon completion of training if this is necessary for taking up and becoming established in a job.

In order to improve the situation on the apprenticeship market in East Germany, the Government and the new Länder have, as in 1996, agreed on an apprenticeship action programme for the East in 1997. This programme will lead to the creation of 15 000 additional training posts in the new Länder.

3.8 Specific measures in favour of the long-term unemployed

As a result of the new rules laid down by the Employment Promotion Reform Law, with a view to integrating the long-term unemployed and other unemployed persons who cannot easily be

found work, an integration contract may be concluded between the employer and the unemployed person with the agreement of the employment office. In such cases, the employment office refunds to the employer the remuneration payable in respect of periods when no work is performed, as well as the employer's corresponding social security contribution.

In addition, the employment office may provide an integration allowance for periods of employment. Moreover, under the Employment Promotion Reform Law, the employment office is obliged, with a view to avoiding long-term unemployment, to ascertain in consultation with the unemployed person after a six-month period of unemployment at the latest, what can be done to avert the threat of long-term unemployment in terms of measures to be taken and services to be provided, or through the unemployed person's own efforts.

Further assistance for integrating the long-term unemployed into the mainstream labour market is provided through the "employment assistance action for the long-term unemployed", for which the 1997 budget amounts to more than half a billion DM in the old Länder and some DM 200 million in the new Länder. Since mid-1996, moreover, there has been a legal requirement that 95% of participants in job creation schemes must be long-term unemployed persons.

3.9 Specific measures in favour of unemployed women and the promotion of equal opportunities

Measures to assist women have helped to bring about a situation where women's unemployment in the old Länder has been lower than that of men for about a year. In contrast, female unemployment in the new Länder is still much higher, owing to the special circumstances, and this colours the figures for Germany as a whole.

From the point of view of integrating women onto the labour market, the provisions of the Employment Promotion Law, in particular the requirement that women are to be involved in employment-promoting measures in proportion to their numbers among the unemployed, have proved worthwhile. Women's participation in this respect has risen significantly. In the new Länder, the target in respect of job-creation and skills-acquiring measures is even being exceeded.

Women's advancement is strengthened further by the Employment Promotion Reform Law. In applying the active policy instruments, employment offices are to take the specific interests of women into consideration and to work towards ensuring that women are involved proportionately in labour market policy measures. Women's representatives at all levels of the public employment service are to advise employers and employees on questions of women's advancement and to safeguard the interests of women within the public employment service. Women and men returning to work after a period spent bringing up children or caring for relatives will also, in future, be legally entitled to an integration subsidy. More favourable pre-employment arrangements will also be made for them in connection with continuing vocational training.

3.10 Specific measures for older workers

The existing provisions, laid down both by law and at company level, governing the protection of older workers against dismissal, gives such workers a certain degree of protection against unemployment. If they do lose their jobs, though, it is often difficult for them to get back onto the labour market. Older persons between the ages of 50 and 65 now account for some 32% of all unemployed persons.

Besides the fact that older workers are increasingly involved in employment-promotion measures, it is to be expected that the situation of older workers and unemployed persons will be improved also as a result of the Law to promote a smooth transition to retirement, which entered into force on 1 August 1996. Under this Law, the employer receives subsidies in respect of workers who have reached the age of 55 and have come to an agreement with the employer whereby they will work for only half of the standard weekly working hours instead of full-time. The employer must raise the gross remuneration for the part-time work by at least 20% and must pay for the employee additional contributions to the statutory pension insurance scheme based on no less than 90% of full-time pay. These minimum payments are reimbursed to the employer by the employment office if the job vacated as a result of the old-age part-time scheme is taken by an unemployed person or by a qualified trainee. The older workers' part-time scheme is designed to bring about a situation whereby older employees remain in work for longer, while at the same time creating employment opportunities for young persons as a result of the part-time working.

4. MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

Multi-annual programme measures financed from the European Social Fund, which, for Germany, amount to a total of ECU 6.95 billion in the period from 1994 to 1999, concentrate on aspects of labour market policy accompanying the economic process of structural adjustment, focusing also on the provision of assistance to specific target groups seeking to be reassimilated into the world of work. Measures targeting the long-term unemployed are designed to improve their competitiveness on the labour market and thus to increase their prospects of reintegration. Besides efforts to make good shortcomings in vocational qualifications, training in respect of social skills is provided, together with measures geared to advice and assistance. In addition, long-term unemployed persons with particularly serious problems are cared for through social and community work; the time spent on, and the scope of, such work frequently exceeds the qualification measures.

Another key area covered by European Social Fund financing is that of assisting the vocational integration of young people who cannot easily find work. Helping these young people to obtain and hold down a job entails a process of advice and motivation, training them in a recognised vocation and providing social and community care. Measures aimed specifically at women are designed particularly to make it easier for women returning to work and older women to regain a foothold in working life, to extend the range of work performed by women, to pay greater heed to family activity in connection with the return to working life, to provide more opportunities for women's advancement in all areas, and to help both women and men to reconcile more readily their family and work responsibilities. The measures geared specifically to women are intended ultimately to help women to derive more tangible benefit from the internal market and technological developments.

A further contribution in the field of employment policy is made by the European Regional Development Fund (ERDF). Over the period from 1994 to 1999, its resources are to be targeted in Germany on three priority areas: under Objective 1, for economic adjustment of regions whose development is lagging behind; under Objective 2, for the economic conversion of declining industrial areas; and under Objective 5b, for the economic diversification of rural areas. In addition, funds from the ERDF are used in implementing various Community initiatives. The Länder carry out corresponding programmes for which they themselves are responsible, with the ERDF making a substantial contribution towards joint financing.

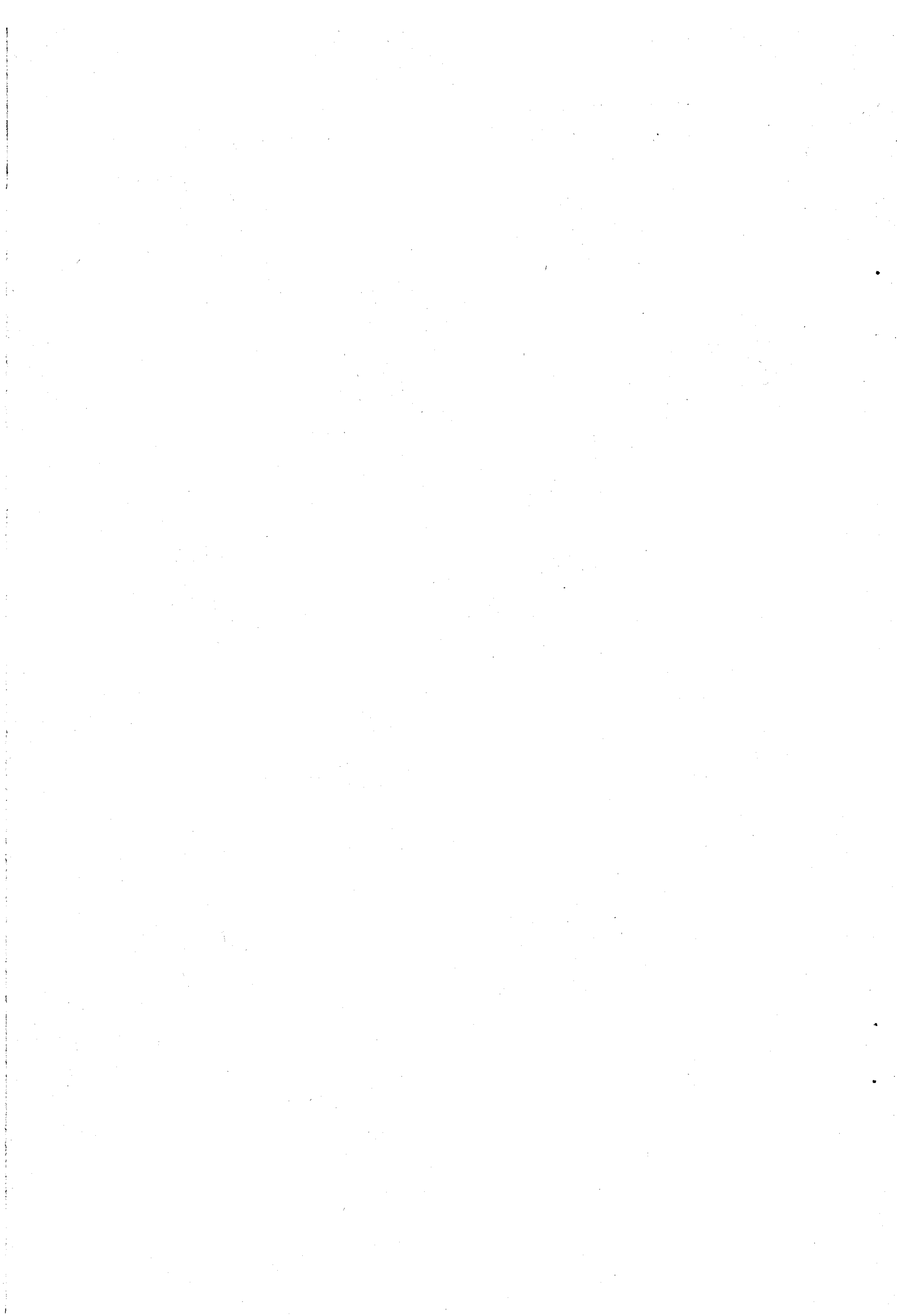
5. MAJOR REFORMS OR MEASURES ENVISAGED IN THE NEAR FUTURE

Over the past few years, the Federal Government has introduced a wide range of measures paving the way for necessary structural adjustments and, recently, heralding an employment-friendly process of growth. Much remains to be done, though. In particular, the taxation and pension reforms, initiatives in respect of venture capital, opening up of the energy and postal markets, and projects in the housing sector must be completed. Reform of the law against restraint of competition is also expected to be completed in this legislative term.

It is up to all concerned to continue their efforts to bring about more employment and less unemployment. This requires flexibility and a willingness to embark on new approaches and to change one's attitude. There is no justification for resting on one's laurels. In the political, economic and social spheres, the task of nurturing business and strengthening growth and employment is never-ending.

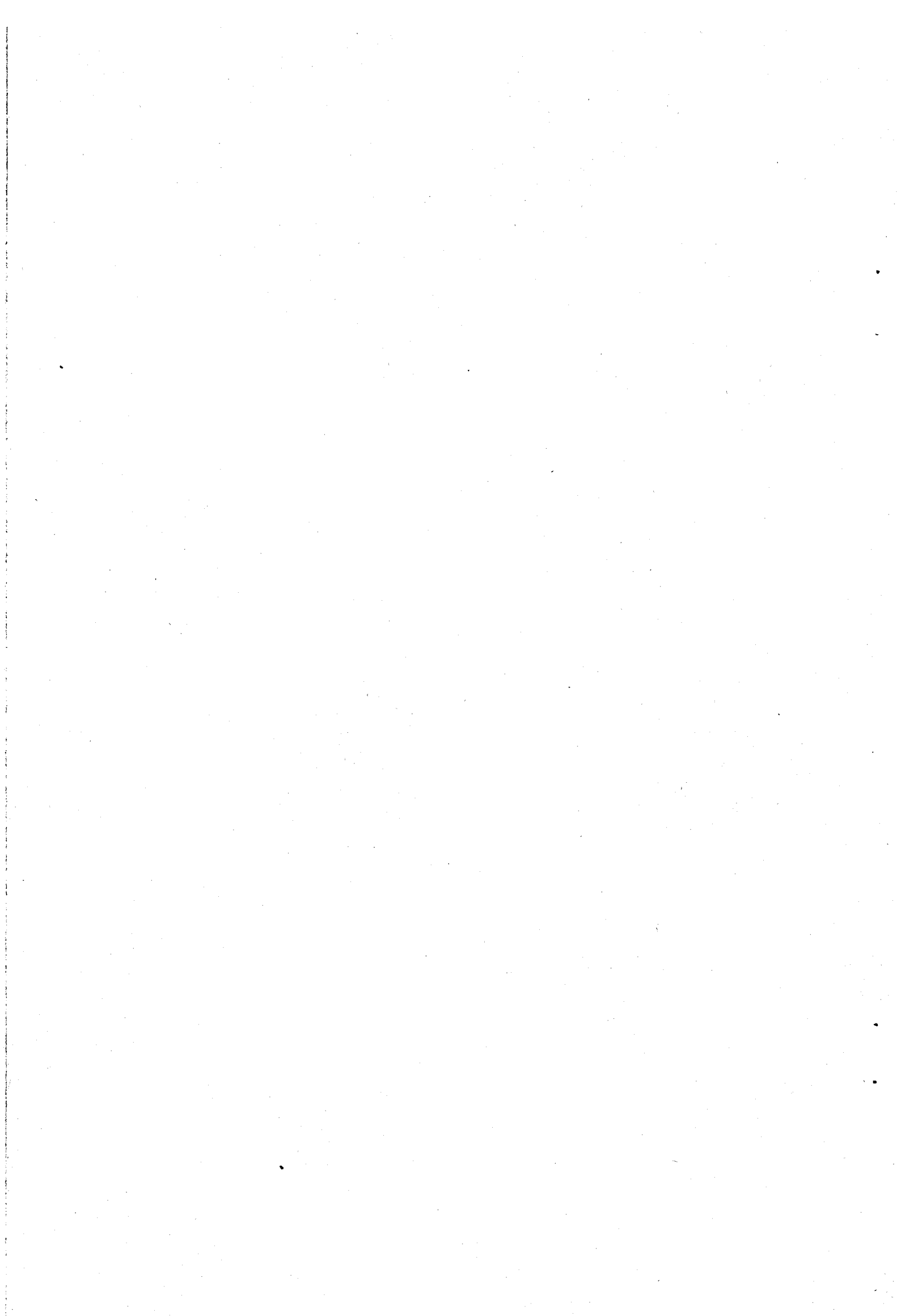
Greece

Ministry for Labour
and Social Security



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1. LABOUR MARKET SITUATION IN GREECE

Greece's economic policy focuses on bringing inflation, the budget deficit and national debt down to the levels required for Greece's participation on equal terms in European Economic and Monetary Union. The results so far are considered positive. However, the recovery of the Greek economy, at an annual rate of over 2.5%, has not been matched by a corresponding fall in unemployment. Nonetheless, it is generating optimism for both growth in employment and a gradual reduction in unemployment. We should point out that the growth in GDP over the last year, although higher than the Community average, has been accompanied by a slight increase in unemployment (0.4%). According to the provisional data from the 1996 Labour Force Survey, this is due to the fact that the 1.4% growth in employment over the year was lower than the annual growth in the labour force, of 1.8%.

As regards specific categories of employment and the employed, it is to be noted that:

- The number of self-employed, currently standing at 33.8%, is approximately twice the EU average, (men 42.2%, women 18.7%); this figure is falling gradually.
- **Part-time employment** is still the lowest in the European Union, at 4.8%. There is a big difference between the number of men and women in part-time employment. Only 2.8% of employed men work part-time as compared with 8.4% of women.
- In 1995, the **primary sector** accounted for 20.4% of total employment; over the last ten years, however, its share had fallen by almost nine percentage points. The continuing exodus from the primary sector and the failure of the tertiary and particularly the secondary (manufacturing and processing) sectors of the economy to absorb this surplus agricultural labour is leading to higher unemployment in urban areas.
- The percentage of total employment provided by the **secondary sector** had fallen slightly to 23.2% in 1995. The share of the services sector rose by more than ten percentage points between 1985 and 1995, to 56.4%.
- Unemployment rose to 10.4% in 1996¹ (7% for men and 16% for women). The percentage of long-term unemployed was around EU levels in 1995, at 51.3% (42.2% for men and 58.1% for women).
- The problem of unemployment is unequally distributed between the social groups, with women and young people most affected. Of all unemployed, approximately 59% are women and 37% aged under 25. The geographical distribution of unemployment is also very uneven, with certain regions of the country being particularly hard hit.

In conclusion, the growth in unemployment is due to: the fall in employment in the primary sector, restructuring and insufficient job growth in the secondary sector, the replacement of labour by capital as a result of technological development, increased participation in the labour force, particularly by women, the increase in illegal and legal immigration, and the failure of the economic growth rate to absorb the surplus labour.

The continuing growth in private and public investment in the construction of major infrastructure works is expected to lead to an increase in the annual employment rate in

¹ Source: ESYE (Greek National Statistical Office), provisional data from the 1996 Labour Force Survey.

the medium term. However, to check the rise in unemployment economic growth needs to be accompanied by structural labour market policies, with particular **emphasis on training and education, employment and mobility programmes and changes in work organisation.**

In the coming years, we expect to see extensive restructuring of industry which will be distinguished by two trends: (i) a decline in the activity of the less competitive industries and (ii) technological and organisational modernisation in those which are viable. These trends will necessitate quantitative and qualitative changes in the labour force, which will need to be anticipated and combated as the new needs of the labour market emerge.

2. KEY FEATURES OF THE MULTI-ANNUAL EMPLOYMENT PROGRAMME

The multi-annual employment programme reflects the new structural employment policy which is part of the 1994-1999 Greek economic convergence programme. It should be stressed that macroeconomic stability and the achievement of high growth rates are essential if unemployment is to be reduced, but are not enough on their own. The macroeconomic measures need to be accompanied by structural measures to reduce the imbalances in the labour market, upgrade the quality of the work force and provide incentives for the creation of more jobs and absorption of the unemployed. The following measures have been proposed and implemented:

1. Charting of the labour market and observation of trends
2. Use of vouchers which can be exchanged for training measures, the acquisition of work experience, employment, or unemployment benefit
3. Encouragement of investment to create structures which promote vocational training
4. Support for life-long training
5. Encouragement of job mobility and geographical mobility
6. Special programmes for specific groups of unemployed (young people, etc.) and people in areas of high unemployment
7. Modernisation of the OAED (Organisation for Employment of the Labour Force), to improve the way in which the labour market operates
8. Social dialogue and involvement of the social partners in training and employment issues.

Economic aims of the new policy

The basic economic aim of the multi-annual employment programme is to channel the resources allocated to the labour market into productive objectives which will stimulate job growth. Specific aims include the reduction of undeclared labour, which, if it is achieved, will have a positive impact on social security and bridging the gap between employers through the efficient use of unemployment contributions.

Social aims of the new policy

The aim of the measures proposed is to upgrade the quality of the labour force through training, practical experience and employment programmes. A further aim is the integration, albeit temporary, of unemployed people into the production process. This will have many economic and social benefits. The multi-annual programme also aims to create greater labour solidarity, highlighting the social as well as the economic dimension of

employment, by creating an environment which will allow the State, businesses, all other bodies involved and the unemployed to assume joint responsibility and work together to implement a new employment policy.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and life-long learning

Redistribution of resources in order to improve the quality of human resources:

- A "Fund for Employment and Vocational Training" (LAEK) has been set up, to which both employers and employees contribute. It is used to fund employment and vocational training measures for the unemployed, and to implement vocational training programmes for workers within enterprises.

Certification of the quality of training and life-long learning:

- To ensure that the training provided is of a high standard, a new certification body has been set up, the "National Certification Centre - EKEPIS". The Centre's Administrative Board has been appointed and its staff are being recruited rapidly.
- As part of the 1996 European Year of Life-long Learning, initiatives were launched to make bodies and individuals more aware of what life-long training means. Twenty-three national continuing education and training projects were approved for Greece, involving the organisation of meetings, seminars and workshops, competitions and the award of prizes, surveys and studies, media coverage, the introduction of new technologies and development of multimedia in training approaches.

Tailoring training to employment

- A programme is to be launched in September which will bring training and employment programmes into line with one another. Businesses employing more than 30 people will be able to run vocational training programmes for the unemployed, in conjunction with training bodies, on condition that at least one-third of the trainees are recruited within three months of completing their training. The programme also applies to SMEs employing under 30 people, provided they are participating in joint training actions.
- In March this year a new work experience programme was introduced to help young people to make the transition from school to work. Young people leaving secondary school or higher education may receive on-the-job training in industry, lasting between three and six months, to gain work experience and acquire skills. The OAED covers part of the costs. This is a pilot project involving 5000 placements².

3.2 Work organisation and working time

Greater flexibility in work organisation:

- Article 9 of the National General Collective Labour Agreement signed on 2.4.1996 for 1996 and 1997 provides for the establishment of a committee to examine, for each branch of industry, how a reduction in working hours without a reduction in pay would affect competitiveness and the volume of employment. All parties to the Agreement will be represented equally on the committee.

² Ministerial Decision 33.197/26.2.97.

- The Ministry for Labour and Social Security has drawn up a Draft Presidential Decree on minimum requirements for the organisation of working time, in compliance with Directive No 93/104/EC of 23.11.1993. Its provisions promote flexible time management and work organisation, and in general help to increase the intensiveness of job growth, in accordance with the second priority of the Essen Council of 9/10 December 1994 on the promotion of employment.
- Working time reorganisation issues are also currently being discussed in Greece in the framework of the social dialogue.

3.3 Wage policy

- On 2.4.1996, the National General Collective Labour Agreement (EGSSE) was signed for the two-year period 1996-1997. The minimum wage was increased by 4% on 1.7.1996, by 4.25%, on 1.1.1997, and by 3.25% on 1.7.97.
- The basic trend for employees' wages for the next year is for the nominal increases to keep pace with inflation, plus the average national productivity level.

3.4 Job creation initiatives

Financial incentives:

- The OAED subsidises businesses and employers in general through employment and self-employment programmes for the unemployed. These programmes may include a period for training, familiarisation and adjustment to the firm's working methods. A total of 40 000 new jobs are to be created in 1997, through subsidies to private businesses, local authorities, co-operatives, etc., creating 30 000 new jobs in paid employment³ and 10 000 in self-employment⁴. The programme was launched at the beginning of March 1997.

Territorial Pacts:

- The Territorial Pacts, in the initial pilot phase, will allow substantive practical solutions to be found, through local social dialogue, to local employment problems and provide a testing ground for innovative methods. The Pacts are ready to be implemented in the regions of Akhaia, Magnisia, Viotia, Imathia, Florina-Kozani, Drama and Western Athens-Pireas. The introduction of various flexible working arrangements can be agreed under these Pacts, thus improving efficiency, guaranteeing the preservation or creation of jobs, and ensuring that employers fulfil the obligations which they undertook in return for the incentives they have already received from the OAED, or the special incentives probably to be included in the Pacts.

The Territorial Pacts are being developed in conjunction with the local bodies in each area, in accordance with the schedule laid down by the European Commission.

Mobilisation of all bodies involved in the labour market:

- Presidential Decree 40/97 (Government Gazette 39/I 20.3.97), implementing the Community Directive on Works Councils in multinational companies, facilitates European social dialogue, improves information and consultation procedures and

³ Ministerial Decision 33.126/5.2.97.

⁴ Ministerial Decision 33.197/26.2.97.

increases the powers of representatives of Greek workers to intervene on matters relating to the course taken by businesses and the future of employment in them.

Job creation programmes underpinning social policy:

- The OAED subsidises firms creating new jobs. Although these programmes apply to all unemployed, the incentives are more attractive for the recruitment of young people and sub-groups such as young women, those graduating from higher or technical education, the long-term unemployed, those in areas of high unemployment and other categories. The tables below show the level of participation in job creation programmes in 1995 and 1996 and how much they cost.

Employment programmes

Job creation subsidies for employers

Year	Jobs	Cost (in million drachmas)
1995	30 892	16 404
1996	17 802	10 863
1997 (forecast)	40 000	38 000

Subsidies for people who start up their own businesses

Year	Jobs	Cost (in million drachmas)
1995	7 558	5 800
1996	4 000	3 500
1997 (forecast)	10 000	10 000

Subsidies for employers recruiting TEI (Technological Education Institutes) and SELETE (Colleges for Vocational and Technical Training Instructors) students

Year	Jobs	Cost (in million drachmas)
1995	2 715	1 130
1996	3 046	1 536
1997 (up to 31.5.97)	1 197	604

Subsidies for employers recruiting special categories of unemployed

Target groups	1994	1995	1996
Disabled people	200	413	509
Former drug addicts	25	65	186
Ex-convicts and young offenders	5	24	70
Total	230	502	765
Community Employment Initiative			1 320

3.5 Making taxation systems more employment-friendly

The annual income of an unskilled worker earning the basic wage is not taxable (minimum tax-free income).

3.6 Reduction of the indirect non-wage cost of labour

- Firms already subsidised by the OAED under the job creation programme may receive a supplementary subsidy covering part of the non-wage cost if they recruit long-term unemployed.
- Non-seasonal private undertakings can participate in a new programme under which the indirect non-wage cost of labour is reduced if they recruit people aged between 20 and 29; the aim is to make it easier for young people dropping out of the education system to enter the labour market for the first time.

3.7 Activation of labour market policies

Active labour market policies:

- In accordance with Law 2434/96 on the promotion of employment and training, from March 1998 the OAED will issue a special exchange card which can be used by those in employment and the unemployed. The unemployed are given vouchers which can be exchanged for training, work or unemployment benefit.
- Under new regulations, unemployment benefit will be tied to training/retraining and employment programmes; in this way, the active labour market policies will be boosted by transferring resources from unemployment benefit to training and employment.

Promotion of measures designed to assist reintegration into the labour market:

- In February 1997, a pilot programme to encourage reintegration into the labour market was launched, targeting those laid off either because of total closure of their firm or because of staff cuts due to restructuring, after negotiation between the social partners. The programme involves further training, self-employment, training/retraining and employment in firms willing to participate. It entails an integrated approach which creates favourable prospects for full reintegration into the labour market, while ensuring financial support for 37 months. This measure is a key means of linking employment and training, at the same time helping to combat the problem of mass redundancies.

It also incorporates early retirement measures for those who are close to retirement age when they are made redundant.

Employment support structures

- Three new Employment Promotion Centres will operate on a trial basis until March 1998, providing an information, career guidance and placement service for unemployed people.
- The OAED is developing a **fully automated system** to process information on all job vacancies of which it is notified by businesses and all job applications submitted by job seekers.
- The employment services will be supported by new or restructured support structures, in particular the **National Employment Observatory (EPA)**, so that trends on the local labour markets can be monitored systematically and the need for specialised personnel registered. The National Employment Observatory (formerly the Pilot Institute for Vocational Training and Employment) has been in operation since February 1997. Its main activities are documentation, analyses and forecasts of the size of the labour market, and support for the employment services.
- All **Employment Offices** are to be modernised. This will include computerisation and personnel training, and will take until the end of 1998.

- The **National Career Guidance Centre (EKEP)** was set up to define a uniform careers guidance policy, in collaboration with the Ministry for Labour and Social Security and the Ministry for Education.
- The National Labour Institute is responsible for labour market documentation and analyses and provides support for the employment services. Redefinition of its role, and its extension to the social security sector are being considered.

3.8 Specific measures in favour of youth

Improvement of youth training:

- During the first phase of the Community initiative YOUTHSTART (1994-1997), a total of 34 proposals were approved for Greece; these involve international co-operation, with exchanges of teachers and pupils, transfer and exchange of career guidance know-how and models between partners in different countries, as well as the creation of networks. The total cost of this phase is 2 532 million drachmas (ESF contribution: 75%), with 980 young people taking part.

Youth recruitment incentives:

- Between 20.8.96 and 31.12.97 private businesses are entitled to subsidies to reduce the indirect non-wage cost of labour if they recruit young people aged between 20 and 29; 8 000 people are being recruited under this measure, which was launched on 1.3.97.
- A series of subsidy schemes for employers are being implemented to create new jobs, some applying specifically to young people:
 - ◊ Programme A for unemployed aged between 15 and 25.
 - ◊ Programme B for unemployed women aged 15 to 64. Unemployed young women may be included in the programme provided that they are entering the labour market for the first time or have returned to it after at least 12 months' absence.
 - ◊ Programme D for unemployed people laid off as a result of mass redundancies or from firms employing more than 50 employees and which close down. Young unemployed people may be included in this programme.
 - ◊ Programme E provides for supplementary subsidies for firms operating in areas of high unemployment. Young people may be included in this programme.
 - ◊ Subsidy programmes for people who set up their own businesses. Young people may be included in these programmes. The subsidy is higher for the creation of businesses in areas of high unemployment.

Measures for young people leaving compulsory education with few qualifications:

The OAED runs combined on-and-off-the-job/training courses (apprenticeships) for young people who have left full-time education. The programmes combine theoretical training in schools with practical experience in industry.

The OAED-run Vocational Training Institutes (IEK) offer vocational training programmes for young people who have completed secondary school, to help them to enter the labour market.

OAED technical schools

Schools	Period	Total number of pupils	Cost (in million drachmas)	Percentage employed

Apprenticeships	1994-1995	12 522 (3 classes)	5 821	92%
>>	1996-1997	13 359 (3 classes)	8 852	94.5%
IEK	1994-1995	353 (3 classes)	163	
>>	1996-1997	2 960 (3 classes)	816	
Accelerated	1994	6 448	2 659	
>>	1996	8 032	6 539	
>>	1997 (forecast)	8 207		
Schools for the disabled	1996	209		
>>	1997 (forecast)	280		

The Ministry for National Education and Religion is involved in similar measures in this sector.

3.9 Specific measures in favour of the long-term unemployed

Measures designed to integrate or reintegrate the long-term unemployed into the labour market:

- For inclusion in the seasonal employment programmes, it is now necessary to be registered as long-term unemployed.
- The IKA (Social Insurance Institute) provides sickness benefits in kind for two years for long-term unemployed over the age of 55 who are not entitled to a pension. This measure came into force in January 1997. In addition, employers subsidised by the OAED under the job creation programme are entitled to a supplementary subsidy if they recruit individuals to whom the above measure applies.
- Particular attention is focused on facilitating the mobility of long-term unemployed aged over 45 who live in areas where registered unemployment is above the national average.
- There is a series of programmes providing subsidies for employers who create new jobs, some of which are intended specifically for the long-term unemployed. The subsidy is higher for the recruitment of long-term unemployed:
 - ◊ Programme A for unemployed between the ages of 15 and 25. The long-term unemployed may be included in this programme.
 - ◊ Programme C for the creation of jobs for those aged 26 to 64. The long-term unemployed may be included in this programme.
 - ◊ Programme E which provides for a supplementary subsidy for firms operating in areas of high unemployment. The long-term unemployed may be included in this programme.
 - ◊ Subsidy programmes for people who start up their own businesses after having been in long-term unemployment. The subsidy is higher for the creation of businesses in areas of high unemployment.

3.10 Specific measures in favour of unemployed women and to promote equal opportunities in employment

Promotion of equal opportunities policy in the labour market:

- Article 11 of the National General Collective Labour Agreement for the period 1996 and 1997, signed on 2.4.1996, provides for the establishment of a body to examine matters relating to equality. The parties to the Agreement will be represented equally.
- There is a series of programmes providing subsidies for employers creating new jobs, some of which relate specifically to unemployed women:
 - ◊ Programme A for unemployed women aged between 15 and 25. Young unemployed women may be included in this programme.
 - ◊ Programme B for unemployed women aged 15 to 64. Unemployed women may be included in this programme if they are entering the labour market for the first time or re-entering it after at least 12 months' absence.
 - ◊ Programme C on the creation of new jobs for people aged 26 to 64. Unemployed women may be included in this programme.
 - ◊ Programme D for unemployed people laid off as a result of mass redundancies or from firms employing more than 50 employees which have closed down. Unemployed women may be included in this programme.
 - ◊ Programme E which provides for a supplementary subsidy for firms operating in areas of high unemployment. Long-term unemployed women may be included in this programme.
 - ◊ Subsidy programmes for people starting up their own businesses. Unemployed women may be included in these programmes. The subsidy is higher for the creation of businesses in areas of high unemployment.

In the first phase of the Community initiative NOW (1994-1997), 29 proposals were approved for Greece; these involve international co-operation, with exchanges of teachers and pupils, transfer and exchange of career guidance know-how and models between partners in different countries, as well as the creation of networks. The total cost of this phase is 3 612 million drachmas, with 880 women taking part in the first phase.

3.11 Specific measures in favour of other groups at risk

Promotion of measures aimed at the integration into the labour market of groups at risk of social exclusion:

Subsidies for employers recruiting special groups of the population:

Target groups	1994	1995	1996
Disabled people	200	413	509
Former drug addicts	25	65	186
Ex-convicts and young offenders	5	24	70
Total	230	502	765
Community Employment Initiative			1 320

- Measures to facilitate the mobility of the unemployed are intended for registered unemployed in prefectures where registered unemployment is higher than the national average. They also apply to long-term unemployed over the age of 45 in these prefectures and workers in firms employing more than 150 people which are in the process of being wound up.

For the period 1994-1999 a budget of ECU 27 200 000 was approved for Horizon (ESF contribution: 75%). 1 878 people are benefiting directly from these programmes, including: 1 028 disabled people, 350 immigrants and repatriates and 500 people from other special groups.

4. IDENTIFICATION OF MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

Promotion of vocational training:

- Accelerated continuing vocational training programmes implemented by the OAED for unskilled or semi-skilled unemployed.
- Continuing vocational training programmes for the unemployed carried out in Vocational Training Centres, and involving a large number of associations and professional and academic bodies.

Promotion of life-long learning:

- Continuing vocational training programmes for workers in private enterprises and the self-employed.
- Plans for further education–refresher training programmes for workers, carried out in the OAED's training units, with the aim of upgrading their skills to keep pace with technological and other developments.
- Vocational training programmes for public sector workers, to improve their competitiveness and competence.

The European Structural Funds also support MAP measures aimed at tailoring training to employment, particularly for young people:

- through subsidies for businesses recruiting young people, to allow secondary school leavers and higher education graduates to gain work experience.
- by formalising co-operation between a number of public- and private-sector bodies involved in training and employment for a large section of the work force, with the aim of improving young people's vocational qualifications and making it easier for them to enter the labour market.

The European Structural Funds also support measures to enact into law financial incentives for job creation, particularly for specific groups such as young people and women (3.4, para. 1, 3.7, para. 2, and 3.9), through:

- the implementation of programmes providing subsidies for employers creating new jobs, particularly for various categories of unemployed, such as young people aged 18 to 25, unemployed women entering the labour market for the first time or re-entering it, unemployed people in areas of high unemployment and in general any unemployed person aged 26 to 64.
- subsidy programmes for people starting up their own businesses, with the emphasis on the categories mentioned in the paragraph above.

Support for labour market policies, in particular the promotion of measures to assist reintegration into the labour market:

- The European Structural Funds support measures to alleviate the repercussions of the restructuring of businesses in Greece, and specific measures to help those laid off as a result of collective redundancies to find another job.

Creation and upgrading of support structures for the implementation of employment policies:

- Support for the creation of new institutions, such as the National Employment Observatory (EPA), the Employment Promotion Centres, Information Offices for employers, employees and the unemployed, Specialised Training Centres and the National Centre for the Certification of Training Structures.

5. MEASURES ENVISAGED FOR THE FUTURE (1997-2000)

Future policy is directed mainly at strengthening active labour market policies, extending measures to gear education and vocational training to the needs of the labour market, creating new institutions which will support employment policy, and reorganising and modernising the existing structures. Special emphasis will be placed on anticipating and combating the consequences of restructuring and the special problems facing certain groups of the population, such as young people, the long-term unemployed and the disabled. The social dialogue on labour market issues will also continue and grow. The following measures will be introduced to achieve these aims.

A. Measures concerning employment, vocational training and education policy:

- Continuation and extension of job creation programmes, by means of subsidies for paid employment and self-employment, and programmes to reduce the non-wage cost of labour.

- Introduction of the employment card and exchange vouchers to improve the operation of the labour market (pilot phase in 1998).
- Training of human resources for employment in major works (commencing 1997).
- Reinforcing programmes which link training and employment.
- Assistance for measures to facilitate the mobility of the unemployed.
- Seasonal employment programmes to help integrate the unemployed into the labour market.
- Promotion of programmes aimed at improving the protection, safety and health of workers.

B. Support structures for labour market policies

- The OAED's employment services are to be reorganised and upgraded.
- Three Employment Promotion Centres will start to operate, on a trial basis, in March 1998.
- The National Employment Observatory will be operating at full strength.
- The role of the National Labour Institute will be redefined and extended to the sector of social security (1997).
- The Employment Promotion Centres will come into operation (pilot phase in 1998).
- The National Centre for the Certification of Continuing Vocational Training Structures will come into operation (1997).
- The National Careers Guidance Centre will come into operation in 1998.
- The Information Offices for the unemployed and businesses will come into operation on a trial basis in 1997.
- The Operational Programmes and the system for implementation of the European Social Fund will be radically overhauled.

All the above issues are currently being discussed within the framework of the social dialogue, involving the social partners and the State. The decisions reached will be taken into account in the final version of the revised Multi-annual Employment Programme.

Social dialogue:

Social dialogue in Greece began on 14 May 1997 with an inaugural meeting between bodies representing the State, workers or employers, which were invited to attend.

The procedural approach was based on the principle of representation and a hierarchical structure.

- 1) The proceedings took place under the joint aegis of the Minister for the National Economy and the Minister for Labour.
- 2) A co-ordinating committee was selected unanimously, comprising representatives of the State, workers and employers and chaired by the State Secretary for Labour, to co-ordinate the activities of the social dialogue.
- 3) The topics for discussion are worked out by three mixed teams of politicians, technocrats and experts. All the subjects (and proposals from the Government and various bodies) relate to one of the following areas:
 - a) Structural policies to aid development
 - b) Policies to boost competitiveness and employment
 - c) Organisation of forms of labour and social protection, up to 2000.

This form of social dialogue is completely new to Greece. However, the merits of social consensus are already becoming apparent. The Greek Government estimates that by the

end of November 1997, the talks will be completed and the final conclusions and agreements on general approaches and specific subjects will have been published.

Foreign workers:

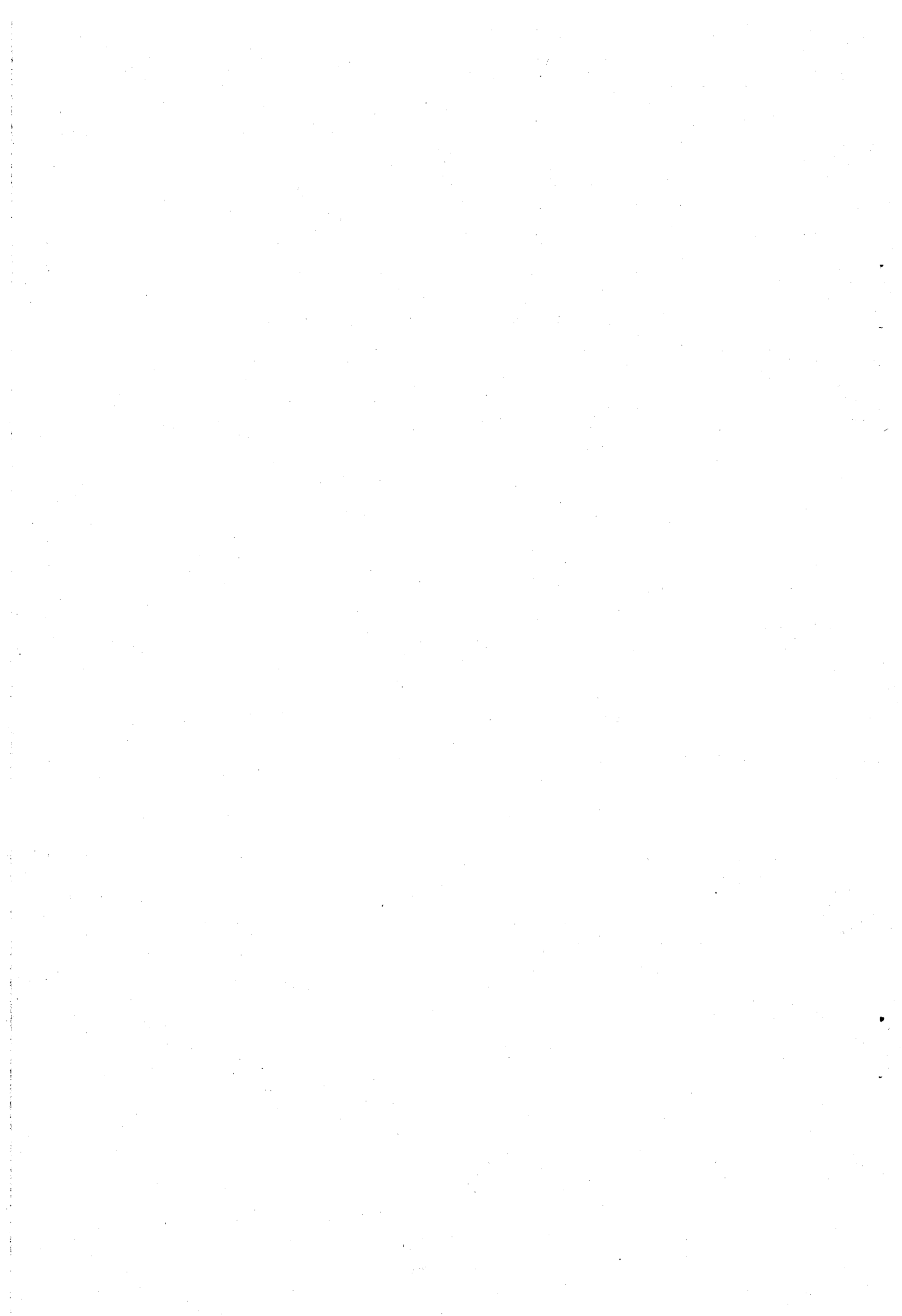
Various Presidential Decrees have been promulgated on matters relating to the employment of foreigners in Greece, aimed at both protecting foreign workers and preventing their illegal employment.

Link between development and employment:

The revision of the law on attracting private investment and the commencement of major civil engineering works now in the pipeline are expected to create more jobs, both as a direct result of the investment and indirectly, because of the knock-on effects of such investment on employment.

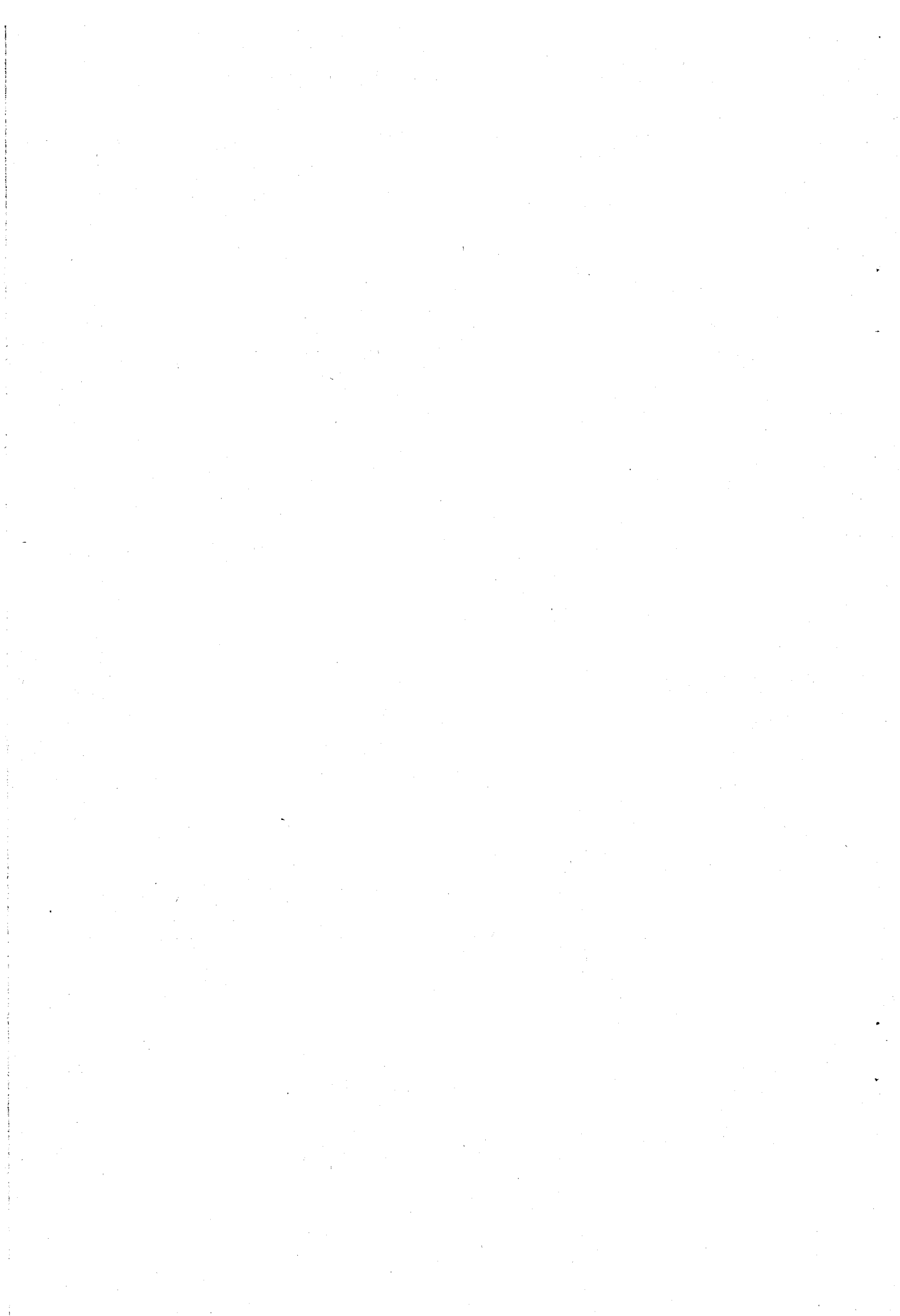
Spain

Ministry of Employment
and Social Affairs



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1. THE NATIONAL EMPLOYMENT AND LABOUR MARKET SITUATION

With regard to the functioning of the labour market, the Spanish economic indicators for the first six months of the year reveal a continuation of the growth in jobs first observed at the end of 1994. Nevertheless, while the growth in employment produced a significant fall in unemployment in 1995, in 1996 the marked increase in the labour force, induced by the upswing in the number of persons in employment, tempered the impact of job growth on the reduction of unemployment, which continues to seriously affect women, young persons and the long-term unemployed. However, in the first half of 1997 a change seems to be under way: the growth in jobs (382 400 persons between March and May compared with the same period in 1996) has now resulted in a fall of 178 000 in the unemployment figures, the rising labour force trend having levelled out. Moreover, the entry into force of measures adopted to promote stable employment, pursuant to the Agreements concluded between the social partners, has radically altered the style of recruitment in Spain. While the numbers of open-ended contracts recorded in April and May of this year were 33 302 and 27 245 respectively, the number of such contracts in June, the first full month in which the reforms were applied, rose to 69 544. And 90 000 such contracts are forecast for the month of July. These figures are three times higher than the corresponding figures for the same months of last year, reflecting the success of the Agreement for Employment Stability, which can contribute decisively towards breaking the vicious circle in Spain of temporary recruitment and consequent high labour turnover.

The key features of the economy and the labour market are as follows:

- The rate of economic growth continued to strengthen throughout 1996, with an estimated 2.9% year-to-year growth in GDP for the first quarter of 1997, up by 0.3 over the previous quarter.
- The annual rate of inflation in June was 1.6%, enhancing the prospects of inflation being kept under control in 1997.
- The job-creation capacity of the economy has been rising significantly since 1996, with the result that the threshold for employment growth is now estimated to start from a significantly lower increase in GDP than in previous years.
- In the first quarter of 1997, in annual terms, employment rose by 3.3%, while the labour force rose by 1.4% and unemployment fell by 4.8%.
- The bulk of the rise in employment in that quarter was among women, the under-25s, agricultural workers and employees on open-ended contracts.
- The level of education of the population of working age has continued to rise, up to technical and vocational studies, while at the same time the new jobs generated require at least secondary or higher studies.
- The unemployment rate is 21.5%, falling slightly for both sexes and among young persons and adults, while the percentage of long-term unemployed has risen to 55.0%.

- The number of workers registered with the social security system continued to rise in June, to 13 028 000 members (426 000 more than in the same month last year), reflecting the dynamic nature of the Spanish labour market at present.
- Registered unemployment in June fell by 31 881, spanning all groups and sectors. In annual figures the fall amounts to 142 776, putting the unemployment rate at 13.1%.
- There has been a continued expansion in recruitment and temporary-employment agencies, with 748 334 contracts registered in May, of which 96.4% were temporary contracts. The rate of involvement of the INEM was 15.5%.

2. KEY FEATURES OF THE MULTI-ANNUAL PROGRAMME

In 1997 work began on a new Multi-Annual Employment Programme, which, unlike the previous one, is being drafted by a specially created Inter-Ministerial Committee, with the participation of the various Ministerial departments concerned with employment, the Autonomous Communities and the local authorities, and including consultation with the social partners. The Programme is due to be adopted by the Council of Ministers in September of this year.

The Programme comprises a cohesive set of measures to be implemented over the period 1997-1999, aimed at promoting job creation and combating unemployment within the framework of the European Union's policies in this field. Thus, it is conceived as an instrument for the development of an integrated strategy for employment, involving all the social partners, within the framework of the Convergence with Europe Programme.

The Programme's policies reflect the priority to create stable, high-quality jobs through consolidating the productive fabric of the Spanish economy, with a special focus on those groups experiencing structural problems on the labour market, to which specific attention was paid in the Social Agreements concluded in April. The priorities include actions aimed at young persons and the long-term unemployed, as well as local and regional actions, with a special focus on SMEs. In addition, the aim continues to be to enhance the employability of those with low levels of qualifications.

3. MAJOR DEVELOPMENTS IN 1996/97

The main priority, as well as the major challenge, both in Spain and in the European Union as a whole, is to create the maximum volume of employment and to prevent and reduce unemployment.

In compliance with the recommendations set out in the Joint Report on Employment approved in Dublin, the Government has drafted an economic policy aimed at ensuring macroeconomic stability as the appropriate framework to facilitate sustained, non-inflationary and job-creating growth within a general context of flexibilisation and progressive liberalisation of the Spanish economy, while meeting the requirements of the Convergence with Europe Programme.

In Spain over the last year there has reigned a climate of understanding and social peace conducive to dialogue, as reflected by the advances achieved in this field (see Annex, Table 1, "The social dialogue in 1996 and 1997").

The guiding principle behind the actions to be implemented under the new Multi-Annual Programme is social concertation, based on the involvement of all social partners in the work-creation process.

Examples of "good practice" in the developments of the past year are the agreements reached in April by the social partners at national level, i.e. the Inter-Confederation Agreement for Employment Stability, the Inter-Confederation Agreement on Collective Bargaining, and the Agreement on the Filling of Legislative Gaps. These agreements establish the new framework of job-market and labour relations for the medium term.

The basic aim of these agreements is to help to improve the functioning of the labour market, making it more effective and more stable, consolidating the collective bargaining process and filling the gaps in the legislation caused by the abolition of the Labour Ordinances and Regulations. The main aspects of the agreements are shown in the Annex, Table 2, "Summary of the main changes introduced by the three labour reform agreements".

The object of the Agreement for Employment Stability is to improve the functioning of the labour market in order to reduce the high rate of unemployment, job insecurity and the high turnover of labour. This Agreement was enshrined in Royal Decree-Law 8 of 16 May 1997 on urgent measures to improve the labour market and promote recruitment on open-ended contracts, and in Royal Decree-Law 9 of 16 May 1997 providing social security and tax incentives to encourage recruitment on open-ended contracts and job stability. These Royal Decree-Laws regulate the new forms of employment contract to promote employment and the system of incentives for stable employment, as well as clarifying the grounds for dismissal on objective grounds. The new system of recruitment incentives is presented in Table 3 of the Annex, "Recruitment incentives".

Described below are the developments during the past year in the areas indicated in the report outline.

3.1 Training and life-long learning

Over the period 1997-2000 there will be increased investment in vocational training in the broad sense, incorporating that dispensed by the education system, that dispensed by the "social guarantee" system, that dispensed under the FIP (Vocational Training and Integration) Plan and continuing training, with more being spent per trainee in order to optimise the level of quality demanded of the new courses. These investments will be augmented by the cooperation planned between the Vocational Training Centres and businesses and local Technology Parks and Institutes.

The developments during 1996 and 1997 are as follows:

- Basic Agreement on Vocational Training Policy, signed in December 1996. This sets out the criteria and lines of action to be followed in the Second National Programme for Vocational Training.
- Second National Programme for Vocational Training 1997-2000, drafted and currently in the process of adoption. Its aim is to strengthen the functional and geographical coordination of the Spanish system of vocational training, intensify cooperation between training centres and businesses, improve and

boost specific vocational training, improve and flexibilise occupational training, and improve the quality of vocational training.

- The National Agreement on Continuing Training and the Tripartite Agreement on Continuing Training, both signed in December 1996. The object of these Agreements is to promote the development of training plans in undertakings and the granting of time off for training to workers in employment, with a triple objective: regular re-skilling, social promotion and prevention.

3.2 Work organisation and working time

With regard to the flexible organisation of work, the jobs created between the first quarter of 1996 and the same quarter of 1997 have mostly been full-time, so that part-time jobs continue to be in the minority, representing 8% of the total. The average working time in collective agreements until April 1997 has fallen, to 1775.7 hours per year, the working time in in-house company agreements being less. At the same time, the average number of hours worked per worker and month is also falling, and now stands at 144 hours per month.

As regards developments in this field, the Agreement for Employment Stability contains a commitment to analyse, during the Agreement's first year, the aspects relating to the management of working time and the duration and re-distribution of working hours with the aim of improving employment and the functioning of the labour market. As regards overtime, which the Workers' Statute basically restricts to 80 hours per year, the aim is to give the unemployed more chance of a job.

With regard to part-time contracts, the aim of the Agreement is to give workers on part-time contracts of less than 12 hours per week or 48 hours per month full entitlement to all the benefits of the General Social Security Scheme. This aim was enshrined in Royal Decree-Law 8 of 16 May 1997, which imposes a three-month deadline from the entry into force of the Decree-Law for the necessary provisions to be adapted so as to ensure all contingencies are covered for workers on such contracts.

3.3 Wage policy

The process of wage moderation initiated in 1995 has been interrupted as a result of the excellent behaviour of consumer prices during 1996 and, to a lesser extent, during the first five months of 1997.

As a result, the agreed pay increase until April 1997 was 3.2%, one and a half points above the annual rate of inflation for that month (which was 1.7%). The annual rate of inflation in June was 1.6%, almost two points lower than that recorded in December 1996.

Inflation up to the year 2000 is forecast to be moderate, consonant with the anticipated consumption and wage trends, which, although these will be above inflation, will still be below estimated productivity.

3.4 Job creation initiatives at the local level

The job-creation strategy developed, based on actions linking economic development with job creation through the concerted action of the diverse local actors, mobilising local resources in order to favour development based on the region's potential, has embraced the following programmes among others:

- Programme of Local Economic Cooperation, for funding infrastructures and installations in small and medium-sized municipalities to boost economic activity in the area.
- Programme of Local Employment Initiatives, to promote and fund the creation of businesses and the recruitment of workers, together with the recruitment of officials for local development.
- Programme of Social Collaboration, for the performance of works and services of general and social value by unemployed workers.
- Programmes to reactivate traditional industries in regions through the setting up of business "incubators", technology institutes, networks of centres and technological networks within the framework of the PYME, ATYCA and ARTE-PYME initiatives.
- The Community Programmes PRODER and LEADER II.
- The Programme of "Escuelas Taller" (Crafts-school workshops) and "Casas de Oficios" (Linked work and training centres).

3.5 Making taxation systems more employment-friendly

The trend towards reducing non-wage labour costs has been enshrined in Royal Decree-Law 9 of 16 May 1997, which reduces employers' social security contributions in order to encourage recruitment on open-ended contracts and job stability for those categories of workers who find it most difficult to integrate into the labour market (the young unemployed, the over-45s, the long-term unemployed and the disabled) and the conversion of temporary or fixed-term contracts into open-ended contracts. The reductions can vary from 40% to 100% of the employer's contribution, depending on the category of worker (see Table 3 in the Annex).

As regards reducing the tax burden, the fiscal framework has been reformed in favour of SMEs, with tax relief of PTA 800 000 for recruiting disabled workers.

In addition, tax incentives have been established for creating and maintaining jobs, for investment in R+D and for protection of the environment, as well as for vocational training expenses incurred by undertakings.

3.6 Activation of labour market policies

During 1996 spending in relation to GDP was reduced for passive labour market policies (76.5% of the expenditure) and increased for active policies (23.5%).

INEM's projections up to the year 2000 continue along these lines, with active policies set to absorb 1/3 of expenditure in this field.

With regard to improving the management of the INEM, during 1996 143 agreements were signed within the framework of the Integrated Employment Services. The INEM's rate of involvement in job placements was 15.5% in May, while there has been a continuing expansion in the first five months of the year in recruitments and in temporary-employment agencies.

3.7 Specific measures in favour of young people, the long-term unemployed, women and the disabled

In the context of measures in favour of the abovementioned groups, the most recent of which are contained in Royal Decree-Law 9 of 16 May 1997, together with the specific programmes implemented by the Instituto de la Juventud (Institute for Youth), the Instituto de la Mujer (Institute for Women) and the INEM, it is observed that the Labour Force Survey rate of unemployment during the first quarter of 1997 fell for young persons (unemployment rate 40.5%), women (28.6%) and the over-45s (12.1%), while the rate was 55% among the long-term unemployed, two thirds of whom have been unemployed for more than two years.

Registered unemployment fell in June for young persons and women, while specific recruiting of these groups increased during the month of May.

4. IDENTIFICATION OF MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

The new Multi-Annual Programme provides for the following employment and training support measures cofinanced by the Structural Funds:

- Support for cofinancing by the Structural Funds of initiatives arising from the Territorial Pacts for Employment aimed at job creation.
- Structural measures for rural development via integrated actions in four programmes aimed at the establishment of infrastructures, the modernisation of agricultural structures, the marketing of agricultural products and the development of rural tourism and promotion of small craft and service businesses (the PRODER and LEADER II programmes), cofinanced to the tune of 39.7% by the Structural Funds (ERDF and EAGGF-Guidance Section).
- Actions to develop infrastructures and installations in small and medium-sized municipalities, cofinanced to the tune of 25% by the ERDF.
- The ARTE/PYME programme to help SMEs enter the information society, cofinanced by the ERDF.
- Support measures aimed at commercial SMEs for modernisation and specialisation within the Modernisation of Commerce Framework Plan, cofinanced by the ERDF to the tune of 45.0%.
- Measures to improve the competitiveness of SMEs via the SME Business Development Initiative, cofinanced by the ERDF to the tune of 51.5%.

- Measures contained in the Community Employment Initiative for training, employment and the creation of small businesses and co-operatives for women, young persons and the disabled, co-financed by the Structural Funds.
- Measures to support self-employment, local employment initiatives and the development of the social economy, co-financed by the ESF.
- Training initiatives developed by the three vocational training sub-systems via the Operational Programmes or Community Initiatives co-financed by the ESF.
- Training measures in the agricultural sector, co-financed by the EAGGF-Guidance Section.
- Operations in the fields of transport and the environment, co-financed by the Cohesion Fund (PTA 775 000 million is earmarked for projects approved and awaiting approval for the period 1997-1999, while PTA 696 000 million was allocated for the period 93-96).

5. MAIN REFORMS/MEASURES ENVISAGED IN THE NEAR FUTURE

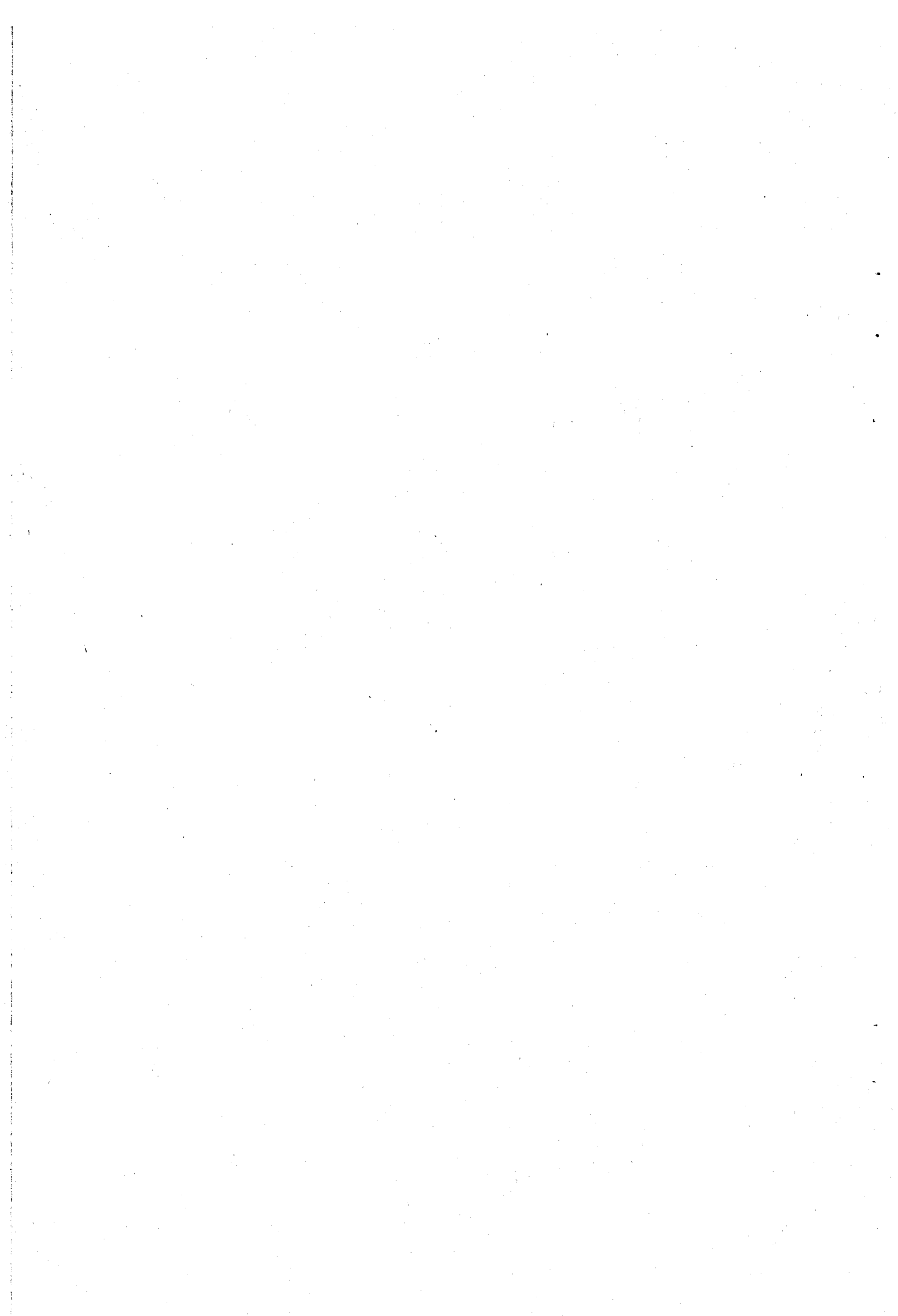
In parallel with the actions in the new Multi-Annual Programme, forming part of an integrated employment strategy at institutional level and due to be implemented during the period 1997-1999, the following measures are planned for 1997 in the fields of labour and employment:

- the National Vocational Training Programme 1997-2000, currently being discussed prior to approval by the Vocational Training General Council and, subsequently, by the Council of Ministers.
- Approval of the rules for applying the Agreements on Continuing Training: Ministerial Order ("Orden") establishing the regulatory bases and the criteria for the awarding of subsidies, and Provision ("Disposición") establishing the public call for proposals.
- Continuation of the process already begun for the legislative implementation of the Agreements concluded by the social partners on recruitment and labour relations.
- Design of the new decentralised model for the Public Employment Office, currently being studied by a working group set up in October 1996.
- Further development of the non-profit private placement agencies and the Integrated Services for Employment (new regulation of these Services).
- Implementation of the Territorial Pacts for Employment in the six Spanish regions agreed on in Dublin.
- Adoption of the Royal Decree implementing the Agreement for Employment and Social Protection in the Agricultural Sector signed with the trade unions in November 1996.
- Adjustment of the unemployment benefits rules, establishing more checks on benefit fraud.

- Culmination of the process of replacing the Labour Ordinances, through the mediation of the National Collective Agreements Commission and the implementation of the Agreement on the Filling of Legislative Gaps, concluded in April 1997 by the social partners.
- Further legislative development of the Law on the Prevention of Occupational Risks, with the adoption of eight Royal Decrees transposing as yet untransposed Community Directives.
- Adoption of the new General Law on Cooperatives, based on the Cooperatives Bill.

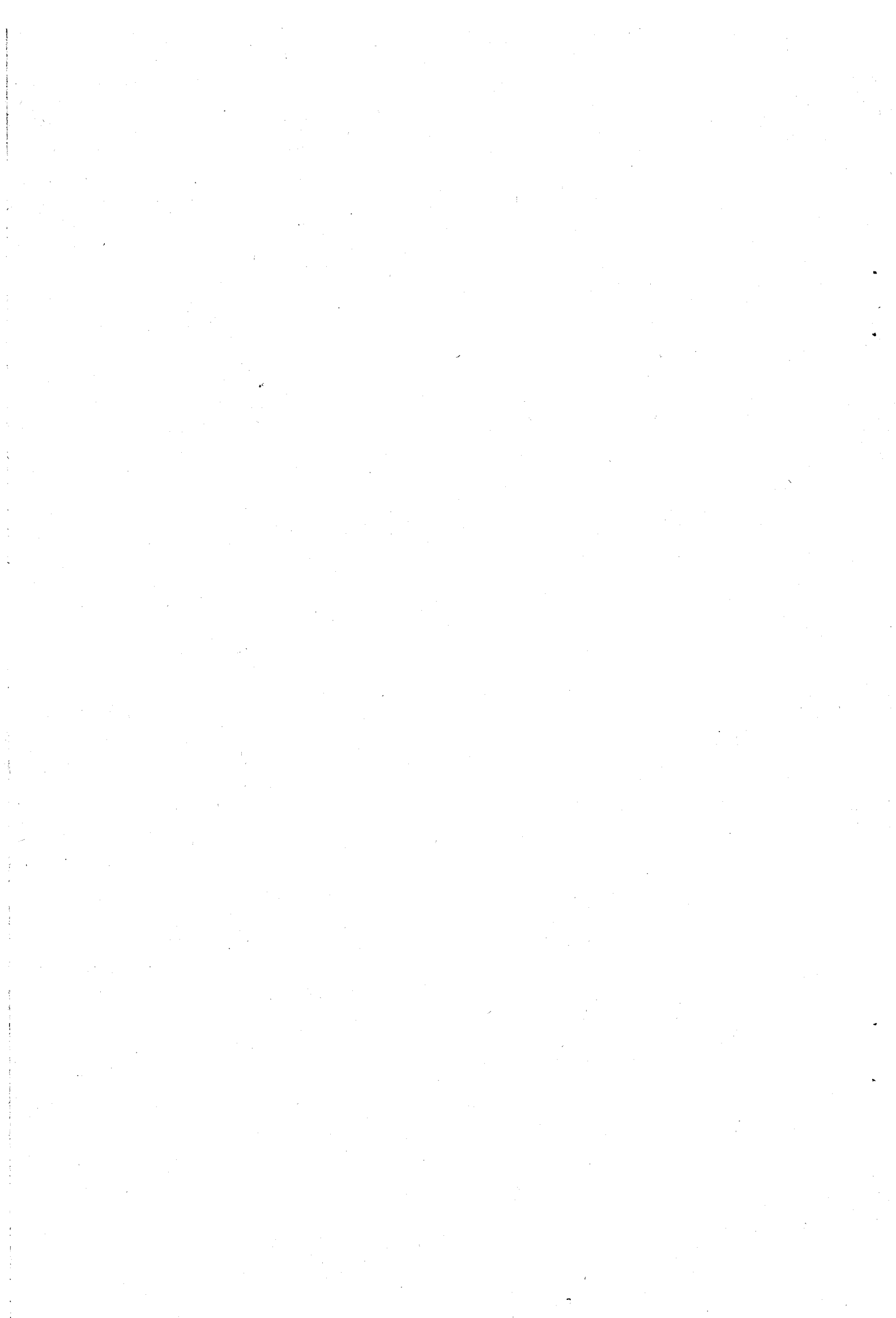
France

Ministry of Labour



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1. THE NATIONAL EMPLOYMENT AND LABOUR MARKET SITUATION

Growth in the French economy resumed in the summer of 1996 and is continuing. However, the recovery in production has not created sufficient jobs to contain the rise in unemployment.

Job creation in the market sector was beginning to show an upturn at the end of 1996.

Following a year in which market-sector employment declined, the numbers of jobs created were beginning to rise at the end of 1996. However, this remains a limited increase, by 0.1% in the fourth quarter of 1996 and the first quarter of 1997, giving 32 000 extra jobs.

Paid employment in the market sector

	1995	1996		1997
	Second half	First half	Second half	First half ^a
%				
Industry (including service sector)	-0.8 0.3	-1.3 0.8	-1.2 0.6	-0.4 0.8
Market sector*	-0.1	0.0	-0.1	0.3

Source: INSEE

a: Forecast. Last known data: first quarter 1997.

* All sectors other than agriculture, administration, education, health and the social sector.

At the beginning of 1997, as in 1996, there has been substantial job creation only in the service sector, with 55 000 extra jobs in the second half of 1996 and 33 000 in the first quarter of 1997. Within this sector, the most dynamic areas are services to businesses (+ 24 000 jobs in the first quarter of 1997) and services to private individuals (+14 000 jobs). Between 1996 and 1997, there has also been an appreciable improvement in industry, where the labour force had fallen sharply in 1996. The rate of job losses has slowed considerably, especially in the building industry (- 6 000 jobs in the first quarter of 1997, as compared with - 19 000 in the last quarter of 1996).

Total employment declined greatly in 1996.

After increasing in 1994 and 1995, total employment (including national servicemen) fell appreciably in 1996 (- 80 000 jobs). This is accounted for largely by a drop in subsidised non-market employment - employment and solidarity contracts (*contrats emploi-solidarité*) - and the continued fall in numbers of the self-employed. There has been vigorous growth only in domestic employment (recorded in the non-market sector), which was stimulated by the service voucher (*chèque emploi-service*) and tax incentives. According to the INSEE's forecasts, total employment should start to grow again in 1997.

The sharp rise in unemployment which took place in 1996 is continuing in the first quarter of 1997.

Between December 1995 and September 1996, the number of category 1 job-seekers at the end of the month (*DEFM de catégorie 1*¹) increased at an average rate of 13 000 per month, continuing the trend apparent in the second half of 1995. Since then, the monthly figures have fluctuated but the last two months have seen a resumption of the increase in DEFM 1: + 32 000 in May 1997 and + 17 000 in June, giving a mid-year figure of 3 131 000. The former reference indicator (DEFM 1 + 6) indicates that unemployment is still increasing rapidly (+ 118 000 in the first half of 1997). This discrepancy between the statistics reflects the increase in short-time working. The unemployment rate as defined by the ILO rose from 12.4% to 12.6% between June 1996 and June 1997.

In the last 12 months, unemployment has increased most among men and among persons over 50 years old. Youth unemployment, on the other hand, has fallen since September 1996, despite a sharp rise in unemployment among young males in the last two months.

In the last year, there has been a continued rise in the number of job-seekers among skilled (manual and, even more, white-collar) workers and highly skilled workers (in particular technicians and supervisors). Long-term unemployment (persons registered for over a year with the ANPE) has been rising fairly steadily since the spring of 1996, returning at the end of June 1997 to its previous peak, reached at the end of 1994. The proportion of job-seekers who have been registered as unemployed for more than 12 months is now in the region of 37%.

2. KEY FEATURES OF THE MULTI-ANNUAL PROGRAMME

Healthy growth in a stable macroeconomic context is necessary if the cyclical component of unemployment is to be absorbed. This is the aim of the deficit and public debt reduction policy, which will be conducive to investment in productive capacity, economic activity and employment.

As regards employment and vocational training policy as such, the traditional avenues of approach – (a) improving the qualifications of the various categories of worker and (b) action to counter the selectivity of the labour market – are supplemented by a new major strategic approach: (c) making growth more employment-intensive.

a) The main features of training policy are the priority given to integrating young people into working life and the creation of a "training time capital" (*capital de temps de formation*) funded on an industry-wide basis.

¹ The unemployment statistic "*DEFM de catégorie 1*" is derived from the records of the National Employment Agency (ANPE) and comprises those seeking employment at the end of the month who state that they are looking for permanent full-time employment and who have not engaged in short-time work for more than 78 hours in the course of the month. This indicator became the reference criterion in June 1995. The monthly indicator previously included persons seeking employment who had engaged in short-time work for more than 78 hours; the latter are henceforth classified as "*DEFM - catégorie 6*". It is thus possible to monitor the old reference variable by adding the indicators DEFM 1+ 6.

b) The policy of reducing labour market selectivity seeks not so much to increase the number of jobs available at a given rate of growth as to ensure by positive discrimination that, for a given volume of work, the jobs on offer are available to those encountering particular employment difficulties: young persons without qualifications, the long-term unemployed, disabled workers, etc.

c) The policy of increasing the employment intensity of growth is pursued through three main channels: adjustment and reduction of working time, promotion of local and household services which meet hitherto unsatisfied needs and reform of the tax and social security contributions systems to make them more employment-friendly, in particular by reducing the burden in respect of the low-paid.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and life-long learning

Three lines of approach may be mentioned.

a) "Training development commitments" (*engagements de développement de la formation professionnelle*), which are intended to be complementary to the modernisation of businesses and thus to increase their competitiveness, are multi-annual agreements made with a business within the framework of an overall agreement signed between an employers' organisation and the state. The state's contribution is intended to support employers who make a positive commitment to qualitative and quantitative improvement of their training plans over and above the statutory requirements, focusing in particular on people who do not have adequate qualifications or whose jobs are likely over time to disappear or be radically altered.

In 1995 (the 1996 figures are not yet available), training development commitments covered 19 296 businesses and 215 000 trainees. The funding amounted to FF 280 million from the state and FF 675 million from businesses.

b) The creation of training time capital enables workers to undergo long periods of training as part of the company's training plan in order to improve their knowledge or acquire new expertise. This is funded by agreement on an industry-wide basis, at a level of 0.10% of the total wage bill. At the beginning of 1997, 32 industry agreements were in existence.

c) Consideration is currently being given to a further step involving a "training time savings account" (*compte épargne-temps formation*) for each employee, which the employer would credit every year. The introduction of this instrument would reflect the philosophy of life-long vocational training. These proposals, and the proposal for a "training voucher" (*chèque-formation*), are now being examined.

3.2 Work organisation and working time

One of the recommendations on employment adopted by the European Council in 1996 was that the social partners should be encouraged to negotiate agreements on flexible working time arrangements and that all fiscal and social factors which had a disincentive effect on work and the organisation of working time should be eliminated. France is

accordingly engaged in a policy to promote the adjustment and negotiated reduction of working time in the interests of boosting employment.

Starting in September, a National Conference on Employment, Pay and Working Time will bring together all the social partners to discuss how these changes in working time should be made and to consider all possible measures to promote employment. An outline law reducing the statutory working week to 35 hours before the end of the current parliament will be put forward at the conclusion of this conference. Negotiations will be conducted at industry and company level to determine the actual arrangements for reducing and adjusting working time as part of an overall approach to reorganisation.

Public financial support should be provided for companies which reduce working time, and in particular to labour contractors, to safeguard their competitive position and reduce the effect on wage costs. In addition, work reorganisation in SMEs will be supported, e.g. by means of ESF funding (Objective 4) or state aids.

3.3 Wage policy

	Half-yearly averages			Year-on-year change, 2nd quarter 97	Yearly average, 2nd quarter 97
	96 First half	96 Second half	97 First half (forecast)		
Per capita wage in non-financial and non-agricultural sector	1.5	1.4	1.0	2.4	2.6
Consumer prices	1.1	0.7	0.4	1.1	

Source: INSEE – *note de conjoncture*, June 1997

Wage increases in the second half of 1997 are expected to be fairly buoyant, although the rise in consumer prices is very low and there is high unemployment. INSEE estimates indicate that the per capita wage in the non-financial and non-agricultural sector is likely to increase by 2.4% on a year-on-year basis. On 1 July, the minimum wage (*SMIC*) was increased by 2.3% but the knock-on effects on the per capita wage should be moderate.

Continuing wage increases in part amount to making up lost ground in terms of purchasing power. The rise in prices up to the end of June means that the purchasing power of the per capita wage has risen only 1.3% over a year. Over the period 1994-1997 (second quarter) the cumulative rise is 2.5%, as compared with 6.9% for the period 1989-1993. Because of the heavier tax and social security burden, net pay increased by 1.3% as an annual average in 1996.

The information available on collective bargaining at 1 July 1997 indicates that the pay increases negotiated at both industry and company level remain very modest.

Although a great deal of negotiation is in progress at both levels, pay bargaining has been marking time during the period under consideration after two years in which the two sides of industry had been very active in this area. The emphasis is now switching to negotiation on the reduction of working time, which is becoming the main negotiating issue at

company level. The number of industry-wide pay agreements signed fell at the end of 1996 to the same level as in 1993. Similarly, pay agreements negotiated at company level fell by 5% in 1996 after increases of 20% in 1994 and 1995. 42% of pay agreements had been signed by the end of 1996, as compared with nearly 65% in 1990. First indications for 1997 are that the average rate of pay increase is very moderate at about 2%, against 2.4% at the same time in 1996, with more zero increases than in the previous year.

In addition, the most recent pay survey by the Ministry of Employment research department (*DARES*), carried out in May, shows that the number of manual and white-collar workers who have received pay increases since the beginning of 1997 (11.5% and 11.2% on a year-on-year basis) is much lower than in previous years.

Pay trends can also be analysed in terms of the distribution of value added. Since the mid-1980s, the share of value added allocated to profits has increased markedly. Whereas real pay continued to grow at an average annual rate of 2.8% after the first oil crisis despite the stagnation of labour productivity, the new economic policies pursued since 1983 (no index-linking of pay, competitive deflation) have caused the trend to be reversed: despite a further slackening in productivity growth, pay is increasing less rapidly (+1.1% per year) than productivity. Pay declined as a proportion of value added until the beginning of the 1990s and has since stabilised at around 60%. This severe pressure on incomes has affected household consumption.

3.4 Job creation initiatives

The main vehicle is the expansion of services to individuals.

The aim of the consistent and sustained policy of promoting such services is to create lasting jobs. It implies developing a wide range of economic activities which meet real needs and which in time will be able to operate with less or no public support, producing quality services and giving rise to the creation of genuine occupations and careers.

The lines of action are as follows:

- a) Making the services affordable (exemption from employer's contributions for employers over the age of 70, child-care allowance, allowance against tax of half of payments for household services, arrangements to allow works committees and firms which have no works committee to provide financial assistance for household services for their employees), since the price to be paid to cover the real cost is regarded as too high.
- b) Simplifying administrative procedures: the service voucher (*chèque emploi-service*) and, for works councils and firms, the service warrant (*titre emploi-service*).
- c) Structuring of the supply of services (opening up of personal services to firms in the market sector, creation of service exchanges to match supply and demand) to ensure production of services quantitatively and qualitatively commensurate with the potential demand and capable of satisfying this demand.
- d) Professionalisation, to improve employees' skills and establish genuine occupations (creation of training modules).

It is estimated that in the next three years the equivalent of 100 000 full-time jobs could be created on a long-term basis in this sector.

3.5 Making taxation systems more employment-friendly

Average wage costs do not represent a particular handicap for France as compared with other industrialised countries. The rise in contribution rates has been accompanied by restraint as regards the net pay of medium and high earners. Where the low-paid are concerned, however, the relative cost of labour increased considerably between 1970 and 1984. The trend has since been reversed because of greater pay differentials and uncapping of social security contributions, but these developments are not in themselves sufficient to allow a return to the level of the 1970s. At the same time, there has been a downward trend in the demand for unskilled labour because of competition from countries with low labour costs and as a result of technical progress, which places the workers with least training at a disadvantage.

The lowest-paid are thus also those most affected by unemployment: in 1995, the unemployment rate for unskilled workers was 20%, as compared with 8% for highly-skilled workers.

Since 1993, reductions in employers' contributions for the low-paid have greatly lowered the relative cost of unskilled labour.

At present, a single degressive refund reduces contributions by about FF 1 200 per month at the minimum wage, with diminishing refund rates for wages of up to 1.33 times the minimum wage. The cost of labour at the minimum wage is thus reduced by 12.6%. The budgetary cost of this refund as provided for in the 1997 Finance Act is FF 40.3 billion.

Most economic research identifies a positive link between lower labour costs and firms' demand for labour but the closeness of this relationship is disputed: there is particular controversy with regard to measurement of the elasticity of substitution between capital and labour. The assessment body provided for by the five-yearly revision of the Employment, Labour and Vocational Training Act (*loi quinquennale*) has compared the outcomes of various macroeconomic simulations of a reduction in non-wage labour costs targeted on the low-paid. The main finding is that a reduction of FF 10 billion (about one-quarter of the degressive refund), if maintained each year, would have a cumulative effect of 50-60 000 jobs, about 30% of which would be created after one year and 90% after three years.

3.6 Activation of labour market policies

The co-operation agreements (*conventions de coopération*) established at the end of 1995 on the initiative of the unemployment insurance system have allowed a move from "passive" to "active" forms of expenditure: they help to lower the cost of labour by allowing firms which take on workers registered as unemployed for over eight months to be paid the benefits due to these workers in the form of a grant over 12 months.

To accompany this switch from passive to active expenditure, an effort is currently being made to improve the efficiency of the public employment service, e.g. by the following means:

- Decentralised management of employment policy aids, which has been introduced on an experimental basis since the beginning of 1997 in six regions. The aim is to enable the local representatives of the state to adapt national employment policy to the

characteristics of the local labour market. In the administrative districts (*départements*) concerned, all the aids to entry and re-entry to employment for problem groups are pooled and interchangeable. In other words, it is for the devolved services to make the best use of the budget placed at their disposal in the light of the national objectives (cutting of long-term unemployment, re-entry of problem categories, etc.) and their local partners.

- Transfer of the task of registering the unemployed from the National Employment Agency to the employment insurance schemes, allowing the Agency to concentrate on its basic function of guidance and placement.

3.7 Specific measures in favour of youth

Three categories are distinguished in youth employment policies: young persons "in difficulties", young persons without qualifications and young persons, with or without higher qualifications, who are seeking a first job or a first work experience placement.

Three main aims are pursued:

- to place the young entrants in a working environment so that they acquire initial work experience which may improve their chances of subsequent employment;
- to provide higher standards of general and vocational training for young people leaving the school system with a low initial level of education;
- skilling while in employment: apprenticeships and on-and-off-the-job training under the terms of an employment contract.

The "*Programme 700 000 jeunes*", which is now starting, seeks to mobilise all public and private players to develop activities addressing emergent or unsatisfied needs, in order to allow long-term jobs to be created for 350 000 young people, and to increase the number of young employees in the private sector by 350 000 (see section 5 below).

3.8 Specific measures in favour of the long-term unemployed and other high-risk categories (older workers, single parents, the disabled, etc.)

The basic principle common to all these schemes is that they are targeted on the basis of the particular characteristics of the groups identified as being "in difficulty" on the labour market: age, length of unemployment, receipt of income support, etc. Good targeting ensures efficiency in attaining the foregoing objectives: a balance has to be struck between arrangements which are broad in scope but inefficient since they are mainly of benefit to those who least require them and narrowly-targeted arrangements, which are certainly more efficient but give rise to displacement effects. Two solutions have been found to this dilemma: within any given measure, the assistance given is graded according to the severity of the beneficiary's problems, with priority groups designated, and the local operators responsible for implementation are given some scope for exercising their own judgement.

Recent developments seek to counter the dissipation of effort or excessively narrow access to the measures and to address the need for employers to be better involved in the reintegration of those they take on by encouraging them to adopt higher quality standards (training, backup, etc.).

a) Group integration and employment traineeships (*stages d'insertion et de formation pour l'emploi – SIFE*) and employment and solidarity contracts (*contrats emploi-solidarité – CES*) in the non-market sector have been refocused on the groups with the greatest problems and the very long-term unemployed. This has not been done, however, for the employment access traineeship (*stage d'accès à l'emploi – SAE*) or the individual integration and employment traineeship, so that preventive instruments are still available.

b) In the market sector, the monthly payment for the employment initiative contract (*contrat initiative emploi – CIE*) varies according to beneficiaries' problems and the length of time for which they have been unemployed so that assistance is concentrated on those who would not find employment without it.

c) To give CES employers a greater stake in success, their financial contribution has been increased. In order to encourage them to pursue the training aspect of these contracts more vigorously, the wage subsidy has been increased for employers who attain high standards in preparing for the beneficiary's return to employment, in particular by training.

3.9 The place of women in active employment policy

After several years in which the part played by women in active employment policy diminished, this trend stabilised, or indeed was reversed, in 1996. There has thus been an increase in the proportion of women amongst those benefiting from sandwich training schemes for young persons and subsidies for market-sector recruitment of the long-term unemployed (employment initiative contracts). Women predominate in non-market employment schemes – employment and solidarity contracts, consolidated employment contracts (*contrats emploi consolidé*) – and their share remained stable in 1996, accounting for 62% and 61% respectively of persons covered by these measures.

4. IDENTIFICATION OF MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

The Objective 3 ESF single programming document contributes to promoting employment by providing financial support for various types of action:

For young people: The European Social Fund part-finances the expansion and upgrading of on-and-off-the-job training systems. The Regional Councils, which are responsible for youth training policies, are asked to enhance the impact of Community support by targeting it on opening new units, improving personalised sandwich training routes for young people, training instructors in firms and providing careers guidance, especially for girls.

On an experimental basis, the European Social Fund also provides assistance for some large national networks, which provide links to business, in encouraging SMEs to accept young people for sandwich training.

For the unemployed with the most severe problems and persons at risk of exclusion from the labour market: The European Social Fund provides essential support for the absorption of such persons into the economy. It makes possible a significant increase in

the number of places available in integration undertakings (*entreprises d'insertion*) and extensive development of the partnership between the state, the local authorities and firms within the local employment plans (*plans locaux d'insertion économique - PLIE*). Thanks to the European Social Fund, 120 such plans are organising personalised training and placement routes in 1997 for severely disadvantaged groups, adopting an overall approach to their problems (in 1994 there were 38 such plans).

The European Social Fund also makes it possible to increase the number of training places offered to immigrants and disabled persons.

The Objective 4 ESF single programming document helps firms to anticipate change and update their workers' skills.

- The European Social Fund has made it possible to double the resources devoted by the state and business to employee training and to increase the efforts made to anticipate change, so that human resources can be better integrated into the development strategies of firms, and in particular SMEs.
- As regards work organisation and working time, Objective 4 will make it possible to double the amount of advisory work carried out to help SMEs adjust and reduce working time in order to maintain and create employment.

The EMPLOYMENT and ADAPT Community initiative programmes, operating in parallel to the main national training schemes, have made it possible to assist over a thousand innovative and transnational projects involving

- placement of persons with very severe problems or with particular forms of disablement;
- work and job creation (especially by and for women);
- retraining of workers, especially to prevent exclusion from the labour market which may result from the development of new information and communication technologies.

Arrangements are being made to consolidate these activities (1997-1999) so that good practice can be adopted, transferred and propagated.

5. MAJOR REFORMS OR MEASURES ENVISAGED IN THE NEAR FUTURE

The French government has made employment its main priority and is pursuing its job creation efforts along two main lines:

The first is to develop new activities to provide employment for young people. There are many emergent needs or needs which are not yet satisfied. New activities thus have to be developed on the basis of projects originating in the non-market sector (associations, local authorities, public establishments).

The projects selected will receive support from the state in the form of a subsidy for the operating expenses. In exchange, those running the projects will have to employ young people for a minimum of five years or on an open-ended basis. Professionals from the

sectors concerned will be involved in the procedure for selecting projects to ensure that the new activities do not replace existing jobs in the market or non-market sector.

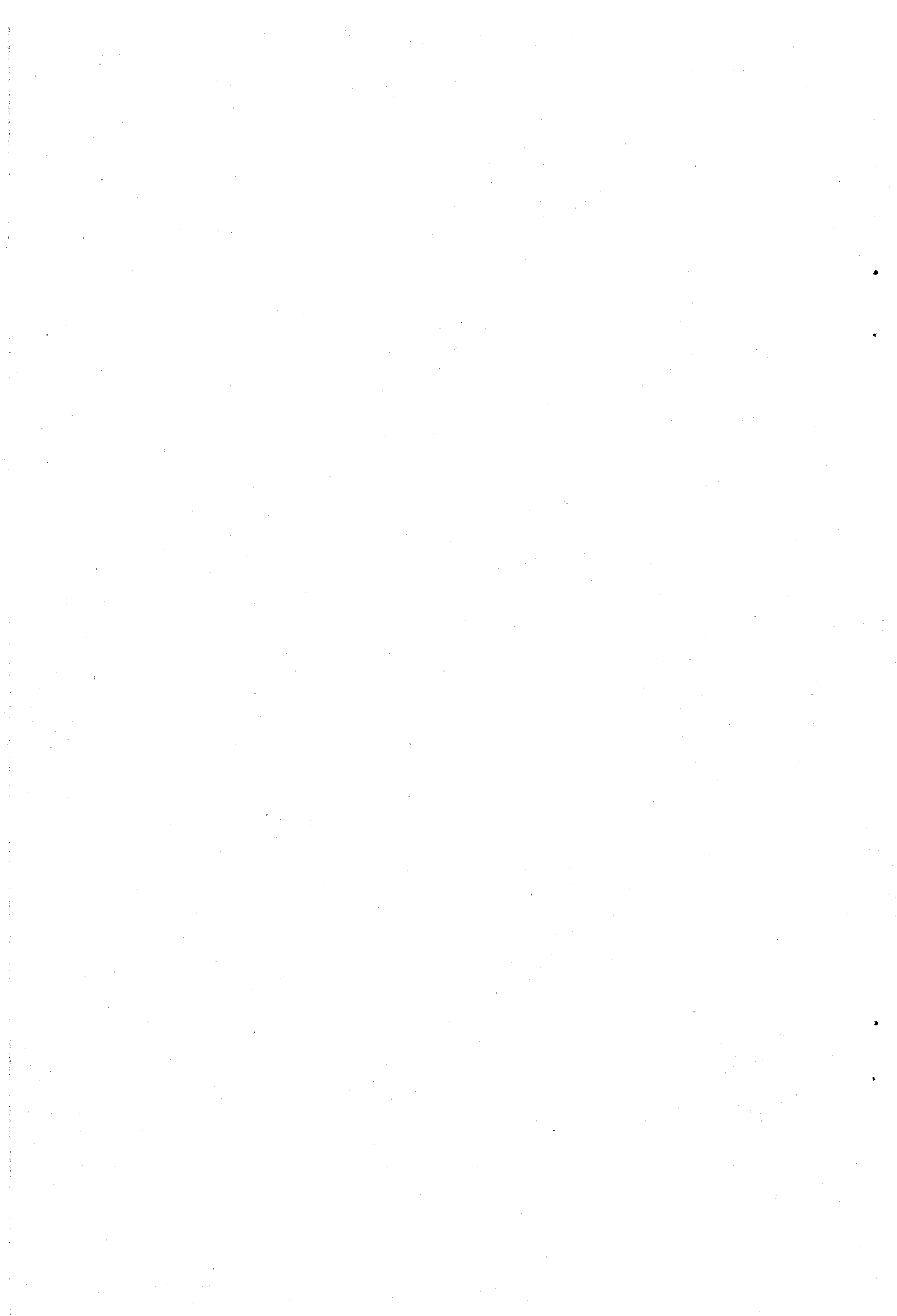
The second line of approach is to set in motion a job creation process by reducing and adjusting working time. A National Conference on Employment, Pay and Working Time will bring together the state and the social partners to deal in a comprehensive way with employment issues and arrangements for shorter or different working hours. Once these consultations have been completed, an outline law will provide for a significant reduction in the working week from 39 to 35 hours by the end of this parliament. The social partners will negotiate on an industry-by-industry basis on the necessary arrangements. Public finance may be available to support companies in reorganising work in this way.

Ireland

Department of Enterprise and Employment

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1. INTRODUCTION

- 1.1 In November 1995 the Irish Government submitted to the Commission of the European Union its "Labour Market Multi-annual Programme" as proposed in the conclusions of the Essen European Summit in December 1994. In July 1996 a report of progress on the implementation of the Multi-annual Programme was submitted.
- 1.2 This document is a further report on the implementation of the multi-annual programme to July 1997, and where appropriate, outlines new measures introduced during 1996/97. While the report focuses on specific measures as requested by the Commission, it should be borne in mind that many of the measures are part of the continuous development of the programmes outlined in the original Multi-annual Report.

2. EMPLOYMENT SITUATION IN IRELAND

- 2.1 The Irish economy has experienced sustained well-balanced growth in recent years. For the years 1994 to 1996, GNP growth averaged 7.5% and this was accompanied by average annual employment growth of 3.7% (on an ILO basis). In the year to April 1996 (most recent Labour Force Survey) ILO employment rose by nearly 44,000 or 3.4% to give a total of 1.317 million employed. A similar employment increase is now anticipated for 1997.
- 2.2 The employment rate (ILO basis) for the population aged 15-64 rose from 51% at mid-April 1993 to 54.8% at mid-April 1996. This has happened despite continuing falls in labour-force participation among young people and older males. In the prime-age population aged 25-44, the male employment rate rose from 78.3% to 82.8% and the female employment rate rose from 49% to 57%. The jobs-gains forecast for the current year should see a further increase in employment rates across the age and gender spectrum.
- 2.3 This employment growth has impacted on unemployment - in the period mid-April 1993 to mid-April 1996 unemployment fell by 42,000 on an ILO basis. The unemployment rate (ILO) for 15-64 year olds fell from 16% in mid-April 1993 to 12% in mid-April 1996. Youth unemployment (ages 15-24) fell from 25.3% to 18.2% in this period; the rate for 25-44 year old males fell from 15.2% to 11.3%. While unemployment among young women (ages 15-24) fell from 23.2% to 17%, older women's unemployment fell more slowly (from 11.2% to 9.5% for the 45-64 age group) in the face of very rapid increases in female labour force participation. The annual average SUR fell from 15.6% in 1993 to 11.2% in 1996.
- 2.4 Long term unemployment has also fallen over this period. On an ILO basis, the long-term unemployment rate fell from 9.2% to 7% in 1996."

3. KEY ELEMENTS OF THE MAP

3.1 The Irish MAP was finalised in mid-to-late 1995. It outlined the main elements of policy as they affected each of the five priority themes identified at Essen. Among the key policies included in the MAP were:

1. Investment in education and training

(i) Initial VET

- ⇒ Increasing the completion rate for senior-cycle secondary education to 90% by 1999 (from the 1992/93 level of 79%); measures to achieve this would include early intervention to prevent drop-out, as well as curricular reform in the senior cycle itself.
- ⇒ Strengthening the technical/vocational dimension at second level
- ⇒ Maintaining and enhancing provision in post-secondary education and training (further and third level, apprenticeship, etc.), while directing resources more specifically to meet priorities for sectoral economic development.

(ii) Young people at risk

- ⇒ In addition to the core educational reforms aimed at preventing drop-out, the *Youthreach* programme would continue to focus on individual young people leaving school with minimal qualifications and provide them with basic training and follow-up support.
- ⇒ While in the longer term, the need for programmes such as Youthreach is expected to decline, a significant short term shortfall of places was identified to cater for the accumulated stock in the labour market who had already left the school system early with no qualifications. As a consequence, a decision has now been taken to significantly increase provision on the programme in the period up to the end of 1999

(ii) Continuing training

- ⇒ Increasing firms' investment in training of employees through information and promotion as well financial supports
- ⇒ Maintaining the level of specific-skills training for the unemployed, while moving incrementally towards a *traineeship* (alternance) approach from the existing course-based system
- ⇒ Increasing provision of basic skills training for the socially-excluded, through training programmes, second chance education programmes such as the Vocational Training Opportunities Scheme (VTOS) and through an enhanced training element in the major temporary employment programme, *Community Employment*.

(iii) Improving the quality of training provision

With assistance from the EU Structural Funds, a major increase in investment is taking place to enhance the quality of provision through:

⇒ systematic investment in Training of Trainers

⇒ capital spending on upgrading buildings and equipment

⇒ monitoring, evaluation and technical assistance mechanisms and

⇒ the development of a single national framework of certification for vocational training in the education and training sectors.

In addition, as part of a Government Action Plan of Skills, a Future Skills Identification Group has been established to ensure that the education and training system channels its efforts towards speedy responses to emerging skill shortages. The Group brings a national forum for the joint involvement of education, training, industry, social partner and development agency interests in responding to skill needs.

2. Increasing the employment-intensity of growth

(i) National programmes

The then-current national agreement (*Programme for Competitiveness and Work*) embodied pay increases which were competitive at the aggregate level (8% cumulative over three years) while providing for flexibility at the micro level by recognising the issue of firms' ability to pay. The MAP indicated the Government's intention to seek to maintain the social-consensus approach in any successor agreement.

(ii) Encouraging atypical and flexible work patterns

Measures were to be taken, mainly within the social welfare system, to remove disincentives for welfare recipients taking up atypical jobs (primarily temporary or part-time). In addition, a unit was to be established in the Department of Enterprise and Employment to promote and facilitate flexibility in work organisation at the level of the firm.

(iii) Local initiatives

A programme of support for such initiatives had been agreed with the Commission, and was included as a separate operational programme under the Community Support Framework 1994-99.

3. Reducing non-wage labour costs

The thrust of further tax and social-contribution reform would continue to focus on reducing the tax wedge, in particular as it affected the lower-paid. This would involve:

⇒ Taking more of the lower-paid out of the tax net by raising personal allowances

⇒ Reducing employers' social contributions in respect of lower-paid employees

⇒ Reducing employees' contributions at lower wage levels

These measures were to be financed, in part, by improved tax collection and by restriction of tax reliefs.

4. Improving the effectiveness of labour market policies.

Measures under this heading would concentrate on attempts to reduce disincentives caused by high replacement ratios for certain groups. Some of the policies already described in relation to facilitating atypical employment, and reducing the tax wedge, would also contribute to the meeting of this objective. Further specific measures proposed included:

⇒ Refinements to the system of in-work benefits for certain low-paid workers (*Family Income Supplement*)

⇒ Changing the balance between child-dependant payments under unemployment compensation schemes and those in the universal *Child Benefit* scheme.

⇒ An increased strategic focus, in active labour market policies, on preventing drift into long-term unemployment and on counteracting the de-skilling effects of long-term unemployment itself.

5. Measures for hard-hit groups

The priority groups identified in the MAP were the registered long-term unemployed (over one year); those registered for six months or more and approaching the long-term threshold; dependant spouses of the unemployed; lone parents; and the young unemployed. Specific measures envisaged included:

⇒ Enhanced guidance and counselling for these groups through the development of the *Local Employment Service*

⇒ Increased provision for training, development and guidance within the main temporary employment programme *Community Employment*

⇒ Promoting re-employment of the LTU through the *Back-to-Work Allowance*, and of young people and those in shorter-duration categories through the *Employers' PRSI Exemption Scheme*.

4. MAJOR DEVELOPMENTS IN 1996/97

The specific developments in 1996/97 are outlined in the following paragraphs. Two major developments during the year were the completion of a new national agreement (*Partnership 2000*) between the Government and the Social Partners, and the publication of a White Paper on Human Resource Development. A copy of each of these documents is circulated with this report.

4.1 Training and life-long learning

- 4.1.1 Secondary education completion rates (to Leaving Cert.) have risen from their 1994 level, and are on course to reach the 90% target by 1999. Post-secondary provision has also continued to expand, so that approximately 90% of those completing Leaving Cert. now go on to further/higher education and training before entering the labour market. A significant part of further and third level expansion is being directed at fast-growing occupations in software, electronics, and foreign-language tele-sales and customer support.
- 4.1.2 Youthreach provision for early leavers from the secondary school system has been expanded. Further major initiatives in this area are imminent (see paragraph 5.2 below).
- 4.1.3 The number of pupils following new vocational options in upper secondary level education has increased by 123.5% between 1992 and 1997, and is scheduled to increase to 30% of the overall cohort by 1999. The number of trainees pursuing further education vocational training programmes has increased by approx. 9% between 1992 and 1997, and third level numbers have increased by approx. 27%, and provision of second chance education places in the education system has increased by 111.6%.
- 4.1.4 In the education and training domain, the main areas of increased expenditure between 1996 and 1997 are as follows:-

Measure	Agency	1996 £M	1997 £M
Apprenticeship	FAS	9.193	13.133
Apprenticeship	Education	11.659	11.752
Vocational Preparation and Training (including upper secondary reforms)	Education	50.064	53.136
Third Level Vocational training	Education	138.112	140.47
Early School Leavers	Education	14.442	16.052
Vocational Training Opportunity Scheme	Education	24.691	25.6
Training for the Unemployed	FAS	30.64	30.825
Development training	FAS	38.596	38.758
Training of Trainers	Education	9.440	9.488
Certification	Education	2.223	2.410
Infrastructure	Education	22.434	40.6

4.2 Work organisation and working time

- 4.2.1 Experimentation in new forms of work organisation and more flexible organisation of work is increasingly occurring in Irish-based companies. This experimentation includes the development of workplace partnership for competitiveness and employee involvement.
- 4.2.2 The current national economic and social programme - Partnership 2000 - includes commitments on the development of a partnership approach in the introduction of more flexible work organisation. Under the programme a national centre was established in May, 1997 to promote partnership at the level of the enterprise.
- 4.2.3 No one model of partnership is envisaged; individual firms and their employees would develop the partnership approach best suited to the needs of the firm in terms of ongoing change in work organisation.

4.3 Wage Policy

- 4.3.1 In December 1996 the fourth successive national agreement between the Government and Social Partners was concluded. The agreement, or Partnership as it is referred to, is a combination of elements which had been seen in its predecessors but also contains innovations particularly in relation to the creation of and access to employment, the changing nature of employment and the role of Partnership in the workplace, both in the private and public sectors.
- 4.3.2 The Partnership is structured, similarly to its predecessors, in two parts; the first, dealing with a range of policy commitments on behalf of Government and the Social Partners and the second, the terms of a pay agreement covering Private Sector employment with the modified terms covering the Public Sector included as an annex.
- 4.3.3 However, unlike its predecessor, the link between moderate pay terms and tax reform, particularly progress in relation to personal taxation, is overt and strong. The successful conclusion of the pay agreement on moderate terms depended substantially upon the successful conclusion of a planned approach to tax spending over the lifetime of the Partnership.
- 4.3.4 Agreement between Government and Social Partners on the necessity to maintain economic success by providing for sound public finances, for low inflation and for monetary stability with a clear emphasis upon the control of public spending provided the framework within which the Partnership was concluded.
- 4.3.5 The dynamic relationship between economic conditions and our ability to honour tax commitments and provide for expenditures particularly in the areas of Social Inclusion and Equality is spelt out in detail within the terms of the Partnership. Underlying the assumption of continued significant economic growth lies the agreement of all parties to the Partnership on the need for continued social stability, to be achieved through joint analysis and a consensus approach to policy formation.
- 4.3.6 The Partnership explicitly sets out to address the challenge to make competitiveness and social solidarity self-sustaining, recognising that global competition and the information society require continuous innovation, flexible working methods, highly skilled workers and life long learning. Action to meet the challenge of global competition through the modernisation of the economy is

set out in Chapters 6, 7, and 8 of the Partnership, namely Action to Promote Enterprise and Jobs, Action on Small Business and Action to Develop Agriculture, Food and Forestry.

4.4 Promoting initiatives at local level

4.4.1 Under the Community Support Framework, the Operational Programme for Local Urban and Rural Development will continue up to 1999. The main measures under the programme are aimed at supporting:

- ⇒ Local micro-enterprise, through a nation-wide network of 35 Enterprise Boards,
- ⇒ Integrated local economic and social development in disadvantaged areas, through 38 Area Partnership Companies in the localities concerned,
- ⇒ Urban and village renewal, concentrating on rehabilitation of the built environment.

4.4.2 By the end of 1996, the programme had already exceeded its 1999 target for direct job-creation, with a total of just under 17,000 jobs having been supported up to that date.

4.4.3 Under Partnership 2000, there is a commitment to a detailed examination of the employment potential of the social economy, and a Working Group on this issue has already been established.

4.4.4 Changes to Corporation Tax have also favoured small and new enterprises. Following from the 1996 measures, the rate of tax was further reduced from 38% to 36% in the 1997 Budget, with a special low rate of 28% on the first £50,000 of taxable income, to favour SMEs. Start-up enterprises will also benefit from a 1997 measure which gives allowance against tax in respect of certain pre-trading expenses.

4.5 Making taxation and social contribution systems more employment friendly

4.5.1 The 1997 Budget continued the trend of recent years towards reducing both non-wage costs and the overall tax wedge. Among the main relevant 1997 measures are:

- ⇒ Employees' Pay-related Social Insurance (PRSI) contribution rate for most private-sector workers was cut from 5.5% to 4.5%
- ⇒ The weekly earnings ceiling below which the lower (8.5%) rate of Employers' PRSI contribution applies has been raised from £250 to £260.
- ⇒ Personal income tax allowances were increased by 9.4%; the standard-rate tax band was widened by 5.3%, and the standard rate itself was cut by 1%, to 26%.

4.5.2 While reducing the tax wedge at all income levels, these changes will have a relatively greater impact on lower-to-moderate incomes.

4.6 Activation of labour market policies

4.6.1 Policy in this area has two strands. The first relates to the removal of possible financial disincentives facing persons entering employment. The second relates to "active solidarity".

4.6.2 On the financial incentives front, the tax-wedge measures described in the preceding section are obviously important. In addition, in 1997:

⇒ The in-work benefits for lower-paid workers with children, under the Family Income Supplement (FIS), have been increased by £6 per week; first steps have been taken in moving to the use of net rather than gross income in assessing FIS entitlement thereby strengthening the incentive to take up low paid employment.

⇒ The Back-to-Work Allowance scheme has been expanded (from 17,000 to 22,000 places) and technical and loan supports for self-employed participants have been improved.

⇒ Further steps have been taken in the up-rating of general payments for children relative to those which are conditional on unemployment.

⇒ Changes have been made in the calculation of payments for adult dependants of unemployed welfare recipients; these are designed to remove disincentives facing the spouses of unemployed people (mainly women) entering employment or increasing hours worked.

4.6.3 Partnership 2000 contains explicit recognition of the importance of "active solidarity". Increased co-operation between the social welfare authorities and the employment service is being developed to encourage more active job-search by the registered unemployed. The initial focus of this co-operation is in relation to young registrants (aged 18 or 19), but lessons learned in this process will have wider application in future.

4.7 Specific measures in favour of young people

4.7.1 In 1996 the Government introduced a programme "Special Provision for 18/19 year olds" whereby 18/19 year olds signing on the Live Register for six months or more are referred to FAS who have put in place a Youth Progression Programme, initially targeted at 1,000 particularly disadvantaged young people. The programme comprises an intensive counselling phase of up to eight weeks, aimed at securing re-integration into the labour market or at identifying progression options for those concerned.

4.8 Specific measures in favour of the long-term unemployed

4.8.1 *Community Employment* is the largest single active programme, providing over 40,000 temporary employment places for unemployed people. The programme been re-structured to provide a range of options tailored to the particular needs of the long-term unemployed. In addition, targeting on the programme has been strengthened from mid-1996, with some 30,000 places effectively restricted to those unemployed for a year or more and the balance of 10,000 places reserved for persons over 35 years old and three years or more unemployed.

4.8.2 A new private-sector recruitment subsidy of £80 per week (*Jobstart*) was introduced for the very-long term jobless (over 3 years) in mid-1996. Approximately 1,500 jobs were being supported by June 1997.

4.8.3 It is envisaged that planned developments in the Public Employment Service will involve more systematic contact with the registered unemployed in the period before they become LTU, and that this approach will have an important preventive effect.

4.9 Specific measures in favour of unemployed women and of the promotion of equal opportunities

- 4.9.1 Labour market interventions have a role to play in increasing the level of participation of women in the labour market, but are by no means the sole panacea. Developments in the Irish economy over the past decade indicate that the institutions of social partnership have an important role to play in this domain. This could be strengthened through a more pro-active role by the social partners at firm level in promoting equality of opportunity, at all levels of training and work. The State, for its part, is underpinning at statutory level its commitment to the role of women in employment through the enactment of the Employment Equality legislation.
- 4.9.2 The State can also, through its support instruments, help to bring about the attitude change which is needed. Thus, for example, in the context of considering applications for support under programmes such as the Training Support Scheme or Management Development Grants, it will be incumbent upon applicants to include an "equal opportunities" statement of policy with respect to their enterprise.
- 4.9.3 Equity of access to labour market opportunities, including access to training and employment supports, needs to be improved and in this context the new Social Partner programme - Partnership 2000 - provides that a fundamental review of this issue will be undertaken in the first year of the programme with a view to identifying underlying issues and making recommendations to Government. The Local Employment Service, through its local focus, can play a crucially important role in out-reaching, and providing access, to targeted disadvantaged women who seek to gain a foothold in the labour market. FÁS, for its part, has developed its Action Programme for Women. This is a concerted effort to encourage increased female participation in sectors of the labour market traditionally dominated by men, to promote the participation by women at all levels in expanding modern sectors, including managerial and technical occupations, and, generally, to secure an up-grading of existing skills levels among women.
- 4.9.4 The Return to Work Programme is specifically focused on providing "back-to-work skills" to women who have been out of the labour force for a long period of time. However, an evaluation undertaken by the ESRI in 1995 found that a relatively large percentage of participants (36%) did not enter the labour market following their participation in the Programme in 1992. It was also found that the skills training in the Programme was pitched at too low a level and too generalised in form, and that it needed an improved back-up service to achieve a better record of progress to jobs or to higher-level training options. The Government has decided, therefore, that the Return to Work Programme will, in future, concentrate on providing foundation skills which facilitate access to courses with a higher skill content and that active, on-the-job training elements will also become an intrinsic part of the Programme. Entry criteria for the Programme will also be reassessed to ensure that those embarking on the Programme are genuinely planning to enter the labour market.
- 4.9.5 A range of innovative measures to help women re-enter the work force has also been developed under the NOW strand of the EU Employment Initiative. The specific aims of the NOW programme, which was first introduced in 1991 and the current strand of which

became operative in 1996, are to reduce unemployment among women, to improve the position of women already in the workforce and to develop strategies to respond to changes in the organisation of work with a view to reconciling employment and family life.

- 4.9.6 The testing of pilot approaches, to see what new approaches can be mainstreamed, is one of the prime objectives of the EU Employment Initiative (which comprises the *NOW*, *Horizon*, *Youthstart* and *Integra* strands). Programme Co-ordinators appointed under each strand are specifically charged with this task. While it is still too early in the life of the programme to determine what these approaches might be, the Government is committed to the mainstreaming of suitable pilot projects identified under the Initiative.
- 4.9.7 Within the education sector, an allocation of £2.7m over the period 1997-99 is being made to support child care for participants on vocational training programmes for the unemployed and for early school leavers (Youthreach, the Vocational Training Opportunity Scheme and programmes in senior Traveller Training Centres). This will ensure a greater participation by parents in second chance education. Research indicates the importance of parental support and attainment levels in education in influencing their children's participation in schooling. The initiative will help to break the inter-generational cycle of disadvantage.
- 4.9.8 The new One-parent Family Payment introduced in 1997 is specifically designed, through the inclusion of substantial income disregards, to facilitate lone parents who wish to enter or return to the workforce. Lone parents can now earn up to £6,000 per annum and retain their full payment. Where earnings exceed that limit, a reduced social welfare payment may be paid.

4.10 Specific measures in favour of other categories at risk

- 4.10.1 The Government recently published the report of the Commission on the Status of People with Disabilities entitled *A Strategy for Equality*. The Report examines and makes recommendations in relation to a range of services to people with disabilities, including training and employment opportunities. The Government has established a Monitoring Committee and Inter-Departmental Task Force to assist in progressing the recommendations of the Report. The National Rehabilitation Board (NRB) is responsible for the training of people with disabilities. Training actions for the sector are carried out by a range of statutory and non-governmental organisations.
- 4.10.2 Notwithstanding the outcome of that process, the Government is conscious of the need to further develop the measures in place to accommodate the growing number of disabled persons who wish to avail of mainstream training and employment measures. It is Government policy to promote the entry of people with disabilities into FAS training programmes. Disabled participants on FAS training or employment schemes may receive an allowance, or earn up to £35.20 per week, without affecting their Department of Social, Community and Family Affairs disability allowance. As with all other clients of FAS, people with disabilities are encouraged to apply for training places once they match the requirements of the course, e.g. age, skill or education level. Provided that these requirements are satisfied and their disability does not unduly inhibit their ability to participate in the particular training, FAS will seek to priorities their access to training places.

- 4.10.3 Difficulties regarding physical access are being, and will continue to be, tackled by FAS on an ongoing basis. It is FAS policy to provide for maximum possible access for people with disabilities to all of its Training Centres and Employment Services Offices. When selecting new office accommodation, access for people with disabilities, including those using wheelchairs, will be an important selection criterion. This criterion also applies with respect to access to Local Employment Service premises. FAS is fully conversant with the requirements in this regard arising from its provision of training modules on access for disabled persons in respect of the Building Control Act and Building Regulations (1992) under the Training Programme for Local Authorities and the Construction Industry. FAS will continue to Liaise with the NRB at National and local level in promoting and encouraging the entry of people with disabilities into mainstream training and employment measures.

5. IDENTIFICATION OF MAPs MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

- 5.1 In addition to EU Community Initiatives and the Local Development Programme, the Human Resource Development Operational Programme (HRDOP) which runs up to the end of 1999, is providing structural fund assistance primarily from the ESF, to fund a number of measures included in the MAP. In particular, the Initial Education and Training Actions, activities for Young People at Risk, as well as Continuing Training measures are included under this Operational Programme. Actions to promote equal opportunities and training for people with disabilities are also benefiting from ESF support.
- 5.2 The opportunity of the Mid-term Review of the HRDOP is being used to re-orientate expenditure towards current priority areas, not least those identified in the White Paper on Human Resource Development. In particular, a concerted and integrated package of measures (comprising a minimum of an additional 1,000 places and appropriate qualitative supports) have been developed, aimed at making a substantial impact on early school leavers. Other proposals include a strengthening of the Employment Service, as well as incentive supports to enhance competitiveness through human resource investment by enterprises. A copy of the relevant Mid-term Review Proposals recently agreed with the Commission is attached as an appendix.

6. MAIN REFORMS/MEASURES ENVISAGED IN THE NEAR FUTURE

White Paper on human Resource Development

- 6.1 The Government's recently published White Paper on Human Resource Development creates a policy framework for human resource development into the new millennium. It is built on two pillars:

⇒ improving competitiveness through increased investment in human resources by enterprise and through improving the quality and relevance of programmes delivered by the State's own training agency

⇒ a more effective approach to active labour market policies aimed at securing the re-integration of the unemployed into the labour market

Training

- 6.2 The White Paper "Human Resource Development" contains programmes and policies aimed at helping young people to become more employable through development of their skills. One major proposal in this regard is the development of a *National Traineeship Programme* for young people over the next 3/4 years. The programme will be finely attuned to the needs of the labour market and will provide both on-the-job and off-the-job training. The objective is to provide 5,000 places on this programme by the end of 1999.
- 6.3 The White Paper seeks to strengthen commitment to lifelong learning and training. It contains proposals aimed at encouraging employers to keep the skills levels of their employees up-to-date, in order to enhance competitiveness. To this end it seeks to promote an increase in the level, the relevance and the quality of training undertaken by enterprise to achieve best international practice. A strengthening and refocussing of existing support measures towards management training and towards the training needs of small business is envisaged as well as a new business-led networking initiative aimed at encouraging enterprises to identify and adopt "best practice" standards in the development of their workforces.
- 6.4 To encourage individuals to keep their skills and knowledge up-to-date, the White Paper proposes the introduction of a training tax allowance. In addition it proposes the introduction of a new scheme, on a pilot basis, whereby financial support/bursaries will be available to long-term unemployed persons and to individuals made redundant whose skills need to be upgraded.

Employment Service Activity

- 6.5 The White Paper sets out proposals to establish a National Employment Service to:

⇒ Engage in labour market activation policy, including the registration of all unemployed people, in a policy framework which sees a strengthened link between entitlement to ongoing income support and the obligation to be actively engaged in job-seeking or other employability enhancing activity; this will require improved links and closer co-operation with the Dept. of Social Welfare and

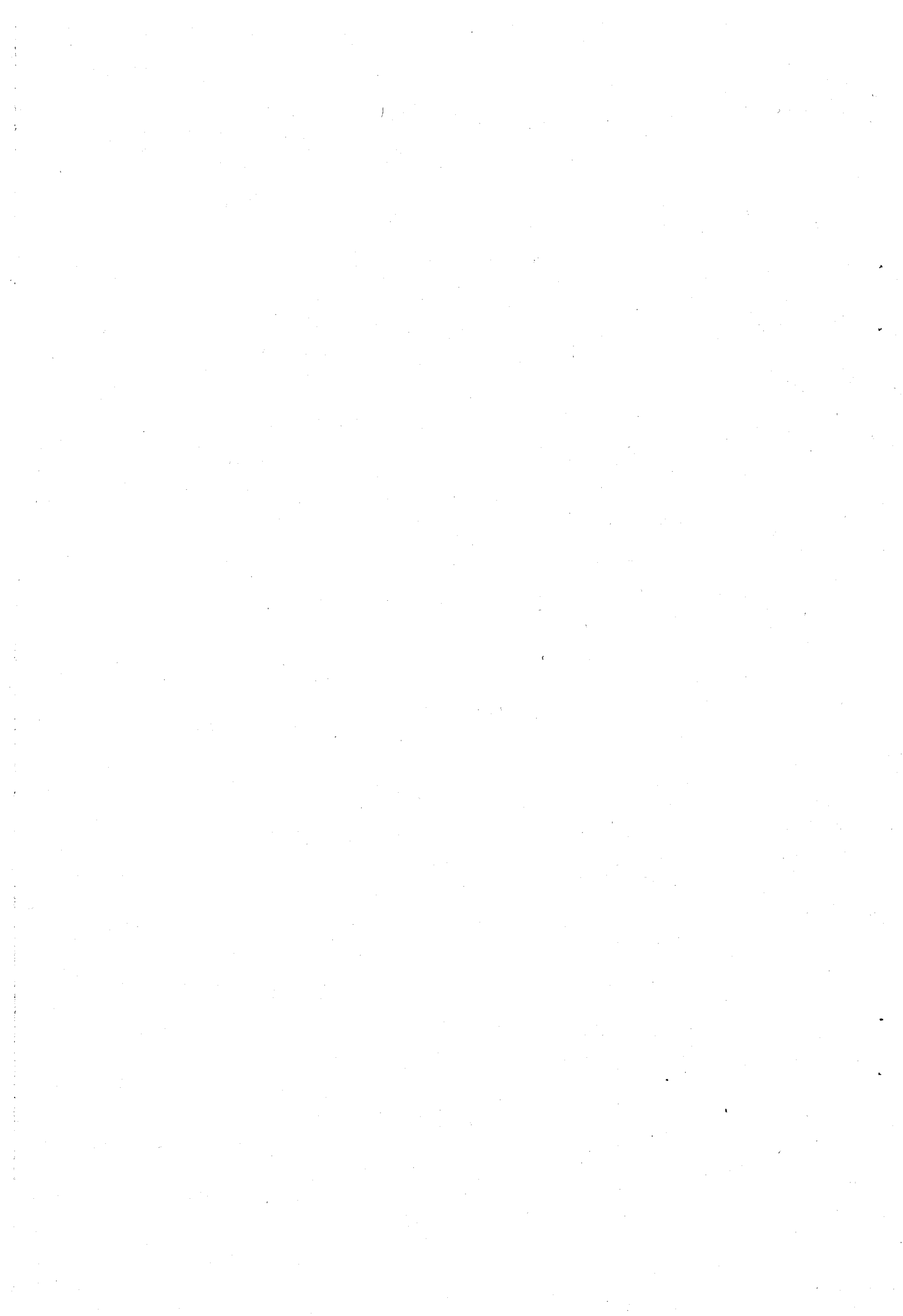
⇒ Re-invigorate the employment service at national level by providing a general guidance and placement service for all and to deliver labour market programmes to the unemployed

⇒ Further develop the Local Employment Service

Decisions on the optimum structural arrangements for establishing this service are expected to be taken within the next few months.

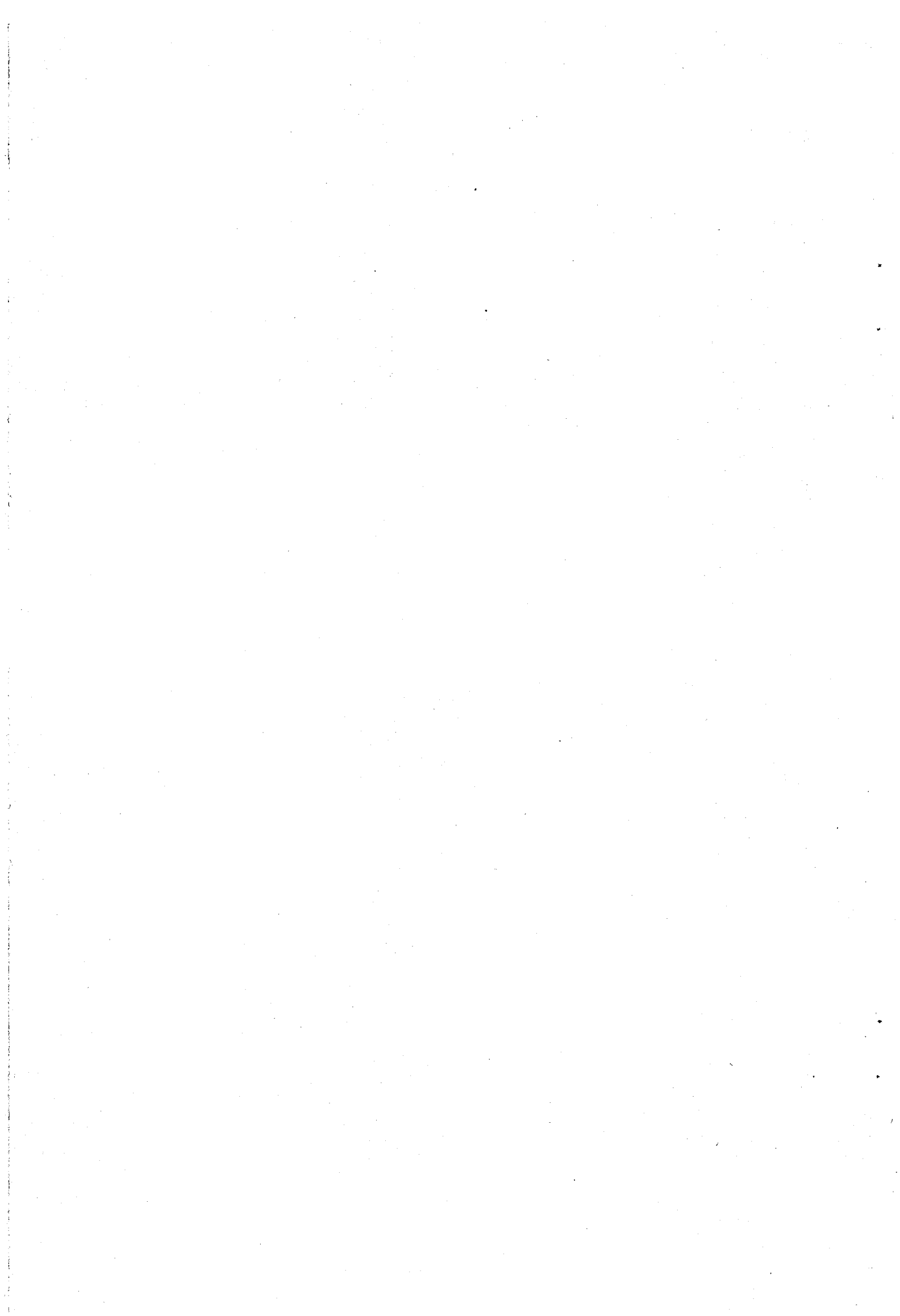
Italy

Ministry of labour



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1. THE LABOUR MARKET SITUATION AND CURRENT TRENDS

Italy's economy and society are still feeling the strain of the financial reorganisation efforts, including those connected with achieving convergence in Europe. However, there are signs of improvement. After four years in which employment fell steadily, it has now started rising, albeit by a small amount. The number of hours authorised under the Wages Guarantee Fund (CIG) in the period January-May 1997 fell by 17.6% (- 13.6% in the construction industry) in comparison with the same period in 1996, even though, against a fall of 33% in special (restructuring) intervention, there has been an increase in ordinary intervention (for the cycle) of 12% over the same period. The climate of confidence among operators (businesses, households) is more widespread than it was in mid-1996, which is confirmed by the development of certain indicators, such as exchange rates, interest rates, inflation, industrial production, foreign trade, account also being taken of the uncertain signs concerning the south of the country. It will be better to wait for several months before making an assessment, but there can be no doubt that the outlook is promising.

Although the country can be considered to have already gone through the most difficult period as regards the fundamentals of the economy, the same cannot be said for unemployment. While the central and northern regions have seen an improvement, albeit from low levels, the situation in the south remains difficult. Average unemployment exceeds 21% of the labour force, with peaks of over one third in certain areas and sections of the population. This is due to a combination of negative factors, viz. a less favourable economic structure in the area, the end of certain local/regional benefits agreed with the Commission of the EU and the presence of fewer export-oriented firms.

The activity rate remained stable in the first months of 1997 (47.7%). The female component proved to be dynamic, whereas the male activity rate is still declining. There has also been a fall in the activity rate for young people as a result of the increasing number of them in education.

Unemployment is still rising, albeit by a small amount (12.5% as opposed to 12.3%), as is the average amount of time spent looking for a job. The national figure masks considerable regional differences, with the level of unemployment in the south being approximately three times higher than that in the centre and north. The level of youth unemployment remains high, even though it is starting to fall for the first time (from 34.5% to 33.9%).

The level of employment has remained stable since the April 1996 survey (+10 000) as a result of a rise of 65 000 in the number of employees and a fall of 55 000 in the number of self-employed people. There has been a sharp fall in agriculture, a drop in industry in the strict sense and in non-market services (block on staff turnover in the public authorities, depressed public demand, etc.) and a moderate increase in the construction sector and in market services.

The reduced capacity to create new jobs requires targeted policies at local and regional level. In the north of the country, the levels of unemployment are such that measures are needed to free up the labour market, given that the fabric of production is generally in a position to reabsorb job losers; in the *Mezzogiorno*, given the lack of structural

rebalancing policies, there is definitely a risk that the territorial disparity will be further accentuated.

As far as medium-range forecasts are concerned, reference may be made to the situation outlined in the economic and financing planning document (DPEF) for 1998-2000. In this document, the Government underlines its objective of achieving stable and lasting economic growth coupled with the creation of new jobs and, to this end, intends to maintain its commitment to join economic and monetary union from the beginning. GDP is forecast to grow by 1.2% in 1997 and by 2% in 1998, mainly as a result of an upturn in investment and exports. The figures should be higher in the following two years (1999: 2.5%, 2000: 2.7%), partly as a result of faster growth in the consumption element of overall demand.

2. THE MULTIANNUAL PROGRAMME

The undertaking given at the Essen Summit in December 1994, and subsequently confirmed, led to the preparation of an employment programme, which was drafted in mid-1995. At that time, the Dini Government outlined the main aspects of employment policy, which were subsequently confirmed by the Prodi Government. The confirmation of Minister Treu at the Ministry of Labour gave continuity to the action of the Government and means that, following the approval of the "employment package", it is now possible to begin systematic monitoring and evaluation.

In order to carry out this update, an examination was made of the available administrative data on the implementation of policies and, as background information, the data from the ISTAT labour force survey for April in the last five years (1993-97).

3. EMPLOYMENT POLICIES

As was stated in the July 1996 Programme update, the Government is engaged in a comprehensive strategy for employment involving structural reforms and measures to tackle the emergency in certain areas. The salient points of this strategy, which is also based on the improvement of infrastructure and the modernisation of the country, are:

- continuing the policy of introducing flexibility into labour market rules;
- optimising the use of consultation for development, which involves institutions and social partners at national, regional and local levels, including through the negotiated programming bodies;
- upgrading active labour policies, particularly continuing and further vocational training;
- supporting SMEs with a view to improving their competitiveness and promoting new entrepreneurial activity, especially among young people in the Mezzogiorno;
- carrying out the decentralisation to the regions of the employment services in connection with the new tasks in active policy and in forms of controlled privatisation, and improving the public machinery, in particular as regards the optimisation of the national and Community financial resources available;
- reviewing the system of social shock-absorbers and employment incentives;
- the declaration of undeclared work and activity.

In order to meet the demand for structural reforms of the labour market, schools and vocational training with a view to fostering the recovery and giving an urgent response to

the unemployment problem in certain geographical areas and target groups (young people, the long-term unemployed), the Government and the social partners initiated lengthy discussions that led in September 1996 to the initialling of an agreement to promote development and employment (Agreement for Employment), which was subsequently translated into a legal initiative to which Parliament gave final approval on 24 June of this year (Law 196/1997). The key points of this Law include the introduction in Italy of agency work, which effectively means the end to the public monopoly on placement, the authorisation to the Government to reform vocational training on the basis of a set of guiding principles, the reform of apprenticeships and guidance traineeships, and the creation of an integrated system comprising school, vocational training and work. While the implementation strategy respects the specific roles, it seeks to make optimum use of concerted action with the social partners at both national and local/regional levels.

Law 196/1997, together with the important aspects for the labour authorities established in Law 59/1997 (institutional decentralisation), will introduce radical changes affecting the players on the labour market and the associated rules. However, the functioning of the measures depends on the implementing provisions which the Ministry of Labour is already preparing and, in certain cases (apprenticeship, agency work), on the conclusion of an agreement.

We shall now look at the individual aspects of the Multiannual Programme in order to show the trends emerging from the most recent statistics and to give an update on the implementation of policies and on the reforms in hand.

3.1 Investment in training

The proportion of the labour force attending courses of instruction and vocational training in the previous four weeks has risen (4.6% in 1997, as opposed to 4.1% in 1996 and 3.1% in 1993) because public efforts have been stepped up but also as a result of the development of unemployment. There has been a similar development among the employed but with slightly lower values and pronounced sectoral differences: the highest percentage of employed people undergoing training was recorded in advanced services, which confirms the correlation between level of education and the probability of benefiting from continuing training measures.

As far as the new generation of young people is concerned, the data for April 1997 confirm the gradual increase in education, although the phenomenon of dispersion remains considerable as regards disadvantaged areas. Seven out of ten 18-year-olds are still students, which shows a further aspect of convergence with Europe that disproves certain clichés about a presumed lack of education. The percentage recorded in 1993 was estimated to be 64%.

As regards the trend to make long-term training investment, the percentage of young people aged between 20 and 24 who have at least a leaving certificate from upper secondary school is significant: at April 1997, it was 55.6%, compared with 54.3% in the corresponding period of 1996 and 47.1% in April 1993. As a result of the increase in education, the level of youth employment over the five-year period fell from 37% to 33.9% of the corresponding labour force.

The levels of education of people in employment appear to be rising as a result of turnover and of the structural changes in the system of production. According to the April 1997 ISTAT survey, 40% of the employed had at least an upper-secondary-school leaving certificate, as opposed to 38.7% in 1996 and 33.5% in April 1993. There are, however,

considerable differences between the sectors, ranging from 12.8% in agriculture to values between 60% and 80% in advanced services and public administration.

In the case of the Mezzogiorno, the values are lower for the various profiles examined, together with a discontinuous but globally positive development of education (in 1997, a fall was recorded over the previous year). The lower frequency of continuing training measures among employees in the south of the country stands out. This affects all branches of production and may be due in equal measure to the particular structure of the production system in the south and to the economic downturn among firms which have a greater tendency to invest in staff training.

An increase in the level of education of the long-term unemployed has been reported, with the percentage holding a qualification below compulsory level falling from 55.3% in 1996 to 52.1% in 1997 (in the south, however, the percentage has not changed).

Implementation of policies and reforms in hand

At the beginning of 1997 the Minister of Education presented a document on the **reorganisation of cycles** with a view to redesigning types of school education, which is currently being discussed by the Government coalition forces. Law 59/1997 concerning institutional decentralisation provides for **school autonomy**, for which the implementing decrees are now awaited. In application of the agreement, the Government has institutionalised a **Committee of Ministers** assisted by a group of experts under the Prime Minister's Office, which is tackling within its brief **the subject of the quality and integration of education systems** (school, regional vocational training, on-the-job vocational training), partly anticipating what should be the future functions of an authority. The Concerted Action Committee set up under the Ministry of Labour in 1995 is continuing its work. This forum, which is characterised by the presence of the social partners and the principal training bodies, is discussing certain specific documents which will have to be translated into ministerial decrees after they have been presented to the Committee of Training Ministers for agreement.

As far as the labour authorities are concerned, efforts are continuing to **simplify the administrative procedures and optimise the financial resources** available for training, even though this is still being done within the old model.

3.2 Organisation of work and working time

The ISTAT survey reveals an upward trend in the average hours actually worked in the centre and north of the country over the period 1993-97 and a more stable figure in the south (with an increase in the last year), which probably indicates that, during periods of crisis, the need to supplement the household income may fit in with the need for flexibility and to contain business costs. **The incentives to reduce working time and make it more flexible**, which are currently being introduced in application of the Treu Law, together with the shift in the economic cycle, could change the current trends, thereby modifying the pattern that suits workers and businesses.

3.3 Wage policy

The problem of the cost of labour has been successfully tackled since 1992 through **wage policy**. The Government continues to believe in the importance of this policy and sets

great store by the contribution of the social partners and by the sense of responsibility that they have shown hitherto.

With reference to the national accounts data indicating a 0.3% growth in employment in 1996 over 1995 in the goods and market services sector excluding agriculture, it emerges that real gross wages fell by 0.8% in 1996 over 1995 against the background of a 0.9% increase in value added and largely stable productivity in comparison with the substantial increases recorded in previous years.

3.4 Promotion of employment

An examination of the most recent data shows that the unemployment rate is rising much more slowly in both the centre/north and the south of the country. However, the figures continue to differ considerably: the rate for the Mezzogiorno is almost twice the national rate (22.5%, in comparison with 12.5%), with the average amount of time taken to find a job estimated to be 36 months (30 in the centre/north). This last statistic also shows no change from the growth trend that has marked the five years 1993-1997. The female unemployment rate had risen at April 1997 in comparison with a year previously (16.9%, as opposed to 16.7%, with corresponding figures for the south of 30.8% and 30.2%). For the first time there has been a reversal of the trend among young jobseekers. The specific unemployment rate for the 18-25 age group fell from 33.4% in 1996 to 32.5% in 1997 in the centre/north and from 56.8% to 55.4% in the south. This change will have to be confirmed in the coming months. The unemployment aggregate is increasingly characterised by the proportion of long-term unemployment. The long-term unemployed now make up 67.7% of the total (75% in the south).

Even though the labour market is experiencing the difficulties outlined above, especially for those people looking for their first job, flexibility is gradually influencing the new forms of behaviour and practices. Part-time work is increasing, even though it is still far less prevalent than in certain European countries (1997: 7.1%; 1996: 6.6%; 1993: 5.4%), with values varying widely between branches. The increase also concerns the Mezzogiorno, which indicates that this instrument can also be promoted in disadvantaged areas. This is precisely what the Government intends to do in application of the recent law approved by Parliament. Fixed-term employment is growing as a percentage of total employment, with higher values in the south than in the centre/north (9% as opposed to 6% in 1997, 8.3% as opposed to 5.3% in 1996).

An examination of the most recent administrative data shows a positive development in recruitment under employment-training contracts (275 000 concluded in 1996, an increase of 9.4% over 1995) and a fall in the number of apprentices (from 418 000 to 414 000, which is equivalent to a fall of 4.0%).

Implementation of policies and reforms in hand

In order to achieve the aim of increasing employment, especially in the Mezzogiorno, the Government is counting – other than on growth – on new, **more flexible rules governing the labour market and on contractual flexibility** in terms of both the arrangements for the performance of work and the remuneration profile. A clear signal of the Government's and Parliament's intention to move in this direction was given by the (1996) measure **exempting from tax the wage increases** fixed in bargaining at enterprise level.

The law recently approved by Parliament contains various measures intended to promote employment: the upgrading of **apprenticeship** with an enhancement of off-the-job

training, new concessions for **employment-training contracts** in the Mezzogiorno, and the promotion of **traineeships** as an opportunity for both enterprises and young people to meet and observe each other. The Ministry of Labour is currently involved in implementing the measure (secondary legislation), while the social partners are tackling the contractual profiles which come within their sphere of competence, in particular as regards apprenticeship and **agency work**, which is of course something completely new for Italy.

3.5 Modifying taxation systems in order to promote employment

The Government is tackling the thorny question of taxation through negotiations with the social partners, fully aware that taxation needs to be reorganised and that the fact that the tax burden is much heavier than the European average hinders business activity and, in the end, encourages undeclared work. The Government's approach foresees a general outline of reform and territorially limited measures in agreement with the Commission of the EU in order to implement the principle of concentration.

The Agreement for Employment contained a commitment to **transfer part of the non-wage labour costs (health contributions) to general taxation**. This innovation, on which the Minister of Finance is currently working as part of the reorganisation of regional and local finances, should lead to the introduction of the **IREP** in 1998, a new regional tax which would absorb several minor taxes.

3.6 Policies targeted at specific sectors of the labour market, policies to encourage self-employment, negotiated programming

We shall now turn our attention to two target groups, viz. women as the beneficiaries of equal opportunities measures and the unemployed who wish to set up their own business. As regards the development of female employment, in spite of an employment rate that is more than 10% lower than among men – with an even bigger gap in the south – there is greater dynamism than among men. While female employment rose between April 1996 and April 1997, male employment fell significantly, which confirms the most recent trend.

Women work part-time more often than men, especially in the services sector. This figure is increasing all the time (1993: 11%; 1996: 12.7%; 1997: 13.7%). Women also tend to have less stable employment relationships. At April 1997, the percentage of women employed on fixed-term contracts was 7.4% (10.7% in the south) as against 6.0% in 1993 (9.6% in the south), with the values for men increasing moderately over the 1993-97 five-year period.

The Government sets great store by business creation, especially in the Mezzogiorno, as an incentive to development and employment. The Structural Funds contain a specific priority of positive action for equal opportunities. Furthermore, the Now Programme and the Law on women's entrepreneurial activity should not be neglected. The latter, in particular, having overcome initial difficulties, should now begin to produce concrete results.

While the **programme to support youth entrepreneurial activity** (Law 44/1986 and its sequels) is continuing to be a success, judging from the most recent figures on businesses promoted with public funds, the Government has launched the **"loan based on honour"**, a new programme specifically targeted at the Mezzogiorno, under which small-scale self-employment initiatives managed by the unemployed are funded partly by non-recoverable

grants and partly by loans on favourable terms. The business ideas are selected and their feasibility checked at the end of a self-employment training course organised by the Society for Youth Entrepreneurial Activity (SIG), a public limited company funded by the State (Ministry of the Treasury). The first courses have just been completed and the corresponding funding granted. Having received approximately 35 000 applications from people interested, the Government has given an undertaking to refinance the programme through the funds from loans for employment policies.

In order to encourage development and employment, institutions, economic players and social partners are carrying out "negotiated programming", particularly "area contracts", which operate through a top-down approach based on an administrative framework in which decision-making and funding procedures are speeded up, and "territorial pacts", in which the bottom-up approach to development requires/encourages considerable involvement on the part of local players. More than 100 territorial pacts are at various stages of development, and the first of the five or six area contracts, for which the Interministerial Committee for Economic Planning (CIPE) has earmarked funds, has just been launched.

The measures managed by the SIG and the more mature experiments of negotiated programming are good examples of best practices that can be mentioned in a European summary of labour and employment policies.

The need to tackle unemployment, especially in the Mezzogiorno, has prompted the Government to launch an **extraordinary plan for employment**, which provides for the temporary integration of long-term unemployed young people into businesses by means of a "labour exchange" and into projects of public utility organised by central and local authorities. The Ministry of Labour is currently drawing up the legislative decrees for the implementation of the 1997-98 plan, for which Lit 1 000 billion have been earmarked.

4. THE LABOUR AND EMPLOYMENT POLICIES SUPPORTED BY THE STRUCTURAL FUNDS

With the European Social Fund, the European Union has given priority to a series of operations and measures that are permissible under the European regulations in the geographical area concerned and with reference to certain target groups. Part-financing mainly concerns training activities targeted more at young people than at adults, primarily at the unemployed; guidance activities; employment assistance schemes established by national or regional laws; measures to promote new entrepreneurial activities; experiments concerning the territorial pacts and area contracts; transnational pilot programmes; technical assistance for strengthening systems; in well-defined cases, projects for innovation in public bodies and the related training measures.

The Italian Government is applying a strategy designed to achieve specific **spending objectives and optimise flows of Community funding** and to simplify administrative procedures partly in order to remove any distinctions between domestic procedures, be they national or regional, on the one hand, and Community procedures, on the other. Negotiations are under way on the reprogramming of the use of funds, which concerns certain major items of expenditure that are marginally part-financed (apprenticeship, socially useful work plan, etc.) and of which the Government has high expectations.

The financial implementation of the measures part-financed by the European Social Fund shows considerable improvements in comparison with past expenditure trends, according

to the most recent figures of the IGFOR (Inspectorate-General for the Administration of the Rotation Fund for the Implementation of Community Policies) of the Ministry of the Treasury and the Budget (March 1997), but the results remain unsatisfactory in certain cases. With certain major exceptions, the regions of the centre and north of the country are tending to make progress towards the objectives set, but the Mezzogiorno, with certain commendable exceptions, is still a long way from achieving the objective of 38% of planned payments by the end of 1997. The situation of the multiregional programmes is also unsatisfactory.

5. POLICIES AND REFORMS IN THE PIPELINE

The need to move from a policy of passive support for unemployment to an active employment policy is one of the Government's objectives. This requires a complete reworking of the structures with a view to establishing an effective service for users (personalised information, training and guidance) and a redefinition of the instruments for promoting employment (automatic, targeted incentive schemes). Under the agreements between the Government and the social partners, the **reform of the employment services** will focus on three aspects:

- institutional decentralisation by optimising the role of the regions and local governments;
- liberalisation of placement by opening it up to the private sector but also by introducing an active role for bodies representing the social partners;
- a strong role for the State in regulating, directing and programming.

There can be no doubt that the implementation of decentralisation - the Ministry of Labour should have prepared the corresponding delegated decree by the summer - will require a substantial commitment to the **management of the mobility, training and retraining of the staff** of central and outlying offices. The reform should also free up human resources to bolster the monitoring work of the labour inspectorates.

The **employment incentives** have not been modified significantly, apart from the concessions provided for by Law 196/1997 for employment-training contracts in the south. In any event, the Government intends to reorganise the incentives and tax relief in line with European Union rules and to combine this with the review of the **social shock-absorbers**. On this last question, discussions are under way between the Government and the social partners as part of the more general negotiations on the revision of the **welfare state** (pensions, taxation, health, social shock-absorbers, employment and training), which will resume in early September.

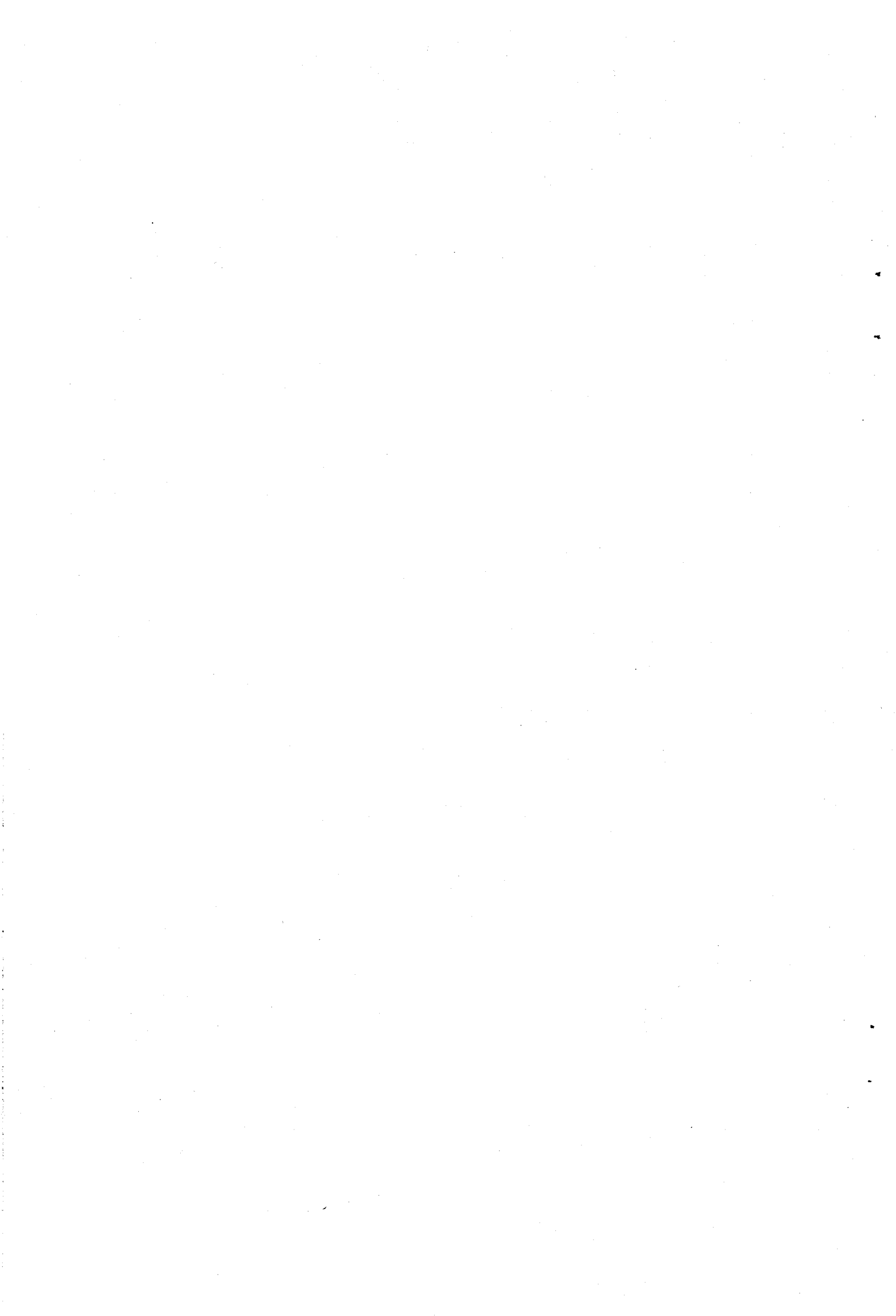
In line with the Delors White Paper on Growth, Competitiveness and Employment, provision will be made for further rules to promote the tertiary sector. The Ministry of Finance is currently preparing **tax relief for non-profit-making organisations** and, in particular, for new entrepreneurial initiatives taken by young people, workers under special CIG intervention, workers in the mobility scheme, the disabled, and workers who intend to start activities to protect the ecosystem.

Luxembourg

Ministry of labour

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1. THE NATIONAL EMPLOYMENT AND LABOUR MARKET SITUATION

1.1 Trends in paid employment

The Luxembourg labour market is characterised by a steady growth in the number of new jobs and, for the past few years, a simultaneous and substantial rise in the number of jobseekers. These two phenomena persisted in 1996, and STATEC expects the trend to be maintained in 1997. At the same time, wage growth has been slowing down for a number of years, although the start of 1997 did see the triggering of a further tranche in the cost-of-living index.

The Luxembourg labour market continues to grow at an impressive rate. Between January 1996 and January 1997, domestic employment grew by 3.0%, from 214 700 jobs to 221 300. Most of the new jobs were created in the commercial services sector (+4.1%) and in non-commercial services (+3.2%). The construction industry has for a number of years been growing at a more modest rate (+1.3%), while industrial employment continues to decline (-0.8%) as jobs continue to be shed in the steel industry.

With net immigration being maintained, national employment (i.e. relating only to residents) increased by 0.9% between January 1996 and January 1997. The rate of activity (active population/population aged 20-59 years) was just above 73%, and was virtually unchanged over 1996. As for previous years, employment growth is the result very largely of the major increase in cross-border commuting (with frontier workers taking 80% of all newly created jobs).

The number of employees living in border regions increased by some 4 700, or 8.2%, between October 1995 and October 1996. Currently, frontier commuters account for more than 30% of paid jobs (62 000 persons, including 20 100 women) compared with 28.8% a year before. These 62 000 cross-frontier commuters account for more than 20% of all frontier workers in the entire European Union.

The breakdown by country of residence is:

France:	52%
Belgium:	30%
Germany:	18%

Non-Luxemburgish employees, both resident and cross-border commuters, account for more than 55% of the active paid population.

1.2 Unemployment situation

Despite the enormous rate of new job creation, the number of people looking for a job but not finding one is increasing steadily, being something like 10% up on 1996.

As at 31 January 1997, the unemployment rate was 4.0%, the highest rate ever recorded in Luxembourg, compared with 3.4% a year earlier. In May 1997, the rate had fallen to 3.5%, essentially because of seasonal fluctuations, compared with 3.0% in May 1996.

1.2.1 Recent unemployment trends

Year	Year-on-year increase in the number of jobseekers
1990	- 9.0%
1991	+ 11.6%
1992	+ 19.0%
1993	+ 29.0%
1994	+ 31.7%
1995	+ 10.5%
1996	+ 10.7%

The favourable trend in terms of job creation has not checked the upward trend in the number of jobseekers. Since 1991, this trend has become more marked, and the number of jobseekers has consistently exceeded the previous year's figures. The regular, seasonally induced declines in the second and third quarters have never had any really decisive effect on the steady rise in registered unemployment.

1.2.2 Structure of unemployment

A detailed analysis of the population of jobseekers registered on 31 May 1997 brings out the following characteristics:

a) Nationality

	%
EU	88.4
Luxembourg	41.2
Portugal	24.4
France	6.9
Italy	6.2
Belgium	3.8
Germany	2.7
Spain	1.1
Other	2.1
EUROPE (non-EU)	6.0
Yugoslavia	5.4
Other	0.6
NON-EUROPE	5.6
	100.0

b) Sex

Men:	57.5 %
Women:	42.5 %

Women account for almost 43% of the unemployed population, despite accounting for only 39% of all persons in paid employment and resident in Luxembourg.

c) Length of time registered unemployed

	Men	%	Women	%	Total	%	
Less than 1 month	607	17.3	422	16.2	1.029	16.9	} 60.8 %
1 - 3 months	825	23.5	565	21.8	1.390	22.8	
3 - 6 months	711	20.3	576	22.2	1.287	21.1	
6 - 9 months	501	14.3	415	16.0	916	15.0	
9 - 12 months	285	8.1	221	8.5	506	8.3	
> 12 months	578	16.5	397	15.3	975	15.9	
Total	3.507	100.0	2.596	100.0	6.103	100.0	

In overall terms, these figures have remained more or less stable over recent years. It would appear that a large number of unemployed people reenter the labour market after a relatively short period receiving unemployment benefit. As at 31 March 1997, almost 40% of registered jobseekers had been on the books for less than three months, and 60.8% of the registered unemployed had been without work for less than six months. Almost 16% of registered jobseekers therefore have to be regarded as long-term unemployed.

d) Family status

	Men	%	Women	%	Total	%
Married	1.503	42.9	1.297	50.0	2.800	45.9
Single	1.672	47.8	886	34.1	2.558	41.9
Divorced	293	8.3	349	13.5	642	10.5
Separated	9	0.2	24	0.9	33	0.5
Other	30	0.8	40	1.5	70	1.2
Total	3.507	100.0	2.596	100.0	6.103	100.0

The figures indicate a basic difference between men and women: 48% of the men and 34% of the women are single, while 50% of the women are married compared with only 43% of the men.

Family status and length of unemployment (%)

	< 1	1 - 3	3 - 6	6 - 9	9 - 12	> 12	TOTAL
Married	15.0	21.9	22.3	15.4	9.3	16.1	100
Single	19.6	23.9	20.4	15.0	7.4	13.8	100
Divorced	14.5	21.6	18.4	13.4	8.6	13.5	100
Other	14.6	25.2	21.4	15.5	1.9	21.4	100

The family situation has an effect on the length of time spent unemployed. It would appear that single people find it easier to find an appropriate job (as at 31 May 1997, almost 64% of single jobseekers had been unemployed for less than six months).

e) Age

	Men	%	Women	%	Total	%
< 26	812	23.2	641	24.7	1.453	23.8
26 - 40	1.586	45.2	1.209	46.6	2.795	45.8
41 - 50	802	22.9	548	21.1	1.350	22.1
51 - 60	289	8.2	185	7.1	474	7.8
> 60	18	0.5	13	0.5	31	0.5
Total	3.507	100.0	2.596	100.0	6.103	100.0

Youth unemployment is relatively low compared to the older age groups.

The fact of being young is not the main cause of unemployment as it was, say, 15 years ago. Increasingly, the people swelling the ranks of the jobless are those who are already in their prime.

Age	Persons unemployed for more than 12 months (LTU)	% of LTU in the respective age categories
- 26	133	9.2
26 - 40	342	12.2
41 - 50	323	23.9
51 - 60	165	34.8
61 and over	12	38.7
TOTAL	975	15.9

Being relatively old is a real handicap to finding one's way back quickly into active life. 34.8% of people between 51 and 60 years of age remain unemployed for more than 12 months.

f) Training

Level of education of jobseekers (not necessarily completed with success):

	Number	%
* Primary / Complementary:	2.987	48.9
* Secondary technical:	2.129	34.9
* Secondary grammar:	398	6.5
* Higher:	589	9.7
	6.103	100.0

Low-qualified jobseekers:

* Primary / Complementary:	2.987
* Secondary technical: (7th, 8th and 9th grades)	651
* Secondary grammar: (7th, 6th and 5th grades)	51
	⁽¹⁾ 3.689

⁽¹⁾ 60.4 % of registered jobseekers

Lack of vocational training and skills is a major cause of difficulty in finding a job. For May 1997, almost 3 700 jobseekers, or more than 60% of the registered unemployed, had completed no more than nine years of school.

Training and length of registered unemployment

	< 1	1-2	3-6	6-9	9-12	>12	TOTAL
Primary/complementary							
Secondary technical 7-9	612	820	732	564	315	646	3.689
secondary grammar 7-5, %	16.6	22.2	19.9	15.3	8.5	17.5	100
Secondary technical 10-13	326	414	413	259	154	259	1.825
Secondary grammar 4-1,%	17.5	22.7	22.6	14.2	8.4	14.2	100
Higher education	91	156	142	93	37	70	589
%	15.4	26.5	24.1	15.8	6.3	11.9	100
	1.029	1.390	1.287	916	506	975	6.103

There can be no doubt whatever that a sound basic education is a great boon in terms of finding a job, and that there is a correlation between the level of education and training and the ability to get back quickly onto the labour market. However, judging by the figures for "training/length of unemployment" alone, a higher level of school education would not appear to be in itself any guarantee of getting off the dole any more quickly.

2. KEY FEATURES OF THE 1995 MULTIANNUAL PROGRAMME

The Luxembourg labour market is characterised by a number of special features and specific elements which make it necessary to adopt a specifically Luxemburgish employment policy as described in the multiannual programme and in the first report.

Chief among these are:

1. The Luxembourg economy creates jobs regularly and on an enormous scale – at a rate, in fact, sufficient in theory to absorb all unemployment in the country in a single year. Nonetheless, unemployment has been growing over the past five to six years at a disproportionate rate.
2. The Luxembourg employment market is good at reabsorbing people. 60% of all jobseekers find a job within six months, while only 16% rank as long-term unemployed. (This latter figure is, however, on the increase.)
3. The labour market is characterised by a huge non-national population (more than 50%); more than 25% of the active population in the country are cross-border commuters.

The broad lines of Luxembourg's employment policy are dictated by the above considerations (see pages 9-13 of the Multi-Annual Programme).

Analyses undertaken by the Luxembourg authorities show that the problems on the labour market arise from an accumulation of "micro-phenomena". These dysfunctions are found in two areas in particular:

- a poor match between supply and demand, reflecting problems in respect of initial and continuing vocational training and the availability of jobseekers;
- the way the labour market operates, its lack of transparency, and problems concerning the public placement services.

The upshot is that employment policy in Luxembourg at the moment is concerned with setting in place 40 or so "micro-measures" which it is thought will deal with various minor dysfunctions on the labour market. These measures were decided in principle by the tripartite coordination committee on 3 May 1995; they will have to be corrected as and when the labour market changes.

They are intended above all to

- 1) eliminate dysfunctions on the labour market, more especially by improving the way the public placement services operate, and by combating domestic and cross-border social dumping and illicit work;

- 2) improve initial and continuing vocational training for employees and the unemployed alike.

Measures to combat unemployment are supplemented by targeted measures in respect of certain categories of the unemployed and concerning the indirect cost of labour and vocational training.

The Luxembourg government's view is still that headlong social deregulation is not the right answer to mass unemployment (see MAP, page 12).

Additional priority

This overall strategy has been reinforced, since the 1995 MAP, by measures to promote employment growth. Various fiscal measures have been introduced to boost the content of employment growth.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and lifelong learning

A working party comprising representatives of the public employment service and the vocational training service has taken a regular look at recruitment applications filed by firms or by sectors.

– General training:

- to help jobseekers find a job, general training is on offer (personal standards of presentation, how to draw up a job application, etc.);
- starter and more advanced courses in WORD 6.0 and EXCEL have been organised since 15 April 1996.

Targeted training for specific undertakings was organised throughout 1996, especially for drivers, refrigeration servicemen, shuttering carpenters, glass trimmers, bricklayers and various trades in building and metalworking.

Course participants were selected by the firms themselves from among the jobseekers registered with the public employment service. The practical arrangements are laid down in an agreement between the ministries concerned and the various firms. The firms undertake to take on trainees who successfully complete the course. Additional training is given in association with industrial firms, building companies, banks, service companies and fast-food chains.

3.2 Work organisation and working time

1. The Standing Committee on Employment, a tripartite body which is described in more detail in the MAP and in the first report, had called on the social partners at the highest national level to get together to find new models for organising work so as to have a positive effect on the level of employment at the same time as meeting the legitimate aspirations of the two sides. The Luxembourg government feels that the whole question of the organisation of work and working time is a matter for the social partners and for collective bargaining, with a view to devising

systems which are much better geared to the needs of firms or economic sectors than if it were left to the legislator.

Unfortunately, discussions are blocked, with the unions blaming the employers' organisations for seeking excessively unilateral flexibility, and the employers' organisations refusing to accept the unions' demands for the question to be made part and parcel of discussions on reduced working time.

2. A project which has been accepted under Article 6 of the European Social Fund sets out to determine the organisational and economic aspects of improving working conditions for the target population by way of flexible working hours, with pilot projects at company level geared to:
 - showing that the impact of the transition from a conventional model to a more flexible model can be attenuated – or even absorbed – by organisational measures and across-the-board training provision;
 - determining the conditions for making such an approach effective by way of an economic and social analysis;
 - making the social partners aware of the problem and setting in motion a discussion at a general level on the basis of the published results and an exchange of good practice.

The priority target groups here are employees (male and female) who need flexibility to meet their personal commitments (families, lone-parent families, persons with dependent parents, sick relatives, disabled relatives, etc.).

3.3 Wage policy

The social partners have undertaken to accept a degree of pay moderation, subject to the specific features of firms or sectors. In 1996, average pay – for all sectors, per person, from the point of view of wage costs – rose by only 1.9%, compared with an annual average of around 6% in the early 1990s. There are two forces working simultaneously here: a general slowing-down in consumer price inflation (bearing in mind that Luxembourg has full pay-indexing) and increasingly fierce competition from non-resident employees, who have been used to less favourable conditions on their national labour markets since 1993. In 1997, in the absence of full statistics on pay trends, attention should be focused on two events: the triggering of a pay index threshold on 1 February 1997, causing all pay to increase by 2.5%, and a 3.2% increase in the statutory minimum wage (not indexed).

3.4 Job creation initiatives

Underpinning the stability and growth of regional employment by developing human resources

The general objective here is to strengthen competitiveness and develop the regional economic fabric by encouraging innovation through training and by placing particular stress on local and regional employment initiatives and on promoting equal opportunities for men and women. To this end, cooperation and collaboration between training providers will be sought, along with partnership arrangements with the various interested

parties in the training field, the particular target group being small and medium-sized enterprises.

Proposed measures can be divided into three groups:

3.4.1 Local and regional employment initiatives

The Luxembourg authorities will lay particular stress on promoting local employment initiatives in the wake of the recommendation made by Mr Santer, the President of the European Commission.

A number of pilot projects have been or will be set in motion:

- a) Creation of local management and assistance structures with a view to preparing jobseekers to re-enter the labour market and bringing in all local players in the economic, educational and voluntary sectors.
- b) Creation of local and regional networks to foster vocational integration/reintegration of women on the labour market.
- c) Search for new sources of employment to meet the needs of local authorities and offering new employment prospects for unemployed people and jobseekers in the region.

3.4.2 Analysis of the needs and trends of the regional employment market arising from the industrial restructuring of the region and improved management for SMEs

The common denominator here is the need to strengthen the competitiveness and restructuring of SMEs by way of innovation.

3.4.3 Training for employees and jobseekers

The training will be geared to employees in SMEs, but will take in unemployed people and jobseekers. The actual training content will depend on what is asked for by one or more undertakings.

Income tax rebate for firms wishing to recruit unemployed persons

The law of 24 December 1996 introduced a monthly tax rebate per unemployed person of 10% of the gross monthly deductible remuneration as an operating expense.

This facility is available with effect from the tax year which closed after 30 June 1996 and where unemployed people were taken on in the period 1 July 1996 to 31 December 1999.

3.5 Making taxation systems more employment-friendly

1. Company taxation was relaxed in 1997, with a view to consolidating the country's economic base and, in principle, having at least a stabilising impact on employment. This was achieved by acting on local authority corporate tax and on the rate of taxation on institutions' income. The final stages in company taxation reform will be in 1998.

2. The government has presented to Parliament a bill concerning rates of tax on natural persons.

These measures are due to enter into force on 1 June 1998; they make provision for a substantial increase in the minimum tax-free income, a reduction in the maximum marginal rate from 50% to 46%, a linear reduction in the marginal rates, and the possibility of an increase in tax relief for household and child care costs. These measures are expected to have due impact on the level of employment.

It is also worth noting that, in certain conditions, tax-deduction facilities are available for monies paid into a special fund for the payment of compensation due under the legislation relating to the cessation of business or retirement of the owner due to old-age, sickness or death.

3.6 Activation of labour market policies

1 Internal and external audits of the public employment service

An internal audit was carried out by specialists from the German public employment service, along with an external audit carried out by a firm of accountants.

Both audits were completed at the end of 1996 and submitted to the Standing Committee on Employment at the beginning of 1997. Several important decisions were taken at the meeting of the Committee: the public employment service to retain its placement monopoly and not to be split up, i.e. no part of the service to be privatised. It was also decided to boost the placement service's staffing level by people from the private sector with major responsibilities for human resources management.

A working party was also set up to discuss the arrangements for introducing jobseekers' skills inventories.

2 Information campaign

The public employment service initiated a broadly conceived information campaign (taking the form of leaflets, newsletters, articles and advertisements), the aim being to make employers and jobseekers aware of the available range of employment-promotion instruments and to develop cooperation between the various parties.

The actual campaign was carried out by PR and communication specialists.

3 Temporary secondment to the public placement service of human resources managers from the private sector

The public employment service has secured the assistance of senior human resources managers in industry, building, commerce, banking and service provision.

4 Income tax rebate for recruiting unemployed persons

(cf. Section 4, point 2)

3.7 Specific measures for young people

The tripartite coordination committee decided on 3 May 1995 that young school-leavers who had not found a job within three months of registering with the public employment service will automatically be assigned to one of the various youth employment measures (e.g. traineeship-initiation; work placement scheme; temporary auxiliaries division; cf. MAP 1995).

The public employment service is now implementing this decision. However, it is an enormous task which is coming up against a number of problems, particularly the lack of skills and training on the part of young school-leavers.

To do as much as possible to comply with the tripartite committee's decision, a number of changes and extensions have been made to the various youth employment measures: within the temporary auxiliaries division, the rate of reimbursement by the employment fund to public-sector employers other than the State has been increased from 25% to 50%. In addition, the scope of the work placement scheme has been extended. More and more young jobseekers are now coming within the remit of these measures (currently some 1 100 persons).

Finally, the rate of placement of such young jobseekers in a full-scale job is around the 70% mark.

3.8 Specific measures for the long-term unemployed

In accordance with the law of 23 July 1993 introducing various measures to promote employment, a special recruitment aid has been set up for the long-term unemployed, whereby the employment fund reimburses to employers who take on a jobseeker aged at least 30 or 40 and who has been registered unemployed for 12 months the employer's and employee's shares of social security contributions for two and three years respectively.

The public employment service has also conducted a study on the long-term unemployed, concluding that 40% of jobseekers are without a job for no more than three months; two thirds remain registered unemployed for less than six months. Only a third of all unemployed people are really difficult to place. Four trained educationists interviewed a total of 777 LTUs. A report was produced, bringing out the fact that almost three quarters of long-term jobseekers are difficult to place on the labour market.

3.9 Specific measures for unemployed women and to promote equal opportunities in employment

With a view to promoting equal opportunities in terms of education, training and employment, an integrated strategy was set in place by the ministries responsible for women's affairs, labour and employment, education and vocational training, and by the public employment service and the vocational training service.

This strategy comprises general measures, and more specific measures targeting the vocational integration and reintegration of women and continuing vocational training.

1. As far as general measures are concerned, mention should be made of the fem-training-net project (under the Leonardo da Vinci Programme), which is concerned

with setting up a network on education and training for girls and women, and of the "Sharing equality" project, which is concerned with education and training in equal opportunities.

2. As far as the vocational integration and reintegration of women is concerned, and in the field of continuing vocational training, there are eight ongoing projects. The promoters are both private associations and public institutions.

3.10 Specific measures for other groups at risk (e.g. older workers and disabled workers)

1. Aid for the recruitment of older workers

An employer who takes on an unemployed person of 50 years of age who has been registered unemployed for at least a month is entitled to reimbursement by the employment fund of the employer's and employee's shares of social welfare contributions for a maximum of seven years.

This is currently having only very limited effect, as are the two similar measures for the long-term unemployed referred to in Section 8.

2. Disabled workers

The Disabled Workers Service (STH) is attached to the public employment service and is responsible for vocational rehabilitation and reintegration measures for workers with a disability.

These measures can be grouped into five categories.

- **Vocational training and retraining**

The STH assumes the total or partial cost of training or retraining for disabled workers with a view to their vocational integration/reintegration. These costs cover medical rehabilitation, initiation, return to work, and other associated costs, such as registration fees, transport, meals and minor teaching materials.

- **Vocational integration and reintegration**

The STH can provide recruitment aid in the form of participating in wage costs for jobseekers recognised as being disabled workers by the Counselling and Vocational Reclassification Commission.

- **Redesign of workplaces**

The STH also assumes responsibility for adapting workplaces or acquiring the necessary teaching material.

- **Sheltered workshops**

For persons attending vocational retraining and medical rehabilitation courses at the centres in Capellen, Kraitzbierg-Dudelange, Wiltz and Bettange/Mess, the STH assumes the cost of wages, examination and retraining.

- **Six days' special leave**

Six days' special leave is granted to war invalids, victims of occupational accidents and people with a physical, mental or sensorial handicap and who have officially acquired the status of disabled worker.

- **Action programme**

The programme for the disabled, presented by the government in 1997, laid down the broad lines of a vocational integration policy. The objective is to enable every disabled person who is capable of working in a specially adapted environment to pursue a professional activity.

4. IDENTIFICATION OF MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

Vocational integration/reintegration courses for jobseekers

ESF Objective 3, priority 1 and priority 2: CFPC measures

The general strategy pursued by the Vocational Training Service under the measures co-funded by the European Social Fund Objective 3, priority 1 (long-term unemployed) and priority 2 (vocational integration of young people) is based on a proactive policy of combating unemployment combining various types of training and management measures.

With a view to facilitating access to the labour market and developing skills and vocational qualifications, the CFPCs (Continuing Vocational Training Centres)

- pursue an overall and integrated approach focusing on the concept of integration pathways;
- help firms to become involved in the training measures (e.g. anticipating training needs, devising training programmes, providing apprenticeship schemes and work placement projects);
- develop trainees' social skills (e.g. communications, human contact and organisation);
- offer continuing training measures to instructors and socio-educational workers;
- prepare trainees for national certificates by promoting the modular system.

Vocational training courses for workers whose jobs are at risk

ESF Objective 2: SPD 97-99 human resources

The general objective here is to strengthen the competitiveness and development of the regional economic fabric by encouraging innovation through training and by placing special stress on promoting equal opportunities for men and women. To this end,

cooperation and synergy between training organisations will be sought and optimised, along with partnership arrangements with the various interested parties in the training field, particularly SMEs.

ESF Objective 4: SPD 94-96 and SPD 97-99

The aim of the proposed measures is to:

1. anticipate the effect of industrial change on human resources by developing tools and methods to evaluate human skills and by analysing and improving sandwich-type training;
2. provide SME managers and the staff in specific trade groups with the skills needed to cope with changes in SMEs and the craft trades (market access, quality assurance, environment, technological change, production management, etc.);
3. improve training systems through better training for instructors;
4. devise a new approach to motivating as many people as possible to take part in training courses.

ESF Objective 5b, priority 1 and 2: SPD 94-99

The proposed measures aim to:

- adapt employees' skills to the growing complexity of industrial systems;
- improve agricultural and forestry techniques by providing continuing training for farmers and foresters;
- train skilled staff for the tourism and leisure industries.

ESF: CIP ADAPT OP 94-99

Objectives of the OP:

- a. to speed up the adaptation of the labour force to industrial change;
- b. to boost the competitiveness of industry, services and commerce;
- c. to prevent unemployment by improving labour force skills, developing the labour force's internal and external flexibility, and making for greater vocational mobility;
- d. to anticipate and accelerate the development of new jobs and new activities, especially labour-intensive ones; this objective will mean making use of SMEs' capacity.

ESF: CIP RESIDER OP 94-99

1. Helping steelworkers to adapt to industrial change.

The general objective here is to strengthen the competitiveness of the steel industry by adapting skilling to the new requirements of the production process brought about by the replacement of blast furnace steelmaking by electric steelmaking.

2. Support for other sectors: vocational training and retraining.

The objectives are to provide training for employees to familiarise them and to enable them to make better use of the new technologies and to improve SMEs' competitiveness.

ESF: CIP PME OP 94-99

The objective is to give more consideration to the environment in SMEs' management and production methods and products and to meet the challenge of the increased frequency of cross-border markets in the region.

ESF: CIP INTERREG OP 94-99

The European Technology College (CET) was set up to provide tuition, training and research to assist the economic and social redeployment of the cross-border zone covered by the "European Development Pole".

CET projects include:

- studies on forward employment planning
- intra-company and inter-company training courses
- training in industrial logistics
- higher economic training
- installation of resource centres: technology, innovation, quality watch.

Business establishment aid

ESF Objective 2, SPD 97-99 human resources

The objective is to promote the establishment of businesses by women and to help provide training for assisting spouses at local and regional levels.

New sources of employment, teleworking and homeworking

ESF: CIP Leader OP 94-99

Under the Community Initiative Leader, two groups of activities have been set up in the region covered by Objective 5b. They are concerned with local development projects, viz.

organisation of local development;
one-stop-shop for SMEs;
new rural tourism products;
improved accommodation for tourists;
maintenance of remaining rural services in villages;
non-food use of crops;
locally grown produce;
standard farm types for consumers and farmers;
cultural activities in a rural environment;
use of natural resources;
transnational cooperation projects.

Public and placement services

ESF: Objective 3, priority 5, SPD 94-99

The general objective is to make job seekers and the unemployed better equipped to cope with competition on the labour market by giving them a closer understanding of the market and by developing effective job search strategies.

Measures for youth employment

1. ESF Objective 3, priority 5, SPD 94-99

Across-the-board support for training and integration structures, socio-pedagogical monitoring of young CFPC trainees.

2. ESF Objective 5b, priority 2, SPD 94-99

Social education, guidance and retraining for job seekers under the "Learn to live" project.

The point here is to devise a provisional social education and experimentation programme within a group of young people registered at the Ettelbruck Continuing Vocational Training Centre, and living in local authority areas covered by Objective 5b.

Training centres on the notion that, to be properly fulfilling, life has three components: work, social life and housing. These components must be in balance if an individual's lifestyle is to be satisfactory.

Measures for the older unemployed and the long-term unemployed

ESF Objective 5b, priority 1, SPD 94-99

The Ettelbruck CFPC is running an "oakwood coppicing" project, the aim being to combine practical conservation work with training and vocational integration for the long-term unemployed.

Employment for women

1. ESF Objective 2, SPD 97-99 human resources

For the new programming period (1997-99), three projects were introduced by the national authorities aimed at promoting the integration/reintegration of women on the labour market, encouraging women to set up in business on their own account, and providing training for assisting spouses at local authority and regional level. The project promoters are the Bettembourg local authority, ZARABINA in conjunction with the Esch-sur-Alzette employment service and the local CFPC, and the chamber of commerce and chamber of craft trades.

2. ESF Objective 3, priority 4 and priority 5, SPD 94-99

Under priority 5, the public employment service now has a post for an official responsible for promoting the vocational integration/reintegration of female unemployed and job seekers.

3. ESF: CIP NOW, ADAPT, and Article 6

Community initiative programmes (Employment): Luxembourg received only a minimum subsidy, but still embarked on a NOW project to provide counselling, guidance and training for women returning to the employment market.

Community initiative programmes (ADAPT): one of the two ADAPT programmes run by the INFPC seeks to promote equal opportunities in terms of continuing vocational training.

Article 6 (innovative ESF projects): one Luxembourg project was accepted. The INFPC project is concerned with providing training for promoting flexible working time in SMEs to give staff the chance to reconcile their family obligations and working lives.

5. MAJOR REFORMS OR MEASURES ENVISAGED IN THE NEAR FUTURE

5.1 Vocational training

The Standing Committee on Employment will draw the appropriate conclusions from the synthesis report just finalised by the tripartite vocational training advisory committee.

The tripartite body, which was set up in September 1996, is the outcome of the perceived need for high-level coordination of the various vocational training instruments.

The Committee has analysed eight subjects, and has drawn up a list of problems relating to each of them and proposed solutions in each case, viz.

- the overall situation of the vocational training system
- school and vocational guidance
- apprenticeship
- training leading to the CITP
- training routes in the agricultural and horticultural sector
- training routes in the banking sector
- technician training
- complementary training and retraining for jobseekers and persons in insecure employment.

The government is due to adopt a bill on 18 July 1997 laying down the legal framework for continuing vocational training in Luxembourg.

This text will initially tackle continuing vocational training in the strict sense, regulating

- collective access to continuing training under the terms of either a training plan, a training project or a collective agreement;
- protection for investment in training;
- certification;
- funding of continuing vocational training, including incentives.

As far as the unemployed are concerned, the accent will continue to be placed particularly on targeted, short and pragmatic forms of training, in close conjunction with firms, and leading to the effective placement of all unemployed persons passing the course.

5.2 Taxation

Company taxation was reformed in 1997 and the new measures will become operation in 1998. The reform of personal taxation will likewise take effect in 1998.

5.3 Employment policy

Generally speaking, proactive employment policy in Luxembourg over the next few years will seek to offer an opportunity of a job, an occupation or training to all jobseekers in certain target groups. In other words Luxembourg will take on, to a degree, the role of standardisation.

This is the background to a more active and targeted form of cooperation between the public employment service and the temporary work sector, based on an agreement. This form of cooperation will concern itself particularly with unemployed people who have been looking for a job for around six months.

The reform of the public placement services will be completed by way of the two special audits (cf. Chapter 3, section 6), with special emphasis being placed on staff training.

There will be no radical change in the policy described in the 1995 MAP, as updated in 1996.

However, the government will examine, where appropriate, together with the social partners, the existing range of instruments, with a view to explaining why certain measures have proved unsuccessful, and to put them on a new track. This reappraisal will concern itself particularly with measures for elderly unemployed people and the long-term unemployed (cf. MAP and Chapter 3, sections 8 and 10 of this update) and with the phased retirement scheme (cf. MAP).

On the basis of other Member States' experience, and pursuant to the general guidelines described in 3.1 above, the government will look into the possibility of adopting this or that new complementary measure. The important thing, though, is not to multiply the range of instruments *ad infinitum*, otherwise there is a risk of spreading human and financial resources too thinly. What may be needed is a proper retargeting exercise.

Particularly interesting opportunities seem to be offered by measures which combine incentives to take on certain categories of the unemployed and properly targeted training measures, or different systems of job rotation.

6. BEST EXPERIENCE IN THE FIELD OF EMPLOYMENT POLICY IN LUXEMBOURG

This part of the document describes the four active employment policy measures which the government feels are working best. It has to be pointed out, though, that the very strict conditions imposed by Luxembourg law on individual dismissals and especially collective redundancies have a highly beneficial effect on maintaining jobs. The number of collective redundancies fell following the entry into force of the law of 1993, which transposed and strengthened the European Directive.

6.1 Jobs for young people

The statutory basis of these measures is to be found in the amended law of 27 July 1978 regarding various measures in favour of employment for young people and in subsequent budgetary laws.

a) Traineeship/initiation contract

The aim of this form of contract is to give young jobseekers, during working hours, a practical initiation to facilitate the transition between education and entry into the world of work.

The public employment service can suggest that registered jobseekers take on such contracts. Candidates must not be more than 30 years of age.

An employer who takes on a trainee under this scheme pays him a trainee's wage, which is equivalent to 85% of the statutory minimum wage for an unskilled worker (currently F 39 322 per month). The employment fund assumes the employer's share of social welfare contributions, and reimburses to the employer 25% of the trainee's wage.

Such contracts may be concluded for a minimum of 26 months and a maximum of 52.

Where a firm which has or has had young jobseekers on a traineeship recruits new staff, the trainee has a prior entitlement to the job provided he did an appropriate traineeship in the previous three months and provided he meets the employer's qualifications.

In 1996, 278 new contracts were concluded, representing a 9% increase over 1995. Adding contracts which were running between 1995 and 1996, a total of 357 young people have received traineeship/initiation contracts. The upward trend continues in 1997: at the start of July, 230 young jobseekers were under contract.

The cost borne by the employment fund amounted in 1996 to F 18 834 457.

b) Company preparatory traineeship

This type of traineeship comprises alternating periods of practical and theoretical training. The scheme may be proposed by the public employment service to registered jobseekers who are not yet older than 30 years of age.

Under the law, a preparatory placement has to be covered by an outline agreement concluded with the public employment service either directly or via an organisation or an employers' professional chamber.

The outline agreement lays down the conditions applying to jobseekers under the preparatory traineeship scheme. During his period of training, the trainee receives young people's unemployment benefit, paid by the public employment service, amounting to 70% of the statutory minimum wage (currently F 32 392 per month). The employer's share of full unemployment benefit is 50%. In addition, the employer is required to pay his young trainee an extra allowance equivalent to 10% of the statutory minimum wage. The firm may also pay an optional merit bonus to award a trainee's particular diligence or skill.

The trainee remains subject to the statutory, regulatory and agreement-based provisions concerning the protection of paid workers and to the internal rules of the company. He is insured against the risk of accident by the public employment service.

133 young people were covered by this scheme in 1996, including 95 new contracts, representing an increase of 30% over 1995. The upward trend continues in 1997: at the beginning of July, 110 young jobseekers were covered by the scheme. The cost borne by the employment fund in 1996 was F 25 116 226.

The significance of these two measures for jobseekers lies in the opportunity it gives them to acquire an initial experience of work, allied to real opportunities of obtaining a steady job once the temporary period is over. 70% of young people find a steady job in this way. The two measures are also of some financial interest for employers in that they can offer training which is geared to the needs of the firm with financial participation from the State.

c) Temporary Auxiliaries Division (DAT)

The purpose of this division is to create temporary jobs for work in the public interest and in response to real collective needs.

Members of the DAT are liable to be assigned temporarily to work on public or cultural-interest tasks under the auspices of central government, local government, local public-interest organisations or any other such organisation, institution or group of persons.

Members of the DAT are recruited from the ranks of jobseekers of 30 years or less and who are registered with the public employment service.

The promoter of a temporary work programme is required to pay young people of less than 25 years of age an allowance equivalent to the statutory minimum wage which they would have received as an unskilled worker (currently F 46 275 per month).

Young people over the age of 25 are entitled to an allowance equivalent to the statutory minimum wage for skilled workers (F 55 530 per month).

These allowances are subject to tax and social welfare contributions, with the employer's share being assumed by the employment fund. The employment fund also pays all employers other than central government 50% of the allowance pay.

Such work must be for a minimum period of one month. However, young people who manage to find alternative employment may terminate their temporary work contract provided they give eight days' notice.

In 1996, 762 new contracts were concluded, representing a 37% increase over 1995. At the beginning of July 1997, 730 young jobseekers were under DAT contract.

One point worth noting is that young workers with a DAT contract are entitled to two extensions each of six months plus the possibility of a third and final extension of three months. *We have found that more than 90% of young jobseekers find a job before this final extension.* The employment fund spent F 247 052 972 on the DAT in 1996.

6.2 Reemployment aid

The law and the implementing provisions lay down the following arrangements and conditions in respect of reemployment aid.

The employment fund allocates reemployment aid to workers who have been made redundant, who are in imminent danger of being made redundant, to workers being transferred to another firm for economic reasons under a collective labour agreement, and to the registered unemployed provided they agree to be reclassified in a job with a level of remuneration which is lower than what they previously received.

The Minister of Labour and Employment decides on request which firms' workers are eligible for reemployment aid.

The aid is granted for a maximum of 48 months from the date of reclassification. It guarantees workers, in the light of their new level of pay, 90% of the previous wage. In making this calculation, the previous wage has a ceiling of 350% of the statutory minimum reference wage.

Since 1989, 713 people have received such aid, and the cost to the employment fund has been of the order of F 134.08 million (as at end December 1996).

Applications received and associated expenditure		
in 1989:	20 applications	4.51 million
in 1990:	91 applications	17.23 million
in 1991:	63 applications	23.41 million
in 1992:	50 applications	12.89 million
in 1993:	54 applications	11.43 million
in 1994:	87 applications	8.50 million
in 1995:	97 applications	16.26 million
in 1996:	251 applications	39.85 million
Total	713 applications	134.08 millions

The success of this scheme lies in the fact that it enables jobseekers to accept a new job which is less well paid than the previous one. The reemployment aid guarantees workers a

level of pay equivalent to 90% of the previous rate. Since 1996, most applications have come from firms which are restructuring and rationalising, and in the wake of the sharp rise in unemployment.

6.3 Tax relief

The basis is the law of 24 December 1996 introducing income tax relief in respect of the recruitment of unemployed persons. With a view to facilitating the labour market integration of people who have been unemployed for a given time, a special tax relief system has been set up to help taxpayers prepared to recruit persons who are registered unemployed:

- a) in a commercial, industrial, mining or craft-trade enterprise;
- b) in an agricultural or forestry holding;
- c) in one of the liberal professions.

The income tax relief amounts to 10% of the gross taxable monthly remuneration as an operating expense.

This relief may be obtained by employers intending to offer persons who have been without work and registered with the public employment service for at least three months a paid job under an employment contract which is either open-ended or of a fixed duration of at least 24 months, with a working time of at least 16 hours per week. The tax relief per unemployed person recruited may be granted for 36 months at the most from the date of recruitment.

Subject to these conditions, the tax relief is available for workers newly recruited during the period 1 July 1996 to 31 December 1999.

To judge by the initial results, this looks set to become a successful scheme.

6.4 Made-to-measure training and retraining for unemployed persons

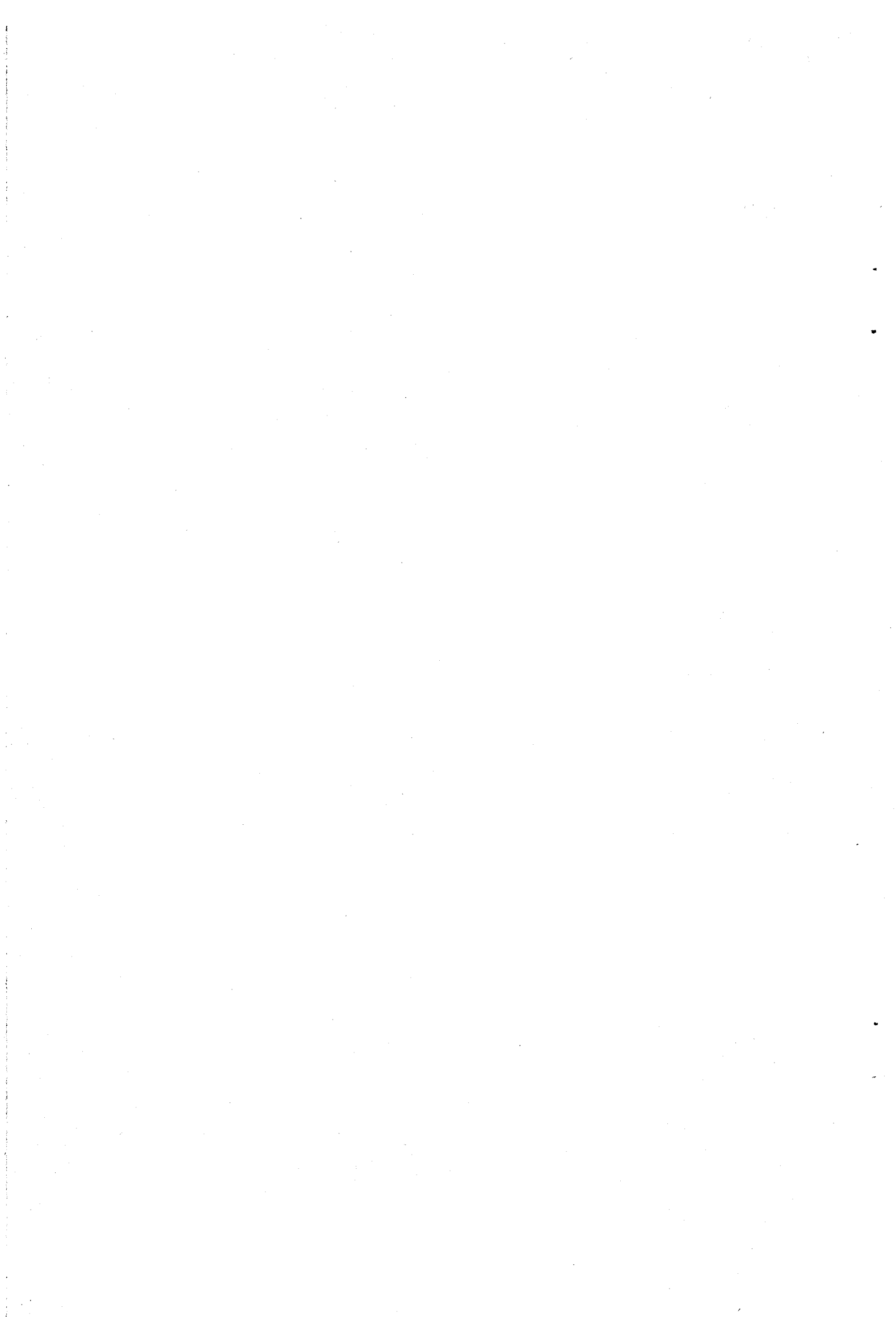
For some time now, the public placement services, in conjunction with the Ministry for Education and Vocational Training and the continuing vocational training centres (CFPCs), have been putting the stress on measures targeted to the specific needs of firms or sectors on the one hand, and particular categories of the jobless on the other. These measures are based on a highly pragmatic and essentially concrete approach, and require partnership and collaboration at all times and between all parties.

The firms or sectors are literally "canvassed" - particularly once an analysis of their situation reveals that they make far too much use of overtime or temporary labour - with a view to pinpointing their manpower needs over the short and medium term in the various skills categories.

Potential workers from among the unemployed are selected in direct conjunction with the firms' managers so as to avoid any mismatch between the firm's needs and the choices made by the public employment service. Courses of training are defined and then set up by the Education Ministry's vocational training service. Candidates who pass the course are guaranteed a job.

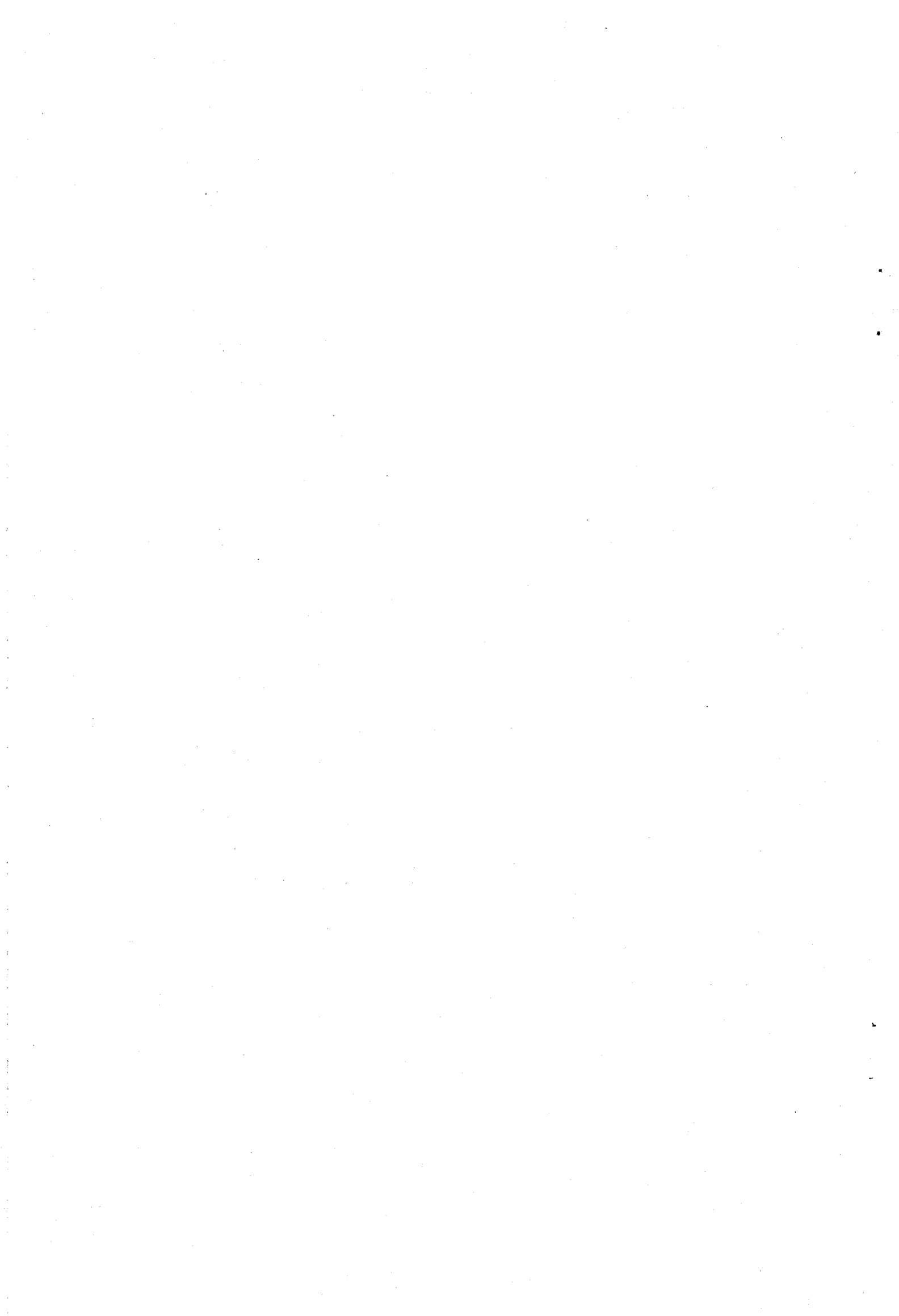
As it stands, the system is somewhat unwieldy in terms of selection and follow-up. Initial experience, though, would seem to indicate that it could be highly effective, especially if it succeeds in allying in very specific terms the needs of firms and the appropriate staff. Currently, 80% of jobs notified by firms which have been involved in such measures have been taken up by jobseekers.

The system is currently targeted at the unskilled or low-skilled and seeks, by offering a basic course of training corresponding to the firm's needs, to get people into jobs immediately. At a later date, this scheme might be followed by a programme more concerned with the general employability of jobseekers.



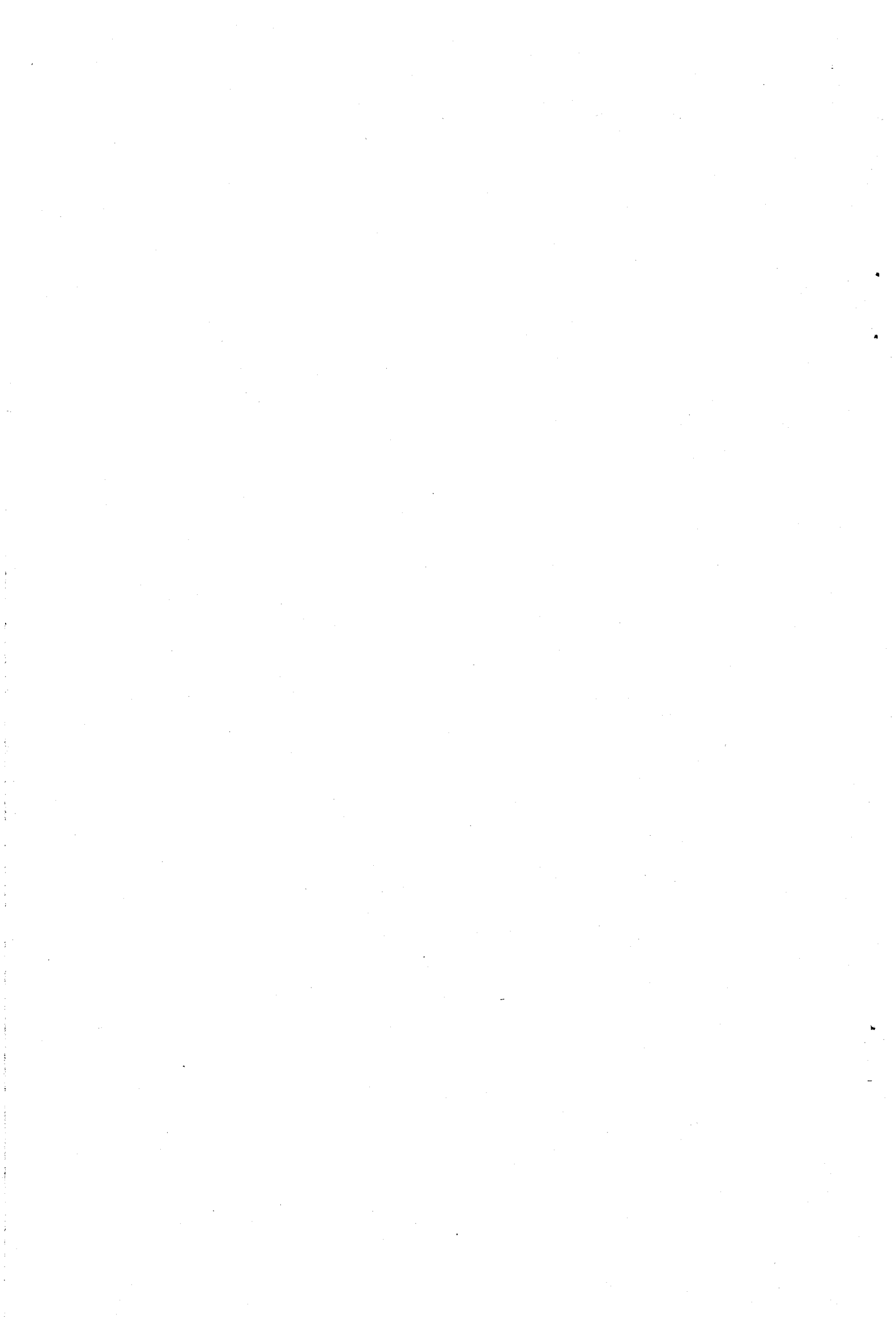
The Netherlands

The Ministry of Social Affairs and Employment



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1. THE NATIONAL EMPLOYMENT AND LABOUR MARKET SITUATION

Employment in all EU Member States has grown at only a moderate pace in the past, at least compared with Japan and the USA. Over the past ten years, employment in the EU has increased at an average annual rate of only 0.3%, compared with 0.5% in the USA and 1.1% in Japan. The Netherlands are an exception to the general EU picture, with significant employment growth since the second half of the 1980s. Over the past ten years, employment in the Netherlands has grown at an average annual rate of 1.8%¹. This strong growth is expected to continue over the coming years. For the four-year legislative period 1995-98, new jobs are expected to total 550 000, i.e. 200 000 more than agreed in the 1994 government agreement.

Strong employment growth has resulted in a gradual increase over recent years in the employment (participation) rate. In 1987, 56% of the potential working population was actually in work, compared with 66% now. This is above the EU average (59%), but below the equivalent rates in the USA and Japan (75% in each case)². The significant increase in the net employment rate in the Netherlands is associated with a major element of part-time working. Something like a third of all Dutch employees are now employed part-time. Because of the large number of part-time jobs, the net employment rate expressed in full-time units is lower than in terms of persons. The net employment rate in full-time units has increased from 49% in 1987 to 52% in 1996. As such, it is below the EU average (55%, 1995), and below the equivalent rates in the USA (72%, 1994) and Japan (79%, 1993)³.

This – in international terms – high rate of employment growth compares with a relatively marked increase in the economically active population, which grew over the past ten years by an average of 1.6% in the Netherlands, compared with 0.4% in the EU as a whole⁴. Over the coming years too, the labour force will continue to grow in the Netherlands at an annual rate of around 1%⁵. This is very largely accounted for by the increased rate of employment among women. Additionally, the population of working age is still growing as a result of natural causes and immigration. Finally, labour supply is being boosted by a variety of policy measures, including the tougher WAO and a new General Assistance Act. Continuing strong employment growth is necessary because of the steady growth in the active population and the desirability of continuing to push back unemployment (and non-activity; see below).

¹ OECD, Economic Outlook, June 1997. All the figures relate, according to international convention, to persons working more than one hour per week. Over the period 1987-96, employment growth in the Netherlands expressed in full-time units (working years) has been less strong than in terms of individuals (1.4% as against 1.8%).

² OECD, Employment Outlook, July 1997.

³ EU, 1996, and Ministry of Social Affairs and Employment, "The Dutch welfare state in an international and economic perspective", The Hague, 1996.

⁴ OECD, Economic Outlook, June 1997.

⁵ CPB, CEP 1997, 1997.

With employment growing more strongly than the active population, unemployment has fallen over recent years. The adjusted employment rate in 1996 was 6.3%⁶. The 1997 rate is expected to be 5.75%. In the EU as a whole, adjusted unemployment in 1996 was 10.9%⁷. The number of unemployment benefits paid out in 1996 likewise decreased somewhat, albeit less markedly than unemployment did. For 1997 and 1998, further falls are expected⁸. It has to be borne in mind too that the adjusted unemployment rate does not give a properly rounded picture of the extent of the total labour reserve. In the Netherlands, the number of employment benefits paid is roughly half as much again⁹, one of the reasons being that a number of people are not (or no longer) regarded as actively seeking work (e.g. those aged 57 and above). There may also be an element of concealed unemployment in the unfit for work arrangements.

It is not just the total number of unemployed people and the number of people receiving unemployment benefit which are falling; more recently, the number of long-term unemployed has started falling too, although something like half (49%) of all unemployed people have still been without work for more than a year. As a result, the proportion of long-term unemployed people is still somewhat higher than in countries like France (40%), Germany (48%) and the United Kingdom (40%), and substantially higher than in the USA (10%) and Japan (20%).

Looked at in an international perspective, another compelling fact is that youth employment is falling quickly in the Netherlands. According to the OECD, unemployment in the 15-24 year age group in 1996 was 11.6%, considerably lower than in countries like France (22.1%) and the UK (17.8%), on a par with the USA (12.6%) and higher than in Germany (8.4%) and Japan (6.8%). The latest national figures show that the rate of registered youth unemployment has now fallen to 5.6%¹⁰, which is even a little below the average for the economically active population as a whole.

The total number of people eligible for unemployment benefit is of course higher than the number of people receiving labour market-related benefits. The extent of non-activity can be measured by dividing the number of persons receiving income-replacement benefit by the number of people in work, in both cases expressed in terms of full-time units (benefit years and work years respectively). It is evident from the survey relating to 1992 and the provisional update for 1995 that this non-active/active ratio is roughly the same in the Netherlands and Denmark. The Netherlands are in a better position than Belgium, France

⁶ OECD, Employment Outlook, July 1997.

⁷ CPB, CEP 1997, 1997.

⁸ CPB, CEP 1997, 1997.

⁹ For example, according to national figures, the number of persons unemployed in the active population in 1996 was 494 000 (i.e. 7.6% of the active population). The number of persons receiving unemployment benefit in the same year was a good 50% higher, i.e. 785 000. See CPB, CEP 1997, 1997.

¹⁰ CBS, registered unemployment statistics.

and Germany, but worse off than the United Kingdom, the USA and Japan¹¹. Because pensioners account for a large proportion of the total number of benefit recipients, it is also possible to work out the non-active/active ratio excluding old-age pensions. Compared with other EU Member States, the Netherlands occupy a mid-table position in terms of the extent of non-activity. The non-activity/activity ratio below pensionable age in the Netherlands is roughly similar to the situation in Germany and Denmark. The ratio is higher in Belgium, but considerably lower in France, the United Kingdom, the USA and Japan. With the volume of benefit payments stabilising and unemployment growing strongly, the non-active/active ratio in the Netherlands in 1996 declined substantially, and a continued fall is expected for 1997 and 1998¹².

The non-active/active ratio is the sum of various types of non-activity (sickness, unemployment, incapacity for work, etc.). Because the social security arrangements can differ widely from country to country, making a distinction by reference to the underlying factors is not a particularly informative exercise. What really matters is not the underlying cause but the total. It is widely known that the volume of benefit in the Netherlands paid by virtue of sick leave and incapacity for work is something like twice as high as in other countries. It follows, then, that other countries with a comparable non-active/active ratio must have other types of non-activity which are on the high side.

In the Netherlands, the growth in per capita GDP since 1973 has lagged behind the rest of the EU. As a result, the Netherlands' lead in terms of per capita GDP has been cut vis-à-vis the EU as a whole. Real per capita GDP in 1988 was only just above the European average. But since 1988, growth has been faster than in the EU as a whole, and in 1995, real per capita GDP was a good 6% above the EU average. For 1997 and 1998, a further small improvement is expected vis-à-vis the EU average¹³. This turnaround can be attributed principally to the increase in the net employment rate.

So the trends look good. Employment is growing strongly; unemployment (including long-term and youth unemployment) is falling, and the net employment rate is increasing. These are favourable trends, but a number of remarks are warranted. The fall in unemployment has had a much less marked effect on the fall in the number of benefit recipients. The extent of non-activity is – although comparable with other EU Member States – still high, particularly among the low-skilled. To take an example, unemployment is twice as prevalent among the low-skilled, and the net employment rate of persons with only elementary education is only half that of the total economically active population in

¹¹ Ministry for Social Affairs and Employment, "The Dutch welfare state in an international and economic perspective", The Hague, 1996; and NEI (not yet published).

¹² According to the definition used in the Netherlands for the total non-active/active ratio (figures in the parentheses are for the same ratio below the age of 65), the rate fell from 81.6% (41.0%) in 1995 to 80.0% (39.7%) in 1996. For 1997 and 1998, the fall is expected to continue to 78.6% (38.6%) and 76.4% (36.7%) respectively. The partial ratios for sick leave and incapacity for work and for unemployment (see following paragraph) have likewise been falling substantially since 1995, partly because of the comprehensive package of policy measures (including TZ/WULBZ, TBA measures, PEMBA). See CPB, CEP 1997, 1997.

¹³ CPB, CEP 1997, 1997. For a comparison with north-western Europe, see also: OECD, Economic Surveys, The Netherlands, Paris, 1996.

work. The government is therefore extremely concerned about tackling non-activity – especially among the low-skilled. Within this context, the aim is to give a further boost to employment and to get more people into vocational education and training, particularly the low-skilled.

2. KEY FEATURES OF THE MULTIANNUAL PROGRAMME

The aim of employment policy in the Netherlands is to boost the number of jobs and reduce unemployment and job market-related non-activity, more especially among the low-skilled and low-paid.

Employment policy is based on the following main considerations:

- strengthening the economy by way of budgetary policy, reducing social security contributions and structural policy;

- pay moderation and reduced non-wage labour costs;

- a new kind of balance between flexibility and security on the job market (“flexicurity”);

- improving and intensifying the options for vocational education and training;

- creating jobs for the long-term unemployed;

- encouraging benefit recipients to seek work;

- a proactive policy on volume and implementational changes under the social security provisions.

These broad considerations are looked at briefly below. They follow on from the five action areas pinpointed in Essen and the conclusions of the European Council in Dublin (1996). However, they also include a number of clearly identified aspects which are of particular relevance in the Netherlands.

In terms of *budgetary policy*, expenditure is on a tight rein so as to reduce the funding deficit and the level of indebtedness and to achieve a structural easing of burdens. In giving effect to this latter element (totalling some 1.6% GDP over the full legislative period), the priority element is the employment effect, with special emphasis being given to the lower segment of the labour market.

Economic structural policy is concerned with strengthening market forces and reducing restrictive rules and regulations, with a view to unleashing the economy’s inherent dynamism and competitiveness. This was the thinking behind the new legislation on competition, business establishment and shop opening times. Priority is also given to new and expanding businesses, these being important sources of employment in the Dutch economy. Policy is also concerned with improving the physical and knowledge infrastructure (including efforts to encourage more R&D).

Creating jobs by making labour cheaper: Government policy is concerned with wage (cost) moderation. Such moves include structural measures to reduce the cost of labour.

Given the concentration of unemployment and non-activity among the low-skilled, the government has supplemented the general cost-reduction measures by introducing a number of targeted measures designed to reduce the wage cost of jobs at a level above the minimum wage.

The employment situation can be improved by reducing product market restrictions and by *making the job market more flexible*. It is essential, though, that flexible employment contracts and working hours should not be achieved at the cost of a reasonable level of social protection. That is why government policy is to achieve a fair balance between flexibility and security.

Innovation capacity and adaptability can be boosted in the Netherlands by improving and intensifying the opportunities for people in work and job-seekers alike to take *vocational education and training courses*. Fresh impetus is being given to modernising the vocational training system, and there are moves to improve cooperation between business and training and research establishments.

A high priority attaches to the need to create *jobs for the long-term unemployed* (who are often the low-skilled). In the collective sector, a total of 40 000 extra jobs will have been created by 1998 for the long-term benefit-receiving unemployed. This measure is financed in part by money that the persons concerned would otherwise have received in the form of unemployment benefit. A number of experimental projects are also in hand in the market sector, creating a total of up to 20 000 extra temporary jobs for the long-term unemployed with the help of input in the form of benefit money.

The government wishes to *encourage unemployed people to seek and accept work*. One essential starting point here is improved cooperation between benefit agencies and the public employment service. The aim is that unemployed people should increasingly over the coming years deal with a one-stop shop for both benefit and job placement. The scheme is intended to incorporate both incentives and penalties. There are also plans to amalgamate and streamline existing programmes for getting the long-term unemployed and young people into work.

The government intends to hold talks with the public employment service to help resolve a number of problems on the job market. Since the 1996 Manpower Services Act came into force on 1 January 1997, the Minister of Social Affairs and Employment gets together with the Central Employment Service (CBA) to discuss the employment service's range of services and benefits and to discuss the basic contribution and what contribution government should make. Policy in 1998 is directed towards continuity of the 1997 approach. This involves concentrating the effort on finding ways back to work principally for jobseekers already some way removed from the job market. More detailed policy measures will be decided on by the employment service in respect of (developing) problems concerning vacancies and placing minorities and older jobseekers.

The *social security system* (including the practical administration arrangements) has been and will be undergoing change. Recent examples concern the Continued Payment of Salary (Sickness) Act and the Invalidity Insurance (differentiation in contributions and market forces) Act. In making further changes, the government has no intention of modifying the quantum or duration of benefits. There is still a lot to be gained by targeting both policy and implementation on a proactive volume policy. The intention is to ensure

that all concerned have a real interest in making the best possible use of opportunities for helping to get benefit recipients back into paid work.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and lifelong learning

Society is changing quickly, and standards of knowledge and skills are increasing likewise. To get a picture of the role of knowledge in tomorrow's society, a "knowledge debate" took place in 1996-97. This broadly conceived discussion on tomorrow's knowledge-based society brought out the importance of knowledge for the population as a whole. The debate was followed up by a similar event under the national programme "Lifelong learning". The aim of this project is to enable the entire population to keep their knowledge and skills up to date and to develop them in the interests of a modern society. One particular objective is to enhance the employability of the (potential) working population. The idea is that the whole thing should culminate at the end of 1997 in a properly formulated government position.

The Dutch government is stimulating apprenticeship schemes, technical/commercial sectors in higher vocational education and trainee researchers/trainee research assistants by way of a special tax facility under the Salaries, Tax and Social Security Contributions (reduced remittances) Act (WVA). The effect here is to relieve employers of the lion's share of contributions payable for a newly recruited apprentice/student under a learning/work agreement on up to 130% of the statutory minimum wage (as at 1 January 1998). Under the covenant concluded by the Dutch government with the regional vocational training authorities on 10 September 1996, the intention is to increase the apprentice intake in 1996/97 by between 3 000 and 5 000 apprentices.

To create more coherence in all forms of intermediate vocational training, the new Education and Vocational Training Act (WEV) came into force on 1 January 1996. The desired effect is to be achieved by bringing together all forms of vocational training in regional training centres (ROCs) and agricultural training centres (AOCs), and by amalgamating all forms of apprenticeship training and intermediate vocational training (including the short course) in a single national qualification structure. The social partners have a role to play in the national bodies. These bodies (22 in all) are each closely associated with a particular sector or business. Within each body, a training/business committee formulates qualifications and course lengths and makes a proposal regarding the appropriate form or forms of training. The advisory committee on training and the labour market (ACOA) checks the qualifications and course lengths against the statutory requirements. By involving the social partners and the ACOA, it is possible to make a link between general skills and skills which are particularly relevant for the job market. This should ensure a broad form of vocational training to act as a sound basis for lifelong learning and employability.

With a view to getting as many premature school-leavers as possible back into education, a scheme was started in 1994 for a period of three years in 39 regions, with "contact" local authorities having a regional reporting and coordinating function. The evaluation exercise was completed in the spring of 1997. The recent report shows that the regions are well set to get a good idea of the problem of premature school-leavers. In 1995-96, one out of three such school-leavers returned to the education system. A follow-up policy

will be formulated in the autumn of 1997 on the basis of a more detailed effectiveness and practicality analysis.

A labour inspectorate study based on collective agreements for 1996 indicates that in all the agreements studied (the 132 biggest ones) there were clauses concerning training (to a greater or lesser extent). There was a slight improvement over 1995. General and specific training for existing employees is given plenty of attention, with appropriate agreements contained in 108 of the collective agreements. In many cases, there is a link between training and course attendance (in some 60% of collective agreements) and passing exams (in some 80% of collective agreements). In 1996, there were clauses in 68 out of 124 collective agreements concerning apprenticeship training¹⁴. Out of 12 training and development funds - which relate in total to 70% of the employees to which a fund applies - the average contribution in 1995 was 0.7% of the wage bill. The largest item of expenditure is training. On average, the funds paid out HFL 300 per employee in 1995 for training, apprenticeship schemes or an employment project. It has to be borne in mind, though, that the contribution per industry can vary greatly, from HFL 17 in the cleaning industry to HFL 1 142 in the electrical engineering sector.

Training for employees is primarily the responsibility of employers and employees, as confirmed recently by the Stichting van de Arbeid, e.g. in their publication "Working at your job" (November 1996). In a subsequent paper "Age and work" published by the Stichting van de Arbeid in July of this year and relating to a proactive policy for older workers, there is a clear indication of the responsibility of the social partners for training and educating older workers.

3.2 Work organisation and working time

Both employers and employees, who increasingly wish to combine paid work with other activities (such as caring and education), need more flexibility in terms of working patterns and the duration of work. This requires a new kind of balance between flexibility and security and the opportunity for the two sides to tailor working patterns and working time to their respective needs.

In 1996-97 the following initiatives (among others) were deployed:

- With the new Working Time Act of 1 January 1996, there are now improved opportunities for discussing and tailoring working hours to the needs of employees and employers.
- The law on non-discrimination in respect of working time (which came into force on 1 November 1996) regulates the legal situation of part-time workers and gives them parity with full-time employees.
- Existing leave arrangements, e.g. parental leave and leave to cope with emergencies, have been extended and strengthened. The government recently decided to make provision for special adoption leave.
- The recent paper "Work and care" produced in the spring of 1997 by the Stichting van de Arbeid endorses the government's view that there is a broad social

¹⁴ See: Labour inspectorate, Spring Report on Collective Agreements 1997, p. 15-16.

platform on which to bring the various forms of leave up to date. The intention is to amend the legislation on annual leave so as to make it possible to save up time for leave purposes. Preparations are also being made for financial support for career breaks for employees (e.g. for health care and educational purposes).

- The paper issued unanimously by the Stichting van de Arbeid in the spring of 1996 and entitled "Flexibility and security" has been taken over more or less totally by the government in two bills, one concerning flexibility and security, the other concerning the provision of manpower by contract agencies. These two bills were tabled in Parliament on 20 June 1997. The intention is to give employees a clearer picture of their position in law and their social insurance rights, and at the same time to make the job market more flexible and more dynamic. The bills incorporate new rules for fixed-duration contracts, contract labour, and the law on dismissal.
- One point of concern is whether the present social insurance system is properly geared to flexible forms of work. In this respect, the government asked the Social and Economic Council for its advice in 1996.

3.3 Wage (cost) policy

One of the main aspects of employment policy is wage (cost) moderation, underpinned by a general and a more targeted effort to reduce non-wage labour costs (see also 3.5). To stimulate employment at the lower end of the scale, the Stichting van de Arbeid (in 1995) called on the parties to the working conditions consultation procedure to include clauses in collective agreements about reducing the gap between the lowest wage categories and the statutory minimum wage (WML). Realising this potential would substantially reduce gross wage costs at the lower end of the job market. At the end of 1994, the lowest collectively agreed wage levels were on average 11.8% higher than the then statutory minimum wage. The Stichting's appeal has led to a fall in the average of the lowest collectively agreed wages. By 1996, the lowest collectively agreed wages were on average 8.6% higher than the statutory minimum wage. This reduction in the gap is even more significant bearing in mind that the statutory minimum wage was frozen in 1995, while contract wage development in 1995 was of the order of 1.4%. The government is still encouraging the social partners to utilise this room for manoeuvre between the lowest collectively agreed wage levels and the WML.

3.4 Job creation initiatives

Under the programme "40 000 more jobs", a programme which is specifically geared to enabling the long-term unemployed to acquire work experience, a total of some 18 000 jobs were created by (and including) the first quarter of 1997. These include almost 11 000 jobs with local authorities and some 7 000 jobs in the care sector. In 1997, local authorities are intending to create a further 7 000 or so new jobs. In the care sector, 5 500 of the jobs created in 1996 are still unoccupied. Against this background, leading officials decided in June of this year to transfer 2 200 of the extra jobs earmarked for the care sector in 1997 to the local authorities.

Under the programme concerned with experimental employment projects using benefit input (known as the EAU scheme), around 11 600 of the projected 20 000 jobs for people entitled to receive benefit had come into being by the first quarter of 1997. This figure is likely to increase somewhat in that inclusion in the EAU scheme is still possible to the end

of 1997. Existing jobs are eligible for subsidy up to the end of 1998. An evaluation is being made of the effects of the EAU scheme, and a final report is expected for the spring of 1999. The "Wiw work experience placements" can be seen as a structural follow-up to the EAU scheme.

Under the programme concerned with jobs involving the retention of social welfare benefits (under Article 144 of the Abw), a total of 197 local authorities had entered applications by January 1997. By mid-1997, a total of 79 applications had been approved, 9 had been rejected, and 16 local authorities had withdrawn their applications. Some of the successful experimental schemes are geared primarily to overcoming or preventing social exclusion and isolation (by way of socially useful activities and regular, unpaid voluntary work). Others are geared primarily to encouraging independent activity (i.e. as a preparatory phase for follow-up routes). An evaluation exercise is due to start very soon, and the initial results are expected by the end of 1998.

Thought is also being given to how, on the personal services market, illicit work can be done away with and latent (extra) work can be found (for the long-term unemployed). To this end, a start was made on 1 June 1996 on an experimental scheme to extend the cleaning services market. Here too, an evaluation exercise will indicate, by the autumn of 1997, whether the experiment should continue, and if so, in what form.

A number of legislative moves have been made with a view to consolidating, streamlining and simplifying the rules applying to all measures concerned with getting the long-term unemployed into a job. The common denominator is the need to extend the scope of policy so as to get people who have grown away from the labour market back into work.

- In 1996, a revised Sheltered Employment Bill (WSW) went to Parliament. By mid-1997, the Bill was being debated in the Upper Chamber, and the scheduled date of implementation is 1 January 1998.
- The Jobseekers Employment Bill (Wiw) went to the Lower Chamber in November 1996, and the scheduled date of implementation is 1 January 1998.

3.5 Making taxation systems more employment-friendly

The high rate of non-activity and the employment shortfall, particularly at the lower end of the job market, induced the government to consider a comprehensive scheme of burden-reduction. Current indications are that the cumulative reduction between 1995 and 1998 will be some HFL 8.5 billion. Including the MLO reduction, which is proper to 1994 but is included in the current period of government, the total amount is some HFL 11 billion (approx. 1.6% of GDP), i.e. HFL 2 billion more than projected on conclusion of the government agreement¹⁵. In deciding how exactly to lighten the load, the employment effect is of very great importance.

In addition to the general burden-lowering exercise, employers' contributions at the lower end of the labour market were subject to a targeted reduction in 1996 and 1997 by giving employers the right to a reduction in employees' tax and social security contributions.

¹⁵ CPB, CEP 1997, 1997.

This reduction for the low-paid amounted to HFL 1 185 per year in 1996, and has been increased for adults to HFL 1 830 in 1997. Employers who take on someone who has been unemployed for more than one year can also – subject to certain conditions – be considered for an additional reduction of HFL 4 500 per year. With this reduction in remittances for the low-paid in 1997, almost a third of employers' contributions at minimum wage level were removed. Taking into account the additional reduction for the long-term unemployed, the effect is virtually to eliminate entirely employers' contributions at minimum wage level. The reduction in the wage bill as a result of this measure is 5% in 1997, rising to up to 17% for the long-term unemployed (see attached table).

3.6 Activation of labour market policies

By placing greater stress on activating the labour force, improving the system of social security and creating a better balance between flexibility and security, the government wishes to enhance the effectiveness of labour market policy.

The practical arrangements for implementing social security must be such as to enhance the activating effect of the entire social insurance system. Various ways have been tried in 1996-97 to put this into effect (see annex).

The restructured Social Assistance Act came into force on 1 January 1996. Government's intention here is to create a stronger link between benefit payment and efforts by the recipient to find suitable work. Thought is now being given to how the financial interests of local authorities can be increased when the assistance volume is reduced.

The new Manpower Services Act came into force on 1 January 1997. The emphasis in terms of public employment placement is now being put more on the kind of jobseekers who are difficult to place and on vacancies which are difficult to fill. A more efficient distribution of responsibilities in terms of control and management should make it easier to carry out targeted measures. The Minister for Social Affairs and Employment reaches annual agreement with the central employment services agency on what provision will be needed and what budget the Ministry has to make available for this purpose.

The aim is to achieve a statutory obligation to cooperate between the employment service and the social security agencies. The government recently (in June 1997) issued a paper giving details of how it intends to set about this. The principle is that, in respect of any client "intake", the first step is to take a detailed look at whether work opportunities are available. Only when there is clearly no work available is consideration given to whether the payment of benefit is necessary and possible. The government has now stated that, by 2000 at the latest, the two collaborating parties must have set up joint offices so as to give better practical effect to the above principle.

Policy on the quantum of payment in the event of sickness led to the Continued Payment of Salary (Sickness) Act, known as Wulbz. This law came into force on 1 January 1996, replacing to a great extent the Sickness Act. Since it came into effect, employers have been solely responsible for paying the financial burden of sick leave in their own firms, and therefore have a vested interest in reducing such burdens. In 1997, Parliament passed the Invalidity Insurance (Differentiation in Contributions and Market Forces) Act, the effect being that a comprehensive system of contribution differentiation and voluntary own-risk periods is introduced and the WAO contribution will in future be purely an employer's contribution. In 1995, the Unemployment Act already tightened up the eligibility criteria.

The new law is also geared more strictly towards getting people into work. In order to combat abuse and fraud, 1996 saw the entry into force of the Social Security Benefits (Fines and Recovery) Act.

3.7 Specific measures for young people

In many cases, young people find a job off their own bat within a year, particularly in the prevailing favourable economic climate. Employment growth over recent years has worked very much to the benefit of young people. However, young, poorly qualified people continue to occupy a weak position on the labour market, hence the importance of having a special policy for this particular target group. Participation of young people under the Youth Employment Guarantee Act increased up to and including 1996 (by the end of the first quarter of 1996, the participating population numbered some 25 000 people). The intention is that, with effect from 1 January 1998, these arrangements should be incorporated into the Jobseekers Employment Act (see para 32). There are also specific training measures for young people (see paras 20-22).

3.8 Specific measures for the long-term unemployed

Long-term unemployment has been falling over recent years. Compared with 247 000 registered as long-term unemployed in 1995, the number had decreased to 221 000 in 1996, and there was a further fall to 197 000 in April 1997 (i.e. a fall of 30 000 compared with April 1996). This is a very important development. Nonetheless, the percentage of long-term unemployed in the total jobless population remains relatively high (end 1995: 53.2%; end 1996: 50.2%). The percentage is thus higher than in France (40%), Germany (48%) and the United Kingdom (40%), and a lot higher than in the USA (10%) and Japan (20%). For that reason, special attention is still needed for the long-term unemployed (who are often also low-skilled and in the older age categories), to enable them too to benefit from job growth trends. Reducing (long-term) unemployment is a shared responsibility of government and the social partners. The main route is to do away with restrictions in collective agreements, so as to create more regular jobs at a level above the statutory minimum wage. In addition, government policy is geared – by way of reduced deductions – to making it cheaper to employ the low-skilled and the long-term unemployed.

Government policy has been described in detail in earlier paragraphs. It is evident from a survey conducted by the Labour Inspectorate (in the spring of 1997) that the parties to collective agreements have paid heed to the government's appeal to reduce the gap between the lowest collectively agreed wage rates and the statutory minimum wage. In 1996-97, a large number of collective agreements included clauses on the introduction of new, lower pay scales. In 1996, 39 out of 64 collective agreements included a rate down to 105% of the minimum wage. These 39 agreements apply to 80% of the employees covered by the 1996 collective agreements. Meanwhile, in 1997, 32 major agreements have been concluded (applying to 79% of the employees covered by the collective agreements concluded in 1997), 23 of which feature a rate down to 105% of the minimum wage. In addition, in virtually all collective agreements with a lowest rate which is above the 105% level, there is some other form of investment in the low-skilled (e.g. by way of collective agreement dispensation conditions). A more detailed report is to be presented to the lower chamber of Parliament in the summer of 1997 on the de facto implementation of

the new, lower pay rates. There are also special measures for the long-term unemployed under labour market policy (see Wiw, para 32).

It also emerges from Labour Inspectorate studies that the reduction in existing pay rates, and the introduction of new, lower rates of pay do not just exist on paper. 17% of firms actually make use of the (new) lowest pay rates. This may seem to be relatively few, but it has to be borne in mind that 78% of firms say they have no work which can be described as low-skilled. 42% of those which do have such work make use of the new, lower pay rates. Measured in terms of employees, something like 5% of all workers – i.e. those working in firms applying the new, lower pay rates – are actually paid at one of these lower rates.

3.9 Specific measures for unemployed women and to encourage equal opportunities

The rate of employment among women is growing quickly (especially part-time), but is still low compared with neighbouring EU Member States. There is what is claimed to be deficient use of potential, both in quantitative and in qualitative terms. At the same time, views are changing as to the role of men in bringing up children and caring for the family. What is needed, then, is a policy which is geared to offering equal opportunities for men and women to enable them to assume their respective responsibilities in terms of combining work and care.

In connection with the flagship policies for encouraging equal opportunities for men and women on the labour market, the following developments are of significance:

- The measures described above (para 26) are intended to help boost the employment opportunities for women.
- In order to improve the position of women in firms, a campaign got under way in September 1996 to encourage firms and other employers to make better use of the employment potential of women – for very tangible economic reasons.
- In 1998, the intention is to evaluate the various ministries' activities (dating from 1995) to encourage more women to go in for technical training and technical occupations, with a view to a possible follow-up policy.

3.10 Specific measures for other risk groups

Although ethnic minorities have, for some time now, been improving their relatively weak position vis-à-vis the rest of the economically active population, their position on the labour market remains a cause for concern. Unemployment among ethnic minorities is, large differences between the various minorities notwithstanding, still something like three times as high as in the population at large. So targeted measures will continue to be necessary over the coming years. To encourage new immigrants to integrate into Dutch society, the cabinet introduced the Integration of Newcomers Bill into the lower house in 1996. Many newcomers at risk of lagging behind in social terms are offered an educational route for a number of years by the local authorities after their "intake", the subjects covering the Dutch language, social orientation and vocational skills. The budget for these measures for newcomers amounted in 1997 to HFL 231.2 million. The 1998 budget provides for HFL 235.5 million.

A substantial proportion of ethnic minorities clearly benefit from measures in terms of subsidised employment, but the integration of minorities in the labour market requires more than just that. As regards the targeted measures, the emphasis is on the need for the social partners to play an active role. In the recent new agreement "More opportunities with minorities" (1997-2000), the social partners in the Stichting van de Arbeid put forward recommendations to the collective agreement parties to agree compulsory efforts to be made for each sector and for firms to base their own targets on these.

On the basis of the new Stichting agreement and the results of the evaluation exercise on the Fair Employment of Ethnic Minorities Act (WBEAA; in force since mid-1994), the government reached an agreement with the social partners in the Stichting van de Arbeid at the end of 1996 on what changes were needed to the law. The aim is to make the WBEAA more effective by streamlining existing procedures and doing away with some of the red tape. The government's proposed amendments, as set out in the SAMEN Bill (Stimulation of Employment of Minorities Bill) went to the lower house in May 1997. The major obligations under the WBEAA remain in force. The social partners regard SAMEN, which is scheduled to run from 1 January 1998 to 1 January 2002, as a back-up for their new minorities agreement.

The high rate of non-activity among older people is a matter of concern for the government. Since 1970, the employment rate of men aged 55 to 64 has fallen from 81% to 42%. Recent changes to the social security system and functional changes to cater for older employees are not really enough. Employment participation can be stimulated by taking on older workers, i.e. people without work experience, but priority is given to preventing older workers from leaving the employment process in the first place. The government feels that the social partners should be taking the lead here and that government policy should be geared more to getting rid of unnecessary obstacles. In order to maintain and/or encourage older people to remain or return to work, the government thinks it essential to have a deliberate vocational policy centred on the concept of lifelong learning. The government is also giving consideration to a more active form of job placement, giving active help to older workers, making labour cheaper, boosting mobility, doing something about the employability and taxation of older workers, making the receipt of benefits less attractive, and introducing flexible pension systems. This latter element gives older workers a greater freedom of choice and can act as a financial incentive for working longer, particularly as existing early retirement schemes are now lapsing. The government recently received an opinion from the Stichting van de Arbeid about adopting a policy designed to get older workers back into work. The opinion is concerned with training measures for older workers, age-conscious staff policy and working conditions.

Anyone who loses his or her job at an advanced age has little chance of getting a new one, even if he or she is well qualified. There are indications that, when it comes to recruitment and staff selection, employers tend to use age restrictions which may not be objectively justified. The government's intention is to bring in a bill in the near future in the Lower House to outlaw age discrimination in respect of recruitment and selection, unless there are objective grounds for applying such limitations.

As far as disabled workers are concerned, one important point is that the government intends, around September 1997, to introduce a bill in Parliament concerning the reintegration of disabled workers. The policy paper on the (re)integration of disabled

workers was submitted to Parliament in February of this year, and lays down 1 January 1998 as the target date for the Act to come into force.

In the spring of 1997, the government agreed with the social partners in the Stichting van de Arbeid to seek a substantial expansion in the range of jobs for disabled workers (amounting to several thousand).

The Medical Check-ups Act is due to come into force on 1 January 1998, the objective being to place restrictions on the use of medical recruitment check-ups and examinations for pension purposes, along with check-ups associated with work-related insurance schemes.

4. CHAPTER 4. MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

The Dutch government uses European Structural Fund resources to underpin training schemes for job-seekers and persons in work. ESF-3 funds are used to finance the training of job-seekers and within the context of proactive labour market measures in respect of premature school-leavers and apprentices. Implementation is a matter for the public employment service. ESF-4 funds are used primarily for providing training for low-skilled employees in SMEs and for self-employed persons. Use is also made of the Community Initiatives ADAPT, Employment and Leonardo.

5. MAJOR FORTHCOMING REFORMS/MEASURES

Much attention will be given in the near future to training and to ways of improving people's employability. The recent "knowledge debate" is expected to generate measures under the planned national programme "Lifelong learning" (see para 20)

One important measure which is likely to see the light of day in the near future is the statutory instrument to regulate the mandatory cooperation between local authority social services, the social insurance agencies and the public employment service in terms of processing unemployed people's applications for assistance (see also para 37).

Generally speaking, it has to be realised that the development of labour costs is influenced by concrete measures concerning taxation and social security contributions. The government's plans on this point for 1998 will not be revealed until Parliament is formally opened in September of this year, so no further statement can be made on this point.

6. ANNEX

Vocational education, training and lifelong learning

A new Education and Vocational Training Act (WEB) came into force on 1 January 1996, the aim being to extend the range of training available and to offer targeted assistance for individual trainees. Educational establishments are expressly instructed in the new law to reduce the drop-out rate, e.g. by introducing an element of output accounting. In the intermediate vocational education sector, the practical component has been strengthened. Thought is currently being given to whether the current qualifications structure under the WEB can deliver what trainees need as a basis for lifelong learning and employability. The Socio-economic Council recently delivered its opinion to the government, concluding that it is as yet too early to make any specific statement. Generally speaking, their view is that WEB as it stands does provide sufficient opportunities for guaranteeing the acquisition of general skills and the linkage between education and training and the job market.

The action the Dutch government has taken in respect of training for employees is of a complementary nature, and is aimed at stimulating employers and employees, e.g. in cases of recognised discrepancies. The social partners can stimulate training for employees by way of collective agreement clauses concerned with training, including the possibility of special efforts being made at company level and of using the training and development funds.

The whole basis of the above policy and action is the hugely important concept of employability. Initial education must therefore not just provide access to the job market, but should give a sufficiently broad basis for people to carry on learning throughout their lives. To achieve this, the strategy of the Dutch government over the coming years will be targeted at:

- gearing the education and training system to ensure that as many young people as possible leave the system with a proper vocational qualification, thus laying down the basis for ongoing education;
- increasing the joint responsibility of business in dictating the content and practical component of vocational education and training;
- stimulating investment on the part of employers and employees in a combination of work and learning throughout people's careers.

The strategy of the Dutch government is geared to a combination of vocational education and training and consolidating work, the aim being to improve the linkage between training and the job market. This applies both to initial education and training and training provision for job-seekers and for people already in work. The effect is to blur the distinction between the various forms of education and training and to alter the involvement of the "traditional" players, i.e. government, the social partners and the public employment service. New training arrangements will have to be agreed between the various players, building on experiments such as students in higher vocational training, who can now complete their training in a dual system (i.e. they can combine work - with a proper employment contract - and formal learning, with the employer enjoying access to special tax arrangements). Another example is the Rijnmond regional arrangement,

whereby schools, the local authority, the public employment service and the Retail Trade Chamber work together to improve the quality of training and to reduce the drop-out rate.

The Ministry for Education, Culture and Science has set up an innovation fund (worth HFL 15 million) to create improved linkage between vocational education and training and the job market. A further aim is to make technical studies and occupations more attractive to young people.

The Dutch government has adopted a package of measures to enable more young people over the coming years to gain access to the labour market with at least a minimum starting qualification at the level of elementary vocational education (this forms a subsector of the policy on school drop-outs and the "knowledge debate").

Organisation of work and working time

The job market is in a state of flux. Increasing use is being made of flexible employment relationships, reflecting companies' need for flexibilisation and the changing wishes of employees, who increasingly wish to combine paid work with other activities and responsibilities, e.g. care, leisure and education.

Flexibility and security

Responding to the above trend, government has sought a new balance between flexibility and security in terms of legislation. What this means is that, on the one hand, there must be sufficient scope for a more flexible and more dynamic job market, but that on the other, there must be a guarantee that this would not happen at the cost of employees' security and position in law. In June 1997, the government introduced two bills into the lower house: one concerned with flexibility and security, and the other with manpower provision by agencies. The intention here is to get rid of obstacles in the way of a more flexible job market and to guarantee adequate security for employees.

One way of giving more security is to introduce the legal presumption of the existence of a labour agreement and of the scope of working time. More flexibility is expected to be generated by temporary contracts. Up to now, the follow-up to just one temporary contract was always an open-ended employment agreement. According to the bill, this will only be possible in future after three successive temporary contracts, i.e. after three years. Scope for more flexibility is also offered by the proposals on reducing the period of notice on termination of contract and doing away with compulsory authorisation for posted employment.

Working Time Act

Further scope for flexibility was generated by the new Working Time Act, which came into effect in stages from 1 January 1996. In addition to setting out standard sets of rules for employers and employees' representatives, the new law makes provision for consultation arrangements within a broader context. As a result, employees are given the opportunity to gear their working hours more closely to their individual needs, e.g. by reconciling their paid work with other activities and responsibilities.

Work and care

Over recent years, a number of concrete steps have already been taken to enable employees to participate more fully in various phases of their lives in the labour market, and to create a "new organisation of work". In addition to the Working Time Act

discussed above, the government has made proposals for encouraging different forms of leave. These proposals are likely to elicit a positive response from the social partners, as is evident from the unanimous opinion put forward by the Stichting van de Arbeid in its document "Work and care" (March 1997). Legislative proposals are currently being drawn up.

With effect from 1 July 1997, existing leave arrangements, such as parental leave and emergency leave, have been extended and strengthened. Rules on adoption leave are currently being prepared. Part-time workers putting in less than 20 hours a week will be able to apply for parental leave, and various obstacles in terms of social security in respect of unpaid leave for a maximum of six months will be done away with. Annual leave arrangements will be changed to make it easier to save up time for extra annual leave. The intention is to introduce a bill in the lower house in the second half of 1997 to fund career breaks on grounds of care arrangements, education or employability.

In addition, the government has made HFL 160 million available for making good some of the major deficits in out-of-school care for children at elementary school. By 1999, an extra 20 000 jobs will have been created.

Job creation initiatives

"40 000 extra jobs" programme: The intention here is to create 40 000 extra jobs for the long-term unemployed (i.e. people who have been unemployed for more than one year and who are eligible to receive benefit under the ABW, IOAW or IOAZ) up to and including 1998, in a number of social sectors (e.g. supervision, care and child-care). These jobs will be structurally and fully funded (at around HFL 40 000 per job). The average working time will be 32 hours per week, with a rate of pay starting at the statutory minimum wage and then increasing to 120% of the minimum. The jobs will be allocated in phases to a limited number of local authorities (79 of them as of 1 January 1997) for people from the target group who are resident in the local authority areas concerned.

Experimental employment projects with benefit input

For a limited number of local authorities, institutions and organisations, it is possible to use, experimentally, benefit payments, partially and temporarily (in principle for no more than two years) to finance new and existing jobs for the long-term unemployed (average working time 32 hours; rate of pay up to 120% of the statutory minimum wage). The aim here is to enhance the "activating" effect of social security benefits. The target group comprises persons who have been unemployed for more than one year and who are in receipt of benefit under the ABW, IOAW or IOAZ. The project organisers receive a maximum of HFL 18 000 per employment contract (for a minimum period of six months). There was scope under the programme in 1995 and 1996 for a total of 20 000 such jobs in two years. By the end of the third quarter of 1996, around 7 300 employment contracts had been concluded (including 6 000 in 1996). The scheme continues in 1997 and will expire on 31 December 1998.

On 1 June 1996, an *experimental scheme to extend the market in the cleaning industry* got underway in three local authority areas. The aims are to create more market opportunities for firms in the cleaning industry and to provide work for the long-term unemployed by stimulating demand for cleaning services among private individuals. For each long-term unemployed person taken on for 32 hours per week (for at least one year;

rate of pay at most 120% of the statutory minimum wage), employers can obtain a total wage bill advantage of HFL 18 000 over a full year subject to contracts with private individuals for cleaning services.

The *programme combining work with retention of benefit entitlement* is targeted mainly at people with very poor employment opportunities, and seeks to find an appropriate way of involving them in society and helping them out of their social isolation. Local authorities can encourage benefit recipients to take part in unpaid, voluntary work. Subject to certain conditions, it is also possible to combine training with continued receipt of benefit. Local authorities can also make suggestions for trying out alternative methods of getting such people back into the job market. The target group comprises benefit recipients who have been unemployed for more than one year.

The proposed, and restructured, *Sheltered Employment Act (WSW)* is closely associated with the *Jobseekers Employment Act (Wiw)*. The WSW target group focuses on people who can only perform work in special circumstances (as independently attested). The closer definition of the target group allied with the need for independent attestation improves the opportunities for disabled people for whom the WSW is the only means of finding work. The current WSW arrangements covered 82 000 people in 1990, growing to around 86 000 at the end of 1995.

The proposed *Jobseekers Employment Act (Wiw)* brings together the separate arrangements concerning subsidised work (apart from the WSW) and gives local authorities more freedom to gear their activities to reintegrating unemployed people into the labour market. Depending on the individual's situation, local authorities can employ a wide range of activities, ranging from measures to prevent social exclusion and encourage training, to the provision of subsidised jobs and wage subsidies for job placement schemes with regular employers.

A more employment-friendly taxation system

The average "wedge" in north-western Europe is higher than in Japan, the USA or the UK, and this applies to minimum, mid-range and higher incomes. In Denmark and Belgium, the wedge is even higher than in the Netherlands and Germany. The German wedge for mid-range incomes is comparable to that of the Netherlands, but is lower in respect of minimum and higher incomes. The effect of a high wedge is often to put off employers taking on people from the non-active population.

The high level of unemployment and the shortage of jobs, particularly at the lower end of the labour market, prompted the new government in the Netherlands to conclude the following agreements for the period 1995-98: (1) *a comprehensive reduction in contributions* (in the sum of HFL 9 billion, or 1.25% of GDP); (2) *a reduction in employers' contributions in respect of labour (in general), with special emphasis on reducing employers' contributions in respect of low-paid work.*

The average wedge in the lowest portion of the job market is pitched deliberately low so as to give employers the right to reduce tax and social security contributions in respect of workers who earn no more than 115% of the statutory minimum wage. Employers who take on long-term unemployed people are entitled to a special reduction. By way of both types of reduction, the government is deliberately seeking to reduce unemployment at the lower end of the labour market by encouraging the retention and creation of jobs.

For the low-paid, the reduced deductions amount to HFL 1 830 in 1997 for each adult employee working at least 32 hours a week. There are lower amounts for part-time workers and young employees. Employers who take on a long-term unemployed person may be considered for an extra reduction of HFL 4 500. The total reduction for income tax and social security contributions may be no more than HFL 6 000 per long-term unemployed person. These arrangements only apply where the person concerned has been unemployed for at least a year and earns no more than 130% of the statutory minimum wage.

Table 1: Reduction in employers' contributions at minimum wage level, 1997 (in HFL) (to the nearest HFL 25)

	Low-paid workers and long-term unemployed	
Gross minimum wage	28 925	28 925
Employers' contribution at minimum wage level	6 475	6 475
Wage -bill at minimum wage level (excluding reduced deductions)	35 400	35 400
Reduced deductions	1 825	6 000
Wage bill at minimum wage level (including reduced deductions)	33 575	29 400
Total reduction in employers' contributions 1997 as a result of reduced deductions (%)	- 28%	- 93%
Total wage bill reduction in 1997 as a result of reduced deductions (%)	- 5%	- 17%

Activation of labour market policies

Government intends to make the payment of benefits more dependent on efforts being made by the recipient to find suitable work. This is the basic philosophy underlying the *revised Social Assistance Act*, which came into force on 1 January 1996. The law makes provision for the following:

- Every person receiving benefit (apart from single parents with children younger than 5) must accept paid work
- Local authorities are given more responsibility for providing assistance, and a greater financial interest in reducing the overall volume. Moves are being made to introduce a material interest for local authorities in cutting down on the amount of assistance needed.
- Local authorities must devise a plan (laying down the client's rights and obligations) to impact on individual opportunities for activation/reintegration.
- Local authorities have, since 1994, had access to an incentive budget to finance measures to help benefit recipients dispense with public assistance.
- Local authorities are also being given more instruments to pursue their own local activation policies (see also under *Wiw*).

In a variety of ways, the *establishment of the social insurance implementation organisation* is playing its part in giving activating effect to the social protection system:

- the Lisv (the organisation responsible for running employees' insurance schemes) is responsible for encouraging the reintegration of persons eligible to receive benefit;
- the implementing agencies, which have agreed responsibility for implementing the social insurance system in a given sector, have a vested interest in achieving success in terms of reintegration;
- employers and employees alike are exerting pressure on the implementing agencies to do all they can to reintegrate benefit recipients, as the success rate is reflected in the amount of contributions both of them have to pay.

The *new Manpower Services Act* (which entered into force on 1 January 1997) seeks to improve manpower services by:

- concentrating public placement activities on skilling, on jobseekers who are difficult to place, and on vacancies which are difficult to fill;
- creating an objective procedure (in close cooperation with the benefit agencies) to ascertain the problems of jobseekers who are difficult to place in gaining access to the labour market;
- subdividing government contributions to the public employment service into a basic amount for services rendered to all jobseekers and work-providers, and a number of other statutory duties (authorisations for dismissal, authorisations for recruitment, etc) and a performance-related contribution. The aim here is to bring out clearly what services are provided at what price;
- introducing - to begin with initially and in phases - a "purchasing model"; local authorities and service providers can buy in services for the reintegration of benefit recipients. In the short term, they purchase the services from the public employment service; in the longer term, it should be possible to purchase them from third parties too. The idea here is that buying in elements and allowing the market to operate should encourage the best possible value for money and maximum effectiveness;
- altering management responsibilities such that a clear distinction can be made between policy and implementation. Under the new law, the public employment services management can allow the administration to operate more as a single concern. In future, government will no longer be a part of the employment services central management body (CBA). The Minister for Social Affairs and Employment holds annual talks with the CBA on what policy should be pursued and what funds are needed.

It is the government's intention to encourage the practical implementation of the *statutory obligation to collaborate between the public employment service, the local authorities' social services and the implementing agencies* on the basis of a recent opinion issued by the Steering Committee on Cooperation, Work and Income (SWI), comprising representatives of the Lisv, the VNG and the Public Employment Service.

The principal objective here is to get as many people as possible into work by way of a customer-friendly, efficient and effective approach, and by providing benefits where necessary. Work takes preference over benefit. The new point of departure is the linkage with the new General Assistance Act, the new Manpower Services Act and recent social insurance legislation, and with a number of government projects closely associated with SWI, e.g. the law on the reintegration and form of employee insurance schemes from 2000 (OSV 2000).

The central element of the abovementioned opinion is that there should be central locations throughout the country where local authorities, RBAs and benefit agencies can work together and jointly pursue the work of labour market reintegration and the provision of benefits, on the basis of a cooperation agreement. The government has adopted this approach, stipulating that the SWI centres should have the following remit:

- to offer job vacancies and to place job-seekers;
- to register shared information and to register people available for work;
- to receive applications for benefit and to pass them through to the benefit agencies;
- to categorise the intake and analyse people's situation on the job market.

In setting up joint SWI centres, the government's approach is a flexible one, emphasising the roles of coordination, management consultancy and underpinning regulatory work. The various parties have time until the end of 1998 to reach cooperation agreements. The SWI centres must be up and running by the end of 2001. A (modest) subsidy can be made available in a transitional phase to help overcome temporary problems. Another important aspect of the collaborative process is that a uniform "Client monitoring communication system (CVCS)" is to be set up and operated throughout the country.

The collaborative aspect of the SWI centres is that they bring together a range of public activities, although the respective parties retain their specific responsibilities. There is no question of competition.

Specific measures for young people

The *Youth Work Guarantee Act (JWG, 1992)* is currently still in force. The aim of this arrangement is to offer young people work experience to enable them to become part of society and to prevent long-term unemployment. The "right to benefit" is replaced by income from work (by way of additional jobs) or training. In exceptional cases, young people may be eligible for ABW benefit. The ultimate aim is to move people on from JWG places to mainstream employment. In 1993, 24% of 7 300 JWG leavers managed to find regular employment, compared with 36% of 11 750 leavers in 1994. There are no more recent figures.

The JWG is concerned in principle with offering a solid approach for jobless young people (of less than 21 years) who have been unemployed for at least six months, and for jobless school-leavers of less than 23 years, who have been unemployed for at least six months after leaving school. In individual cases, and on a voluntary basis, jobless school-leavers of between 23 and 27 can be included.

The additional JWG jobs may be in the collective sector, the non-profit sector and the market sector. In principle, they are for 32 hours' work per week (but at least 19 hours per week).

Specific measures for the long-term unemployed

The aim of the specific policy for the long-term unemployed is to build bridges to mainstream employment. As a bolt-on measure for existing schemes which are principally concerned with influencing the quality of work on offer (i.e. training and work experience), a range of instruments have been developed to impact more on the demand side.

Aside from government policy, the social partners are expected to make better use of the gap between the statutory minimum wage and the lowest collectively agreed wage levels, with a view to creating more jobs in the market sector at a level above the minimum wage. Surveys have shown that the parties to collective agreements have responded to this appeal. On the one hand, a number of collective agreements have lowered the regular scales at which existing employees are paid, with the result that the average minimum collectively agreed wage has fallen from 111.8% of the statutory minimum in 1994 to 108.6% in 1996 (see also para 3.3). In addition, in many collective-agreement sectors and firms, pay scales have been introduced at or around the statutory minimum level, intended for workers in a weak position on the labour market. As a result of these new scales, it is now possible in most collective agreements to take on workers (temporarily) at or around the minimum pay level, as is evident from the table set out below.

Table 2: Proportion of employees covered by collective agreements where the lowest amount (LA) of the relevant pay scale falls within the given interval (end 1996)

	Regular scale	Starting scale	Target group scale
LA = 100% minimum wage	15%	67%	72%
100% minimum wage > LA <= 105% minimum wage	10%	7%	3%
105% minimum wage > LA <= 110% minimum wage	19%	14%	15%
110% minimum wage > LA <= 115% minimum wage	24%	3%	0%
115% minimum wage > LA <= 120% minimum wage	16%	8%	11%
LA > 120% minimum wage	16%	1%	0%
	100%	100%	100%

Source: Labour Inspectorate, 1997

Specific measures for unemployed women, and measures to promote equal opportunities

Government policy in respect of equal opportunities for men and women on the labour market will be concentrated over coming years on the following elements:

- *Combining work and care*: the government wishes to create more opportunities for the social partners to reach agreement reflecting employees' various responsibilities.
- *Economic independence*: the government feels that policy directed at increasing women's economic independence should focus on a crucial moment in women's careers, i.e. childbirth. Thought will be given to how the various problems can be resolved, especially for lower-skilled employees with carer responsibilities.
- *Position of women in firms*: firms and institutions must be brought to realise that their own economic interests depend on making better use of women's employment potential.

- *Women in technical training and technical occupations*: in February 1995, the "Women and technology action plan" was sent to the Lower House. Various ministries are required to find ways of boosting the proportion of women in technical jobs.

Specific measures for ethnic minorities

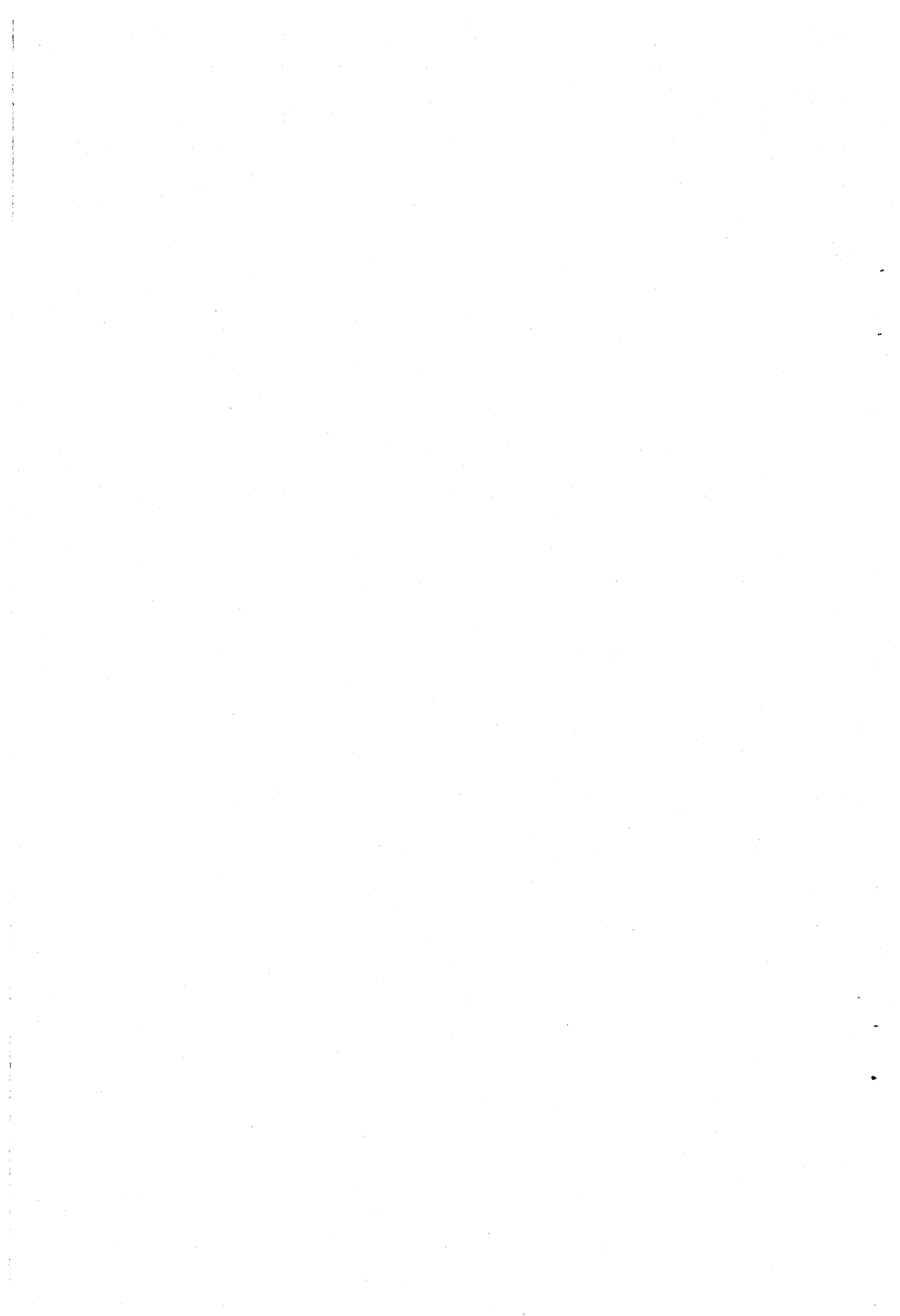
For some time now, ethnic minorities have been making good their traditional position of lagging behind the rest of the active population. Unemployment in the four largest target groups fell in the period 1993-96 faster than that of the native population: from 25% in 1993 to 21.6% in 1996, with unemployment among the native population remaining more or less stable at 6%. Unemployment among ethnic minorities is, however, still three times as high as for the rest of the population, which is why targeted measures will continue to be necessary over the coming years. Because the situation of minorities cannot be explained simply by their generally low level of education and training, but also by their poor knowledge of Dutch, and by lack of the kind of social network needed to succeed on the Dutch labour market, and by direct and indirect discrimination in respect of recruitment and selection, specific measures have been put in place to supplement the general labour market policy, which is directed at the lower end of the jobs market.

In the recent agreement "More opportunities with minorities" (1997-2000), the social partners in the Stichting van de Arbeid make recommendations to the collective agreement parties to commit themselves to making efforts in each sector and for firms to set their own targets. For the purpose of implementing the agreement, the Stichting recommends an infrastructure to create links between the national and regional levels, between branches of industry and individual firms, and between branches of industry and the public employment service. To this end, 50 specially trained advisers on minorities have been recruited to the regional offices of the public employment service.

The government recently submitted to the Lower House proposals for amending the Fair Employment of Ethnic Minorities Act (WBEAA), as set out in the SAMEN Bill (for a law on stimulating work opportunities for minorities). The main commitments regulated by the WBEAA have been maintained: the scope for firms with 35 or more employees, compulsory registration, written reporting of the proportion of foreigners in the workforce, details of measures taken and due to be taken, and the accessibility of this information. New elements include the amalgamation of the annual report and the work plan to form a single document, which has to be lodged with the regional office of the Public Employment Service. Criminal jurisdiction is replaced by civil law, and the labour inspectorate is given supervisory powers.

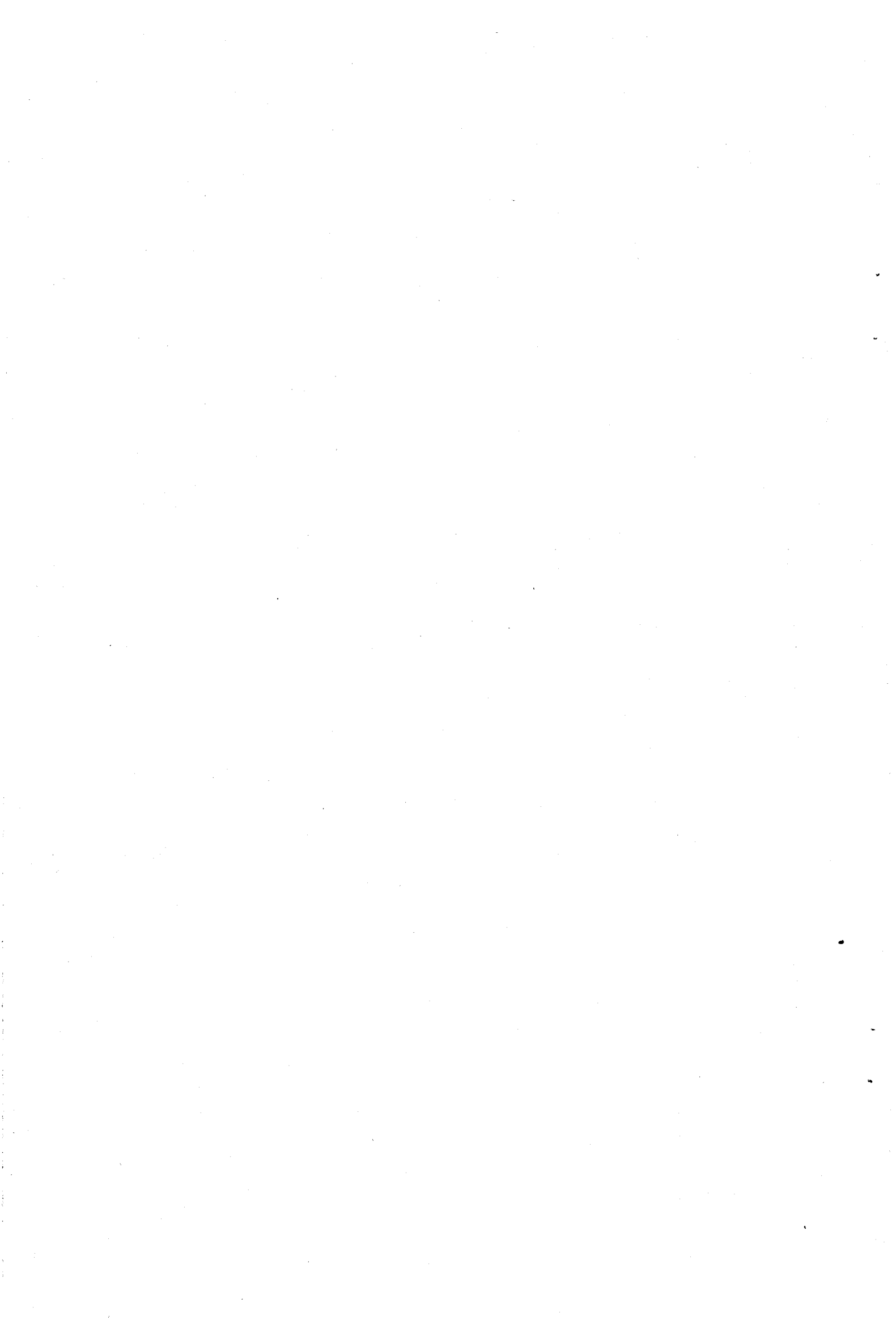
Specific measures for the disabled

The government is preparing a bill concerned with the reintegration of disabled workers, aimed at improving the work opportunities for the disabled. The usual efforts and instruments can of course be used to help this particular target group, but more is needed to achieve the aim of equal opportunities. The desired effect is to achieve a clear division of responsibilities between the various players, improving the range of reintegration instruments, and establishing a more straightforward form of funding reintegration efforts. By setting up such things as a "placement budget" for employers, the government wishes to improve disabled people's opportunities for work. The existing measures must be simplified, so that employers and employees can make more use of them.



Austria

**BMAGS (Federal Ministry for Labour,
Health and Social Affairs), Department III/3**



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1. THE EMPLOYMENT AND LABOUR MARKET SITUATION

The following data on employment and unemployment trends clearly show that there is a considerable momentum in the Austrian labour market.

1.1 Employment trends

In 1996 employment was characterised by a **momentum** largely determined by the construction sector. Following large-scale job losses in the first half of 1996 (-33 000, of which 9 000 in the construction sector), the decline in employment slowed down considerably in the third and fourth quarters (-13 000 and -4 000 respectively), to a large extent as a result of the new annual working time model in the construction industry. This slowing-down of the decline in the second half of 1996 (year-on-year comparisons) is at the same time **also** a reflection of sectoral trends, which are even more clearly observable in the first half of 1997. The decline in employment in the **production of goods** levelled out noticeably. A significant increase in employment has been recorded only in the automobile industry, including the component branch.

The **tertiary sector** contrasts sharply with the production of goods. The “pillars” of employment expansion are once again EDP, research & development, and business services. Employment rose relatively sharply, particularly – as in the past – in the health sector, miscellaneous public and personal services (primarily representation of interests) and trade (the number of part-time workers increased significantly, and the number of marginally employed persons also increased, as a consequence of longer shop opening times). On the other side of the coin, jobs continue to be lost in the (formerly) protected sectors (transport, communications, public administration, etc.), reflecting structural adaptations and budget consolidation measures. Overall, however, there has been a relatively **rapid expansion in employment in the tertiary sector**, made clear by a review of the figures (second half of 1996: +11 000; first half of 1997: +18 000).

Leaving aside persons doing military service or on unpaid leave (but still in employment), in other words taking the people currently working, there is a noticeably sharper rise in employment (+14 000) than the “conventional” total employment figure suggests (+9 000, to around **3 million persons in paid employment** in the first half of 1997). **Separating the sexes** then shows a noticeably sharper rise in employment for women of +9 000, compared with +5 000 for men. This is not unexpected, owing to the “tertiarisation of the employment system”.

1.2 Unemployment

After a huge rise in unemployment¹ in the first half of 1996 (+23 000) and a perceptible calming of the situation in the second half of the year (+6 400), there was a slight fall in the first quarter of 1997 (primarily as a result of the sharp drop in unemployment in the construction industry, which had risen substantially during the winter of 1995/96). In the following months these “relief effects” wore out, and already in the second quarter unemployment was slightly up again (+2 400, to an average for the quarter of 214 000).

¹ Register data.

Nevertheless, a look back over developments shows that the **pressure on the labour market is steadily easing**. For example, the rise in unemployment in industry and trade in 1996 has been reversed (first half of 1997: -2 500), and the rise in unemployment in the tertiary sector has noticeably slowed down (+4 300 - +3.6% - compared with the first half of 1996). Unemployment fell in the majority of branches in the **secondary sector**, particularly in the construction industry and the metalworking industry (in some cases the two were connected). On the other side of the coin unemployment rose in many parts of the **tertiary sector**, especially – as in the past – in trade, tourism and health services (which together account for more than 80% of the increase in the tertiary sector). The **figures for specific occupations** are largely consistent with the trends described. Attention should, however, be drawn to just three (generally low-skilled) groups, which are relatively widely distributed over the branches and among which unemployment continues to rise: auxiliary (i.e. unskilled) occupations, cleaning, and administrative/office occupations.

Separate figures for the sexes for the first half of 1997 show a fall for men (-3 000, particularly construction industry) and an increase for women (+2 400, mainly in the services sector). The latest unemployment rates available from Eurostat (April 1997) are 3.7% for men and 5.3% for women.

Age-specific figures show that unemployment among **young people** has fallen slightly since the fourth quarter of 1996. The Eurostat rate for 15 to 24-year-olds is 5.9% (-0.3 percentage points down on the previous year's figure) compared with 21.1% for the EU. Nevertheless, there are problems on the **apprenticeship market**. At the end of June 1997 the Labour Market Service (AMS) had on its books nearly 14 000 persons seeking apprenticeships for immediately or later, compared with only 7 000 (registered) places on offer. The situation as regards **older unemployed people** (aged over 50) is becoming increasingly difficult. Whereas in 1996 unemployment was still largely and genuinely declining, the first and second quarters of 1997 brought a sharp, above-average rise (partly as a result of the previous year's ending of "general special assistance", but also to a significant measure a consequence of demographic trends).

Finally, the problem of **long-term unemployment** (more than 12 months) has again been deteriorating since the fourth quarter of 1996 (first half of 1997: 38 200, i.e. 1 900 or 5.1% up on the previous year), and accounts for 15.5% of total unemployment.

Disabled persons: compared with 1995, the total increase in the number of registered disabled persons was 5 954 (8.5%). The annual average number of those on the AMS's books in 1996 was 39 814, compared with 35 192 in 1995 (registered as unemployed, seeking an apprenticeship, seeking employment or in training).

2. KEY FEATURES OF THE MULTI-ANNUAL PROGRAMME

The nucleus of Austrian employment policy is a balanced financial, budgetary and monetary policy, supplemented by labour market policy initiatives. The objectives are to reduce unemployment, increase occupational activity among women and among workers of both sexes approaching statutory retirement age, and improve the quality of the working environment. The skills of workers are decisive in ensuring long-term economic and employment growth.

In order to achieve these goals, the following priorities have been adopted:

- an education and training drive
- increasingly employment-intensive growth, with special emphasis on the contribution of social policy to the country's economic performance
- investigation and development of ways of systematically transferring charges on employment to other factors, at the same time ensuring that the financing of social security systems continues to be guaranteed
- central goals of labour market policy:
 - to make sure people are not unemployed for long
 - to develop training opportunities
 - to ensure equal opportunities on the labour market
 - to achieve the long-term integration of problem groups, particularly women, older workers, the long-term unemployed, young people and the disabled.

3. MAJOR DEVELOPMENTS IN 1996/1997

3.1 Vocational training and life-long learning

3.1.1 Year of Life-long Learning

As part of the European Year of Life-long Learning, 57 activities were organised throughout Austria - 28 of them under the Federal Ministry for Labour, Health and Social Affairs. The overall budget was just over AS 38 million. 30 of the projects received EU funding totalling just over AS 1.75 million, covering an average of around one third of their cost. In all, some 160 000 experts and visitors took part in the events.

3.1.2 Vocational training

- **Restructuring of higher technical colleges ("HTL") for persons in employment - process started in the 1996/97 academic year**

A number of these institutions have amalgamated the eight-semester "long course", the further development course and the programme of lectures, with individualisation of credit procedures (modular credits). The introduction of these credit procedures has made it possible for students to transfer, part-way through their course, to higher education (university-level specialised colleges).

- **Creation of occupation groups**

In accordance with the training regulations of the Federal Ministry of Economic Affairs, curricula for the newly established occupation groups are being devised. The idea of occupation groups is to provide a wider range of basic training and to adapt to the new requirements of the Trade, Commerce and Industry Regulation Act (*Gewerbeordnung*).

- **Incorporation of new occupations**

- The training experiments concerning the four-year courses for "plant electricians", "tool mechanics" and "machinery mechanics" are being transferred to the standard system. These are high-tech occupations with four years of training and additional instruction at vocational college.

- **Changes in polytechnic colleges**

There will be more emphasis on preparing students for occupations in the fields of metalworking, construction, services, electricity, wood and tourism.

3.1.3 Labour market training

Vocational skill training remains one of the most important instruments of Austrian labour market policy, a fact reflected by the amount of funding. At the end of 1995, in addition to traditional skill training for the unemployed (which the AMS mainly contracts out to training establishments), the AMS extended an existing tool, provision of assistance for employed persons with a view to preventing unemployment, in conjunction with the ESF (Objective 4). The increase in the number of persons receiving assistance and in the budget is a result of this (see attached table).

3.1.4 Promoting apprenticeship

The Austrian AMS offers two programmes to encourage dual-system vocational training. The apprenticeship promotion grant is mainly aimed at various groups of disadvantaged young people, in order to increase their chances on the apprenticeship market. As a result of the deteriorating situation on the apprenticeship market, a new instrument, comprising a special programme to promote additional apprenticeships in training workshops, was introduced in 1996. Under this programme, additional apprenticeship places are created, with either training in two occupations (dual apprenticeship) or with an obligation to offer additional training during the apprenticeship in subjects which are not part of that apprenticeship training. The causes of the sharp increase in assistance for apprenticeship training are to be found in higher unemployment among young people compared with the previous years and in the more extensive possibilities for assistance (see attached table).

3.2 Work organisation and working time

With the entry into force on 1 May 1997 of the amendment to the Working Time and Rest Act, BGBl I No 46/1997, the statutory framework conditions for flexible working time models at branch or company level have been further extended. The primary aim of this amendment is to keep firms in Austria. As such, the amendment is in line with the idea that more flexibility is bound to bring both economic advantages for the company and benefits for workers.

The principal innovation in the amendment is the extension of the statutory rules on the calculation of normal working time **by collective agreement**.

Normal working time can be extended to 50 hours in individual weeks or, in the case of a reference period of more than eight weeks (the period can even be longer than one year), to 48 hours a week provided that the average working week does not exceed the statutory or collectively-agreed normal working time. In the case of block compensation by means of days or weeks off, and in the case of a four-day working week, normal daily working time may be extended to ten hours.

In principle, models for the averaging-out of working time can only be authorised by collective agreement. Authorisation may also offer leeway for fine-tuning by means of company-level agreements. Authorisation by means of a company-level agreement is permitted only where a collective agreement cannot be concluded because there is no competent employers' organisation. This policy ensures that a de facto negotiating balance is ensured through the involvement of workers' representatives from a higher level than the company, as a result of which any disadvantages resulting from increased flexibility can be minimised and appropriately compensated for.

Furthermore, as a counterweight to the long-term averaging-out of normal working time, the amendment provides that individual daily working time must be agreed, and the employer can change it unilaterally only in exceptional cases and after giving prior notice. This means that workers continue to know when they will be working and can plan their family life and leisure time accordingly.

The amendment also contains provisions on compensation for any time which a worker still has in credit at the end of an employment relationship and on the unilateral taking of time off by the worker if compensatory leave is not granted within certain time limits.

The amendment also introduces the possibility of authorising derogations from the rules on working weekends and public holidays by means of collective agreement, if this is necessary to prevent economic disadvantages and to safeguard jobs.

3.3 Wage policy

In Austria, wage policy is the concern of the social partners. In the long term, it is linked to productivity and is characterised by a large measure of flexibility with regard to employment fluctuations and external economic imbalances. The framework conditions for wage policy for the years 1996 and 1997² are as follows: GDP growth rates are 1.0% for 1996 and 1.4% for 1997; gross fixed capital formation in real terms is only 1.4% up in 1996 and 2.0% up in 1997; the rise in consumer prices is down to 1.9% in 1996 and will remain around this figure in 1997; per capita productivity is 1.6% up in 1996 and 1.3% up in 1997. Workers' nominal gross earnings are 1.9% up in 1996 and an estimated 1.3% up in 1997. This means that wage trends in real terms continue to lag behind productivity. The macroeconomic tendency of wage policy also contributes to the positive development of unit labour costs compared with Austria's major trading partners.

² 1997 values are WIFO forecasts (March 1997).

3.4 Job creation initiatives

3.4.1 Assistance for integration to benefit the community

A total of some 4 000 persons received assistance of this type (see attached table), helping them to secure employment benefiting the community. The cost was around AS 515 million. In 1996 some 2 000 of these persons obtained employment in social services, childcare or environmental protection. This corresponds to a financial outlay from the labour market policy budget of AS 194 million.

A large-scale assessment found that 48% of the persons receiving assistance remained in an unassisted employment relationship during the first year after the end of the assisted employment relationship. An analysis of the taxation implications shows that the assistance provided pays for itself in around ten months.

3.4.2 Non-profit supply of labour

In order to combine the occupation of short-term jobs with socially secure employment and to reduce the costs which have to be borne by unemployment insurance schemes, pilot projects have been established for the non-profit supply of labour. In concrete terms, this means that unemployed persons, instead of receiving unemployment benefit or emergency benefit because there are no permanent jobs for them, can be given at least a one-year employment contract with a non-profit-making labour supplier, whose task is to contact undertakings which need labour for short periods and to select unemployed persons who are most suited, in terms of where they live and the skills they can offer, to the job opportunities on offer. The following areas of employment are covered: agriculture and forestry, trade and industry, services and local authorities, and non-profit organisations.

Particularly worthy of mention is "Initiative 50", an employment initiative for workers aged 45 or over promoted by the AMS, the ESF, and the *Bundesland* Lower Austria. Two-thirds of the persons benefiting from this employment project are women.

3.4.3 Employment foundations

Employment foundations are established by firms planning a significant reduction in their workforce, as part of the social plan and in agreement with the works council. They contain a package of measures, including careers guidance, active assistance with job-seeking, practical training, (higher-level) skill training and help with establishing a business, tailored to individual requirements. In 1995, in addition to the traditional company, insolvency and regional foundations, the first two pan-Austrian industry-level foundations were established, for persons previously employed in the food industry and customs service, in order to counteract structural problems resulting from Austria's accession to the European Union. The increase in the number of persons helped through foundations (over 2 000 more in 1996 than in 1995) may be put down to the fact that the programme really began to take effect in 1996, following the initial implementation phase in 1995 (see attached table).

3.4.4 Socio-economic undertakings

In the case of (long-term unemployed) persons who also have social problems, immediate integration into working life, even with appropriate assistance, is often impossible. For

such groups, "socio-economic undertakings" are available, which in principle have economic objectives and are active on the market, but also offer specific social care. The AMS covers the additional costs incurred by undertakings of this type (see attached table).

3.4.5 Business establishment programme

The AMS's business establishment programme is aimed at persons who have not been employed for more than 12 months, would like to become self-employed, and have a suitable business idea and appropriate experience. The nucleus of the programme consists of counselling by professional consultants, in order to provide help with establishing a business together with intensive legal, subject-related and commercial support tailored to each situation. Advice can be provided individually or through courses. Assistance is also provided to allow people to attend skill-training measures, thus helping potential entrepreneurs to turn their ideas into reality. The entire programme (measures, advice, skill training) is limited to a period of six months.

In 1995 the business establishment programme was offered in five *Bundesländer* (Burgenland, Kärnten, Upper Austria, Steiermark and Vienna). In 1996 it was extended to the whole country, in the form of courses and/or individual-counselling (see attached table).

3.4.6 Essen initiatives on job creation: support for the development of territorial pacts for employment

Four of the Austrian proposals for territorial employment pacts (Vienna, Salzburg, Tyrol and Vorarlberg) have been selected by the European Commission and were given a positive reception at the Amsterdam summit (although formal approval has not yet been given). As the resources concerned may be used only for project planning, the actual measures have to be financed from programme resources. The Ministry for Labour, Health and Social Affairs has already drawn the attention of the bodies responsible for Objectives 3 and 4 (Austria), the monitoring committees, to the planned pacts. They have given their agreement in principle, and resources have already been earmarked for the Vienna pact. The main elements of the Austrian pact proposals are the drafting of a long-term regional strategy to cope with the necessary structural changes, and the identification of the target groups for measures in cooperation with all the parties concerned (including private institutions). Concrete innovatory measures include the non-profit supply of labour, training accounts, grants to allow apprentices to train abroad, and the development of skill and information pools.

3.5 Making taxation systems more employment-friendly

Despite the need to make a considerable effort to consolidate the public budgets, it has been possible to avoid any taxation-induced increase in labour costs, and consideration has been given above all to workers in the lower income bracket.

The target of the Austrian government's budgetary policy is to reduce new net borrowing by the public sector from 3.9% of GDP in 1996 to 3.0% in 1997. Consolidating the public budgets has made a major contribution to establishing stable framework conditions for a successful employment policy.

Efforts to reduce new net borrowing are underpinned by tax policy. The Structural Adaptation Act of 1996 introduced the tax law amendments proposed for this purpose, and the Contributions Amendments Act of 1996 supplemented and amended them. The focal points of tax policy are as follows:

- Various measures have been adopted to extend the basis of assessment for income and corporation tax (reduction of special expenditure allowances, reduction of overtime allowances, social security contributions payable on 13th and 14th months' salaries, limitation of firms' scope for carrying forward losses, abolition of certain tax-free reserves).
- The general tax allowance has been reduced as from an annual income of AS 200 000, and abolished as from an income of AS 500 000.
- Capital gains tax has been increased from 22% to 25%.
- Indirect taxes: the tax system has become more ecology-oriented, with the introduction of an energy tax on electricity and natural gas and the introduction of motorway tolls.

Limiting tax concessions for overtime bonuses has increased employment development incentives.

In order to minimise the curbing effect on the economy of the consolidation package, individual measures have been designed so as to have positive economic effects wherever possible. Furthermore, additional measures have been introduced on an *ad hoc* basis, such as the increase in the investment allowance for durable capital goods from 9% to 12%, the extending of the scope of the existing rent reserve, the increase in housing construction assistance, and the rise in the maximum savings amount for building purposes.

Any reduction in non-wage labour costs must avoid adversely affecting the financing of social security.

3.6 Activation of labour market policies

3.6.1 Overview of active labour market policy

1996 saw the further development of the AMS's active labour market policy. Both the number of persons assisted and the financial resources committed were increased. Resources were increasingly transferred from passive labour market policy to active measures. Spending on active labour market policy amounted to AS 4.69 billion in 1994, AS 5.2 billion in 1995 and AS 5.57 billion in 1996. The number of persons assisted fell from 174 988 (45% women) in 1994 to 168 752 (48% women) in 1995, but rose to 217 761 (47% women) in 1996. In 1996 the sum of AS 459 million was transferred from

passive labour market policy to active measures. In 1997 the intention is to increase this amount to AS 1.15 billion.

3.6.2 Special integration assistance

The purpose of this scheme is to give employers an incentive to recruit persons who have been receiving emergency benefit (a passive benefit) for at least six months. In other words it should contribute to the removal of recruitment barriers resulting from longer periods of unemployment and help the persons concerned find their way into an employment relationship. In May 1997 this scheme for the first time created the possibility of transferring resources from passive benefits to active measures. Special integration assistance is paid to the employer as a wage cost supplement, and the amount is the same as emergency benefit, including the usual family supplements and health insurance and pensions contributions. The maximum amount of assistance is equal to the labour costs incurred by the employer, including a lump sum for non-wage labour costs. This assistance is granted for the duration of the employment relationship, up to a maximum of one year.

3.6.3 Maintenance grants for persons participating in active measures

Since 1 July 1996, resources previously used for passive labour market policy have increasingly been used to finance maintenance grants for persons participating in active training measures.

3.7 Specific measures in favour of young people

On the basis of the targets set by the Federal Ministry for Labour, Health and Social Affairs, the Austrian AMS will spend AS 1.4 billion on young people in 1997, accounting for 20% of its entire assistance budget. The sum of AS 1 billion will be used for measures in the fields of vocational preparation, careers guidance, counselling, employment and training, including bridging measures, skills upgrading and training measures. The remaining AS 400 million will be used to finance apprenticeships in undertakings, apprenticeship workshops and similar establishments.

3.7.1 Preventing youth unemployment

The AMS is increasing its endeavours to prevent youth unemployment, firstly by helping registered apprenticeship seekers to find a place and secondly by preventing young people from drifting into long-term unemployment. Measures have met with varying degrees of success. Whilst the number of registered apprenticeship seekers who have been searching in vain for six months or longer fell from 818 in May 1996 to 535 in May 1997, a further rise in the number of young people drifting into long-term unemployment (longer than six months) in the first quarter of 1997 could not be prevented (first quarter of 1996: 4 077; first quarter of 1997 4 635). The situation did not improve significantly until May, when a year-on-year comparison showed a drop from 1 583 to 1 309.

3.7.2 Careers information

Young people can consult Careers Information Centres, which were set up in 1988 and provide information on careers, training, the labour market, and further training and employment opportunities. Economic considerations have now led to a new approach,

with the aim of providing a nation-wide careers information service. Each regional office will have freely available information on careers and careers advice. In 1996 290 000 persons visited the 47 Centres.

In addition, the national Careers Information Centre has been located in the Leonardo Office since March 1997.

3.8 Specific measures in favour of the long-term unemployed

3.8.1 Priorities: "Stopping the drift into long-term unemployment" and "Integrating the long-term unemployed into the labour market"

There was considerable improvement in terms of integrating the long-term unemployed into the labour market, and in the first quarter of 1997 a year-on-year increase from 2 494 to 3 027 was recorded. This positive trend applied to both women and men. However, attempts to prevent a further increase in the number of persons drifting into long-term unemployment (longer than one year) were unsuccessful, the number increasing from 9 179 to 11 590 (first quarter of 1996 and 1997 respectively). This negative trend affects women and men equally.

3.8.2 "Aktion Aktiv"

The target groups of this measure are recipients of emergency benefit, who have been eligible for such benefit since 1993 or longer. At the end of February 1996 there were 26 905 such persons throughout Austria. They were invited to meet their counsellor to discuss and agree individual monitoring plans. On the basis of these meetings, the following supportive activities for the long-term unemployed were made available: careers guidance, skill training, job training, assistance with active job seeking, work assistance, measures to enable beneficiaries to take up employment, childcare, and external counselling. The number of persons benefiting from "Aktion Aktiv" was 26 905 in February 1996 and 13 779 in February 1997. In 1996 some 3 200 of these were placed in employment, and 4 200 long-term unemployed persons participated in various measures.

3.8.3 Assistance for integration into undertakings

In 1996, as a result of the deteriorating situation on the labour market, the number of persons integrated into the employment process by means of this type of assistance was 2 409 up on the previous year (see attached table).

3.9 Specific measures in favour of unemployed women and the promotion of equal opportunities

3.9.1 Women returning to the labour market

The "integration of persons returning to the job market" priority, one of the AMS's labour market policy goals for 1997, has proved very successful. In the first quarter of 1997, 7 035 women were placed in work, 902 more than in the first quarter of 1996.

To achieve this goal, the emphasis was again placed on providing support for women returning to work after an absence for family reasons. A total budget of AS 160 million was available for funding measures such as active groups, careers guidance courses, skill

training opportunities (e.g. training for childminders), assistance for integration into undertakings, employment projects, and foundation-type measures (around 100 women wishing to return to work are to be given an opportunity to aim at a new career and acquire an appropriate qualification). Counting all the places available on courses and the women receiving assistance under the special programme, a total of around 3 500 women received assistance to help them return to the labour market (see attached table).

3.9.2 Encouraging men and women to train for occupations traditionally dominated by the other sex

Following an in-house training course on the subject of "gender aspects in the counselling of young people", various innovatory projects were implemented (including information afternoons for girls, visits for pupils to firms engaged in non-traditional areas of work, and a series of information meetings entitled "A parents' evening with a difference: how can a mother support her daughter's choice of career and school?"). With the objective of countering the disadvantages facing women on the job market, girls are being encouraged to enter occupations in which less than 40% of apprentices are female.

3.9.3 Ensuring access to vocational training for women in part-time jobs

As part of the 1996 special programme for women returning to work, care was taken to ensure that the framework conditions for the skill training opportunities on offer were suited to the group of persons concerned. As a result, many of the courses offered ran for only a limited number of hours a week. Sometimes help with solving childcare problems was also provided.

Part-time employment remains concentrated on relatively unfavourable employment areas and activities, and most part-time employees are still women.

3.9.4 Provision of childcare facilities

Childcare facilities are the responsibility of the *Länder*. However, as women with young children are faced with major difficulties in seeking and occupying a job as a result of the lack of childcare facilities, the AMS, as part of its active labour market policy, spends a not inconsiderable sum on childcare by:

- reimbursing childcare costs to persons on low incomes,
- creating additional childcare places by providing wage subsidies for childcare centre staff,
- training and employing childminders (see enclosed table 3.9).

The so-called "childcare billion" administered by the Federal Ministry for Women's Affairs was used to finance an initiative aimed at helping to solve existing problems associated with the provision of appropriate childcare facilities.

3.10 Specific measures for the disabled

As regards measures for the disabled financed by the Austrian social departments and the ESF, attention is specifically drawn to items 3.10.1 - 3.10.5.

3.10.1 Support structure "work assistance for the disabled"

In line with the Austrian government's objectives with regard to the disabled, work assistance for such people has been further extended by the social departments, in cooperation with the Labour Market Service and the *Länder*, in order to help disabled persons obtain and remain in employment. In 1996 27 work assistance projects were financed by national and ESF resources.

3.10.2 Support structure "project assistance"

As undertakings and initiatives engaged in planning and preparing specific projects to help disabled persons to become integrated (e.g. special programmes, self-help firms) often require external professional support from an advisory service, the Federal Ministry for Labour, Health and Social Affairs appointed a firm of consultants at the end of 1996 to provide such services as part of the support structure for projects for the disabled until the end of 1999.

3.10.3 Skill training measures in integrational undertakings (sheltered workshops)

The cost of implementing skill training projects in sheltered workshops has been part-financed by ESF resources. A contract for an assessment of the skill training project will be awarded in 1997.

3.10.4 Skill training measures (apprenticeships) and employment measures

In 1996 an agreement was signed between the Federal Ministry for Labour, Health and Social Affairs and the General Accident Insurance Institute regarding ESF-cofinancing of skill training measures (retraining) for adults and young people in an apprenticeship. The agreement also includes grants for employment measures in undertakings for young people and adults (persons who have suffered an industrial accident or occupational disease in accordance with § 177 of the General Social Insurance Act (ASVG) or insured persons referred to in § 211 ASVG). National part-financing is provided entirely from social insurance resources.

3.10.5 Employment of privileged disabled persons in government departments

In 1996 it was agreed between the Federal Ministry for Labour, Health and Social Affairs and the Federal Chancellor's Office that ESF resources would be made available for privileged disabled persons who, during the period 1 January 1996 to 31 December 1999, were recruited into special posts for such persons (in central and subsidiary government departments) on private-law employment contracts. Maximum duration of assistance: 36 months. National part-financing is provided entirely from federal resources.

3.10.6 Labour market policy measures adopted by the Labour Market Service for the disabled

An important priority of the AMS is to foster the occupational integration of disabled persons. The two most important tools in this respect are labour market training and wage subsidies for the disabled. Although the AMS's total spending on the disabled fell from AS 849 million in 1995 (of which AS 700 million for labour market training and AS 117 for wage subsidies) to AS 711 million in 1996 (of which AS 579 million for labour market

training and AS 122 million for wage subsidies), the number of persons assisted under the two programmes rose from 19 700 (6 650 women) in 1995 to 20 200 (6 800 women) in 1996.

3.10.7 Disabled young people

Among its innovatory measures aimed at disabled young people, the Labour Market Service has in particular extended workplace support (work assistance) for such persons. **One innovation is a more extensive form of work assistance, known as "job coaching"**. This includes on-the-job training, workstation design, and social care.

4. MULTI-ANNUAL PROGRAMME MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

Austria's income from the European Social Fund over the period 1995 to 1999 amounts to some AS 7.6 billion. In other words, an additional annual sum of around AS 1.5 billion is available for the needs of Austrian labour market policy. As the Labour Market Service decided to advance the ESF resources earmarked for labour market policy measures, ESF-cofinanced measures were able to start at the beginning of 1995, even though the European Commission did not approve the Objectives till later. Quick successes in implementing measures were achieved above all where there was the possibility of a link with existing experience or specific projects in Austria, whereas in the new priority fields (particularly skill training for employed persons and measures for the disabled) it was in some cases first of all necessary to create the preconditions for implementation. The take-up rate of resources up to 31 December 1996 was around 80%.

4.1 Improving workers' employment prospects by broadening their vocational skills

AMS evaluation of the **regional objectives** up to 31 May 1996 established that 618 projects with a total of 7 422 participants had been implemented. The percentage of female participants ranged from 30% under Objective 1 to 87% under Objective 2-Upper Austria.

Under Objective 1, a cofinanced project was launched by the regional government in the context of **regional management**. The **university-level specialised college courses** in Burgenland, administered by the Federal Ministry for Science and Transport as the final beneficiary, will not start until the winter semester of 1996/97.

Up to 31 December 1996, Objective 4 resources had been used to finance training for 10 618 women and 23 458 men, a total of 34 076. This means that although the resources utilised from the annual tranche were one-third below the planned level, more than twice as many people as planned participated in the measures.

4.2 Measures to assist groups of persons particularly affected by unemployment

In accordance with the decisions taken in Essen, special attention has been devoted to groups with special problems in integrating into the labour market.

During the ESF-year 1996, 25 423 participants were involved in measures under **Objective 3**, 161.7% more than planned. The largest individual group were the **long-term unemployed**, with 11 600 participants. In second place were **young people** (5 039 participants, 445.5% more than planned). Considerably more people than planned were also assisted under the priorities **disabled people** (3 079, compared with a planned figure of 1 927) and **equal opportunities** (4 181, as against 2 066). Only under the **employment foundations** priority is a low take-up rate reflected in the number of participants (only 1 524 persons received assistance, compared with a planned figure of 3 730).

18 669 of these participants were involved in **skill training measures** (9 895 females and 8 774 males). **Employment assistance** was granted in 6 754 cases (3 094 women, 3 660 men). 48 997 persons made use of **support structures**. The Federal Social Department established the structures needed to implement labour market policy measures for the disabled. 27 **work assistance** projects were implemented in 1996, together with 10 "project assistance" measures.

Altogether, slightly more **women** than **men** (12 434) participated in measures in 1996, although there were large differences under the individual priorities. Apart from the "young people" priority, where marginally more women than men received assistance (2 620 women, 2 419 men), female participants were in the majority only under the "equal opportunities" priority – although the gap there was enormous, with 3 774 women against 407 men. On the other side of the coin, the number of male participants under the "disabled" priority (2 078) was double the number of female participants (1 001).

5. MAJOR REFORMS/MEASURES ENVISAGED IN THE NEAR FUTURE

5.1 Vocational training and life-long learning

Vocational school-leaving certificate (*Berufsreifeprüfung*)

Students completing the dual system or vocational secondary school who obtain this certificate are entitled to access to higher education (all university studies, university-level specialised colleges and academies). The relevant Act enters into force on 1 September 1997.

5.2 Measures to combat youth unemployment

In June 1997 the government adopted a range of measures to combat youth unemployment ("Give Youth a Chance"), consisting of the following three components:

1. a package of measures to reform apprenticeship training
2. the Austrian Labour Market Service's assistance package
3. a special programme

5.2.1 Measures to reform apprenticeship training

The government and social partners have agreed on a package of measures designed to increase both the number of young people in dual training over the coming years and the

number of undertakings providing training, while ensuring that Austria's high training quality standards are maintained.

The package of measures will:

- safeguard the quality of vocational training and, in the medium term, increase the number of apprenticeship places,
- facilitate access to apprenticeship training for young people and make it easier for undertakings to offer such training,
- allow apprentices to transfer to other education/training systems,
- adapt the regulations on child and youth protection to practical reality in undertakings, while ensuring that protection is maintained,
- reduce employers' health insurance contributions for apprentices - offset by increasing their contributions for employees and persons under contract.

Implementation of this agreement on behalf of the federal government will be coordinated by the Federal Ministries for Labour and Economic Affairs.

The agreed amendments to the Vocational Training Act (BAG), the General Social Insurance Act (ASVG) and the Child and Youth Employment Act (KJBG) and the agreement on the new *Berufsreifepriifung* came into force on 1 July 1997. A regulation on changes to polytechnic colleges (school year 9) is currently being considered. The amendment to the regulation on employment prohibitions and limitations also entered into force on 1 July 1997. Further plans relating to broader training courses, new occupations and training incentives have been devised under a project involving the social partners, the Ministry for Labour, Health and Social Affairs, the Ministry for Economic Affairs, the Ministry for Education and Art, and various external experts. As from the 1997/98 academic year, two new specialisations, EDP specialist and banking, are being offered on an experimental basis under the apprenticeship heading "office employee". Similarly, under the "communications technician" heading, there are four new specialisations: EDP and telecommunications, radio and video electrician, communications electrician and office communications.

The apprenticeship training reforms entered into force on 1 July 1997. The changes in the School Organisation/School Education Acts are linked to the academic year. Implementation of the new occupation groups will take place in two stages (1997/98 and 1998/99 academic years).

It has also been agreed to reassess the duties of apprenticeship providers, to set up committees involving the social partners, and also to ensure cross-industrial coordination across the entire field of apprenticeship training. These plans are being followed up at political level.

5.2.2 The Austrian Labour Market Service's assistance package

The following activities will be implemented by the AMS in 1997:

- Activities throughout Austria with a view to increasing the number of apprenticeship places, including mail campaigns aimed at companies, especially those already offering apprenticeship training; telephone and personal contacts to secure and monitor apprenticeship offers on a permanent basis

- Meetings throughout Austria with the regional and local authorities and social partners to discuss joint activities; joint apprenticeship promotion programmes; acceptance of apprentices by regional and local authorities and other public establishments
- Information events together with the social partners – joint efforts to secure more apprenticeship places
- Ongoing publicity, placing of advertisements, advertising for the purpose of apprenticeship promotion
- Special programme to promote additional places in apprenticeship workshops
- Grants to encourage apprenticeship training
- Development of vocational preparation courses, with in-company practical training
- Continuation of bridging measures, skill training and employment measures for young people.

5.2.3 *Special programme*

In addition to the above, a **special programme** has been implemented with a view to creating further apprenticeship places for young people.

1. Additional training places offered in upper secondary schools.
2. Initiative for the creation of apprenticeship places for young people within municipal and local authorities, regional agencies, State undertakings and agencies, and associations.
3. Training programme for young people within State authorities, regional agencies and State undertakings or agencies, through recruitment by suitable non-profit bodies.
4. Creation/extension of teams of advisers for the purpose of persuading undertakings which have reduced, stopped or not yet started training to offer apprenticeship places.
5. A drive to encourage the provision of apprenticeship places in new future-oriented branches (services) and in the liberal professions.
6. Preferential treatment in the awarding of public contracts (in compliance with EU rules) for undertakings recruiting (additional) apprentices.
7. Application of training criteria in granting State assistance and subsidies to undertakings and associations.
8. Development of an apprenticeship foundation (Vienna model) through cooperation between school and undertaking.
9. Development of a model experiment (on-the-job training) for young people who have completed secondary or upper secondary school, academy education or university and who have been seeking employment unsuccessfully for more than six months.

To monitor the above, a project management body will be established in each *Bundesland* for items 1 and 8, while for items 2-7 and 9 a steering committee involving the Ministries of Labour and Economic Affairs and the social partners will be set up and will report regularly to the federal government.

5.3 **Promotion of flexibility within undertakings and redistribution of working time**

As part of regional pilot projects, job rotation models are currently being tested and promoted by the Labour Market Service in selected undertakings in Austria. The aim is to allow employees to take part in skill training measures for a limited time and, during this time and wherever possible, for firms to recruit unemployed persons to replace them. In order to implement this new scheme throughout the country, the development of a new

assistance tool is planned, under the Labour Market Service Act. The practical requirements, possible evaluation methods, financial aspects and implementation guidelines are currently under discussion.

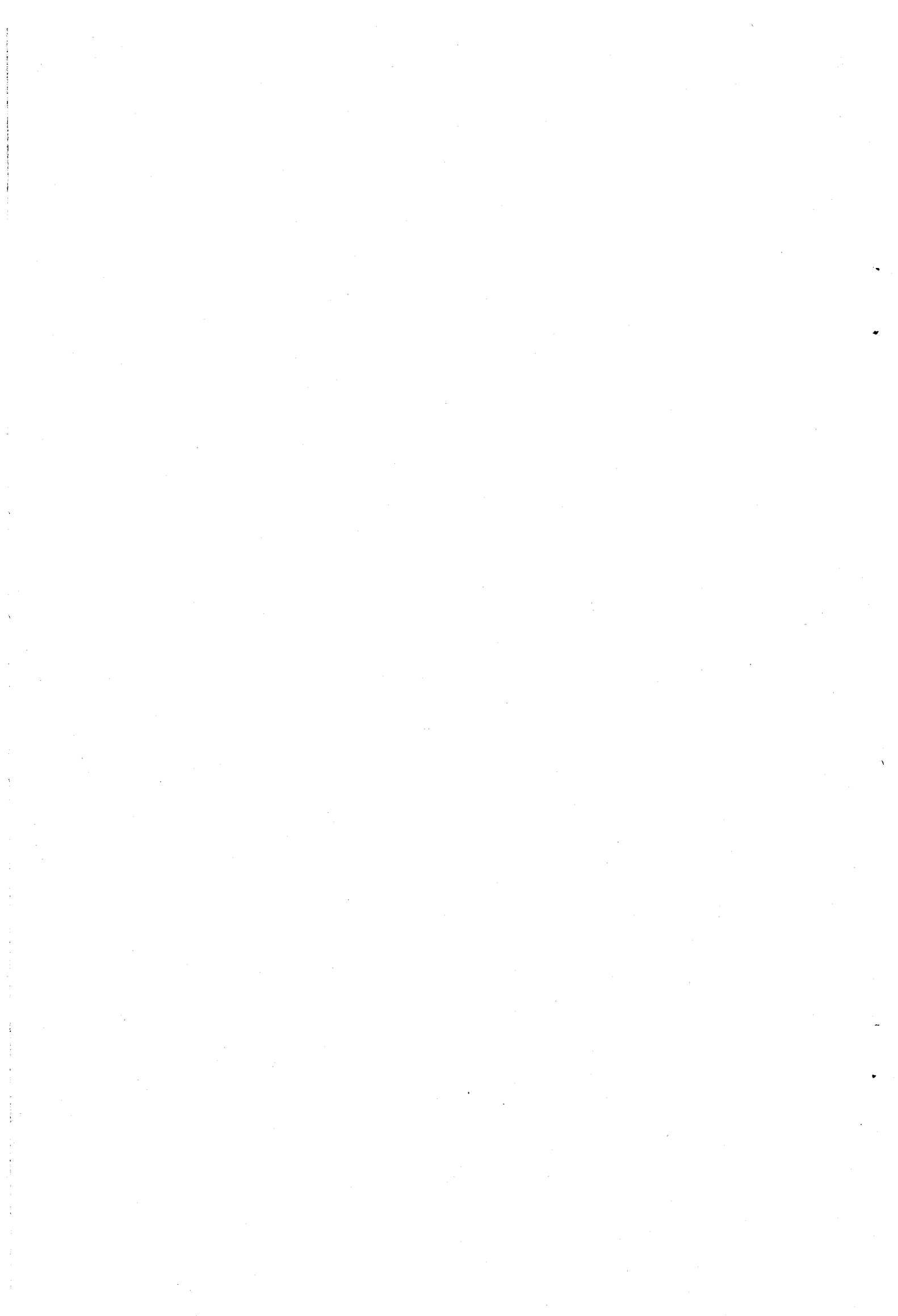
5.4 Unemployment insurance

In the context of the reforms of the social insurance systems currently being discussed, appropriate models will have to be developed for unemployment insurance. One matter to be considered here is the possible extending of the groups of persons insured.

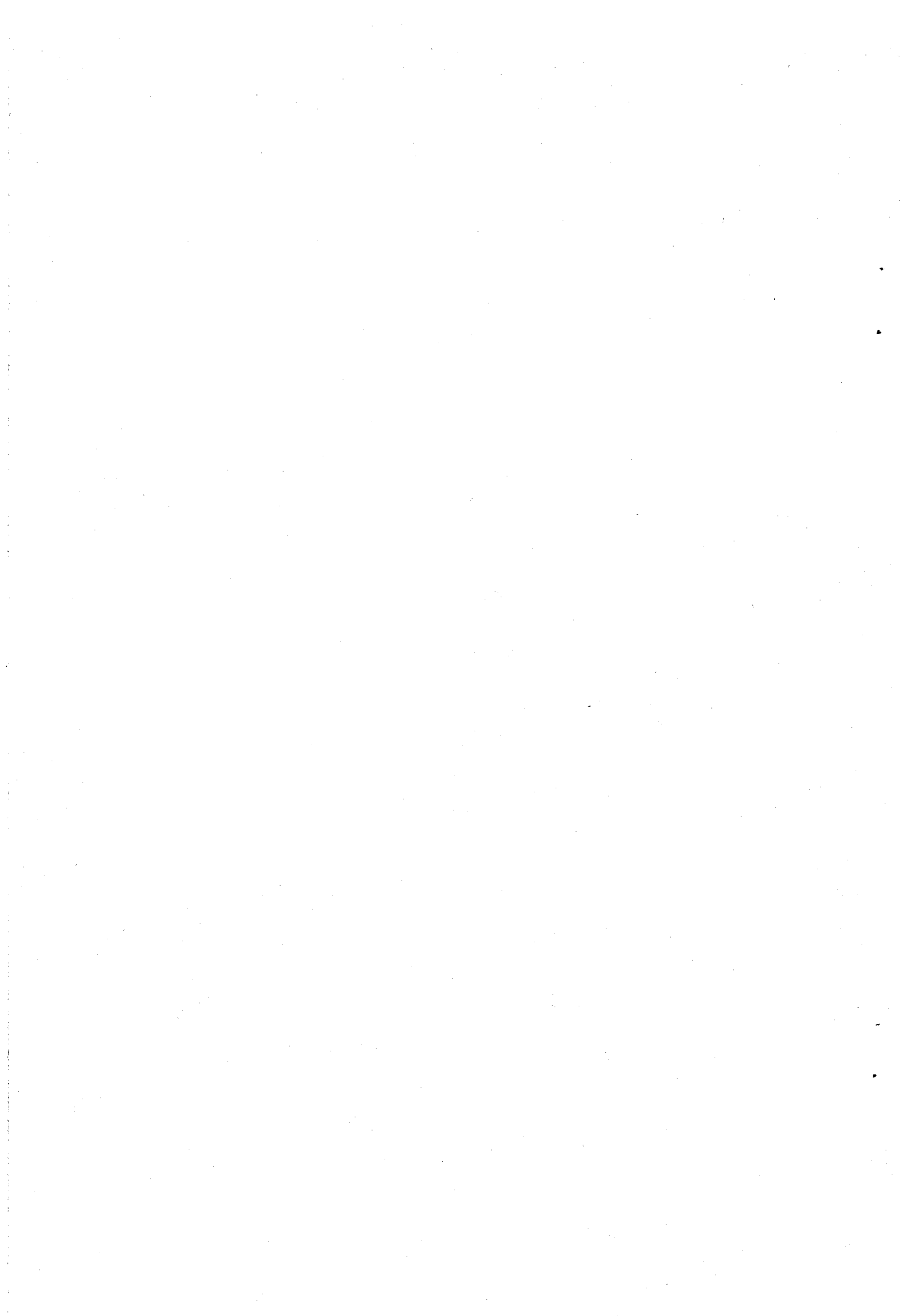
Another question to be reconsidered is the combination of income from temporary employment with unemployment insurance benefit, in such a way as to provide incentives.

5.5 Further tax-related measures

In March 1997 a committee was set up to produce concrete proposals, within the next two years, for a reform of the tax system. It will consider any tax measures which will shift the burden from labour to other production factors and resources.



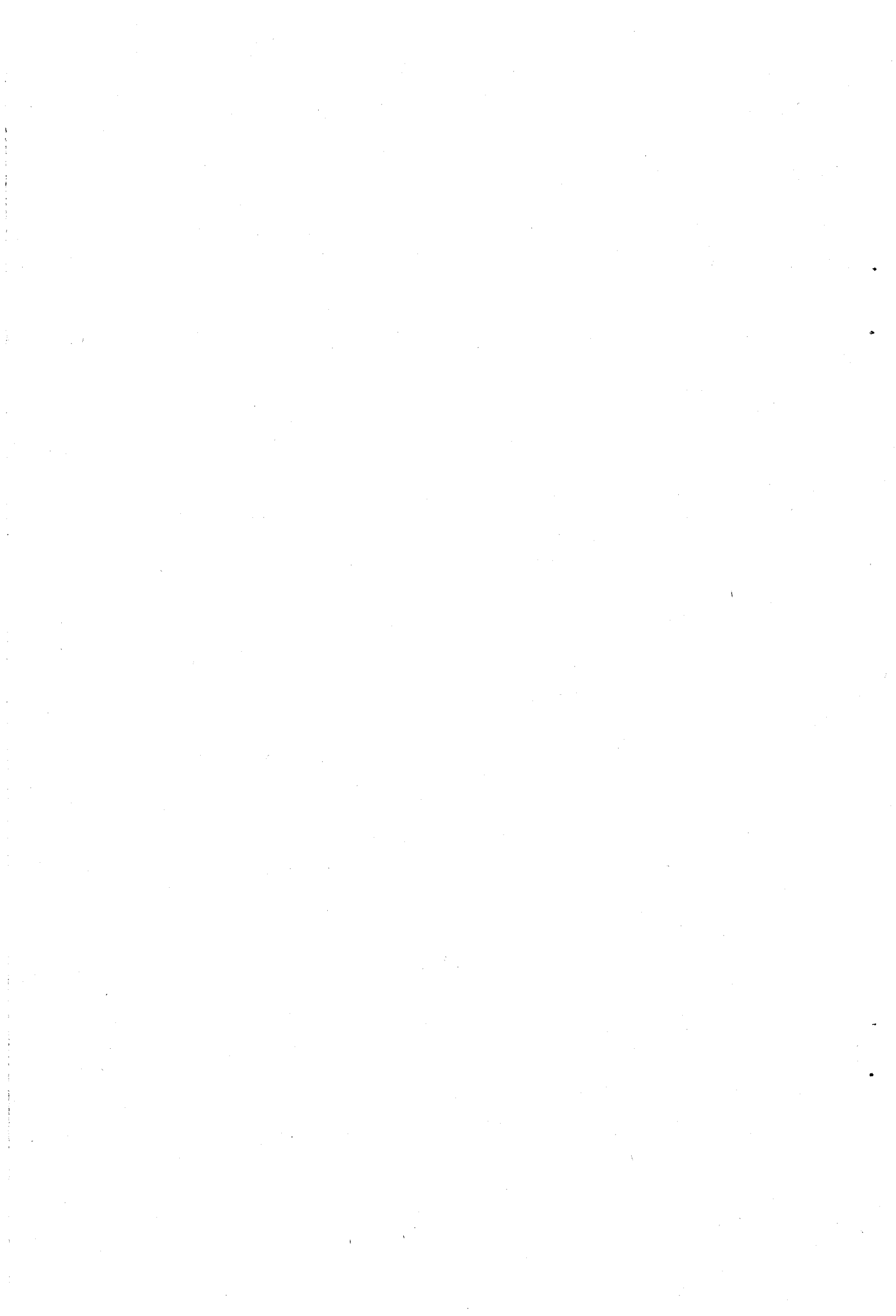
Programme designation	1995	
	Cost in AS	Number of beneficiaries (new beneficiaries per year)
Labour market training, section 3.1.3	3 406 301 588	46 510 -
Apprenticeship promotion, section 3.1.4	74 427 547	1 785
Assistance for integration to benefit the community, section 3.4.1	571 374 275	3 799
Foundations, section 3.4.3	227 018 986	3 351
Socio-economic undertakings, section 3.4.4	169 105 000	1 559
Business establishment programme (individual counselling), section 3.4.5	8 730 966	650
Business establishment programme (courses, planning data), section 3.4.5	0	0
Assistance for integration into undertakings, section 3.8.3	156 020 780	3 182



	1995			1996			1997		
	Cost	No of * beneficiaries	Duration of participation	Cost	No of * beneficiaries	Duration of participation	Cost	No of * beneficiaries	Duration of participation
Target group: returning women after career interruption family reasons									
Special programme for women returning to the labour market									
Skill training measures (23)							ca. 66m ATS (incl. ESF 74m)	N/A	N/A
Employment projects/socio-economic undertakings (16)							ca. 33m ATS (incl. ESF 53m)	ca. 240	ca. 1 year
Childcare (target group: persons with childcare obligations)									
Counselling and care establishment (childcare)	20.6m ATS	130 childcare staff funded		63.8m ATS	620 persons funded				
Promotion of employment in childcare establishments (TP 336/3)	49.2m ATS	757 childcare staff funded (719 women)	1-4 years	79.1m ATS	1 079 childcare staff funded (1 039 women)	1-4 years			
<i>of which: non-profit employment projects in childcare field (1995: Aktion 8000 KB)**</i>	44.1m ATS	459 childcare staff funded		3.5m ATS	34 staff funded				
Childcare assistance	76.2m ATS	8 694 persons assisted (8 503 women)	Assistance for normally 6mths, extension possible	86.4m ATS	10 246 persons assisted (10 044 women)	Programme normally 6mths; extension possible			

*) No of persons assisted in individual period

***) The application of the provision of projects for child care between 1995 and 1996 was move from Action 8000 promotion instruments to the services responsible for labour market advice and counselling

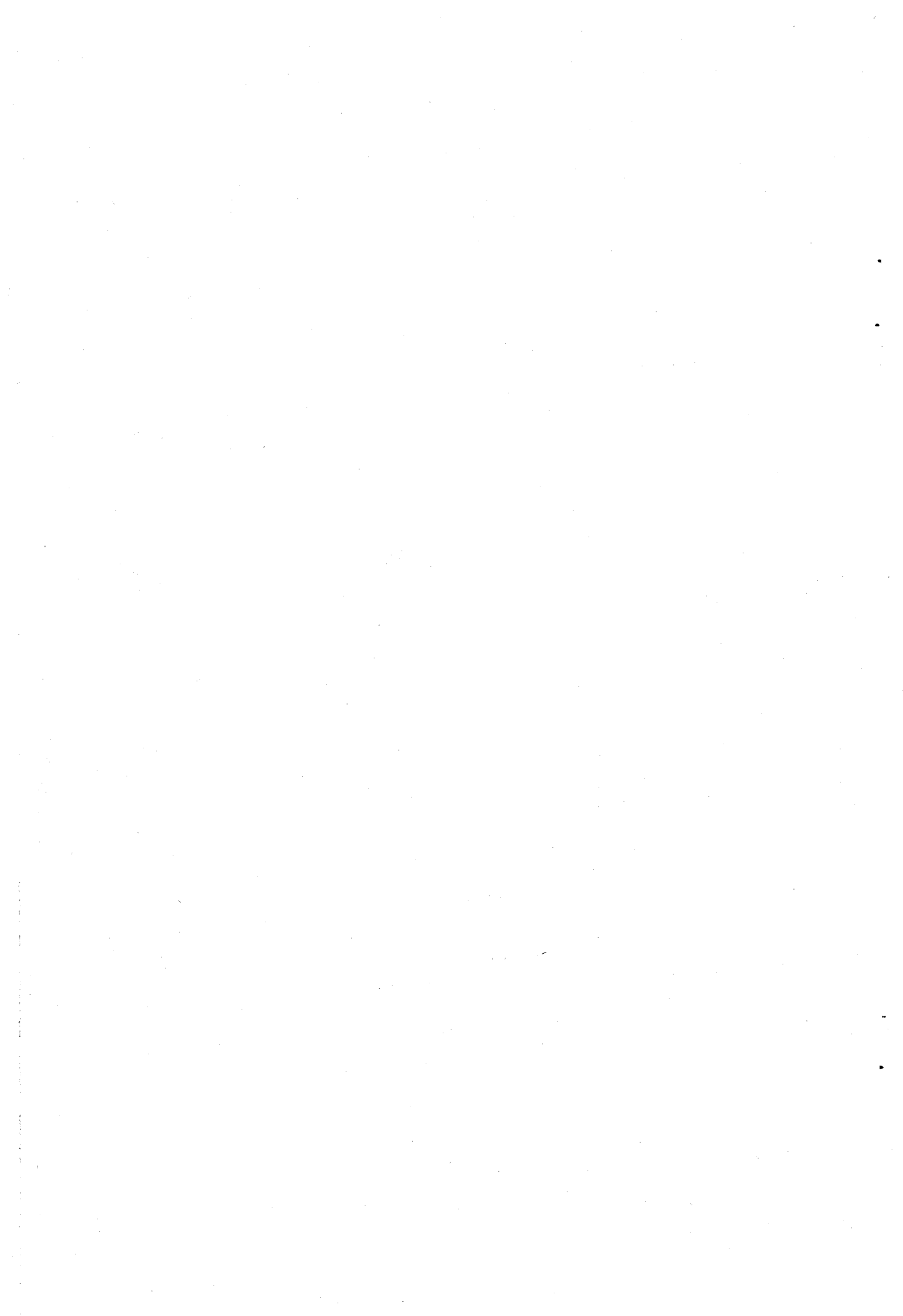


Portugal

Directorate-General for Employment and Vocational Training
Ministry for Training and Employment

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1. THE EMPLOYMENT SITUATION AND THE LABOUR MARKET

Since the 1993 crisis the Portuguese economy has been gradually improving with growth exceeding 3% in 1996.

Recent estimates for 1997 confirm that the budget remains on track and that economic growth will exceed that for the previous year.

This dynamic growth which the Portuguese economy is demonstrating is consistent with the development defined in the Convergence, Stability and Growth Programme, which has set as a target an average growth rate for GDP of 3.3% in the period 1997 - 2000.

Investments and exports have played a decisive part in this new growth phase of economic activity although in 1996 private consumption also became an important factor by virtue of the vigour which it displayed.

In the medium term domestic demand will continue to be an important contributing factor to the growth of GDP with investment being its most active component: private consumption is likely to continue growing at a rate close to 2.5%.

Owing to the high level of aggregated expenditure net demand from abroad will continue to have little impact on the growth rate of GDP despite the relatively high levels forecast for exports, which on average will grow at around 9% per year.

The signs of higher levels of economic activity which first appeared in 1994 did not begin to have a positive impact on employment until 1996. Last year the increase was of 0.6% whereas in the first six months of 1997 it was running at 1.4%. In the first six months of this year, in other words, the unemployment rate was 6.5% compared with the corresponding period of 1996, during which it was at 7.5%. The numbers out of work totalled 300 000 whereas in the year before there had been 331 000 people without a job.

Nonetheless, the situation is not uniform: young people out of work total 14% and some 18% of women are unemployed. Long-term unemployment currently accounts for 46% of unemployment overall and the trend is upwards.

In terms of labour market flows there are signs of a slight drop in numbers registered as unemployed, affecting men, women and young and old alike. Among young people as a group graduates are those most seriously affected.

Achieving the growth rate set out in the Convergence, Stability and Growth Programme will create employment corresponding to a net gain of 100 000 jobs and achieve a sustained reduction in the unemployment rate.

The gradual modernisation of the Portuguese economy and the associated adaptation of Portuguese institutions will, in a climate of intense social dialogue, help to boost competitiveness and create productive and sustainable employment opportunities.

2. KEY ELEMENTS OF THE MULTIANNUAL PROGRAMME ON EMPLOYMENT

The Government's defined employment policy involves an overall approach involving macro-economic policies, sectoral policies, regional policies and active employment policies, as well as policies in the field of vocational training, social security, including an important part to be played by the social partners, all of which is set out in the Agreements, both short-term agreements and strategic consultation agreements. The overriding aims of employment policy are: economic growth which can generate employment on a large scale, the ability to manage restructuring in an organised manner, the monitoring of areas where high levels of employment are to be found and the reshaping of active labour market policy. In order to pursue these objectives various programmes and measures are being prepared or are in the process of being implemented, examples being the consultancy network programme in support of SMEs, sectoral plans for modernisation and employment, integrated reconversion plans, incentives for areas where most employment can be created, specific programmes for the long-term unemployed, for young people, for job creators, for workers at risk of unemployment plus the realignment of employment policy with the aim of improving flexibility through versatility and management of working hours in a way which can support a strategy targeting modernisation, competitiveness and employment.

This overall strategy to promote employment was given an important fillip by the signing of the Strategic Consultation Agreement between the social partners and the Government, which sets out more than 300 measures on fiscal policy, industrial policy, social security policy, education and training policy, employment policy and policies which actively promote employment.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and life-long learning

As part of the programme targeting the integration of young people into employment the Ministry for Training and Employment and the Ministry for Education have together launched initiatives in the field of educational and vocational guidance, the integration of young people into working life, and have also extended their joint activities relating to education and training measures as the latter constitute the fastest way to securing a job. By way of examples we can cite the launching of the education and training courses which were produced jointly by the said ministries and targeted young people aged 15 and over with low levels of education, having missed their compulsory education. The duration of the training is one year full time which is by periods as trainees at work for about three months at a time.

In the 1997-98 academic year composite learning/training courses will be held at a maximum of 100 educational establishments, organised jointly with the training centres. Also in 1997 these learning/training courses will be held in the training centres to cater for young people with a similar lack of qualifications but who nonetheless have a job. These initiatives will be launched to supplement the reform of the existing learning/training systems so that each young person can be guaranteed a basic education and a vocational qualification. Alongside these reforms and targeting the same objective there are the other reforms which will directly affect the apprenticeship system in operation at vocational training schools.

Along the same political lines in terms of the integration of young people into working life there is another programme of vocational training which was initiated for young people aged between 16 and 30 and who have higher-level or intermediate-level qualifications and who are first-time job seekers or are seeking new work and who have not been in related employment for a period exceeding one year. The duration of the traineeship varies between 9 and 12 months and the undertakings who receive the incentives must appoint a guidance counsellor for the traineeships to be responsible for a maximum of 3 trainees.

The following educational developments recorded in the period 1996/97 should be mentioned:

- the enhancement of the local dimension for educational policy and practice with the aim of reorganising educational premises and the operation of the schools by:
 - defining educational areas for priority action (TEIP) where special conditions will be created in terms of the organisation, support and educational practice to offer a more equitable education in terms of accessibility and opportunity for success at school. In 1996/97 34 TEIPs will be in operation and for the 1997/1998 academic year this number will increase to 44 involving 283 schools and an estimated total of some 50 000 pupils;
 - reorganising the educational network, developing the idea of Basic Integrated Schools and other forms of schools' associations with a view to creating the scenario for greater continuity and links between pre-school education and the three cycles of basic education, thereby making it possible to introduce new forms and methods of organisational and managerial and to enhance the independence of these schools. For 1997/98 some 53 basic integrated schools are planned;
 - diversifying school curricula, introducing alternative curricula to ease the school-to-work transition by means of differentiated education and training and more suited to children, youth or adults, whose requirements are not met by curricula as they now stand as they do not offer sufficient levels of success in education and training. For the 1996/97 academic year alternative curricula will be in place in 264 schools;
 - developing and expanding the psychology and schools' guidance services (SPOS), which for 1997 are expected to cover about 1 000 basic and secondary schools.

In terms of life-long learning it is worth noting that under the new regulations for accessing ESF resources priority was given to the funding, from the public purse, of training schemes set up by SMEs and the top priority was for access by individuals to training, mainly for the unemployed, for workers at risk of unemployment and workers affected by collective redundancy.

As regards the training provisions for SMEs, 1996 saw the launching, by innovative methods, of a pilot project incorporating concerted action to provide assistance and guidance to upgrade the qualifications of entrepreneurs, management and the workforce in firms employing fewer than 50 staff with a view to modernising and improving the competitiveness of the entrepreneurial fabric. This programme is managed by three agencies (one public body and two employers' associations) with the aim of improving the quality of management provided, accessing new styles of organising production, making the best of the new technologies introduced and benefiting from the opening up to new markets.

The pilot programme currently involves some 350 undertakings, 280 senior consultants and 45 young people undergoing training as consultants. Upon completion of their training these young people should take up posts either in employers' associations or within undertakings.

3.2 Work organisation and working time

In 1996 the Government and the social partners concluded an agreement setting out measures on work organisation, working time and vocational versatility.

Subsequent to this agreement legislation was passed on reducing working hours, making working hours more flexible and on versatility:

- working hours were reduced to 40 hours per week of actual work;
- undertakings affected by the reduction of working hours can organise flexible working hours with up to ten hours per day and 50 hours per week provided that on average 40 hours are worked per week over a reference period of four months. Collective agreements can adopt other solutions for flexible working hours;
- the employer can require the worker to perform, on a regular basis, tasks which are similar or operationally linked to the tasks which he is required to perform under the terms of his employment contract.

3.3 Wage policy

In 1996 wages rises slowed and this trend continued in the first half of 1997.

Workers' wages increased by 4.7% in 1996 in the business sector and according to information on collective consultation, the inter-tariff variation was slightly over 3.5%, a reference value laid down in the Strategic Consultation Agreement.

Hourly productivity increased significantly in 1996 (3.5% compared with 2.5% in 1995) and productivity per worker registered an increase of 2.5% compared with 3% in 1995.

For the whole of the economy in 1996 unit labour costs will prove to have been greater not only than those recorded for the preceding year but also greater than productivity gains for the year. Nonetheless, the increasing level of unit labour costs throughout the business sector was identical to that recorded in 1995, remaining below productivity gains.

3.4 Job creation initiatives

In addition to the programmes already in place to support very small firms (the RIME scheme) and through local employment initiatives (ILEs), August 1996 saw the launch of the school-to-workplace programme, also within the framework of local development.

This programme aims to offer young first-time job-seekers and long-term unemployed adults who are registered at employment centres vocational qualifications in traditional trades and associated activities so that they can set up firms of their own or enter contracts on behalf of third parties.

The training programme lasts a total of 12 months and comprises theoretical training lasting four months (560 hours) and practical training lasting eight months (1 120 hours). Trainees intending to become self-employed upon completion of their training or to

establish a firm have the chance of attending a course on management training organised by the employment and vocational training institute (IEFP).

This programme is open to public or private bodies provided that they meet the requisite criteria and to associations or trade co-operatives, craft trade workshops managed by the craftsman as proprietor, self-employed craftsmen and family firms.

The trainees receive a monthly training grant as well as a subsistence and travel allowance, insurance against personal accident and they are also entitled to time off. Those who soon after their qualification can present a viable project for setting up their own firm receive a non-refundable grant corresponding to 12 times the minimum national wage and can also benefit by having the cost of the leasing of premises paid for a period of 12 months as well as the cost of reinstating premises and/or equipment.

Within the context of this scheme it is worth mentioning the development of the regional networks for qualification and employment under the terms of the strategic consultation agreement and which are aimed at boosting development, innovation and employment at local level by involving firms, local government, the social partners, educational, training and research and development establishments, as well as any other associated local players.

With this aim in view the networks seek to strengthen co-ordination between the various local players in order to identify and resolve the problems of qualifying human resources and promoting employment. The geographic dimension results from the existence of a common problem justifying harmonised action to secure its solution.

At the present moment there are three networks, each with differentiated geographical coverage as well as responsibility for specific action (schooling and the integration of young people, reconversion and diversification of the economic fabric, the stabilisation of the population by offering training linked to collective services, traditional arts and crafts and tourism).

Insofar as the Territorial Agreements on Employment are concerned, there are three pacts which are undergoing consolidation: Marinha Grande, Vale do Sousa and Alentejo. The situation is as follows:

The Marinha Grande Agreement - the consultation stage on the agreement is now complete at regional level with an implementation framework now substantially established. The components have been defined and partners identified who are best suited to the aims of the agreement: the broadening of the employment base, the maintenance of current levels of employment, social employment, training and retraining.

The Vale do Sousa Agreement - the publicity and consultation stage as well as the definition of the actions to be undertaken are now complete and three priority axes for action have been defined: (i) support network for social and educational measures; (ii) upgrading of the training and education system for Vale do Sousa; (iii) new entrepreneurial culture. A number of partnerships are currently being set up.

The Alentejo Agreement - this agreement is currently being defined, specifically as regards the region for targeted action and the priorities to be set with a view to the creation of jobs and the mobilisation of partners.

3.5 Activation of labour market policies

On the subject of political measures targeting employment and vocational training it is worth noting that both the number of people covered and the funds disbursed overall on the various measures increased in 1996 compared with the two preceding years.

This trend towards an increase in active measures and a decrease in passive measures is reflected in the numbers of beneficiaries: those for active measures increased by 6.8% while the latter category fell by 5.1%.

1996 also saw an increase of total expenditure on active measures (up by 0.2% compared with GDP), corresponding to a total of 1.2% of GDP on active measures in that year.

Of the active measures the most important where the greater number of measures targeting employment support (subsidies for recruitment and employment-related programmes).

On the subject of vocational training programmes, it is worth mentioning that training for unemployed people had fewer participants than in 1995 (2 690 compared with 4 630). Training grants also increased with three times as many people participating in 1996 than had been the case in 1995.

Regarding measures targeting young people in 1997 the most important aspect is that for the active measures there were increases in the number of participants across the board.

To continue efforts to combat unemployment and promote "active solidarity" the social employment market was defined and actively developed in terms of a raft of solutions aimed at integrating or reintegrating into society and the labour market unemployed people, with the emphasis being placed on social needs hitherto neglected by normal market operations.

Among the integration-targeting activities the following merit particular mention: vocational activities as part of employment-training policy; activities launched by social solidarity institutions; actions aimed at training and integrating in social and occupational terms people whose situation is particularly difficult as a result of joblessness and social exclusion; activities relating to services closely linked to those activities carried out in the field of the school-to-workplace programme and integrating undertakings.

The introduction of a guaranteed minimum income in 1996 coupled with the introduction of non-contributory social security benefit anticipated the availability of a social integration programme aimed at the effective social and occupational integration of people, specifically through their being actively available for employment or for integration on the basis of training measures or occupational integration. These programmes were set up and developed jointly with the groups which they targeted and are monitored and evaluated at local level by ad-hoc committees whose membership must include representatives from the fields of social security, employment and education.

The most important aspects of the employment services are the new guidelines for these services which require them to respond on a more personalised and appropriate level to the needs both of employers and jobseekers. With this aim in view 265 new employment experts and consultants with a university background were selected. They are currently undergoing training on integration methods.

3.6 Specific measures in favour of young people

March 1997 saw the setting up of a programme to integrate young people into employment (Council of Ministers Regulation No 44/97 of 21 March) which was aimed at launching an integrated support policy for the occupational integration of young people.

This programme, which marks the consolidation phase of the strategic consultation agreement, envisages new methods in four basic areas of relevance to young people: educational and vocational guidance; education and vocational training; assistance with entering the labour market; access to employment.

These measures were drawn up to respond to the specific needs of young people. Four typical situations and proposed solutions for each were identified: for young people who have not completed the 9th year of schooling, for those who are between the 9th and 12th years of schooling, for those who have completed the 12th year and for those who have achieved secondary school leaving qualifications.

The solutions proposed cover four principal aims: to guarantee each young person educational and vocational guidance based on up-to-date information with personalised support for the key moments of decision, namely the 9th year of schooling, the 12th year of schooling and at the completion of the school-leaving qualification or at post-graduate level; to guarantee training for all young people before they enter the labour market; to guarantee support for occupational integration, bridging the gap between education and the world of work by means of a national policy of traineeships; to facilitate access to employment whether as an employee or as a self-employed person.

3.7 Specific measures in favour of the long-term unemployed

To boost the employment of unemployed people, especially the long-term unemployed, a line of action was adopted by the information and vocational guidance services with a view to assisting the personal development of the long-term unemployed and planning strategies for their occupational integration.

These services developed innovative programmes to provide information and vocational guidance based on the programme "Upgrading for employment – methodological guidance axis", which comprises an action model composed of a series of technical sessions for accessing programmes and support measures for employment and is implemented on the basis of individual and group attendance and on the basis of the guidance programme for prospective employment creators or company founders "Be an entrepreneur – A road to follow", which aims to support candidates by establishing whether the project is compatible with the personal profile of the candidate and with the socio-economic scenario.

Still with a view to upgrading knowledge, experience and skills acquired, identifying those skills and grading and adapting them to new situations resulting from organisational change and technological developments occurring throughout the labour market, special programmes were set up to develop personal and social skills, promote self-worth and assess personal and vocational skills.

3.8 Specific measures in favour of unemployed women and of the promotion of equal opportunities

Measures in favour of women include a project to support entrepreneurial initiatives by women covering the experimental assessment phase, the launch phase and the

consolidation phase of firms run by women. This project is innovative at different levels: the availability of a specific support and technical assistance structure, the establishment of a network of national and international co-operation, the methods developed, specifically by identifying the determining elements for defining what is understood by "a yardstick for success in business by women".

This project is on a national scale with training in Lisbon (two measures) with other measures at various places throughout the country.

Mention should also be made of the general plan on equal opportunities adopted in March 1997 which comprises general, sectoral and preventive and protective measures to secure effective equality of opportunity for men and women.

On the subject of equality of opportunity it is worth mentioning that an outline law on pre-school education (Law No 5/97 of 10 February) and that the associated legal schemes for developing and expanding the organisational and funding system were defined and established by Decree-Law No 147/97 of 11 June.

Also in the field of this new legal framework a plan for the expansion and development of pre-school education was drawn up to be launched during the next academic year (1997/98) with the aim of broadening coverage of public and private networks so that by the end of the century 90% of children aged 9 and 75% aged 4 and 60% of children aged 3 can be covered.

3.9 Specific measures in favour of other categories at risk

The specific measures in favour of the categories at risk are the agreement on strategic consultation recently signed by the Government and the social partners which sets as its strategic approach the management of restructuring with occupational reconversion and social protection and achieve this in a way which is planned, prophylactic and participatory.

The main implementing principles are: a) to ensure the involvement of government departments in relation to employment, vocational training and social protection; b) to prioritise action at company level, encouraging companies to assess themselves and produce a social plan; c) to prioritise methods for the in-house retraining of workers and second, methods for external reconversion, supplemented where necessary by social protection measures; d) to prioritise various action guidelines in connection with the requalification of human resources, recruitment by other firms and establishing firms and becoming self-employed.

4. IDENTIFICATION OF MAPS MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

The implementation of the Community support frameworks have represented an important contribution for the development of the Portuguese economy with the aim of securing the conditions for continuing the process of bringing the Portuguese economy and the economy of the European Union closer in real terms.

Financial support from the EU relates both to production-related activities and the dynamic response to the need to adjust as well as to the creation of jobs.

The overall impact of EU funding on employment in this respect exceeds the amounts committed to measures specifically aimed at employment and vocational training. The effect of this is that in terms of actions developed with a view to strengthening the competitiveness of the economy – infrastructure to support development and modernisation of the economic fabric – and action aimed at invigorating the base of the regional economy and promoting the potential for regional development as well as measures relating to the promotion of a quality of life and social cohesion are factors with a positive externalising effect with repercussions on both the level and quality of employment.

The measures shown in the annex (Annex II) are thus those measures which are directly linked to employment policy.

5. MAIN REFORMS/MEASURES ENVISAGED IN THE NEAR FUTURE -

With a view to setting the stage for the development of a competitive economy which will generate jobs the following programmes are being implemented which are of specific relevance to the following fields:

- sectoral programmes for competitiveness and employment;
- extending the networks for training and employment;
- programme to support innovation with regard to human resources;
- setting up centres for the establishment of undertakings and the provision of ideas and initiatives exchanges for new areas where employment can be promoted;
- the development of the programme for jobs and small craft firms.

Incentives for forms of job sharing, for employment training grants and the reform of part-timing are also measures which will be implemented to influence the way the labour market works and tackle the jobs problem.

The setting up centres for knowledge-based resources, the development and restructuring of the training and co-management centres, the launching of a programme for the education/training of unskilled population groups as well as the launching of a programme to encourage lifelong learning are some of the measures planned for the near future.

As part of the agreements signed with the social partners legislation is currently being drafted on:

- part-time working with a reduction in the rates of social security contributions payable by firms or workers in the case of workers who opt for part-time working so that new workers can be recruited;
- a reform of the arrangements for lay-offs with greater involvement of workers' representatives and, where the lay-off is in connection with vocational training measures, a reduction of that part of the worker's remuneration which is paid by employers;
- a review of the arrangements for temporary working in order to facilitate the recruitment of workers and combat illegal practices by employment agencies which supply temporary workers;
- checks on various types of illicit employment (fraudulent self-employment) and the legalisation of existing situations to protect workers and avoid unfair competition;
- a reform of wages schemes to facilitate variable, performance-related pay for workers up to a maximum of 20% of the basic wage which, for this purpose, will not be exempted from social security contributions;

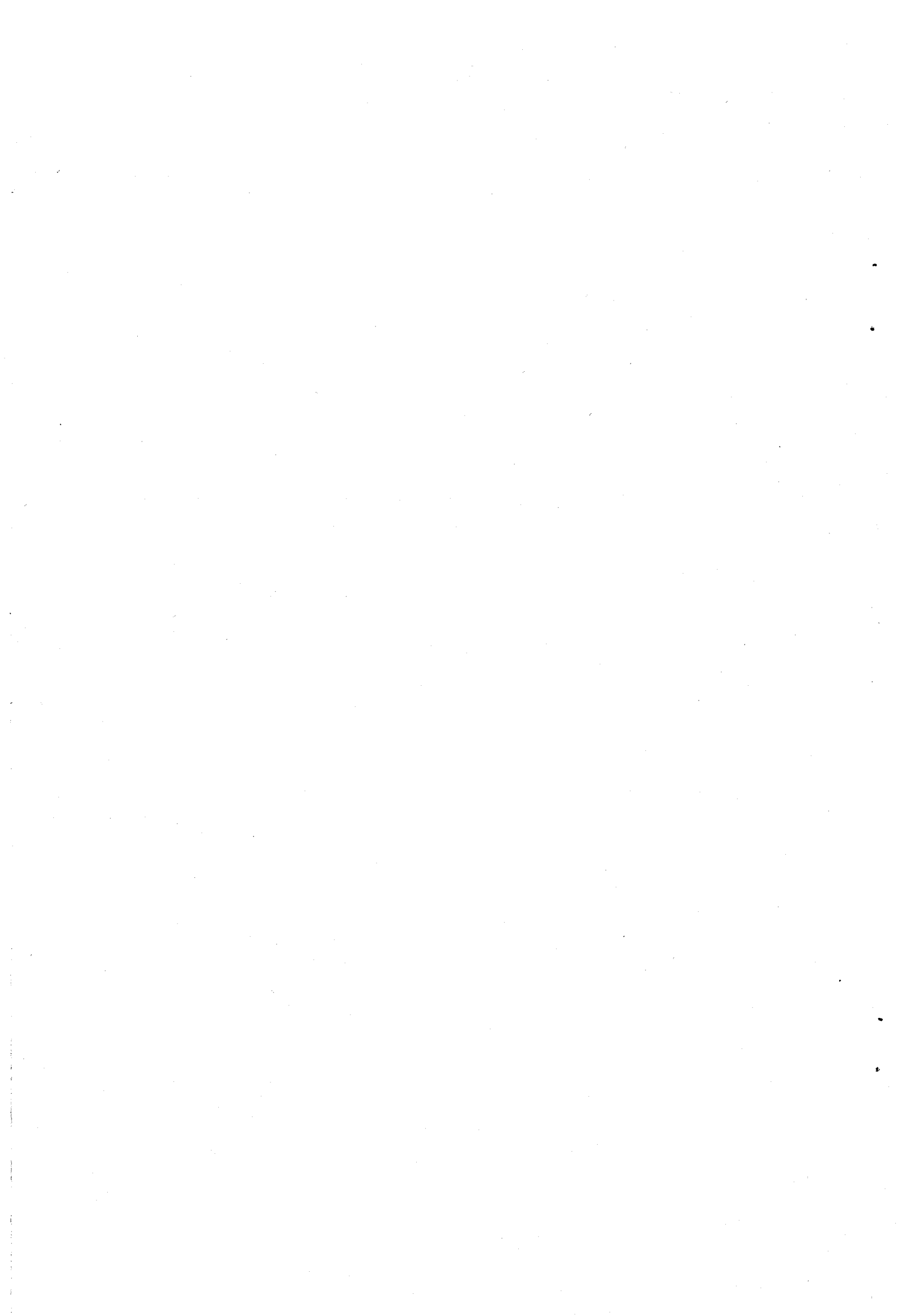
- a reform of the holiday arrangements with a view to reducing absenteeism by ensuring a greater link between the duration of holidays and absenteeism as well as compensating those workers who work harder;
- firms which cooperate with the labour inspectorate are to be allowed to adopt working hours which are simplified in terms of administrative procedures.

Work is also underway preparing a training measure on equality of opportunity. This measure will target those groups selected by the managers of the programmes on the basis of which a number of activities will be developed such as: the presentation by each manager of an action plan on the application of measures relating to equality of opportunity; monitoring of action plans; preparation of a newsletter setting out the main statistical indicators for Portugal relating to employment, training and work and identifying the values by gender with the associated levels of posts held by women with an identification of those indicators which will offer scope for an analysis of the way the measures have been applied.

The Green Paper on social security is currently undergoing public debate. This Green Paper sets out a basis for the system of social security with a view to facing the challenges discernible for Portuguese society in the future. The model is similar to the continental European tradition of the welfare state and state-backed social security. This system will be required not only to perform in the field of social protection but also to perform more effectively on behalf of a society which in real terms is still afflicted by levels of poverty which in a European context can be termed considerable.

Finland

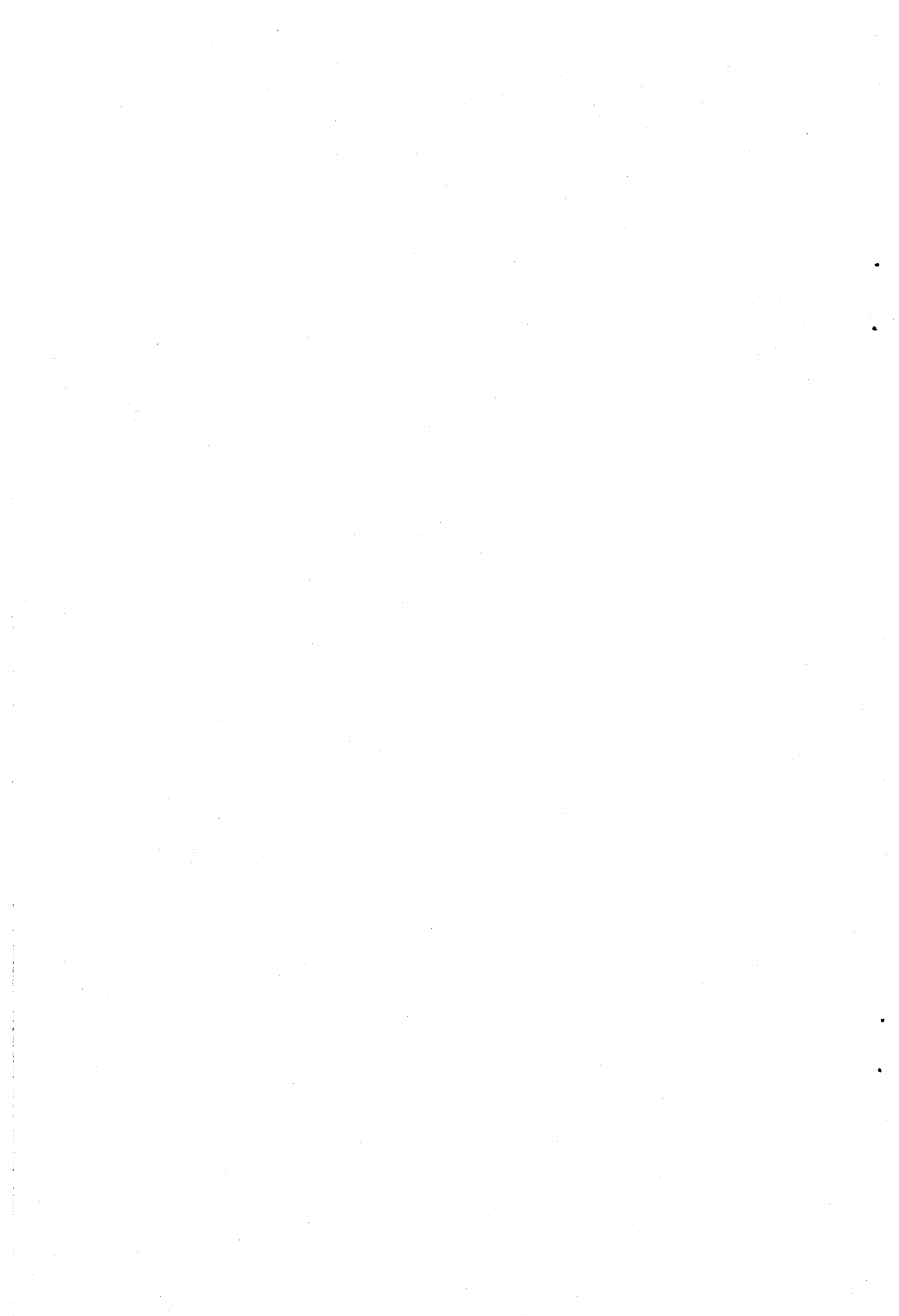
Ministry of Labour



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PREFACE

The purposeful economic and labour policy practised by the Finnish Government in the past two years and the good cooperation with the labour market organisations is bearing fruit: economic growth is strong, there is a clear increase in new jobs and unemployment is falling.

The employment programme which was approved by the Government in autumn 1995 has been a significant factor in achieving this favourable development. If it had not been for the measures included in the employment programme, the temporary international economic slump at the beginning of 1996 would have had a much worse effect on employment in Finland than it did. Many of the measures under the employment programme will only achieve their full job-creation effect this year and next year. All the Ministries in Finland are working closely together to implement the employment programme, while the Government supervises implementation through a special monitoring system.

In January this year, the Government decided on new measures to further improve the employment situation which will also support economic growth and reduce social exclusion. A comprehensive reform of labour policy will be carried out at the beginning of next year in order to improve the functioning of the labour market.

The labour market organizations in Finland have accepted their responsibility in helping promote employment. The cornerstone for these efforts is the comprehensive and very moderate economic and incomes policy settlement concluded in 1995, which will remain in force until the end of January next year. If the employment situation is to be improved, it is important that wage solutions in the next round of negotiations remain moderate.

One of the key factors for the success of labour policy is that the Government has prepared and implemented the measures involved in close cooperation with the labour market organizations. The Government will continue to apply the principle of tripartite representation in future. This follow-up report has also been drawn up in cooperation with the labour market organizations.

In mid-May, the Government submitted its statement to Parliament in favour of joining European Economic and Monetary Union. The greatest tangible benefits Finland will derive from EMU are stronger economic growth and increased employment. As stability increases, EMU may also lead to a diversification of production structures and the creation of new jobs.

The labour market organizations have also played a responsible role in the preparations for joining EMU. The central labour market organizations submitted a joint statement on the labour policy to be practised within EMU, emphasizing that EMU is a natural extension to the creation of the single market. In order to guard against cyclical disruptions in the economy, the labour market organizations are working with the Government in studying how buffer mechanisms could be put in place.

Reinforcing European cooperation on employment strategies is an important aspect of the labour policy of the Finnish Government. The Finnish Government is prepared to study and implement innovative new European measures to combat unemployment in our part of the world in cooperation with the Governments of other Member States.

1. EMPLOYMENT AND THE LABOUR MARKET SITUATION IN FINLAND

Economic growth strong and stable

Towards the end of 1996, the economy began once again to show a powerful growth trend which has continued steadily during the first half of this year. Economic development is stable, as the employment situation is improving and there are no notable inflationary pressures in the economy. All sectors of demand are experiencing growth. Consumer faith in the economy is strong and an increase in purchasing power has been evident in the continued rapid growth in private consumption. The growth in investments which has been going on for three years is continuing, and the growth in exports has also strengthened as a result of Finnish competitiveness and the recovery in the Western European economies. In 1996, production grew by about 3.3%. The Ministry of Finance predicts that economic growth this year will reach 4.5%.

Employment in the service sector

In 1996, the number of people in work increased by 28,000 (+1.4%) on the previous year. The extension of economic growth to the service sector and the building industry increases its job-creating effect, and the Ministry of Finance predicts that the number of people in work will increase this year by about 40,000 compared with last year. The demand for labour is rising rapidly, especially in business services and trade. Housing construction is also providing noticeably more employment than last year. Jobs in industry are increasing mainly in the metals and engineering sector.

Fixed-term employment relationships on the rise

The structure of labour demand has changed in the 1990s in that most new employment relationships are fixed-term. In the first half of this year, about 60% of employment relationships which had lasted less than one year were fixed-term, compared with around 40% during the 1980s. Fixed-term employment relationships are particularly common in the case of women, causing seasonal peaks in unemployment which are now more pronounced than before. The increased occurrence of fixed-term employment relationships has generated increasing turnover in the labour market. Despite the momentum of economic growth and the improved employment situation, the number of unemployment period starts is also rising. Only in the last few months does the number of new periods of unemployment seem to have levelled out.

Labour supply increases slightly

The supply of labour has been limited by increasing training measures. Last year, the numbers in the workforce only increased by 6,000 people (+2.0%) on the previous year. This year, too, the increase in the workforce will be low, considering the rate of economic growth, because adult education is being expanded further and the conditions for receiving unemployment benefits have been made stricter for young people without vocational qualifications.

Unemployment clearly falling

According to the labour force survey, there were 399,000 unemployed in 1996 and the unemployment rate stood at 15.7%. The number of unemployed fell by 22,000 (-5.1%) on the previous year. In the first half of 1997, the fall in unemployment has picked up speed. According to manpower services statistics, there were about 38,500 (-8.2%) fewer unemployed job-seekers in June than a year earlier. The 1997 unemployment rate is predicted to fall to an average of 14.4%, 1.3 percentage points lower than last year.

Youth unemployment has been falling faster than other types of unemployment for some years now and is about 40% below the record highs recorded at the deepest point of the recession at the end of 1993. Youth unemployment has been falling particularly rapidly this year. In the first half of the year, there were an average of 56,200 unemployed job-seekers under the age of 25, 20% less than the corresponding figure last year.

Long-term unemployment was also successfully made to fall in 1996, thanks largely to labour policy measures, and this fall is continuing this year. According to manpower services statistics, there was an average of 134,900 long-term unemployed last year. In the first half of this year, there was an average of 127,300, or 30% of all unemployed job-seekers. Long-term unemployment is strongly centred on higher age-groups. The average duration of unemployment for 50-year-olds is already well over a year. Long-term unemployment amongst older members of the workforce has become a central problem in the labour market in recent years.

2. MAIN CONTENT OF FINLAND'S MULTI-ANNUAL EMPLOYMENT PROGRAMME

Finland's multi-annual employment programme is a Government decision concerning the implementation of 52 tangible measures to promote employment. The measures are divided into six categories:

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

A high-level working group was appointed to monitor the implementation of these measures. The chairman of the working group is the Secretary of State of the Prime Minister's Office, and its members are the Secretaries-General of the most important ministries from the point of view of employment and representatives of the political parties in the Government. The working group has regularly reported on implementation to the Government. On the basis of the working group's proposals, the Cabinet Economic Policy Committee decided in January this year on 19 new measures to improve employment. Matters emphasized included the introduction of a gradation of employer contributions, issues of working time policy and the removal of obstacles hampering the building industry.

According to the latest report of the working group, by the end of last May, 50 of the 52 measures of the employment programme had been implemented either completely or to a considerable extent. The measures' effect in reducing unemployment last year came to about 35,000-40,000 person-workyears. This year, the effect will be about 60,000-70,000 person-workyears. The measures which have already been completed and the ones still under preparation will make it possible to come close to the quantitative aims (100,000 in 1999) which were originally set for the employment programme.

3. MAIN TRENDS IN 1996/97

3.1 Training and lifelong learning

Principle of lifelong learning put into practice

Local employment offices have been given a prominent role as experts on vocational training and labour resource development based on the needs of the labour market, companies and employees. The

aim is that the employment offices should be able to coordinate new working time models, especially ones based on long leaves, with the necessary recruitment of substitutes and vocational training for adults. In the last few years, the principle of lifelong learning has thus been put into practice. Operations will expand considerably from autumn 1997 onwards when it becomes possible for the long-term unemployed to acquire vocational training using a new system called 'training insurance' (see section 4).

Apprenticeship training doubled in a few years

The number of people in apprenticeship training has increased dramatically. In 1996, there was an increase of 4,000, which meant that there were 18,700 students in this system at the end of the year. Last April, there were already over 21,000 students in apprenticeship training. So far, training places have mainly been given to adults. The aim is that, in the year 2000, the number of starting places in apprenticeship training should account for one fifth of the starting places in young people's post-comprehensive vocational training.

3.2 Organization of work and working hours

National Workplace Development Programme strives to improve competitiveness and the quality of working life.

The National Workplace Development Programme was started at the beginning of 1996. The aim of the programme is to improve productivity and the quality of working life by improving the skills and innovativeness of companies' staff. In this way, the programme will improve the international competitiveness of Finnish industry and boost employment. The programme offers consultancy services and financial support and promotes the exchange of experiences by creating cooperation networks. The total budget for the programme during 1996-1999 is estimated at about FIM 100 million (ECU 18 million). By the beginning of April this year (?1997?), the programme had granted support to over 70 projects.

Working times become more flexible and new models are tested

In Finland, working time arrangements are mainly the responsibility of the labour market organizations. In many sectors, collective bargaining agreements allow very flexible working time decisions for individual companies, with attention to the requirements of both production and employees. The labour market organizations will be looking at working time issues next time at the incomes policy negotiations this (?1997?) autumn.

The Government has participated in the development of working time policy through legislation and through its research and experimental operations. Cooperation with the labour market organizations has been intensive. The various regulations on working time were compiled and reformed, resulting in the new Working Hours Act, which entered into force in November 1996. It reduced the maximum allowed overtime and considerably extended the right to local agreement on working hours. The limitations on shop opening hours were reduced further in April this year.

As of the beginning of 1996, a two-year experiment in job-alternation leave was started, based on the models used in Belgium and Denmark. This means that an employee receives compensation if he or she takes between three months and a year off work and an unemployed person is hired as a replacement. The amount of compensation increases if people study while they are on leave. Job alternation leave compensation has come to an average of FIM 3,200 a month. By the end of April, a total of over 7,300 people had taken advantage of this opportunity. In practice, the system has been neutral in its cost effects for the government. Increased use of job-alternation leave would require the level of

compensation to be increased. Decisions on whether to continue the experiment and on conditions for receiving compensation will be made at the collective bargaining negotiations this autumn.

Compared with many other EU Member States, part-time work is not very common in Finland. In 1996, about 8% of those employed did part-time work, and 65% of them were women. In Finland, the concept of equality is based on women's and men's equal and full participation in working life, and part-time work does not go well with this. The Government has supported voluntary transfer to part-time work by permanently introducing a part-time supplement as of the beginning of this year. This means that a person transferring to part-time work receives financial support for a maximum of twelve months when transferring to part-time work when an unemployed person is hired as a substitute. About 5,000-6,000 people a year use this system. The system is neutral in its cost effects for the government.

Smaller-scale working time experiments have been started in workplaces in both the public and the private sector in cooperation between the Government and the labour market organizations. About 1,000 employees come within the sphere of these experiments. The Commission of the EU has also granted funding for them. The results of the experiments are being closely monitored and experiences will be disseminated through extensive network cooperation.

Increasingly flexible working times have also given rise to long shifts which, in turn, has increased the risk of occupational accidents. Particular attention will be given in the next few years to eliminating this risk.

The Government has worked in close cooperation with the labour market organizations to implement a number of other changes in the labour legislation which have increased the flexibility of the labour market and improved employees' rights in a balanced way as atypical employment relationships become increasingly common. The Employment Contracts Act was amended on March 1, 1996 to make periods of notice shorter in the case of employment relationships lasting up to one year. An amendment to the Act on Codetermination in Companies entered into force on January 1, 1997, which shortened negotiation periods in connection with staff downsizing. The employment relationships of people in atypical employment have been placed on a fairly equal footing with employment contracts valid until further notice. The first significant legislative amendments entered into force on February 1, 1997. The Employment Contracts Act will be amended to correspond to the needs of working life today. The work of a committee preparing this will be completed this year.

3.3. *Wages policy*

Wage trends moderate, new round of negotiations this autumn

In order to promote employment, it is essential that wage formation should also support competitiveness and balance in the economy. One of the starting points of wage formation should in fact be a wages trend which is in harmony with the inflation target. Any margin of increase should also take into account any imbalances which may exist in the economy, for instance, high unemployment.

The comprehensive economic and incomes policy settlement made in September 1995 conformed to the principles outlined above, while one of its key aims was to promote employment. It covers all wage-earners and will remain in force until January next year. The cost effects of increases over the entire period covered by the agreement will come to just under 4%. The incomes policy settlement also covered issues related to workplace development.

According to a joint expert report by the Government and the labour market organizations, the incomes policy settlement has had a very favourable effect on the Finnish economy. If the settlement had not been made, and the wage guidelines laid down in the agreements made by individual trade unions at the end of '94/beginning of '95 had been followed instead, the consequences would have been higher interest rates and weaker trends in production and employment. According to the joint assessment, without the incomes policy settlement, economic growth last year as well as this year would have

remained about one percentage point lower than it, in fact, was. This would have meant that the unemployment rate this year would have been more than one percentage point higher than it is.

The aim of low inflation is widely accepted on the Finnish labour market. In 1996, the level of earnings index rose by 3.9%. This year, the incomes policy investigation board has estimated the rise at 2.2%. The change in the consumer price index in 1996 was only 0.6% and is estimated to come to about 1% in 1997. Due to slow inflation, the purchasing power of wage-earners grew by a total of 7.5% in 1996-97, which is three percentage points more than estimated at the time of drawing up the incomes policy settlement. It is important that wage solutions remain moderate even after the end of the present contract period.

3.4 Job creation

Investments in SMEs and service sector

Considerable investments have been made in strengthening SME operations. Entrepreneurial organizations have founded new business centres in different parts of Finland which provide advice for would-be entrepreneurs. The government supports these operations. April 1996, for instance, saw the introduction of so-called 'small loans' intended for entrepreneurs or people about to become entrepreneurs. In 1996, 'small loans' to a total of FIM 256 million were granted on these grounds and 3,100 jobs were created as a result. The start-up grant available for unemployed people who wish to become self-employed entrepreneurs has also generated results. In 1996, 5,900 companies were founded with start-up grants. Follow-up studies conducted during the follow-up period (between one and five years depending on the study) show that 46-68% continued to operate even after the end of the grant. Would-be entrepreneurs can also receive entrepreneurial training where necessary in the form of labour market training. The new business centres also provide support for new entrepreneurs.

In its business policy guidelines last year, the Government put promotion of the service sector on an equal footing with the promotion of industry. As an example, 'small loans' are also to be granted to service sector companies from the beginning of this year.

The Government is supporting household employment by starting a two-year, regional experiment on October 1, 1997, in which households can hire employees through companies. Support is granted to the entrepreneurs. An estimated 40,000 households will be taking part in this experiment. In other regions, an employment experiment based on tax deductions for households will be carried out.

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

3.5 Making taxation more favourable for employment

Taxation of labour reduced

Where Finland is concerned, labour costs must be considered in a wider sense than just the employer's indirect labour costs. Above all, the heavy levels of income tax heightens the total tax wedge and hampers the functioning of the labour market.

The social security contributions of both employers and employees were reduced in 1996. In 1997, the Government lowered income taxes by a full FIM 5.5 billion, of which central government taxation accounted for about FIM 3.5 billion. The total reduction of tax on earned income in 1996-97 came to over FIM 8 billion, or 3.5% of the total payroll in 1996. The changes are making it increasingly worthwhile to accept work, particularly in the lower income brackets. Meanwhile, taxation of energy and capital have been raised.

The aim is to continue to reduce labour taxation over the next few years in so far as the country's economy allows. The key question in this respect is the collective bargaining negotiations next autumn, where the Government may support the implementation of moderate wage rises with the aid of reduced taxation.

The structure of taxation, income transfers and service charges are being coordinated in a way which will ensure that the tax and social security system encourage work and study and prevent the formation of incentive traps. The Act on Income Security for the Unemployed, for instance, was amended in line with this aim at the beginning of the year.

As part of Finland's employment programme, research was conducted into the possibilities for decreasing and/or introducing a gradation of employer contributions to promote employment. Attention has been given particularly to improving the relative position of owners of small companies and older workers. The employment effects of a gradation would not be very considerable, according to the statements of different experts. On the basis of the research results, the Government will decide whether to introduce a gradation of employer contributions this autumn.

3.6 Activation of labour policy

Unemployment security reformed, 5% of workforce involved in labour policy measures

The total reform of unemployment security came into force at the beginning of 1997. The reform provided even more incentive than before for people to actively look for work and to accept even short-term employment relationships, it became profitable to work legally rather than bend the rules and the potential for older members of the workforce to remain on the labour market was improved.

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

Importance of public manpower services increased

The importance of public manpower services in coordinating labour supply with demand has increased. The market share of manpower services (its share of all jobs registered for external applications) was 71% in 1996 compared with 67% in the previous year. The increased market share also benefits job-seekers, as the employment offices are now able to find them work on the open labour market considerably more often than before. The increase in market share has been brought about by developing a range of services which correspond to employers' needs, working in close cooperation with employers and working consistently at improving the quality of services. The special services of employment offices include for instance provision of training according to company needs and testing people who apply for a job. Since 1996, it has also been possible for small employers to let the labour authorities handle their employer contributions.

Labour market training helps people find work

According to follow-up studies, labour market training has lowered the unemployment rate, shortened the duration of unemployment, improved prospects for finding another job and reduced the threat of unemployment. Labour market training was increased both in 1996 and this year. Training is mainly directed at the unemployed or people who are directly threatened by unemployment, and about 85% of those starting training in 1996 were in these categories.

Rapidly expanding local and regional cooperation

In recent years, the labour administration has become an important body in initiating and funding regional and local business development cooperation. Promoting entrepreneurship and creating new jobs are among the key aims of this cooperation. New business centres have been founded in different parts of the country to advise and support new entrepreneurs to set up in business. New operating models have also been developed with the tertiary sector and the municipalities in order to alleviate the situation of people who have difficulty finding work. The partnership project started in 1996 on the initiative of the European Union is an important part of these operations.

Regional administration of central government economic policy to be made into one strong organization

The regional administration of the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry will be merged as of September 1, 1997. This reform will create one strong regional organization to implement regional economic and labour policy. Particularly the potential for overall development of SMEs and for predicting training needs in the business sector will improve considerably.

3.7 Measures for young people

Young people to have vocational training before receiving unemployment benefits; vocational training provision strongly expanded

Measures which focus on young people have a key position in the employment programme. Vocational training has been increased a great deal and its contents have been brought even closer to working life. The conditions for young people to receive unemployment security have been made stricter in order to encourage people to take vocational training. The measures are now producing clear results: the increase in training places reduced the supply of young workers on the labour market during the worst years of the recession. At the moment, employers are particularly looking for young workers with vocational qualifications, which improves young people's employment rate in a sustainable way.

As of the beginning of 1996, the conditions for under 20-year-olds to receive unemployment security (labour market support) were made stricter in the sense that vocational training, trainee work or labour market training was made a condition for receiving support. As of the beginning of 1997, these stricter conditions were expanded to include people under 25. In practice, this meant that some 11,000 young people between 20-24 transferred from passive receipt of support to training or trainee work.

At the same time, vocational training provision was expanded powerfully so that all young people have access to a place in vocational training. In 1996, there was an increase of 8,500 starting places and another 3,000 in 1997. Entrance to training was changed in order to favour people under 20 with no previous vocational training. In 1996, the number of students in post-comprehensive training increased by about 14,000, most of them young people. This represents additional costs of about FIM 500 million (FIM 35,000 per student).

The transfer from training into working life has been made smoother by powerful development of the advisory services and manpower services offered by educational institutions and employment offices. The new service system is already in full-scale use in all universities and university towns and in trial use in 40 vocational training institutions.

Vigorous expansion of workshop operations

Workshop operations have also been expanded vigorously. At the beginning of 1994, there were a total of 172 workshops in Finland. In 1996, there were about 300, and about 6,000 young people worked in them. It is estimated that by the end of 1997 the number of workshops will have gone up to 350, with

about 7,000 people working in them. The increase in costs is about FIM 53 million compared with the previous year.

3.8 Measures for the long-term unemployed

Emphasis shifted from subsidized work to individual measures

In Finland, subsidized employment arranged by the employment office has traditionally been one of the primary ways of interrupting long-term unemployment. In 1996, as much as 37% of all periods of long-term unemployment ended in subsidized employment. During the worst years of the recession, extensive subsidized work was a notable measure in preventing permanent exclusion from the labour market and society. The problem of extensive long-term use of subsidized employment is that it seldom leads to permanent employment on the open labour market. In 1996, about 70% of those who had been in subsidized employment became unemployed again when it ended, or became involved in other measures.

As labour demand improves, the use of subsidized work is being reduced. The labour administration has developed working methods and service types adapted particularly to the needs of the long-term unemployed. The long-term unemployed are offered service units consisting of group services, personal guidance, vocational training, trainee work and periods of employment. On the local level, various cooperation and operating models have been developed, especially between social welfare and health care authorities and the labour administration. New methods of dealing with long-term unemployment in cooperation between the private, public and tertiary sectors have been developed with the help of the partnership experiment. Long-term unemployment has been noticeably reduced.

In July 1996, a two-year project was started within which a thorough study of the life situation, potential for finding work and the measures needed will be carried out for every long-term unemployed person over 50 in the 10 biggest towns in Finland. The studies and the measures will be carried out in close cooperation between the labour and rehabilitation authorities, and will include 15,000 long-term unemployed. Already this autumn, the Government will decide whether to expand the project nationwide and whether social and labour policy measures should be developed on the basis of the results so far.

3.9 Unemployed women and measures to promote equality

Special entrepreneurial loans for women, improved labour legislation

Women's employment began to recover more slowly after the recession than that of men and women's unemployment has continued to fall more slowly than men's. The difference is due to the fact that women are more often than men employed in low-paid jobs which have been hit harder by rationalization. The difference is also partly explained by the slow growth in employment in the public sector, where more than two thirds of employees are women. Women's relative position on the labour market has thus weakened in recent years. The majority of the unemployed are still men, however. In the first half of this year, there was an average of 195,600 unemployed women registered with the manpower services and 227,800 men. Women's unemployment had gone down by 4.5% during the year and men's by 8.4%.

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

- Since 1997, women entrepreneurs have been supported with a special women entrepreneur's loan. This has produced several hundred new jobs.

- The proportion of women in programmes promoting employment has increased and now corresponds at least to their proportion of the unemployed, being slightly higher in number than men where subsidized employment is concerned.
- Special attention has been paid to the accommodation of career and family; research on the subject is in progress, as are negotiations with the labour market organizations.
- The labour legislation has been amended so that the employment terms and social security for atypical women-dominated fields are as good as those of permanent and full-time employment. On the other hand, unemployment security has been reformed to provide even more incentive to accept even short-term employment.
- The content and programmes of IT training are being altered so that they will also interest girls.

3.10 Measures for other special groups (older and disabled workers)

Programme started for older workers; the disabled a focus of labour policy

A study of the service needs of older long-term unemployed people involving over 15,000 employment office clients is at present being carried out as part of the employment programme (see section 3.8). Based on this, the Government will make labour and social policy decisions during the course of this year.

In February this year, the Government made a decision in principle on improving the labour market position of older workers. The main aim of the decision in principle is to improve workers' chances of remaining in working life for longer than is currently possible. The decision comprises 40 tangible development projects. In accordance with these, programmes such as the national programme to improve the working capacity and working conditions of older workers have been initiated. Reduced employer social security contributions for older workers are also under consideration.

In 1996, some 7,200 disabled people started labour market training, which is 2,200 more than a year earlier. Similarly, employment subsidies were used to employ a total of 16,300 disabled people, the same number as in 1995.

4. THE ROLE OF THE EUROPEAN SOCIAL FUND IN THE IMPLEMENTATION OF THE EMPLOYMENT PROGRAMME

Objective 3 and 4 programmes help create jobs and promote finding work

One of the aims of the European Social Fund's Objective 3 programme is to prevent long-term unemployment and make it easier for the long-term unemployed to re-enter the labour market. In 1996, more than 11,000 people started in Objective 3 programme projects. 57% of them were women. The target of 50% for placement in work and training stated in the Single Programming Document has nearly been reached. According to evaluation studies, one out of every two people who have completed a project has ceased to be unemployed within six months of the end of the project.

The implementation of the Objective 4 programme emphasizes training in accordance with the principle of lifelong learning. The programme develops new training models for employees, especially of SMEs. At the moment, there are some 200 projects in progress, with thousands of participating SMEs. Over 10,000 people have taken part in projects within the programme. 11 centres of excellence have been established in Finland to develop the operating environment in their area and make it suitable for production of a high standard and for internationalization. The Objective 4 programme participates in the projects of the centres of excellence through its SME training programmes. According to the results of preliminary monitoring the training projects of the Objective 4 programme have improved

small companies' potential for continuing and expanding production and have thus created a lot of new jobs.

Regional programmes contribute to creation of over 11,600 jobs and preservation of about 23,000 jobs

The main aim of the programmes for the regional objectives 6 (regions with an extremely low population density), 2 (areas seriously affected by industrial decline) and 5b (development of rural areas) is to create new jobs and strengthen the economy of the target regions and areas. The programmes promote entrepreneurship and the improvement of companies' operating environment, infrastructure development, the use of renewable sources of energy, development of rural areas (programmes 6 and 5b), environmental improvement and skills. By the end of 1996, about 1,750 projects had been started in the Objective 6 programme, 1,345 in the Objective 2 programme and about 1,300 in the Objective 5b programme. It has been estimated that these projects helped create about 11,600 new jobs and to preserve about 23,000 jobs.

5. REFORMS IN PROGRESS

Good opportunities for long-term unemployed to acquire vocational training

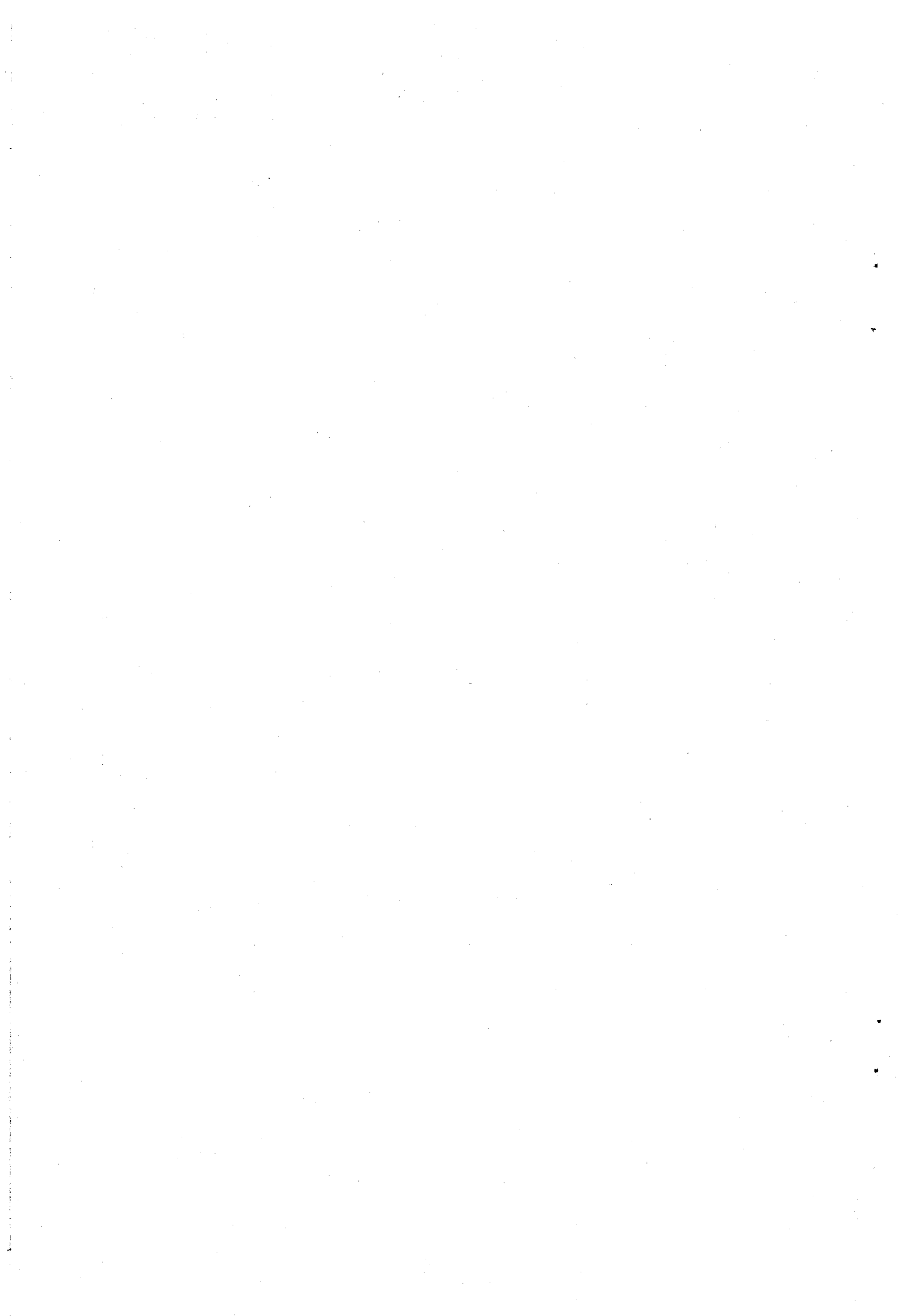
A new means towards promoting lifelong learning and activating the passive unemployment security system has been the development of the so-called training insurance system. This means that an unemployed person is allowed to take vocational training of his choice while receiving unemployment benefit. The reform will be implemented gradually by giving long-term unemployed people the right to study this year. The intention is then to expand the system to include other unemployed people in 1998. The possibility of extending the system to also include employed people is being studied.

A more functional labour market and prevention of exclusion with the aid of a total reform of labour policy

The Ministry of Labour is planning the implementation of an overall reform of labour policy. A proposal was completed last June which includes suggestions such as making labour policy more transparent, transforming manpower services into a product and giving precise definition to the rights and obligations of the unemployed. The main aims of the proposal are to improve the functioning of the labour market, encourage people to actively seek work and reduce long-term unemployment. The proposal contains a number of measures to make manpower services operate more efficiently. It is proposed that an attempt should be made to prevent long-term unemployment by using individual interviews to discover the measures required by each unemployed person and then drawing up operating plans based on these. New, more effective measures are proposed to employ the very long-term unemployed. Their aim is to, for instance, use the employment potential of the so-called tertiary sector more extensively than at present. Implementation of the proposal will not require additional central government funding; rather it would, on the whole, save government expenditure. Resources would be shifted from subsidized employment and labour market training to improvement of the employment offices manpower services and advisory services. The Government will decide on the proposal this summer. The plan is to implement the reform in stages as of the beginning of 1998.

Working time policy the focus of attention in incomes policy settlement negotiations

Issues involving working time policy are likely to feature in the negotiations for the next incomes policy settlement. The Government's aim is to use these negotiations to reach agreement with the labour market organizations on making job alternation leave a permanent arrangement and on encouraging more people to take advantage of it by improving the conditions for job alternation leave support.



**IMPLEMENTATION OF MEASURES CO-FINANCED BY THE STRUCTURAL FUNDS
FINANCIAL IMPLEMENTATION**

TOTAL PUBLIC EXPENDITURE

PROGRAMMES/SUBPROGRAMMES	MEASURES	1994-99	1996
KNOWLEDGE AND INNOVATION BASES		113078.8	40892.4
Education (PRODEP II)		97581.8	33347.1
Infrastructure of basic secondary education and vocational education			
Action 1,3 - Vocational schools (1)	ERDF	8056.7	N.A.
Continuing vocational training and respons. educational administration	ESF	8387.7	3028.2
Technological training, professional, artistic and recurrent teaching	ESF	36832.4	13547.1
Infrastructure in higher education	ERDF	27234.8	9720.0
Advanced training for higher education	ESF	17312.8	5799.2
Technical assistance	ESF	516.1	254.5
Technical assistance	ERDF	241.2	67.2
Science and technology (PRAXIS XXI)		15498.2	7545.7
Advanced training of human resources	ESF	15312.6	7444.7
Technical assistance	ESF	185.7	101.1
VOCATIONAL TRAINING AND EMPLOYMENT		143520.2	41962.2
Initial training and labour-market integration		59015.3	14471.6
Apprenticeship system	ESF	28365.6	5244.2
Vocational preparation, initial training/other methods	ESF	28475.3	7725.2
Labour-market integration	ESF	677.0	499.1
Improving quality and level of employment		64387.6	23072.4
Employment subsidies	ESF	32290.6	13557.1
Continuing vocational training	ESF	22587.7	5370.2
Vocational training for the unemployed	ESF	10803.6	3302.2
Training relating to negative developments at sectoral level	ESF	3506.8	642.9
Training and management of human resources		13396.0	1801.9
General measures	ESF	2440.2	740.5
Training for trainers and other agents	ESF	4286.5	1331.2
Construction and adaptation of infrastructure necessary to create jobs	ERDF	6658.2	1732.2
Training in public administration (PROFAP)		2721.7	816.3
Training and vocational advancement for public-sector employees	ESF	2838.8	506.8
Technical assistance	ESF	82.8	8.5
MODERNISATION OF ECONOMIC FABRIC		27570.8	7440.2
Agriculture	ESF	5007.4	1721.9
Fisheries	ESF	653.7	42.9
Industry	ESF	18020.7	4165.0
Tourism	ESF	3948.1	1706.5
HEALTH AND SOCIAL INTEGRATION		30810.3	8556.4
Health		4122.5	1791.7
Staff training	ESF	4122.5	1791.7
Economic and social integration for disadvantaged social groups		26494.8	6763.7
Support for socio-cultural development	ESF	385.5	367.4
Economic and social integration of long-term unemployed	ESF	6137.1	513.5
Economic and social integration of people with disabilities	ESF	16169.2	5472.4
Social and economic integration of disadvantaged groups	ESF	1543.6	332.9
Construction and adaptation of infrastructure and support instruments	ERDF	178.1	77.2
PROMOTION OF THE POTENTIAL FOR REGIONAL DEVELOPMENT		8893.7	1482.3
Rural and local development		3893.7	1482.3
Support for job creation	ESF	5693.7	1482.3
AUTONOMOUS REGION OF THE AZORES		11423.6	4268.0
Greater utilisation of human resources		11589.9	4259.0
Education	ERDF	4724.3	1507.8
Vocational training		5375.7	2255.6
Measures to encourage employment		589.9	365.7
Monitoring and technical assistance		33.6	9.0
AUTONOMOUS REGION OF MADEIRA		9062.7	3384.7
Training and greater utilisation of human potential		9016.7	3356.3
Knowledge and innovation bases	ERDF	2300.8	957.4
Vocational training	ESF	5762.9	2071.3
Measures to promote employment	ESF	953.8	327.6
Management and monitoring of the programme		82.0	25.4
TECHNICAL ASSISTANCE PROGRAMME		2785.1	1177.6
TOTAL		344961.3	108364.6

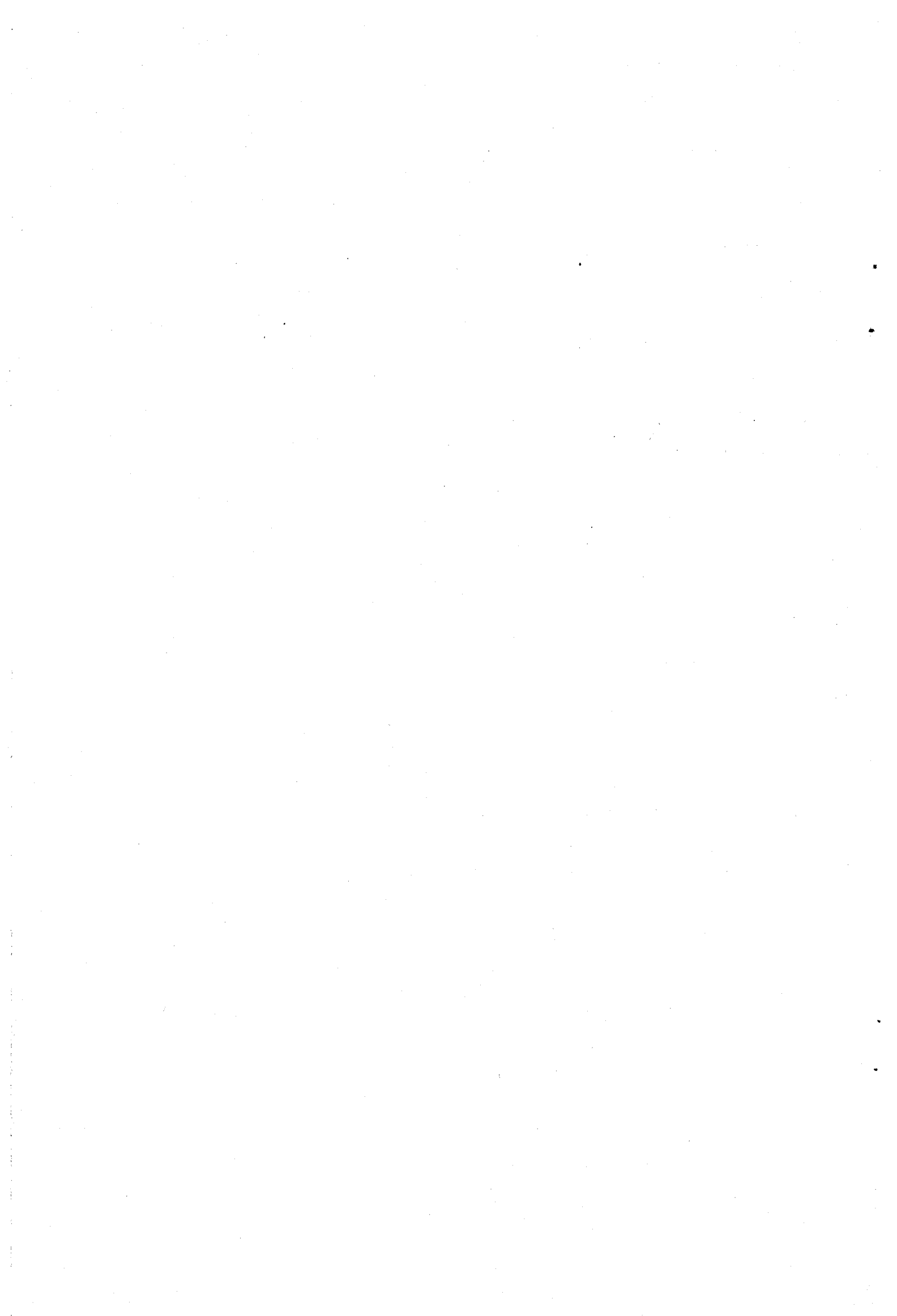
Sources: DGDR "Report on annual implementation of the Community Support Framework 1994-1999"

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(1) PRODEP Report (1997)

Sweden

Ministry of Labour



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1. THE NATIONAL EMPLOYMENT AND LABOUR MARKET SITUATION

Following a primarily export- and investment-driven upturn in the economy in 1994/95, demand fell as a result of the international recession at the end of 1995. The GNP growth rate fell from 3.6% in 1995 to a mere 1.1% in 1996. The economic cycle bottomed out in the first quarter of 1996, but after that there was something of a recovery, especially in industry. During the last quarter of 1996 and the first quarter of 1997, the growth rate was 1.8 and 1.6% respectively.

Wavering demand and the low growth rate meant that the labour market situation deteriorated again in 1996 following the successive improvements in 1994/95. In the first half of 1996, the number of persons in employment fell by about 50 000 in industry, which is sensitive to economic fluctuations, and in the public sector. In the second half of the year, it stabilised at a low level. In the first half of 1997, there was a further fall of about 50 000, this time concentrated in the public sector, while private-sector employment, primarily in the services sector, is tending to rise. Between July 1996 and June 1997, employment fell altogether by 60 000 compared with the previous 12-month period, equivalent to 1.5% of the total number in employment.

Table 1. Labour market trends 1994-1996. In '000 and as % of the labour force

	1992	1993	1994	1995	1996	1996:h1	1997:h1
Unemployed aged 16-64 ('000)	233	356	340	332	347	330	363
- % of labour force	5.3	8.2	8.0	7.7	8.1	7.7	8.5
women	4.2	6.6	6.7	6.9	7.5	7.0	7.9
men	6.3	9.7	9.1	8.5	8.5	8.4	9.1
young people 16-24	11.4	18.4	16.7	15.4	15.7	14.8	16.2
long-term unemployed > 6 months	58	114	130	117	132	128	144
Employment policy measures	155	179	226	190	196	215	196
Employment	4209	3964	3928	3988	3963	3954	3896
Employment/population	77.0	72.6	71.4	72.2	71.6	71.4	70.2
women	75.9	72.1	70.7	70.9	69.9	70.0	68.6
men	78.1	73.0	72.2	73.5	73.2	73.0	71.8
Labour force	4442	4320	4268	4319	4310	4286	4258
women	2134	2076	2049	2068	2060	2046	2032
men	2309	2245	2219	2251	2250	2239	2226

Source: AKU and AMS

The weaker labour market situation meant that unemployment went up to 8.1% in 1996. Employment policy measures also increased somewhat, covering 4.5% of the labour force in 1996. In the first half of 1997, unemployment continued to rise to 8.5% of the labour force. The unemployment rate was 7.9% for women and 9.1% for men. As the labour market situation deteriorated somewhat in 1996/97, long-term unemployment increased too. Around 38% of the jobless in 1996 were long-term unemployed, i.e. without work for more than six months. The labour force has fallen in recent years, especially in the case of young people, more and more of whom are studying. On the other hand, labour force participation among the older population groups is still high.

In 1997 the economy will pick up again, and we expect employment to start rising again in the latter part of the year and in 1998. As a result of, among other things, budgetary consolidation, employment in the public sector has fallen considerably. Now that public finances are back on an even keel, the Government considers it important to boost employment in the municipalities and county councils. Accordingly, SEK 4 billion will be transferred to the local government sector in the second half of 1997 and a further SEK 8 billion in 1998. This represents a permanent subsidy of SEK 8 billion a year.

2. KEY FEATURES OF THE MAP

In the 1990s the two main features of the Swedish economy have been a substantial deficit in public finances and high unemployment. The Swedish Government has carried out a sweeping and successful reorganisation of the budget, which has been necessary in order to boost confidence in the economy, which is one of the most important preconditions for a better business climate and rising employment. The public sector borrowing requirement has fallen from just over 10% of GNP in 1994 to just over 2% in 1997. Next year, public finances are expected to be in balance. Reducing unemployment is the Government's most important task. The stability of the State's finances has meant a substantial fall in interest rates and increased the scope for combating unemployment. The Government has set itself the target of reducing registered unemployment from 8% in 1994 to 4% in 2000. It is monitoring developments in this connection by means of six-monthly checks (as was done previously in the case of the convergence programme). The first of these was published in spring 1997 (see Annex 2).

Sweden's employment strategy is strongly geared to more aggressive measures in order to promote for business and employment, increase individuals' skills and competitiveness and facilitate the working of the economy. Long-term sustainable employment cannot be brought about by subsidising low-productivity sectors, widening the divisions in society or wasting human, social or natural resources.

Sweden's labour market policy has long been characterised by the view that activity is always better than passivity, the so-called work and skill ethic. Active labour market policy is an important component of economic policy to strengthen the operation of the labour market. However, too great a responsibility must not be placed on labour market policy so that its fundamental task, i.e. providing jobs, is neglected. The responsibility for creating the conditions for new job opportunities lies primarily with economic policy in general, including industrial and regional policy.

An important element in Sweden's strategy has been to increase labour market flexibility by extending training, boosting skills development in working life and creating opportunities for lifelong learning. The key to greater flexibility, lower unemployment, higher growth, greater equality and greater freedom of choice is, more than anything else, training and skills development. Increased knowledge is also a springboard for social, political and cultural development.

Employment policy in Sweden is based on five fundamental principles:

- Unemployment is to be reduced primarily by providing more people with work or with training that gives them more opportunities for work. The work and skill ethic applies here.
- The bulk of the increase in employment over the next few years should be in the private sector.
- In the public sector, activities are to be given priority over transfers. Health services, care and schooling form the core of social welfare.
- More efficient wage formation is required if unemployment is to be halved.
- State finances must be sound and prices stable.

The 1994 Essen Summit focussed to a large extent on five priority areas for employment policy. Sweden's employment policy gives priority to three of these in particular:

- Greater emphasis on training as a way of developing skills and increasing employment opportunities
- A more effective labour market policy
- Special priority for vulnerable groups on the labour market: the long-term unemployed, young people and immigrants.

The basic principle of labour market policy is that all activity must have an equality perspective. Its main objective is to rapidly fill jobs, to reduce long-term unemployment and, in the case of young people under 25, to ensure that nobody is without meaningful employment for more than 100 days.

3. MAJOR DEVELOPMENTS IN 1996/97

3.1 Training and lifelong learning

An important element of Sweden's policy is to use training to increase the population's skills and adaptability to an increasingly changeable working life. Training together with changes in work organisation also contributes to a better working environment for those who are already in work. In addition, the individual's skills are boosted and the risk of long-term unemployment diminishes. The slack demand for labour is to be used to increase the population's level of training.

A large proportion of the resources collected is therefore invested in training. Alongside the large-scale employment training, ordinary education has expanded considerably in recent years, mainly in upper secondary schools and adult education. Between the 1995/96 and 1996/97 school years, around 60 000 extra places were created in local authority adult education, which corresponds to about 1.5% of the labour force. Since 1990 the number of university students has increased from around 200 000 to about 290 000 in 1996. There has also been a marked increase in the number of young people starting a university education before the age of 20. Of those born at the end of the 1960s,

approximately 12% started university studies before the age of 20. Of those born in 1975, the proportion is 24%. Many are also starting training later.

A new form of post-secondary apprenticeship has been introduced on an experimental basis as from autumn 1996. It is a two-year sandwich course providing the in-depth theoretical and practical knowledge required in a modern economy. Some 3 000 people started this training in autumn 1996.

The training strategy is a long-term one, and it is therefore difficult at present to say anything about its effects. In general, it can be said that it is easier for persons with a higher level of training to find a permanent job. This applies particularly to younger persons. The substantial training investment together with the high level of unemployment has meant that labour force participation has fallen among the younger age groups in particular. This fall is probably only temporary, however.

3.2 Work organisation and working time

Improved work organisation offers scope for increased competitiveness and productivity - and hence better conditions for new jobs. The question of work organisation must be considered from an overall point of view - the individual's influence on work tasks, technological development and the working environment. It is necessary for employees to be involved in the design and implementation of changes in work organisation in order to achieve positive effects in the form of increased productivity and an improved working environment. See section 4: European Social Fund Objective 4.

In 1995 the Government set up a Committee on Working Time, which in autumn 1996 presented its final report, SOU 1996:145. The Government believes that a reduction of working time has positive effects on employment, even though shorter working time is primarily a welfare issue. Any reduction should be based on an agreement brought about by negotiations between the social partners. The Government considers that there is scope for a reduction of the order of 100 hours over a five-year period. If the social partners do not reach an agreement, the Government is prepared to pass legislation on a reduction of working time.

3.3 Wage policy

In May 1996 the Government instructed the social partners to examine what changes were needed to the *system of negotiation and wage formation* to ensure that it worked more effectively. Their report, which would be submitted in March 1997, resulted in a number of proposals from the individual organisations. One thing that most considered necessary was that mediation should play a greater part in resolving any disputes. No common solution was found, however. As a result of the proposals submitted, the Government appointed a commission to carry out further work on the basis of the most constructive ones. This commission will continue its work until 30 November 1998 but will give priority to certain questions. A proposal on the working methods, resources and organisation of the Institute of Conciliators will be presented as soon as possible.

3.4 Job creation initiatives

On 1 January 1997 new rules concerning *labour law* came into force. The modernisation of labour law has been guided by four factors: unemployment has to be reduced, the labour market has changed, long-term and stable solutions are required and the position of women must be strengthened.

The new labour legislation includes a new form of temporary employment that facilitates recruitment. A company can employ persons on a fixed-term contract for a total of up to twelve months without any special reason. Small companies without previous employees can take them on for up to 18 months. It is too soon to have any idea whether this change has had any effect on employment.

The period of notice, which previously depended on the employee's age, is now linked to length of service instead. In addition, the new legislation offers greater scope for agreement at local level to depart from the "last in, first out" rule in the event of dismissals. However, the employer must be covered by some agreement with a central trade union organisation.

Persons wanting to start up their own business can obtain a *start-up grant*, which as a rule is paid for a maximum of six months but can in certain cases be extended for a further six months. This grant, which is a form of maintenance support, is not received until the business concept has been deemed realistic and can provide the recipient with permanent employment. It is also normal that the new entrepreneur undergoes some training before starting up. In conjunction with NUTEK, the AMS has devised a strategy for this measure, comprising guidelines on how activities such as consultancy hiring, information meetings, guidance, courses for new entrepreneurs, monitoring and setting-up of cooperation bodies are to be carried out. As a back-up for the civil servants working on this measure, a number of working aids have been devised in the form of the "new entrepreneur programme" (*nyföretagarprogrammet*).

The number of recipients of a start-up grant has been in the region of 10 000 a month in recent years. This grant therefore plays an important part in the creation of new businesses in Sweden. In 1995, just over a third of all new businesses received it. It can be regarded as a successful measure, since many applicants have work once it has ended. A good 77% of start-up beneficiaries have work 90 days after the measure has ended. One problem is, however, that the high proportion of businesses started up on the local services market can distort competition. See also section 3.9.

The Government earmarked SEK 400 million for environmental investment with an impact on employment in the period 1995-1996, to be used for setting up nature conservation areas and decontamination of polluted areas. This sum covered 15% of the total investment costs. The Swedish Environment Protection Board paints a very positive picture of the impact of environmental investment, both on the environment itself and on employment. All in all, the Board estimates that an investment outlay of SEK 250 million has created some 2 100 jobs a year, both directly and indirectly.

3.5 Making taxation systems more employment-friendly

With a view to stimulating business activity, since the beginning of 1997 an employer may make a 5% deduction from his payroll tax. This applies particularly to smaller businesses, since the maximum deduction is SEK 2 500 a month. For an employer with a monthly wage bill of at least SEK 50 000, this means a maximum annual deduction of SEK 30 000. From 1998 onwards, this deduction will be increased to a maximum of SEK 42 600 a year.

3.6 Activation of labour market policies

Sweden has a long tradition of active labour market policy as an important part of economic policy. The policy is administered by an authority, the National Labour Market Administration (*Arbetsmarknadsverket*), and is guided by objectives and results. In order to make the labour market policy effective, a start was made a few years ago on decentralisation and increasing the local influence. The direction of the labour market policy measures is to be decided locally, as close to the individual as possible, within the framework of the Government's objectives.

The employment service's staff resources have been boosted in order to increase their placement activity and make it more effective. A central and time-consuming task for the placement officer is to devise, in consultation with the jobseeker, an individual action plan for finding a job. Furthermore, the Government has introduced placement boards in each municipality, which decide on the direction of labour market policy within the municipality. They comprise representatives of local authorities, local businesses, social partners and the employment service.

The boards' tasks are to:

- ensure that national labour market policy objectives are met;
- examine possible ways of making more effective use of available resources;
- provide support in the form of skills enhancement and other measures for the unemployed;
- initiate and cooperate on pilot projects of importance for the development of the labour market in the municipality.

In 1996 the Government concluded an agreement with 28 pilot municipalities for local cooperation on unemployment. The agreement came into force on 1 July 1996 and applies until the end of December 1997. Examples of projects are training of apprentices in a major Swedish company, a media workshop for unemployed young people, environmental work for unemployed young people, "*friår*" in accordance with the Danish model, etc. The vast majority of the municipalities have observed that the pilot activities have helped to reduce the cultural differences between the various players on the labour market, to foster understanding of one another's work and to increase interest in labour market policy. Some municipalities feel that a surprisingly small proportion of those who originally applied to the social services have gone back to them and that this is due to, amongst other things, the drawing-up of the individual action plan.

3.7 Specific measures in favour of young people

Since November 1995 the municipalities have had overall responsibility for unemployed young people up to the last day of June in the year that they reach the age of 20. They have been responsible for even longer for the education of young people, including the three-year upper secondary school period. They must also ensure that the young people have employment in the form of training or work experience.

In 1996, around 15 000 young people aged from 18 to 20 on average were covered by this measure. This means that about 15% of any particular year-group benefited. The municipalities' responsibility for follow-up is fulfilled somewhat differently in different municipalities, depending on the conditions there. For the country as a whole, the vast majority of young people, around 95% on average, were in some form of work experience scheme. About half of these were working in the local government sector, while the remainder were in private industry. The young people themselves are very satisfied with their work experience. In a follow-up survey they say that the positive aspects are that they are getting experience of working life, that it fulfils a social need, that it provides an opportunity to try out a job and that it increases the possibilities for working. It is also usual for the young people themselves to make contact and thus arrange their work experience place. The municipalities introduced some form of economic compensation when they took over responsibility, and resources have therefore been released by the employment authorities. Young people on this scheme receive an allowance equivalent to the study grant, i.e. around SEK 1 300 a month.

For young people under the age of 25 there is a guarantee that nobody will need to be unemployed for more than 100 days. The number of young people nevertheless registered as unemployed for more than 100 days was around 23 000 in May 1997, accounting for roughly 40% of the unemployed. There were somewhat more young women (approximately 12 000) than young men (around 11 000). Young people unemployed for more than a year numbered only about 1 000, however, or approximately 2% of the unemployed.

Many young people have taken part in the computer centre/activity centre scheme. The computer centre was set up in 1995 under the authority of the municipality. It was designed in consultation with municipal and employment authorities. It is an alternative to traditional employment training and is intended to meet the growing demand for modern IT knowledge in society. This scheme, which lasts for 12 weeks, gives young people an opportunity to learn how to handle a computer, basic word processing, calculation, etc. Attendance is half-time and in parallel the participants are engaged in various activities, directed at the labour market, such as project work, jobseeking techniques and guidance. This measure was originally targeted at unemployed young people aged between 20 and 24, but from 1 July 1996 it has been available to unemployed people of all ages. It has proved to be both very useful and easy to implement, and it has become increasingly obvious that other groups than young people need IT knowledge too. Various surveys show that both the staff and the participants think that this activity increases participants' chances of finding work. A good 80% of the participants are satisfied with the computer centre, which can mainly be regarded as a necessary complement to other knowledge. In order to get a job, it is often necessary nowadays to have basic knowledge of IT. Around 10 000 people a month on average have been on this scheme, receiving a grant of SEK 640 a month if they are under the age of 25. In comparison with traditional employment

training, the cost of the computer centre per participant has been low, averaging SEK 6 700 a month.

3.8 Specific measures in favour of the long-term unemployed

One of the Government's most important objectives for labour market policy is to combat long-term unemployment. In 1996/97, long-term unemployment has tended to increase on account of the deterioration in the labour market situation. The proportion of long-term unemployed as defined in Sweden, i.e. longer than six months, was 41% in May 1997. Persons unemployed for more than 12 months made up around 20% of the total unemployed.

The work and skill ethic, or active labour market policy, means that various measures are implemented at a relatively early stage in order to prevent or eliminate long-term unemployment. Training schemes and start-up grants will, where appropriate, be offered as soon as possible. This applies to training measures both as part of labour market policy and in the context of ordinary education. Other measures are applied mainly when a person has been unemployed for a lengthy period of time. Special attention is paid to persons who have been continuously registered at the employment office for more than two years. The Government has announced that certain measures will be targeted primarily at the long-term unemployed. The placement officer and the jobseeker must work together to plan the way of finding a regular job. Individual action plans in the form of contracts between the employment service and the jobseeker are to be drawn up in order to emphasise the individual's responsibility for his/her situation. All long-term unemployed persons are to have an individual action plan. Training in the ordinary education system can be counted as part of these plans.

A number of studies indicate that Sweden's labour market policy is succeeding in increasing employability among the unemployed who have lengthy periods of unemployment behind them. Long-term unemployment is still at a lower level in Sweden than in many other countries. Even though the likelihood of getting a job is greater for short-term unemployed, the difference between short- and long-term unemployed is relatively small and in periods of rising demand for labour the chances of long-term unemployed finding a job increase more. Other studies show that jobseeking intensity is not lower for long-term unemployed than for others.

3.9 Specific measures in favour of unemployed women and to promote equal opportunities

The basic principle of labour market policy is that all activities in this area must have an equality perspective. Certain measures to strengthen women's position on the labour market have nevertheless been introduced because female unemployment has increased sharply in the last few years.

In the 1995/96 financial year the AMS spent SEK 45 million on projects aimed at eliminating the gender-divided labour market. Most of the projects were targeted at long-term unemployed, poorly educated women, mainly looking for jobs in offices, shops and health care. The projects involve in particular in-depth guidance with drawing-up of action plans, motivation- and self-confidence-enhancing measures, etc. In autumn 1997 the AMS will carry out a qualitative assessment of the projects.

The *start-up grant* can be obtained by persons over the age of 20 wanting to start a business. It is usually paid for a maximum of six months but in certain special cases can be extended for a further six months. The proportion of women receiving a start-up grant has increased in the last few years, standing at around 35% in the 1995/96 financial year. In order to increase the proportion of women starting up their own business even further, from the beginning of 1997 women who have been registered with an employment office for 24 months or longer can obtain a training grant for starting up their own business for twelve months. Since July 1997 women can receive a start-up grant for twelve months after being registered with an employment office for only six months. Other measures to encourage women to start up their own business include courses for new entrepreneurs aimed solely at women or that, when hiring consultants, the employment office attaches importance to taking on female consultants too.

3.10 Specific measures in favour of other groups at risk

In November 1996 the Government introduced public temporary work (OTA = *offentligt tillfälligt arbete*) for older registered long-term unemployed persons. The requirements are that the person must be over the age of 55 and have been registered with the employment office without interruption for at least two years. OTA means that the person works in the public sector (excluding ordinary service) in return for unemployment benefit plus a smaller daily allowance. In 1996/97, some 5 000 persons benefited from this measure.

Trainees in temporary replacement schemes is a measure aimed at enabling employers to enhance their employees' skills through further training. This means that the employment service has an opportunity at the same time to inform the jobseekers of the vacancies arising as a result. The training is to take place in working hours and the trainees receive their normal pay. An employer who takes on a training replacement can obtain a replacement allowance of a maximum of SEK 350 for each full day that the stand-in works, but only up to 50% of wage costs including social security contributions and holiday pay per month. In the case of part-time work, the replacement allowance is reduced in proportion to the number of hours worked. As the employer himself bears the cost of the training aimed at enabling the employee to assimilate new methods or to carry out new tasks, the employment office may grant the employer a training allowance of a maximum of SEK 40 per training hour, but with a ceiling of SEK 40 000 per stand-in. The level of compensation paid to the employer was reduced substantially on 1 July 1996.

The temporary replacement scheme has been used mostly (around 80%) in the public sector, with the jobs done by the stand-ins being mainly in health care and services. This measure too has seen a predominance of women, who have made up about three-quarters of the participants. It has proved very effective in that, compared with other measures, the proportion of persons who have found work after being on one of these schemes is high - around half have a job 90 days after the end of the scheme. Moreover, the scheme has enhanced the skills of those on training leave. In the last financial year, an average of around 9 600 persons a month were on schemes of this type. A similar number were in training.

4. IDENTIFICATION OF MAP MEASURES SUPPORTED BY THE EUROPEAN STRUCTURAL FUNDS

Objective 3

Measures under Objective 3 complement Sweden's normal labour market policy and comprise measures for the benefit of young people, long-term unemployed and disabled persons. There are also special measures to assist immigrants in the three metropolitan areas. Equality is to be given priority in all planned measures. Measures eligible for support from the Social Fund are as follows:

- skills development
- activity centre (the labour market part of the computer centre)
- advice and guidance
- business start-up.

For each area, the aims, scope, selection criteria and indicators are laid down. The National Labour Market Administration is responsible for managing Objective 3.

Up to the beginning of May, more than 800 projects had been launched at a cost of SEK 4.2 billion. Of this sum, SEK 1.6 billion are from the European Social Fund and 1.5 billion from the National Labour Market Administration. Other sources of finance are primarily the municipalities and insurance funds, which contribute SEK 1.1 billion. The total budget for the 1995-1999 part of the programme is around SEK 5.8 billion, more than two-thirds of which has been taken up so far.

An evaluation in May 1997 shows that 50 000 persons have taken part in some Objective 3 project. Around 20% of those who have finished their projects have either found work or started studying. In the last half-year, some 17 000 persons have taken part in Objective 3 projects every month. This represents 8% of the National Labour Market Administration's total volume of measures. Just under half of the participants are long-term unemployed and 38% are young people. Some 4% have been registered as participants in projects for the disabled and 3% in projects for immigrants in the metropolitan areas. The proportion of immigrants in all projects is 14%.

Half of the projects are registered as skills development projects and 20% as guidance projects. The labour market part of the computer centre accounts for 18% of the projects. Business start-ups represent 12%. Each project is classified only according to a target group and a measure. This does not mean, however, that the target group is isolated or that only one measure is involved. Rather, it is usual for the projects to comprise several measures and/or several target groups.

In the mid-term evaluation carried out recently by independent assessors it is stressed that it is still too soon to draw conclusions about results and effects, since the programme did not start up properly until the second half of 1996. A series of proposals for minor adjustments to planning and implementation have been submitted and are now being put into effect by the relevant authorities.

Territorial pacts for employment

The initiative to experiment with "employment pacts" has met with considerable support and great interest in Sweden. Many regions showed an interest, and the Government has chosen six regions with differing conditions where close and wide-ranging cooperation is

to be tried out. The regions have taken part in meetings and conferences arranged by the Commission and the Government, and applications for "technical assistance" have now been received. Considerable work has been put into the applications, and in several regions a broad partnership has been established. In autumn 1997 the work will enter a more concrete phase, and there is a substantial commitment to the experiment. Sweden has also agreed to organise one of three thematic seminars that the Commission has planned for autumn 1997.

Objective 4

The central idea in Sweden's Objective 4 programme is the link between changed organisation of work and skills development, whereby all employees in the company are involved and enhance their adaptability. Sweden is the only EU country to have set up the Objective 4 programme in such a way that each individual company represents a project. Targeted measures are carried out in order to increase both the individual's and small firms' competitiveness. This has been brought about mainly by the fact that individuals' skills development goes hand in hand with the company developing new ways of organising the work. Studies from Sweden and Canada show that relevant training combined with improved work organisation can increase productivity in the company considerably.

The idea has been welcomed very enthusiastically by companies and trade union organisations. This has found expression in the local and regional commitment on the part of various players on the labour market and in industry, implemented through the regional partnerships. These provide assistance and advice to the regional coordinators of the implementing authority, the EU Programme Office. This minimal administration together with the partnership has created a platform for contacts between companies which stands out as innovative and has great potential for the future.

The budget for "Growth Force" Objective 4 is around SEK 5.5 billion up to the year 2000. The EU contributes roughly 25%, the Swedish State a similar amount, and the companies concerned provide the remainder. The target group is employees in companies with up to 49 employees but in exceptional cases can comprise employees in companies with up to 250 employees.

The participating employees and companies are involved in a two-stage process. In the first stage, an analysis is made of the skills development and organisational changes needed. This analysis is used as the basis for an action plan. In order to be able to start up development projects, key persons in the company are given training and skills development. In the second stage, skills development measures are carried out.

By mid-May more than 10 000 companies had announced their interest, and around 7 600 (preliminary) decisions have been taken for stage-1 measures affecting 120 000 employees. Almost 900 companies have been turned down. As regards stage-2 measures, 500 (preliminary) decisions have been taken and some 30 companies have been turned down. In connection with measure 3 - networks and external assistance - almost 600 applications have been received and just under 250 decisions have been taken.

Participating companies have the following to say about the effects of the work under "Growth Force" Objective 4: "Development plans have been drawn up for companies and employees, self-regulating groups have been formed, skills have been enhanced as regards setting targets, new methods, greater use of own resources, greater understanding of the

interplay between the economy, organisation and market supply, customer guidance, development of new products, increased awareness of the company, the employees' skills have been honed, the whole group is involved in decision-making, all may take greater responsibility, increased IT knowledge, better knowledge of sales and negotiating techniques, familiarity with the whole production flow, better customer service, etc.”.

5. MAJOR REFORMS OR MEASURES ENVISAGED IN THE NEAR FUTURE

In its spring bill the Government presented a five-point programme for work and training. The programme was approved by Parliament in June.

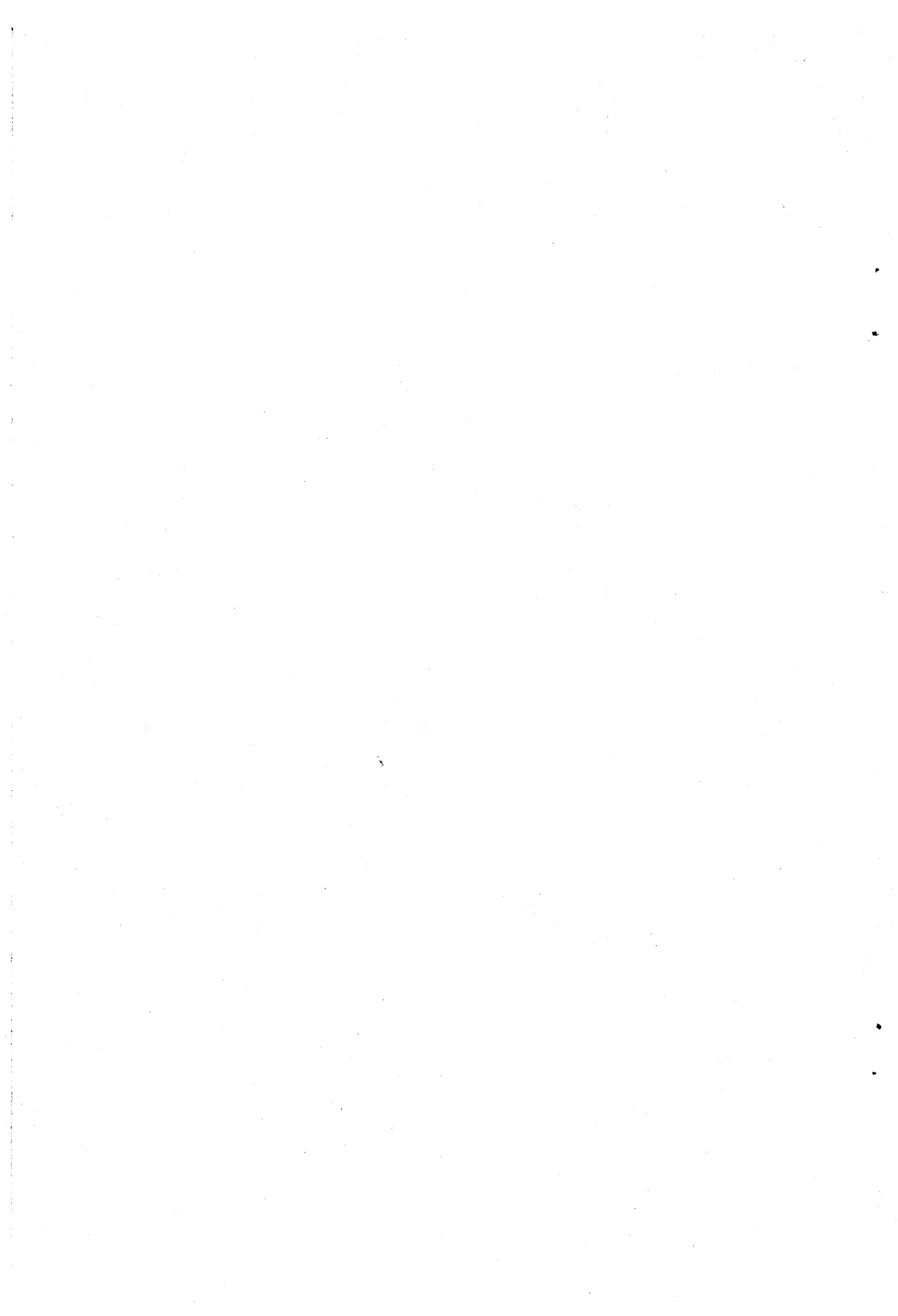
- *Health services, schools and care* will be boosted in order to promote employment and ensure the quality of welfare. Municipalities will receive a total of SEK 4 billion in the current year, followed by a further 8 billion in 1998. This is therefore a permanent measure with funding of SEK 8 billion a year aimed at reducing unemployment, promoting employment and raising quality.

Training will be stepped up further in order to boost Sweden's competitiveness in the long term. An increase in adult education measures has been decided, with 140 000 places from 1 July 1997 to the year 2000 as part of the national investment programme for skills enhancement and lifelong learning - *Kunskapslyftet*. Altogether, this investment involves an increase of over 200 000 places until the year 2000. Sweden is going to carry out a special five-year scheme to give at least 140 000 adults a year the opportunity to study to upper secondary school level. This represents about 3.5% of the labour force. The target group is mainly unemployed people and also employees who do not have the three-year upper secondary school education and are over the age of 25. The municipalities have the main responsibility for this measure. A special training grant, equivalent to unemployment benefit, can be applied for in respect of unemployed persons aged between 25 and 55.

In order to help with adjustment to the requirements of working life, there will also be close cooperation between the municipalities, the employment service, the social partners and other interested parties at local level. Training measures will also help to develop new forms of adult education so that the five-year period can be replaced by a new adult education system. The number of permanent university places will be increased by 60 000 over the period 1997-2000.

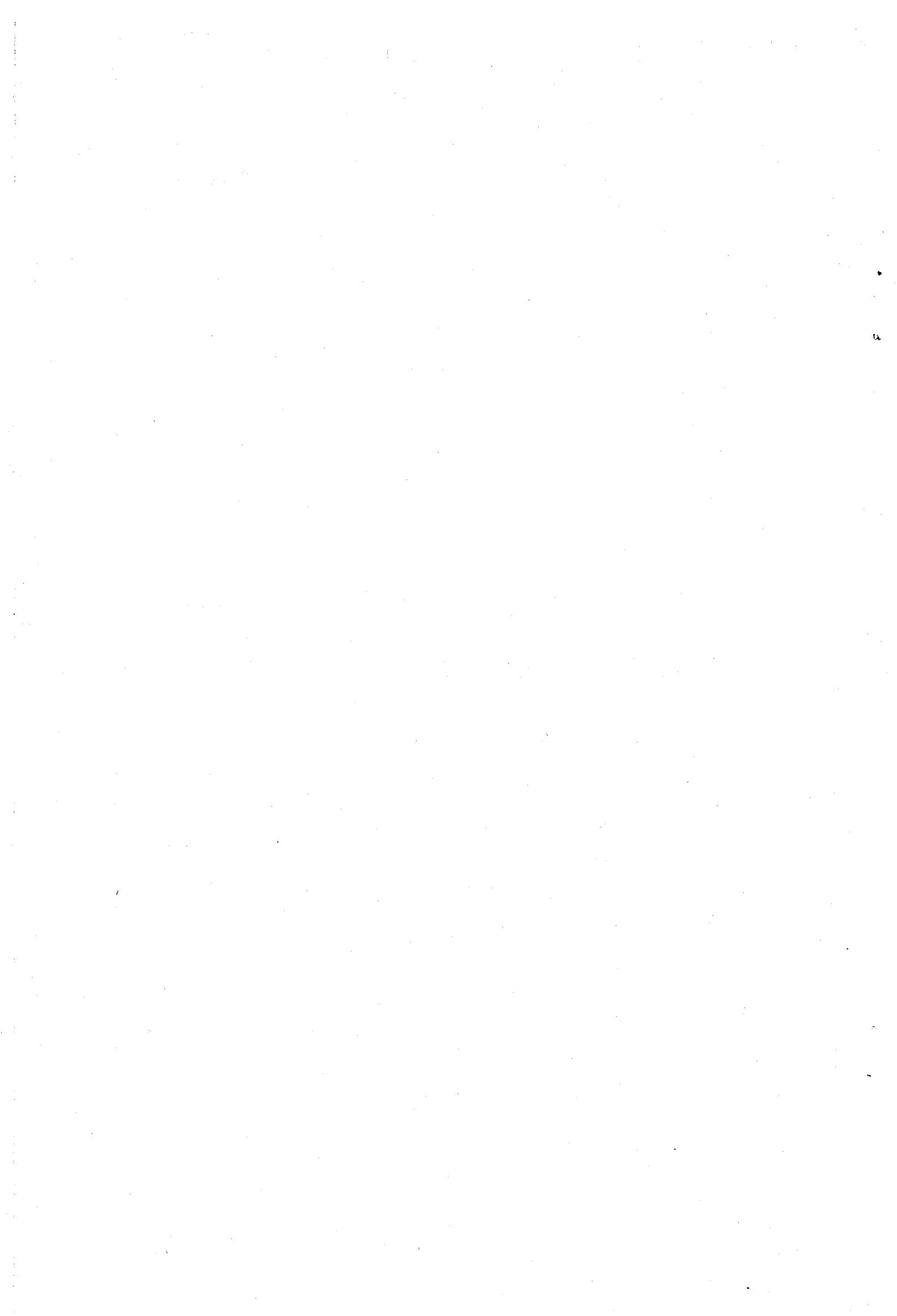
- An investment and action programme at local and national level for *sustainable ecological and social growth*. The local programme has funds of SEK 5.4 billion for the period 1998-2000. The national investments include the energy policy programmes for a changeover of energy systems.
- The *business climate* in Sweden is being improved further. The lowering of payroll tax is aimed particularly at smaller firms by increasing the basis for the reduction to SEK 850 000 a year. Tax breaks and simplifications of the tax rules are being introduced for small and medium-sized firms. The Government has introduced an entitlement to six months' leave for the purpose of starting up a business.
- *Labour market policy* is being strengthened in order to reduce the risk of exclusion and marginalisation. The Government is aiming to raise quality in the area of labour market policy by making SEK 1 billion available in 1998 for job-related employment training.

In 1997 a scheme is being introduced for public temporary employment of older unemployed persons. There is also a proposal for a scheme whereby persons aged 63 or 64 are offered severance pay if the employer takes on a long-term unemployed younger person in their place. Furthermore, Parliament has decided that long-term unemployed persons receiving unemployment benefit can be taken on as extra staff for the day-to-day work of employees' organisations, central government, municipalities, regions, parishes and general insurance funds so that measures can be taken to improve quality, known as "standby work". Those taking part in this measure receive a wage from the employer, who in turn receives a State subsidy equivalent to the individual's unemployment benefit. It is an experimental scheme and is expected to run from 1 July 1997 to 31 December 1998. In order to increase the local influence and counteract passivity, the Government intends, for an experimental period to the end of 1998/beginning of 1999, to foster local initiatives for making more active use of resources for unemployment benefit in order to activate unemployed persons.



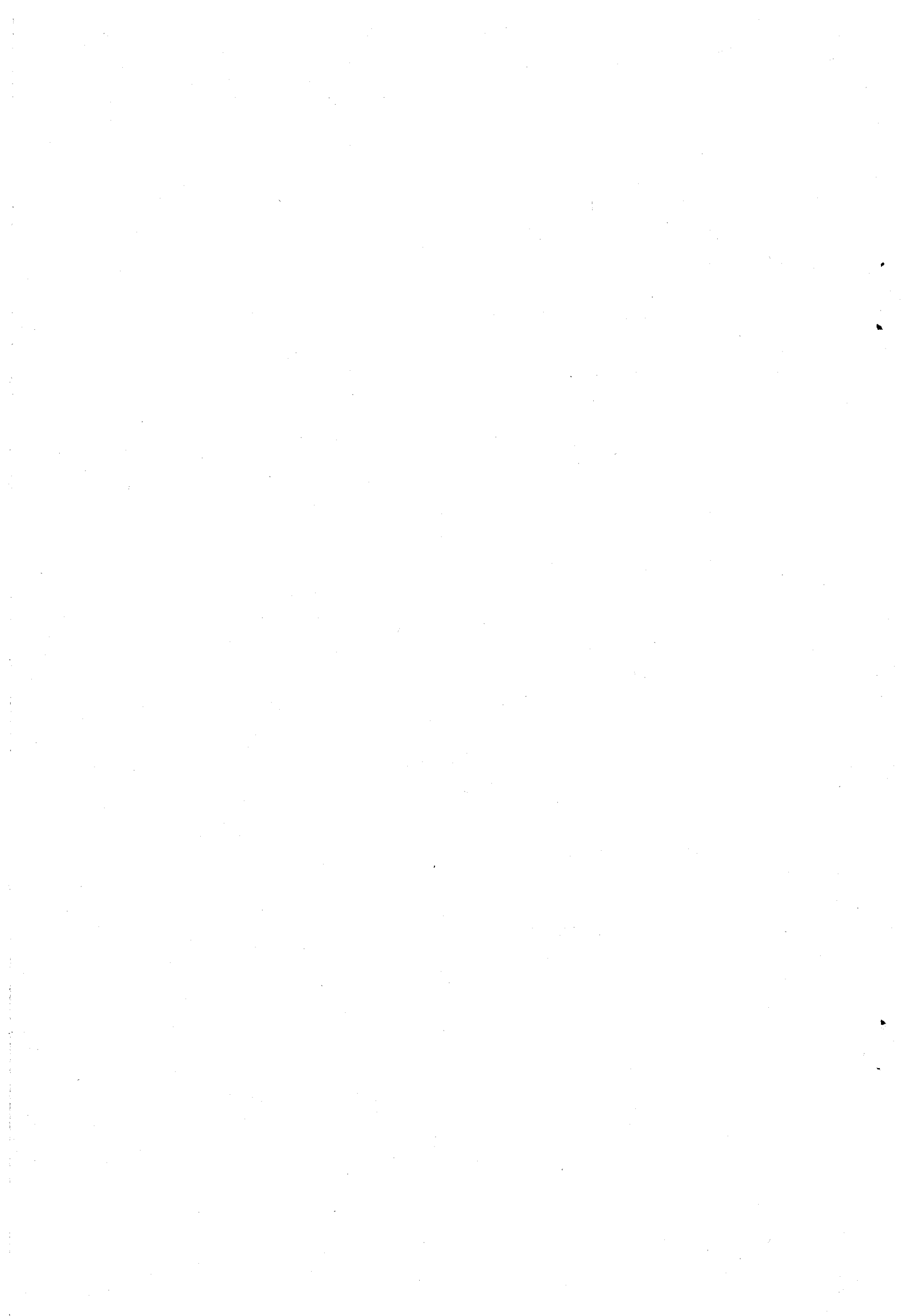
United Kingdom

Department for Education and Employment



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INTRODUCTION

Over 18 million people remain unemployed across the European Union. Unemployment damages too many lives and must be reduced if Europe is to remain competitive and maintain social cohesion. Adaptability is the key. We need a skilled and adaptable workforce and flexible labour markets which respond quickly to economic change. This flexibility will be vital if Europe is to respond successfully to increasing global competitiveness while promoting social cohesion and inclusion.

The European Council at Amsterdam agreed a new employment chapter in the Treaty, Council Conclusions on Employment and a Resolution on Growth and Employment. These set a clear agenda at European level for action to create jobs and attack social exclusion. The primary responsibility for tackling unemployment remains at member state level and this report sets out the approach which the new UK Government proposes to take.

The key elements of our approach are:

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

The Government has already started work on these key issues.

We intend to:

- **provide a New Deal for unemployed people** which will improve the employability of those groups who are vulnerable in the labour market. We have allocated up to £3.9 billion of funding for this.
- **focus on those geographical areas where social exclusion is particularly acute**, by trying new and innovative approaches to tackling unemployment in designated Employment Zones.
- **remove the barriers that exclude people who want to work from entering the labour market** by reviewing the tax and social security benefits systems to ensure that they help, not hinder, people's efforts to find work and provide the support and opportunity for self reliance and to lift people out of dependence on the State.
- **maintain the full range of employment services** designed to help unemployed people back into work.

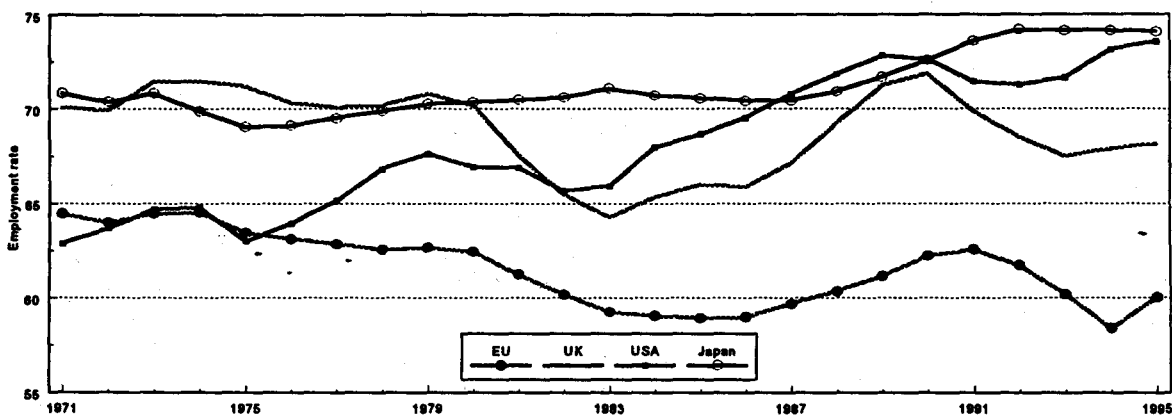
Overview of the UK Labour Market

Although the UK labour market has been improving since the end of 1992, unemployment remains well above the levels seen throughout the 30 years to the end of the 1970s. Long-term and youth unemployment are particularly serious concerns. The Labour Force Survey (LFS) long-term unemployment rate currently stands just below 40% compared to peaks of 48% in Spring 1985 and 45% in Spring 1994, and a trough of 27% in Spring 1991. The LFS youth unemployment rate, standing at 13.6% in Spring 1997, is almost double the LFS unemployment rate

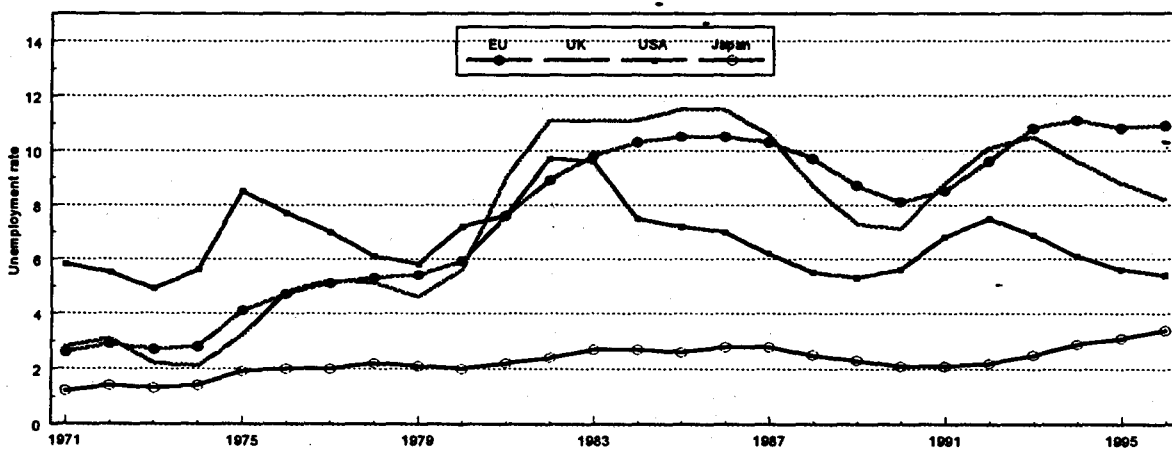
Economic growth has accelerated since autumn 1996. Since then it has been rising at an annualised rate of 3½-4½%, driven by strong consumer spending growth. Underlying inflation has fallen from around 3% at the end of 1996 to 2.7% in June 1997, reflecting the effects of sterling's appreciation since August 1996. Interest rates have been raised by 1%, in a series of steps, since October 1996 in order to try and dampen domestic demand and slow the economy to a more sustainable rate of growth. Output growth is forecast to be 3¼% in 1997, mainly due to buoyant consumer spending and investment. The economy is expected to slow from the second half of the year as the appreciation of sterling affects exports and domestic demand moderates in response to the tightening of monetary and fiscal policy.

Employment has risen by 431,000 in the year to Spring 1997 and unemployment has continued to fall, with the rate of decline gathering pace since the autumn.

EMPLOYMENT RATES OVER TIME



UNEMPLOYMENT RATES OVER TIME



We are committed to high and stable levels of employment.

MAJOR DEVELOPMENTS

1. Training and Lifelong Learning

Lifelong learning is at the heart of our policies on training and education. It will help individuals maintain their employability, help businesses remain competitive, and increase personal fulfilment and social cohesion.

We will publish a White Paper on Lifelong Learning in the autumn to set out our plans, including:

- *University for Industry*

The University for Industry will open up new opportunities for individuals and businesses. It will help people to improve their skills and realise their potential and will play an important role in improving competitiveness. It will improve the availability and quality of learning materials, increase and widen access by individuals and stimulate demand in part through the use of new technologies. The creation of a national multi-media learning network lies at the heart of the concept.

- *Individual Learning Accounts*

Individual Learning Accounts will help individuals take control of their own learning. There will be a general right for all adults of working age to have an account. Up to a million accounts held by priority groups will be pump-primed with up to £150 each of public money. Consultation on possible models is planned over the summer, and it is expected that there will be pilots of different models to identify the best approach.

- *Learning Helpline*

A new national telephone Helpline - "Learning Direct" - is being introduced from early 1998. It will be free of charge, and will provide information on learning opportunities and support issues such as childcare and how to pay for learning. It will form a cornerstone of the University for Industry.

- *Investors in People*

We are committed to improving access to Investors in People (IiP) for small firms. Investors in People is the National Standard which sets a level of good practice for improving an organisation's performance through its people and develops lifelong learning. It helps to improve business performance by linking training and development of employees to an organisation's business objectives. A number of development projects are to be launched to help Training and Enterprise Councils improve take up amongst businesses with between 10 and 49 employees. This will complement the "Building a Better Business" model produced by Investors in People UK, the body responsible for developing and maintaining the IiP standard.

Workskill pilots

Workskill allows variations to the rules for undertaking education and training while receiving the Jobseeker's Allowance (see section 5 below). The pilots will provide valuable information on the extent to which allowing people to study while remaining on benefits affects their chances of entering and remaining in employment. Four pilots were introduced in April 1997:

- In two, people are able to undertake education and training part-time, while restricting their availability to part-time work which they can fit around their course.

- In the other two, people are able to undertake full-time education and training and are excused from the requirements to be available for and actively seek work.

Workskill Pilots will be extended to four more areas in September this year. First evaluation findings are expected to be available in early 1998.

Higher Education and Employment

Higher Education (HE) contributes significantly to tackling unemployment by equipping people with high level skills, including the updating of their skills as the requirements of the labour market change.

We are supporting Higher Education by funding:

- activities to help HE prepare students better for work and help employers make the best use of graduate skills. Development projects are under way in the areas of students' career management skills, using graduate skills and HE/business partnerships.
- projects which will involve HE in supporting competitiveness and economic growth through close partnerships with employers and employer-led organisations, including Training and Enterprise Councils.

2. Work Organisation and Working Time

We support diversity in the way employers and workers organise work and working hours. Our policies aim to encourage the availability and take up of part-time and other "non-standard" forms of work which meet the varying needs of employers and employees alike.

- We have announced the "Competitiveness in the UK" initiative, which is based on working with the social partners to identify ways in which the economy's competitiveness can be improved.
- We will implement the Parental Leave and European Works Councils Directives within the next 2 years.
- We are pressing ahead with work to implement the Working Time Directive by April 1998.

3. Wage Policy

We believe that to tackle poverty and social exclusion, there should be a statutory level beneath which pay should not fall. We also accept that it is for employers and employees, or their representatives, to determine levels of pay against the background of the National Minimum Wage without Government intervention. We believe in partnership at work and labour market flexibility. We welcome pay deals which reflect these principles and which promote better performance, higher skills and improved competitiveness.

We are committed to the introduction of an National Minimum Wage, decided not on the basis of a rigid formula, but according to the economic circumstances of the time.

- We have set up an independent Low Pay Commission which will undertake a wide-ranging consultation exercise and take account of the prevailing economic circumstances when it presents its recommendations to Government.
- Membership will include independents and representatives of employers and workers.
- Its task is to present agreed recommendations to the Government on the level at which the National Minimum Wage might be introduced.

4. Making taxation systems more employment-friendly

Non- wage labour costs in the UK are low relative to those in most other EU countries. This partly reflects:

- lower overall levels of taxation and contributions.
- health services financed largely out of general taxation, rather than employment -related contributions.
- progressive structuring of employers' social insurance (payments representing 10% of gross wages for a worker employed on average wages, falling to only 3% for a worker on 25% of average earnings) to reduce the cost of employing those with relatively low earnings potential and so increase employment opportunities for a group otherwise at a high risk of unemployment.

5. Activation of labour market policies

The Jobseeker's Allowance

The Jobseeker's Allowance (JSA) is an active benefit, paid only to people who, as well as being unemployed, meet certain labour market conditions. They must:

- be available for work,
- seek work actively and
- sign a Jobseeker's Agreement which sets out what they will do to look for work, within any agreed restrictions.

Jobseekers are required to demonstrate regularly that they continue to meet these requirements.

JSA is a useful labour market tool, which helps people to find work and ensures that benefits are paid only to those who take active steps to find work. It has accelerated the fall in the number of people who were registered as unemployed.

We are exploring ways to make it easier for people who receive the Job Seekers Allowance to improve their employability, in particular by providing more scope to take part in education and training and volunteering.

Tax and Benefit Systems

We believe that providing people with the skills and abilities to enter the workforce is not enough. The tax and benefit systems need to make sure it is in people's interests to work.

We have established a task force to review our tax and benefits systems

- The task force is led by Martin Taylor, Chief Executive of Barclays Bank plc.
- It will make recommendations to promote work incentives, reduce poverty and welfare dependency and strengthen community and family life.

6. Specific Measures in favour of young people

At 13.6%, youth unemployment in the UK is almost double the overall unemployment rate. This is unacceptably high and we are introducing specific initiatives to tackle the problem.

Welfare to Work : A New Deal for the Young Unemployed

- The New Deal for Young People - a new initiative aimed at 18-24 year olds who have been unemployed and claiming Jobseekers Allowance for six months or more - will begin in a number of "pathfinder areas" in Britain in January 1998, and will be introduced nationally in April 1998.
- It will offer four options - all of which can last for at least six months and include education or training designed to reach an accredited qualification:
 - a job with an employer for which the employer will receive a subsidy of £60 a week for six months.
 - work for six months with a voluntary sector employer.
 - a six month place on the Environment Task Force.
 - or, for those who need it, the option of full time education or training for up to 12 months.
- The New Deal will provide all those participating with better skills, greater self confidence and improved employability.

Transition from school to work

Our policy is to ensure that the development of key skills - essential for employability - underpin all forms of learning for young people.

We will:

- promote work-related learning for those aged 14-16.
- encourage employers to sustain and build on the success of Modern Apprenticeships.
- promote "Target 2000", a policy framework within which education and training provision will be available for all 16-19 year olds. We will:
 - set a target for the millennium so that every 16 and 17 year old who has the capability is on the road to Level 2 (NVQ2 or 5 GCSEs grades A*-C in England, and SVQs or 5 Standard Grades in Scotland).
 - raise the school leaving age so that from September 1997 all pupils will have to sit their exams at age 16.
 - offer all young people part time or full time education after age 16.
 - launch the New Start strategy in England - a range of local initiatives, to tackle disaffection in 14-17 year olds in September 1997.
 - launch National Traineeships, building on the model of Modern Apprenticeships, to replace Youth Training from September 1997.
- encourage better school-business links, including mentoring and work experience placements in order to inspire and motivate young people, raise their aspirations and better prepare them for the world of work.
- launch a national strategy for motivating pupils outside the classroom.
- enhance young people's skills for life through more effective programmes of citizenship and parenting education and strengthen the work-related learning opportunities at 14-16.
- consult this Autumn on the future of qualifications for 16-19 year olds in England, with the aim of broadening A-levels and vocational qualifications, both underpinned by rigorous standards and key skills. This echoes similar action already taken in Scotland.
- review the current financial support arrangements for 16-19 year olds to ensure higher staying on rates post-16 and that resources are used to support those in most need.

Similar arrangements will apply in Scotland.

7. Specific Measures in favour of long-term unemployed people

Long term unemployment is falling in the UK but is still unacceptably high. People who have suffered prolonged unemployment lose the skills necessary to compete in the labour market and are denied the chance to participate fully in society. Our Welfare to Work initiative will help reintegrate long-term unemployed people into the labour market.

Welfare to Work : A New Deal for long-term unemployed people

Our Welfare to Work package provides a New Deal aimed at over-25 year olds who have been unemployed and claiming benefits for two years or more. From June 1998, it will :

- offer employers subsidies of £75 per week for 6 months for each individual recruited from the target group.
- allow individuals from the target group the chance to study full-time for up to a year while remaining on benefit.
- provide all those participating with better skills, greater self confidence and improved employability.

Employment Zones

We are concerned that the problems of long term unemployment may be particularly acute in certain geographical areas.

- We plan to designate certain geographical areas with high levels of long-term unemployment as Employment Zones. This is a new initiative in the very early stages of development.
- We intend that participants should be able to participate in intermediate-labour-market activity or receive training or help with becoming self-employed. We also intend that Employment Zones should be developed by local partnerships and should be characterised by innovation.

Training for Work

The existing training programme for the long-term unemployed aims to help unemployed adults get jobs as quickly as possible, through an appropriate mix of guidance, training, approved qualifications and/or structured work experience. Training for Work:

- will offer 180,000 opportunities in 1997-98 of which 30,000 will be for people with a mixture of motivational, attitudinal and basic skills needs.
- aims to achieve 46% of leavers going into jobs in 1997-98, improving on the 40% achieved in 1995-96.

Employment Service (ES) Programmes

Around 15 national and pilot ES programmes are targeted at helping unemployed people back to work. These are broadly grouped into:

- optional or mandatory jobsearch support offered at various stages of unemployment (Jobsearch Plus, Jobclub, Jobfinder, Help for Incapacity Benefit Leavers, Restart Course, Project Work, 1-2-1, Workwise, Job Plan). and

- incentives to enable people to overcome practical obstacles (Work Trials, Job Match, Work Start, Travel to Interview Scheme, Job Interview Guarantee, Jobfinder's Grant)

We have given the Employment Service the lead in delivering the New Deal package.

8. Specific Measures in favour of women and the promotion of equal opportunities

Welfare to Work : Lone Parent initiatives

We launched the New Deal for Lone Parents initiative on 21 July.

- 40,000 lone parents on Income Support in eight locations, will be contacted when their youngest child reaches the second term of full-time education.
- Lone parents who choose to participate in the programme will be offered practical help in returning to work - specially trained Personal Advisers will help participants to overcome any barriers to employment and encourage them to actively seek work.
- The initiative will be available nationally from October 1998 and will cost £200 million over 5 years.

Equal Opportunities

We are committed to ensuring that a gender perspective is reflected in all our policies and programmes.

- The introduction of the Minimum Wage will help reduce the disparity between men's and women's pay.
- Guidance has been issued on how to put "mainstreaming" into practice
- We are encouraging young people to think much more broadly about types of employment available to them. Careers Service advice and guidance incorporates good practice on equal opportunities.
- Gender-disaggregated statistics on education, training and employment are available.

Childcare

Provision of childcare for pre school and school age children can often help remove a barrier to work for parents.

We will produce a national childcare strategy which will help parents, especially women, to balance family and working life. We will make an announcement by the end of the year.

9. Measures in favour of other groups at risk of disadvantage (eg people with disabilities, older workers, ethnic minorities)

Older workers

We firmly oppose age discrimination in employment and are committed to consult widely on how best to end it. Older workers will also benefit from opportunities under the New Deal programme.

People with disabilities

The needs of people with disabilities are taken into account in developing employment policies.

We support comprehensive, enforceable civil rights for people with disabilities

- We have set aside up to £200m to fund measures tailored to help sick and disabled people currently dependent on benefit to get back into work.
- We are committed to strengthening disabled people's rights by making them more comprehensive and easily enforceable, building on elements of the Disability Discrimination Act 1995.
- Practical help to obtain and retain employment is available through mainstream employment services and employment and training programmes, with relaxed eligibility criteria for disabled people and priority placements where the individual is eligible and suitable.
- Specialist services and programmes (eg Employment Rehabilitation, Access to Work, Supported Employment) are provided through the Employment Service Placing Assessment and Counselling Teams.

Ethnic Minorities

Many ethnic minority citizens face higher unemployment than the majority population.

We are committed to policies and programmes that help to remove barriers faced by ethnic minorities and enable them to participate fully and at all levels in the labour market:

- People of ethnic minority origin will benefit from the New Deal.
- There is targeted provision of mainstream vocational training and job placement services, to meet the special needs of ethnic minorities.
- Racial equality will be "mainstreamed" into all employment and training policies and programmes.

MEASURES SUPPORTED BY THE STRUCTURAL FUNDS

The UK will receive around 11 billion ecu from the European Structural Funds in the period 1994-99. The Structural Funds support thousands of projects and provide additional funding for Government and EU priorities. We will continue to ensure that the European Regional Development Fund appraises individual projects on the basis of job creation. We welcome the way that the European Social Fund has provided co-financing for a wide range of projects that target the unemployed and other priority groups, and will also help develop our commitment to employability.

- European Social fund Objective 3 will provide around £1.3 billion from 1997-1999 to co-fund measures that aim to reduce unemployment, particularly among the young and long-term unemployed.
- £17m is being spent under the Employment-Horizon programme on new approaches to learning and job creation measures for the disabled.
- The ESF funds a number of Community Economic Development projects in Objective 2 and 5b that encourage local economic development.
- Some funds in the Objective 3 programme will be targeted on local initiatives that enhance the capacity within local communities to develop local responses to unemployment.

Territorial Employment Pacts

We agree with the European Commission's plans to set up Territorial Employment Pacts and have asked local partnerships across the UK to submit their proposals.

- We will submit up to 10 proposals for pilot Territorial Employment Pacts, which are based on a bottom up approach, involving a broad and locally based partnership.
- The pacts are expected to produce a more coherent programme of job creating measures for their area and to identify and mobilise resources to increase local job creation.

MAJOR REFORMS OR MEASURES PLANNED FOR THE FUTURE

This report describes the policies and initiatives we have put in place to tackle unemployment and promote social cohesion and social inclusion in the UK.

We have set ourselves an ambitious and challenging agenda because, although unemployment in the UK is falling, it is still unacceptably high.

We believe that we have started on the right road in promoting a skilled and adaptable workforce and flexible labour markets but we realise that there is still much to do.

KEY PERFORMANCE INDICATORS

	1993	1994	1995	1996	1997
GDP growth - annual average	2.2%	4.5%	2.8%	2.5%	3.25% ¹
Total employment (000s)	24,959	25,150	25,412	25,645	26,076
male	13,735	13,877	14,073	14,137	14,395
female	11,224	11,273	11,339	11,509	11,681
Employment rate ² -	70.6%	71.0%	71.5%	72.0%	72.9%
male	75.2%	75.8%	76.6%	76.8%	77.9%
female	65.5%	65.7%	66.0%	66.8%	67.5%
Total unemployment (ILO definition) (000s)	2,909	2,716	2,435	2,321	2,037
Total Rate	10.7%	10.0%	9.0%	8.3%	7.2%
male	12.7%	11.7%	10.3%	9.7%	8.2%
female	8.2%	7.9%	7.3%	6.5%	6.0%
Long-term unemployment - share of total ³	43.0%	45.7%	43.8%	39.9%	38.3%
male	47.2%	51.3%	49.7%	45.9%	44.3%
female	34.0%	34.3%	32.6%	28.1%	27.8%
Youth unemployment - 16 to 24 year olds	17.3%	16.2%	15.3%	14.7%	13.6%
male	20.8%	19.1%	17.9%	17.8%	15.7%
female	13.2%	12.6%	12.2%	11.1%	11.0%
Youth long-term unemployment as share of total	32.7%	32.9%	27.4%	25.5%	- ⁴
16 - 18 year olds' participation in education or training ⁵	75.1%	75.5%	75.6%	75.4%	- ⁶

Source: Office for National Statistics. Labour market data (except GDP figure and where otherwise indicated) is taken from the Spring quarter of each year's Labour Force Survey.

Notes:

1. HM Treasury's forecast figure.
2. 16-59/64 year olds in employment as a percentage of all persons of working age.
3. Long-term unemployment defined as those out of work for a year or more.
4. Figure not yet available
5. Figures are for England only, and are from administrative sources. Covers people in full or part time education, in Government Supported Training or receiving employer funded or other training. Figures relate to the end of the calendar year.
6. Not yet available

GOOD PRACTICE IN EMPLOYMENT POLICIES IN THE UK : JULY 1997

WELFARE TO WORK - THE NEW DEAL

The new Welfare to Work programme has been designed to help those most at a disadvantage in the labour market. It is innovative and unique and represents a significant effort to combat exclusion and create more inclusive communities.

A key element of the programme is the New Deal. It helps long term unemployed adults and young people in a concentrated programme of advice and support throughout the programme and afterwards, with the aim of helping as many as possible secure a job. The New Deal is intended to provide all those participating with better skills, greater self confidence and improved employability.

The New Deal will help young unemployed people aged 18-24 who have been unemployed for six months to get back into work. It will offer the following four options, all of which can last for at least six months and include education or training designed to reach an accredited qualification:

- a job-with an employer for which the employer will receive a subsidy of £60 a week for six months;
- work for six months with a voluntary sector employer;
- a six month place on the Environment Task Force;
- or, for those who need it, the option of full time education or training for up to 12 months.

People aged 25 or over who have been unemployed and on benefit for two years or more, will also benefit from the New Deal. It will offer a job with an employer, who will receive subsidies of £75 per week for 6 months, or the chance to study full - time for up to a year while remaining on benefit.

THE TRANSITION FROM SCHOOL TO WORK

Successful and competitive economies need businesses with skilled and adaptable work forces. Some key elements in developing an individual's employability are established long before working life begins. The increase in staying-on rates post 16 helps to ensure that young people get a better start to working life and increase their skill levels and employability. The Government is committed to

- ensuring everyone has the basic literacy and numeracy skills needed to succeed;
- developing better links between schools and businesses and local communities
- managing the transition from school to work to ensure that young people move into one of four options : further or higher education, a job, vocational training or the New Deal.

The impact of increased participation and attainment in education and training post-16 is clear. Unemployment is much lower for those who have gained qualifications compared with those with none and unemployment falls as the level of qualification achieved increases.

The Government's Target 2000 initiative is an ambitious programme designed to ensure that every 16-17 year old who is able to do so is engaged in learning. The maximum number possible are studying for basic educational qualifications (5 GCSEs grades A*-C in England or 5 Standard Grades in Scotland, or level 2 vocational qualifications) and as many as possible are aiming for higher level qualifications.

NON-WAGE LABOUR COSTS

The Government believes it is important to keep non-wage labour costs as low as possible. Non-wage costs such as social insurance contributions increase the cost of employing labour and can therefore reduce the overall level of employment. The adverse effect on employment is likely to be particularly

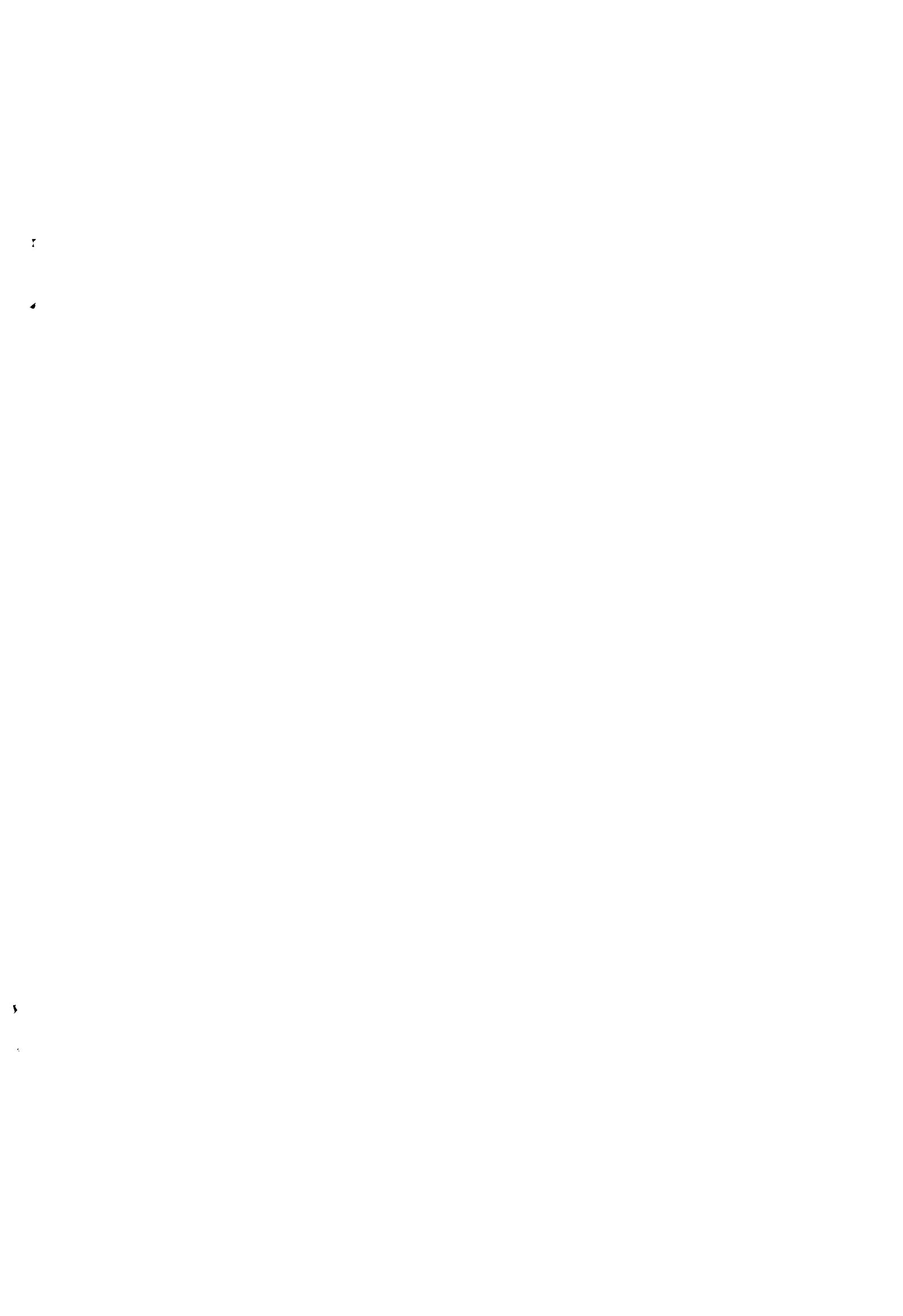
serious at the lower end of the earnings scale. At higher levels of pay, non-wage costs may be partly reflected in lower real wages, ie the costs are shared between employers and employees. This is less likely to happen at the lower end, if for example the benefit system sets a wages floor. High non-wage labour costs thus mean fewer employment opportunities, particularly for low paid workers.

Non-wage labour costs in the UK are low relative to those in most other EU countries. This partly reflects lower overall levels of taxation and contributions but also the fact that health services in the UK are financed mainly out of general taxation rather than employment-related contributions. A further important feature in the UK is that the social insurance contributions paid by employers are progressively structured, with the payments representing 10 per cent of gross wages for a worker employed on average earnings, falling to only 3 per cent for a worker on 25 per cent of average earnings. This is deliberately intended to reduce the cost of employing those with relatively low earnings potential and so increase employment opportunities for a group otherwise at high risk of unemployment.

LIBERALISATION OF MARKETS

Measures to improve the workings of product markets are an essential accompaniment to labour market reform in raising living standards and creating new employment opportunities. All economies are subject to continuing pressures for change resulting from technical progress, trade and demand shifts. Successful economic performance depends on a flexible response to these pressures, so that markets re-allocate resources to their most productive use. Artificial constraints on the workings of markets, particularly barriers to competition, hamper this process and in the end are likely to be counter-productive, even if initially motivated by a desire to protect jobs.

The liberalisation of product markets has been an important theme of UK policy in recent years and this will continue. Competition has been introduced in new areas, including network industries such as telecommunications, electricity and gas; sectoral liberalisation has been pursued in a variety of other markets, including retailing, housing and financial services; and the regulatory burden on businesses, especially small businesses, has been reduced. New measures are planned to strengthen competition policy. The UK has also been in the lead in promoting trade liberalisation, including completion of the EU single market.



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