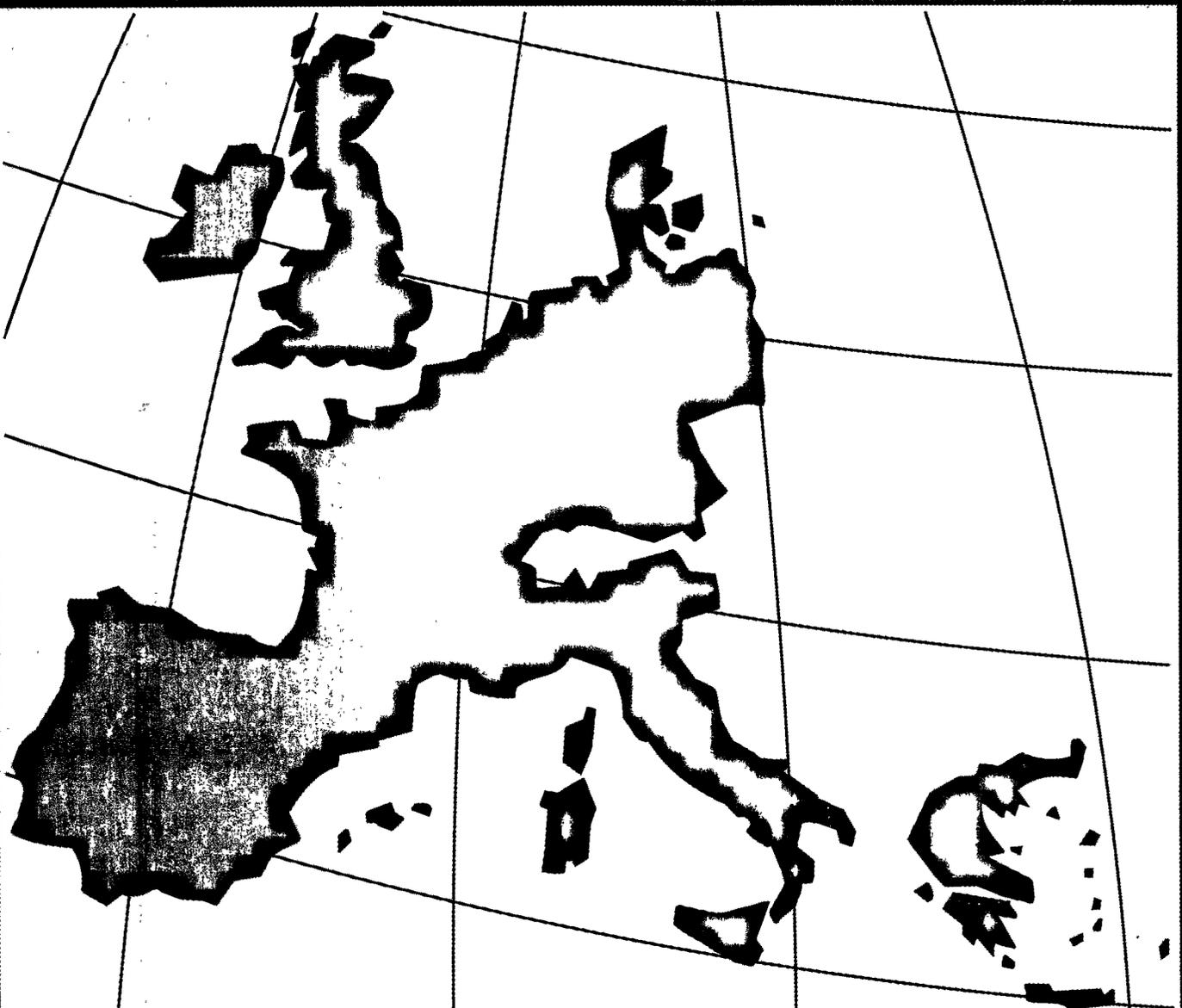


Policies

Developments in employment policies in Europe.
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46

 Summer 1994

Employment in
EUROPE

MISEP



European Commission
Directorate-General
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Developments at a Glance

- Belgium:** Within the Framework Employment Plan one can conclude a succession of fixed-term employment contracts without this justifying a permanent contract. It is now possible – with respect to employees on high incomes – for employer and employee to agree on a dismissal notice period on recruitment, rather than at the time of dismissal as was previously the case; this increases the legal security for employers. It has been decided to set up local employment agencies to place the long-term unemployed in service jobs not offered by the private sector.
In Flanders special subsidies are now available for workers moving from a full to a part-time job and for those taking parental and training leave.
Savings on wage-compensation benefits for the unemployed are expected from the decision to tighten entitlement conditions, reduce the time after which only a flat-rate unemployment benefit is paid, and to suspend benefit for those who have drawn benefits for a particularly long period. Efforts to combat benefit abuse are also being intensified.
- Germany:** An evaluation of the Employment Promotion Act of 1985 – which has been extended to the year 2000 – reveals a slight decline in fixed-term contracts in West, and an increase in East Germany; at 10.3% of all employment contracts, fixed-term employment is about twice as widespread in East as in West Germany.
- Spain:** Within the framework of the labour market reform, legislation to increase the role of collective bargaining and to make it easier to dismiss employees is going through Parliament. The aim of the reform of dismissal protection legislation is to counter the widespread use of flexible employment contracts.
- France:** Progress has been made in modernising the job-placement service, and the public service has improved its market share of placement to 25%. Evaluation of the retraining agreements which can be applied for those laid off for economic reasons points to a substantial increase in the use of this adjustment measure. This increase has, however, been accompanied by a steady deterioration in the labour market re-entry chances of those leaving the measure.
- Netherlands:** In 1993 the labour market authority exceeded its placement targets; actual results were below target level only with respect to the placement of the long-term unemployed and those from ethnic minorities.
- United Kingdom:** The government intends to promote networks of local decision-makers, which are to implement new initiatives to promote equality of opportunity for women.

EMPLOYMENT OBSERVATORY Policies



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CORRESPONDENTS

Belgium: Joseph Remy (Ministère de l'Emploi et du Travail)

Denmark: Karen Thyrsoe (Arbejdsministeriet)

Germany: Jochen Jahn (Bundesministerium für Arbeit und Sozialordnung), Detlef Hein (Bundesanstalt für Arbeit)

Greece: Dimitra Gana (Ministry of Labour)

Spain: Delmira Paz Seara Soto (Ministerio de Trabajo y Seguridad Social)

France: Henri Roux (Ministère de l'Emploi), Claudine Elhaik (Agence Nationale pour l'Emploi)

Ireland: Vincent Landers (Department of Enterprise and Employment)

Italy: Mariarosaria Damiani (Ministero del Lavoro e della Previdenza Sociale)

Luxembourg: Jean Hoffmann (Administration de l'Emploi)

Netherlands: Ronald van Bekkum (Arbeidsvoorzieningsorganisatie)

Portugal: Victor Viegas (Ministério do Emprego e da Segurança Social)

United Kingdom: Graham Archer (Department of Employment), John Frankham (Employment Service)

EUROPEAN COMMISSION

Jean-François Lebrun (DG V/A/2)

MISEP-Secretariat:

I. A. S. Institute for Applied Socio-Economics
Bundesallee 117, D-12161 Berlin

Tel. +49 30-85 08 00 51, Fax +49 30-85 08 00 52

Angelika Zierer-Kuhnle; translation: Max Guggenheim (French), Andrew Watt (English)

Scientific consultant: Peter Auer

Wissenschaftszentrum Berlin für Sozialforschung (WZB), Research Unit Labour Market Policy and Employment (responsible for evaluation): Gunter Schmid, Peter Auer, Klaus Schömann; Karin Reinsch

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Overall Developments

Belgium

The Framework Employment Plan

Within the Framework Plan for employment, competitiveness and social security, the Belgian Federal Government has implemented a series of initiatives, in particular measures to safeguard national competitiveness; these were introduced by the Royal Decree of 24 December 1993 (cf. iMi 45). A second package of measures was enacted with the social security law of 30 March 1994 (*Moniteur belge*, 31.3.1994). This article provides a brief commentary on the measures in as far as they relate to regulations on employment contracts and local employment offices.

Amendment to the law of 3 July 1978 on employment contracts

Surveys of employers had revealed that a number of the provisions of the law governing employment contracts in some cases constituted an obstacle to job creation. For this reason the following changes were introduced.

Firstly, it is now possible to conclude a number of fixed-term contracts in succession, without the obligation on the contractual parties to sign a permanent contract. Until the end of 1997 a maximum of four fixed-term contracts can be agreed in succession. The duration of each contract may not be less than three months, and the overall validity of the successive contracts may not exceed two years. With the prior agreement of the social security inspectorate, (a maximum of four) fixed-term contracts, each lasting less than six months, can be signed whose total duration may not exceed three years.

A second amendment applies to the period of notice the employer is obliged to give before terminating an employment contract. According to article 82 § 3 of the law of 3 July 1978, and subject to the condition that the annual wage or salary exceeds FB 864,000, the notice periods to be observed by the employer were determined either by an agreement reached at the time of dismissal at the earliest or by legal stipulation. In order to offer employers greater legal security, the notice periods to which the employee is entitled can now – above an annual wage/salary of FB 1,728,000 – be agreed on recruitment. This new provision applies from 1 April 1994.

Local employment offices

Although there has been a spectacular increase in tertiary-sector employment over the last twenty years, there is still a significant potential for service activities. Demand in a number of areas – such as the environment, the quality of life, household services, and health – remains unsatisfied. Meeting these needs could represent an important source of additional employment opportunities. Currently, such activities are frequently performed by moonlighters. Yet the inadequate effective demand for such services poses the problem of how such employment is to be financed.

The government has decided to promote the reintegration of the unemployed in activities covering these types of need. The basic means to this end is to be the local employment office in each local authority. These agencies will play a central role in co-ordinating:

- on the one hand, the demand for a number of activities which are not offered by the private sector and which therefore do not compete with it: home helps, child-

care, care for the sick, environmental protection, small gardening work, cleaning work for private persons, etc.;

- on the other, the interests of job-seekers in (re-)gaining employment. The long-term, fully insured unemployed and persons living on the subsistence level may apply to their local employment office on their own initiative. It is also planned to oblige those which have been out of work for more than three years and unemployed young persons who have been drawing unemployment benefit for more than two years to report to their local employment office.

The law of 30 March 1994 creates the statutory framework for the compulsory creation of local employment agencies. In particular the law stipulates the following:

- local authorities are obliged to set up local employment offices;
- these offices are, together with the ONEM (*Office National de l'Emploi*), responsible for organising and supervising activities not offered on the regular labour market
- unemployed persons performing such tasks are not tied by an employment contract.

A Royal Decree will determine, among other things, the maximum number of hours that an unemployed person may spend in such activities, the value of the supplementary allowance to which he/she will be entitled on top of his/her existing benefit, and the activities which can be performed within the framework of a local employment office.

Belgium

Unemployment Trends in 1993

Change in the level of unemployment

In 1993 there was an average of 476,000 fully insured recipients of unemployment benefit (i.e. those out of work, looking for work, available for work and drawing unemployment benefit) in Belgium. This figure has been rising steadily since 1991, a trend which reflects the economic recession which has hit all the industrialised countries in recent years. The unemployment rate, as defined according to the common criteria set by Eurostat, is 9,7% (as compared with 10,7% in the European Union as a whole).

The situation on the labour market is expected to improve in 1994, as the figures for recent months indicate that the rate at which unemployment is rising is slowing, particularly for young people. The employment measures initiated by the Belgian Government within the context of its Framework Plan (cf. iMi 45) should, together with the economic recovery forecast by the Planning Office, at least limit the further rise in unemployment.

The fully insured unemployment-benefit claimants represent only a sub-group of total unemployment, however. In response to workers' aspirations, Belgium has, namely, developed a number of measures to combat unemployment. These include early retirement under collective agreement (cf. BIR B-vi.10), the promotion of part-time work and career interruption (cf. BIR B-i.4).

In 1993 the total number of unemployed, drawing full or partial benefits from the National Employment Office (ONEM) amounted to 994,000 (daily average). This figure breaks down as follows:

- 476,000 fully unemployed job-seekers entitled to unemployment benefit;
- 74,000 unemployed persons over 50 no longer seeking work;
- 25,000 unemployed persons who, for social or family reasons, are not obliged to register as job-seekers (cf. iMi 42);
- 6,000 unemployed persons who have returned to school and are thus not obliged to register as job-seekers;
- 144,000 persons working part-time involuntarily and drawing an allowance; since 1993 the number in this category has fallen considerably following a change in the regulations (cf. iMi 43).
- 60,000 temporarily unemployed persons (i.e. workers whose employment contract has been temporarily suspended due to a lack of work for economic reasons, bad weather etc. - cf. BIR B-iii.4);
- 137,000 persons in early retirement who draw unemployment benefit and an additional allowance paid by their last employer; the decline in their numbers results primarily from the increase in the age of entitlement;
- 56,000 persons who have interrupted their careers;
- 16,000 unemployed persons in vocational training; the increase registered in 1993 is the consequence of a number of support measures and particularly the *plan d'accompagnement pour chômeurs* (cf. iMi 40).

Analysis of the regional distribution of the different categories shows that the number of fully insured job-seekers entitled to unemployment benefit is relatively higher in Wallonia than in Flanders. The relative number of persons on early retirement, on a career break and of those unemployed persons not obliged to register as looking for work, on the other hand, is higher in Flanders than in Wallonia.

The budget

In 1993 unemployment-related spending amounted to FB 232 billion. The expenditure trend is moving parallel to the rise in unemployment.

Safeguarding the unemployment insurance scheme

In recent years the Belgian Government has initiated a number of measures designed to ensure the continued operation of the social security system. Additional measures were implemented in order to maintain one of the characteristics of the Belgian system, namely the absence of a time limit on entitlement to unemployment benefit. Clearly, the responsible and equitable administration of the system of insurance against involuntary unemployment requires that only those persons entitled to benefit actually receive it.

In particular, the following measures were taken in 1992 and 1993.

Firstly, checks on the involuntary nature of unemployment and the availability for work were intensified:

- the penalties for benefit abuse were increased;
- the suspension of benefits for the long-term unemployed was extended, notably to cover those working part-time involuntarily and those registered unemployed on leaving school or higher education;
- agreement was reached with regional and local government to cooperate by exchanging information relating to unemployed persons' availability for work (cf. iMi 40).

The instruments in the battle against moonlighting were reinforced by raising the penalties and intensifying the controls.

Measures were initiated in order to bring the system of part-time work into line with that in other European countries. This ensured that net earnings for part-time

Overall Developments

work were always in excess of the unemployment benefit drawn by those made redundant from full-time work, and that part-time workers enjoy full social protection (cf. iMi 43).

Considerable misappropriation of benefits was found among those involuntarily working part time. Many of these persons were not actually looking for full-time work. Moreover, the provision of unemployment benefit as a supplement to earned income for those working part time involuntarily was a measure found only in Belgium (cf. BIR B-iii.3).

The part-time employment trend has confirmed the effectiveness of the measures implemented: despite the considerable decline in the number of involuntary part-time workers drawing benefit, there has been a steady rise in the total volume of part-time employment. During the past three years the number of involuntary part-time workers drawing benefit has fallen by 40,000, while the overall number of part-time employees has increased by 80,000.

These measures implemented by the Belgian Federal Government reduced spending in 1993 by a total of FB 19 billion. The measures are inspired by a concern for social justice, as they are aimed at unemployed persons abusing the system at the expense of society at large. The Government opted for selective measures in preference to a linear reduction in unemployment benefit which would have hit all the unemployed.

Spain

The Labour Market Reform in Spain¹

The cornerstones for the initiation of a reform of the Spanish labour market – the Royal Decree-law 18/1993 on immediate employment promotion measures and law 22/1993 on taxation measures, legal reform in the public administration and of unemployment assistance (cf. iMi 45) – have been enacted and are now in force. The most important measures of the reform have thus been initiated. The legal proposal to change certain articles in the “workers’ statutes” (*Estatuto de los Trabajadores*) and the labour procedure act is moving through parliament and is expected to come into force during the second quarter of this year.

In the context of the internationalisation of the economy², the diversification of demand, technological innovation, etc., firms must raise their competitiveness with the help of industrial policy measures such as research and vocational training. The reform of the workers’ statutes, the basis for the development of labour relations in Spain, seeks to pay particular attention to the employment perspective during the required adjustment of the legal framework to meet the changed context. An important aim is to maintain the required balance between labour market actors, without this constituting a barrier to employment. In brief the reform is based on two axes as follows.

1. a balanced distribution between “adjustment” and “flexibility” in the course of the development of labour relations. The trend towards a dual labour market is to be countered by enabling justified dismissals to be made, whereby justification must be with reference to objective criteria. Such dualisation results

when, on recruitment, excessive use is made of flexible employment relations due to the difficulty of making workers redundant. Simultaneously, collective negotiations are to be strengthened, modifying the conditions on the basis of which employment relations develop.

2. The second axis is formed precisely by these changes in collective bargaining as formulated by the law. Collective bargaining is to be strengthened as a regulatory element in working conditions. This will make bargaining an important factor in adjustment, as the reform will enable collective agreements to regulate areas which were previously governed by law.

Contents of the proposed law to change the workers’ statutes and the labour procedure act

Collective bargaining

The collective agreement is one of the foci of the proposed modernisation and adjustment law on industrial relations. The collective agreement is to provide a framework within which the rights and duties of the social partners together with more fundamental aspects of industrial relations are to be negotiated and set out. The basic principle in this regard is the strict adherence to minimum rights regarding working time, wages, geographical and occupational mobility, working conditions and other areas. Collective bargaining is to take place at different levels with varying content in order to adjust agreements made at higher level to the conditions prevailing in individual firms. Branch-level collective agreements are to set guidelines for wage bargaining, taking account of the economic situation

¹ Legal proposal to change certain articles in the “workers’ statutes” (*Estatuto de los Trabajadores*) and the legal article on the labour procedure act (*Ley de Procedimiento Laboral*).

² With the possibility this brings of accessing markets in countries with very different levels of (wage) costs.

in the branch, employment trends, productivity etc. At this level, too, the conditions for "opening clauses" in collective agreements are to be determined: subject to agreement by workers representatives at company level these clauses can then be applied in firms whose economic situation would deteriorate if the wage increases agreed in the branch-level collective agreement were introduced. Plant-level agreements are to regulate, among other things, wage trends, working time, breaks, piece-time rates and the possible use of the opening clauses in view of the situation facing the individual enterprise.

"Work ordinances" (Ordenanzas Laborales)

The law abolishes the work ordinances (pre-constitutional components of Spanish labour law). They are to be replaced by general agreements, which are to be signed after negotiation between employers and workers' representatives by the end of 1994.

Wages

The wage-structure guidelines are to be replaced by collectively agreed regulations. Where these are not in operation, individual contracts are to be signed. Collective agreements may contain clauses abolishing or replacing seniority bonuses.

Working time

The law includes the following provisions:

- the establishment of the 40-hour week whereby working hours may, by collective agreement, be distributed unevenly throughout the year;
- possibility of scrapping the maximum daily working time of 9 hours by collective agreement;
- introduction of strict youth-protection legislation regarding working time in line with EU directives;

- adjustment of Spanish laws on health and safety at work to EU directives;
- the value of night-work bonuses is to be set by collective agreement, whereby wage compensation in the form of extra time off is to be made possible;
- overtime payments are to be set by collective agreement, whereby compensation in the form of extra time off is to be made possible;
- the minimum uninterrupted weekly break of 1 1/2 days can be placed together in two-week blocks;
- paid holiday can be split and the legal minimum holiday entitlement (30 days per year) can be extended by collective agreement.

Occupational and geographical mobility

- Occupational mobility: In order to promote functional flexibility, occupational qualifications are to be determined using broader occupational categories. Redeployment within the framework of functional flexibility - with no change in pay group - must be justified for technical or organisational reasons.
- Geographical mobility: economic reasons are to be included in the reasons justifying a request for geographical mobility. These can be placed individually or collectively. The requirement of obtaining prior administrative approval is abolished.

Change in working conditions

Prior administrative approval is no longer required for changes in working conditions implemented by firms for economic, technical or production-related reasons. Instead, the change will be subject to ex post legal examination.

Dismissal

- Organisational and production-technical reasons can now be used to justify dismissal.

- Redundancies affecting less than 10% of the workforce in firms with less than 300 employees (or less than 30 employees in firms with more than 300 employees) are no longer treated as mass redundancies.
- Prior administrative approval is still required for employment-regulatory measures and mass redundancies.

Recruitment

In accordance with the immediate employment promotion measures set out in Royal Decree 18/1993 (which permits the Government to initiate measures to promote the employment of those receiving unemployment benefit), firms may, during the period between the introduction of the reform of the Workers' Statutes and the end of 1994, hire workers on fixed-term contracts of between one and three years. This applies irrespective of whether the activity to be performed is temporary in nature or not. The provision applies to the following groups of the unemployed:

- a) those over 45
- b) the disabled
- c) those under 25 who fulfil certain conditions (only in firms with up to 25 employees).

If these fixed-term employment contracts are for full-time employment and are reached with recipients of unemployment benefit who have been registered with the employment office for at least one year, the following reductions in social insurance contributions take effect:

- for those groups listed under a) and b), the employer's social insurance contribution is reduced by 75%;
- for those groups listed under c), by 50%.

Training

France

Evaluation of the Retraining Agreements

Further training and "adaptation" contracts from the National Employment Fund (*Fonds national de l'emploi - FNE*), retraining leave, support for the transition to part-time work, support for geographical mobility, agreement on degressive wage subsidies, reinsertion cells, retraining agreements: the range of government measures to enable firms to organise the external reinsertion of workers they are making redundant is very comprehensive. The most important of these measures remains the retraining agreement (*convention de conversion*) instituted in 1986 by a national agreement and modified in 1988 and 1990.

Irrespective of the size of the workforce, firms are obliged to offer all those employees with more than two years' tenure and made redundant for economic reasons the possibility of joining a retraining agreement, the aim being to help such workers back to work by means of special measures: technical reinsertion teams, retraining cells.

The measure, which lasts six months, enables workers made redundant to draw up an "occupational balance" within evaluatory and orientation measures offered by ANPE, and, if necessary, to commence a retraining scheme of up to 300 hours. Depending on the results of the occupational balance, the measure may last longer.

As soon as the redundant worker enters such an agreement, his/her employment contract is terminated. He/she then receives for two months 83%, and for a further four months 70% of his/her gross

earnings in the form of a special retraining allowance; social insurance contributions are also paid. This allowance is financed by the employer, the government and the unemployment insurance fund *Assedic*. Of all those laid off for economic reasons in 1992 around 16% entered such an agreement, up from 12% in 1991. Since the measure was initiated there has been a steady increase in the number of participants, even in the years 1988-89 in which the number of those registered with ANPE as having been laid off for economic reasons declined. In 1992 alone, Unedic registered 104,377 new en-

trants, an increase of 56% on 1991. This increase reflects both a rise in the number of agreements signed (+38.4%) and an increase in those joining the scheme as a proportion of those potentially eligible (51.2% in 1992 compared with 45.8% in 1991).

Although an increasing proportion of those facing redundancy are joining a retraining agreement, the effectiveness of the measure is declining: there has been a continuous decline in the proportion of participants who had returned to work within two months after leaving the scheme; from 48% in 1989 to 34% in the first half of 1992.

Table 1: Reinsertion Rate by Occupational Group (in %)

Occupational group	Entrants ¹⁾ 1992	Reinsertion rate ²⁾		
		1992	1991	1990
Unskilled	8.0	32	33	40
Skilled blue-collar	18.0	41	45	52
White-collar	47.0	31	35	42
Master craftsman, technician	9.0	38	45.5	54
Managerial	8.0	34	39	48
Other	10.0	40	43	57
Total	100.0	34	38	46

1) Source: Unedic
2) Source: ANPE, first six months of the year

Table 2: Retraining Agreements - Annual Results

Year	Entries ¹⁾ (in thousands)	Participants (end of December) ²⁾	Reinsertions ³⁾ (in %)
1987	11,485	5,600	-
1988	24,626	7,300	-
1989	30,356	9,300	48
1990	40,770	18,500	46
1991	66,968	33,145	38
1992	104,377	63,300	34

1) Source: Unedic, number of first benefit payments
2) Estimates based on Unedic payments statistics
3) Source: ANPE, first six months of the year