

# Employment policies in the EU and in the Member States

Joint report 2000



Employment & social affairs



European Commission

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Joint report 2000

**Employment & social affairs**

Employment and European Social Fund

**European Commission**  
Directorate-General for Employment and Social Affairs  
Unit EMPL/A.2

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## **EXECUTIVE SUMMARY**

This report is the third prepared in accordance with Article 128 of the Treaty of Amsterdam. It presents a comparative assessment of how the Member States have implemented the Employment Policy Guidelines of 1999 and how they have transposed the revised Guidelines for the year 2000 in their National Action Plans for Employment. It provides both an overall analysis across the four pillars of the European Employment Strategy (Part I) and a detailed analysis by Member State of their policies (Part II), with special attention paid to the way in which the Recommendations adopted by the Council on 14 February have been addressed.

### **1. The policy context: the European employment situation**

The employment situation in the EU has steadily improved over the last couple of years, reflecting the positive overall economic climate as well as progress in reforming the labour markets. Long-standing problems, such as high unemployment and low participation in employment, start to be effectively addressed, while new challenges, such as labour shortages and skill gaps, are emerging. The following key developments illustrate the on-going improvement of the employment situation:

- 4 million new jobs have been created since 1997, mainly in services. The increase has been most apparent in highly-skilled managerial, professional and technical jobs, but it has also benefited undifferentiated service and sales workers. For the first time since 1990, the number of full-time jobs exceeded the number of part-time jobs created. Nevertheless, both part-time and temporary jobs continued to increase in 1999, and they now amount to almost 30% of the total number of jobs in the EU.
- As a result, the employment rate in the EU increased to 62.2% from 61.3 % in 1998, but the increase in full-time equivalent was less pronounced. Women were the main beneficiaries of employment growth; however their employment rate of 52.5 % still reflects an important gender gap of 18.5% relatively to males' employment.
- Unemployment has fallen by 4 million since 1994 to an average rate of 9.2% in 1999. While starting to decline after 1997, long-term unemployment remains a problem for 4.2% of the labour force.
- Youth unemployment, at 8,5% of the age group 15-24, is now at its lowest in a decade. However, the labour market participation of older workers over 55 years of age stands now at 37%, a very low level against the background of increasing tightness of the labour market in some Member States
- Most Member States have benefited from the improved economic conditions in 1999 and increased their employment rates. Some Member States already exceed the benchmarks set by the Lisbon Summit for the EU in 2010, in terms of the overall employment rate (Denmark, Sweden, the Netherlands and the UK) or the female employment rate (Denmark, Sweden, Finland, the Netherlands and the UK).

## 2. The assessment of Member States' employment policies in 1999

Structural reforms of the labour markets are making progress amidst growing optimism:

- It is clear that the Member States are reforming their labour markets in a much more favourable macroeconomic climate now than in 1997 when the Luxembourg process was initiated. This should encourage further strengthening of policy efforts.
- Progress in employment performance demonstrates that a mutually reinforcing virtuous cycle is being created, where growth- and stability-oriented macroeconomic policies on the one hand and ongoing structural reforms of the Member States' labour markets on the other hand are reducing unemployment and social exclusion and generating more jobs.
- It should however also be recognised that the elements of an overall policy mix are related to different time horizons: Interest rates can be changed overnight, but the impact of human resources investment and institutional reforms in the labour markets require sustained efforts, and can only be expected to yield visible effects over time
- An overall impact of the European Employment Strategy on the improving employment situation is still difficult to identify. Most recent data refer to 1999, the year in which most policy reforms started to be implemented under the NAPs. However, a beneficial impact can be detected for specific groups or sectors in the case of certain new policies.
- The 52 Recommendations issued by the Council to the Member States for 2000, have demonstrated their value in focusing the Member States' efforts on key challenges. Most Member States have taken action to respond, while in some areas strengthened efforts are still required. As some of the actions require time to produce the desired impact, it is still too early to assess whether these are sufficient to remedy the situation on a lasting basis.
- There is a clear learning process in the provision and presentation of the Member States' policy. The implementation reports are becoming more focused, while in some Member States, there is still an over-emphasis on individual initiatives, rather than a comprehensive, mutually supportive policy mix.
- The process of setting measurable objectives and targets should be strengthened. Under those guidelines that set common targets, policy progress is more visible, and an objective assessment of impact is made possible, on the basis of common indicators, underpinning further policy development.
- In contrast, under many Guidelines where there are no such quantified objectives, or where target setting is left to individual Member States, policy progress is slow, and both efforts and effects are difficult to gauge from information focusing on a scattered set of unconnected measures.

Strong but uneven implementation of the four pillars requires increased attention to the policy-mix.

While a lot has already been achieved, there is an uneven implementation of the four pillars, at least judging from what the Member States report. This is particularly true for the adaptability pillar, and – to a lesser extent – for the entrepreneurship pillar. Thus, a fully fledged policy mix is not yet adequately developed in the Member States. The key highlights of the action taken under the four pillars are:

### Employability – Pillar I

- There is a clear progress in the implementation of preventative and active policies. The majority of countries now appear to be capable of fulfilling the targets set in Guidelines 1 and 2 by 2002. However, Belgium, Greece and Italy still need to take significant steps in order to fulfil the targets set in Guidelines 1 and 2 by 2002. As far as Guideline 3 is concerned, 12 Member States are already complying with the 20% target for unemployed people in active measures.
- The review of tax-benefit systems lacks clear follow up (except in Denmark, the UK and the Netherlands) and this is worrying in view of the large proportion of the population which remains in long-term benefit dependency in several Member States, especially those in which labour market shortages are emerging.
- The promotion of lifelong learning is receiving an increasing response in all Member States although a comprehensive framework is generally lacking, and only a minority of Member States reported on national targets which they are required to set.
- In comparison to 1998, all Member States are giving more emphasis to providing better opportunities for disadvantaged unemployed persons to re-enter the labour market. In many Member States there has been a notable shift from individual programmes to a more mainstreamed approach in favour of people with disabilities. However, comparative analysis remains difficult due to the lack of basic data and different definitions, in particular for ethnic minorities.

### Entrepreneurship – Pillar II

- With respect to the entrepreneurship pillar, further efforts need still to be made to move beyond the proliferation of individual initiatives to the establishment of a comprehensive policy framework and an enabling environment for an entrepreneurial culture in Europe.
- Almost all of the employment growth in 1999 occurred in the service sector but it is unclear how much this was due to employment or accompanying policies (most Member States are committed to liberalisation of formerly public services). However, the development of the social economy covering goods and services provided by a wide variety of mostly non-profit entities, remains disappointing.
- Despite the large number of measures announced in the NAPs, progress in reducing the tax burden on labour has been slow, and in most Member States average taxation of labour has not yet started to decrease.

### Adaptability – Pillar III

- Under the adaptability pillar, the social partners, together with Governments, have a key responsibility for meeting the commitments of the Guidelines. In most Member States, partnerships, often tripartite, have developed to address adaptability issues, including life long learning. However, there is little evidence of progress on issues linked to the modernisation of work organisation. The only significant focus has been on working time issues, instead of a more comprehensive reform of working life.
- Progress on the incorporation of more adaptable forms of contract into Member States' labour law remains limited.



### Equal opportunities – Pillar IV

- The Member States have an improved record on gender mainstreaming across the four pillars. Many Member States have also reported specific measures dealing with unemployment of women, the gender segregation and the gender pay gap. However, there is still a long way to go to take gender aspects into account in all policy actions.
- Policy measures to help reconcile work and family life vary to a high degree between Member States. A positive element is the increasing tendency to set targets for childcare provision, as recommended by the Lisbon Summit conclusions.

### The role of the Public Employment Services

In the context of reforming labour market institutions, the Public Employment Services are recognised as being a key institution to implement the Employment Guidelines, in particular Guidelines 1, 2, and 3. Developing and/or modernising the PES is going on in a number of Member States, but these efforts must be stepped up in order to give the PES the strength and the tools to meet the requirements for an effective implementation of the strategy.

### Implementing the European Employment Strategy at the local level

The Member States are recognising the importance of local level action for the overall success of the European Employment Strategy. However, here much more also needs to be done in the area of devolution, establishment of an enabling environment, encouraging partnership among the local actors and developing comprehensive local employment strategies for the provision of more and better jobs.

### The role of the Structural Funds

The European Social Fund has, through the new Programme proposals, been given a key role as an instrument to underpin the European Employment Strategy, in accordance with the Fund Regulations. This is also recognised in the National Action Plans. The focus is on the preventative strategy in particular under the employability pillar. However, also equal opportunities receive a clearly identifiable share in the programmes. In countries with smaller programmes, the efforts are more focused on particular innovative aspects of labour market and human resources policy. Lifelong learning and the requirements of the information society are recognised in many programmes in line with the priorities highlighted at the Lisbon European council.

The role of the other Structural Funds, beyond the ESF, in the support for the European Employment Strategy is not sufficiently explicit, and referred to only by few countries. In addition, the participation of those responsible for the management of the Funds at the national level in the implementation of the National Action Plans for Employment could be much more organic. The challenge is also to translate the commitments in the overall Programming Documents into Operational programmes in line with the priorities of the National Action Plans.

### 3. Institutional and political issues

- As stated in the *Mid-Term Review of the Luxembourg process*, a number of institutional and political factors are also at play, which underpin a successful implementation of the European Employment Strategy, and will by itself contribute to the achievement of the objectives set by the Employment Guidelines. These include:
  - The emergence of new structures and institutions for decision making and evaluation of the employment policies, which have put employment at the centre of European and national policy making and improved the synergies and coordination between the various policy areas;
  - An increased involvement of different actors in the process;
  - A demonstrated commitment by governments and all of the other actors to contribute within their sphere of competence to the Employment Strategy.
  - An increased transparency of target setting, exchange of best practice and peer review, which in itself is an element of confidence building in economic policy. There is a continued momentum in the "open method of coordination" created by the Luxembourg process and endorsed by the Lisbon European Council.

The analysis contained in this Report underpins the recommendations addressed to Member States which the Commission is proposing this year for the second time following the entry into force of the new Treaty on 1 May 1999. The Commission has been mindful of the need to ensure consistency between these recommendations and those set out in the Broad Economic Policy Guidelines drawn up under Article 99(2) of the Treaty. Furthermore, Member States are required to implement their employment policies in a way which is consistent with the Broad Economic Guidelines in accordance with Article 126 of the Treaty.

In 2000 and 2001, Member States will be not only reforming their labour markets amidst continued favourable economic prospects, but also within the new policy context created by the conclusions of the extraordinary European Council of Lisbon in March 2000. There, a new paradigm is emerging, based on a strengthened commitment to achieve full employment through consistent efforts promoting knowledge, innovation and social cohesion. The promotion of lifelong learning, social inclusion and equal access for all to the labour markets have been put high on the agenda for European policy in order to create the most competitive and dynamic economy by the end of this decade. These commitments must therefore be taken into account in the further development of the Employment Policy Guidelines and the individual recommendations addressed to the Member States, thus enabling the Luxembourg process to make an essential contribution to the achievement of the Lisbon objectives.



**PART I**

**THE EUROPEAN UNION**



## 1. Introduction

This Report is submitted in accordance with Article 128 of the Treaty with the aim of presenting the conclusions drawn by the Commission from its examination of the measures taken by the Member States to implement the Employment Guidelines for 2000. It provides the basis for the Joint Employment Report that the Council and the Commission will submit to the European Council in Nice in December 2000. Moreover, the Commission will take into account its findings in the preparation of its proposals for a Council decision on the Employment Guidelines of 2001, as well as for Council Recommendations addressed to Member States on the implementation of their employment policies.

The Commission has been mindful of the need to ensure consistency between these recommendations and those set out in the Broad Economic Policy Guidelines drawn up under Article 99(2) of the Treaty. Furthermore, Member States are required to implement their employment policies in a way which is consistent with the Broad Economic Guidelines in accordance with Article 126 of the Treaty.

Like the two previous reports of 1998 and 1999, the present report is in two parts. The first part sets out a comparative assessment of the implementation of the Employment Guidelines by Member States in each of the four pillars, taking into account the different starting situations as well as the progress achieved since 1997 in terms of labour market performance. The second part presents, for each Member State, a detailed analysis of the policy measures implemented or announced under the National Action Plans, in the light of recent developments in their economic and employment situation. Special attention is given to the examination of the way in which each Member State has addressed the recommendations adopted by the Council for the current year.

This report is based on the information provided in the NAPs submitted by the Member States by 1<sup>st</sup> May 2000, including statistical data on indicators to monitor both EU and national targets. Account has been taken in some cases of supplementary information provided by national authorities on the occasion of the bilateral meetings held in June-July for checking the accuracy of the analysis contained in this report.

The process initiated by the European Council in Luxembourg in 1997 has established an ambitious framework for policy coordination in the EU in the area of employment. Given the structural nature of the reforms to be launched in this area, an immediate and visible impact should not be expected as a rule. The assessment of the implementation of the Employment Guidelines is carried out in this Report from a multi-annual perspective, by taking into account progress towards identified benchmarks. In some cases, however, there is already sufficiently strong evidence pointing to beneficial effects of major programmes or reforms, and such cases have been highlighted. The Commission intends to carry out a major impact evaluation of the European Employment Strategy whose findings should feed into the review of the strategy in 2002.

In relation to previous years, there are two major differences characterising the economic and political context surrounding the presentation of this report:

**On the economic side**, and thanks to an improved economic policy framework, structural reforms bearing on labour markets are now being implemented against a more favourable economic outlook, leading in particular to strong demand for labour. This development will create new responsibilities for policy-makers, to the extent that more ambitious efforts for structural reform are required in order to sustain and accelerate economic and employment growth while maintaining financial and price stability.

Moreover, and while long-standing structural problems such as high youth and long-term unemployment are at last being reduced in most Member States, unemployment levels remain far too high. Structural problems remain in many countries, including uneven developments across social groups and regions, manifested in the phenomenon of dual labour markets and persistent

regional disparities. In addition, some Member States (and not only those with low unemployment) are facing new problems such as labour shortages and skills gaps.

**On the political side**, the European Council of Lisbon has concluded that it needs to set a **goal of full employment** in Europe in an emerging new economy. The EU has set a new strategic goal for the next decade: to become the most competitive and dynamic economy, capable of sustained economic growth with more and better jobs and greater social cohesion. An overall strategy has been agreed to address the challenges in making the transition to a knowledge-based economy and society, modernising and strengthening the European social model by investing in people and building an active welfare state and continuing to apply a macro-economic policy mix conducive to favourable growth prospects, thereby enabling the European Union to regain the conditions for full employment, and to strengthen regional cohesion.

The **Lisbon Summit conclusions** recognise the fundamental and overarching role of the Learning Society for the achievement of the goal of full employment through the development of a knowledge-based society, and have thus given new emphasis to the priorities set out in the Employment Guidelines 2000 of developing lifelong learning policies and ICT skills.

If **Lifelong Learning** is to be developed as a basic component of the European Social Model, it has to be as a comprehensive strategy covering all aspects and stages of education and training. Indeed, it has been defined by the Member States and the Commission as: *"encompassing all purposeful learning activity, whether formal or informal, undertaken on an ongoing basis with the aim to improve skills, knowledge and competence"*. Thus lifelong learning is overarching and integrated into all four pillars. It encompasses Member States' measures to promote the employability of young people, older workers and unemployed persons by improvements in the quality of and access to initial and continuing education and training systems, and by the development of work-based training. It includes, under the adaptability pillar, the development of partnerships by the majority of Member States between national authorities and the social partners to provide continuing training and address skills gaps, and also measures by Member States and enterprises to address barriers to investment in training. Member States' initiatives to integrate the teaching of entrepreneurship skills into education and training curricula is another aspect of lifelong learning, as are actions aimed at improving the access of women returning to training with the aim of strengthening equal opportunities.

In addressing the employment strategies for an **Information Society** for all at European level, a key issue for all Member States is the implementation of actions and programmes to ensure that education and training systems, and citizens at all levels, are fully equipped to participate in the Information Society and are prepared for the transition to a knowledge-based economy. The important priority being given to the encouragement of lifelong learning and the development of ICT skills can be seen in the emphasis in the Lisbon conclusions, the Employment Guidelines, the Commission's e-Europe Action Plan and, particularly, in the Commission's e-Learning initiative.

In order to implement the Lisbon strategy, no new **processes** in addition to those already in force – the Broad Economic Policy Guidelines, Luxembourg, Cardiff, Cologne – will be required. Instead, policy-making at the EU level in a number of areas – innovation, economic reform, education and training, social protection – will be strengthened by the adoption of an open method of coordination, based on guidelines, benchmarks and systematic monitoring. This method is now consolidated within the European Employment Strategy, so it can be expected that the analysis contained in the JER will provide decisive inputs to the Spring European Council to be held in Stockholm, devoted to economic and social questions and monitoring the progress towards the new strategic goals.

On the other hand, it is clear that the new political messages endorsed in Lisbon and the Social Policy Agenda (also to be adopted at the Nice Summit) will gear the strategy towards new and more ambitious goals. The Commission and the Member States have undertaken a Mid-term review of the Luxembourg process under the auspices of the Employment Committee whose results are

summarised in Chapter 5 of the present report. Its purpose is to translate the conclusions of the Lisbon Summit into new proposals for enriching the Employment Guidelines of 2001, notably by giving them more concrete targets.



## **2. The employment situation <sup>1</sup>**

### **2.1. The EU macro-economic and employment context**

#### ***Positive prospects for growth and employment should encourage bolder economic reforms for a sustainable improvement in labour markets***

Since mid-1999, the EU has seen a strong economic recovery, with average GDP growth being forecast at 3.4% in 2000, and 3.1% in 2001, up from 2 ½% in 1999. The pick-up has been driven by exports, partly thanks to the improved international environment, but with domestic demand also on a solid footing. Significant employment creation is expected during this year and the next thanks to strong growth and continued labour market reforms.

Unemployment has fallen from 9.2% in 1999 to 8.7% by mid-2000, and is expected to fall below 8% in 2001. But this is still too high and, moreover, it remains unevenly distributed among geographical areas and social groups. The employment creation that takes place in a period of rapid growth must not be allowed to obscure the considerable structural problems that remain in the labour markets of many Member States. At the same time, labour markets are becoming increasingly tight in some Member States and regions, with skill shortages and recruitment difficulties being reported across a range of sectors and occupations, and wage pressures beginning to emerge in some countries. Overall, however, wage developments remain moderate.

The EU has built very favourable economic fundamentals which are beginning to yield results. Inflation is relatively subdued, public sector deficits have been reduced remarkably, giving way to surpluses in some cases, long-term interest rates have fallen and the stock of government debt in terms of GDP is falling. Sustained economic growth of around 3% and a perceptible increase of the employment rate towards the 70 % benchmark should be a realistic prospect for the coming years, if such a sound macroeconomic background is maintained and the pace of economic reform is stepped up. To maintain the favourable economic outlook, it is essential that Member States take advantage of this situation and implement the reforms set out at Lisbon for preparing the transition to a competitive, dynamic and knowledge-based economy, and to modernise the European social model by investing in people and building an active welfare state.

#### ***Robust employment growth as economic recovery continues***

In 1999, growth of real GDP averaged 2.4% over the Union as a whole, 0.3 percentage points less than in 1998. The number in employment, however, increased by marginally more in 1999 than in the previous year, 1.4% as opposed to 1.1%, a rise of almost 2.1 million in 1999 and 4 million in the two years (see Chart 1 in the Statistical Annex).

The effect of the significant rise in employment in 1998 and 1999 was to bring the overall increase in the number in work in the Union since the beginning of recovery in 1994 to just under 7 million, or 4½%, over five years.

The overall employment rate in the Union <sup>2</sup> rose to 62.2% in 1999 from 61.3% in 1998. However, this improvement was just sufficient to bring that rate back to the same level as in 1990 before the recession in the first part of the decade began.

The increase in the full-time equivalent employment rate has been much less pronounced. In 1999, it averaged 56½% of working-age population, only just over 1 percentage point higher than in 1994.

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<sup>1</sup> Additional information and analysis can be found in the Commission's Employment in Europe 2000 report.

<sup>2</sup> In this report, the employment rate is defined as the proportion of the population aged 15 to 64 in work. Source : European Labour Force Survey; yearly averages where available.

### ***Employment growth spans all types of work, but the proportion of part-time and temporary jobs continues to increase***

For the first time since 1990, the number of full-time jobs exceeded the number of part-time jobs created. Some 63% of employment growth in 1999 is attributable to the increase in full-time jobs. Nevertheless, part-time working continued to expand in 1999, by almost 3% more than a year earlier and almost 19% more than 5 years earlier. Over the 5 years 1994 to 1999, they accounted for nearly 64% of net job creation.

Most of the new part-time jobs created have gone to women, who still account for 80% of all those working part-time. Over 70% of the net additional jobs created for women over the five years 1994 to 1999 were part-time ones. The number of men working part-time has also risen. Half of the net additional jobs created for men between 1994 and 1999 were part-time. In 1999, 33% of all women and 6% of all men in employment in the Union worked part-time, as opposed to 28% and 4% respectively, at the beginning of the decade (see Chart 2).

Also the number of new jobs with open-ended contracts in 1999 exceeded the number of new temporary jobs (i.e. ones with fixed-term contracts). Some 57% of the net additional jobs created for employees in 1999 were open-ended which is in line with the tendency observed over the recovery period 1994 to 1999. The proportion of employees in temporary jobs increased from 11% to 13% over this period. The relative growth in temporary working has been significantly higher among men than women (see Chart 2).

As a consequence, there has been over the last five years a constant rise in the proportion of workers taking part-time or temporary jobs, which now account for 28.4% of total employment in the EU (see Chart 2). This proportion reaches 45.7% in the case of female workers.

### ***Women have taken up the majority of the new jobs created***

A large proportion of the net additional jobs created in 1999 went to women, who accounted for 70% of the overall increase in employment, more than in 1998 but in line with the long-term tendency for increasing numbers of women to be in paid work. Over the five years 1994 to 1999, almost two thirds of the 6.8 million net additional jobs were taken by women.

As a result, the employment gap between men and women continued to narrow in 1999, with the employment rate for women aged 15 to 64 rising from 51% in 1998 to 53%, while that for men rose from 71% to 71½%. The gender gap therefore fell to 18½ percentage points, whereas at the beginning of the 1990s, it had stood at some 27 percentage points (see Chart 3).

### ***Employment in services continued to account for the bulk of net job creation in the EU, but gains were also registered in industry***

Most of the rise in employment since 1997 can be attributed to a growth in jobs in services, which much more than offset a continuing fall in employment in agriculture. Jobs in industry also increased, unlike the first three years of the recovery period, 1994 to 1997, when job losses occurred in some Member States, especially in Germany.

As a result, the employment rate in services increased in the EU from 40.3% to 41.6% between 1997 and 1999. As the employment rate in services in the US also increased over the same period from 54.5% to 55.5% the EU-US gap was maintained at 14 percentage points. In terms of the share of total employment in 1998 for the US this was 73.8% and for the EU 66.1%<sup>3</sup>.

While the service sector as a whole offers the greatest potential for increasing employment in the EU, there are huge differences in between service sub-sectors. Most of the additional jobs which have been created since the beginning of the recovery were concentrated in a few market services –

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<sup>3</sup> Estimation based on the OECD Employment Outlook 2000.

computing, business, travel and air transport – but also in some "communal" services – mainly health and education, but also recreational and cultural activities – as well as personal services. In a number of more traditional services, job growth has been minimal or even negative – that has been the case in retail trade, land and water transport, postal services, banking and insurance, R&D and public administration.

### ***New job opportunities have been very unevenly shared across occupations***

Whereas the number of high-skilled managerial, professional and technical jobs, as well as sales and service workers, have increased at more than twice the rate of average job creation in the EU (0.9%) since 1994, manual jobs, both skilled and unskilled, have decreased in number over the same period. Clerical and office jobs have also increased but at a much slower rate.

This growth pattern has been almost identical between the two genders, and very little variation has been observed among Member States. However specific developments were witnessed in Portugal<sup>4</sup> (where job growth has concentrated in unskilled rather than in high-skilled occupations) and in Spain, France, Ireland and the Netherlands, where the number of jobs in manual occupations has continued to increase.

Employment growth over the last 5 years has been dramatic (more than 5% a year) in occupations related to the information society (computing professionals), or driven by the global economy and the on-going transformations in management (business professionals, executives, creative artists), and the response to new social needs (social work, personal care and health professionals).

### ***Unemployment continues to fall***

The rate of unemployment in the Union averaged 9.2% in 1999, the third year in succession that the rate has fallen, down from 11.1% in 1994 (see Chart 4). In March 2000, there were 14.9 million people out of work in the Union, down from the peak of 18.7 million in February 1994. Since 1997 in particular, the fall in unemployment has been gaining momentum, reflecting the increased rate of employment growth. Nevertheless, unemployment in the Union in 1999 was still 2 million higher than it had been in 1991.

Unemployment of women in 1999, at 10.8% was still well above that of men (7.9%), though the rate for women declined slightly more than that of men during 1999, reflecting the higher rate of net job creation for women over the year.

### ***Youth unemployment reaches the lowest point since the eighties but remains much too high***

The number of young people unemployed in the Union averaged 8½% of those in the 15 to 24 age group in 1999. This was down from 9.2% in 1998 and from 10.7% in 1994 and was slightly lower than at the beginning of the decade. Youth unemployment fell by a similar amount during 1999 among men and women (0.8 percentage points). However, this should not obscure the serious nature of the problem for young job-seekers. The conventional youth unemployment rate (expressed in percentage of the labour force) was 17.7% in 1999.

Youth unemployment as a proportion of total unemployment has also declined, although this partly reflects the fall in the share of the 15 to 24 age group in the total population. Population in the age group 15-24 has been declining at an annual rate of 1.5% since the mid-1990s.

### ***Long-term unemployment also declined but remains a serious problem***

In line with the general improvement of the labour market situation, long-term unemployment, as measured by its ratio to the labour force (LTU rate) has dropped in 1999 to 4.2% for the whole

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<sup>4</sup> A break in the statistical series in 1998 reduces the reliability of these results.

Union, from 5.2% in 1997 and 4.9% in 1998. Over 2½% of the labour force had been unemployed for at least two years, down by some ½ percentage point from 1998.

Despite this improvement, long-term unemployment remains a serious problem in the EU. The present LTU rate is still far too high, well above the level reached in the beginning of the nineties. The unemployed who have been continuously without a job for more than 12 (24) months still represent 45% (29%) of the total number of unemployed. This situation continues to call for more active labour market policies. The fact that the LTU share has been declining since 1997 (down from 49%) indicates that the LTU stock is declining at a faster pace than overall unemployment, which suggests that the combined effect of strengthened active policies and labour market reforms in some Member States is starting to have a visible impact in terms of increased job opportunities for the long-term unemployed.

## **2.2. Overview of Member States' employment performance**

The purpose of the present section is to assess the results that Member States are achieving under the European Employment Strategy on the basis of a comparative analysis of their evolving employment situation since 1997. This overview is underpinned by a battery of common performance indicators that have been developed in cooperation between the Commission and the Member States, under the auspices of the Employment Committee. The common indicators were selected so as to optimise comparability, reliability and timeliness, given the existing data constraints<sup>5</sup>.

### ***Employment increased in all Member States but progress was uneven***

In 1999 almost all Member States were able to take advantage of the improved economic conditions and increase their employment levels. However, the vigour in labour markets was very unevenly spread across Member States. Whereas Ireland has achieved robust employment growth of more than 5%, together with Luxembourg, Finland, Spain and the Netherlands (all performing above 2% in 1999), the majority of Member States registered growth rates close to the EU average of 1.4%. Germany had only a marginal increase of 0.3%, while in Greece employment actually declined (see Chart 5).

The majority of Member States replicated in 1999 their employment growth performance of the previous year, the notable exceptions being Sweden and Finland, which have substantially improved job creation relative to 1998, whereas in Denmark and Portugal employment growth was slower.

EU economies have been creating jobs since 1997 more rapidly than over the period 1990-96. In the large majority, this is due to faster GDP growth along with the effects of labour market reforms. For some Member States, these reforms may have an impact on the average growth of labour productivity per worker (apparent productivity), to the extent that they lead to an overall reduction of hours worked, expansion of part-time work or rapid development of service sectors. In the case of Denmark, Germany, Italy and the UK, net employment growth over the last couple of years is to a large extent associated with a slowdown in labour productivity per worker.

### ***Employment rates are steadily increasing, and in some Member States already exceed the EU target of 70% ...***

As a result of employment outpacing growth in working age population, in 1999 the employment rate increased in almost all Member States. The increase was highest in Ireland, Spain and Finland, all of which registered increases of 2 percentage points or more. Since the start of the European Employment Strategy, two groups of Member States have succeeded in raising substantially their

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<sup>5</sup> For a description of the sources and methodology of the indicators used in this chapter, see Appendix.

employment rates, with increases exceeding 4 percentage points over the two-year period (see Chart 6):

- Spain and Ireland, which reaped the benefits of strong demand for labour to improve on a difficult starting situation;
- Sweden, Finland and Portugal, which have managed to improve still further a situation already characterised by high levels of employment.

Across the Union, the employment rate is highest in Denmark (76.5%), and in Sweden, the Netherlands and the UK, it already exceeds the target of 70% set by the Lisbon Summit for the Union as a whole by the year 2010. Spain, Italy and Greece face the greatest challenge for making progress towards this target, as their employment rates stand below or near 55%. In Greece the employment rate showed a slight decrease in 1999.

Since the participation of prime-age males in employment tends to be quite uniform, the reasons for the wide variations of the employment rate across Member States have to be found primarily in the behaviour of women as well as younger and older people. As regards female employment, it is favoured *inter alia* by flexible labour legislation, particularly with respect to part-time working and parental leave, the availability of childcare services and a low marginal income tax rate for couples with two wage-earners.

The participation of women in employment is highest in Denmark (71.6%), Sweden, the UK, Finland and the Netherlands. All these Member States already exceed the 60% target set for the Union in 2010, while Austria and Portugal are very close. In Spain, Italy, Greece, Belgium and Luxembourg, the female employment rate is below or near 50% (see Chart 7).

### ***... but the increase is much less visible in terms of full-time equivalents***

Since 1997, the full-time equivalent<sup>6</sup> (FTE) employment rate has increased in all Member States, but at a slower pace than head-count employment. The changes have been smallest (i.e. less than one percentage point over two years) in the cases of Germany, France, Luxembourg, Austria and the UK, implying that the increase in the work volume has been modest in these countries.

Denmark has the highest FTE employment rate (68.6%), followed by Portugal, Finland, Sweden and Austria, with rates ranging between 65% and 63%.

### ***Younger people turn increasingly to the labour market...***

The employment rate for younger people varies considerably across Member States, reflecting the average length of participation in formal education, as well as the importance of in-work components in vocational training systems. It may also reflect the situation of labour markets, to the extent that a strong demand for labour encourages young people to finish their studies earlier.

The employment rate of young people (15-24) is highest in Denmark (66%), the Netherlands, Austria and the UK, (all above 55%), reflecting the large numbers engaged in formal apprenticeship or combining education and training with part-time work, and lowest in Belgium, France, Spain, Greece and Italy (all below 30%).

Since 1997, most Member States saw young people turn increasingly to the labour market, as shown by the rising activity rate<sup>7</sup> in the age group 15-24 in contrast with the trend observed

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<sup>6</sup> Full-time equivalent (FTE) employment, which equals the number of full-time equivalent jobs, is defined as total hours worked divided by the average annual number of hours worked in full-time jobs in each Member State. The FTE employment rate is calculated by dividing the FTE employment as defined above by the total population in the relevant age group.

<sup>7</sup> The sum of the youth unemployment ratio and the employment rate for the same age group.

throughout the nineties. The increases have been especially strong in Belgium, Finland, Greece, Ireland, the Netherlands, Portugal and Sweden.

***... while older workers still tend to exit prematurely***

Policies such as early retirement pensions, disability benefits and unemployment benefits unconnected to active job search after a certain age limit, have encouraged early withdrawal of older people from the labour market. As a result, the employment rate for those aged 55-64 has been declining and has now reached very low levels in the EU – slightly below 37% in 1999 (see Chart 8).

Such policies put a great strain on current social welfare expenditure while threatening the long-term sustainability of public pension systems, in the light of demographic projections pointing to a gradual increase in the share of dependent people. They also reduce the labour force potential that will be required to compensate for the reduction of young cohorts in the labour force.

There are large discrepancies in employment of older people across Member States, reflecting differences in the demographic structure, as well as the extent to which public policies have favoured early withdrawal from the labour market as a means to tackle industrial restructuring in a context of slow job creation. In Austria, Belgium, France, Italy and Luxembourg, not even one third of the population aged 55-64 is at work, whereas this proportion exceeds one half in Sweden (64.5%), Denmark and Portugal.

Since 1997, the employment rate of older people has continued to decline in France and Germany, and remained stable in Italy, while some progress has been registered elsewhere, and more particularly in Belgium, Denmark, Luxembourg, the Netherlands and the UK.

***Unemployment is falling almost everywhere, and some labour markets show signs of emerging bottlenecks***

Since 1997, unemployment has been declining consistently in almost all Member States (see Chart 9). Amidst those Member States with two-digit unemployment rates in 1997, the improvement has been most significant in Spain and Ireland (respectively 5 and 4 percentage points), as well as in Finland and Sweden, although to a smaller extent (about 2½ points). Improvements were more modest in Germany, France, and Italy, while in Greece unemployment has been rising.

The highest unemployment rate continues to be registered in Spain (15.9%), followed by Greece (11.7%), France, Italy (both at 11.3%), and Finland (10.2%).

In some Member States, there is now a situation near to classical full employment, where most of the unemployed are temporarily switching between jobs (frictional unemployment). This is the case in Austria, Denmark, Luxembourg, the Netherlands, Ireland and Portugal (all with unemployment rates below or close to 5%). While such countries still have to face the problem of hard-to-place groups, which form the core of the dwindling stock of long-term unemployed, the key problem now is how to avoid labour shortages and inherent wage inflation pressures. For some, part of the answer will lie in the activation of those people who have had insufficient incentives to participate in the labour market, or were left out on account of high non-wage labour costs or low skill levels, and are not counted as unemployed although they may be willing to accept a job if they were offered one – (the so-called "discouraged workers"). For others, strengthened labour mobility can help in alleviating labour shortages.

***Despite recent improvements, some Member States still show worryingly high levels of long-term unemployment...***

Since 1997, the reduction in long-term unemployment has been more or less equally spread across Member States, with the most remarkable progress being observed in Spain, Ireland, Portugal,

Sweden, the UK and the Netherlands. However, in 1999, the stock of the long-term unemployed still accounted for 5% or more of the work force in Belgium, Greece, Spain and Italy. In all these Member States, women were strongly over-represented among the long-term unemployed.

### ***... and of youth unemployment***

In 1999, more than 10% of the young population (in the age bracket 15-24) was without a job in Italy, Finland, Spain and Greece. The gender distinction of youth unemployment is generally much less pronounced as compared with adults.

Along with a reduction in overall unemployment, the prospects of young people continued to improve, and in 1999 all Member States, with the exception of Belgium and Denmark, witnessed a drop in youth unemployment ratio. The improvement was more marked in Spain, Ireland and Sweden.

### ***Regional disparities in unemployment***

In some Member States unemployment rates vary considerably across regions reflecting long-standing asymmetries in their ability to attract investment. In some cases, such disparities may also indicate insufficient labour mobility and/or discrepancies between wages and productivity. As measured by the coefficient of variation<sup>8</sup> of unemployment rates across the NUTS 2 regions within each Member State in 1999, this problem was most acute in Italy, followed by Germany, Finland, Belgium and the Netherlands (see Chart 10)

A disturbing fact is that regional disparities in unemployment have risen since 1997, in the majority of countries, suggesting that the fall in unemployment has been less pronounced in those regions with highest unemployment.

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<sup>8</sup> Standard deviation divided by average national unemployment rate.

### 3. Assessment of National Action Plans

#### 3.1. Pillar I: Employability

##### 3.1.1. Overview of policy developments

The Joint Employment Report 1999 concluded that the establishment of clear targets and deadlines in Guidelines 1 to 3 had helped to focus policy and to mobilise efforts in implementing a policy approach consistent with the European Employment Strategy. There was evidence of a move towards a more preventative approach in order to **combat youth and long-term unemployment** more effectively, in combination with strengthened active labour market policies.

The examination of the NAPs of 2000 broadly confirms further progress in this direction. Success in coming closer to full compliance with the common targets of guidelines 1 and 2 and achieving low rates of inflow into long-term unemployment is most evident in those Member States having already fully implemented the preventative approach for both young and adult unemployed persons (Sweden, the UK, Austria, Finland, Luxembourg). Progress is noticeable in varying degrees for those Member States that extended the coverage and intensity of new preventative policies based on individualised assistance and early action in accordance with pre-defined programmes (the Netherlands, Denmark, Germany, Ireland, Portugal, France, Spain). In some cases, however, delays or particular difficulties of implementation are noticed.

The response of the four Member States who received recommendations on this issue last year was, however, uneven. While Germany has extended individual pathways for prevention of adult long-term unemployment to effectively provide offers to all in need, before 12 months, and Belgium announced for 2000 new initiatives which bring labour market policy closer to the preventative approach advocated in guideline 1, there are now added reasons to doubt the capacity of Greece and Italy to comply with the common targets by the agreed deadline of 2002, unless efforts are stepped up considerably.

As regards compliance with guideline 3, activation has increased in the majority of Member States, and 12 Member States comply with the 20% target for unemployed people in active measures. The purpose and policy coverage of this guideline continues however to be interpreted differently by Member States, and further clarification is needed. Training actions are being offered on average to 47% of all participants in measures, whereas the remaining 53% participate in a very heterogeneous set of measures, ranging from public employment schemes with very little training content, to subsidised employment and start-up assistance. The present tendency towards increased activation is also confirmed by the rising share of active measures in total labour market expenditure.

Few Member States have started a comprehensive review of **tax/benefit systems** (Denmark, the UK and the Netherlands). Reform efforts in other Member States have been modest. A high proportion of the population in working age is rooted on long-term benefit dependency in several Member States, including some of those having low unemployment rates, like Denmark and the Netherlands. Further progress in tax-benefit reforms is essential towards meeting the objectives of reducing structural unemployment, improving employment performance and restoring full employment.

While the Employment Guidelines for 2000 have set more ambitious objectives for **lifelong learning**, the majority of Member States still need to develop stronger links between various policy measures so that measures and policies for education and training can be conceived and implemented within a comprehensive lifelong learning framework. Clear, quantified targets and benchmarks need to be set and respected, but only a minority of Member States are adequately and fully responding to the objectives set for Guideline 6 (the Netherlands, Denmark). Member States in a more difficult initial situation in terms of average educational attainment are required to make stronger efforts in order to address the challenge of lifelong learning.



As regards the implementation of guidelines 7 and 8, most Member States have broadened support for young people with learning difficulties in order to curb early school leaving and attack persistently high levels of illiteracy among certain groups and in certain areas. Considerable efforts are also under way to provide computers and Internet connections to students and increase their use in education and training. There are few measures aimed at improving the quality of education. The starting situation is however quite uneven across Member States, and progress towards the common targets set in the Employment Guidelines 2000, and confirmed by the Lisbon conclusions, should be monitored.

As regards Guideline 9, which seeks to promote the **integration of disadvantaged groups** in the labour market, further efforts are necessary in order to define the target groups more clearly, as well as the policy goals. Also, much more effort needs to be addressed to monitoring and evaluation of outcomes from different policies for disabled persons, ethnic minorities and other disadvantaged groups. This would enable the Member States to specify the instruments deployed for their implementation. The conclusions from the Lisbon Summit emphasise the need to promote an effective integration of disadvantaged groups in work.

### **3.1.2. Prevention and activation – compliance with common targets**

#### ***The facts:***

- *In 1999, despite the improvement of the employment situation, still more than 2 million young people, or 50% of the unemployed in the age bracket 15-24, had been without a job for at least 6 months.*
- *The problem is most serious in Italy, Spain, France, Belgium and Greece, where 10% or more of the young population was without a job for at least 6 months. In 1999, clear improvements were observed in Spain and France, which reduced the young LTU rate respectively to 17.5% (from 23.1%) and to 9.6% (from 13.2%). In contrast, modest progress has been observed in Belgium, Italy or Greece.*
- *In 1999, there were more than 6 million adult long-term unemployed, of which more than half are women. 6 Member States presented the most serious starting situation in 1997, with an adult LTU rate close or above 5% - Spain, Italy, Ireland, Germany, Belgium and France. Until 1999, rapid progress was observed in Spain and Ireland, whereas in the other four countries progress has been more modest.*

#### ***Good performance:***

- *The lowest rates of inflow into LTU (young people): Austria, Sweden and Denmark. Average: 5.5%.*
- *The lowest rates of inflow into LTU (adults): Austria, Denmark and Finland. Average: 5.2%.*

### **Guidelines 1 and 2**

The assessment of implementation of the preventive approach (Guidelines 1-2) takes into account three criteria:

- the conformity of the announced policies with the policy orientations emphasising individualised assistance and early intervention;
- the progress achieved in making operational the provision of individual offers to all young and adult unemployed before 6 and 12 months of unemployment respectively;

- the degree to which the common EU quantitative targets are met, as measured by agreed policy input indicators.

Account is also taken of the policy impact of the new preventative approach in terms of reducing unemployment and in particular inflows into long-term unemployment.

As far as the **provision of indicators** is concerned the overall situation has greatly improved, as 13 Member States (as against 5 in 1999) now provide the full array of common policy indicators, or at least data enabling their calculation on the basis of common definitions. Several of the Member States to which a recommendation on this issue had been addressed in 1999 made a positive effort to overcome this deficiency and supply the required data in their NAPs 2000 (Germany, Spain, the Netherlands). However, both accuracy and reliability of the quantitative evidence provided remains questionable in a number of cases, as documented in Table 1. Further effort in adapting national monitoring systems and in transforming national data into commonly agreed definitions is still required in order to improve comparability across Member States.

The existing quantitative as well as qualitative information is sufficient to draw a clear picture of the state of progress in the implementation of Guidelines 1 and 2. Three categories of Member States can be distinguished in this respect on the basis of the examination criteria mentioned above.

Member States that have put in place a system ensuring provision of individual offers to all young and adult unemployed before 6 and 12 months of unemployment respectively, and that are near to full compliance with the EU common targets are: Austria, Sweden, the UK, Luxembourg and Finland.

Member States extending the implementation of the preventative approach, in conformity with the Guidelines, which seem capable of fully complying with both guidelines 1 and 2 by or before 2002 are : Denmark, the Netherlands, Ireland, Germany, Spain, Portugal and France. In the three first countries, full implementation of the preventative approach has been already achieved with respect to guideline 1, and efforts concentrate now on its extension to the adult unemployed.

Member States that have not yet defined policies ensuring full provision of individual assistance and early action for young and for adult unemployed before the 6/12 month threshold, or have failed to ensure sufficient progress in implementation during 1999 are: Belgium, Greece and Italy.

In relation to 1998, the major changes are the inclusion of Finland and Luxembourg in the first cluster, and the confirmation by Germany of significant progress in implementing preventative measures in conformity with the guidelines.

### **Category I**

**Austria**, which has complied very satisfactorily with Guidelines 1 and 2 in 1999, intensified job search training with the launch of a new measure (Job Coaching) and has put greater emphasis on the acquisition of ICT-related skills in training for the unemployed. Benefiting from a favourable labour market, Austria is on track to fulfil by 2002 its objective of halving the inflow rates into LTU, both for young and adult unemployed, which are already among the lowest in the EU (3.4% and 1% respectively).

**Sweden**, which has in place a well-established system based on early action and individualised assistance (starting at 3 months of unemployment) maintains its good performance regarding young unemployed but experienced a noticeable increase of adult inflows into LTU in 1999 (from 5.4% to 15%). However, improving the efficiency of the preventive approach for adults is a priority for 2000 and should contribute to reversing the situation.

**Finland** had achieved by the end of 1999 the full-scale implementation of its preventive approach, based on individual action plans. This is not yet reflected in the policy input indicators, which still show modest values, with 48% of young and 52% of adult unemployed crossing the 6<sup>th</sup>/12<sup>th</sup>

threshold without having been offered individual assistance (non-compliance rate). In terms of the outcome, Finland scores fairly well but better results might still be expected in view of the level of prevention achieved.

In **Luxembourg** the implementation of the preventative approach was pursued on the basis of the new concept of job-seekers' individual socio-psychological follow-up. The preventative approach is more ambitious than the guidelines as it aims at addressing young and adult unemployed before they cross respectively 3 and 6 month unemployment. The level of effort has been significantly increased between 1998 and 1999, particularly regarding adult unemployed and the non-compliance rate decreased accordingly. However, there is still scope for improving the performance in terms of inflow into long-term unemployment.

The **UK** has pursued a preventative approach through the Job-Seekers' Allowance where job search assistance, flanked by strict benefit sanctions, is the major support offered to all young and adult unemployed before the 6<sup>th</sup>/12<sup>th</sup> month of unemployment. More specific and intensive support in terms of training, work experience or job schemes intervenes later, within the New Deal system. For adults aged between 25 and 49, the New Deal itself takes place quite late (after 24 months unemployment), but earlier access to intensive support is possible for some, in a more disadvantaged position. While complying fully in terms of the EU targets, and having reduced inflows into LTU measured at the 6<sup>th</sup>/12<sup>th</sup> month threshold, the UK still shows room for improvement in this respect. Efforts announced in NAP 2000 should lead to a stronger activation during the initial stage of New Deal scheme for young people (foreseen for June 2000) as well as to earlier adults' activation at 18 months (in 2001).

## **Category II**

In accordance with the principle of a right and duty to activation, embodied in the 1994 reforms, **Denmark** offers individualised assistance and employability measures to both young and adult unemployed. As reflected through the indicators, implementation was still at an early stage in 1999 but in order to fulfil the EU targets, new rules advancing activation of the young unemployed to 6 months were introduced by end 1999. The phasing-in of the rights and duties approach for adults was planned for 2000, but has been postponed to the beginning of 2001. Denmark scores fairly well regarding young unemployed rate of inflow into LTU (10%) and extremely well regarding adults' rate (4%). Given the present labour shortages, priority is given to improving efficiency and quality of activation, as well as avoiding possible disincentive effects of early activation on those unemployed having a good chance of finding a job by themselves.

**Ireland** extended the implementation of the preventative approach to the younger groups of adult unemployed as planned. The results are still modest both for youngsters and young adults with non-compliance rates of 58.8% and 52.9% respectively. Given the rapidly declining inflows into LTU, a stronger attention should be paid to the most vulnerable jobless persons. For 2000, it is planned to complete the extension of the preventative approach to the remaining age group (over 55), as well as to advance the first intervention to 9 months. On-going impact evaluation should help improving efficiency and better addressing those unemployed with greatest difficulties.

**The Netherlands** has put in place a two-stage preventative approach for young unemployed persons providing an individual action plan to all and subsidised jobs to those unable to find a job in 12 months. However, the level of young unemployed inflows into long-term unemployment at 12 months remains fairly high and might call for an improvement of the efficiency of the first stage and a review of possible disincentive effects in the second stage. Netherlands started implementing the "Comprehensive approach" towards adult unemployed as announced and aims at achieving completion by 2002. The quantitative information supplied does not permit an adequate assessment of progress. The monitoring system should be fully operational from 2001. Ambitious objectives are set for 2000 including the further implementation of the preventative approach for adults, its

extension to those already long-term unemployed as well as stronger efforts towards the activation of the most difficult to place.

In 1999, **Portugal** extended the territorial coverage of the new preventative policies thus doubling and trebling respectively, the number of young and adult unemployed to be helped . This was matched by an appropriate policy effort more significant for young than for adult unemployed (the share of young unemployed crossing the threshold without having been offered an individual action plan was reduced from 33.4% to 18.7% whilst that of adult increased from 11.1% to 21.2%). Portugal however, still experiences a high rate of non-attendance to the first interview leading to the individual action plan, as well as a high inflow into LTU. As with Ireland, an impact evaluation will be carried out. Further territorial extension of the preventative approach is planned in order to achieve full coverage by 2000, and individualised intervention towards long-term unemployed persons is to be progressively implemented until 2002.

**Spain** made progress in implementing earlier intervention towards the two groups targeted by the guidelines as part of a wider policy of strengthened activation, supported by an important financial effort. In 1999, the objective set in terms of total number of interventions for all unemployed people was exceeded by 19%. Further progress towards a more individualised intervention were also made as announced, with the introduction of individual tutoring and integration plans in municipalities with highest unemployment. The objectives for 2000 foresee a stable effort in terms of number of actions with a concentration of interventions on adult unemployed before the 12-month threshold. With non-compliance rate reaching 79% for young and 82% for adult unemployed Spain is still far from completion of the common target <sup>9</sup>, despite a considerable decrease of the rates of inflow into long-term unemployment.

In **France**, the implementation of the "New Start" programme met national targets in terms of total number of beneficiaries, but was below expectations regarding the two groups targeted by the preventative approach. The long-term unemployed and persons at risk of exclusion were the main beneficiaries of the programme and 79% of young unemployed and nearly 75% of adults cross the 6<sup>th</sup>/12<sup>th</sup> month threshold without having been offered a new start. Whilst these results are in line with national policy priorities (fighting exclusion and focusing on those who are at the greatest distance from the labour market) they fall short of meeting the common EU-targets on prevention. Progress in reducing inflows into LTU is also slow, in particular for young unemployed. More decisive progress can be expected in 2000 as the objectives establish a new balance between prevention and reintegration (young and adult unemployed under 6/12 months unemployment should represent 62% of "New start" beneficiaries, against 26,5% in 1999).

**Germany** has started implementing an approach based on individual integration pathways addressing both young and adult unemployed before they cross the 6<sup>th</sup>/12<sup>th</sup> month threshold (including non-registered job seekers) which is expected to be implemented by all PES within two years. Actions needed to support earlier intervention towards adults were taken as announced and further effort is under consideration to enhance the efficiency of the new approach. Increasing the supply of training places, in particular apprenticeship places, continues to be the main action to prevent young people's unemployment. The indicators provided only cover the beginning of the implementation period and a further effort is needed to adapt the monitoring system in due time. The objectives are to reduce the rate of inflow into long-term unemployment to 10% both for young and adult unemployed by 2002 at the latest.

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<sup>9</sup> The basis for calculation of the indicators remains questionable as Spain indicates that the new information system enabling follow-up of participants is not yet fully implemented.

### Category III

In this category, two different situations emerge from the analysis of the NAPs.

In **Belgium**, implementation has been unequal both regionally (only Flanders had established individualised early intervention in 1999) and by target groups, (preventative action remained mainly targeted at the lowest qualified school leavers). 50% of young people and 54% of adults reach 6/12 months of unemployment, without being offered an individual action plan. As a result, progress in reducing the rate of inflow into LTU has been slow. In 2000, federal and regional governments have agreed to extend the preventative approach to young and adult unemployed people (below 45 years of age). Implementation has started only for young people with low qualifications, with the launching of the "starter job for young people" (*convention premier emploi jeunes*) that asks companies (in private and public sector) to offer jobs equivalent to 3% of their workforce to young people within 6 months of leaving school. This measure is supported by individual integration pathways after 3 months unemployment intended for all young unemployed.

In the other two Member States the pace of reform is slower than expected, and there are now reasons for doubting that the EU common targets can be achieved by 2002, unless resolute effort is undertaken over the next couple of years.

In **Italy**, the decentralisation of the public employment services and the setting-up of a new employment information system are key conditions for the implementation of the individualised and early intervention. Progress has been made in carrying out reform, but not to a sufficient extent and pace to allow full implementation to be considered as possible before 2003<sup>10</sup>. Most of the reforms of labour market measures and benefit schemes intended to contribute to the implementation of the preventive approach are also delayed. The greatest difficulties in the setting up of the Employment Centres are concentrated in Southern Italy where there is the highest need for an effective preventative approach.

**Greece** made progress in modernising Public Employment Services as a pre-condition for the implementation of the preventative approach<sup>11</sup>. However, implementation has been modest and no clear deadlines are given in this respect. The new monitoring system is not yet operational. Intervention towards the unemployed remains largely based on a traditional target group approach, through a variety of programmes and measures, which were kept broadly unchanged in 1999. New reforms of the PES are announced which may, however, complicate the completion of the on-going reforms. In light of this, Greece will have difficulties in effectively implementing the preventative approach until 2002, unless significant steps are taken as a matter of urgency.

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<sup>10</sup> Only half of the regions now have new employment centres. The implementation of the new information system, which was expected to be operational in 2000, has been postponed until end 2000 and only 8 regions have started using the new system.

<sup>11</sup> 24 of the new employment promotion centres established in 1999, compared to 4 in 1998 and 24 more expected in 2000.

## Guidelines 1 and 2 - Compliance table

	Guideline 1			Guideline 2		
	Compliance (1)		Non compliance	Compliance (1)		Non compliance
	Full implement.	To be fully implem. by		Full implement.	To be fully implem. by	
Austria	X			X		
Belgium		2001				X
Denmark	X				Begin. 2001	
Finland	X			X		
France		2002			2002	
Germany		2002			2002	
Greece			X			X
Ireland	X				End 2000	
Italy (2)			X			X
Luxembourg	X			X		
Netherlands	X				2002	
Portugal		End 2000			End 2000	
Spain		2002			2002	
Sweden	X			X		
UK	X			X		

### Notes:

(1) Compliance is defined as conformity of policies with the guidelines requiring provision of individualised assistance and early intervention to all young (adult) unemployed before 6 (12) months of unemployment, as well as evidence of progress achieved in making them operational.

(2) Italy has pledged full implementation of guidelines 1 and 2 by 2003.

## Guideline 3

### *Compliance with the common target*

Member States have committed themselves to raise the number of unemployed persons participating in training and similar measures to a level of at least 20%, in order to upgrade their skills and improve employability. On the basis of the data presented in this year's NAPs (see Table 4 in the Statistical Annex), 12 Member States are complying with the common target<sup>12</sup>. In relation to 1998, France, Italy, the Netherlands and Austria raised their activation rates so as to reach the target for the first time.

Three Member States had not yet reached the benchmark in 1999:

**Portugal** has raised the activation rate, and is on track to comply with this Guideline in 2002, as planned.

**Greece** provides only national data, which make no distinction between registered unemployed and students/employed among participants. Therefore the activation rate cannot be calculated on the basis of the agreed indicator.

<sup>12</sup> The input indicator used for monitoring guideline 3 (activation rate) is defined as the annual average number of previously unemployed participants in active measures divided by the number of registered unemployed persons (stock). Active measures are defined in a broad sense to include training, job rotation and job sharing, employment incentives, integration of disabled people, direct job creation and start-up incentives.

The UK stands clearly below the EU target in terms of the present definition of the indicator. The UK NAP provides supplementary data on participation in "job search assistance" and "intensive counselling" indicating that such forms of assistance cover 100% of registered unemployed.

***More active policies ...***

In 1999, there was a growing emphasis on active labour market policy by most Member States, while the numbers of registered unemployment declined. As a result, the activation rate increased or remained stable in the large majority of Member States <sup>13</sup>, with the exception of Sweden, which still has the highest rate in the EU (87%).

The number of participants in active measures increased by slightly more than 10% between 1998 and 1999 for the set of 11 Member States which have provided absolute figures for both years <sup>14</sup> (see Table below)

In terms of expenditure, preliminary data for 1999 suggest that the share of active measures in total labour market spending is increasing <sup>15</sup>. In five Member States (Austria, Germany, Spain, Italy and the Netherlands) expenditure in active measures increased, while in other three (Finland, Denmark and Sweden) it has decreased, although at a slower rate than passive measures. In all eight Member States for which 1999 data are available, spending on passive measures declined, reflecting the reduction in unemployment. These trends can also be interpreted as an indication that a more active and preventative approach is being endorsed by Member States in their labour market policies.

***...but less emphasis on traditional human resource development for the unemployed***

The total number of participants in training measures declined by 16% (see Table) <sup>16</sup>. This decline is due to the sharp reduction of participants in training which has occurred in Germany, Spain and Sweden. In the other nine Member States which provide data enabling a comparison, the rate of participants in training actually increased or remained stable between 1998 and 1999, albeit less than proportionally to the increase in the overall activation rate (including training and other equivalent measures), with the exception of Belgium and Luxembourg.

In 1999, Sweden, Denmark and Luxembourg reached the highest share of participants in training, with an average of 28.7%.

That the majority of Member States is increasing participation in a wide range of active measures rather than in training suggests a change in their reintegration policy. The range of support measures becomes more diversified, so that unemployed persons are offered a greater variety of individually tailored pathways to reintegration. In line with the progressive implementation of the preventative approach, the most effective combination of measures tends to be selected after consideration of the individual characteristics. Moreover, evaluation results presented in some NAPs indicate that measures focused only on training are less efficient than those combining work and training.

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<sup>13</sup> There are no data available on both years for Greece, Italy, France (just the rate) and the Netherlands.

<sup>14</sup> Ibidem.

<sup>15</sup> Employment Outlook 2000, OECD, June 2000.

<sup>16</sup> Ibidem.

**Total amount of unemployed in all measures and training measures in 1998 and 1999 (in thousands)**

	Participants in all measures		Participants in training measures	
	1999	1998	1999	1998
Total (a)	3.471	3.241	1.531	1.823

(a) no data available for either year from Greece, Italy, France and the Netherlands. Data for Spain 1999 exclude hiring subsidies as to make the two years comparable.

***Re-integration***

Only four Member States (Denmark, Sweden, the UK and Finland) present data enabling to use an output indicator for Guidelines 3 defined as the share of participants in active measures returning to registered unemployment after 3 or 6 months. From this data it can be concluded that roughly between 25 and 40% of the participants in active measures return to registered unemployment three months after the end of the programmes. High rates of return to unemployment shortly after attendance of active programmes call into question the quality of assistance provided, as well as eventual negative effects of long-term dependency upon income support schemes interacting with active job search.

It is crucial to obtain more comparable data on the outcome of active labour market measures. Member States should be encouraged to develop their monitoring systems in order to estimate the success rate of each major reintegration measure, and be able to assess their cost-efficiency.

***Public Employment Services***

Reflecting the role of an effective delivery system in the success of the policies to prevent and to reduce unemployment, the 2000 Guidelines call on Member States to pursue the modernisation of their Public Employment Services so that they can deal with the strategy of prevention and activation in the most effective way.

All Member States are currently undertaking serious efforts to enable their delivery systems to meet the challenges of the European Employment Strategy. The NAPs, while rarely providing a systematic description of these reforms, convey the impression of a modernisation process along three dimensions:

- Reforms of the organisational structure of the PES, including its relation to other actors. These reforms reflect a concern for: better coordination between passive and active measures ( the Netherlands, United Kingdom); strengthening the infrastructure for vocational training (Italy, Portugal); tailoring PES services to the needs and opportunities at regional and local level (Italy, Spain, Belgium, France, the Netherlands); improving the organisational and legislative framework for a nation-wide implementation of the "new start" strategy (Germany, Ireland, Portugal, Greece).
- Improvement of PES staff resources. This includes both increased staff numbers (Germany, France, Finland) and upgrading of staff skills (Italy, Greece). Although a cut in staff resources may be envisaged in some countries as a consequence of the fall in unemployment, the ratio between staff and number of registered unemployed job-seekers seems to be increasing in most Member States.



- Improvement of PES working methods. The *labour exchange function* is becoming more efficient with the development of computer based self-service systems, mentioned specifically by Spain, Italy and United Kingdom, but currently in progress in most PES. This enables PES to use more staff for intensive services to jobseekers facing particular reintegration problems. The methodology of *individual case management* is developed in many PES (Germany, Ireland, Finland, Sweden, France, United Kingdom, the Netherlands), including better diagnostic instruments, earlier action, more frequent and more intensive service contacts, shifting the focus from placement in measures to placement in regular jobs. A *stricter monitoring of job search behaviour of benefit recipients* is achieved in view of the increased number of jobs available in many countries (Sweden, Finland).

### 3.1.3. Reforms of tax-benefit systems (Guideline 4)

Progress in reforming tax-benefit systems remains disappointing so far. Comprehensive reviews of tax-benefit systems are in progress in most Member States in order to improve their incentive structures, reinforce control systems and make the eligibility conditions tighter. Several Member States have initiated across-the-board reductions in social security contributions (SSC) and income taxes, while a few have introduced in-work benefits aimed at improving incentives to take up employment. In the majority of Member States, however, reforms have so far been modest and piecemeal and are limited to targeted reductions in taxes and SSC and tax credits. The developments of comprehensive reforms addressing the combined incentive impact of tax and benefit schemes remains, therefore, a priority for most Member States.

By and large, the NAPs fail to differentiate the effect of tax-benefit systems between women and men. However, these may have important effects on the willingness of women to seek work and on the closing of the gender gaps in general.

The effects of tax and benefit reforms are reflected in the overall functioning of the labour market and may take some years to fully materialise. It is therefore important to take account of earlier reforms in assessing performance.

A few Member States, including Denmark, the Netherlands and the UK, have extended their successful approaches to reform, most recently by developing policies aimed explicitly at making work pay. However, the continuing problem of large numbers of beneficiaries in passive benefit schemes needs to be tackled. Unemployment benefit systems need to be further reviewed in some Member States, particularly in Belgium and Germany, where unlimited benefit duration for some categories of unemployed and insufficient enforcement of eligibility criteria can increase the risk of long term benefit dependency. On the other hand, in Italy and Greece the benefit systems may need to be improved, in order to provide a comprehensive system of unemployment insurance and increase the efficiency of active labour market policies.

Targeted incentives encouraging employers to recruit previously unemployed people, are provided by several Member States. They include, for instance, subsidies/tax credits to employers for hiring low skilled workers, disabled, or unemployed receiving unemployment benefits. Others provide reduced employers' SSC for hiring the young seeking first job or those in long-term unemployment. Not many new measures are added to the various measures implemented in the last five years or so. Moreover, in the NAPs there is no sufficient evaluation of the efficiency of such measures.

## Progress in Tax-benefit reforms 2000

Member States	Comprehensive reforms	Targeted incentives/ Measures	Active ageing	
			Discouraging early retirement/ increasing retirement age	Targeted incentives for hiring and other measures
Belgium		X		X
Denmark	X		X	X
Germany		X	X	X
Greece		X		X
Spain		X		X
France		X		X
Ireland		X		
Italy		X		
Luxembourg		X		
Netherlands	X		X	X
Austria				X
Portugal		X	X	X
Finland			X	X
Sweden		X		X
UK	X	X		X

Most Member States have started to implement or are planning to introduce soon measures encouraging older people to stay longer in employment, by raising the retirement age or by introducing or strengthening disincentives to early retirement. The most comprehensive reforms are being undertaken or envisaged in Denmark, Germany, the Netherlands, Austria and Finland. Denmark revised the voluntary early retirement scheme by providing incentives for flexible labour market withdrawal and is planning a revision of the disability pension scheme. Finland introduced a package of measures to encourage active ageing, including the increase of the retirement age, disincentives to early retirement, facilitation of flexible part-time work and promotion of re-training. Germany is increasing retirement age as planned and adopted provisions for encouraging part-time work instead of earlier retirement. The Netherlands announced a package of measures, to be discussed with the Social Partners, which will reduce the favourable tax treatment of early retirement and re-introduce job search duties for older unemployed people. Austria implemented a policy package for active ageing focusing on flexible working arrangements, and envisages to adopt measures for raising early retirement age.

Demand-targeted measures focus on subsidising the hiring of older workers or of older unemployed people. Such measures have been or are being implemented in Greece, Portugal and Sweden. In Spain income support is combined with active measures targeted to those long-term unemployed aged over 45 who are no longer entitled to unemployment benefits. In the UK, the New Deal for 50 plus and to a large extent the New Deal for disabled aim at encouraging participation of older people in the labour market.

### 3.1.4. Education and training (Guidelines 5 to 8)

#### ***The facts:***

- *In the EU over 60% of the adult population in working age (25-64) have attained at least upper secondary level education. However, significant disparities remain across Member States, as Spain, Greece, Ireland, Italy and Portugal have lower levels of educational attainment. The challenge is particularly pressing for Portugal (21.2 %) and Spain (34.9 %).*
- *A major effort to close this gap has been made in the last decade in all these Member States, which has raised the educational levels of younger generations. As a result the rate of upper-secondary level attainment already exceeds 50% for young adults (25-34 age bracket) in all of them, except Portugal, in comparison with a EU average slightly above 70%.*
- *Young women are now coming close to, or even exceed, the educational levels attained by young men.*

#### ***Good performance:***

- *The highest education attainment levels (as measured by the percentage of adult people having attained upper secondary and higher education levels) : Sweden, Germany and Denmark. Average: 80%.*

Europe has a largely well-educated workforce and high-performing education and training systems and can build on these strengths to face the challenges of upgrading skills, especially of an ageing workforce, and the continuing difficulties in making provision for generalised on-the-job training. In addition, large pockets of illiteracy remain in some areas, which, if not tackled appropriately, will irremediably place less educated workers at a disadvantage in the information and knowledge-based society.

Under guidelines 5 to 8, Member States and social partners are called upon to promote employability and the development of a skilled workforce able to adapt to the emerging knowledge-based economy, by developing comprehensive strategies for lifelong learning (particularly in ICT), improving initial education to equip young people with relevant skills and to reduce the drop-out rate and developing agreements to increase training provisions.

#### ***Encouraging a partnership approach***

Under guideline 5, the social partners are called upon to conclude agreements to increase the possibilities for training, work experience, traineeships or other measures to promote employability of the adult and young unemployed.

Despite the clarification introduced in the 2000 Employment Guidelines on the aim of this guideline, less than half of the Member States report on whether or not the social partners have concluded agreements which offer to young and adult unemployed people employability measures. Overall policy and institutional frameworks are described by France, Italy and the UK, while Denmark, Finland, Germany and Greece focus on agreements and projects relating to specific sectors. An important policy development in some Member States (Finland, Denmark, the Netherlands and the UK) is the increasing involvement of social partners with local and regional authorities and other partners in education and training.

A detailed analysis of the role of partnership approach towards fostering continuous training and addressing the skill gap issue can be found in paragraph 3.3.2.

## ***Lifelong learning***

### ***The facts:***

- *Participation in training and education activities during the last four weeks, as measured by the Labour Force Survey, remains very low in the Union, but has been rising since 1997. The participation rate of the population aged 25-64 amounted to 8% in 1999, up from 7.5% in 1998 and 6.5% in 1997*<sup>17</sup>.
- *The levels of participation in lifelong learning look inadequate in the cases of Portugal, Greece, Luxembourg, Italy, France, Spain, Germany and Ireland, where the participation rates in (recent) training of the adult working age population were below 6% in 1999. However, international comparisons are affected by insufficient harmonisation of data collection in this area*<sup>18</sup>.
- *There are also wide differences between age groups. In the EU, young people between 25-34 years old are currently seven times more likely to get training than those in the age-group 55-64. Moreover, the better educated are more likely to participate in education and training as adults; overall, those who attained a higher education degree are five times as likely to participate in education/training as those with at most lower secondary education level.*

### ***Good performance:***

- *The highest participation in education and training among adults: Sweden, Denmark and the UK. Average: 20.8%.*

Lifelong learning has been defined by the Member States and the Commission as : *"encompassing all purposeful learning activity, whether formal or informal, undertaken on an ongoing basis with the aim to improve skills, knowledge and competence". The data on participation in education and training as a secondary activity –in particular by adults – need therefore to be improved."*

The most recent developments in labour markets have added new emphasis to the promotion of lifelong learning as a strategic instrument to harness the potential of EU labour force. The Joint Employment Report for 1999 had pointed at the emergence of skills gaps in the form of unfulfilled demand for a better skilled and trained workforce driven by the increasing role of knowledge and information in the new economy. In 2000, labour shortages have been identified as a major factor hampering economic growth in the National Action Plan reports of Belgium, Denmark, Ireland, the Netherlands, Finland and Sweden, as well as for Northern Italy. However, there are a number of sectors or occupations which suffer from particular skills shortages, and indeed recruitment difficulties are being reported across the board, from information technology to agriculture and retail.

Guideline 6 calls on Member States and the social partners to develop possibilities for lifelong learning and to set a target for participants benefiting from such measures. In response to the increasing priority for the promotion of lifelong learning, which is reflected inter alia, in the latest revisions of the Employment Guidelines, more Member States have taken steps in this direction. However, the majority of NAPs still insist in presenting a piecemeal approach, and a comprehensive strategy is firmly embraced only by those few countries that had already taken such a direction earlier on. Progress in the development and implementation of policies has generally been slow, especially so in those countries revealing more serious deficiencies in their starting position.

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<sup>17</sup> Source: European Labour Force Survey 1999; Data for Greece, Ireland and Austria are not available for 1999. The increase may partly be due to a change into questionnaire.

<sup>18</sup> For Portugal, France and the Netherlands, data are collected only if participation in education and training is ongoing at the moment of the survey (as against in the last four weeks for the remaining Member States).

On the basis of the evidence presented in the NAPs, it is possible to cluster Member States in terms of progress achieved in the implementation of this guideline. Two criteria were used for this purpose:

- The extent to which the promotion of lifelong learning is carried out in a comprehensive and articulate manner.
- The setting of national comprehensive targets for measuring progress, in accordance with guideline 6;

The results are presented in the following compliance table:

### Guideline 6 - Compliance table

Member States	Participation in education and training	Educational attainment	Target	Comprehensive approach
Belgium	Average	Below average	Yes	No
Denmark	Above average	Above average	Yes	Yes
Germany	Below average	Above average	No	No
Greece	Below average	Below average	No	No
Spain	Below average	Below average	No	No
France	Below average	Average	Yes	No
Ireland	Below average	Below average	No	Yes
Italy	Below average	Below average	No	No
Luxembourg	Below average	Average	No	No
Netherlands	Above average	Average	Yes	Yes
Austria	Average	Above average	Yes	No
Portugal	Below average	Below average	Yes	No
Finland	Above average	Average	No	Yes
Sweden	Above average	Above average	No	Yes
UK	Above average	Above average	Yes	Yes

Member States can be clustered into four groups as regards their progress in implementing guideline 6:

- I. Adequate: Member States that have set out a comprehensive approach, make reasonable progress in implementing their strategic goals and have set targets to monitor progress (the Netherlands and Denmark).
- II. Adequate but not targeted: Member States that have set out a comprehensive approach and make reasonable progress in implementing their strategic goals, but failed to set national targets against which outcomes can be measured (Finland, Sweden and Ireland).
- III. Incomplete: Member States that either have a slow implementation process (the United Kingdom), or have introduced noteworthy policy initiatives but which are still at an early stage or too limited in their nature (Portugal, Austria, France and Germany), or lack a comprehensive strategy despite having set a national target (Belgium).
- IV. Insufficient: Member States that have not yet fulfilled the guideline in terms of promotion of lifelong learning policies in a comprehensive way (Italy, Greece, Luxembourg and Spain).

These differences highlight the fact that the preconditions for lifelong learning (in particular, the educational attainment among adults) and the needs that have to be addressed in order to implement a lifelong learning strategy vary significantly between Member States. While the difficulties pertaining to the less advanced situation of departure in some Member States have to be recognised,

it is a matter for concern that those countries with the lowest levels of educational attainment and/or adult participation in education and training are prevalent in clusters III and IV.

As in 1999, national targets for lifelong learning were generally not used as a tool for measuring progress towards a strategic goal. In fact, only seven Member States (Belgium, the Netherlands, the UK, Austria, France, Denmark and Portugal) set targets for lifelong learning. Furthermore, these targets often only concern specific groups in the labour market (Austria, Belgium, Portugal, the Netherlands, France) or are regional (the UK) and in some cases have changed from last year (France and Belgium). None of the three Member States (Portugal, United Kingdom, Austria) that maintained the same targets as last year report on progress made. And two Member States which set targets last year (Sweden, Greece) fail to report on them.

### **Guideline 6 - Targets set by Member States in 2000**

<b>Member State</b>	<b>Definition of the target</b>	<b>Target value</b>	<b>Deadline</b>
Belgium	Spending in training of the workforce	1.9% of wage costs	2004
Denmark	1) Youth training places	36,000	2004
	2) Attainment of complete youth education	95%	2010
	3) Attainment of complete higher education	50%	2010
	4) Drop-out rate	Halving	
France	Annual increase in access to training of the workforce in training	1-2% increase	
the Netherlands	Participation of workforce in training	Average of two best	
Austria	Participation of low skilled in training	8%	
Portugal	Participation of workforce in training	10%	2002
UK	Participation of population in initial and adult education and training (in England)		2002

A coherent strategy to coordinate the different phases of education and training (both in terms of curricula and recognition/certification of formal and non-formal learning) is not yet developed in the majority of Member States although elements of such a strategy are emerging in some countries (Finland, Ireland, Sweden) and to a lesser extent in Austria, Denmark, France, Greece, the Netherlands, Italy and the UK.

Member States describe a number of specific measures, which, although innovative, still appear to fail to add up to a coherent strategy. These include measures to grant a second chance to people who have not completed basic education or training, training for target groups who face particular problems (e.g., ethnic minorities, immigrants, low-income workers) as well as training leaves (Austria, Sweden) or job rotation (Denmark, Germany). Ireland and Portugal are in the process of establishing structures which will help underpin lifelong learning.

Several Member States are also in the process of carrying out pilot projects, introducing individual learning accounts ( the Netherlands,the UK), providing information and guidance services (e.g. resource centres, database directories on adult education) and incentives for companies (the Netherlands and the UK have quality awards for "Investors in people"). The validation and recognition of skills acquired at work or through non-formal learning has become a policy priority for a majority of Member States. Equally, distance learning measures are being introduced in a number of countries as a means to open up education and training for all. However, many of these projects are still in a preparatory stage.

Guideline 6 also asks Member States and the social partners to ensure easy access for training for older workers. Specific measures or policies to implement this objective are mentioned only by five

Member States (Spain, France, Finland, Austria and Germany). Given the importance of updating skills and competencies for older workers – with regard both to social inclusion aspects, the skills gap and the ageing workforce – this issue needs to be better addressed.

#### **Good practice**

##### **Finland: A strategy for lifelong learning**

In terms of a comprehensive strategy for lifelong learning, Finland provides a good example that was described in some detail already in the National Action Plan for 1998. Lifelong learning, according to this strategy, is being developed under six themes that cover initial as well as continuing learning and bridges the distinction often made between education and training:

- a strong foundation for learning
- comprehensive learning
- public recognition of what has been learned
- information and support for building paths to learning
- updating the skills of teachers and trainers

The Finnish strategy can be considered best practice in terms of the comprehensiveness of the themes covered. However, it should be more clearly explained how these various themes are followed up through concrete implementation measures in order to achieve set objectives or targets.

#### ***Reducing early school leaving***

##### ***The facts:***

- *In 1999, in the EU slightly less than 20% of people aged between 18 and 24 had left the education system too early, either on the completion of basic education or by dropping prematurely out of their studies.*
- *The problem of early exit from school is most serious in Portugal, where 45% of the young cohorts leave school with only the most basic skills, and also, but to a lesser extent, in Italy, Spain, Greece and Ireland (near or above 20%).*
- *Early school leaving among males tends to be more frequent than with young women, except in Luxembourg.*

##### ***Good performance:***

- *The lowest proportion of young people having left school with only basic education levels: Sweden, Finland, Germany and Denmark. Average: 9.6%.*

Guideline 7 aims to reduce the number of young people who leave the school system early. Early school leavers are defined as young people who drop out of school with only a basic education level, independently of having completed or not their studies leading to a certificate. All NAPs have introduced measures to combat early school leaving, except for Spain where no specific measures are reported on. Denmark is the only country that sets a target, namely to half the drop-out rate, although no timeframe is given.

The NAPs show that support for young people with learning difficulties is being broadened in most Member States. Many have implemented specific actions aimed at target groups (disabled, ethnic minorities, disadvantaged young people) and at zones which suffer high levels of drop outs. France, the Netherlands, Portugal, Sweden, and the UK have established special educational action zones

which aim at keeping young people in education and training systems, increasing rates of achievement and tackling social exclusion. Other Member States (Finland, Greece) have implemented individual support measures to pupils with learning difficulties.

#### **Good practice**

##### **Support for young people with learning difficulties (France)**

In 1999, France increased by more than 40% the number of schools involved in "priority education". 8.553 schools and 1.688.000 people have been regrouped in 865 zones or priority action networks. At the same time, special classes ("classes-relais") have been established to cater specifically and temporarily for pupils rejected by the school system. The first survey results show that, one year after their participation in a "classe-relais", more than three quarters of the pupils have been reintegrated into the general or vocational educational system or are benefiting from special educational measures. At the end of 2000, 250 "classes-relais" will include more than 5.000 pupils.

#### **Better skills**

Guideline 8 specifies that young people should be equipped with greater ability to adapt to technological and economic change. The improvement of the quality of initial education and training systems should lead to better skills and qualifications and prepare young people for a world of work in which lifelong learning will be of increasing importance. This is particularly relevant due to the growing labour shortages in a number of sectors.

The nature and scale of the problems to be addressed varies in accordance with the different starting situations. Some Member States (Germany, Austria) have already well developed systems of apprenticeship ensuring adequate transition to work, and efforts are focused on adapting them to the new challenges driven by the information society. Most Member States are making major efforts to develop post-compulsory education by increasing the number and diversity of training programmes, by facilitating the transition between initial and continuing education and training, by allocating financial incentives for the participation of young people and by making programmes, including higher education, more attractive.

Several Member States report on developments and modernisation of their apprenticeship and work based-training. However, the information received from Member States on this guideline is incomplete and piecemeal, making it difficult to assess progress of implementation.

#### ***Use of information and communication technology for lifelong learning***

All Member States have programmes improving ICT equipment in schools in accordance with the requirements of Guideline 8. The Lisbon Conclusions committed all schools in the Union to have access by the end of 2001, but also set new targets concerning new ICT skills and digital literacy for all, thus some Member States will have to accelerate their efforts.

All NAPs indicate that Member States are aware of the need to equip not only young people, but all members of their current and potential workforce with skills relevant to the new technological requirements of the labour market.

Considerable efforts are under way to provide computer equipment and connection to the internet for pupils, students and trainees. Eight Member States (Belgium, Denmark, France, Italy, the Netherlands, Sweden, Finland and the UK) give precise and full information on the percentage of schools equipped with computers and/or linked to the Internet. In general, secondary schools are better equipped than primary schools.

On the basis of the information supplied in NAPs as well as by the OECD (see Tables 5 and 6), the Member States that provide better computer access to primary school students are Finland, Sweden, the Netherlands, and Denmark, with an average of 13 students per computer, whereas for secondary



school students the best coverage is to be found in Sweden, Finland, Ireland, Denmark, the UK and France (average of 8 students per computer).

The common target of ensuring that all schools are connected to the internet has been entirely reached in Portugal, Luxembourg and Ireland for secondary schools, and is close to compliance in Ireland and Finland for primary schools (average of 93%).

Greece, Germany, Austria, Spain, Luxembourg and Belgium (regions other than Flanders) should provide appropriate and complete data for monitoring progress in meeting the objectives of this guideline.

A majority of countries have reported on measures taken to ensure the training of teachers and trainers in ICTs, with seven countries (Denmark, France, Ireland, Italy, Austria, Sweden and Finland), indicating percentages of teachers trained in ICTs. A number of countries have special actions aimed at ICT skills for low-skilled workers and workers in specific sectors (UK, Germany, Austria, the Netherlands) and there are a number of examples of efforts being made by Member States to facilitate education and training, for people with learning difficulties. Special measures for women are taken by Austria and Germany.

In accordance with Guideline 6, many Member States have been expanding open and distance learning opportunities via ICT by developing courses and curricula of distance learning for adults and methods to support flexible learning. In this context, a number of Member States are creating networks of learning and skill centres with a particular emphasis on ICT and virtual universities.

### **3.1.5. Integration of disadvantaged groups in the labour market (Guideline 9)**

In comparison to 1998, all Member States are giving more emphasis to policy instruments for providing better opportunities for disadvantaged unemployed persons to re-enter the labour market. However, most Member States describe existing or envisaged programmes without any specification regarding targets, indicators, resources or timetables. In addition, the lack of basic data in most NAPs, and the different definitions used, makes it difficult to analyse the employment situation of disadvantaged groups, from a comparative perspective, as well as to assess progress made in policy implementation.

#### ***People with disabilities***

In many Member States there has been a shift in emphasis away from programmes targeted at people with disabilities to a more mainstreamed approach. This encourages people with disabilities to participate in general active labour market policies (especially vocational training) described under the first three Guidelines (in particular France, Ireland, Germany, Austria, Denmark, Sweden and Finland).

The most successful approaches are evident in those Member States which have set their own national targets for the (re)-integration of people with disabilities. Several positive developments were reported:

- France has set and reached a target of 60,000 disabled persons to be covered under the New Start programme, ensuring individualised assistance to the unemployed, as well as a target of 4,150 disabled persons in training;
- Germany ensured that 90,400 young people with disabilities were participating in measures for vocational rehabilitation. Specific schemes like the Immediate Action Plan to reduce youth unemployment contributed to these results;
- In Austria 19.8% of disabled unemployed persons were participating in some form of active labour market measure. This is lower, however, than the activation rate for all unemployed (21.4%);

- The UK New Deal for Disabled Persons has led to the placement of 2,500 disabled people into jobs. In 2000 the Disabled Persons Tax Credit will help to increase income through work, by reinforcing the welfare to work approach.

In addition, other Member States (Portugal, Greece, and Spain) have set targets for the participation of disabled persons in training and other employability measures. Positive future developments are Spain's 2000 Programme for Promoting Employment for Disabled Workers, which will aim at the recruitment of 16,000 disabled workers and the Training and Employment Plan of the Spanish National Organisation for the Blind which aims to train 40,000 people with disabilities and create 20,000 jobs.

### ***Ethnic minorities and other disadvantaged groups***

Great differences remain regarding the definition of ethnic minorities. Certain Member States (United Kingdom and the Netherlands) use a definition, which include all the "visible minorities". Other Member States define ethnic minorities in terms of non-nationals or of natives of third countries or of immigrants (Germany, Sweden, Spain and Italy), or of national minorities (Austria and Ireland).

The policy-mix between measures to promote direct integration in the labour market and measures to fight discrimination varies considerably across Member States. The majority of Member States put the accent on integration, while Denmark, Sweden, the UK reach a compromise between these two policy approaches .

Only the United Kingdom and the Netherlands collect complete data on ethnic minorities, and the latter sets as a target to reduce the gap in unemployment between ethnic minorities and native Dutch people by half by 2002.

Among the policies mentioned in NAPs, those which can most effectively address the problem of integration of ethnic minorities are: awareness-raising of employers, a more consistent involvement of the social partners, and an increased role of the organisations representing the ethnic minorities, as well as those dealing with anti-discrimination.

Mainstreaming (i.e. taking into account the needs of the ethnic minorities within the framework of the measures and activities planned for the other pillars) is considered by Ireland, Sweden, Finland, the UK and the Netherlands.

## **3.2. Pillar II: entrepreneurship**

### **3.2.1. Overview of policy developments**

Europe must create an entrepreneurship environment if it is to succeed in a knowledge-based economy. A more favourable environment is needed for enhancing Europe's capacity to create small and medium-sized firms, and to develop them into large, successful companies, able to reap fully the benefits of the global market and disseminate innovation and quality jobs across the economy.

On 29 April 1999, the Council endorsed the "Action Plan to Promote Entrepreneurship and Competitiveness". This Action Plan constitutes a follow-up to the reports prepared by BEST (the Business Environment Simplification Task Force) set up in September 1997, in response to a mandate from the European Council in Amsterdam. <sup>19</sup>

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<sup>19</sup> The BEST process brings together, for the first time, all aspects of policy affecting entrepreneurship and competitiveness at European and national level. The Action Plan concentrates on the following priority areas: education for an entrepreneurial society; training;

The Employment Guidelines emphasise the link between entrepreneurship and job creation. Under the Entrepreneurship pillar, Member States are called on to improve the framework conditions for business to start up and create wealth and jobs, by simplifying and removing administrative burden, by reducing labour taxes and by tapping the employment potential of services and of the social economy.

Responses vary considerably across Member States. While some emphasise the improvement of framework conditions for business including lower taxes, others put the accent on individual support measures targeted to certain business categories or activity sectors. The latter measures may raise state aid issues and may therefore need to be notified to the Commission under Article 88 of the Treaty.

The main achievements under the entrepreneurship pillar are:

- A growing consensus among Member States on the need to simplify administrative procedures for business. The impact assessment of forthcoming and existing legislation, the provision of better-regulation schemes and the reduction of the number of administrative steps to set up a new business will be of benefit to both public administrations and enterprises. Political support appears to be strong in the NAPs, but more ex post evaluation of results would add credibility to the measures already undertaken.
- High priority given to promoting access to finance for start-ups. Venture capital, business angel networks and other forms of financial support experienced dynamic development. Member States carried on their efforts to improve the provision and efficiency of counselling services to small businesses.
- Teaching Entrepreneurship skills has become a policy objective in an increasing number of Member States, with a number of innovative projects being undertaken. Female entrepreneurship has also been promoted through specific programmes.
- The importance of providing an environment conducive to the development of employment in the service sector, particularly in high value-added services, is now fully acknowledged by all Member States. One emerging strategy is a trend for improvements in the global business environment. The advancement of the service sector activities specifically through the liberalisation of formerly public services is being pursued in some Member States.

The main shortcomings in policy implementation under this Pillar are:

- Progress in reducing labour taxes has been generally slow and unequal across Member States. A large number of measures have been announced under this objective, which should produce effects over the medium term. However, the average fiscal burden on labour had not yet started to drop by 1998 (the latest year for which data exists) in many Member States, including some characterised by relatively high tax and contribution rates. Strengthened efforts leading to more visible results are expected in this domain in particular from Belgium, Austria, Greece and Sweden, as well as for Germany where a tax reform was introduced.

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access to finance; access to research and innovation; making EU RTD development programmes more sensitive to SME requirements; better use of patents by SMEs; improving the visibility of support services; improving public administration; and improving employment and working conditions. The adoption by the Commission of a first report on the implementation of the Action Plan to Promote Entrepreneurship and Competitiveness is scheduled for October 2000.

- A generally poor response to the need to tap the job creation potential in the social economy. Only some Member States – Portugal, Spain, Belgium, Ireland, Sweden, Italy, Greece - put emphasis on this objective.

### 3.2.2. Simplifying the business environment (Guidelines 10 and 11)

#### *Reducing administrative burdens*

Better regulation takes time and may involve important changes to public administration. Strong and therefore consistent political support is imperative. Efforts in the Member States to address the modernisation of public administrations, by using new technology and reducing administrative procedures indicate that Member States have identified a potential for mutually beneficial reforms: more cost-efficient public administrations, and increased competitiveness of European enterprises.

#### **Guidelines 10 and 11 - Initiatives on Entrepreneurship**

	Teaching Entrepreneurship skills	Reducing burdens for firms	Female Entrepreneurship	Business Support services	Developing self-employment
Austria	X			X	
Belgium	X	X	X	X	
Denmark	X	X	X	X	X
France		X	X	X	
Finland	X	X	X	X	X
Germany	X	X	X	X	X
Greece			X		X
Italy	X	X	X	X	X
Ireland		X	X	X	
Luxembourg		X	X		
Netherlands	X	X	X		
Portugal		X			X
Spain		X	X		
Sweden	X	X	X	X	X
United Kingdom	X	X		X	

**One-stop-shops** or similar initiatives, providing business with a single contact point for administrative procedures are now a reality in most Member States. However, both the concept in itself, whether service centres or internet portals, as well as the existing or planned degrees of services to be provided, varies greatly. Services range from information dissemination to the downloading of forms and direct payments. Business support centres are reported as being set-up in several Member States (see table). Increased use of new technology is mentioned in most reports.

Many Member States noted that easier access to information on existing rules complements the broader aim of reducing the **overall burden of administrative rules on business**, including revision and impact analysis of existing and up-coming legislation. This reflects the European and international debate on self regulation. Germany, Ireland, United Kingdom, Sweden, and to some extent Spain are reporting on these efforts. Input from business and social partners are common through various schemes. Italy reports on the introduction of an analytical tool for impact and conformity assessment of all new legislation, to be introduced in the year of 2000.

In many Member States (Finland, United Kingdom, Germany and Portugal, Sweden, France, Luxembourg) separate or programmed actions to tackle administrative burdens focus on barriers to business start-ups. Portugal reports a significant reduction of the time taken to set up a business whereas Finland concentrates on providing information to entrepreneurs and Sweden implements an internet based tool for company registrations. Spain fails however to report any follow-up to the quantitative target and the promising initiative on better regulation provided in last year's report.

Procedures relating to social security regimes frequently constitute a challenge to businesses, in particular new businesses wishing to recruit their first employees, and to persons who want to become self-employed. Many Member States (Luxembourg, Portugal, France, Spain, Belgium and Austria) announce changes to social security regimes and better availability of information as new action programmed for 2000. Most of these Member States intend to use new technology for improved access and simpler procedures.

### ***Better access to finance***

Most Member States reported on the provision of improved access to finance for businesses. New initiatives are announced which should improve access to risk and venture capital as well as to soft loans. In 1999 the membership of the Swedish Venture Capital Association increased by more than 50%. Special programmes for funding start-ups of micro-enterprises were developed in Germany. In the UK emphasis is placed on extending "business angels" activities as well as on a new concept of a "knowledge bank" for new start-ups in the knowledge-based economies.

Special initiatives for helping the unemployed to start-up and run a business were mentioned *inter alia* by Finland, Germany, Italy, the UK and Sweden.

### ***Support to small businesses***

Further to the efforts undertaken by all Member States in order to improve and streamline general framework conditions for SMEs to stimulate growth and to promote new business start-ups, some Member States are putting particular emphasis on **micro and small businesses**. In particular Germany and Sweden are introducing further simplification of rules and regulations relating to the needs of small businesses.

Providing more and better **support services** for small businesses and individual entrepreneurs, including at local level, is a priority for most Member States. France is developing the quality label for the provision of targeted support services in the life cycle of the enterprise. Denmark and Finland have set out a new comprehensive enterprise policy aimed at providing better framework conditions for entrepreneurs and small businesses, the key feature of which is the provision of more targeted counselling. Finland and Sweden propose a close collaboration between employment services and enterprise advisory bodies at local level, aiming to enhance the matching of labour supply and demand. Germany and Ireland will strengthen the counselling role of Chambers of commerce and municipalities respectively. In Austria, under the business start-up initiative of the liberal professions, notaries and tax consultants offer free first-time counselling to would-be entrepreneurs.

Several Member States (Germany, Spain, Italy, the Netherlands, Portugal, United Kingdom) reported positive results on new businesses created in the last two years and propose initiatives to promote entrepreneurship among target groups of entrepreneurs or would-be entrepreneurs.

#### **Good Practice**

##### **UK: Making it easier to start up and run businesses by provision of support services for business**

Comprehensive help for new businesses is essential particularly for innovative firms or individuals. Having a brilliant idea is the first step but immediate access to facilities which would enable them to promote their idea and establish themselves in business is indispensable. **The Bradford Business and Innovation Centre (BIC)**, provides support services and network links for individuals and companies to research, design and develop innovative products and services. The centre is supported by Bradford Council, and it is housed in a purpose-built complex of 40 workspaces for new high technology companies. Tenants of the centre have access to a wide range of services and expertise including secretarial services, fax, photocopying, conference facilities, a rest room, translation services, recruitment and business advice. Each workspace has its own personal computer linked to a network and, in addition, there are links to a network of BICs throughout Europe and local universities. The Bradford BIC has been jointly funded by the Council and the European Community through European Regional Development Funding, as part of Bradford's Integrated Development Operation (IDO). The IDO is a five year partnership between the council, the EC, the British Government and the private sector.

## *Self-employment*

### ***The facts:***

- *The number of people working as self-employed in the Union declined in 1999, as it did in 1998, falling from 15% of the total in work to 14% over this period. All of this decline, however, is attributable to the continued large-scale loss of jobs in agriculture. If agriculture is excluded, the share of the self-employed in total employment will have remained unchanged over this period (at just over 12%).*
- *The Member States with larger proportions of self-employed people are Greece, Portugal, Italy, Spain and Ireland.*

Self-employment is considered an important contributor to employment. The main targets for encouraging self-employment are young people and unemployed persons in general. The means for encouraging people to become self-employed vary: raising entrepreneurial awareness through revised curricula, using closer links between business and schools, campaigns, competitions and specific programmes for women, disabled people and ethnic minorities/immigrants.

In many Member States, support for self-employment activities and the setting-up of micro businesses is linked to local development/regeneration of derelict areas – involving various local stakeholders (authorities, PES, Chambers of Commerce, banks, NGOs) – at the same time ensuring the revitalisation of urban areas and making people (mostly formerly unemployed people) take an active interest in their own area.

Although self-employment is an integral part of entrepreneurship, it should also be acknowledged that self-employment and work in micro-enterprises may have certain shortcomings in terms of working conditions (working hours, pay, training, temporary contracts etc). The specific attention paid to this issue is limited. An exception is Portugal, which plans to look more specifically into the issue of bogus/false self-employment and workers' conditions in SMEs. Sweden and Denmark explicitly stress the viability criteria in selecting eligible projects by unemployed.

### **Good practice**

#### **Italy: Supporting transition to self-employment**

Law 608/96 has created an effective measure- known as the **Honour Loan** aiming at supporting transition to self-employment of the unemployed. This grant-based scheme is administered by Societa "Sviluppo Italia" and has a rigorous selection process. Applicants from the eligible territories are normally involved in promoting socially useful jobs.

The total grant for each business created could reach more than € 26 000 and includes a substantial capital support without bank interference as well as training and operating costs. The scheme's objectives are pursued through training, networking and extensive involvement of the local social partners or other relevant associations. Aspiring self-employed entrepreneurs have access to an efficient network of support through freephone numbers, web facilities, and localised reception desks.

The scheme examined 53.000 applications by June 1999. Out of these 5.806 individuals have been admitted for financial support and 20.898 were admitted for training.

### ***Teaching Entrepreneurship skills.***

A large number of Member States (see table) have launched initiatives aimed at strengthening the entrepreneurial content of curricula in high schools and universities, as well as raising entrepreneurial awareness among young people. Finland will in 2000 introduce in all vocational

studies and special vocational studies a unit on entrepreneurship. The United Kingdom's "Revise the national curriculum" will enhance from September 2000 the links between education, employment and business. Also in the United Kingdom, the programme 'Scholarships for entrepreneurs' will provide business starters from deprived areas with managerial and business training, besides supporting them by seed-corn funding. Sweden and the Netherlands have attributed the task of submitting proposals for new initiatives to specialised committees or agencies. Links between business and education institutions have also been enhanced in some initiatives.

### ***Female entrepreneurship***

Boosting female entrepreneurship is a goal in most Member States. Germany, Finland, the Netherlands and Sweden report substantial increases in the numbers of new businesses run by women in 1998. Greece achieved positive results in terms of new businesses created by women under the programme "Strengthening Female Entrepreneurship", within the Operational Programme for Industry, as well as Spain with its programme for supporting female entrepreneurship. Belgium intends to boost micro-business creation by women by promoting their networking and providing targeted financial resources.

Actions mentioned in the NAPs generally address potential entrepreneurs and start-ups. No evidence is given of programmes aiming at increasing the entrepreneurial abilities of managers and owners of existing SMEs.

### **3.2.3. Job creation in services and in the social economy (GL 12-13)**

#### ***The facts:***

- *Almost all of the net growth in employment in the Union in 1999 occurred in services, in which the number employed increased by over 2%, bringing the rise over the period since 1997 to slightly over 4%. The service sector now accounts for more than 70% of GDP in the EU.*
- *Recent progress in this field has been unevenly spread, and insufficient to bridge the gap in services with the US. In 1999, employment in services accounted for 41.5% of working age population in the EU, while it accounts for 55.5% in the US. Of course, this gap is largely due to superior overall job creation in the US although, even as a proportion of total employment, employment in the services is still significantly higher (73.8% in the US and 66.1% in the EU in 1998).*
- *The Member States offering stronger potential for the expansion of the employment rate in services are Spain, Italy, Greece, Ireland, Portugal and Germany. Since 1997, these countries have increased the number of jobs in services. Progress has been especially strong in Ireland and Spain and more modest in Portugal, Italy and Germany.*

#### ***Good performance:***

- *The highest rate of employment in services: Denmark, Sweden and the UK. Average: 51.7%.*

### ***Development of the service sector***

In general, the initiatives taken by Member States are embedded in the general aims of Enterprise- and Employment policies. The focus is therefore on providing the best possible horizontal framework conditions for all enterprises including those in the service sector. As with last year's NAPs, further liberalisation of public utilities and elimination of barriers to professional services constitute a major response to the objectives of guideline 13.

Other initiatives, as for example in the United Kingdom, address the needs for improving skills and training in services. A number of Member States, including Spain and the Netherlands, have launched initiatives aimed at stimulating quality in services, including guidelines for quality assessment, standards in services and measures for customer service and satisfaction. Furthermore, Ireland is developing a strategy to promote a more evenly balanced development of the service sector all over the country.

Limited coverage is provided in the NAPs on tapping the employment potential of the environmental sector. Eight Member States did not report at all on this and most of those who did (Austria, Finland, Germany, Portugal, Spain, Sweden) gave only a few lines of information.

### ***Public Employment Services***

Guideline 12 provides that the role of the Public Employment Services (PES) in identifying local employment opportunities and improving the functioning of local labour markets should be fully exploited. Through widespread moves towards decentralisation, as for instance in Spain and Italy, and the increased autonomy given to local employment offices in the choice of measures, PES have developed a better capacity to respond to the particular needs of the local economy. In addition, the NAPs indicate the presence of PES in most forms of local partnerships, such as Territorial Employment Pacts (Austria, the Netherlands, Portugal), New Deal partnerships (UK) or local "Employment Services Committees" (Sweden). PES are also in some cases taking innovative initiatives to support local development, such as support to the unemployed who want to set up their own business (Sweden, Finland).

The measures to enhance the role of the Public Employment Services in the identification of local employment needs shows that success cannot be achieved without close cooperation with local actors and in particular with the private sector.

### ***Development of services responding to new social needs***

A significant number of Member States support the creation of jobs in the areas of needs not yet satisfied by the market. Some NAPs highlight concerns on the quality and sustainability of jobs created in the design and implementation of these programmes. By the end of 1999 the French programme "new jobs, new services" had created 223,000 new jobs (the objective was to create 250,000 jobs by the end of 1999), but a stronger emphasis in quality and match of identified local needs is being introduced. Austria has adopted a combined approach of demand (legal and financial) and supply (employment subsidies) support to develop fully-fledged jobs in the social and care services sector and Germany and Spain have reported on successful interventions at local level.

### ***Social Economy***

Overall, the actions reported under guideline 13 to explore the employment potential of the social economy are disappointing. 11 Member States have reported on measures aimed at exploring the job creation potential of the social economy. However, the scope of such measures vary greatly, reflecting different national definitions and approaches of the social economy. Moreover, indicators are needed in order to assess the size and employment impact of the social economy. Most of the Member States that have not reported specifically under this guideline (Denmark, Germany, the Netherlands, *the UK*) mention elsewhere actions which are related to the social economy.

The measures aimed at supporting the social economy range from legal changes that facilitate the establishment of new cooperatives and enable these to receive job creation subsidies (Spain and Italy), to financial incentives to fund social economy projects and strengthening of intermediary support structures (e.g. Ireland). Belgium's report is the most comprehensive, specifically referring



to government initiatives to encourage the creation of additional jobs in the non-market and social economy sectors.

### 3.2.4. Employment and Taxation (GL 14)

#### **The facts:**

- *After a period of relative stability in the 1980s the ratio of total tax revenues to GDP increased significantly in the 1990s in the majority of Member States. In 1998 the EU average was 42.1% of GDP, and the estimate for 1999 does not indicate a reversal of this trend.*
- *For the Union as a whole, the average effective tax on labour declined in 1997 and 1998, after having reached a peak in 1996<sup>20</sup>. Present forecasts indicate a standstill for 1999, followed by further reductions in 2000 and 2001.*
- *On average, the effective EU tax rate on employed labour amounted to 39.2% in 1998, more than 15 percentage points higher than the US. The Member States with the highest taxes on labour were Sweden, Belgium, Finland, Germany, and Greece, all in excess of 45%.*
- *The tax burden on low-paid employees is also high. In 1998, the average tax wedge (i.e. employers' and employees' taxes as a percentage of total wage costs, incl. Income tax) was 35.7% for a single person earning 50% of the average wage, and 31.3% for a couple without children and one income equal to 50%<sup>21</sup>. The single most important component of such tax wedges was employers' taxes and contributions.*
- *Labour taxation has not followed a uniform trend among Member States. Some have pursued consistent policies aimed at reducing personal income taxes and non-wage labour costs. This has led to reductions in the effective tax rate on employment between 1994 and 1998 in Denmark, Ireland, Luxembourg, Italy, Finland, Spain and the Netherlands.*
- *In contrast, an increase of taxation on employed labour between 1994 and 1998 can be observed in Belgium, Germany, Greece, Austria, Portugal and Sweden. The preliminary figures available for 1999 confirm this tendency, for Germany, Greece and Portugal.*
- *In 1998, the Member States with the highest tax wedge on low paid labour were Belgium, Germany, Italy, Austria, Finland, Sweden and France<sup>22</sup>.*
- *In the Netherlands and Denmark the reduction of labour tax revenue has been counterbalanced by an increase in environmental tax revenue (as a proportion of GDP).*

#### **Good performance:**

- *The fastest reduction of effective tax rates on employed labour between 1994 and 1998: Finland, the Netherlands and Ireland. Average: more than 4 ½ percentage points over 4 years.*

A large number of Member States are committed to the objective of overall tax reduction. However, until 1998 at least, and for the large majority of Member States, the measures announced in NAPs had not yet brought down the weight of overall tax revenue in GDP. Only four Member States have set national targets for the gradual reduction of the overall tax burden (Germany, the Netherlands, Austria and Finland). Some Member States (Belgium, Greece, Ireland, Sweden and the UK) have

<sup>20</sup> Due to the lack of recent data, it was not possible to use the implicit tax rate on employed labour. Instead the average effective tax rate has been used, (see Statistical Annex for definitions and sources).

<sup>21</sup> Own estimation using OECD methodology (see Statistical Annex).

<sup>22</sup> Ibidem.

put specific emphasis on corporate and capital tax reductions aiming at creating a business friendly tax environment and thus stimulating economic growth and ultimately demand for labour. For general tax cuts to affect employment it is important they are part of a credible long-term strategy which creates confidence among consumers and producers and that the reduction of the fiscal pressure will be long-standing.

#### Guideline 14 – Compliance table

MEMBER STATES	Measured trends 1994-98		Target for overall tax burden	On-going and planned tax reductions			
	Overall tax burden	Labour tax		General	Employed Labour	Low-skilled	Target groups
Austria	↑	↑	X	X			X
Belgium	↑	↑			X	X	X
Denmark	↔	↓		X	X	X	
France	↑	↔		X	X	X	
Finland	↓	↓	X	X	X		
Germany	↑	↑	X	X	X		X
Greece	↑	↑		X		X	X
Italy	↔ (1)	↔ (1)		X	X	X	X
Ireland	↓	↓		X	X	X	
Luxembourg	↔	↓			X	X	
Netherlands	↓	↓	X	X	X	X	X
Portugal	↑	↑					X
Spain	↔	↓		X	X		X
Sweden	↑	↑				X	
United Kingdom	↑	↔ (2)		X			

(1) Increasing trend in 1994-97, sharp reduction in 1998

(2) Decreasing trend in 1994-97, increase in 1998.

The majority of the Member States are making efforts to reduce the tax burden on labour. Despite the large number of measures reported in the NAPs, however, the labour effective tax rate increased or remained broadly unchanged in many Member States over the period 1994-99. There are a number of reasons for this. Firstly, several Member States have, in line with Guideline 14, undertaken measures to reduce personal income tax or social security contributions (SSC) for the low-paid. The impact of such targeted reductions on the average tax rate is limited. Secondly, tax revenues may have been boosted in a few Member States by increased efficiency in tackling tax evasion and undeclared work. Lastly, a number of measures referred to in the NAPs were implemented in the course of 1999 or are planned for the coming years and thus have not yet affected the actual tax rate. A general problem remains that there are lags in data availability and insufficient detail on tax reforms in the NAPs to assess fully their impact on both total tax burden and labour tax pressure.

In terms of employed labour, the majority of the Member States have enacted or plan to enact reforms to reduce income taxes and social security contributions (SSC). In some cases (e.g. France, Germany, Ireland, Luxembourg and Sweden) they are combined with increases in minimum exempted income, which benefit the persons with lowest-income. Depending on the national income tax systems different methods are used to achieve targeted tax reductions: a reduction of

basic income tax rates or increases of basic allowances or, in the case of the Netherlands, by higher tax credits.

In most cases, reductions have been targeted at least to some extent at the lower end of the wage scale, in an effort to reduce the high tax wedge at this level prevailing in a large number of Member States. Targeting on specific categories of workers is to be encouraged because it is expected to have a greater impact on combating structural unemployment especially of low-skilled workers, and of course targeted reductions are easier to finance than across-the-board ones. Given the large number of measures planned in this area, it is expected that the tax burden on relatively unskilled and low-paid labour will decline in the majority of Member States over the next few years, although to a variable extent.

Tax rebates to employers are more often used than straight reductions of SSC on low paid labour. Some Member States link tax or SSC reductions with the creation of new jobs (Portugal, Italy, Greece) or treat permanent contracts more favourably than temporary ones (Spain) or reserve employers' SSC reductions for new companies (Austria), while in Belgium SSC reductions are to be gradually aligned, over several years, to the average of the three main neighbouring countries.

Reductions in the direct tax burden on labour in recent years have been financed mainly by shifting the burden to indirect taxes such as VAT or energy and environmental taxes. This has been (or is planned to be) the case with Denmark, France, Italy, the Netherlands, Finland, Sweden and the UK. These tax increases however did not or are not intended to fully counterbalance the tax cuts in special labour taxation or general income taxation. The NAPs fail to quantify or provide indicators on tax shifting from labour to indirect taxes or eco-taxes which makes it difficult to assess progress in this field.

Moreover, an agreement was reached in 1999 on the possibility of reducing VAT on labour-intensive services. Nine Member States (Belgium, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Portugal, the UK- only for Isle of Man) were authorised by the Council's Decision of 28 February 2000 to apply reduced rates to services such as repairing bicycles and shoes, domestic care services, repair of older houses, hairdressing. This policy option will terminate in December 2002. Before that date those Member States applying reduced VAT rates will provide an assessment of this instrument.

### **3.3. Pillar III: Adaptability**

#### **3.3.1. Overview of policy developments**

With globalisation, changing consumer demand and quick development of new technologies, the key to achieving competitiveness, increasing wealth and job growth lies in Europe's capacity to foster and adapt to a economy where knowledge becomes the decisive productive factor. In the knowledge-based economy, where value is created less and less by mass production and more and more by productivity and innovation, new and more flexible forms of work organisation in enterprises are required, as well as a continuous renewal of skills. However, the conditions for a successful transition to the emerging knowledge-based economy are by no means granted, and a new contractual framework involving governments, enterprises and individuals is called for.

Under the Adaptability pillar, governments and social partners are called on to undertake concrete actions, through a partnership approach, to modernise work organisation and to support adaptability in enterprises, including the development of lifelong learning. Moreover, governments should support investment in human resources and promote more adaptable types of work contracts.

Given that most adaptation takes place in the workplace itself, it is evident that the social partners are the prime movers in this context, supported by government. However, the extent of involvement of social partners in the NAP process is not equal (see section 4.3.) and reporting of actual

developments by social partners is inadequate. This is a particular problem in those Member States where collective bargaining is decentralised. In general, the NAPs do not give a full picture of adaptability progress in collective agreements and in labour market reforms which makes it difficult to assess actual development under this pillar.

The trend in most Member States has been towards partnerships, often tripartite, as the basis for longer term approaches across a wide range of issue. These include wage moderation, supporting employment through re-balancing the cost of working, modernisation of the legislative framework, the introduction of new forms of work organisation, and latterly, an increasing emphasis on lifelong learning. Recent legislative initiatives in relation to working time have stimulated social dialogue and collective agreements, and provided a catalyst for the introduction of new forms of work organisation. Examples include the reduction in working time in France, in Germany agreements in the framework of the Jobs Alliance on the increased use of flexible forms of working time, especially "working time accounts"; provisions on part-time work and facilities for the use of temporary work agencies in Italy, and the adjustment of the Working Hours Act in the Netherlands. However, an integrated approach is not apparent in the majority of Member States.

There is still little evidence in the NAPs of progress on issues linked to the modernisation of work organisation. Moreover, there are only a few reports of collective agreements, which provide a framework, supportive of this process of change. Where action is reported, it is often, as in 1999, limited to the field of reduction and reorganisation of working time. In only some of the Member States (Finland, Denmark, Ireland) has work organisation been supported by government programmes<sup>23</sup>.

A tightening of the labour market supply is reported in a number of Member States/regions (Sweden, Denmark, Ireland, the Netherlands, Northern Italy, Flanders). This has prompted an adjustment in immigration provisions for high tech professionals in a number of Member States (Germany, Denmark, Sweden, Ireland, the UK, Finland) and raised the importance of lifelong learning within the adaptability agenda in almost all Member States. Actions range from targeting levels of payroll to support training in Belgium, to the introduction of a levy in Ireland (already in place in France), to direct support for individuals through learning accounts (UK). Particular efforts in the area of ICT literacy are being taken in (Denmark, Finland, Ireland, Sweden, Germany and Portugal). Only some Member States treat training as an investment, by providing for training costs to be fully off settable against tax. An equitable approach remains to be put in place for temporary work agencies in Spain.

Despite some new initiatives, progress on the incorporation of more **adaptable forms of contract** into Member States' labour law remains limited, with the great majority of Member States adopting only piecemeal or incremental reforms. Whilst some initiatives, often with the involvement of the social partners, aimed at retaining **older workers** are reported (following specific Council recommendations to a number of Member States), positive results have not yet been demonstrated.

#### ***The facts***

- *The Irish "Programme for Prosperity and Fairness" (a national tripartite agreement for the period 2000-2002) covers the fields of lifelong learning, labour market policy, proliferation of the information society, equal opportunities as well as family friendly policies.*
- *The "Denmark 2005" structural and welfare policy programme forms a comprehensive and sustained approach to adaptability of the labour market and enterprises. Partnerships are delivering concrete actions across a wide range of issues relating to employment; either through tripartite structures*

<sup>23</sup> A recent report shows however that such enterprise-assisted programmes also exist in other Member States. European Commission: Government Support Programmes for New Forms of Work Organisation – OPOCE ISBN 92-828-9326X

*e.g. Social Economic Council in the Netherlands; or social partner agreements in liaison with the government/framework support e.g. Sweden.*

- *Training as a distinct element of agreements was mentioned by a majority of Member States, and the involvement of Social Partners has been particularly evident in Belgium where a national framework agreement, with targeted investment on training has been established, and in the UK with the Union Learning Fund.*
- *In Finland there has been a comprehensive review of all aspects of work organisation, also there have been positive initiatives in Portugal, France and the Netherlands. However, transparency of approach to modernisation of work organisation is generally missing.*

### **3.3.2. Modernisation of work organisation, adaptability in companies and training in companies**

Guideline 15 underlines the importance of strong partnerships in order to promote the modernisation of work and forms of work. Subjects to be covered may for instance include training and re-training. Guideline 17 asks Member States to examine and, where appropriate, remove the obstacles to investment in human resources, and to ensure that the regulatory framework contributes to reducing barriers to employment.

Differences in industrial relations cultures lead to different approaches in how Member States address the relevant guidelines. This is particularly obvious in the case of working time and part-time work, where in some Member States, the social partners are left with considerable scope for action, whereas other Member States rely on legislation. In some Member States, with a tradition of the legislative approach, the scope for collective bargaining has been improved. This is the case in Spain, where the Workers' Statute has been amended with a view to facilitating the extension of collective agreements by the labour authorities. Equally, the legislation on the reduction of working time in France has provided a new stimulus for company level collective bargaining, beyond working time. In Germany there seems to be a shift towards company level employment pacts.

#### ***Partnerships***

The majority of Member States seem to have established broad partnerships between national authorities and the social partners, particularly targeted at the promotion of **continuous training**, with the aim of expanding the provision of training or focusing provision more closely on addressing skills gaps. In some Member States, social partners are working increasingly with local and regional authorities, and other partners at these levels, to whom more responsibility for training and education is being delegated. However, despite individual examples provided by the NAPs the general picture of training provision through agreements remains incomplete.

The Finnish conversion training programme aims at remedying labour supply bottlenecks, primarily by improving the availability of skilled labour in the ICT sector. The social partners and the federal government in Germany have collaborated since 1998 in the Jobs Alliance (Bündnis für Arbeit) on employment policy issues, such as providing traineeships for the newly employed and ICT training. In France, the social partners are active in promoting better certification, follow-up of career development and the gathering of statistical data, a field where the social partners can provide valuable contributions. The Irish social partnership sets a broad agenda to promote lifelong learning within the workforce. The Spanish "Second National Programme on Vocational Training" is managed jointly by the Government and the social partners to promote more transparent certification and upgrading of skills.

Guideline 5 also urges the social partners to conclude agreements with a view to increasing the possibilities for training, work experience, traineeships or other measures likely to promote employability (see also section 3.1.4).

As for **partnerships aiming more directly at modernising work organisation**, some positive steps have been taken, particularly in some of the Member States to whom Council recommendations were addressed. The Portuguese Government and the Social Partners have agreed on measures to break the deadlock in social dialogue. In future, social dialogue will take place at sectoral level focusing on specific issues, such as the organisation of work, training activities and working conditions. In the UK, a Partnership Fund, involving the social partners, has been created with the view to promote new forms of work organisation. Moreover, the introduction of the Minimum Wage has been said to require changes in work organisation in a majority of the affected firms. In France, discussions between the social partners have started, aimed at reforming industrial relations. Furthermore, enterprise and sectoral agreements related to the reduction of working time, have led to increased cooperation between the social partners on issues such as work organisation and training.

Furthermore Finland, Ireland and Denmark have agreed programmes, jointly run by the government and the social partners, to promote new forms of work organisation. A new programme (2000-2004) has been decided in Finland. It will cover 600 projects with 85,000 employees. The Danish Programme "Management, Organisation and Compliance" is aimed at developing flexible work organisation in 50% of enterprises by the year 2002 and reports progress as planned towards that objective. The programmes rely on the implementation of measures at enterprise or workplace level and therefore provide for partnership of workers and management.

### ***Specific contributions to the guidelines***

As regards the **guideline 15**, action is, as in 1999, reported in the area of working time. Overall however, the NAPs show little evidence of progress on other aspects of modernisation of work organisation. There are only few reports of collective agreements, which provide a framework support for this process of change. Some initiatives have been reported on career breaks and on the prevention of work-related stress.

### ***Working time***

Working time issues are high on the agenda in a number of Member States. In France, Belgium and Luxembourg the emphasis has been on job creation through negotiated reduction of working time. The French NAP estimates in 182,000 the number of jobs created or maintained due to 35 hours legislation. The French initiative has also led to some positive results in work organisation showing that the issues of working time, work organisation and lifelong learning are closely linked. In other Member States, developments have been more closely linked to traditional preoccupations with improvements in working conditions and flexibility. Thus Portugal reports on new legislation to limit night work. In other Member States, such as Austria, Germany, Denmark, Sweden and the Netherlands, the emphasis is on the reorganisation of working time, including the reduction of overtime and increasing the flexibility of working time by extending the reference period. In Denmark and in a number of sectors in Austria, flexibility has been increased in relation to the calculation of average working hours. In the Netherlands the new Working Hours Act will make it easier for employees to combine work with other activities and gives a statutory right to work longer or shorter hours.

## *Older workers*

Member States and social partners are increasingly seeking to provide for flexible forms of work tailored to meeting older workers'<sup>24</sup> needs, particularly in response to Council recommendations. In Austria, agreements between the social partners have become part of a legislative package on measures for older workers, including working time models for older workers, flexible short-time work arrangements, awareness-raising activities about part-time pensions. A second package is planned for 2000. Also social partners in Germany and Belgium have made commitments towards older workers, such as structured part-time work initiatives and new work patterns. In the Netherlands initiatives to retain or bring older workers back to work through favourable tax treatment has been taken. In Finland the 'Well-being at Work Programme', aims to enhance job quality in order to get people to stay longer in working life.

### *Addressing barriers to investment in training*

As regards examining the tax barriers to investment in in-house training (guideline 17), only two new initiatives are reported (in Austria and France), whereas last year NAPs offered examples of tax deductions for training in four countries. Austria has implemented legislation for tax deductibility of job-related training costs. In France, existing levels of tax credit for investment in human resources will be raised, with the highest credits targeted at SMEs. New financial non-tax measures are reported for two Member States. In Belgium, the existing schemes to engage companies through inter-professional agreements have been extended to support re-organisation in companies. In Denmark, enterprises participating in training planning schemes get up to 50% of their costs covered. With respect to individual workers the Netherlands and the UK are implementing individual learning accounts. Similar schemes are being considered in other Member States.

The lack of comparative data and common indicators makes it difficult to assess how new measures have improved the availability of and participation in **vocational training and in-house training** for workers. A number of Member States, however, use national data for measuring progress related to the availability of training provisions (Spain, Ireland, United Kingdom, Finland, Belgium, France and Portugal).

### *Part-time work*

Progress on **part-time work** was reported in a number of Member States through the implementation of Directive 97/81/EC on part-time work – in Belgium, Germany, Italy, Portugal and Ireland. In addition, Spain reported an increase in the number of part-time contracts from 147,000 in 1998 to 261,000 in 1999 on the basis of the agreement Promoting Part-Time Employment. In Denmark, following new agreements between the Social Partners, 50% of the workforce can now access part-time jobs. In the Netherlands, part-time jobs have increased by 5.2% per annum since 1990: this increase can mainly be attributed to employees exercising their personal choices.

#### **3.3.3. Adaptation of labour law**

Progress under guideline 16 remains limited. Although a larger number of initiatives to incorporate more adaptable forms of contract into labour law are reported this year than in 1999, the great majority of Member States have adopted piecemeal or incremental approaches with the emphasis on a single or, at most, a handful of topics, rather than overall reform of labour legislation. The limited approach to reform pursued in the majority of Member States, does not always ensure that the guidelines relevant to the adaptation of labour law are reflected in the process. Where large-scale reform has been undertaken, notably in Finland, it is clear that this can often be a long process. A

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<sup>24</sup> Older workers refer to the age bracket 55-64 years.

committee which has prepared an overall reform of the Employment Contracts Act took four years to deliver its final report, which will now serve as a basis for Government proposals to be submitted to the Parliament.

The previous proposal in Italy on "**para-subordinate workers**" is still under examination in the Parliament. Denmark reports that the government is reflecting on the possibility of initiating a study on the scope of different types of employment contracts and their implications. As regards **telework**, the Irish government plans to review the relevant fiscal and environmental structures while Sweden has improved teleworkers' employment security. **Temporary agency work** has been subject to legislative developments in Italy, Portugal, Greece and, in particular, Spain, which have removed key legislative barriers to this form of work. In Spain, the aim of the new legislation is to strike a balance between security and flexibility by furthering the principle of equality of treatment between agency workers and workers of the user undertaking. In Sweden, the Parliament has requested the government to review the relevant legislation on temporary agency work. Working time and part-time work, including the legislative aspects, have been dealt with in chapter 2.3.2.

With regard to **information and consultation of employees**, the French government states that the powers of the employee representative bodies need to be reinforced in order to ensure that these institutions are kept fully informed of the decisions, which may affect employment or working conditions. Also Finland reports that the labour market organisations will continue the assessment of the functioning of the shop steward system, particularly in small companies.

The **termination of employment contracts** has also been referred to by a number of Member States. In the Netherlands, the dual nature of the dismissal procedure is currently being examined by a Committee, which will advise the Government about abolishing or reorganising the dual dismissal system. In Portugal, legislation relating to lay-offs has been amended while the French government considers the legislation on dismissals as a major area of concern with an indication of a possible revision. Sweden and Finland are considering legislative actions in this area.

A newly emerging subject would seem to be **employees' right to privacy**, including the protection of the personal data of employees ("data protection"). In Sweden, Finland and Germany, the issue is being examined and legislative action is under preparation.



## Adaptability overview

This table has been drawn up on the basis of a comparative and qualitative assessment of the information supplied in the NAPs 2000. The X's indicate the intensity of (new) measures which were reported in the NAP.

It does not purport to represent a comprehensive overview or ranking of the actual position in each Member State

G = Government; SP = Social Partners; ⊗ = indicates that this issue has not been reported in the NAP 2000.

	AU		BE		DK		FIN		FR		DE		GR		IRL		IT		LUX		NL		PO		SP		SW		UK	
	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP	G	SP		
<b>22</b> Progress in partnerships in the implementation of the NAPs	No change		Major progress		No change		No change		Progress		Major progress		Progress		Progress		Progress		No change		Progress		No change		Progress		No change		Progress	
<i>Incentive measures/agreements concerning continuing training</i>	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
	X		X	X	X	X	X		X		X	X								X	X					X		X		
<i>-Measures specifically targeted on ICT skills</i>	X	⊗	⊗	⊗	X	X	X	X	X	X	X	X	X	⊗	X	X	X	⊗	⊗	⊗	⊗	⊗	X	X	X	⊗	X	X	X	⊗
					X	X	X	X	X	X					X							X				X	X	X		

<sup>25</sup> All Member States consult with social partners (collectively or individually); in some there is a partnership based on the setting of framework conditions (by government) but implemented by the social partners; in others, partnership includes the government and social partners in collective negotiation across a range of economic, fiscal and wage issues relating to employment.

<b><u>WORK ORGANISATION</u></b> Reorganisation of working time <sup>26</sup>	⊗	X X	X	X	⊗	X X	⊗	X	X X X	X X	X	X X	X	X	⊗	⊗	X	X	X	X	X X X	X X	X X	X	⊗	X	⊗	X	⊗	⊗		
Contractual modernisation <sup>27</sup>	⊗	⊗	⊗	X	⊗	⊗	X X X	X X	⊗	⊗	X	⊗	X	⊗	⊗	X	X	⊗	⊗	X X X	⊗	X	X	X	X	X	X	⊗	X	⊗	X	⊗
New forms of work organisation <sup>28</sup>	⊗	⊗	X	X	X	X	X	X	X	X	⊗	X	⊗	X	X	X	⊗	⊗	⊗	⊗	⊗	⊗	X	X	⊗	⊗	X	X	X	X	X	
<b><u>OLDER WORKERS</u></b>	X	X	X	X	⊗	X	X	X	X	⊗	X	X	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	X	X	⊗	⊗	⊗	⊗	⊗	X	⊗	⊗		

<sup>26</sup> Reorganisation of working time encompasses reduction of working hours per week/month/year; change of the reference period, alternative mechanisms for calculation of average working hours and/or arrangements on part time working.

<sup>27</sup> Contractual modernisation includes piecemeal review of regulatory provisions e.g. temporary contracts, agency work, dismissals, etc. building up to holistic reform of legislative and collective arrangements governing employment relations.

<sup>28</sup> Implementation of new forms of work organisation includes e.g. arrangements supporting participation (both decision making and financial), new reward systems, multi tasking and team working, introduced by collective agreements and supported by government.

### 3.4. Pillar IV: Equal opportunities

#### 3.4.1. Overview of policy developments

The NAPs for 2000 are to a large extent driven by the 1999 policy recommendations. There has been an improvement in the way in which Member States have taken gender mainstreaming on board. There remains however substantial work to be done in this regard in many countries and too many measures are still presented as gender neutral (see section 4.5 for development).

In 1999 five out of 15 countries (Denmark, Sweden, the United Kingdom, Finland and the Netherlands), fulfilled the female employment rate objective of over 60% set at the Lisbon summit. Many countries indicate that increasing the female employment rate by 2010 is a specific objective and that several measures are undertaken. It is disappointing though that the two countries with the highest gender gaps and low employment rates (Spain and Greece) have only introduced limited actions to improve the situation.

Most Member States respond to the unemployment gender gap mainly by introducing measures targeted at long-term unemployed or young women. Furthermore, women are often encouraged in different ways to participate in active measures to improve their employability.

Many Member States announce plans for measures to decrease the gender segregation in occupations and sectors. Among those three countries with the highest occupational gender segregation, Finland proposes the most comprehensive approach whereas Sweden concentrates on influencing the educational choices of young persons. Denmark however proposes only a few measures to tackle the segregation problem. Sweden and Finland take the issue of sectoral gender segregation on board, while progress remains to be made in Portugal.

There are many examples of Member States addressing the gender pay gap. Some initiatives refer to reviews of job classification and work evaluation systems and others to awareness campaigns. Those countries showing highest differentials between genders address the problem specifically, but the effects of the policy measures remain to be assessed. Some Member States – Greece, France, Italy and Spain – barely mention any measure addressing the pay gap between women and men. Generally, it is striking that hardly any Member State undertakes actions to diminish gender income differentials.

Policy measures to reconcile work and family life vary to a high degree between Member States. Working time arrangements, such as flexible and part-time work, are common initiatives, as well as atypical contracts and other flexible forms of employment practices. Partnership agreements at the enterprise level are often encouraged. Moreover, all Member States address the improvement of childcare as essential to the reconciliation of work and family life. A positive element is that there is an increasing tendency to set quantitative targets, especially for childcare provision. This is in line with the Lisbon Council conclusions of setting a benchmark for improved childcare provision. There is still however too little attention given to care for the elderly and other dependent persons.

An important number of the 1999 policy recommendations refer to gender equality. They are taken into account in almost all the NAPs. This is the case for those recommendations which *explicitly* refer to gender equality. On the other hand, the recommendations which are formulated in a more *implicit* way and in which gender should be mainstreamed, are less implemented. This is particularly the case for the policy recommendation on tax and benefit systems to remove the disincentive effect on women's employment participation, to which only Ireland responded positively with the introduction of income tax individualisation.

### 3.4.2. Reduction of gender gaps

#### *Reduce gaps in employment and unemployment*

##### ***The facts:***

- *Gender gaps in the labour market remain significant in all Member States and in the EU as a whole. In the EU, the employment rate of women is at 53 percent, slightly more than 18/2 percentage points below the male rate.*
- *The largest gender gaps in employment rates occur in Spain, Greece, Italy, Ireland and Luxembourg where they are above 20 percentage points (in absolute terms).*
- *Some Member States succeeded in narrowing significantly the gender gap in employment since 1997 (i.e. by more than 2 percentage points): Belgium, Denmark, Greece, Luxembourg and the Netherlands.*
- *In most Member States the unemployment rate remains systematically higher for women than for men. On average, the unemployment rate for women is currently some 3 percentage points above men but in some countries the gap is much wider, as it is the case with Spain (12 percentage points gap), Greece (9 points) and Italy (7 points).*
- *Between 1998 and 1999, almost all Member States reduced the gender gap in respect of unemployment, thereby confirming the generally favourable outlook for women in access to jobs.*

##### ***Good performance:***

- *The narrowest gender gaps in employment rates: Sweden, Finland and Denmark. Average: 5.7 percentage points.*
- *The narrowest gender gaps in unemployment rates: Ireland, Sweden and Finland. Average: 0.3 percentage points.*

Most Member States seem to be tackling employment and unemployment gaps. France provides better initial training for young women and professional orientation for unemployed women. Portugal sets the reduction of the gender gap in unemployment as a specific objective, focussing in particular on youngsters. Apart from Spain, which proposes an extra allowance in employers' contributions when employing long-term or over 45 years old unemployed women, the other two countries with highest gender gap (Italy and Greece) propose very few specific measures targeted on decreasing the gaps.

Several Member States mention an increase in the female employment rate as a specific objective (Belgium, the Netherlands, Luxembourg, Finland, France and Italy). Most countries announce several measures to achieve this goal. Many refer to more and better care for dependants, better working hours, and better training courses. The Netherlands announces a tax reform in 2001 aimed at increasing women's employment. Ireland has introduced the individualisation of the standard rate tax band, which is expected to encourage female employment. Italy refers, among other measures, to the improved part-time regulations and other flexibility measures as important instruments to increase female labour supply. It is encouraging to note that countries with a high gender gap in employment, such as Italy, Ireland and Luxembourg are proposing several measures to remedy the situation. On the other hand, the two countries with the highest employment gender gap (Greece and Spain) do not propose major policy initiatives to address this problem.

## **Take actions to bring about a balanced representation of women and men in all sectors and occupations**

### **The facts:**

- *Gender segregation in employment remains a major concern, as women and men remain unequally represented in sectors and occupations across the EU. Gender-imbalance in individual occupations accounts for around one quarter of all European Union workers whereas sectoral gender imbalance accounts for slightly less than 18%.*
- *Countries with high employment rates for women, such as Finland, Sweden and Denmark, tend to present comparatively higher segregated occupational structures, in the order of 29%...*
- *By sectors, Sweden and Finland have a highly gender segregated labour market, as do Portugal, Austria and Ireland, with a segregation index in excess of 20%.*

### **Good performance:**

- *Lowest segregation index by occupations: Italy, the Netherlands and Spain. Average: 23.4%.*
- *Lowest segregation index by sectors: Greece, Italy and France. Average: 15.7%.*

One of the most comprehensive approaches can be found in Finland, which plans an overall strategy, following the implementation of the 1999 policy recommendation on this issue. A four-year project will be launched to create an "Equal Labour Market", seeking to influence the mechanisms for placement of women and men in different professions. Further, a three-year cooperation programme between companies and schools will be launched to encourage girls and boys to diversify vocational choices. Sweden is concentrating on various measures which aim at influencing the choice of education at different levels (improved guidance, a new technology programme designed to appeal especially to girls, etc).

There are many other examples of measures introduced to tackle gender segregation. Germany provides clear benchmarks on information technology and for universities; the share of women should increase by 2005. In Greece, a quota system is under examination. The UK has established a new equal opportunities strategy for the Careers Service, which should give unbiased counselling to young people for career choices. In addition, Sweden is currently setting up new recruitment targets for female professors. Spain has introduced an extra allowance in employers' contributions for the permanent employment of women in jobs in which they are under represented. Moreover, in Luxembourg and Austria several measures are announced to reduce gender segregation.

At this stage though, many of the actions proposed are only in their planning stage or have just recently been launched. Therefore, the importance of following up these measures should be emphasised, particularly on a more long-term basis since many of the initiatives are linked to educational choices and will have a long-term effect on the gender balance of the labour market.

Denmark and Portugal however, which show high gender segregation, respectively by occupations and by sectors, do not address this problem in a substantial way in their NAPs.

## **Good practice**

### **Finland: Gender segregation in occupations and sectors**

An example of good practice can be found in Finland, where a consistent and coherent strategy has been adopted. Actions to combat segregation were first studied in 1998. The Ministry of Education launched a project to study possibilities to evaluate how educational institutions can alleviate segregation in education. In 1999, measures were introduced to increase women's participation in information technology training and related sectors. In 2000, a three-year cooperation programme with schools and companies was launched. It aims at studying ways of encouraging girls and boys into choosing non-traditional occupations.

## ***Promote equal pay for equal work or work of equal value and diminish differentials in income between women and men***

### ***The facts***

- *Gender gaps in terms of pay remain very considerable in the EU. Across the EU as a whole, women are paid on average 83% of men's hourly wages. This gap is more pronounced in the private than in the public sector (76% and 89% respectively), and in agriculture and industry as compared to services. In terms of type of work, it is larger for manual and managerial positions than for non-managerial non-manual positions.*
- *Although gender wage inequality is present in all Member States, the gap seems wider in Germany, Ireland, Austria and the UK, where the average net hourly earnings of women remained at or below 80% of men's in 1996 (the latest year for which information is available from the European Community Household Panel). Wage differentials are also large in the private sector in Portugal and Italy.*

### ***Good performance:***

- *The highest ratio between women's and men's net hourly earnings (in 1996): Portugal, Belgium and Spain. Average: 91%.*

Many Member States report on policies to decrease the pay gap. In Belgium, the social partners have committed themselves to review job classification systems, to examine if they cause gender inequalities. In Finland, the development of more equal wage systems is planned, as well as a systematic framework for monitoring gender pay differentials in the labour market. Similar initiatives have been announced in the Netherlands, where a practical instrument is under development for detecting gender pay discrimination in job evaluation systems. Sweden will analyse wage formation from a gender perspective and develop methods for gender-neutral work evaluation on an annual basis. Denmark has launched a job assessment project to analyse what influences the determination of wages. A similar initiative is taken in Germany. Also, Luxembourg announces new actions to promote equal pay.

In the UK, the introduction of the National Minimum Wage has been of benefit to women and contributed to a decrease in the pay gap. In addition, action is underway together with the social partners, to address discrimination in pay systems, particularly through improving access to justice on equal pay and a campaign which aims at raising the awareness of the pay gap and the benefits of eliminating it. An awareness campaign is also planned in Austria, which moreover will offer counselling to employers on the issue. In Ireland, the Employment Equality Act envisages selecting a comparator for equal pay purposes. Portugal has elaborated a guide to "Good Practices to ensure Equal Pay".

Although many of the proposed measures are comprehensive and innovative, the results remain to be monitored closely and assessed. In addition, it is surprising that, although the gender pay gap remains important in all Member States, some NAPs do not mention actions on this subject, i.e. Greece, France, Italy and Spain. Moreover, very few Member States mention specific actions to tackle the income differentials between women and men, although Germany is currently working on a report on the job and income status of women.

### 3.4.3. Family-Friendly Policies

#### ***The facts:***

- *The presence of children in the household markedly reduces the participation of women in employment. In 1998, in the 10 EU Member States for which data were available 71.6% of the women aged 20-50 without children were in employment, as opposed to only 51.6% of women with children aged less than 6.*
- *In contrast, males tend to increase their participation in employment with the presence of a young child. 90.8% of men aged 20-50 with children have a job, as opposed to 85.3% without children.*
- *The impact of parenthood in employment is stronger in Germany, France, Luxembourg and the UK.*

#### ***Good performance:***

- *Out of the 10 Member States for which data are available, the narrowest difference between employment rates of women aged 20-50 with and without young children: Belgium, Greece, Spain. Average: 5 percentage points.*

As in the 1999 NAPs, the commitment of Member States to promote family-friendly employment policies varies widely. Measures are often closely linked to the adaptability pillar. The main policy initiatives refer to the quantity and quality of child care provision, but there are also many examples of flexible working time arrangements including leave schemes. In addition, there are many measures on raising awareness in enterprises (e.g. Germany, Austria, Ireland, Portugal and the UK), legislative initiatives (e.g. France and Spain) and initiatives targeted to sharing responsibilities at home (e.g. the Netherlands, Ireland, Germany and Belgium).

#### ***Care for children and other dependants***

All Member States plan to provide more care for children. An important increase in the number of places is announced in the Netherlands (70% increase in the coming three years), but also Belgium, Greece, Spain, Luxembourg, Austria, Portugal, Finland, the UK, Denmark, Ireland, Italy and France are to provide more places. Germany continues to implement the legal requirement that there should be a childcare place available for each child. On top of announcing increased childcare provision, many countries have set up detailed quantitative targets, notably the UK, Greece (in absolute figures) and the Netherlands (in absolute and percentage terms).

As compared to last year, there is a trend to improve the quality of care, providing more flexibility for parents. The main measures in Member States concern:

- Belgium (Flanders) and the Netherlands - pilot schemes for childcare tailored to personal needs and circumstances;
- Italy - adapting nurseries at local level to parents' needs (micro nurseries);
- Ireland - increasing the quality and availability of childcare;

- the UK - improving the quality and the affordability of childcare, improving the status of the childcare profession, increase the number of trained people available and launch a national recruitment campaign;
- Ireland, Finland and Belgium - childcare provided for unemployed women. This will be introduced in Sweden, and Greece as well;
- The Netherlands - childcare facilities for single parents on welfare support;
- France - fiscal and financial measures to improve the care situation for both children and dependants;
- Sweden - plans to introduce a ceiling on childcare fees and providing childcare for parents on parental leave with younger siblings.

An increased number of Member States mention measures to increase care facilities for the elderly: Belgium, Spain, France, Portugal, Greece and Sweden. The German NAP mentions that there is no supply shortage in the care for the elderly because of obligatory insurance. Moreover, insurance benefits were raised during 1999 for day and over-night care. As in the 1999 NAP, it is remarkable that concrete initiatives on care for all other dependants (disabled, sick relatives) are lacking in nearly all the reports (exceptions: the Netherlands and the UK).

#### **Good practice**

##### **Belgium, the Netherlands: Flexible childcare provisions**

Childcare provisions are tailored to the needs of parents aimed at increasing flexibility.

In Belgium (Flanders), " the childcare provision will be reorganised. The changes will pay particular attention to new childcare needs (care of sick children, flexible care, temporary and urgent care needs).

In the Netherlands, a total of 27 Mio € has been set aside for the period up to 2002 for initiatives to help those trying to combine work and family responsibilities (spearheaded by a special committee). The areas targeted include promotion of working hours tailored to personal circumstances, urban and regional planning and mobility, relaxation of restrictions on trading hours and better coordination of working hours and trading hours, personal services and coordination of leisure, educational and childcare facilities. 73 Pilot schemes are under way.

#### ***Parental and other leave schemes***

All Member States have implemented the Directive on parental leave. In some countries, measures are planned or announced to improve the existing legislation (Sweden: 30 days extension, both for fathers and mothers; and the Netherlands: New Work and Care Bill and the Leave-Saving Bill). In most countries providing or planning new measures, the role of fathers is stressed (Finland, Portugal, Sweden) as well as provisions for part-time leave (Finland) and expanded opportunities for part-time employment (Germany).

#### ***Facilitating re-integration into the labour market***

This guideline received more attention than last year. Several Member States provide actions aiming at improving the access of women returners to programmes or training, facilitating access to the labour market:



- Belgium - improving access to programmes aimed at combating unemployment as well as creating incentives for employers to hire women returners;
- Spain - increase participation of women on leave in training schemes;
- France - the condition concerning the length of time in unemployment, which is required to qualify for the "New Start" programme, is eliminated;
- Greece - improved childcare, better use of and awareness of skills and introduction of *stages*;
- Austria - The PES provide an innovative set of measures for the reintegration into the labour market (assistance in search for suitable childcare options, training in job application, psychological assistance, training for women on maternity leave, etc);
- Ireland - following the 1999 report on women's access to the labour market, recommendations will be put into action, to increase the employability of women;
- Spain and Portugal - e.g. training schemes for single parent families and measures to remove obstacles for the return of single mothers.

## **4. Horizontal aspects of the implementation of the NAPs**

### **4.1. Towards a society based on knowledge and information**

The NAPs 2000, in relation to all pillars and guidelines, confirm the growing awareness of Member States of the need to equip not only young people, but their current and potential workforce with basic, new and up-to-date skills and to promote wider access to knowledge and learning on a lifelong basis.

Guideline 6 asks Member States to develop possibilities for lifelong learning and to set national targets. This effectively means that each Member State should develop a comprehensive strategy for lifelong learning based on the above all-encompassing definition which has been generally accepted. However, the majority of Member States either follow a piecemeal approach, for example based on specific projects or initiatives, or still tend to define lifelong learning in a restrictive fashion, notably in terms of continuing training and updating of skills.

Nevertheless, the fact that six Member States have developed comprehensive policies integrating the various aspects of education and training provides models of good practice which show that it is possible to transform lifelong learning from a concept to which merely lip-service is paid into the means of achieving a Learning Society which promotes growth and creates more and better jobs.

In the context of employment and the Information Society, the acquisition and regular updating of skills is essential, and a critical factor for success will be widespread and equal access to education and training opportunities and resources at all levels. Agreement on the "new basic skills" and the core competencies of new professional profiles are essential to ensure the appropriate development of current and future education and training courses, and their validation and certification. The e-Learning initiative specifically addresses these issues in four action lines which cover not only infrastructure and content but also networks of learning centres and training for the acquisition of relevant ICT skills.

The acquisition of ICT skills at school and in the workplace is an important priority for all Member States and several measures have already been initiated and reported in the NAPs which make a start towards meeting the targets proposed in the e-Europe and e-Learning initiatives.

Some Member States have comprehensive national programmes which have been gradually implemented (e.g. Ireland has already met in two years the targets of its three year "IT 2000 programme" and Denmark's plan is nearly fully implemented) and reinforced since last year. However, coverage of ICT strategies in the NAPs varies among the Member States limiting, hence, their comparability.<sup>29</sup>

There are many examples of how the development of ICT can be promoted in SMEs. They include the support to IT business start-ups, particularly with risk capital (Germany), the assistance to traditional industry in developing an Internet strategy, and the provision of investment capital for (small) technology companies (Germany, Portugal, Ireland, Spain, Sweden, Austria, Belgium). In some cases, the ICT development in specific service sectors (tourism in Spain) is targeted. Improving IT infrastructures, progress in e-government and on-line public services are other issues common to national IS programmes.

Most NAPs underline the role of ICT for increasing **adaptability** of businesses and workers and lifelong learning. In this context, i.e. the increase in IS related conversion courses for non-IT professionals (Finland), in education for ICT specialists (Ireland, Denmark, Finland), in ICT training opportunities (Sweden or Germany) and in the respective contribution of Social Partners (Germany), as well as tax-facilities for companies providing computers, free-of-charge, to their

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<sup>29</sup> A more detailed evaluation of this progress will be undertaken in the follow-up benchmarking report based on the "Strategies" with the collaboration of the high level group on the Employment and Social Dimension of the IS (ESDIS).

employees or to schools, and zero-interest loans for secondary school students purchasing computers (Italy) are promising. Some NAPs stress the broader issues of an inclusive Information Society and basic ICT literacy for all by focusing on public IT access and learning centres (UK, Portugal) or enhancing the IS in deprived areas (UK, Italy, Greece).

In most NAPs, raising ICT literacy among women, preparing them for ICT related professions, or establishing ICT competence centres for women are of particular concern in their approach to **equal opportunities**.

#### **4.2. Role of the Structural Funds**

Under the new Structural Funds Regulations for the programming period 2000 – 2006, Member States were asked to integrate the Structural Fund programming with the development of national employment policy in the framework of the Employment Guidelines. In all NAPs information is given on how the European Social Fund will be used to support the European Employment Strategy, but only in some cases are the other Structural Funds also mentioned.

It was possible to make some first adjustments towards the European Employment Strategy in the last years of the 1994-99 programming period by reallocations towards preventive action and other EES priorities within the target groups identified for ESF support, due to the flexibility of the programming structure under Objectives 1 and 3. In addition, Objective 4 programmes, by supporting adaptation and anticipation of industrial changes, echoed the aims of the Adaptability Pillar. This shift towards prevention and activation is reflected in the Member States' reports in the NAPs on the use of the Structural Funds for 1999, as well as a growing emphasis on equal opportunities.

For the 2000-2006 period, all Member States will be using the European Social Fund to underpin the European Employment Strategy. The nature of ESF support to the EES depends to some extent upon the size of the respective programmes and the weight of the ESF in proportion to the national active labour market policies. Larger ESF programmes tend to pursue skills development, integration and reintegration across most of the appropriate guidelines as a complement to national policies, but with the bulk of the measures being focused upon the Employability pillar. Smaller ESF programmes often tend to be more selective and innovative and focus on particular policy issues within the overall EES framework.

It is particularly noteworthy that the ESF will be used in the new programmes to support the actions taken to comply with the Council's Recommendations on the implementation of Member States' policies, in all cases where such support would be eligible. The main areas for ESF funding related to the Council Recommendations are preventative strategies addressed to youngsters and adults before reaching the 6/12 month threshold respectively, actions aimed at increasing the participation of older workers in the labour market, projects directed at promoting women's integration into the labour market and actions fostering job creation in the services sector, in a context of local development.

Although the negotiations of the new round of ESF programmes are still underway in some Member States, the main policy priorities for ESF support which cut across all Member States are:

- Under the **Employability** pillar particular attention has been given to; prevention of long-term unemployment; improving the transition from school to work for young people; educational and training provision for adults; modernisation of the public employment services; and social inclusion. Considerable efforts have been made to ensure that the preventive approach, as formulated under Guidelines 1 and 2, is fully supported under the new programmes.
- Measures under the **Entrepreneurship** pillar concentrate on support for SMEs, with an emphasis on ICT; the promotion of local employment initiatives; self-employment; job creation in the social economy.

- There are fewer measures underpinning the **Adaptability** pillar, and they vary from country to country. The main focus is on upgrading the skills of the existing workforce. In addition, other actions address the issues of alternative and flexible forms of work organisation.
- **Gender mainstreaming** has gained momentum in connection with the implementation of the NAPs since 1998, and will be further developed in the forthcoming programming period. It is an overall objective of all ESF programmes that female participation in active labour market policies equals at least the proportion of women in unemployment. Furthermore there will be a priority in most of the future programmes devoted exclusively to women in order to overcome existing gender-specific gaps in labour market participation. Positive actions to foster women's integration in the labour market have increased in comparison to the previous programming period.

The regional and local authorities have traditionally played a very important role in the implementation of the ESF interventions. Their involvement in the formulation of the main policy priorities for ESF support has enabled regional diversities and locally-tailored needs to be taken into account in the programmes within the framework of the National Action Plans. Moreover, the negotiation process leading to the adoption of the ESF programmes has helped to raise awareness of the main policy principles underlining the EES to the regions and local authorities.

However, the negotiations of the new round of ESF programmes have shown that in most Member States there has been little cross-fertilisation between the national authorities responsible for the preparation of the NAPs and those managing the ESF interventions. This is probably due to the fact that in many countries the two functions are carried out by different parts of the relevant authority, or even by different Ministries. National administrations should endeavour to fully exploit the synergies between the policy formulation on one hand and EU-supported financial instruments on the other.

#### **4.3. The Role of the Social Partners**

The social partners are involved in different degrees in the preparation of the NAPs. In some Member States, they have been consulted on the draft text, while in others they are themselves responsible for the drafting of joint contributions to the text, or participate in working groups to evaluate and organise the follow-up of the NAPs. Some NAPs (e. g. Greece) lack explicit information on the involvement of social partners in the National Action Plan.

At **national level**, the social partners contribute to the different guidelines, mainly through two channels. Firstly, in direct cooperation with Governments and other actors either on administrative boards of labour market related institutions or agencies, or through partnerships, whether general or targeted at specific issues. A second form of contribution takes place through bipartite collective bargaining and agreements. The Belgian National Framework Agreement is an example of comprehensive commitments by the social partners on a wide range of issues, such as the reduction of labour costs, lifelong learning and the organisation of work.

The NAPs show some progress of social dialogue in the field of social inclusion and anti-discrimination. The Social Chapters in many Danish collective agreements include special working time and wage conditions, which contribute to the integration of groups, which otherwise would risk being excluded. In France, a round table between the government and the social partners in May 1999 made contributions to the proposed legislation on social modernisation.

The involvement of the social partners in **regional policies** varies in the different Member States. In Italy and Spain, for instance, the social partners continue to work with regional Governments through specific pacts. The Swedish regional growth agreements, which aim at better aligning the overall policy activities with the needs of and conditions for business at regional level is another example of these broad partnerships. Issues related to knowledge growth and the promotion of lifelong learning have been important ingredients of the agreements.

In the context of their social dialogue at **European level**, the social partners have contributed at both cross-industry and sectoral levels.

The cross industry social partners' participation in the Luxembourg process was given expression through the conclusion of two collective agreements on more flexible forms of work (part time work and fixed-term employment contracts), which preserve workers' rights.

More recently, the cross industry organisations have presented a joint statement setting out the opening of negotiations on temporary agency work. They are also jointly seeking to identify ways of promoting access to life-long learning and skills development. Furthermore, they will continue their joint reflections on telework and they are preparing a joint contribution on the missions, field of activity and operation for an Observatory on change.

Since 1999, the social partners have also engaged in a Macroeconomic Dialogue with the monetary and fiscal authorities, following the conclusions of the Cologne Summit. 1999 saw also the first meetings of the reformed Standing Committee on Employment. The meetings were devoted to a search for consensus on the European employment pact and on the autumn employment package comprising draft joint report and guidelines for 2000, recommendations to the Member States and the draft Council decision on the employment committee.

The dialogue between social partners at European level is also undertaken at sectoral level, and new initiatives have been launched, partly driven by the European Employment Strategy: the agreement on working time for mobile staff in the civil aviation sector which becomes the fourth agreement signed at sectoral level; the commitment of the social partners in the telecommunications sector to better access to vocational training, certification of training and telework; current negotiations in the commerce sector, which will be completed this year; the start of negotiations on certification of qualifications in the agricultural sector; the code recently adopted to modernise employment and work organisation to make the tanning sector more competitive.

#### **4.4. Role of local and regional authorities**

Continuing the efforts described in last year's NAPs, Member States developed the territorial dimension of their employment policies. Some Member States feel that this is not only a response to European or domestic political needs or simply an efficiency measure, but provides a chance to overcome deficiencies in administrative structures and traditional approaches. Italy and the United Kingdom, for example, claim that the tendencies in terms of devolution, fostered among others by the Employment Strategy, are welcomed as a contribution to an overall modernisation of administration. In general the recent changes are considered to be positive by the Member States, e.g. Denmark reports that the combination of a regionalisation of the labour market policy and management through regional councils has created a high degree of consensus about labour market policy and has made both employers and employees more responsible. Some more structural approaches become visible in terms of information and training, e.g. in Finland, where the government has plans to regionalise the NAP on the basis of the management-by-objectives approach which has been put in place in the public administration.

The involvement of regional and local authorities into the process of preparation of the NAPs is mainly confined to the regional level, particularly in the Member States where a process of devolution is under way or where a federal or quasi-federal political structure exists. Local authorities are less involved, except for very specific measures. As far as implementation is concerned, both regional and local authorities are involved to different degrees, depending mainly on the constitutional distribution of competences. In many Member States, active labour market policies are a shared responsibility of national and regional governments, whereas local authorities are mainly responsible for social assistance programmes (mainly within the employability pillar).

The NAPs provide evidence of a trend towards the territorialisation of employment policies in the European Union. Regional authorities play an increasing role as managing implementing bodies of

employment policies, with human and financial resources being transferred from central to regional governments (e.g. Italy and Spain). But more importantly, there is also a process of adaptation of the national policies to the diversity of regional and local situations. In several Member States regional employment plans are being developed. In some cases they are part of an overall national strategy where the central governments sets a framework with national targets and programmes and the regional governments set their own targets and select the appropriate mix of instruments. In other cases the initiative stems from the regional governments themselves, who seek to complement national policies and a better coherence between regional development and employment policies.

As the general employment situation has improved, Member States are promoting programmes targeting the most deprived areas, those hit by high and persistent unemployment, poverty and social exclusion. As a consequence, the frontiers between social and employment policies become blurred. In addition, urban policies take into account the employment and social sustainability dimensions. Though these are welcome developments, the NAPS only rarely refer to integrated employment plans promoted by local governments encompassing the four pillars. However, local authorities could make a strong contribution to the efficiency of employment policy by developing partnerships that ensure coherence of the various labour market measures implemented at local level by bringing together all stakeholder around a local employment agenda.

In considering the above trends there are several important issues that need to be addressed, particularly in the context of the debate over the Commission's Communication "Acting Locally for Employment". The foremost concern is the need to ensure that both regional and local authorities are sufficiently aware of both the European Employment Strategy and the National Action Plans, and of the potential for developing local action plans for employment.

#### **4.5. Gender Mainstreaming in the NAPs**

There has been an improvement in the way in which Member States have taken gender mainstreaming on board in this year's NAPs, as compared to the 1998 and 1999 NAPs. Progress was made for the following reasons:

- In the 2000 NAPs more statistics and indicators are available to monitor gender equality. Efforts are made to develop statistics by sex, in several relevant areas of all pillars. In an increasing number of NAPs, the impact of measures is given separately for women and men. This is a first, and necessary, step to take into account gender aspects in the evaluation of the programmes and plans.
- Some Member States have introduced specific methods for evaluation of the gender impact of new policy initiatives. Finland has launched a pilot project on gender impact assessment and Ireland will introduce common gender impact assessment guidelines in relation to all actions in the Employment Action Plan.
- Improved coherence in dealing with gender equality across the guidelines, since the 1998 NAPs, in some Member States.

However, many shortcomings and areas for improvement remain:

- Most of the initiatives in pillars 1 to 3 are regarded as gender neutral and there is no systematic gender impact assessment of policy initiatives done. Too many of the actions are regarded as having no different impact on women as compared to men. This implies that the general approach is defensive mainstreaming, i.e. proposed measures are thought not to increase gender inequalities.
- Several NAPs are not particularly specific on the size and share of the employment policy related budget devoted to gender equality and gender mainstreaming.

In terms of the objective set out in the guidelines on ensuring that active labour market policies are made available for women in proportion to their share of unemployment, only nine countries provide figures in their NAPs allowing for such an assessment. Six out of those nine countries show evidence that this objective has been reached (Denmark, Belgium, Austria, Finland, Sweden and Germany). In some cases the female participation is particularly high, such as in Denmark, Austria, Belgium and Finland. However, countries like Spain, the Netherlands and Luxembourg have lower participation rates by women in relation to their share of unemployment (gaps span between 6 and 14 percentage points). In the case of Spain this is a particular problem, considering its high level of female unemployment.

Most measures mentioned in pillar 2 aim at encouraging women to create their own enterprises, by providing specific grants or loans (Italy, the Netherlands, Spain, Greece, France and Finland), or in other ways encouraging female entrepreneurship (Denmark, Belgium, Ireland, Austria, Luxembourg and Sweden). Greece is also promoting the self-employment and entrepreneurship of women in rural, mountain and island regions in particular.

Gender mainstreaming in pillar 3 is mostly focussed on increasing flexibility for the reconciliation of work and family life. France mentions that the new law on the negotiated working time reduction should improve reconciliation, and Italy specifies that new, more flexible labour contracts should, apart from reconciliation purposes, also promote growth in female employment. In Germany, women are expected to benefit particularly from the "Act on Part-time Work in Old Age". Some Member States point out specifically the involvement of social partners in gender relevant initiatives under pillar 3 (Denmark, *the UK* and Ireland).

Overall, the most striking lack of gender mainstreaming in the first three pillars is related to guidelines 4 (review and refocus tax and benefit systems) and 14 (reduce fiscal pressure on labour and non-wage costs, in particular on relatively unskilled and low-paid labour). However, some Member States have adapted or are in the process of adapting their tax and benefit systems to favour better access to childcare, for example the UK, Italy, the Netherlands, Denmark, Sweden, Germany and Ireland. Italy moreover announces plans to analyse the tax and benefit systems impact on female employment, and Ireland foresees positive effects on female employment from the individualisation of the standard rate tax band.

## **Good practice**

### **France: Progress in gender mainstreaming**

Policies to promote equality and the emphasis placed on mainstreaming in France have undergone a major transformation: A new strategy has been launched and has gained momentum, in particular since the end of 1999 and in the outlook for 2000-2001. The NAPs for 1999 and 2000 have taken better account of actions for equality and especially of mainstreaming, both in their methodological approach and in the implementation of practical measures. A new inter-ministerial committee in charge of women's rights and equality has been created with the aim of bringing together all the relevant departments and ensure better coordination. Two main measures were introduced in the NAP and implemented in 2000: the first measure attempted to systematically provide gender indicators in all guidelines. The circular letter of 8 March 2000 "Adapting the government's statistical services in order to improve our understanding of the current situation of men and women" on statistical tools should contribute to this objective.

The second measure aims at developing quantitative and qualitative objectives for equal opportunities in terms of women's access to all services and positions (training, back-to-work schemes, access to managerial posts, etc.). It can be said that France is changing its strategy and is adopting for some aspects a pro-active approach.

## **5. Mid-term review of the Luxembourg process**

The timing of the present Joint Employment Report coincides with the mid-term point in the implementation of the current five-year cycle of the Employment Strategy, launched by the Luxembourg European Council in November 1997.

For this reason, the special European Council held in Lisbon on 23 and 24 March 2000 asked the Commission and the Member States to undertake a Mid-Term Review of the Strategy, with the aim of "giving new impetus to the process by enriching the guidelines and giving them more concrete targets, by establishing closer links with other relevant policy areas, and by defining more effective procedures for involving the different actors".

The present introduction provides the main elements for such a Mid-Term Assessment.

### ***A positive overall appraisal despite some political risks***

The Employment Title of the Amsterdam Treaty, and the subsequent Luxembourg Process have created a new environment for a coordinated response to employment problems in Europe. This in turn has led to significant changes in policy making both at European and Member States level, which has accelerated and focused structural reforms of the labour markets, and improved the quality of the employment policies. This positive appraisal has been confirmed by the conclusions of the Lisbon Summit, which have recognised the contribution of the Luxembourg process in reducing unemployment, and have extended the "open method of coordination" – the key feature of the Luxembourg process – to a number of other relevant policy areas<sup>30</sup> as a basis for EU-wide policy making.

In particular:

- The Luxembourg Process has created a common framework for structural reform, integrated through the four pillars of employability, entrepreneurship, adaptability and equal opportunities. This framework enables synergies to be achieved with simultaneous and mutually supportive actions in a wide range of policy areas, including *inter alia* tax and benefit systems, education, enterprise policy, etc.
- This has in turn led to an increased transparency and coordination of policy making and strengthened involvement of a wide number of actors both at the European and national levels in the European Employment Strategy. Key government departments, and in some cases, regional authorities, have been brought together in the preparation and implementation of the National Action Plans. At the European level, beyond the Commission, the Council and the European Parliament, a large number of other bodies and groups have been consulted on the further development of the Strategy.
- The Social Partners both at European and national levels are, at varying degrees being involved and/or consulted.
- Progress in employment performance demonstrates that a mutually reinforcing virtuous cycle is being created, where stability oriented macroeconomic policies on the one hand and ongoing structural reforms of the Member States' labour markets on the other are reducing unemployment and social exclusion and generating more jobs.

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<sup>30</sup> Information society; research and innovation; business environment; internal market; financial markets; macro-economic policies; education and training; employment; social protection; social inclusion.



- It should however be recognised that the elements of an overall policy mix are related to different time horizons. Interest rates can be changed overnight, but the impact of human resources investment and institutional reforms in the labour markets require sustained efforts, and can only be expected to yield visible effects over time. The more favourable macroeconomic climate should encourage Member States to further strengthen the reforms of labour markets.
- In terms of the policy focus, results are starting to emerge. The most visible ones concern the employability pillar, where there is a move towards more active and preventive policies in line with the requirements of the Employment Guidelines. This is largely on account of the Council recommendations and the common quantitative targets, which have helped in benchmarking and focusing Member States' action. The development of common and comparable indicators, or the setting of national targets should be pursued in order to maintain the success of the strategy.

Despite encouraging results, a number of **political risk factors** should also be addressed:

- The implementation of the four pillars remains uneven. Most progress has been achieved in the employability pillar. In addition to the existence of quantified objectives, a contributing factor is that the preventative and active policies of this pillar are mostly under the responsibility of the labour policy departments, where structures of implementation (such as the Public Employment Services) are already in place. There is, however, a risk that the Luxembourg process is considered to be an agenda driven solely by the ministries of labour, whereas the strategy is an integrated one, committing the whole government. More needs to be done to improve the incentive structure embedded in tax and benefit systems as well as to adapt education and training systems to the needs of individuals. Greater involvement of other responsible ministries (on matters such as entrepreneurship, social protection, taxation and training and education) is needed. A balanced implementation of all pillars requires the full commitment of the whole government to a comprehensive and coordinated policy for growth and employment.
- In particular, the translation of the objectives within the adaptability pillar into action is lagging behind. Much of the action under this pillar is under the responsibility of the social partners, who have a major stake in contributing to more and better jobs and whose involvement is needed for implementing adaptation in the workplace and in companies. Member States implement social partnership to a varying degree, and many NAPs, through inadequate reporting, fail to reflect activity and initiatives actually taking place. Nonetheless the onus is clearly on the social partners to become much more active and transparent *vis-à-vis* their actions and initiatives in adaptation of the labour market.
- It has not been easy in all cases to dovetail the Luxembourg process with the budgetary process, where there is a need to translate the objectives, commitments and measures envisaged into (possibly multi-annual) budgetary allocations. Such an exercise is now under way in the context of the programming of the Structural Fund interventions for 2000-2006, but operational follow up in all European structural funds is needed, in order to translate the Community Support Frameworks into activities which are geared to implementing the priorities of the European Employment Strategy.
- Although there are several indications that the national implementation of the Employment Strategy is subject to significant parliamentary and public debate, the public perception of the Luxembourg process remains limited. In this respect, concrete action by the government and more direct involvement of regional and local authorities, eventually supported by initiatives commonly agreed with the Commission, would help in raising awareness among common citizens of the importance of the Strategy for tackling concrete employment problems.

## ***The Lisbon Summit and the further development of the Employment Guidelines***

The results of the analysis presented in this report show that the economic climate is changing, setting out a much improved outlook for employment in Europe. To some extent, this improvement can be associated with the emergence of a knowledge-based economy in which the capacity to innovate and reach the benefits of the information society are key conditions of success. However, the conditions for a successful transition to a knowledge-based economy are by no means established in the Union, and large parts of potential benefits may be held back if progress with economic and structural reforms is not stepped up.

A number of structural problems in labour markets remain to be addressed, some of which are long-standing, such as the high number of long-term unemployed people, the gender inequalities in the labour market, or the wide regional disparities in labour market performance, while others are emerging as priority items in the transition to a knowledge-based economy, such as the poor levels of participation in lifelong learning, the bottlenecks in growth due to labour shortages and the skills gap, or the difficulties in ensuring active ageing when skills become quickly obsolete. Finding substantial solutions to these problems are preconditions for social cohesion and a dynamic and competitive economy.

While continuing to call for greater efforts to reduce the still high numbers of unemployed people, the *Lisbon Summit has set full employment as an overarching long term goal* for the new European economy. After Lisbon the overall aim of the European Employment Strategy should be to raise the average EU employment rate<sup>31</sup> from 61% today to as close to 70% as possible by 2010, and to raise the female participation rate from 51% today to more than 60% by 2010. Member States are asked to consider setting national targets in accordance with this common goal.

The Lisbon Summit conclusions give a steer for adapting the Employment Guidelines in such a way as to underpin a new comprehensive strategy towards employment, economic reform and social cohesion as part of the knowledge-based society.

- Improving employability and reducing skills gaps

*The Lisbon conclusions draw attention to the need to improve employability and to reduce skills gaps, and suggest that this should be achieved in particular by providing employment services with a Europe-wide data base on jobs and learning opportunities and by promoting special programmes to enable unemployed people to fill skills gaps.*

- Social inclusion

*Following the Lisbon conclusions, the promotion of social inclusion should be mainstreamed in Member States' employment, education and training, and other policies.*

- A higher priority for lifelong learning

*The Lisbon conclusions suggest a higher priority for lifelong learning inter alia by encouraging agreements between the social partners and enhanced complementarity between lifelong learning and adaptability (working time flexibility etc.).*

- Increasing investment in human resources

*The Lisbon conclusions ask Member States to raise substantially per capita investment in human resources.*

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<sup>31</sup> id. § 5-6 and 30

- The educational system

*The Lisbon conclusions call for these systems to be adapted to employment needs with a new approach based on the development of local learning centers, the promotion of new basic skills and increased temporary of qualifications.*

*The Lisbon conclusions suggest halving by 2010 the number of 18-24 years old with only lower-secondary level education and not in further education and training; furthermore schools in the Union should have access to the Internet and multimedia resources by the end of 2001, and teachers should be skilled in ICT by end of 2002.*

- Increasing employment in services

*The Lisbon conclusions call for an increase in employment in services, including personal services, where there are major shortages ; private, public or third sector initiatives may be involved, with appropriate solutions for the least favoured categories.*

- Furthering equal opportunities

*According to the Lisbon Summit conclusions, all aspects of equal opportunities should be addressed, in particular by setting a new benchmark for improved childcare provision.*

### ***Further improvements are needed to the effectiveness of the process***

The Mid-term Review also allowed the identification of opportunities for further improving the effectiveness of the process on the basis of the operational experience acquired so far, institutional adaptations required since the entry into force of the Amsterdam Treaty, as well as additional means for involving the different actors, in particular the social partners as recommended by the conclusions of Lisbon and Feira Summits.

- Streamlining and simplifying the reporting system

In 2000, the reports on the implementation of National Action Plans (NAPs) have been restricted in length and focused on the key innovative policy actions in each pillar, the response to recommendations and the evaluation of the policy impact. This simplification should allow the Commission and the Council to prepare more focused joint reports in future, while allowing a progressive reduction of the reporting workload in Member States.

- Speeding up the adoption process of the "employment package"

Thanks to the simplification in the reporting system, an advanced preparation schedule of the draft JER allows from 2000 onwards in depth consultations with Member States prior to adoption by the Commission.

From 2000 onwards, the Commission intends to adopt a draft Council decision for the Employment Guidelines, together with the draft Joint Employment Report and the draft recommendations for Member States. The necessary formal<sup>32</sup> and informal consultations will be held in the autumn, in order to allow final adoption of the Employment Guidelines and the Recommendations by the Council immediately after the December European Council.

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<sup>32</sup> Opinion from Employment Committee, European Parliament, Economic and Social Committee, Committee of Regions is required since 1999 in line with Art. 128 § 2.

- Involving other actors and enhancing the role of the social partners
- According to the Lisbon conclusions, no new process is needed provided that the existing ones (BEPG's, Luxembourg, Cardiff and Cologne) are simplified and better coordinated, in particular by the contribution of other Council formations to the preparation of the BEPGs by the ECOFIN Council. The BEPGs should focus increasingly on the medium- and long-term implications of structural policies and on reforms aimed at promoting economic growth potential, employment and social cohesion, as well as on the transition towards a knowledge-based economy. The Cardiff and Luxembourg processes should deal with their respective subject matters in greater detail.<sup>33</sup> In particular the Education Council was asked to contribute to the Luxembourg and Cardiff processes<sup>34</sup>. This envisaged by presenting a report to the European Council of Spring 2001 and contributions to the Employment Guidelines.
- Bearing in mind that a number of Guidelines are also or exclusively addressed to the social partners, the latter should be invited in future to provide a direct contribution to the NAP implementation reports, in which they should report on their role in implementing the employment strategy. This could imply the setting by the social partners of a joint approach and objectives, enabling them to develop an autonomous process in the context of the Employment Guidelines, including the benchmarking of their contribution at various levels in all relevant pillars, and in particular under the adaptability pillar.
- Improving the monitoring and review of good practices

The development of indicators should be continued with the aim to dispose of the widest possible set of indicators allowing progress evaluation and international comparability; Member States' good practices should be further subject to peer review and better disseminated.

- Setting out the impact assessment of the European Employment Strategy

In order to feed the debate on the review of the strategy in 2002 with clear-cut evidence of its impact in terms of jobs created and overall progress in structural reform of the labour markets, an appropriate methodological framework for evaluation should be developed. Such a framework should integrate the results of policy evaluation carried out in the Member States, in addition to macro-economic modelling and specific statistical surveys to be launched at the EU scale.

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<sup>33</sup> Lisbon Summit conclusions § 35.

<sup>34</sup> Lisbon Summit conclusions § 27.



## **STATISTICAL ANNEX**

### **Definitions, tables and charts**



## DEFINITIONS OF INDICATORS

### Basic Performance Indicators

#### **Employment Indicators**

<b>Indicator</b>	<b>Definition</b>	<b>Source</b>	<b>Rationale</b>
1. <b>Total Employment Growth</b>	Annual change in total occupied population; %.	ESA 95	Standard measure for assessing the overall outcome of the Employment Strategy.
2. <b>Total Employment Rate*</b>	Persons in employment in age bracket 15-64 years as proportion of total population in the same age bracket; %.	LFS	Standard index to monitor one major performance target of the ES. All groups between 15 to 64 years are included, as is the commonest practice in the literature.
3. <b>Age breakdown of Employment rate*</b>	Persons in employment in age brackets 15-24, 25-54 and 55-64 years as proportion of total population in the respective age bracket; %.	LFS	Additional performance indicator to monitor policy objectives and recommendations related to maintaining older people in working life.
4. <b>Total Employment Rate (Full-time equivalents) *</b>	Total hours worked divided by the average annual number of hours worked in full-time jobs, calculated as a proportion of total population in the 15-64 age bracket; %.	LFS / EU-ROSTAT estimates	Indicator to complement the reading of the employment rate, by taking into account the differences in the average number of hours worked per occupied individual. Same note on age brackets as in Ind. 2 above.

\* indicators 2, 3 and 4 to be broken down by gender



### Unemployment Indicators [all indicators being broken down by gender]

Indicator	Definition	Source	Rationale
1. <b>Total Unemployment Rate</b>	Total unemployed individuals (ILO def.) as a share of total active population; %.	Unemp. harmonised series	Standard index for assessing the strategy against unemployment.
2. <b>Youth Unemployment Ratio</b>	Total of unemployed young people (15–24 years) as a share of total population in the same age bracket; %.	Unemp. harmonised series	Standard index to monitor one major target in the strategy, namely the incidence of unemployment among youngsters.
3. <b>Long-Term Unemployment Rate</b>	Total long-term unemployed population (>12 mths.; ILO def.) as proportion of total active population; %.	Unemp. harmonised series	Standard index to monitor one major target in the strategy, namely to reduce the stock of long-term unemployment.

### Employment-Related Economic Indicators

Indicator	Definition	Source	Rationale
7. <b>Real GDP Growth</b>	Annual average; %.	ESA95.	Measure of Total Activity: indicator of the total volume of production in the economy.
8. <b>Apparent Labour Productivity Growth</b>	Growth in GDP per capita of employed population and per hour worked; %.	ESA95	Measure of the Employment-Intensity of Growth: indicator relating the total volume of output growth with the additional labour demanded to produce it.
9. <b>Real Unit Labour Costs</b>	Growth in total compensation per employee adjusted for labour productivity and GDP deflator; %.	ESA95	Measure of Productivity-Adjusted Labour Costs: composite index which combines changes in the total cost of labour, in real terms, and those in labour productivity.

**Policy indicators for guidelines 1 to 3**

<b>Guidelines 1-2</b>	
<i>Variables</i>	
A:	number of young (adult) persons who become unemployed in month X
B:	number of young (adult) persons who are still unemployed at the end of month X+6 (12) without any break
C:	number of young (adult) persons who became unemployed in month X and started a concrete individual action plan before month X+6 (12)
D:	number of young (adult) persons who became unemployed in month X, are still unemployed at the end of month X+6 (12) and have not started an individual action plan
<i>Indicators</i>	
<i>Input</i>	
<u>Indicator of effort</u> :	share of young/adult unemployed becoming unemployed in month X and having started an individual action plan before reaching 6/12 months unemployment <span style="float: right;">C/A</span>
<u>Rate of non compliance</u> :	share of young/adult becoming unemployed in month X, still unemployed in months X+6/12 and having not started an individual action plan <span style="float: right;">D/B</span>
<i>Output</i>	
<u>Rate of inflow into long-term unemployment</u> :	share of young (adult) persons who are still unemployed at the end of month X+6 (12) without any break <span style="float: right;">B/A</span>

<b>Guideline 3</b>	
<i>Variables</i>	
E:	number of participants in training and similar measures who were previously unemployed (yearly average) (1)
F:	number of registered unemployed persons (yearly average) (1)
<i>Indicators</i>	
<i>Input</i>	
Activation rate (E)/(F): number of participants in training and similar measures who were previously registered unemployed related to the number of registered unemployed (yearly averages). Broken down by types of measures	
<i>Output</i>	
Rate of return to unemployment (after participation in a measure). Broken down by types of measures	
<u>Optional:</u>	
Rate of return to employment (after participation in a measure). Broken down by types of measures	

(1) Yearly averages based on monthly measurements are preferable

## **Structural performance indicators**

### **Indicators on Education and training**

<b>Guideline</b>	<b>Indicator</b>	<b>Definition</b>	<b>Source</b>
<b>Guideline 6</b>	<b>LLL<sub>1</sub>=Educational attainment</b>	Percentage of population having attained at least upper secondary level by sex and age groups	LFS
	<b>LLL<sub>2</sub>=Participation in education and training</b>	Percentage of population participating in education and training by sex, age groups and working status	LFS
<b>Guideline 7</b>	<b>LLL<sub>3</sub>=Early school leaving</b>	Percentage of population of 18-24 years-old having achieved lower secondary education (ISCED level 2) or less and not attending education or training, by sex	LFS
<b>Guideline 8</b>	<b>LLL<sub>4</sub>=Student access to computers</b>	Number of students per computer by education level (primary, secondary)	OECD or national data
	<b>LLL<sub>5</sub>=Internet coverage of schools</b>	Percentage of schools connected to the internet by education level (primary, secondary)	OECD or national data

\*These two indicators will be used in a combined way to match the purpose of the guideline, which aims at "equipping schools with computer equipment and facilitating student access to the internet".

## Indicators on Entrepreneurship

<b>Guideline</b>	<b>Indicator</b>	<b>Definition</b>	<b>Source</b>
<b>Guideline 10</b>	<b>ENT<sub>1</sub> = Rate of Employment in SMEs</b>	Persons employed in SMEs as percentage of total number of persons employed, by sex.	Labour Force Survey (possibly Structural Business Statistics in future)
<b>Guideline 11</b>	<b>ENT<sub>2</sub> = Rate of Self-employment</b>	Number of self-employed as percentage of total number of persons employed, by sex.	Labour Force Survey
<b>Guideline 13</b>	<b>ENT<sub>3</sub> = Rate of Employment in Services</b>	Number of persons employed in services between 15-64 out of total population in the same age bracket, by sex.	Labour Force Survey
	<b>ENT<sub>4</sub> = Growth rate of employment in services</b>	Annual percentage change in number of persons employed in services, by sex.	Labour Force Survey
	<b>ENT<sub>5</sub> = Share of employment in services</b>	Number of persons employed in services out of total number of persons employed, by sex.	Labour Force Survey

## Indicators on Taxation– Guideline 14

Indicator	Definition	Source
<b>TT = Rate of total tax revenue</b>	Total revenue from taxes and social security contributions by employees and employers as a percentage of GDP	DG ECFIN/AMECO Data base
<b>TW<sub>1</sub> = Average tax wedge for a low-paid single earner</b>	Ratio of total taxes (taxes on personal income, employees' and employers' social contributions incl. Payroll taxes) paid by a single worker with no children earning 50% of average wage, over total compensation.	"Taxing wages – taxes on wages and salaries, social security contributions for employees and their employers", OECD
<b>TW<sub>2</sub> = Average tax wedge for a low-paid couple</b>	Ratio of total taxes (taxes on personal income, employees' and employers' social contributions incl. Payroll taxes) paid by a married couple with no children, where the principal partner earns 50% of the average wage.	"Taxing wages – taxes on wages and salaries, social security contributions for employees and their employers", OECD
<b>ERT<sub>EL</sub> = Effective tax rate on employed labour</b>	Sum of non-wage labour costs and personal (labour) income taxes on employed labour (i.e. not including the self-employed) as a percentage of gross wages.	DG ECFIN AMECO Data base and OECD Revenue statistics

## Indicators on gender equality

<b>Guideline</b>	<b>Indicator</b>	<b>Definition</b>	<b>Source</b>
<b>Guideline 19</b>	<b>EO<sub>1</sub> = Absolute unemployment gap</b>	The difference in unemployment rates between women and men in absolute figures (percentage points).	LFS
	<b>EO<sub>2</sub> = Absolute employment gap</b>	The difference in employment rates between women and men in absolute figures (percentage points).	LFS
	<b>EO<sub>3</sub> = Index of gender segregation in occupations</b>	The average national share of employment for women and men is applied to each occupation, the differences are added up to produce a total amount of gender imbalance. This figure is presented as a proportion of total employment.	LFS, ISCO classification
	<b>EO<sub>4</sub> = Index of gender segregation in sectors</b>	The average national share of employment for women and men is applied to each sector, the differences are added up to produce a total amount of gender imbalance. This figure is presented as a proportion of total employment.	LFS, NACE classification
	<b>EO<sub>5</sub> = Gender pay gap</b>	Ratio of women's hourly earnings index to men's for paid employees at work 15+ hours. Breakdown by private and public sectors.	ECHP
	<b>EO<sub>6</sub> = Gender income gap</b>	The proportion of women earning less than 50 percent of national median annual income, compared to the corresponding proportion of men.	ECHP
<b>Guideline 20</b>	<b>EO<sub>7</sub> = Employment impact of parenthood by sex</b>	The absolute difference in employment rates without the presence of any children and with the presence of a child aged 0-6, by sex (age group 20-50).	LFS
	<b>EO<sub>8</sub> = Gender gap in the employment impact of parenthood</b>	Ratio between the EO <sub>7</sub> indicators for women and men.	LFS
	<b>EO<sub>9</sub> = Involuntary part-time employment</b>	Share of involuntary part-time employment, by sex, in relation to total part-time employment rate.	LFS

**Table 1 - Provision of indicators in NAPs for monitoring Guidelines 1-2 and 3**

	<b>Indicators for Guidelines 1-2</b>	<b>Indicators for Guideline 3</b>	<b>Data deficiencies detected</b>
<b>Belgium</b>	*	*	
<b>Germany</b>	*	*	No gender breakdown
<b>Denmark</b>	*	*	1998 data
<b>Greece</b>			Non-comparable data for GL3. No data for Guidelines 1-2
<b>Spain</b>	*	*	Data reliability doubtful
<b>France</b>	*	*	Not the common definitions
<b>Ireland</b>	*	*	Incomplete set. Not common definition. No gender breakdowns.
<b>Italy</b>		*	No data for Guidelines 1-2
<b>Luxembourg</b>	*	*	
<b>Netherlands</b>	*	*	Not the common definition (GL1)
<b>Austria</b>	*	*	
<b>Portugal</b>	*	*	
<b>Finland</b>	*	*	
<b>Sweden</b>	*	*	
<b>UK</b>	*	*	No gender breakd./no absolute figures

Source: NAPs 2000. Analysis by DG EMPL.



**Table 2 - Output indicator (inflows into long-term unemployment)****Young unemployed**

	1998			1999		
	Total	men	women	total	men	women
<b>Belgium (1)</b>	43.7	43.5	44.0	41.6	41.1	42.0
<b>Germany (2)</b>				15.2	na	na
<b>Denmark (4)</b>				10.0	8.0	12.0
<b>Greece</b>						
<b>Spain</b>	15.5	24.2	21.5	11.9	8.1	15.4
<b>Finland (2)</b>	(9.9)	(11.0)	(8.9)	10.3	12.0	8.9
<b>France (3)</b>	19.7	16.8	22.8	18.3	16.1	20.6
<b>Ireland</b>	12.3	na	na	12.3	na	na
<b>Italy</b>						
<b>Luxembourg</b>	17.8	16.4	19.6	20.3	20.0	20.6
<b>Netherlands</b>				13.0*	12.0*	15.0*
<b>Austria</b>	8.2	6.5	10.2	3.4	2.5	4.4
<b>Portugal</b>	17.3	15.0	18.8	20.2	15.3	23.3
<b>Sweden</b>	3.9	3.9	3.9	3.2	3.8	2.6
<b>UK</b>	18.4	19.6	16.0	17.0	na	na

## Adult unemployed

	1998			1999		
	Total	men	women	total	men	women
<b>Belgium (1)</b>	37.1	34.9	39.1	35.0	33.4	36.4
<b>Germany (2)</b>				16.7	na	na
<b>Denmark (4)</b>	4.0	4.0	5.0			
<b>Greece</b>						
<b>Spain</b>	12.7	19.1	15.5	7.9	6.6	9.0
<b>Finland (2)</b>	11.6	14.1	9.8	10.6	13.8	8.6
<b>France (3)</b>	18.0	16.4	19.8	15.9	14.5	17.5
<b>Ireland</b>				8.1	na	na
<b>Italy</b>						
<b>Luxembourg</b>	13.6	13.4	13.8	13.8	13.8	13.7
<b>Netherlands</b>				26.0*	22.0*	31.0*
<b>Austria</b>	4.3	3.3	6.5	1.0	0.7	1.5
<b>Portugal</b>	15.9	16.8	15.3	23.8	24.9	23.0
<b>Sweden</b>	5.4	5.1	5.6	15.0	17.4	12.4
<b>UK</b>	12.1	13.3	8.4	11.0	na	na

\* 3 months' observation

(1) Data not comparable with other Member States as exits shorter than 3 months do not break registered unemployment spells

(2) data not comparable due to change of basis for calculation.

(3) estimation based on the national indicator provided

(4) data only cover insured unemployed

**Table 3 – Policy input indicators**

**Young unemployed**

	1998						1999					
	Indicator of effort			Indicator of non-compliance			Indicator of effort			Indicator of non-compliance		
	Total	Men	women	total	men	Women	total	men	Women	total	Men	Women
<b>Belgium</b>	18.6*	19.0*	18.1*	57.6*	56.2*	58.9*	20.6	21.5	19.7	50.4	47.7	53.2
<b>Germany</b>							74.4	na	Na	15.8	na	Na
<b>Denmark (5)</b>							5.0	4.0	6.0	84.0	84.0	84.0
<b>Greece</b>												
<b>Spain (1)</b>							45.4	48.5	42.5	79.1	79.7	78.8
<b>Finland</b>							95.0	94.1	95.8	48.4	49.3	47.3
<b>France (2)</b>							4.1	3.6	4.5	77.8	77.5	78.0
<b>Ireland</b>				60.7**			na	na	na	58.8**	na	na
<b>Italy</b>												
<b>Luxembourg</b>	31.4	33.9	28.3	29.9	22.0	38.3	39.3	41.3	36.7	13.8	7.5	21.9
<b>Netherlands (3)</b>							100.0	100.0	100.0	0.0	0.0	0.0
<b>Austria (4)</b>	71.3	72.3	70.1	4.4	3.5	5.0	62.4	61.6	63.2	15.2	14.2	15.9
<b>Portugal</b>	35.3**	Na	na	33.4	38.3	31.0	32.1**	na	Na	18.7	19.0	18.6
<b>Sweden</b>	96.1	96.1	96.1				89.7	91.6	87.6	3.4	2.8	4.6
<b>UK</b>							100.0	na	Na	0.0	na	Na

## Adult unemployed

	1998						1999					
	Indicator of effort			Indicator of non-compliance			Indicator of effort			Indicator of non-compliance		
	Total	men	women	total	men	women	total	men	women	total	men	women
<b>Belgium</b>	17.0*	16.3*	17.7*	47.1	43.9	49.8	16.0	15.8	16.2	54.3	52.7	55.6
<b>Germany</b>							77.0	na	na	20.8	na	Na
<b>Denmark (5)</b>							11.0	8.0	14.0	76.0	78.0	74.0
<b>Greece</b>												
<b>Spain (1)</b>							32.5	32.1	32.9	84.0	87.1	82.0
<b>Finland</b>							94.5	92.7	95.6	52.1	52.5	51.8
<b>France (2)</b>							4.0	3.4	4.7	74.8	76.6	73.2
<b>Ireland</b>							na	na	na	52.9**	na	na
<b>Italy</b>												
<b>Luxembourg</b>	17.7	17.8	17.7	63.1	61.2	64.8	26.3	26.5	25.9	41.4	42.0	40.7
<b>Netherlands (3)</b>							17.0	15.0	19.0	63.0	62.0	64.0
<b>Austria (4)</b>	71.2	69.4	74.7	3.6	4.0	3.2	62.9	59.0	70.0	14.2	17.9	10.7
<b>Portugal</b>	35.0**	Na	Na	11.1			31.5**	na	na	21.2	19.0	22.7
<b>Sweden</b>	94.6	94.9	94.4				92.9	94.3	91.4	4.7	4.8	4.6
<b>UK</b>							100.0	na	na	0.0	na	Na

\* revised data provided in report 2000

\*\* estimated figures on the basis of national data.

(1) Data reliability doubtful, particularly in respect of the indicator of non-compliance, which may be overestimated.

(2) calculation derived from national indicators

(3) 3 months' observations

(4) non compliance rate not comparable over time (change in calculation basis)

(5) indicator only cover insured unemployed

**Table 4: Activation rate 1999**

MEMBER STATES	PARTICIPANTS IN ALL MEASURES		PARTICIPANTS IN TRAINING	
	Number	Share of unemployed	Number	Share of unemployed
Belgium	410.013	80.8 (64.8)	62.892	12.4 (6)
Denmark (a)	59.250	44 (39)	36.783	27.5 (21.9)
Germany (b)	1.880.000	45.8 (37.2)	765.000	18.4 (22)
Greece	N.A.	N.A.(18)	N.A.	N.A. (14)
Spain (e)	962.391	41.9 (27.2)	336.483	20.8 (22.7)
France	N.A.	22.5 (20.3)	N.A.	3.1 (3.1)
Ireland	95.845	49.6 (36)	19.306	10 (7.9)
Italy	498.600	23.1	285.600	13.2
Luxembourg	1.797	33.6 (31)	1.247	23.3 (12.7)
Netherlands	134.560	34	64.370	16.4
Austria (c)	48.356	21.4 (15.8)	34.233	13.1 (11.3)
Portugal	63.989	18.8 (18.4)	25.299	7.4 (7.8)
Finland	104.487	30 (30.4)	57.678	16.6 (17)
Sweden	239.643	86.6 (93.3)	98.036	35.4 (47.8)
United Kingdom (d)	109.300	8.7 (5.9)	93.700	7.4 (5.6)

(a) first three quarters of 1999.

(b) For participants in training measures data isn't available from the Länder and local authorities.

(c) based on registered unemployed, incl. apprenticeship seekers.

(d) most of the measures of the United Kingdom are training or education.

(e) 1999 figures include hiring subsidies for unemployed people, and are therefore not comparable with 1998 figures.

(..) figures of 1998, JER1999, page 37. Figure 1998 from Denmark in NAP2000.

**Table 5: Number of Students per computer**

	Primary	Secondary
Finland	11	7
Sweden	13	6
Denmark	14	9
UK	16	9
Ireland	18	8
Netherlands *	13	16
Belgium *	25	13
France	31	10
Italy	51	14
Portugal	150	65

**Table 6: Percentage of Schools connected to the internet**

	Primary	Secondary
Luxembourg *	40	100
France	11	63
Belgium *	24	72
Italy	36	84
Sweden *	85	88
Netherlands *	38	90
UK*	62	93
Denmark *	85	93
Finland	90	95
Portugal	4	100
Ireland	95	100

Sources for tables 5 and 6: OECD, Education Policy Analysis

Belgium = Flemish community

Reference years: 97, 98

\*Data originating from the National action plans on Employment

Chart 1: Employment and labour productivity growth 1980-1999

Source: DG ECFIN, Annual % change

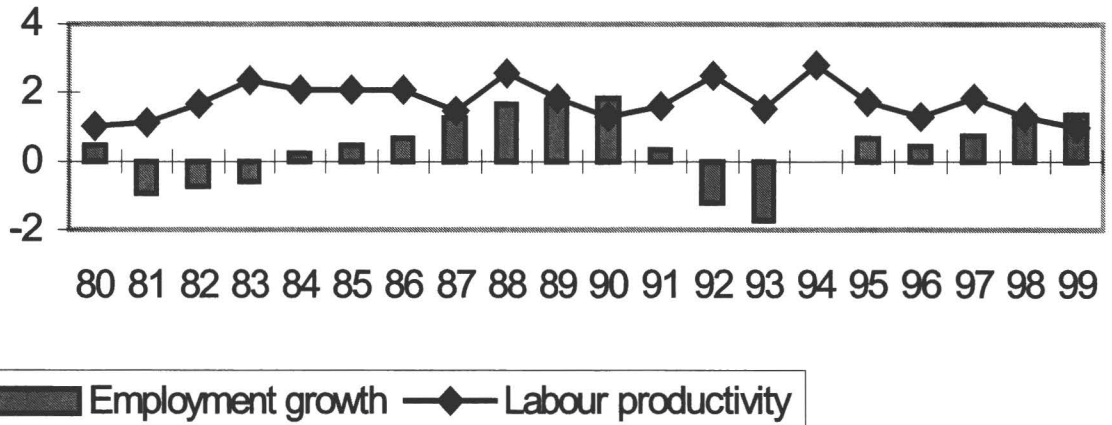


Chart 2: Temporary and Part-time employment in total Employment, EUR 1992-1999, Source: ELFS

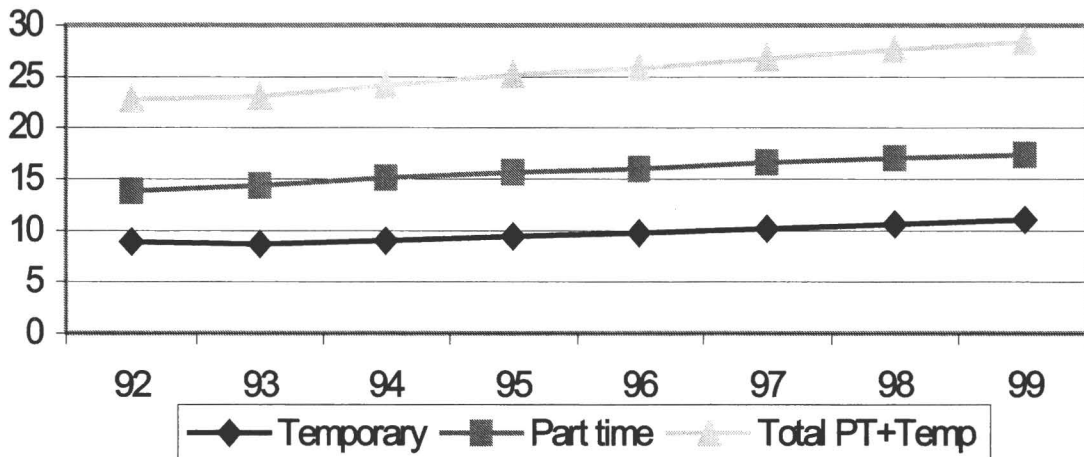


Chart 2A: Male Temporary and Part-time employment in total Employment, EUR 1992-1999, Source: ELFS

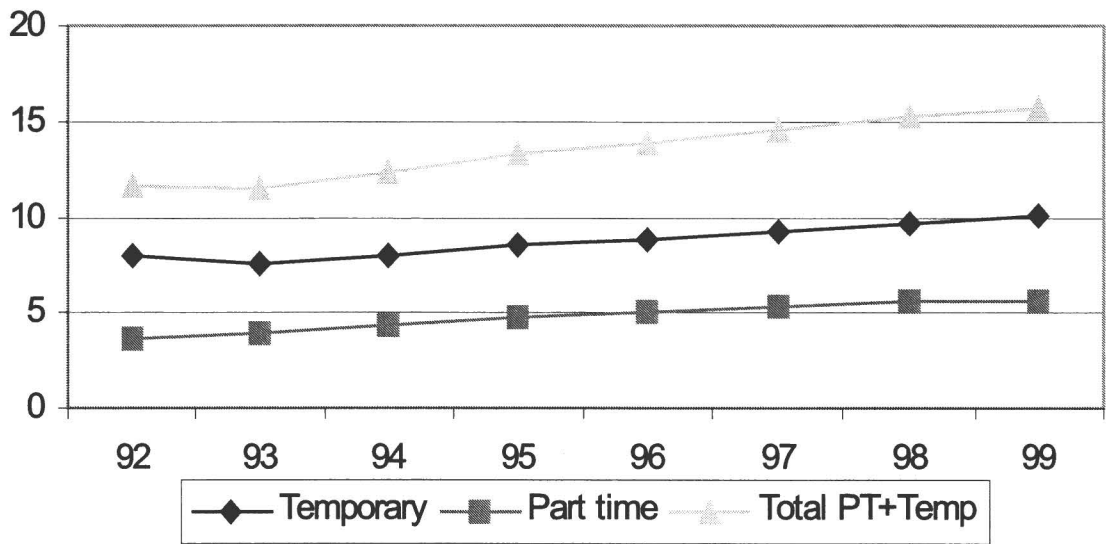


Chart 2B: Female Temporary and Part-time employment in total Employment, EUR 1992-1999, Source: ELFS

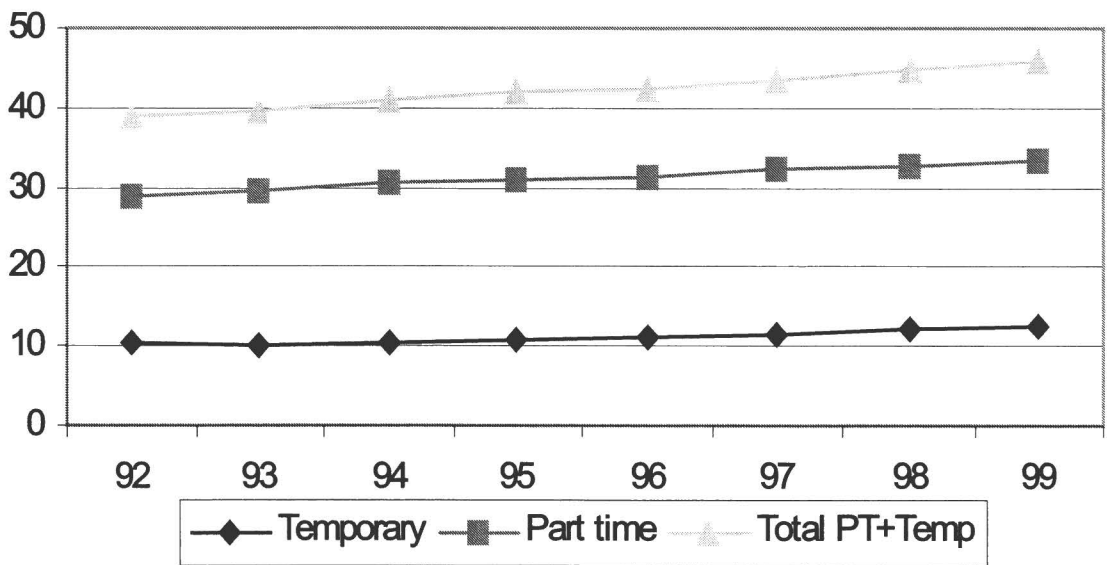




Chart 3: Employment rates by Gender 1990-1999

Source: Eurostat ELFS, EUR12 1990-1994

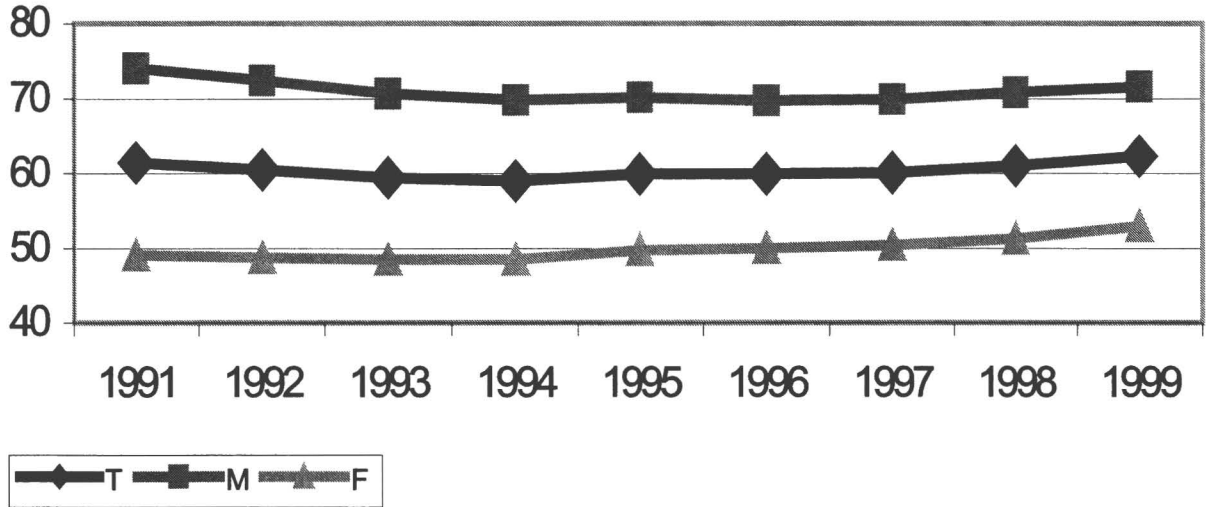


Chart 4 : Unemployment rates by Gender 1990-2000

Source: Eurostat Harmonised series on unemployment

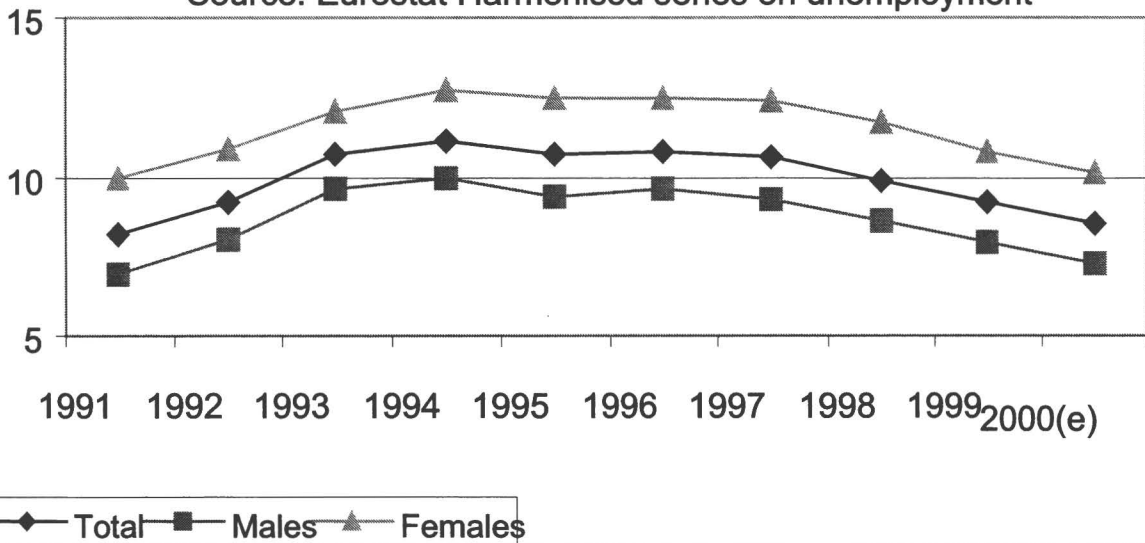


Chart 5: Employment growth 1997/1999  
Source: DG Ecfm, Annual change

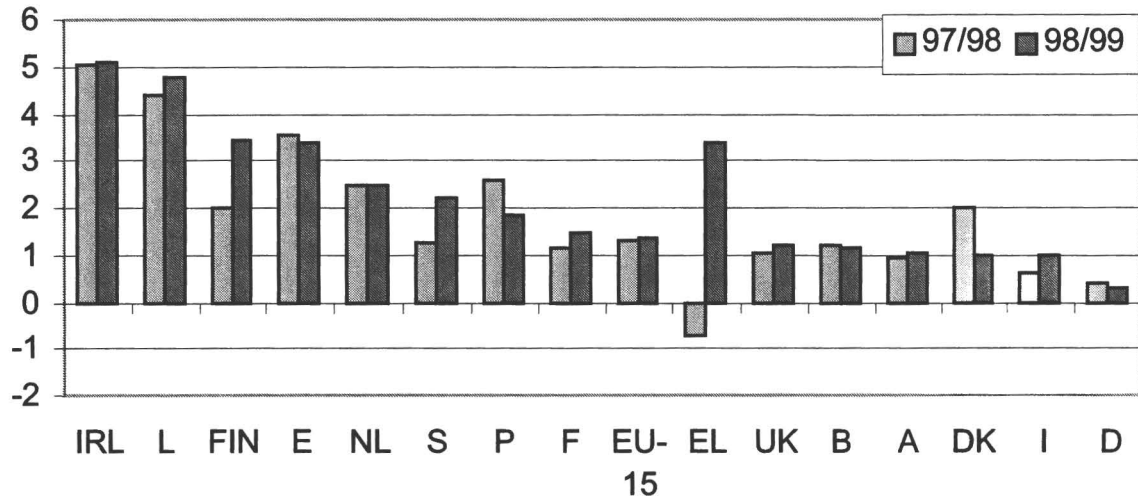


Chart 6: Employment Rates, 1997/1999  
Source: Eurostat LFS

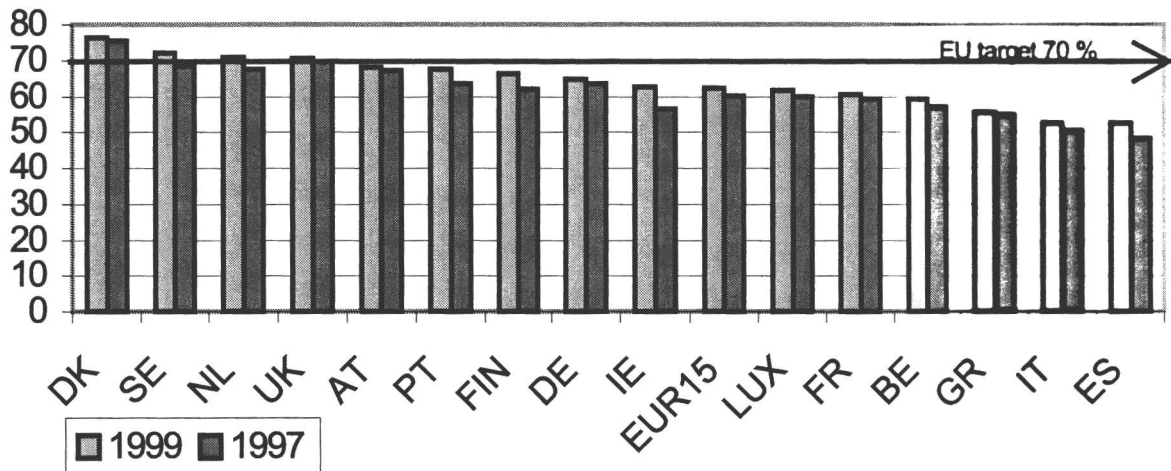


Chart 7: Female employment rate, 1997-1999

Source: Eurostat LFS

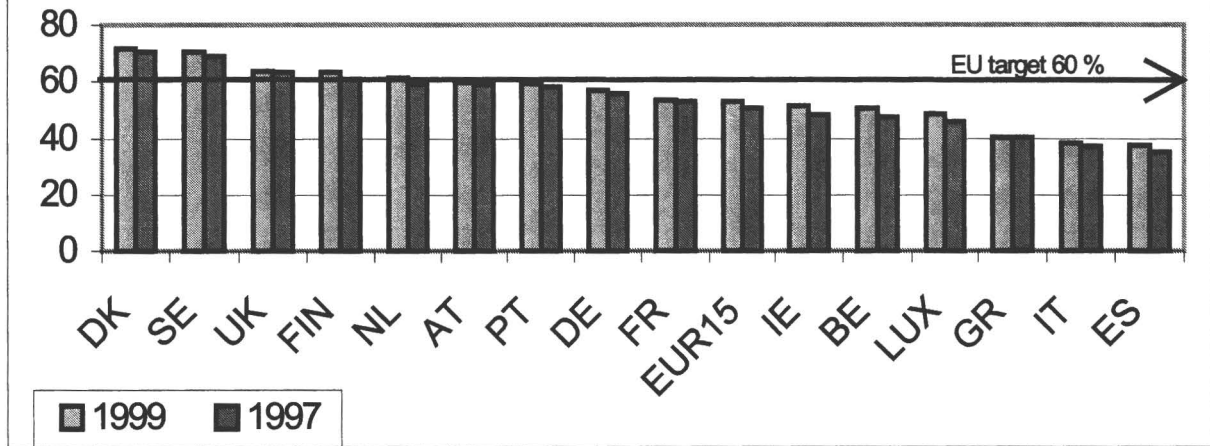
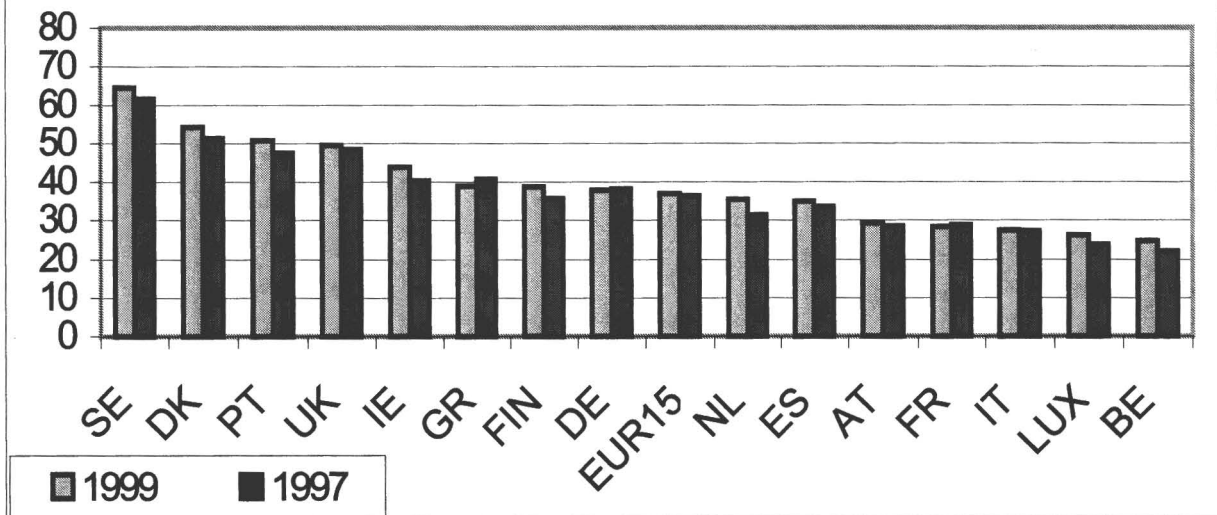
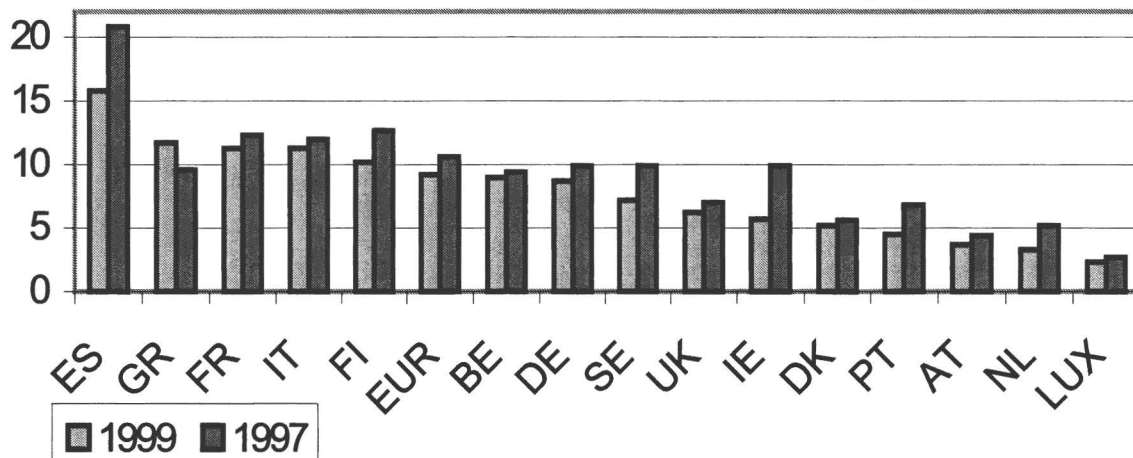


Chart 8: Employment rates for Older workers (aged 55-64), 1997-1999

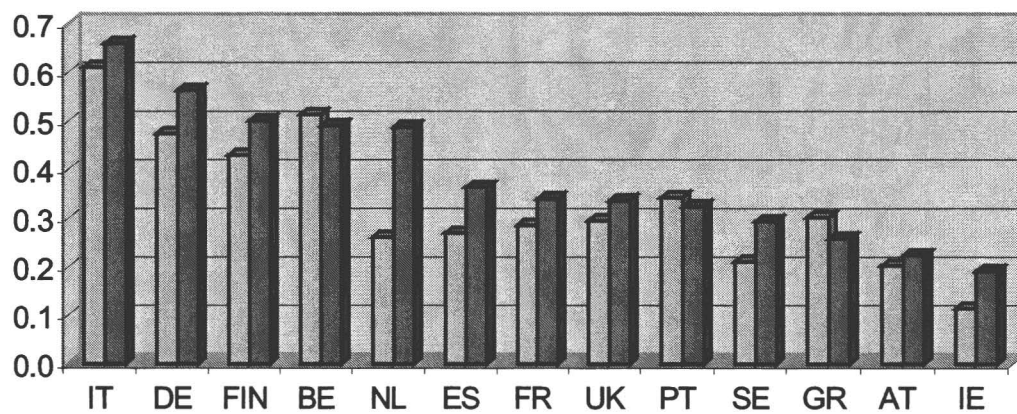
Source: Eurostat LFS



**Chart 9- Unemployment rates, 1997-1999**  
 Source: Eurostat, Harmonised series on unemployment



**Chart 10 - Coefficient of variation of unemployment rates by NUTS2 regions - 1997, 1999**





## **PART II**

### **THE MEMBER STATES**



**General appreciation** Despite an improvement in the Belgian labour market, its long-standing challenges are only gradually being adjusted: high inflows into long-term unemployment, low labour market participation of older persons, a large gender gap in employment, pronounced regional differences and the job creation potential in the service sector.

**Policy-mix** Belgium is responding to these challenges with a policy mix that acts on labour demand and supply as well as on the redistribution of labour. The policy relies on wage moderation, reduction of social security contributions and 'the active welfare state'. However the evolution of the impact of preventive policies is, as yet, unsatisfactory: Belgium is still confronted with high percentages of monthly inflow into long-term unemployment for young people and adults.

**Response to the 1999 Council Recommendations** Measures have been taken to reduce unemployment traps: through a reduction of workers' social security contributions at the level of minimum wages, the financial incentives for job-search have increased. As regards the labour market participation of older persons, the minimum age for early pensions has not been modified, but a series of measures have been taken to make remaining at work more attractive. However, insufficient attention is paid to restrictive measures that would prevent workers leaving their activity early. The well-developed service sector is undoubtedly the engine of employment in Belgium. Reductions of employers' social security contributions have been decided in order to support job creation in the health sector and social economy. Coordination and coherence of policies of the different authorities have improved, as illustrated by several cooperation agreements. But the proliferation of labour market measures has reduced their effectiveness and has clouded the perception by the players involved: regardless of the many aspects involved, greater simplification and increased homogeneity is urgently needed, accompanied by a reduction of instruments.

**Challenges ahead** Progress in reducing the rate of inflow into long-term unemployment has been slow. For young people prevention has been recently reinforced, but intensified action for adults is urgently required.

The tax burden on labour remains one of the highest in the EU, and has not yet started to fall, despite the efforts undertaken to reduce social security contributions for certain groups.

Progressively, unfilled job vacancies become visible in parts of Belgium through the mismatch between labour demand and supply. Increased mobility of the labour force and further upgrading of skills through a comprehensive strategy on life-long learning will have to play a key role in improving the Belgian labour market and to prevent labour shortages. Major training efforts are undoubtedly necessary in the ICT-sector.



## 1. Economic and employment situation

Real GDP growth slowed down in 1999 to 2.3%, but is expected to accelerate again in 2000 (3.6%). Labour market conditions are improving because of (i) higher GDP growth, (ii) the higher labour intensity of economic growth since 1996 and (iii) the trend from passive to more active labour market policies.

In 1999 *employment* growth slowed down to 1.1%, which is lower than the EU-average. The employment rate increased from 56.3% in 1996 to 58.9% in 1999, which is still 3 percentage points below the EU-average. In the same period the employment rate of women increased by almost 5 percentage points. The gender gap is shrinking and is now under the EU-average. Calculated by age group, the employment rate is particularly low for the lower and higher age brackets, both being more than 12 percentage points below the EU-average. For those older than 55, the employment rate (24.7%) is the lowest in the EU.

The *unemployment* rate decreased in 1999 to 9.1% and is currently below the EU-average. Youth unemployment increased in 1999, but the unemployment ratio of young women diminished to 7.8 which is below EU-average. Total female unemployment is lower than the EU-average, and the gap with male unemployment is diminishing. A particular problem is long-term unemployment: LTU has diminished 0.6 percentage points between 1998 and 1999 but its share of total unemployment (56%) is among the highest in the EU.

There are considerable regional disparities (with local variations) in labour market performance: unemployment is especially pronounced in Wallonia and Brussels, while qualitative labour shortages have emerged in parts of Flanders.

## 2. Overall employment strategy

The cornerstone of Belgium's employment policy is the reduction of wage costs through wage moderation and reductions of social security contributions (both should arrive at the level of the three main neighbouring countries) in order to diminish the productivity trap and to increase the *demand for labour*.

The second main element is the *redistribution of labour*. Given the concern for hourly wage cost increases in the event of generalised reductions of working time, a flexible policy on sectoral and enterprise level has been implemented. Social partners can agree on working time reductions and will be partly compensated for new recruitment by reductions in payroll taxes. The Belgian Labour Minister recently announced a comprehensive package for a reorganisation of working time.

The third building block of the Belgian employment policy is currently called "the active welfare state", referring (among other things) to an increasing emphasis on active labour market policies, with particular attention being devoted to young people. In addition there are special measures to tackle the unemployment traps and to integrate the long-term unemployed on the labour market. The ultimate aim is to increase the *supply of labour*.

The challenge of this employment strategy is that the authorities have to balance the increased labour demand (by lowering the total wage cost) with an equivalent increase of labour supply (by active labour market policies). An eventual mismatch between labour demand and supply would aggravate the situation of unfilled job vacancies, which are starting to occur in some sectors.

### 3. Progress assessment

#### 3.1. General appreciation

The NAP 2000 is a clear indication of the qualitative improvement of the Belgian NAP since 1998 and gives a good overall view of how the different Belgian authorities define the policy mix in order to implement the European Employment Strategy. Efforts to increase the coherence of the Belgian NAP are strengthened, but the total number of labour market instruments is still very high.

The preventative approach, although reinforced by recent policy announcements, is still not fully implemented and the main focus of the Belgian labour market policy is still on curative policies addressed to the long-term unemployed. As a result, the non-compliance rates for the two first guidelines exceed 50%. Taking into account the high percentages of inflow into long-term unemployment for young people (41%) and for adults (35%), intensified action is urgently required.

#### 3.2. Implementation of the 1999 National Action Plan

On **employability** Belgium is continuing its efforts towards the preventative approach, especially for young people. For GL 1 the non-compliance rate declined from 57.6% in 1998 to 50.4% in 1999. This is an improvement but there is still a long way to go until every young unemployed person is offered a new start before the 6th month of unemployment. Concerning GL 2 the effort indicator for 1999 is even lower than in 1998. As a result non-compliance is still at 54.3%.

In 1999 80.8% of job seekers participated in active measures to reduce unemployment (GL 3), which is 16 percentage points higher than in 1998. Training represents 12% of the beneficiaries of active measures.

With regard to the **entrepreneurship** pillar the federal and federated authorities implemented initiatives to reduce administrative burdens for businesses, to facilitate the launch and growth phase of enterprises and to train and coach new entrepreneurs. All these initiatives are mainly focusing on SMEs. The creation of jobs in the non-profit sector is encouraged. Since 1 April 1999, and for a period of six years, additional reductions of social contributions are planned, through a lump sum assigned for each worker on the one hand, and an additional reduction for workers with low salaries on the other. A target is set to reduce social security contributions to the average of the main neighbouring countries within 6 years.

Concerning the **adaptability** pillar several initiatives were implemented, mainly focusing on the reorganisation of working time. Firms that switched to the four-day week, benefit from reductions in their social contributions for the additional staff they have to employ. However no indicators are available to evaluate the impact of this initiative. Training efforts were increased and measures have been taken concerning career breaks, part-time work for the elderly and training during working time. A law to encourage participation of staff in company profits was approved. On continuous training the Social Partners committed themselves to increase resources in order to arrive within six years at the average of the three main neighbouring countries. Therefore resources will be increased from 1.2% to 1.4% of the payroll before the end of 2000, with the aim to arrive at 1.9% in 2004.

**Equal opportunities** through mainstreaming are high on the political agenda, but it can be stated that more concrete actions are awaited. The 1999-2000 inter-professional agreement commits the partners to the review of function classification systems. Positive action is encouraged and equal opportunities for men and women are to be pursued in training.

The role of the **Social Partners** in the implementation of the NAP 1999 was important. The inter-professional agreement of 1999-2000 is the backbone of the various measures that the Social Partners have committed themselves to undertake for the implementation of the NAP 1999. Social Partners have been consulted during the preparation of the NAP 2000.

During the 2000-2006 period the **ESF** will support the NAP-strategy through an increased focus on preventive labour market measures, adapted to specific regional circumstances.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Belgium's employment policies*

*(1) **Strengthen preventive policies**, by taking early action based on individual needs, to stem the flow into long-term unemployment. In particular, Belgium should comply fully with guidelines 1 and 2 and provide young and adult unemployed with effective employability measures before the 6- and 12- month thresholds, respectively;*

*(2) Examine in more detail **disincentives within the tax and benefit system** which may discourage labour market participation, particularly of women and older workers. Belgium should, in particular reassess existing policies facilitating early retirement of workers, and consider the policy choices most appropriate to avoid the early withdrawal of workers from the labour market and to promote employment of older persons;*

*(3) Adopt and implement coherent strategies, encompassing regulatory, fiscal and labour market measures, to exploit more fully the job creation potential of the service sector;*

*(4) Reinforce the **cooperation** between the different authorities implementing the national employment action plan.*

##### 4.1. Initiatives taken in response to recommendations

Concerning the **strengthening of preventative policies**, the major innovation in the NAP 2000 is the 'starter job for young people' (convention de premier emploi jeunes). According to this programme, both public and private sectors have to increase their staffing level by hiring, from 1 April 2000, young short-term unemployed people. Companies have to offer jobs equivalent to 3% of its workforce to young people within six months after leaving school. In addition, these companies benefit from reductions in employers' social security contributions if recruits have low qualifications. The impact of this new measure will be reinforced, in close collaboration with the regions, by offering integration pathways for young people after 3 months of unemployment. It is expected that 45,000 extra jobs will be created.

The NAP 2000 is weak on new specific measures in response to GL 2: the measures listed in the NAP more often refer to the prevention of early retirement than to the prevention of long-term unemployment.

Concerning **disincentives within the tax and benefit system**, the reduction of social and fiscal charges is stepped up. Since 1 April 2000, the government further reduced social security contributions. The total reduction of charges in the year 2000 is budgeted at € 2.6 billion. Targeted reductions in workers' taxes and social security contributions are intended to diminish the unemployment traps. However the average tax burden on labour has shown an increasing trend, and is one of the highest in the EU, which suggests that the measures taken have been insufficiently strong.

As regards the labour market participation of older persons, the minimum age for early pensions has not been modified. Although the age of access to early retirement will not be modified, methods will be developed to reorganise working time in function of age, as it already is the case for the non-profit sector, to encourage older workers to remain working. In addition, recruitment of older workers will be encouraged by a reduction of employers' social security contributions. However, insufficient attention is paid to restrictive measures that would prevent workers leaving their activity early. Although the gender gap in employment is significantly reduced in Belgium since 1997, further measures are taken to increase the participation of women, mainly through the expansion of the possibilities for childcare. Measures aimed at reducing the tax burden on labour do not include any gender impact analysis.

Various initiatives have been taken to increase employment in the **service sector**. The Belgian authorities are also encouraging the development of specific employment projects in the social economy through the activation of unemployment benefits and minimum income.

The programmes of the federal, regional and community governments consider reinforced **cooperation** as very important. Improved cooperation and coherence is already visible in the agreement on the 'starter jobs for young people' and on the increased financing by the federal government of employment programmes of the federated authorities. Last but not least, the ESF-NAP Impact Assessment Cell (ENIAC), set up under the new ESF programme, within which the five Belgian authorities will work together, is a clear expression of the will to cooperate.

#### **4.2. Other policy initiatives**

Concerning the **new emphases** in the Guidelines for 2000 it is important to underline recent initiatives to decentralise services to the unemployed. 'Lokale Werkwinkels' in Flanders, 'Plateformes locales de l'emploi' in Brussels and 'Maisons de l'emploi' in Wallonia are supposed to reach out more easily to the unemployed, to provide integrated services (the 'one-stop-shop' concept) and/or to promote local services.

However, major initiatives concerning training on ICT (GL 6) are not presented in the NAP 2000.

In the area of **employability** the commitment of the social partners to gradually increase investments in life-long learning of employees is a big step forward. However, specific attention should be given to equity issues in the access to training. The same remark holds for older workers: their present share in adult education is far below the average. One of the ambitions of the 'Spring programme' is to reduce, within a period of five years, by 50% the number of beneficiaries of minimum subsistence and social assistance, by employment programmes.

Under **entrepreneurship** various types of initiatives are developed in the social economy to develop job opportunities targeted at different groups of low-qualified, long-term unemployed job seekers. The cooperation agreement for the social economy, concluded between the federal and regional/community governments, has the ambition of doubling employment in this sector. However partnerships with commercial enterprises, and similar integration measures in the regular labour market should also be developed. A reduced VAT rate of 6% applies to sectors such as house repair particularly affected by undeclared work.

In order to increase **adaptability** various measures are introduced through commitments of the social partners: flexible working hours, increased possibilities of career breaks, increased part-time employment, reduction of the working week for those over 50, reduced working time over the life cycle.

With respect to **equal opportunities** various initiatives are presented: improvement of childcare, facilitation of career breaks, the fight against vertical and horizontal segregation.

**Belgium**  
**Annual data**

**Employment  
Indicators**

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	58,9	57,3	57,0	56,3	62,2	59,9
<i>Males</i>	67,5	67,0	67,1	66,8	71,6	69,7
<i>Females</i>	50,2	47,5	46,7	45,6	52,9	50,0
15-24	25,5	26,0	25,2	26,1	39,0	36,2
25-54	76,4	74,4	74,6	73,9	75,6	73,4
55-64	24,7	22,5	22,0	21,8	36,9	35,9
Full-time eq. Employment rate	54,5	53,5	53,4	53,0	56,8	55,0
<i>Males</i>	68,4	66,4	66,6	66,6	69,7	68,6
<i>Females</i>	40,4	40,7	40,4	39,5	44,2	42,3

**Unemployment  
Indicators**

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	9,1	9,5	9,4	9,7	9,2	10,8
<i>Males</i>	7,8	7,8	7,4	7,6	7,9	9,6
<i>Females</i>	10,7	11,8	12,1	12,7	10,8	12,4
Youth Unemployment Ratio	8,5	7,8	7,6	7,8	8,5	10,2
<i>Males</i>	9,1	7,7	6,9	7,1	8,5	10,3
<i>Females</i>	7,8	7,8	8,3	8,6	8,5	10,1
Long-Term Unemployment Rate	5,1	5,7	5,7	5,9	4,2	5,3
<i>Males</i>	4,4	4,5	4,4	4,5	3,5	4,5
<i>Females</i>	5,9	7,4	7,5	8,0	5,0	6,2

**Annual change**

**Employment related Economic  
Indicators**

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	1,1	1,2	0,8	0,3	1,4	0,7
Real GDP Growth	2,3	2,7	3,5	1,0	2,4	1,6
Labour Productivity Growth	1,2	1,5	2,7	0,7	1,0	1,0
Real Unit Labour Costs	-0,2	-0,9	-1,2	-0,6	0,0	-0,5

**General appreciation** *The labour market situation remains in a strong position, with the highest employment rate in the EU, both for men and women. The unemployment rate remained stable, well below the EU average. The major challenges in 1999 were policies towards promoting labour supply and the upgrading of skills and qualifications of the labour force, which included efforts to encourage employees to stay longer in working life and to reduce the number of persons of working age on social benefit. Also the participation of women and men across sectors and occupations could be more balanced.*

**Policy-mix** *Denmark is responding to labour market challenges with an even stronger focus on the need to increase the labour force and the necessity to maintain and develop their qualifications. Efforts have been made under all four pillars but particular attention is being paid to employability.*

**Response to the 1999 Council Recommendations** *The first recommendation to Denmark aiming at an increase in the supply of labour has been addressed through changes in the tax system and better incentives for remaining in or obtaining work. As the measures are being phased in or recently put into force, it is too early to assess whether they are sufficient to reach the objective. For the second recommendation on promoting training and job opportunities for unemployed women satisfactory results have been achieved so far. Different measures have been taken to tackle gender segregation in the labour market. However, achieving less gender segregation seems to be a long-term project since it depends, among other things, largely upon educational choice and preferences as regards occupational fields.*

**Challenges ahead** *In view of the need to increase labour supply the reforms of the tax system, leave schemes and the early retirement schemes should continue to be closely monitored and assessed to determine whether they are sufficient to meet the objective. Also ways of further reducing the number of persons on unemployment benefits and social benefits should be continued.*

*With an expected demographic development having a negative impact on the labour force together with a high employment rate and a relatively low unemployment rate, policies towards promoting labour supply and upgrading of skills and qualifications of the labour force as a means to overcome emerging bottlenecks should be continued.*

## **1. Economic and employment situation**

The Danish economy continued to develop in a balanced way and policies to strengthen employment while controlling consumption have worked successfully so far. The GDP growth rate slowed down in 1999 to 1.7% compared to 2.5% in the previous year. The growth during 1999 can be explained by both an employment growth of 1.1% and a more efficient use of the resources in the economy, with 0.6%.

The employment rate at 76.5% in 1999 remained the highest in the EU and well above the future targets for both women (at 71.6 %) and men (at 81.2 %) set for the EU as a whole in 2010 by the Lisbon European Council. There has been a particularly favourable development in employment for the age group 55-64 year olds. The employment rate improved by 3.8 percentage points from 50.4% in 1998 to 54.2% in 1999, in comparison to the EU-average of 36.9% in 1999.

The total unemployment rate remained stable at 5.2% between 1998 and 1999 but women have in 1999 benefited more than men from the improvement of the labour market and the overall situation on the labour market is of increasing equality. The unemployment rate for women fell from 6.6% in 1998 to 6.0% in 1999 whereas the unemployment rate for men rose from 4.1% in 1998 to 4.5% in 1999 thereby bringing down the gender gap to 1.5 percentage points. The long-term unemployment rate fell from 1.4% in 1998 to 1.1% in 1999. This fall reflects a decrease in the long-term unemployment rate of women, whereas the long-term unemployment rate of men has not changed since 1998. For the first time in recent years the youth unemployment ratio did not fall but rose from 5.8% in 1998 to 7.2% in 1999.

## **2. Overall employment strategy**

"Denmark 2005", the governmental multi-annual structural and welfare policy programme, forms the basis of the overall economic policy strategy, including the employment strategy. Important objectives of the Danish employment policy up to year 2005 are:

- An increase in the labour force of about 80,000 persons from 1998 to 2005, equalling nearly 3 per cent.
- An unemployment rate at a level of about 5 per cent of the labour force according to national definition and a moderation of development in wages.
- Reduction of the number of persons on transfer income with about 60,000 persons from 1998 to 2005.
- Reduction of the tax burden.
- Reduction of public debt.

The main challenge in the employment strategy lies in obtaining the necessary growth in the labour force. The demographic development as such will lead to a fall in the labour force, the rate of unemployment is low and in the beginning of 2000 collective agreements in some sectors were concluded whereby the number of holidays will be increased.

Denmark intends to continue and further develop the structural policy which involves phasing in the reforms of the labour market, the early retirement scheme and the tax system, strengthening labour market measures and a continued development of the inclusive labour market.

### 3. Progress assessment

#### 3.1. General appreciation

The NAP 2000 is built on the previous NAPs and it reflects very well the development and the progress made in implementation. The Danish labour market policy is progressing well and has an even stronger focus on the need to increase the labour force and the necessity to maintain and develop the qualifications of the labour force. Results are achieved under all four pillars but especially satisfactory results are shown for the employability pillar.

In addition, monitoring and evaluation are seen to play an increasing role in the on-going policy process. The NAP describes in a coherent way the mix of policy measures at both national and regional level, from legal measures to campaigns aimed at changing attitudes and behaviour. Progress is visible concerning economic and statistical information but improvements can still be made.

#### 3.2. Implementation of the 1999 National Action Plan

On **employability**, the NAP states that the Community target for prevention of youth unemployment is fully phased in and that the adult unemployment target will be met at the beginning of 2001. The indicators show for 1998 that 90 per cent of the insured young unemployed persons and 96 per cent of the insured adult unemployed persons were out of unemployment before reaching 6 and respectively 12 months of unemployment. On the other hand, for the small number of insured persons (i.e. 10 and 4 per cent respectively) remaining unemployed after 6 respectively 12 months without having been offered an action plan, the indicators for non compliance are 84 per cent and 76 per cent respectively. Evidently this requires additional effort. The NAP states that the situation has changed for young persons from the end of 1999 and for the adults it will change from the beginning of 2001.

The activation rate for insured persons in 1999 (1<sup>st</sup> – 3<sup>rd</sup> quarter) was 44 per cent. In general indicators for non-insured persons are not given (about 20 per cent of unemployed persons according to national definition).

Efforts continued in implementing policies to increase the incentives for older persons to stay in the labour market which is also the aim of a new voluntary early retirement scheme for persons aged 60 and over started on 1<sup>st</sup> July 1999. The initiatives to promote a labour market open to all were strengthened, including principles for a reform of the disability pension scheme, a rise in the number of jobs on special terms and a further reduction of the number of persons on transfer income in 1999.

Lifelong learning has high priority and partial targets are set, however the indicators should be further developed. An ICT action plan is nearly fully implemented and ICT has become compulsory in all vocational training programmes.

As regards **entrepreneurship**, favourable framework conditions for creation of new enterprises remained among the central priorities including reducing administrative burdens, counselling entrepreneurs before business start up and support to innovative business start ups. In relation to the target to utilise the employment potential of the service sector, the use of the "Home service" scheme rose to 14.3 per cent in 1999 from 12 per cent in 1998 of the total number of households.



On **adaptability** the "MOC" project (Management, Organisation and Competence) supporting adaptability of business to competition conditions in a knowledge-based economy is running as planned. On training, an evaluation of a pool to support planning of training activities has shown that about 50,000 employees have been covered and half of the enterprises state that their project has focused on all employees. New collective agreements in fields regulated by the Danish employers' Confederation (DA) and the Confederation of Danish Trade Unions (LO) implied that a vast majority of the relevant employees are now covered by a more flexible calculation of average working hours. Also, better access to part time work has been incorporated into these agreements.

As regards **equal opportunities**, the commitment to integrate the gender mainstreaming approach into all guidelines continued. A proposal for a new equal opportunities act has been tabled, including a proposal to set up a "Knowledge Centre for equal opportunities". One of the tasks of the Centre will be to provide better conditions for monitoring development seen from a gender perspective. Concerning family-friendly policies the degree of coverage for children in day care facilities, school clubs and youth clubs (age groups 6 months - 17 years) rose to 55 per cent, an increase of 1 percentage point between 1998 and 1999.

The **social partners** are strongly involved in the implementation of the employment strategy. They are concerned in the collective bargaining and also through partnership with government and authorities. The labour market reform is an explicit example of the involvement of the social partners by means of partnership.

The **ESF** assistance for the new programming period 2000-2006 is based on Denmark's economic and employment policy objectives up to year 2005, the European Employment Strategy and Denmark's employment priorities as set out in the NAP 1999 but also the recommendations addressed to Denmark by the Council.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Denmark's employment policies*

*(1) Pursue reforms of the tax and benefit system so as to reduce the overall fiscal pressure on labour, in particular the tax burden on low incomes, and to increase incentives to take up or remain in jobs. The reform of early retirement and leave schemes should be completed and closely monitored in the light of the need to **increase labour supply**;*

*(2) Promote training and job opportunities for **unemployed women**, and examine, in the context of a gender mainstreaming approach, ways to reduce the current levels of **occupational and sectoral segregation** in the labour market.*

##### 4.1. Initiatives taken in response to recommendations

The first recommendation aiming at an **increase in labour supply** has been followed. As the measures are being phased in or recently put into force, it is too early to assess whether they are sufficient to reach the objective. Particular attention needs to be paid to the reduction of the overall **fiscal pressure on labour**.

Changes in the tax system within the so-called "Whitsun package" are being phased in as planned including better incentives for persons to obtain ordinary employment. The total tax burden for 1999 is expected to be 50.8 per cent of GDP while the total tax burden for the years 2000 and 2001 is expected to fall to 50 per cent and 49.7 per cent respectively. In the medium term projections the tax burden is scheduled to be reduced to 47.7 per cent of GDP by year 2005 (national definition).

The recent important measures in the field of rules on availability for work, leave schemes and early retirement schemes have strengthened the incentives to take up or remain in job. The reform of the leave schemes has succeeded in decreasing the number of persons on leave with 10,600 or 28 per cent in 1999 whereas the number of persons on early retirement continued to rise. As the reform of the voluntary early retirement scheme was not put into force until July 1999, information for indicating the effect will be available at the earliest in summer 2000.

On the second recommendation, satisfactory results have been achieved on promoting training and job opportunities for unemployed women. Different measures have been taken to tackle the current level of gender segregation in the labour market. Efforts to implement a gender mainstreaming strategy continued along with the work to improve monitoring of gender inequalities. In 1999 women benefited more than men from the improvement of the labour market resulting in a reduction of the unemployment spell to 1.5 percentage points. The activation rate for women continued to be higher with 52 per cent compared to 35 per cent for men. As part of the modernisation of the labour market systems, pilot projects have been initiated in the field of gender neutral job placement. A proposal for a new "Act on equal opportunities for women and men" including the mainstreaming approach has been put before the Danish parliament.

#### **4.2. Other policy initiatives**

On **employability** in order to ensure more effective integration of unemployed persons into the labour market the focus is increasingly on the effects of active labour market measures. A new measure has been introduced, "Work practice", meaning short-term (2-4 weeks) periods of work experience to find out if the person has the required qualifications or needs further training. Lifelong learning will be reinforced through the so-called "VEU reform" and in the ICT field 93 per cent of pupils in the 7<sup>th</sup>-9<sup>th</sup> grades have access to computers and 85 per cent have access to the Internet. The focus on the inclusive labour market is underpinned by new measures laid down in the Finance Act for 2000. Moreover in cooperation with the social partners a general action plan has been prepared for improving the integration of ethnic minorities on the labour market.

As regards **entrepreneurship**, new initiatives include "The Government's industrial strategy.dk.21". Under this plan, it is planned to establish a guarantee scheme to secure loans to small enterprises.

On **adaptability** in 2000 new collective agreements in the private labour market are concluded for four years. In these agreements aspects in the employment guidelines were negotiated such as work organisation, part-time work, life-long learning and the terms for employment of persons with reduced working capacity.

Performance Indicators

Denmark  
Annual data

Employment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	76,5	75,3	75,4	74,0	62,2	59,9
<i>Males</i>	81,2	80,2	81,3	80,5	71,6	69,7
<i>Females</i>	71,6	70,3	69,4	67,4	52,9	50,0
15-24	66,0	66,4	68,2	66,0	39,0	36,2
25-54	84,4	83,4	82,8	82,2	75,6	73,4
55-64	54,2	50,4	51,4	47,5	36,9	35,9
Full-time eq. Employment rate	68,6	66,9	67,0	66,1	56,8	55,0
<i>Males</i>	76,2	74,9	75,2	75,1	69,7	68,6
<i>Females</i>	61,4	59,3	59,2	57,6	44,2	42,3

Unemployment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	5,2	5,2	5,6	6,8	9,2	10,8
<i>Males</i>	4,5	4,1	4,6	5,5	7,9	9,6
<i>Females</i>	6,0	6,6	6,8	8,3	10,8	12,4
Youth Unemployment Ratio	7,2	5,8	6,2	7,6	8,5	10,2
<i>Males</i>	7,0	5,3	5,4	6,5	8,5	10,3
<i>Females</i>	7,3	6,2	7,2	8,8	8,5	10,1
Long-Term Unemployment Rate	1,1	1,3	1,5	1,8	4,2	5,3
<i>Males</i>	0,9	0,9	1,2	1,5	3,5	4,5
<i>Females</i>	1,2	1,8	1,9	2,1	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	1,1	2,0	1,0	0,7	1,4	0,7
Real GDP Growth	1,7	2,5	3,1	2,5	2,4	1,6
Labour Productivity Growth	0,6	0,5	2,1	1,9	1,0	1,0
Real Unit Labour Costs	0,6	0,6	-0,3	-0,3	0,0	-0,5

**General appreciation:** While there has been some reduction in the unemployment rate, economic growth was not strong enough to improve job creation and employment growth remained the lowest in the EU. The stock of adult long-term unemployment, particularly for older workers, remained relatively high. There was no increase in the participation rate of older workers. The lack of job creation in the East German Länder continues to be very worrying.

**Policy mix:** The policy mix between the four pillars is more balanced than in previous NAPs. Notably actions under the employability and entrepreneurship pillar have been strengthened.

**Response to Recommendations:** Preventive actions to fight long-term unemployment have been increased by broadening the integration pathway approach. Close monitoring is required for ensuring that such efforts are sufficient for fully complying with guidelines 1 and 2 by 2002 and for reaching the targets set nationally in terms of inflows into LTU.

Initiatives to create jobs in services, notably in the field of ICTs, and specific programmes for SMEs are being reinforced and show encouraging results. Setting up new businesses is promoted in a variety of ways. However, in order to achieve the strategic goals of the Lisbon European Council the potential for job growth in service activities should continue to be increased.

While the adoption of the tax reform 2000 and the enterprise tax reform is a major step, by reducing certain disincentives in the tax system to take up work and offer jobs, more action should be undertaken to continue this process. Little has been done to modernise benefit systems, although for older workers the retirement age was raised.

The overall tax burden on labour has risen recently and is still one of the highest in the EU. The tax reform 2000 is expected to start reversing this trend. Model projects to create jobs for low-paid workers are being initiated. These policies need to be monitored closely with regard to their effective implementation and job creation impact.

Common policy indicators have been provided, but need to be further refined. The possibility of a quarterly Labour Force Survey is being considered and test surveys are envisaged.

**Challenges ahead:** Important employment problems continue to persist in parallel with certain skill gaps, notably in ICT activities. Training actions need to be further stepped up and modernised, namely in the context of the results of the Job Alliance process. The development of a strategy for lifelong learning, including the setting of quantitative targets, may help to underpin these efforts. A critical re-assessment of labour market policy in East Germany is needed to promote stronger employment growth. In the field of gender equality the data show that Germany faces a gender pay gap, notably in the private sector, and that equal opportunities authorities and other relevant actors should pay attention to narrowing this gap.

## **1. Economic and employment situation**

Real GDP growth slowed down from 2.2% in 1998 to 1.5% in 1999. Real unit labour costs continue to decline although to a lesser degree than in 1998. The number of employed persons increased, as in 1998, by an average of 0.3%, and the employment rate increased by about one percentage point, more for women than men. The low employment growth is partly due to the unification process. Employment rates for older workers remained stable. The rate of unemployment went down slightly in 1999, and joblessness among women continued to be higher than among men, although the difference narrowed somewhat. The youth unemployment ratio went down in 1999 as did the long-term unemployment rate, in both cases by more for women than for men. Germany continued to display a dual labour market. In the new Länder overall registered unemployment remained roughly twice as high as in the Western part of the country. Women continued to be especially hard hit by the serious situation in Eastern Germany.

## **2. Overall employment strategy and its main objectives**

To reduce unemployment and create favourable conditions for better job growth the government has initiated major fiscal reforms and started a programme to consolidate public finances. More generally the economic and social policy agenda undertakes to link employment, education, training, research and innovation policies, in order to raise, in particular, investment in R&D and human resources, to increase capital investment and to provide for the necessary infrastructure. Attention is given to opening over-regulated markets, fostering the diffusion of information and communication technologies as well as to support programmes for start-ups and SMEs. The main issues for labour market policies lie in prioritising active measures over passive income replacement payments and strengthening the preventive approach. Efforts to modernise the dual system and increase continuing training have been stepped up. Policies agreed by the social partners in the Jobs Alliance at the macro-economic level aim at employment-oriented collective bargaining and improved working conditions and pay in accordance with the gains created by productivity increases. In the area of equal opportunities improvements were launched in the framework of the programme "Women and Occupation".

## **3. Progress assessment**

### **3.1. General appreciation**

In 1999 the strengthening of ALMP and its preventive thrust has been continued. Newly developed indicators have been developed for monitoring compliance with guidelines 1 and 2. However, further efforts are needed both to combat the high stock of the adult long-term unemployed and increase the input into continuing training. Activities supported by specific programmes, notably with regard to SMEs and ICTs, are showing first positive results. The involvement of the social partners in the field of adaptability has been increased, though further action is needed. The issue of gender mainstreaming is being actively supported.

The German authorities and social partners have made efforts to comply with the EES. Certain inroads have been made in the field of increasing employability. The overall tax burden on labour has, however, increased. This situation requires forceful implementation of the fiscal relief measures of 1999 and the tax reform of 2000 with a view to reducing the overall tax burden in the coming years.

### 3.2. Implementation of the 1999 NAP

**Employability:** In general ALMP tools have been oriented more towards prevention and an integrated pathway approach. These efforts should be fully in place within the next two years.

All the efforts described in earlier NAPs concerning the fight against youth unemployment are continuing, including the Immediate Action Programme. The German efforts traditionally focus on a broad approach towards prevention by way of the dual training system which covers about 2/3 of the relevant age groups. The policy input and output indicators show that 74.4% of those who became unemployed in the course of 1998 started a measure within a concrete action plan before six months of unemployment. About 16% of those remaining jobless beyond six months have not started an active policy measure (rate of non-compliance). Active measures were undertaken in the framework of the Immediate Action Programme to combat youth unemployment and to offer training places to young people, in addition to regular ALPM measures. With regard to long-term unemployment among adults, efforts have generally been stepped up through the expansion of the individual pathway approach. In order to intervene earlier, certain thresholds for eligibility have been more strongly implemented. The indicators show that 77% of all who entered unemployment in 1998 have started a measure within a concrete action plan before 12 months. 21% of those who remained unemployed after 12 months had not started a measure within an individual action plan. These figures suggest a trend towards the implementation of this guideline in the near future.

Concerning guideline 3, in 1999 about 1.5 m persons (45.2% women) participated on average in active measures at federal level, 240 000 more than in 1998. At Länder level, it is estimated that, as in 1998, 385 000 persons were supported. Of the registered unemployed, 45.8% were in active measures, against 37.2% the previous year. In addition the communes continued to bring social assistance recipients into work.

Efforts to improve the participation rate of older workers have been intensified. Retirement age is being raised and pensions paid before the statutory retirement age are being reduced. However, flexible exit procedures remain important action parameters, as agreed in the Jobs Alliance process and in collective agreements.

**Entrepreneurship:** The number of self-employed is generally on the increase. About 100 000 persons received the bridging allowance for unemployed to start up their business. Access to finance is traditionally a priority: the successful new "Stargeld" programme promotes small-scale start-ups. About 30% of the beneficiaries are women. Through a specific programme (BTU-programme) the federal government made available in 1999 nearly 0.8b€ for venture capital for small technology companies. Coaching, risk capital and training programmes for SMEs have been increased. Measures to close the estimated gap of some 75 000 skilled persons in ICT activities continue to be stepped up. The overall tax burden of the German economy and the effective tax rate on employed labour have been high and rising up to 1999. However, the various steps in the tax relief acts, which started in 1999, the impact of the eco-tax and the upcoming reduction of the corporate tax rate are expected to create more employment opportunities in the near future.

**Adaptability:** Action has been taken to improve partial retirement provisions for older workers, especially in SMEs, and possibilities for persons working part-time. In the Jobs Alliance concertation discussions the social partners committed themselves to modernise the organisation of work, to increase part-time work and make more use of "working-time accounts". In many collective agreements the issue of initial and continuing vocational training has been prioritised.

**Equal Opportunities:** The "women and occupation" programme, announced in the last NAP, has been put into action through a variety of measures, e.g. by increasing the share of women in ICT

training and computer science studies, as well as in leading positions. The Federal Employment Agency continues to pursue a double-handed approach concerning gender mainstreaming and specific measures for equal opportunities. Efforts to increase childcare facilities, notably in West Germany, are being undertaken. The high gender pay gap identified in the ECHP needs to be narrowed. Provisions in the tax and benefit system which may form a disincentive for an increased female participation on the labour market should receive strong attention in the government report on the employment and income position of women foreseen for 2001.

**Social Partners:** The Social Partners have drawn up the text on guideline 15 in the NAP. The Jobs Alliance process, in which the federal government and the social partners participate through regular top-level concertation meetings, has resulted in a number of joint statements, which notably concern employment-friendly working-time policies and the use of partial retirement for older workers. Of particular importance are policies in respect of maintaining and creating initial and continuing training facilities. In a number of important industries these intentions are underpinned by way of stability- and employment-oriented collective agreements over the medium term. These collective agreements make an essential contribution to good overall economic conditions. The Jobs Alliance concertation has also been extended and deepened by similar employment and training alliances at Länder level.

**ESF and the Structural Funds:** On average, over the years 1994-98, some 250 000 people per year were supported by the ESF. The ESF contributes 3% to the Federal and 36% to the Länder ALMP measures. In 1994-99 some 7.4 b€ were available through the ESF; in 2000-2006 this amount will rise to 11.5b€. While supporting the guidelines as a whole, particularly the preventive approach, 10% of the ESF allocation will be earmarked for specific measures for women. ERDF and EAGGF financing in German Objective 1 areas (9.91 b€ between 1994-99) has contributed to maintaining and creating about 480 000 jobs. In the 2000-2006 period the ERDF and EAGGF resources in Objective 1 areas will rise to 14.75b€.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Germany's employment policies.*

*(1) **Strengthen preventive policies**, by taking early action based on individual needs to prevent people from becoming long-term unemployed. Germany should increase the level of ambition of the present targets, to bring down the inflow into long-term unemployment to the levels reached by the best performing Member States (less than 10% after 12 months);*

*(2) **Adopt and implement a coherent strategy to exploit the employment potential of the services sector**, encompassing regulatory, fiscal and other measures to reduce the burden for setting up new undertakings;*

*(3) **Examine in more detail disincentives within the tax and benefit system** which may discourage labour market participation of all groups, **especially of older workers**. Germany should in particular reassess existing policies facilitating early retirement and consider the policy choices most appropriate to avoid the early withdrawal of workers from the labour market and to promote employment of older workers;*

*(4) **Pursue and monitor efforts to bring down gradually the fiscal pressure on labour**, by reducing taxes and social security contributions. In particular, **labour costs should be reduced further at the lowest end of the wage scale**, while respecting the need for fiscal consolidation;*

*(5) **Take appropriate measures to improve and adapt its statistical system** so as to provide data compatible with the **common policy indicators** by 2000. Germany should consider introducing a quarterly Labour Force Survey in the light of the EC Council Regulation 577/98.*

#### 4.1. Initiatives taken in response to recommendations

In order to **strengthen preventive policies**, initiatives taken are expected to result in a full implementation of guidelines 1 and 2 by 2002 at the latest. The target for the inflows into long-term unemployment for both young people and all groups of unemployed is to reduce this share to under 10% (from respectively 15% and 17% in 1999) over the same period. As long-term unemployment, though decreasing, is still high, the implementation of the policies put in place in this context will need close monitoring as to their real impact on labour market performance.

The **development of a coherent strategy to exploit the employment potential of the services sector** is reflected in a panoply of measures under the entrepreneurship pillar and initiating and upgrading a set of programmes, notably for SMEs. While an increase of employment in services has recently been registered the impact of all these policies will only be felt gradually over time.

As to the **examination of disincentives** which may discourage the labour market participation of all groups, **especially of older workers**, actions have been initiated by the gradual reduction of the overall fiscal and social security burden. Although demographic changes point to a reduction of the labour supply and a natural easing of the unemployment problem more positive action should be envisaged to increase the participation of older workers.

Despite certain income and corporate tax reliefs in 1999 and the introduction of the 'eco-tax', the **effective tax rate on employed labour** rose until 1999 and remained at a high level. The tax reform 2000 will further reduce personal income tax rates over the whole income tax range, raise basic and family allowances and lower the tax rate on corporate profits from 40% to 25% in 2001. Together with the continued reduction of the social security contributions for retirement pensions and increasing compensatory taxes on energy consumption (the "eco-tax") both the overall tax burden on labour and the effective tax rate on employed labour are foreseen to decrease and it is expected to gradually create more employment opportunities. Some model projects are being launched in the summer of 2000 to improve incentives for labour market participation. They focus on giving more effective incentives to employers to offer, and workers to take up, jobs **at the lower end of the wage scale**. All these policies need to be monitored closely with regard to their effective implementation and job creation impact.

The **policy indicators** concerning guidelines 1 and 2 have been provided on the basis of a combination of a statistical survey in representative labour market regions and register labour market flow data. Gender disaggregation is, however, missing, but is foreseen for 2001. The indicators for guideline 2 do not yet completely focus on adult unemployed only, but comprise all age groups. The whole system should therefore be put on a firmer base. The question of whether a labour force survey could be carried out on a sub-yearly basis is being examined and test surveys will probably be conducted in the autumn of 2000.

#### 4.2. Other initiatives

**Employability:** It is expected that in 2000 about 1.6 m persons will be supported by Federal ALMP programmes. Towards the end of 2000 the number of apprenticeship places in connection with the measures taken with regard to the ICT, will be raised to 40 000. Lifelong learning is to be increased, notably in ICT activities for the employed and unemployed. Companies have committed themselves to verifiably increase in-firm training for internet-relevant technologies. By the end of 2001 all educational establishments will be equipped with multi media PCs and internet access. It is anticipated that the share of first year students in computer sciences will increase to 40% by 2005. A bill has been adopted to bring about 50 000 severely disabled persons back into the labour market in the coming 2 to 3 years.



***Entrepreneurship:*** The Government has announced the establishment of an action plan, to be implemented by the end of 2001, for the reduction of bureaucratic obstacles to start-ups and SMEs. The efforts to both increase innovation and promote the use of ICTs in SMEs will continue. It is expected that the gradual implementation of the tax reform 2000 as well as the envisaged reduction of the share of social security contributions in gross pay from the present 42% to 40% in the medium term will further improve the business climate. The initiated model projects for workers at the lower end of the wage scale and for long-term unemployed are also expected to show the first positive results.

***Equal Opportunities:*** The share of women in future-oriented jobs is targeted to increase to 40% in 2005. Legal educational leave provisions will be revised in 2001 with a view to more flexibility and a better use of part-time work opportunities. An overall report on the employment and income position of women will be submitted towards the end of 2001. Further new legal instruments for equal opportunities are being launched.

Performance  
Indicators

Germany  
Annual data

Employment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	64,8	63,7	63,6	64,1	62,2	59,9
<i>Males</i>	72,4	71,7	71,8	72,7	71,6	69,7
<i>Females</i>	57,1	55,6	55,2	55,4	52,9	50,0
15-24	46,2	45,1	44,4	45,5	39,0	36,2
25-54	78,3	76,9	76,6	76,7	75,6	73,4
55-64	37,8	37,7	38,2	37,9	36,9	35,9
Full-time eq. Employment rate	58,0	57,3	57,6	58,5	56,8	55,0
<i>Males</i>	70,4	69,9	70,2	71,3	69,7	68,6
<i>Females</i>	45,6	44,8	45,0	45,7	44,2	42,3

Unemployment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	8,8	9,4	10	8,9	9,2	10,8
<i>Males</i>	8,3	8,9	9,3	8,2	7,9	9,6
<i>Females</i>	9,3	10,2	10,8	9,8	10,9	12,4
Youth Unemployment Ratio	4,7	5,2	5,7	5,3	8,5	10,2
<i>Males</i>	5,4	6,0	6,6	6,0	8,5	10,3
<i>Females</i>	4,0	4,4	4,7	4,6	8,5	10,1
Long-Term Unemployment Rate	4,5	5,1	5,1	4,4	4,2	5,3
<i>Males</i>	4,1	4,6	4,5	3,8	3,5	4,5
<i>Females</i>	4,9	5,8	5,8	5,2	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	0,3	0,4	-0,8	-0,8	1,4	0,7
Real GDP Growth	1,5	2,2	1,5	0,8	2,4	1,6
Labour Productivity Growth	1,2	1,8	2,3	1,5	1,0	1,0
Real Unit Labour Costs	-0,3	-1,4	-1,6	-0,4	0,0	-0,5



**General appreciation:** In 1999 the Greek economy grew by 3,5%, faster than the EU average for a fourth consecutive year. By the end of 1999 Greece met all convergence criteria for joining the Economic and Monetary Union. Despite the continuous decline of employment in the agricultural sector, the total employment growth rate for the period 1994-1999 at one percent per annum is still higher than the European Union average, as a result of the growing labour force (women and immigrants). Youth, female and long-term unemployment rates remain significantly higher than the corresponding EU averages. The gender gaps in employment and unemployment rates are among the highest in the EU.

**Policy mix:** The new policies being announced go in the right direction but their implementation needs to be accelerated. More emphasis should be put on prevention. Efforts have to be more consistently applied if concrete results are to appear in time.

**Response to Recommendations:** Despite some progress, the reform of the Public Employment Services has been delayed and it will have to be tackled as a matter of urgency. Greece is making efforts but has not met yet the prevention and activation targets of the EES. The existing statistical monitoring system is still inadequate and data on prevention and activation is not available.

A number of actions were introduced aimed to promote gender mainstreaming and to increase female participation in the labour market, but more concerted action is necessary if the female employment rate is to move nearer the EU average.

A number of measures aimed to improve the quality of education and training were adopted or implemented but the effort should continue. The social partners have been consulted more systematically, but there is still considerable room for a more active participation, in particular with regard to modernisation of work organisation and flexibility in the labour market.

In spite of the introduction of several new measures aiming to stimulate entrepreneurship, further action is needed towards reducing the administrative burden for setting up new undertakings and exploiting the job potential of the services sector.

**Challenges ahead:** Structural deficiencies in the labour market persist. Therefore, Greece needs to continue and intensify efforts to reform the Public Employment Services and implement preventative and activating policies according to guidelines 1, 2 and 3; further encourage labour market participation, in particular of women, and promote gender mainstreaming; further improve the quality of education and vocational training and develop a comprehensive lifelong learning strategy; further stimulate entrepreneurship, facilitate business start-ups and promote the job creation potential of the services sector; encourage a more active participation of the social partners, in particular for the modernisation of work organisation and take further measures to upgrade the statistical monitoring system.

## **1. Economic and employment situation**

By the end of 1999 Greece met all convergence criteria for economic and monetary union. Macroeconomic performance has improved considerably in recent years. Real output growth remained for a fourth consecutive year above the EU average.

Stimulated by the increased activity, labour supply has increased substantially in the last few years and so has employment but at a lower pace. Following an increase by 3,4% in 1998, employment in 1999 declined by 0,7%, whereas employment in the European Union increased by 1.4%. In 1999 the employment rate declined slightly to 55,4%, substantially lower than the EU average of 61%. The difference in employment rates between Greece and the EU average is exclusively due to differences in female employment rates, as male employment rates are almost identical.

In 1999 the unemployment rate increased to 11,7%, which is higher than the 1999 EU average. The rise in unemployment is attributed mainly to the increase in the labour force - due to increased female participation and immigrant workers - and the decline of employment in agriculture. The female unemployment rate was over twice as high as that for men and substantially higher than the EU average. The youth unemployment rate was higher than the EU average and above the national unemployment rate. The long-term unemployment rate rose to 6,9%, above the EU average. The female long-term unemployment ratio is much higher than that for men.

Labour productivity rose by 4,1% in 1999, a substantial improvement in comparison with the 0,3% fall recorded in 1998, and much above the EU average of 0,9%. Partly as a result of increases in labour productivity, real unit labour costs fell by 1,4% in 1999, thereby reversing the upward movement experienced in 1997 and 1998.

## **2. Overall employment strategy**

Growth promotion, unemployment prevention and support for vulnerable groups are the main objectives of the new Greek government. Structural reforms combined with flexibility and adaptation policies in the labour market should strengthen competitiveness and contribute to sustainable growth within a framework of social cohesion. Combating regional inequality in unemployment is also a priority for Greece. The new government is committed to continue its efforts to pass from passive to active employment policies and apply the individualised approach, in parallel with the modernisation and restructuring of public employment services.

It is also striving to promote a knowledge society, with the goal of preparing a work force able to keep up with developments in Greek and international labour markets. Equal opportunities for vulnerable groups and gender equality are being pursued both in mainstream and through specific measures. In 2000 Greece aims to create 75.000 new jobs and 75.000 new training posts. It also intends to extend the accreditation regulations for trainers, to make efforts to better use employment possibilities in new areas such as new technologies and to intervene on the labour market if necessary (e.g. working time arrangements) with a view to increasing the number of jobs available. The Greek government is striving to achieve the greatest possible social consensus by strengthening the role of social partners in planning and implementing policies and encouraging them to take positive initiatives. The significance of restructuring the social security system with a view to ensuring social solidarity is emphasised. Greece will strengthen and implement its employment strategy and policies in the period 2000-2006 by more efficient use of ESF credits and the Structural Funds more generally.

### 3. Progress assessment

#### 3.1. General appreciation

The NAP 2000 is the continuation of the previous plan. Despite progress, a more strategic vision and a better balance of policies among pillars are necessary. Employability continues to be the most important pillar. Some new measures have been introduced. The absence of appropriate statistical data, including the flows into and out of unemployment, makes the assessment of policies and measures difficult. The delay in Public Employment Services reform is hampering the implementation of other actions in the NAP. Despite some efforts, Greece has not yet adopted the preventative, activating and individualised approaches and has not met the targets of the EES. A comprehensive lifelong learning strategy has to be developed and targets to be set. A number of new measures have been introduced with the aim of supporting SMEs and facilitating their access to the capital market. Some new measures promoting equal opportunities between women and men provide a first response to dealing with the gender gap.

#### 3.2. Implementation of the 1999 National Action Plan

**Employability:** Despite some efforts to accelerate the reform of Public Employment Services, action remains well behind schedule. 24 new Employment Promotion Centres are now in operation, estimated to double by the end of 2000. The programmes "Young people into Active Life" and "Back to Work" remain the main actions for preventing youth and long-term unemployment. Although no detailed evaluation of the programmes has been undertaken so far, the number of participants under the "Back to Work" scheme exceeded the target set in 1999 and 60% of the new employment posts were retained after the end of the programmes. No explicit information exists on meeting the 20% activation target. A comprehensive strategy for lifelong learning has to be developed and targets to be set. The Employment and Vocational Training Fund, with the active participation of the social partners, enhanced its activities, financing a number of new initiatives. The establishment of new Vocational Orientation Centres and the operation of a Special Centre for Continuous Vocational Training have been planned.

**Entrepreneurship:** Measures for reducing overhead costs and administrative burdens for business have been implemented albeit to a scale lower than expected. The modernisation of the tax system was accelerated in 1999. If this effort continues in 2000, it is estimated that it will have an overall positive impact, especially on self-employment. The reduction in non-wage labour costs – which was one of the most important initiatives under this pillar in 1999 - was legislated for in November 1999 and implementation started at the beginning of 2000. The implementation of measures under the Territorial Employment Pacts started after long delay in September 1999. Although not ambitious, this is an encouraging development for improving job opportunities at the local level. Some specific cultural employment programmes aimed at promoting the employment potential of the services sector have been implemented, but similar initiatives in other sectors identified as priority areas in 1999 (e.g. new technologies, environment) have not followed.

**Adaptability:** 1998 legislation - which provides for more flexible forms of work - is the main statutory measure addressing directly the objective of this pillar. Some progress has been made in its implementation, especially with regard to setting up private employment agencies, part-time work and the pilot application of flexible forms of work in the banking and telecommunications sectors. Part-time work has been extended to the public sector. A consultation with the social partners is planned for this year with a view to further promoting flexible working arrangements. The Greek government believes that the privatisation programme is likely to have an indirect positive impact on adaptability and flexible working arrangements. New skills have been

experimentally explored. Various in-house training schemes have been implemented but to a lower scale than envisaged in 1999. The social partners continued to play a major role in this area, but there is still room for improvement.

**Equal opportunities:** Steps have been taken to improve gender mainstreaming. Priority is to be given to ensuring that women participate in all active labour market policies proportionally to their share in unemployment. The programmes "Support Structures for Female Entrepreneurship" and "Strengthening Female Entrepreneurship" have been implemented, although only a small part of the 1999 budget of the latter was spent. The establishment of childcare centres for 7.500 children has almost been completed, and 191 Social Welfare Centres for the care of the elderly were created. The demand for such services is planned to be fully satisfied during the Structural Fund implementation period 2000-2006.

**Social partners:** Efforts have been made to upgrade the role of the social partners, though there is still room for improvement. The activities of the Employment and Vocational Training Fund – co-financed by the social partners – in training actions in small enterprises were enhanced. A National Agency for Vocational Training was established with the joint participation of the Ministries of Labour and Education, as well as the social partners. The tripartite counselling committees in the Organisation for Vocational Education and Training are worth mentioning.

**ESF and Structural Funds:** A very considerable proportion of the active labour market policies implemented – mainly under the employability, adaptability and equal opportunities pillars – was co-funded by the Structural Funds, in particular the ESF. Care has been taken that the CSF 2000-2006 and the relevant operational programmes are focused on the objectives and priorities of the EES as implemented through the Greek NAP. The development of a complete and reliable data set concerning targets and evaluation indicators would reinforce the positive role of the ESF.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Greece's employment policies*

- (1) *Take decisive, coherent and measurable action to prevent young and adult unemployed people from drifting into long-term unemployment. In particular, strengthened efforts should be made to complete the reform of employment services, to implement preventive policies in compliance with guidelines 1 and 2.*
- (2) *Examine in more detail disincentives within the tax and benefit system which may discourage labour market participation, in particular of women, so as to increase progressively the female employment rate towards the EU average of 50%, and reinforce gender mainstreaming by building on progress already made in respect of entrepreneurship.*
- (3) *Pursue efforts to further improve the quality of education and vocational training, and to strengthen support for continuous training, in particular by involving social partners more actively.*
- (4) *Adopt and implement coherent strategies, encompassing regulatory, fiscal and other measures, designed to reduce the administrative burden for setting up a new company, in order to stimulate entrepreneurship and exploit the job creation potential of the service sector.*
- (5) *Encourage a partnership approach and promote concrete commitments by the social partners at all appropriate levels on the modernisation of work organisation, with the aim of making undertakings more productive and competitive while achieving the required balance between flexibility and security.*

(6) *Take appropriate measures to upgrade the statistical monitoring system, so that policy indicators on prevention and activation will be provided by 2000, with the agreed definitions and methods.*

#### 4.1. Initiatives taken in response to recommendations

Greece has not taken any particular additional action or initiative additional to the existing to prevent **young and adult unemployed** people from drifting into long-term unemployment. Nevertheless, the completion of the restructuring of OAED (Public Employment Service) is foreseen for the end of 2001.

The NAP 2000 provides no information regarding disincentives to **women's labour market participation** within the tax and benefit system. Some care facilities for children and the elderly are being provided. Although several measures have been **gender mainstreamed** and some steps have been made towards increasing the female employment rate, a comprehensive strategy has to be developed and further steps are necessary to address the problem. Considerable sums will be allocated for the promotion of female participation in the next programming period of the Structural Funds.

Greece continued the implementation of the 1998 **educational reform**, one of the main objectives of which is the improvement of quality of education and training. Evaluation of the steps undertaken and social partners' involvement should be built into the reform efforts. Action has been taken for the improvement of **continuous training**, in particular through accreditation. Measures like the "Second Chance Schools" and the "Adult General Education" have not yet reached their targets.

The continuing modernisation of the tax system is creating a positive environment for entrepreneurship. However, no new measure directly targeted at the reduction of the **administrative burden** for setting up new undertakings is reported in the NAP. Measures, designed to facilitate business access to capital, have been either taken or are under consideration. Although they indicate a more coherent approach, the existence of more than one decision-making body is obstructing coordination in certain cases, such as SMEs. An important planned statutory measure is the creation of the New Stock Exchange for dynamic SMEs. Several actions included in the NAP 2000 are expected to improve the employment potential of the services sector. The creation of a fund to support investments in new technologies is currently under study and is expected to facilitate initiatives in the services sector. The preparation of a legislative framework for the operation of electronic commerce is encouraging.

The **social partners** are involved in the planning and implementation of various policies and measures of the NAP. Although efforts are being made to progressively upgrade their role no specific information is provided on their active involvement or any commitments for the modernisation of work organisation. In this area the legal framework is defined by 1998 legislation on industrial relations, which has started to be implemented. The balance between flexibility and security in work is a major concern of the Greek government.

Some steps have been taken for the improvement of the NAP **monitoring system**. The reform and computerisation of the public employment services have not advanced sufficiently to allow for the calculation of the policy indicators for prevention and activation. The lack of statistical data and indicators is a weakness of the Greek NAP.



## **4.2. Other policy initiatives**

***Employability:*** Several new measures have been introduced, targeted at the improvement of education and the integration of more vulnerable groups in the labour market. They seem an encouraging, but not sufficient effort towards a better quality of education and vocational training. Greece will strive to comply with the Lisbon conclusions on information society by means of an ambitious programme, co-funded by the Structural Funds in the 2000-2006 period.

***Entrepreneurship:*** In a favourable macroeconomic environment, the imminent liberalisation of the telecommunications and energy sectors and the planned privatisation programme, are expected to contribute to the further enhancement of entrepreneurship. The improvement of the budgetary position has allowed the introduction of some fiscal measures such as tax rate reductions and tax incentives for the creation of Venture Capital Companies. Moreover, the decline in interest rates is reducing the cost of capital. Both developments are likely to promote investment and, hence, employment, although the latter may also encourage the adoption of less labour intensive technologies.

***Adaptability:*** Pilot schemes concerning flexible forms of work organisation have been implemented in the telecommunications and banking sectors. Their evaluation, which is underway, will constitute a basis for the introduction of further flexibility in the labour market.

***Equal Opportunities:*** The establishment of a special inter-ministerial committee to coordinate the work on promoting equal opportunities among all policies could be a first step to more concrete initiatives. New actions and sufficient credits have been earmarked to promote gender in the new Structural Funds programmes.

Performance Indicators

Greece  
Annual data

Employment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	55,4	55,6	54,8	54,9	62,2	59,9
<i>Males</i>	70,9	71,6	71,9	72,6	71,6	69,7
<i>Females</i>	40,7	40,3	39,1	38,5	52,9	50,0
15-24	26,8	28,0	24,5	25,4	39,0	36,2
25-54	69,9	69,7	69,7	69,5	75,6	73,4
55-64	38,4	39,0	40,7	40,7	36,9	35,9
Full-time eq. Employment rate		54,1	53,7	53,8	56,8	55,0
<i>Males</i>		70,6	71,1	71,9	69,7	68,6
<i>Females</i>		38,3	37,6	37,2	44,2	42,3

Unemployment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	11,7	10,7	9,6	9,6	9,2	10,8
<i>Males</i>	7,5	7,0	6,2	6,1	7,9	9,6
<i>Females</i>	17,8	16,5	14,9	15,2	10,8	12,4
Youth Unemployment Ratio	12,5	12,9	11,5	11,4	8,5	10,2
<i>Males</i>	9,5	10	9,0	8,6	8,5	10,3
<i>Females</i>	15,3	15,8	13,7	13,8	8,5	10,1
Long-Term Unemployment Rate	6,9	5,9	5,3	5,4	4,2	5,3
<i>Males</i>	4,0	3,1	2,8	2,8	3,5	4,5
<i>Females</i>	11,1	10,1	9,2	9,6	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	-0,7	3,4	-0,3	-0,4	1,4	0,7
Real GDP Growth	3,4	3,7	3,4	2,4	2,4	1,6
Labour Productivity Growth	4,1	0,3	3,8	2,8	1,0	1,0
Real Unit Labour Costs	-1,4	0,6	1,6	-1,4	0,0	-0,5



**General appreciation** In 1999, Spain has continued experiencing a very positive trend of economic and employment growth with a marked improvement in unemployment figures. Employment creation was significant and well above the EU average. However, despite the positive trend, some of the pre-existing problems remain. The employment rate is still very low, particularly for women. Long-term unemployment has decreased significantly although it is still high. There was an important increase in the number of stable jobs but the percentage of temporary employment, mostly of short duration, has not significantly decreased, affecting particularly women and young people. Although their employment rate has increased, women continue to have a disadvantaged situation in the labour market and they find it harder to leave unemployment and find stable employment. Regional disparities remain striking.

**Policy-mix** The Spanish employment strategy aims at the creation of stable employment. It relies both on a set of incentives for permanent contracts and on a substantial development of active policies for the unemployed, presenting a better balance with respect to passive support. This is complemented with legislative and administrative reforms to reduce firms fiscal and administrative costs and to improve the efficiency of markets. The employment policy is carried out within a highly developed social dialogue.

**Response to the 1999 Council Recommendations** A serious effort is currently being made both at the central and regional level to modernise the public employment system (PES), increase its coordination and improve its data management. The effort to increase the efficiency of the actions at the beneficiary level is to be reinforced. Also, since 1997, the administrative and fiscal burden on firms has been reduced with successful initiatives such as the 'one stop shop'. Measures to ensure equal opportunities involved guaranteeing proportional access to active measures, legislative initiatives and hiring incentives. Still, more should be done to facilitate female labour force participation.

**Challenges ahead** In 2000, efficient actions need to be further developed to address the problems of those facing more employment market difficulties. The effort to coordinate PES and improve their efficiency should be continued. Also, further measures should be taken to ensure the creation of stable and skilled jobs. Spain should intensify efforts to provide the labour force with adequate skills in the framework of a comprehensive strategy of lifelong learning. A serious efforts should be made to improve the quality of vocational education and training and to reduce the early school leaving rate.

## **1. Economic and employment situation**

In 1999, the Spanish economy has continued to experience a very favourable evolution. Real GDP growth was 3,7% well ahead of the EU average. The employment growth rate was 3,4% reaffirming the very positive trend that has existed since 1997. Only in 1999, 612.000 new jobs were created. Accordingly, the employment rate has increased from 48,2% in 1997 to 52,5% in 1999. Despite the increasing proportion of people at work, the employment rate is still below the EU average of 62,2%. The employment rate of women is particularly low (37,6% in 1999) although it has been improving. The increase in employment has not yet absorbed the unemployed population and the unemployment rate is still high (15,9% in 1999) although sharply falling. The long-term unemployment rate has been significantly reduced from 9,4% to 7,3%, although it is still a serious problem mostly affecting women and older workers. The unemployment rate of women is more than double that of men (23,0% and 11,2% respectively), which is aggravated by the increasing number of women entering the labor force. Youth unemployment ratio has fallen from 14,5% to 12,5% in 1999 although their level of activity has also slightly fallen.

Regional disparities are impressive with some regions having less unemployment than the EU average and others showing unemployment rates above 25%. Geographical mobility has not been enough to reduce significantly the disparity in unemployment. It may also have been hampered by a high temporality rate (32,6% of all workers work are on fixed term contracts).

## **2. Overall Employment Strategy**

The main objective of the Spanish employment policy as formulated in the Spanish National Action Plan is the creation of stable employment and the improvement of the labour market mechanisms. It is a comprehensive policy that aims to intervene in all fields: macroeconomic stabilisation, liberalisation of the markets for capital, goods and services and labour market reforms. Labour market reforms are being undertaken in a context of social dialogue, with most measures being negotiated with social partners. Most of the strategy is still built on the 1997 Agreement for Stable Employment agreed by the social partners. Among other measures, this agreement promoted the reduction of the costs of permanent contracts extended to women, young people and older workers. The other main action has involved an increase in the importance of the active policies delivered by the public employment services and its collaborating entities. The financial resources dedicated to active measures for employability increased by or to 37% between 1997 and 2000.

Several legislative reforms have also been undertaken to improve working conditions in temporary work agencies, local cooperatives, immigration and compatibility of working and family life. An important national initiative has been launched aiming to increase the spread of information technology in society.

A new round of negotiations that will discuss labour market reform will start this year.

The employment policy is taking place in a dynamic context of institutional decentralisation, which will require persevering in the effort to strengthen the coordination among intervening agents.

### 3. Progress Assessment

#### 3.1. General Appreciation

Over the last two years, the Spanish employment policy has presented coherent National Action Plans, which while addressing national specificity, prompted convergence towards the EES guidelines. Major efforts were made to develop activation and prevention under the Employability Pillar and on diminishing fiscal and administrative costs for firms under Entrepreneurship Pillar. Progress on flexible work organisation or equal opportunities has been less dramatic. In addition, the NAP does not adequately address the issue of regional disparities.

#### 3.2. 1999 Implementation

In general, policies announced in the 1999 NAP were satisfactorily implemented. Financial resources dedicated to active policies increased by 15% between 1998 and 1999, which allowed an increase in the number of actions provided. Still, despite a satisfactory implementation effort, information on the effective impact of the different policies is scarce.

Regarding **employability**, 1,8 million actions were implemented covering 1,1 million beneficiaries, much more than predicted in last year's plan. Despite an increase in the preventive actions for adults, only 45% of the young people and 33% of the adults that became unemployed benefited from activation before they reached long term unemployment. A greater effort will be required to meet the Guidelines by the end of 2002. As regards GL 3, Spain met the common target in 1999. There seem to be regional disparities in the coverage. Most of the increase went to guidance services, with 600,000 more such actions carried out. There was much more difficulty in implementing aids to employment and particularly in setting up the project to develop local initiatives. The individualised pathways approach has not yet been generalised but is currently limited to experimental programs. There was nevertheless a substantial development of measures for people with disabilities. Regarding the efficiency and adequacy of actions, in depth individual interviews are systematically carried out to direct unemployed to the most appropriate measure.

Attention should be paid so that the multiplication of intervening organisms does not affect the coordination and the effectiveness of the policies. More generally, as expenditure on active labour market policy increases, increased efforts will be required to ensure the efficiency of these measures and to monitor outcomes. The statistical system that integrates all public employment services is still being developed. Improvements in education are not apparent and the early school leaving rate is still worrying. Serious efforts have been made to reduce the tax burden on labour.

In the **entrepreneurship** pillar, regulatory changes and administrative simplifications have effectively decreased the burden for new firms. The 'one stop shop' has been set up and is being spread to more regions. The project to develop the potential of the local economy has not yet materialised but an effort was undertaken to set up a more comprehensive strategy that addresses the specific problems faced by those initiatives.

Concerning **adaptability**, the temporality rate failed to decrease although 528.000 new stable jobs were created that benefited from the social security reductions promoting permanent contracts. Complementary measures such as the reform of the temporary work agencies were taken to promote stability and improve job quality. Also 261.287 new stable part time contracts were signed in 1999 raising part time work from 7,7% of all employment in 1998 to 8,2% in 1999. A concrete strategy on lifelong learning that would promote stability has still to be presented although actions in lifelong learning have increased by 15%. There has been pressure from the government to diminish

pre-retirement abuse and to encourage older people to remain in the labour force.

In order to promote **gender equality**, the new legislation on the reconciliation of working and family life was implemented. Special aids to employment targeted at women have been developed. Still, although women benefited to a large extent from active policies, they are still under-represented in the more effective and intensive measures. Mainstreaming is understood as guaranteeing a fair participation in all measures but no particular mechanisms to ensure it are described.

**Social partners** have been consulted during the preparation phase of the NAP. The plan was nevertheless approved without a consensus. The participation of both unions and employers association in the design of employment policies is established and constructive. They also take an active part in the management of some of the policies such as the national lifelong learning plan.

In 1999, the ESF provided financial support to active measures up to an amount of € 1.771 million. Negotiations on the use of the structural funds for the 2000-2006 period have agreed that the bulk of the € 11.317 million ESF contribution will be dedicated mainly to the development of active policies and to the support of lifelong learning. The ESF will pay particular attention to the mainstreaming of equal opportunities. Through its intervention, the ESF constitutes a key support to the implementation of the measures announced in the NAP.

#### 4. New Policy initiatives

##### *The 1999 Council recommendations on the implementation of Spain's employment policies*

*Pursue the preventive policies initiated in 1998, moving beyond the identification of the unemployed persons' needs by **increasing the number and the efficiency of the individualised activation measures** so as to reduce significantly the inflow of youths and adults into long-term unemployment;*

*Adopt and implement coherent strategies, encompassing regulatory, fiscal and other measures, designed to **reduce the administrative burden on companies**, in order to stimulate entrepreneurship and exploit the potential for more stable employment in the service sector;*

*Intensify efforts to **mainstream equal opportunities** in employment policy beyond the preparatory measures already announced in order to raise the female employment rate towards the average EU level;*

*Pursue efforts to **upgrade the statistical monitoring system**, so that policy indicators on prevention and activation will be provided by 2000 in accordance with agreed definitions and methods. This is particularly important in the current framework of decentralisation of active labour market policies.*

#### 4.1. Initiatives taken in response to the Recommendations

There has been an effort to increase the number of intensive **individualised activation measures**, mostly targeted at unemployed facing more labour market difficulties. Preventative action is a substantial part of the activation effort and particular progress has been made in the case of adults. The results of the detailed interviews will be used to improve the adequacy of the measures offered by the public employment services although progress towards the generalisation of individualised solutions is not documented. The focus on activation is well reflected in the budget, with active measures increasing a further 32% in 2000. The system to improve the data management as well as the policy coordination of the regional systems will be further developed but there is a danger of

overlapping and loss of efficiency in the multiplication of intervening agents.

To address the need to **reduce the administrative burden faced by companies**, the simplification of the administrative procedures will continue. Particularly, the 'one stop shop' that started in a few provinces as an experimental project proved satisfactory and will be extended. In addition, firms will be able to handle social security operations through the Internet. In an effort to exploit the service sector potential, INFO XXI, a national initiative for the spread of the information society, has been launched. Involving € 2.524 million, it aims at promoting internet use in households, schools and public administration.

Regarding the **intensification of the mainstreaming of equal opportunities**, actions are foreseen that support entrepreneurial projects among women and training in IT directed at women will intensify. There is a plan to develop a system of childcare and services to dependants but it will rely on the development of cooperation among local agents. A more solid commitment may be called for in this area.

The existing Integrated System of Employment Services, which involves data collection and transmission, is being further developed to **upgrade the statistical monitoring system of the prevention and activation policy** and is expected to be functional during 2001. The project has become more ambitious in its monitoring and coordinating capabilities.

#### **4.2. Other new initiatives**

There are a number of other new initiatives in the NAP 2000. In the **employability** pillar, a new program is being created to increase labour market participation of older workers responding to the new guideline that requires providing incentives to join the labour force. This 'Active Integration Income' is an income support for adults over 45 involving a contract with the employment services to take the necessary steps to re-enter the labour force. Regarding the public employment service, there seems to be a tendency to favour the development of hiring subsidies rather than that of direct employment aids to the unemployed. This involves moving towards measures that are likely to be less targeted. Addressing the new guideline requiring access to the information society in schools, the new INFO XXI initiative should equip all schools with computers before the end of 2001. Also, a new quality control system is introduced at an experimental stage in some technical education centres but no comprehensive plan is presented to solve the current problems of the educational system. In particular, no initiative is taken to face the problem of early school leaving. The integration measures for handicapped people as well as for immigrants continue to be developed and benefit from increased resources.

Regarding **adaptability**, agreements are being reached to extend the subjects included in collective bargaining to topics related to flexible working arrangements. A new agreement on continuous training is to be negotiated this year. Also, a comprehensive study is launched as a preliminary step for a national plan aiming at reducing the existing barriers to regional mobility.

Most regions have produced their own employment plan that detail the measures in employment policy to be financed by the regional authorities. The Spanish NAP would provide a more accurate picture of Spanish human resources strategy if it complemented the description of central administration measures with information regarding the additional regional measures taken to implement the employment guidelines.



## Performance Indicators

### Spain Annual data

#### Employment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	52,5	49,9	48,2	46,8	62,2	59,9
<i>Males</i>	67,9	65,2	63,0	61,6	71,6	69,7
<i>Females</i>	37,6	35,0	33,6	32,3	52,9	50,0
15-24	29,8	26,8	25,2	23,9	39,0	36,2
25-54	65,6	63,1	61,6	60,3	75,6	73,4
55-64	34,9	34,8	33,5	33,0	36,9	35,9
Full-time eq. Employment rate	50,0	47,4	45,8	44,5	56,8	55,0
<i>Males</i>	66,8	63,9	61,7	60,3	69,7	68,6
<i>Females</i>	33,8	31,4	30,3	29,1	44,2	42,3

#### Unemployment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	15,9	18,8	20,8	22,2	9,2	10,8
<i>Males</i>	11,2	13,8	16,1	17,6	7,9	9,6
<i>Females</i>	23,0	26,6	28,3	29,5	10,8	12,4
Youth Unemployment Ratio	12,5	14,5	16,1	17,3	8,5	10,2
<i>Males</i>	10,8	13,0	14,9	16,2	8,5	10,3
<i>Females</i>	14,2	16,1	17,3	18,4	8,5	10,1
Long-Term Unemployment Rate	7,3	9,4	10,7	11,7	4,2	5,3
<i>Males</i>	4,5	6,1	7,3	8,1	3,5	4,5
<i>Females</i>	11,5	14,5	16,1	17,5	5,0	6,2

### Annual change

#### Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	3,4	3,6	2,8	1,3	1,4	0,7
Real GDP Growth	3,7	4,0	3,8	2,3	2,4	1,6
Labour Productivity Growth	0,3	0,2	1,1	1,1	1,0	1,0
Real Unit Labour Costs	-1,1	0,3	-0,5	-0,6	0,0	-0,5

**General appreciation:** *The economic growth that continued in 1999, accelerating strongly towards the end of the year, had a positive influence on employment developments. In spite of the fact that the employment rate in France improved in 1999, it remains below the EU average, but is slightly higher in full-time equivalent terms. The fall in unemployment accelerated at the end of 1999, but the unemployment rate is two percentage points above the European average. This fall mainly benefited the long-term unemployed, young people and women. The gap between the employment and unemployment rates of men and women narrowed.*

**Policy mix:** *These results are in keeping with the French strategy, which is designed to achieve growth that is more employment-intensive and benefits everyone. This strategy, which has had a positive effect on employment, has given priority to measures to assist young people, women and the long-term unemployed. This is the backdrop to the "new services, jobs for young people" programme, the agreements on the reduction of working time, the sets of measures contained in the Combating of Exclusion Act and the measures under the "new start" towards employment for the unemployed. More than half of the people seen by the public employment service in this context were women.*

**Response to recommendations:** *There is a risk that the measures taken to encourage the oldest workers to continue to work longer will not have a sufficiently dissuasive effect, given the magnitude of the problem.*

*In order to exploit the job creation potential of the services sector, new fiscal measures and venture capital support measures have been adopted to complement the programme to employ young people in the services sector, but they do not appear to go far enough to address the issues.*

*It has been decided to introduce a new system for reducing the non-wage labour costs of enterprises that have concluded agreements on the reduction of working time, in order to lower the tax burden on labour, especially unskilled and low-paid labour. The average rate of taxation of labour is still too high, however.*

*Negotiations on the reduction of working time have often led to agreements between the social partners, making it possible to speed up the modernisation of work organisation.*

**Challenges ahead:** *The efforts made so far in response to these recommendations must therefore be stepped up. Particular attention should be paid to reducing the **tax burden** on work, which remains above the European average. With this in mind, consideration should be given to revising the system of reductions in non-wage labour costs in connection with the reduction of working time.*

*Furthermore, the priority given to the long-term unemployed under the "new start" measures should be supplemented by strengthening the **preventive** measures offered to young people/adults who have been unemployed for 6/12 months, since these measures did not achieve their objectives for 1999.*

## **1. Employment situation**

The 2.9% increase in GDP in 1999 had a positive influence on employment, which rose by 1.5%. Labour productivity grew by 1.4%.

The employment rate rose from 59.9% in 1998 to 60.4% in 1999. It lies below the European average, but is slightly higher in terms of full-time equivalence. This improvement mainly benefited young people (increase from 25.2% in 1998 to 26.5% in 1999) and women (increase from 52.9% in 1998 to 53.5% in 1999). On the other hand, the employment rate of people over the age of 55 stabilised and remains very low (28.3%).

The unemployment rate fell from 11.7% in 1998 to 11.3% in 1999. However, it remains above the EU average. The fall in unemployment benefited women more than men (the female unemployment rate dropping from 13.8% to 13.3%). The difference between the female and male unemployment rates narrowed but remains high (3.7% higher for women). There was a major fall in the youth unemployment ratio (from 9.1% to 8.2%). Girls benefited more than boys from the fall in unemployment. The long-term unemployment rate fell from 4.9% to 4.4%.

## **2. Employment strategy**

There are three focuses to the French employment strategy: stronger growth, more employment-intensive growth and growth for all. This strategy aims to achieve full employment by the end of the decade.

The measures of the entrepreneurship and adaptability pillar, especially the reduction in working time, the reduction in non-wage labour costs on low wages and the creation of new jobs linked to the new services are designed to make growth more employment intensive. Lastly, the measures of the employability and equal opportunities pillars are designed to ensure that everyone benefits from this growth. This is true, in particular, of the measures to prevent and combat exclusion, the "new start" measures and the measures to combat early school leaving without qualifications.

## **3. Progress assessment**

### **3.1. General appreciation**

The French NAP provides a precise diagnosis of the existing problems and establishes quantified objectives for most of the guidelines. The occupational integration pillar and equal opportunities policy remain the most important. Nevertheless, the most important medium-term implications may lie in the reorganisation of work in connection with the reduction in working time.

The results obtained so far have generally matched the forecasts. And yet, the early treatment of the unemployment of young people/adults before 6/12 months has not met expectations. However, considerable efforts have been made to promote the occupational integration of women, the long-term unemployed and people threatened with exclusion.

### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** The "new start" measures for young people/adults in the first 6/12 months of unemployment in 1999 (69 000 young people and 154 000 adults) did not achieve the objective

established. The non-compliance rate was 77.8% for young people and 74.8% for adults. Priority was given to the long-term unemployed and to persons threatened with exclusion, who make up 73% of the total number of beneficiaries of the "new start" measures (841 000 people). The latter have also benefited from the Trace programme (43 000 young people) and from all the measures under the Combating of Exclusion Act. The activation rate rose from 20.3% in 1998 to 22.5% in 1999.

Since 1998, minimal allowance recipients may cumulate their work-based earnings with the allowance during the first 12 months after they find a job. The first results of this scheme, which aims at encouraging disadvantaged people to return to the labour market, are positive (the number of minimum income recipients using this scheme has increased by 17% in 1999).

The establishment of relay classes in order to combat early school leaving without qualifications is continuing as planned. Under the ambitious programme for introducing ICTs into teaching, by the end of 1999, an Internet connection had been established in all general and technical upper secondary schools, 50% of vocational upper secondary schools, 60% of lower secondary schools and 15% of primary schools.

**Entrepreneurship:** The number of jobs created under the "New services, jobs for young people" programme rose from 160 000 in 1998 to 223 000 in 1999, slightly below the target announced in the 1999 NAP of 250 000 by the end of 1999. There is, however, the question of the longevity of these jobs. In order to consolidate these jobs beyond the subsidised period, priority is being given to the quality of the projects in relation to the relevance of the needs to be met.

**Adaptability:** As part of the application of the Act of 13 June 1998, by the end of March 2000 28 400 enterprise-level agreements on reducing working time had been concluded covering more than 3.1 million workers, and 132 sectoral agreements covering more than 10 million workers. According to national estimates (as of March 2000), the negotiations on the 35 hours working week will lead to the creation or maintenance of 182 000 jobs. This does not appear to be having an adverse effect on the competitiveness of enterprises. In 1999, unit labour costs rose by only 0.2%. This was achieved through wage moderation, tax reductions and increases in productivity as a result of the new forms of work organisation. These agreements have also helped to give impetus to the social dialogue.

**Equal opportunities:** Equal opportunities policy was systematically incorporated into all pillars. The objectives laid down in the 1999 NAP for the participation of women in the integration measures were achieved overall (56% in the measures of the programme for combating long-term unemployment and exclusion and 54% in the "new start" scheme).

The role of the **social partners** was considerably enhanced. They were involved in drafting the NAP at a meeting chaired by the Prime Minister and at five working meetings. They are also helping to implement the measures of the NAP, especially in the areas of vocational training, adaptability and equal opportunities.

The contribution of the **ESF** mainly concerns the first pillar. The principal measures supported are the "new start" preventive policy, the policies to promote integration and combat exclusion and the measures to facilitate the transition from school to work. The rest of the ESF contribution concerns the adaptation of workers and equal opportunities. The ESF was implemented using greater decentralisation, which should make it possible to strengthen territorial employment strategies.

#### 4. New policy initiatives

##### *The 1999 Council recommendations on the implementation of France's employment policies*

- (1) Review existing benefit schemes, particularly those facilitating early retirement, in order to **keep older workers longer in active life**.*
- (2) Adopt and implement coherent strategies, encompassing regulatory, fiscal and other measures, designed to reduce the administrative burden on companies, in order to **exploit the job creation potential of the service sector**, inter alia building on recent efforts to create new job opportunities for young people.*
- (3) Pursue and evaluate policy measures designed to **reduce the fiscal pressure on labour**, particularly those addressing unskilled and low-paid workers.*
- (4) Strengthen **social partnership** with a view to developing a comprehensive approach to modernising work organisation.*

#### 4.1. Initiatives taken in response to recommendations

In order to **keep older workers longer in active life**, a series of measures was taken, including increasing the contribution that enterprises must make for the dismissal of any worker over the age of 50 (which was doubled). However, there is a need to examine whether these measures, on their own, are enough to reduce the number of early retirements.

The measures taken in order to **exploit the job creation potential of the service sector** ("new services, new jobs" programme, simplification of administrative formalities and support for venture capital) do not appear to go far enough to tackle the issues, especially in the private sector. As far as the reduction in the VAT rate on highly labour-intensive services that was adopted at the end of October 1999 is concerned, it is too early to assess its impact.

In order to **reduce the fiscal pressure on labour**, especially unskilled and low-paid labour, a further reduction in non-wage labour costs for the lowest wages, which is reserved for enterprises that have concluded agreements on the 35-hour working week, was introduced in 2000. The cost of labour is expected to fall by 18.5% for wages at the level of the statutory national minimum wage. Until the effects of this measure are felt, it has to be said that the average rate of taxation on labour did not fall in 1999 and remains too high (64.67% of gross wages). The same applies to the rate of taxation at minimum-wage level (48.34%).

The State authorities have made a major effort to strengthen the **social partnership**. In spite of the positions adopted by the employers' organisations in response to the Law on the 35-hour working week, the negotiations on the reduction of working time have given a boost to the social dialogue in many enterprises and have often led to agreements between social partners on the organisation of work.

#### 4.2. Other policy initiatives

One of the most salient aspects of the 2000 NAP is the plan to make a special effort to strengthen the first two guidelines and develop the local dimension of the programmes.

**Employability:** The forecast of the number of beneficiaries of the "new start" measures for the year

2000 is 1 100 000 people, including 240 000 young people who have been unemployed for less than six months and 440 000 adults who have been unemployed for less than 12 months, which is very ambitious in relation to what was achieved in 1999. Other measures planned under this pillar mainly concern the validation of experience, the system of certification and the establishment of an Internet connection in all secondary schools and 5 000 nursery and primary schools.

The local dimension will be enhanced in the measures to **develop entrepreneurship**. The public employment service and the persons responsible for implementing the "new services, new jobs" programme will have to strengthen local partnership and introduce genuine strategies for a given geographical area. Tax reductions are also planned for the new enterprises created and for the transfer of the conveyance duty on business assets.

In the area of **adaptability**, mention must be made of the new provisions of the Act of 19 January 2000 on the reduction of working time. This Act sets out the system governing overtime, opens up new possibilities for organising working time (modulation, "time savings account", provisions for managers, part-time work) and introduces new reductions in employers' social security contributions.

As far as **equal opportunities** are concerned, the focus in 2000 will be on mobilising the public employment service in order to make it easier for women to enter the labour market. The condition of length of unemployment, which is required to benefit from the "new start" system, no longer applies to women re-entering the labour market. Other specific measures are the inclusion in the agreements signed by enterprises of measures to combat discrimination in recruitment as a condition for benefiting from reduced social security contributions; the increase in the resources of the guarantee fund for the creation of enterprises by women; lastly, the quantitative and qualitative improvement in child care.

## Performance Indicators

### France Annual data

#### Employment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	60,4	59,9	59,4	59,7	62,2	59,9
<i>Males</i>	67,5	67,2	66,8	67,3	71,6	69,7
<i>Females</i>	53,5	52,9	52,1	52,3	52,9	50,0
15-24	26,5	25,2	24,3	25,5	39,0	36,2
25-54	77,2	77,0	76,6	77,1	75,6	73,4
55-64	28,3	28,3	28,9	29,1	36,9	35,9
Full-time eq. Employment rate	57,0	56,7	56,2	56,4	56,8	55,0
<i>Males</i>	67,5	67,3	66,9	67,0	69,7	68,6
<i>Females</i>	47,0	46,4	46,0	46,3	44,2	42,3

#### Unemployment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	11,3	11,7	12,4	12,4	9,2	10,8
<i>Males</i>	9,6	9,9	10,7	10,6	7,9	9,6
<i>Females</i>	13,3	13,8	14,4	14,5	10,8	12,4
Youth Unemployment Ratio	8,2	9,1	10,1	10,5	8,5	10,2
<i>Males</i>	8,4	8,8	9,8	10,0	8,5	10,3
<i>Females</i>	8,1	9,4	10,4	10,9	8,5	10,1
Long-Term Unemployment Rate	4,4	4,9	5,0	4,8	4,2	5,3
<i>Males</i>	3,6	4,1	4,2	3,9	3,5	4,5
<i>Females</i>	5,3	5,8	5,9	5,9	5,0	6,2

### Annual change

#### Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	1,5	1,2	0,3	0,3	1,4	0,7
Real GDP Growth	2,9	3,1	1,9	1,1	2,4	1,6
Labour Productivity Growth	1,4	2,1	1,8	1,3	1,0	1,3
Real Unit Labour Costs	0,2	-0,4	-0,7	-0,1	0,0	-0,5

**General appreciation:** *As the economy in Ireland continued to grow exceptionally strongly throughout 1999 rapid job growth pushed the employment rate ahead of the EU average for the first time. With unemployment continuing to fall, labour and skills shortages now constitute one of the major challenges for the imminent future. Coupled with the tightening labour market, inflation has increased rapidly (in part due to exchange rate and energy price trends) and needs to be managed in order to sustain competitiveness and economic growth.*

**Policy mix:** *The policies introduced or planned in this year's NAP show a distinct move towards labour mobilisation, with a clear focus on measures to tackle both skills and labour shortages, as well as strong commitments on gender equality and social inclusion. The conclusion earlier this year of the new 3-year Partnership agreement 'Programme for Prosperity and Fairness' (PPF) has meant that the Social Partners have had a strong influence on policy developments.*

**Response to recommendations:** *Ireland is actively pursuing the recommendation to facilitate and increase the participation of women in the labour market on a number of fronts, including a tax individualisation programme and the introduction of a broad range of childcare initiatives. It is a very promising response, but it will also require a comprehensive follow-through, not least in the area of tax individualisation, if the large employment gender gap is to be reduced.*

*There has been very rapid expansion in Irish service sector employment over the past 5 years (1994-1999). Service sector jobs now account for 63% of all Irish employment. The policy of continuing cuts in corporation tax rates, coupled with rapidly rising domestic real incomes, is considered as creating an appropriate environment for continuing expansion of the sector.*

*The NAP announces a major new policy initiative in relation to in-company training, the introduction of a new National Training Fund financed through an employer levy. The success of this initiative will depend on the degree to which fund resources leverage increased investment in enterprise training and lifelong learning.*

**Challenges ahead:** *The transformation of the Irish labour market has required a decisive shift in policy. If future labour force expansion requirements are to be met strategies will need to include efforts to further increase labour force participation rates, especially amongst married women and older workers, and to facilitate inward migration aimed at addressing skills shortages. These factors will help augment labour supply in the context of a slowdown in the natural increase in the labour force.*

*Sustaining productivity growth will require strategic efforts to continuously upgrade the skills and competencies of the Irish workforce, especially in the enterprise sector. This will require an increased emphasis on in-company training and lifelong learning, and the development of an operational framework for both.*

*Efforts in relation to the strengthening of mechanisms to promote gender mainstreaming must be sustained, and continuing attention must be paid to the gender pay gap.*



## **1. Economic and employment situation**

The exceptional performance of the Irish economy continues, with 1999 being the 6<sup>th</sup> year of extremely strong economic growth. Real GDP growth, at 9.8%, is four times the Union average. Real Unit labour costs continue to decline, underpinning swift employment expansion - the numbers at work rose by 103,000 in the twelve months to the final quarter of 1999. The service sector accounted for over 70% of the total job growth. The employment rate, at 62.5%, edged ahead of the EU average for the first time. While the female employment rate is rising more rapidly than its male counterpart, at 51.4% it remains below the average for the EU. The employment and pay gender gaps also remain wider than the EU average. Employment rates in the younger and older cohorts of working age are significantly above the EU average levels, however the employment rate in the prime working age cohort remains below the EU average, reflecting lower female labour force participation rates.

Unemployment (ILO) continued its downward spiral, falling to 5.7% of the labour force in 1999, or less than two-thirds of the EU average levels. Unemployment rates in all component groups – youth, long-term unemployed, men and women – are signally below average EU levels. By 1999 the long-term unemployment rate stood at just 2.3%. Both rates (unemployment and LTU) have continued to fall sharply in 2000.

Increased employment rates and sharply declining rates of unemployment are indicative of a further tightening of the labour market, already evident last year. All indicators of potential labour supply are falling steeply.

## **2. Overall employment strategy**

The NAP highlights the changing needs of the Irish economy, and the new emphasis on pursuing policies based on labour mobilisation, rather than focusing solely on tackling unemployment. It identifies existing skills and labour shortages as requiring differing policy responses. With new entrants to the labour market set to decline over coming years a new approach to immigration is being developed to ensure that economic growth rates, as set out in the NDP, are attained. The NAP recognises the considerable pressures on available supply resources, which are being reflected in higher wages and inflation, and the possible consequences of loss in competitiveness and slower growth. It recognises too the need to reposition Irish industry in terms of adaptability, to meet challenges of new technologies and skills and globalisation of markets, and reaffirms the strong commitment set out in the National Development Plan and the CSF to equal opportunities between women and men.

The National Development Plan 2000-2006 (NDP) includes a Programme for Employment and Human Resource Development, structured round the four pillars of the EES, which will account for expenditure of € 14 billion over a 7-year period (25% of total planned expenditure).

## **3. Progress assessment**

### **3.1. General appreciation**

To date, the policy emphasis within the NAP has been concentrated on the Employability pillar, and in particular on unemployment prevention. This NAP indicates that the preventive strategy will be rolled out to all groups even earlier than originally envisaged. The new orientation in labour market approach is evident, coupled now with continuing efforts to re-integrate the long-term unemployed. There is now a recognition that, within conditions of a very tight labour market, greater efforts must

be directed towards labour mobilisation. Tax and benefit reforms are aimed at improving the reward from work and thereby enhancing labour supply. Within the present NAP greater weight has been afforded to the equal opportunities pillar, particularly with respect to increasing women's participation in education, training and employment. The new National Training Fund element of the Adaptability pillar is an interesting development, which will be elaborated in the context of legislation to be introduced in Autumn 2000. Whilst this year's NAP is consistent with the plans set out in the NDP and the Programme for Prosperity and Fairness, 2000-2003 (PPF) the longer-term nature of these programmes means that it is important that the review mechanisms in place ensure their timely implementation. The capacity of the Irish economy and its research facilities to absorb effectively the very considerable research funding proposed under the Technology Foresight Fund in a manner that will result in enhanced competitiveness will need to be monitored. Much of the future success of the labour market is tied up with the stability and success of the Partnership agreement: how it addresses the strain of inflationary pressures remains to be seen.

### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** As provided for in the 1999 NAP, the preventative approach was extended to the 25-34 age group in May of last year, and to the 35-54 age group in February 2000. The remaining group will be covered later this year, and the trigger point will be brought forward to 9 months for all groups. A modest improvement in effort for the younger age group can be seen, but figures for the adult unemployed cover only the last 6 months, so comparisons are not available. However, the inflow into long-term unemployment for this group is relatively low. For guideline 3 the Irish calculate participation in ALMPs as 49.6% of the Live Register. Last year's NAP set a sub-target of 20% long-term unemployed on FÁS<sup>1</sup> training programmes and this was exceeded (22%). The target is increased to 25% for 2000. In promoting activation the low paid have been exempt from income tax, while the taxation of working married couples has been lightened. The introduction of the new minimum wage from April 2000 should also encourage higher levels of labour force participation. The Government has approved a restructuring of Community Employment (40% of ALMP places) to further concentrate on long-term unemployed and disadvantaged groups, as well as increasing the training component.

Legislation to establish a National Qualifications Authority was enacted in July 1999; the structure is in course of being established. Funding for adult literacy has been significantly increased (albeit from a very low base considering the scale of the problem), and various new initiatives have been put in place. It is hoped that the upcoming White Paper on Adult Education will outline a comprehensive strategy, but there remains a concern that existing resources may not be sufficient to address the problem. National certification was introduced for the first time for Youthreach (the early school-leavers programme), improving the progression route and subsequent educational opportunities, but early school leaving is still a concern, given the enhanced attractions of the labour market. The Education (Welfare) Bill published in 1999, which provides for the registration of young people under 18 who leave school early, and that an employer may not employ such a person without a certificate of registration, has now been enacted. A specific Post-Primary Retention Initiative, aimed at schools, was established in June 1999. Targets of the 3-year *IT 2000* programme were met after two years, the National Centre for Technology in Education has been established, and the *Scoilnet* website launched. In the area of High-Technology an additional 5,400 places in universities and institutes of technology are provided for over the period 2000-2002 (in accordance with recommendations of the Expert Group on Future Skills Needs).

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<sup>1</sup> The National Training Authority

**Entrepreneurship:** The graduated reduction in the standard Corporation Tax rate, as provided for in the 1999 NAP, continued (down from 32% to 28%). The developing roles of Enterprise Ireland, County Enterprise Boards and local development partnerships are clearly set out in the NAP. Ireland now ranks 7<sup>th</sup> overall in the international league of national competitiveness (moved up between 11 and 15 places in various recent studies – OECD, World Economic Forum, Institute of Management Development). A Social Economy Programme was approved by Government in July 1999, and the operating framework and resources for 1999/2000 have been agreed.

**Adaptability:** An initiative aimed at enhancing awareness of the significance and business implications of eCommerce and eBusiness was launched by Enterprise Ireland in October 1999, as one element of a comprehensive Government strategy on the Information Society. In relation to in-company training the NAP refers to a recently-published study by the Employers Federation (IBEC) which suggests that enterprise training expenditure is now at 3% of payroll. Further work may be needed to validate this information.

**Equal opportunities:** Considerable progress is evident: an extremely strong commitment to gender mainstreaming is contained in the NDP and the CSF, including structures for monitoring across all areas of the Plan, as well as various initiatives, particularly in the area of childcare (grants, taxation allowances, training, and a childcare census and database). A 'Term-time' initiative is currently being piloted in a limited number of Government Departments (allowing parents to take leave during the summer months).

**Social partners:** Social Partnership has evolved substantially in Ireland over the past 15 years. The latest national partnership agreement, the PPF, demonstrates the continuing shared understanding between Government and the social partners on the need for collaborative effort to achieve shared social and economic goals. The PPF is particularly notable for its strongly-developed social inclusion and equality dimensions. The Social Partners were formally consulted on the preparation of the NAP.

**ESF and the structural funds:** The NAP sets out in detail the future role of the ESF in delivering the EES through the new Employment and Human Resources OP, structured around the four pillars of the European Employment Strategy. However, in quantifying the expenditure the NAP omits the considerable funding devoted to childcare under the Regional Operational Programmes (€ 317 million in total expenditure, representing the single biggest investment in pursuit of equality between women and men. The ESF contribution - €115 million - represents 11% of the total planned ESF expenditure in the period 2000-2006). The ERDF has also made a significant contribution in terms of global investment in job creation, and will play a very strong role under the new CSF particularly in the areas of childcare and research and technology investment.

#### 4. New policy initiatives

***The 1999 Council recommendations on the implementation of Ireland's employment policies***

*(1) Adopt a comprehensive strategy to increase the **participation of women** in the labour market, including the removal of tax-benefit disincentives, and putting in place measures which facilitate the reconciliation of work and family life. In particular, a sustained effort to raise the standards of **care for children** and other dependants and flexible leave schemes is called for;*

*(2) Pursue recently implemented policies, encompassing regulatory, educational and fiscal measures, in order to further exploit the potential for job growth in the **service sector**;*

*(3) Intensify policy efforts to expand and improve **in-house training** of employees.*

#### 4.1. Initiatives taken in response to recommendations

Ireland is actively pursuing the recommendation to facilitate and increase the **participation of women** in the labour market on a number of fronts. Two principal instruments have been utilised. First, this year's Budget introduced the first stage of a tax individualisation programme, which should increase the incentive to work, in particular for married women. Second, Budget 2000 introduced a broad range of **childcare initiatives**, from capital grants for the provision of childcare facilities to supports for childcare training and the development of local childcare networks. In addition, the new social partnership agreement undertakes that negotiations on an equitable strategy to support parents in meeting their childcare needs – including proposals on direct payments per child – will be completed before the end of 2000 and will be implemented during the term of the agreement. The establishment of a National Framework to support and develop family-friendly policies at enterprise level has been agreed by both government and social partners.

With employment in **services** exceeding 1 million for the first time in 1999 it would seem that recently implemented policies are having a strong impact in this area. The expansion has been driven by rapidly rising domestic real incomes, an enhanced performance by internationally-traded services and continuing cuts in corporation tax rates, scheduled for cumulative reduction to 12.5% by end-2002.

The major new policy initiative in relation to **in-company training** was the announcement in Budget 2000 of the introduction of a new National Training Fund, to be financed through an employer levy of 0.7%, with a corresponding reduction in employers' social insurance contributions. The establishment of the Fund does not involve any additionality in the year 2000 in terms of in-house training: resources will be used to finance existing training supports in and for employment. However it is expected that, over time, the growth in fund revenues will provide new resources for in-company training and life-long learning programmes.

#### 4.2. Other policy initiatives

**Employability:** In an effort to increase the attractiveness of work, single people earning less than € 140 per week have been exempted from the income tax system from April 2000. Simultaneously, the standard and higher income tax rates have each been cut by 2 percentage points to 22% and 44% respectively. A national minimum wage was introduced for the first time, also in April 2000, at an hourly rate of € 5.59. The role of the National Employment Service within FÁS continues to be strengthened, with the integration of Local Employment Service (LES), and the transfer of responsibility from the National Rehabilitation Board for the provision of employment and vocational training services for people with disabilities. Annual spending on adult literacy is effectively scheduled to double in the years 2000 to 2002, compared with a base provision of € 7.24m in 1999, although absolute spending levels remain relatively low. A White Paper on Adult Education is foreseen. Targets are set in relation to the further development of the Schools *IT 2000* programme, with the objective of ensuring that all pupils have access to ICT facilities.

**Entrepreneurship:** Substantial new resources have been allocated for competitiveness-improving new technologies over the period of the NDP. These include almost € 2.5billion in research, technology and innovation programmes, of which € 1.5billion is targeted at industrial development-related Science and Technology schemes. In addition, the Technology Foresight Fund intends to invest € 711 million between 2000 and 2006 in researching niches within biotechnology and ICTs. The capacity of the Irish economy and its research facilities to absorb effectively this research funding should be monitored. The Government is also investing heavily in creating the research, legal and business conditions which will foster the development of electronic commerce and digital industries (a Bill to give effect to electronic signatures and contracts, published in March, has now been enacted). Budget 2000 cut the standard corporation tax rate from 28% to

24%. Furthermore the 12.5% standard rate of corporation tax, that will apply generally from 2003, has been brought forward to 1 January 2000 for SMEs with trading profits below € 63,487. The dedicated Social Economy programme is allocated € 12.69m in 2000, and this figure is expected to rise to € 52m when the programme is fully operational.

**Adaptability:** A Task Force on lifelong learning has been established focusing on adaptability and upskilling, and the access to learning opportunities necessary to meet these goals. In March 1999 a new working visa system was introduced to ease skills and labour shortages in certain occupational categories where labour is in particularly short supply. Adaptation policy also concentrates on developing and exploiting the Information society. The Social Partners have agreed a range of topics to be taken up in partnerships at company level, such as better work organisation, personal development and family-friendly working arrangements.

**Equal Opportunities:** The strong commitment to gender mainstreaming in both the NDP and CSF is mirrored in the NAP. Specific initiatives include the development of a databank of gender disaggregated statistics for all areas across the NDP, and the implementation of a programme of positive action measures for women, with a budget of almost € 30million. A report on Male/Female wage differentials is to be published by the ESRI in September 2000, and a consultative group, which will include the social partners, will develop policy proposals arising from the report's recommendations.

Performance Indicators

**Ireland**  
**Annual data**

**Employment Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Rate	62,5	59,7	56,4	54,9	62,2	59,9
<i>Males</i>	73,6	71,0	68,0	66,8	71,6	69,7
<i>Females</i>	51,4	48,2	44,7	42,8	52,9	50,0
15-24	46,5	43,0	38,3	35,6	39,0	36,2
25-54	73,3	70,6	67,5	66,5	75,6	73,4
55-64	43,8	41,6	40,3	40,5	36,9	35,9
Full-time eq. Employment rate	58,3	55,4	52,8	51,1	56,8	55,0
<i>Males</i>	72,9	69,7	66,3	64,6	69,7	68,6
<i>Females</i>	43,5	41,0	39,2	37,8	44,2	42,3

**Unemployment Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Unemployment Rate	5,7	7,8	9,8	11,6	9,2	10,8
<i>Males</i>	5,8	8,0	9,8	11,5	7,9	9,6
<i>Females</i>	5,5	7,6	9,8	11,8	10,8	12,4
Youth Unemployment Ratio	4,2	5,5	7,0	8,0	8,5	10,2
<i>Males</i>	4,6	6,1	7,9	9,0	8,5	10,3
<i>Females</i>	3,9	4,8	6,2	7,0	8,5	10,1
Long-Term Unemployment Rate	2,3	3,2	5,3	6,9	4,2	5,3
<i>Males</i>	2,5	3,5	5,8	7,4	3,5	4,5
<i>Females</i>	2,0	2,8	4,4	6,0	5,0	6,2

Annual change

**Employment related Economic Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Growth	5,1	5,0	5,6	3,8	1,4	0,7
Real GDP Growth	9,8	8,6	10,7	7,7	2,4	1,6
Labour Productivity Growth	4,5	3,4	4,9	3,9	1,0	1,0
Real Unit Labour Costs	-1,4	-2,8	-3,5	-2,8	0,0	-0,5



**General appreciation:** labour market conditions improved in 1999, principally due to the adoption of fiscal incentives and flexible work arrangements. Social dialogue favoured the introduction of these measures. The structural problems of the Italian labour market require further actions: difficulty for youth and the long term unemployed to (re)enter employment; unfavourable gender differentials; regional imbalances; undeclared labour.

**Policy mix:** policy improvements can be noticed. Progress was noteworthy in the Adaptability and Entrepreneurship pillars. In addition, other steps were taken in the right direction, by completing the reform of the education system, by continuing to shift tax and contributions burdens away from labour and by increasing training and apprenticeship opportunities. Under Employability legislation has been introduced, but the scope of the reform launched and administrative delays hindered the practical implementation of policies.

**Response to recommendations:** full implementation of the preventative approach is proceeding slowly. Restructuring and modernisation of the PES, when achieved, will represent a building block. The devolution of the PES to the Regions was completed and the tasks for the new local employment centres were set. The implementation delays meant that the data required for the monitoring of policy developments was not collected according to the commonly agreed methodology.

Measures further alleviating fiscal and administrative burdens on firms were introduced.

The reform of the unemployment benefit system was postponed to 2001.

Measures aimed at favouring equal opportunities were taken, but they need to be strengthened in order to reduce the gender gaps significantly.

**The challenges ahead:** last year's recommendations were partly met, but further and faster action is required, especially in the fields of active policies aimed at preventing and/or reducing youth and long term unemployment and gender gaps. The reform of the benefit system should not be postponed further; the environment conducive to the development of employment in the service sector could be improved; action needs to be taken on a strategy for lifelong learning; upgrading of the monitoring and evaluation system is essential.



## **1. Economic and Employment Situation**

GDP growth, at 1.4%, was lower than the 1999 EU average. Employment grew by 1.0%. High elasticity of employment with respect to the rate of growth of output is thus also an effect of a different distribution of work among the employed. The employment rate rose to 52.5%, mainly due to the growth of the service sector. It remained below the EU average, mainly due to the female component: the differential is 4.5 points for men, and 14.8 points for women. The female employment rate grew more than male employment rate (1 and 0,5 percentage point respectively). Employment rates for the young and older people did not grow.

The recovery of employment started to re-absorb the stock of persons searching for a job. The rate of unemployment fell to 11.3%; the female unemployment rate was 15.6%, almost twice that of males, at 8.7%. Youth unemployment decreased slightly, even though the unemployment ratio for 15-24 year-olds was almost 4 percentage points above the EU average. The long-term unemployment rate, which remained almost unchanged, or marginally worsened in Southern Italy, is still above the EU average.

Regional differentials characterise Italian unemployment. Southern Italy accounted for 35% of the resident population, for 28.1% of employment and for 61.3% of the number of persons in search of employment. The unemployment rate was 6.5% in the Centre-North and 22% in Southern Italy.

## **2. Overall Employment Strategy and its Main Objectives**

The NAP foresees employment growth rates, expressed in terms of full-time equivalents, slightly below 1% between 2000 and 2003 and a fall in the average unemployment rate to 9.3% by 2003, with a higher speed of reduction in Northern than in Southern Italy.

The employment strategy is split into three lines of actions. The first one aims at raising the rate of growth, especially in the South. The instruments to be adopted are: incentives to competitiveness; increased public capital expenditure; a privately financed expansion of public works and services; tax cuts; privatisation and liberalisation programs. The second line of action operates on the supply side through: (i) reforms aiming at reducing the unemployment differential between youth and adults (PES implementation, a new apprenticeship scheme, etc.); (ii) measures designed for adults (reform of social relief benefits, new contracts for re-entering the labour market, lifelong learning); (iii) reforms of corporate law and public administration simplifying firms' start-ups and localisation, enlargement of capital markets, etc. The third line is to set up actions for Southern Italy. Two structural policies are emphasised: contribution-related measures for the "surfacing" of enterprises and workers; reduction of tax and contribution burdens on labour.

## **3. Progress Assessment**

### **3.1. General Appreciation**

Some of the policies adopted in 1999 appear to have been effective, mainly in meeting the demand of enterprises for higher flexibility of work arrangements. An effort was made to structure the policy mix in terms of pillars, but imbalances remain in the way and in the speed at which actual policies are meeting the guidelines. Progress can be seen, in particular, in the Adaptability and Entrepreneurship pillars. The reduction in both tax burdens on firms and in labour costs is continuing.

As for Employability, further steps were taken in the right direction, by increasing training and apprenticeship opportunities. Social dialogue favoured these developments. Delays in reforming employment services are however hindering the implementation of active labour market policies

fostering a preventive approach to long-term unemployment. Delays occurred also in the completion of development projects in the South, even though budgetary commitments increased.

In the face of differentials in territorial unemployment rates, no policy supporting regional mobility of labour was proposed. Measures related to Equal Opportunities appear mainly experimental and of limited impact.

### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** Active measures increased in 1999. Measures for preventing young and adult long-term unemployment, operated through the PES, are envisaged to become gradually operative and - to be fully implemented by 2003. With respect to employment services, the wide-ranging initiatives set up in 1999 were partly activated. The process of devolution of the PES to the Regions was completed although implementation is proceeding in some Regions only (234 Employment Centres were activated in the Centre-North and 8 in the South). The deadline for the completion of the Employment Information System, set for mid-2000, shifted to the end of the year. The general reform of the social benefit system and employment incentives was also postponed to March 2001. More than 20% of the unemployed registered with PES were involved in training programmes and/or subsidised work experience. Several measures for the employment of disadvantaged persons were introduced.

The number of advanced training courses involving work experience in firms increased. The reform of the education system was completed. Schools and Universities were given more autonomy and more effective actions were undertaken against early school leaving in Southern Italy. Accreditation of training establishments and the development of a certification system for vocational training is under way. 21.000 projects for the purchase of multimedia stations in schools were financed. 487 Permanent Training Centres were set up and 200.000 adults enrolled for adult education courses.

**Entrepreneurship:** The main actions refer to labour cost: contribution burdens went down by 0,82%; total contribution relief for firms in the South are still in place; the system of incentives and relief available to industrial firms was extended to the non-profit sector. Measures favouring youth entrepreneurship and the set up of new business ventures obtained results. "Planned Programming" led to an increase in budgetary commitments related to territorial pacts in areas of high unemployment where social dialogue is particularly emphasised. Administrative simplification is being pursued through the "single counter" for firms, though implementation is at the moment partial (45% in the North and 33% in the South). The promotion of youth and female entrepreneurship and "Honour loans" are proceeding together with action programmes for the diffusion of an enterprise culture in schools.

**Adaptability:** Results were obtained mainly through a new regulation and incentives for part-time work (the target of 100.000 new jobs was overshoot by 40.000) and through fixed-term contracts (apprenticeship, temporary work, etc.), addressing mostly women and young workers. A non-discrimination principle and worker's consent were included in the part-time regulation particularly to prevent an unfavourable impact on women. Social dialogue led to further spread and regulation of labour flexibility. The legislative action relative to contracts exchanging work time for training activity and to the regulation of coordinated and continuing cooperation schemes proceeded. The development of temporary work concerned 200.000 persons.

**Equal opportunities:** The initiatives to favour female entrepreneurship (enterprise creation in particular) were confirmed. Maternity income support is to be provided to large families and to women without other social security coverage. A reform of care services and nursery schools was started. The opportunities for parental and training leave were enlarged.

**Social Partners:** The NAP expressed clearly the wide consultation of social partners on all important Government decisions. The formalisation of social dialogue occurred through the 1998 Christmas Pact. Social partners agreed with the broad strategy of the NAP. However they asked the Government to take more effective and rapid actions on PES implementation, on further lowering the labour tax burden and on administrative simplification. They also asked for a renewal of the legislation on social benefits and on the regulation of part-time work. Controversial issues remain, particularly on flexibility policies, on which further negotiation is proceeding.

**The ESF and the Structural Funds:** Compared to 1998, ESF commitments supported a broader range of national policies. More than 20% of the total funding was allocated to Pillar 3, i.e. continuing training, with special regard to the employability of persons of working age. 1395 M € (about 70% of the total) were committed to preventive measures, specifically targeted on young people in search of their first job, adult unemployed, and disadvantaged persons. Significant support was given to initiatives to enhance equal opportunities.

The reform of the PES, the implementation of the preventive approach, and the development of the training system, will be pursued through the 2000-2006 ESF programmes, as will other national and regional policies. 10% of total resources is devoted to the improvement of equal opportunities, for both mainstreaming and specific actions.

#### **4. New Policy Initiatives**

*The 1999 Council recommendations on the implementation of Italy's employment policies*

*(1) Take decisive, coherent and measurable action to prevent young and adult unemployed people from drifting into long-term unemployment. In particular, strengthened efforts should be made to complete the reform of employment services, to implement preventive policies in compliance with guidelines 1 and 2, and to improve the quality of vocational training. Efforts to upgrade the statistical monitoring system should be pursued, so that policy indicators on prevention and activation will be provided by 2000 in accordance with agreed definitions and methods;*

*(2) Adopt and implement coherent strategies, encompassing regulatory, fiscal and other measures, designed to alleviate the administrative burden on companies, to stimulate entrepreneurship and exploit the job creation potential of the service sector;*

*(3) Continue current reform efforts designed to shift away the tax burden from labour to other tax bases;*

*(4) Continue the implementation of the reform of pension and other benefit systems in order to reduce the outflow from the labour market into pensions and other schemes;*

*(5) Adopt comprehensive policies in order to address the wide gender gaps in employment and unemployment, inter alia by building on existing specific initiatives. Gender policies should also be mainstreamed under all the pillars of the National Employment Action Plan.*

##### **4.1. Initiatives Taken in Response to Recommendations**

The reform of PES and the Employment Information System implementation continued, but was insufficient. Indicators allowing for effective monitoring of preventive policies have not been

supplied in accordance with the commonly agreed methodology. The NAP 2000 sets tasks and minimum standards of operation for the new Employment Centers and confirms that, while progress continues, the full implementation of the preventive measures for youth and long-term unemployment and of PES will be operational by 2003. Therefore, recommendation 1 was partially met.

The recommendation to alleviate administrative burdens on firms, to stimulate entrepreneurship and to foster services was partly met. Firms' administrative procedures were simplified through the introduction of the single counter, which is however far from reaching a complete territorial coverage. Measures were also taken to create jobs in the cultural and environmental sectors.

The recommendation to lower the tax burden on labour was pursued by continuing the fiscal and contribution reductions introduced in 1998-99, though to a lesser degree. The 2000 Finance Act sets small reductions for contribution charges on wage costs (0,2% cut in maternity contributions and 0,5% cut in the National Insurance premium against work accidents). Possibilities such as the extension of the Dual Income Tax to corporate firms and the revision of the regional tax on economic activities in favour of smaller enterprises, were mentioned in the NAP without details. These positive actions should be pursued.

The reform of the unemployment benefit system, which was to be completed in 1999, was postponed to 2001. A further revision of the pension system is expected to be undertaken by 2001, in the meantime, reforms of pension schemes already agreed continue to operate.

Actions in order to promote gender mainstreaming in all pillars were taken. However, the process of gender mainstreaming is still in its preparatory phase. Female employment is expected to grow especially through the increasing use of part-time and flexible contracts. Attention was paid to the extension of care, nursery and supplementary services and to the introduction of parental leave. Further concrete steps are needed to fully address the wide gender gaps, as recognised by the NAP itself.

#### **4.2. Other Initiatives**

New aspects of the GL 2000 were partly addressed. In line with the Lisbon conclusions, the Finance Act 2000 provides for further financing of computers in schools and for young people, together with teachers' training programs. It also allocated £. 330 billion in 2000-2002 for entrepreneurial initiatives related to ICT and e-commerce. A plan for the development of scientific and technological research will be financed, with the target of increasing employment of new qualified researchers by 30.000 units in three years. The actions taken will be part of a plan developing the Information Society and a knowledge based economy. There was no action on incentives for (re)entering the labour market especially tailored to youth and the long-term unemployed, nor easier access to risk capital markets.

**Employability:** Funds for "Socially Useful Jobs" are to be re-allocated in favour of employers hiring workers under this heading and of other actions for job placement by an agency of the Ministry of Labour. By 2002, all young persons aged 15-18 who drop out of the school system will be involved in vocational training projects, or, if already hired under apprenticeship contracts, they should be given at least 120 hours of off-the-job training enhancing general skills. Guidelines for enlarging the adult education system were approved, but details on organisation and quantitative targets were postponed. No particular actions were proposed on life-long learning.

**Entrepreneurship:** Initiatives exist for "training for development", such as training of development capacity builders. Fiscal measures were taken, such as reductions in VAT on private building renewal. ISTAT is taking the first census of the non-profit sector. Appreciating the widespread diffusion of undeclared labour markets, "re-alignment" and "surfacing of undeclared labour" contracts will be redrawn.

**Adaptability:** The incentive for part-time working through reduction in contributions became operational. Contracts allowing for temporary employment were extended to the building industry and the agricultural sector. Measures aiming at regulating working time were financed and the legislation on the reduction of overtime was re-defined. The 2000 Finance Act reduced contribution-related inequality between people working under different types of contracts.

**Equal Opportunities:** A Female Employment Monitoring Unit was set up in order to measure the impact of policies and to spread information. The Flexibility Monitoring Unit monitors the gender effects of flexible work arrangements. The activities of the Female Equality Advisors were regulated by a decree. The law in favour of self-employed women was further extended.

Performance Indicators

Italy  
Annual data

Employment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	52,5	51,8	50,5	50,6	62,2	59,9
<i>Males</i>	67,1	66,7	65,0	65,3	71,6	69,7
<i>Females</i>	38,1	37,1	36,2	36,1	52,9	50,0
15-24	25,5	25,4	25,2	25,4	39,0	36,2
25-54	66,9	66,2	65,5	65,5	75,6	73,4
55-64	27,5	27,7	27,3	27,3	36,9	35,9
Full-time eq. Employment rate	50,8	50,3	49,1	49,3	56,8	55,0
<i>Males</i>	66,4	66,0	64,4	64,8	69,7	68,6
<i>Females</i>	35,7	35,0	34,2	34,3	44,2	42,3

Unemployment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	11,3	12,2	12,1	12	9,2	10,8
<i>Males</i>	8,7	9,4	9,3	9,4	7,9	9,6
<i>Females</i>	15,6	16,7	16,6	16,4	10,8	12,4
Youth Unemployment Ratio	12,4	12,9	11,9	12,1	8,5	10,2
<i>Males</i>	12,3	12,8	11,6	11,9	8,5	10,3
<i>Females</i>	12,5	13,0	12,2	12,3	8,5	10,1
Long-Term Unemployment Rate	6,9	7,1	7,6	7,7	4,2	5,3
<i>Males</i>	5,3	5,6	5,9	5,9	3,5	4,5
<i>Females</i>	9,3	9,6	10,4	10,6	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	1,0	0,6	0,1	0,4	1,4	0,7
Real GDP Growth	1,4	1,5	1,8	1,1	2,4	1,6
Labour Productivity Growth	0,5	0,4	1,5	0,8	1,0	1,0
Real Unit Labour Costs	0,0	-4,7	0,2	0,0	0,0	-0,5



**General appreciation:** Thanks to the dynamism of the economy in recent years, Luxembourg has seen a strong increase in employment, and its domestic employment rate has reached the EU average. In spite of this positive development, Luxembourg still has a very low employment rate among workers over the age of 55 years and women, and a low level of participation in continuing training. The "apparent" employment rate is extremely high, with the Luxembourg labour catchment area extending far beyond national administrative borders. Border workers occupy more than one third of paid national employment, which explains the strong growth in employment in the virtual absence of a pool of qualified labour in the country.

**Policy mix:** The Luxembourg employment strategy focuses on strong and employment-intensive growth and growth for all. This policy is based on strong activation measures, a highly preventive approach to combating unemployment, the development of a favourable climate for business creation and a strong social security net, resulting in a very low level of poverty.

**Response to recommendations:** The social partners play a crucial role in Luxembourg. The 1998 and 1999 NAPs were always based on a tripartite agreement transposed into national legislation. This explains the delay in the implementation of the planned reforms. Furthermore, given the absence of a tripartite agreement, the Luxembourg Government was unable to present a NAP for 2000 setting out the main reforms that it had planned, especially in response to the Council recommendations. The document presented is therefore limited to an implementation report for 1999, during which Luxembourg took measures to improve the position of women on the Luxembourg labour market (parental leave, child care) and adopted a framework law on continuing vocational training.

**Challenges ahead:** Against the background of "full employment" in Luxembourg, and building on the success of its preventive policy that already goes beyond Guidelines 1 and 2, workers over the age of 55 should be encouraged to continue to work.

The recent framework law on continuing vocational training is a step towards the qualitative adaptation of workers. Nevertheless, this remains one of the main issues of the future, and attention will have to be paid to the implementation in order to ensure a significant increase in the level of continuing training.

The widespread application of the principle of equal opportunities has begun to have an effect on the position of women on the Luxembourg labour market. The introduction of positive discrimination should further improve their chances of finding employment.

The difficulties encountered in the tripartite committee should encourage the partners to return to the path of constructive dialogue, which is essential for the success of the commitments made under the employment promotion plan.

Lying at the center of an euroregion where there are about 500.000 jobless persons, Luxembourg should pursue its efforts towards simplification of existing mechanisms in order to reach a more favourable climate for development of enterprises and to exploit further the potential for job creation made possible by its sound economic situation.



## **1. Employment situation**

The Luxembourg economy has been growing strongly since 1985. GDP increased by 7.5% in 1999, which was faster than the European average (2.4%). This growth led to net job creation of 4.9%, which was the second best result in the EU, and a very low unemployment rate (2.3%).

The domestic employment rate (61.6%) is slightly below the EU average (62.2%), whereas the "apparent" employment rate is 91%, given the influence of border workers. This is because the Luxembourg labour catchment area extends far beyond national administrative borders. Border workers account for 34% of paid national employment, which explains this strong growth in total employment in the absence of strong wage tensions, in spite of the virtual lack of a pool of skilled labour in the country. The employment rate of workers over the age of 55 (26%) is one of the lowest in the EU, and, in spite of a recent rise in the employment rate of women, Luxembourg has a considerable male-female gap and a participation rate (48.5%) that is below average for the Union.

In comparison with the other Member States, the situation remains very favourable: Luxembourg has very low rates of total unemployment (2.3%, 5,351 people in 1999), long-term unemployment (0.8%) and youth unemployment (2.3%), which is partly the result of an activation policy launched in 1995 and reinforced by the NAPs. Generally speaking, the main problem in Luxembourg is not unemployment in the "traditional" sense (made up of job-seekers), but rather the early exclusion from the labour market of a significant proportion of the population of working age, which is put into "store" in passive schemes. This leads to non-employment in the broad sense, which is estimated to concern 13% of the labour force – i.e. more than 25,000 people out of a domestic labour force of 183,000, and is made up of job seekers and beneficiaries of active labour market measures and of passive schemes (early retirement, invalidity pensions).

## **2. Employment strategy**

The Luxembourg employment strategy focuses on strong and employment-intensive growth and growth for all. It should be noted, however, that border workers fill 75% of the new paid jobs created.

The increase in the domestic employment rate is the aim of the measures of the entrepreneurship and adaptability pillar, such as the reform of continuing training, the reduction in administrative formalities to set up a company, parental leave, an increase in the number of childcare places, and the encouragement of new jobs linked to local services. Lastly, the measures of the employability and equal opportunities pillars are designed to ensure that everyone benefits from this growth. This is true, in particular, of the measures to prevent and combat exclusion, the "new start" measures and the measures to combat early school leaving without qualifications.

The social partners play a pivotal and crucial role. They are directly involved in the implementation of the plan.

## **3. Progress assessment**

### **3.1. General appreciation**

Luxembourg has developed a comparatively dynamic employment policy, which was strengthened by the NAPs and which can go some way towards explaining the low level of unemployment in this country. This policy is based on strong activation measures (more than 2 200 people benefit from

these measures, in comparison with the 5 351 people who are unemployed), a preventive approach to combating unemployment, characterised by early identification of abilities and personalised support for job seekers, the development of a propitious climate for setting up businesses and a strong social security net, resulting in a very low level of poverty.

The 1998 and 1999 NAPs were based on the tripartite agreement of 18 April 1998, which was transposed into legislation on 12 February 1999. This explains a delay in the implementation of the planned measures. Accordingly, a major law on continuing training was adopted in June 1999 but did not enter into force until January 2000. These NAPs have broader scope than a simple annual programme, and efforts should therefore be maintained. An evaluation of all the measures taken under the NAPs is planned for 2003.

### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** Luxembourg is consolidating its active policy of preventing and combating youth unemployment and long-term unemployment (which fell in 1999). It will be recalled that Luxembourg decided to go further than the thresholds set out in Guidelines 1 and 2 and set itself the ambitious objective of reaching all young people before they have been registered for three months, and all adults before they have been registered for six months. Priority was given to young people entering working life and to adults lacking work on a temporary basis. Mention should be made of an improvement over time, with the rate of non-compliance falling from 29.9% in 1998 to 13.8% in 1999 for young people (out of a flow of 6 500/year), while the same rate for adults has improved just as much – from 63.1% in 1998 to 41.4% in 1999 (out of a flow of 11 000 people in 1999). The total number of active measures on offer increased slightly (+2% in volume between 1998 and 1999), while the NAP proposed efforts in the area of the training of residents, with limited results, precisely because of a fall in unemployment and an increase in domestic employment.

Certain socio-economic studies explain the recruitment of border workers partly by their level of training, their flexibility, their geographical mobility and their adaptability. Therefore, in order to raise the level of domestic employment (which increased in 1999), the NAP proposed efforts to train resident workers and unemployed people. The recent framework law is therefore a major step forward towards the creation of a genuine system of lifelong training.

As far as the combating of early school leaving is concerned, measures have recently been adopted in secondary education. Access to apprenticeship will be made easier through a modular approach to training and financial assistance for apprentices. Employers have substantially increased the number of apprenticeship places on offer, many of which are not taken up (350 places remain unfilled) because of the lack of resident applicants.

Given the high level of inactivity, especially of persons over the age of 50, awareness-raising campaigns have been conducted in order to dissuade people from retiring on an invalidity pension or from taking early retirement. Measures design to improve employment for less employable or disabled persons have also been introduced.

**Entrepreneurship:** In order to encourage entrepreneurship, Luxembourg has introduced various measures designed to facilitate access to employment, the creation of businesses and the development of venture capital markets, the coordination needed to simplify administrative procedures for enterprises and the adaptation of legislation on business creation. One-stop shops, coaching measures and measures for the allocation of development capital intended for SMEs (start-ups) have been introduced. The indirect cost of labour has been made attractive in comparison with neighbouring countries. In the area of taxation and VAT, the Luxembourg rules

are also comparatively attractive. As far as policy to promote the setting up of businesses is concerned, tangible results have been produced but it is not yet possible to quantify their impact.

Job creation (+/- 300) in third-sector enterprises or local services is increasing, especially as a result of the introduction of care insurance (since January 1999), an earlier start to schooling (since the beginning of the 1998/99 school year) and measures under the territorial employment pacts.

**Adaptability:** Under this pillar, the social partners play a crucial role in Luxembourg. Accordingly, matters of working time and the organisation of work are the responsibility of the social partners alone. They also play an important role in the continuing training of workers or enterprise-based training courses for young people or adults.

The recent framework law on continuing vocational training (Law of 22 June 1999) is a major step towards the qualitative adaptation of enterprises and workers. This law introduces tax reductions for enterprise-based training. It is not possible to provide figures on the results because the framework law was introduced only recently.

Furthermore, a reform of the system of training leading to qualifications is already under way for nine occupations, and a modular approach to learning will be available from the start of the 2000/01 academic year. Certain groups of apprentices will receive an income equivalent to the social minimum wage. This reform is all the more important since many young people leave education without qualifications, and the gap between the demands of the economy and the level of training of residents continues to have a negative impact on the level of domestic employment.

**Equal opportunities:** The widespread application of this principle is beginning to have a positive influence on the position of women on the Luxembourg labour market (increase in the employment rate of 1% every year over the past two years), but much still remains to be done. Measures such as parental leave or child care (+ 55% in number of childcare places in three years) help mostly women to reconcile family and working life. These measures are of a structural nature, and create jobs at the same time. Parental leave has been a real success (1 443 beneficiaries). However, the objective of people rotating in the post "freed up" in this way has yet to be fully achieved (65% of the posts are actually re-filled). The principle of introducing positive discrimination has been accepted. The arrangements for introducing this discrimination provided for by law for the sex underrepresented in a given sector of the economy are being worked out by the social partners and will certainly also help to increase the chances of labour market entry or re-entry for women, and thus to close the gap between men and women.

**ESF:** Under Objective 3, the European Social Fund will support the employment strategy, improve employability, contribute to the prevention of unemployment and help to discourage the oldest workers from entering a passive scheme too early.

#### **4. New policy initiatives (NAP 2000)**

Given the lack of agreement on all the measures in the tripartite committee, the Luxembourg Government was unable to submit its draft NAP for 2000 to the Commission. The document submitted is therefore simply an implementation report for 1999.

Performance Indicators

**Luxemburg**  
**Annual data**

**Employment**  
**Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Rate	61,6	60,2	59,9	59,1	62,2	59,9
<i>Males</i>	74,4	74,6	74,3	74,4	71,6	69,7
<i>Females</i>	48,5	45,6	45,4	43,6	52,9	50,0
15-24	31,7	33,1	34,7	36,9	39,0	36,2
25-54	76,7	74,7	74,4	73,2	75,6	73,4
55-64	26,3	25,0	23,7	22,6	36,9	35,9
Full-time eq. Employment rate	59,0	57,9	58,2	57,3	56,8	55,0
<i>Males</i>	74,5	74,8	74,9	74,5	69,7	68,6
<i>Females</i>	43,4	41,1	41,3	39,9	44,2	42,3

**Unemployment**  
**Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Unemployment Rate	2,3	2,8	2,6	3,0	9,2	10,8
<i>Males</i>	1,7	2	1,8	2,2	7,9	9,6
<i>Females</i>	3,3	4,2	3,8	4,3	10,8	12,4
Youth Unemployment Ratio	2,3	2,5	3,0	3,4	8,5	10,2
<i>Males</i>	2,2	2,7	2,7	3,5	8,5	10,3
<i>Females</i>	2,4	2,3	3,4	3,2	8,5	10,1
Long-Term Unemployment Rate	0,8	0,9	0,9	0,8	4,2	5,3
<i>Males</i>	0,7	0,7	0,7	0,7	3,5	4,5
<i>Females</i>	0,9	1,1	1,3	1,1	5,0	6,2

Annual change

**Employment related Economic Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Growth	4,9	4,4	3,3	2,7	1,4	0,7
Real GDP Growth	7,5	5,0	7,3	2,9	2,4	1,6
Labour Productivity Growth	2,4	0,6	3,8	0,2	1,0	1,0
Real Unit Labour Costs	-1,0	-1,2	-3,9	0,4	0,0	-0,5



**1. General appreciation**

*The Dutch economy and labour market have been booming since the middle of the nineties. Nevertheless major challenges remain that need to be overcome. The most pressing one is the still large unexploited supply of labour, probably best exemplified by the more than 744.000 persons with invalidity benefits. The present economic climate offers a unique opportunity to raise the employment rates of women and persons over 55. This will help to cope with the future ageing of the population. Other important challenges are the increasing bottlenecks due to economic expansion and the need to harmoniously integrate the many new citizens with a minority ethnic background.*

**2. Policy-mix**

*The Netherlands has in its employment and labour market policy mix achieved a reasonable balance between the four pillars of the European Employment Strategy. The emphasis is on increasing effective labour supply through activation and prevention and on measures to make the tax- and benefit system more employment friendly. At the same time the policy continues to focus on wage moderation, flexible labour relations and the modernisation of the organisation of work.*

**3. Response to the 1999 Council Recommendations**

*The major tax reform is an important step in meeting the first Council recommendation of 1999, which asked the Dutch to make their tax and benefit system more employment friendly. The tax reform contributes to a reduction in the poverty trap.*

*Concerning the second recommendation on monitoring the comprehensive approach, there seems to be some progress. A new data processing system is set up, but verification of Guidelines 1, 2 and 3 remains difficult as long as the data of the different operators have not been brought together in one database.*

*The Netherlands has taken the initiative to expand the comprehensive approach to the more difficult disadvantaged groups who are at particularly distant from the labour market. It seems that the success of this strategy will depend critically on the ability to transform the present rigid social security system into an integrated and well functioning, decentralised, Centre for Work and Income.*

**4. Challenges ahead**

*The measures presented in the NAP to tackle the growing number of invalidity benefits may not be commensurate to the magnitude of the problem and will have to be closely monitored. Greater efforts, particularly in the short run, are also required to address the skill gaps and the many difficult to fill vacancies that have emerged.*

## **1. Economic and employment situation**

There are no signs yet of an economic slow down. Real GDP growth increased in 1999 by 3.6 % and is expected to grow at 4 % in 2000. Labour market conditions have constantly improved since 1990 apart from a dip in 1993. The Netherlands is experiencing its longest period of continuous economic growth since WW II.

The employment rate in persons increased from 65.4 % in 1996 to 70.9 % in 1999 which is well above the EU-average. For those older than 55, the employment rate of 35.3 % is slightly below the EU-average. The employment rate in full-time equivalent (FTE) also increased to 56.3% in 1999. The less impressive rise in FTE is due to the widespread use of part-time work. The male (FTE) employment rate is 3.5% point above the EU-average, whereas the FTE female rate is still almost 4.5 % points below. The FTE gender gap in 1999 stands at 33.5 % points compared to an EU average of 25.5%.

The unemployment rate has continued its decrease in 1999 and is currently at 3.3%. The composition of unemployment is characterised by high shares of low-skilled, older workers and by an over-representation of ethnic minorities. The unemployment rate of ethnic minorities in 1998 was 16% compared to 4% for native Dutch persons. Youth unemployment is below the EU-average at 4.8% in 1999. Total female unemployment at 4.7% is much lower than the EU-average, but it is nevertheless twice as high as the male rate of 2.3%. Long-term unemployment is very low at only 1.3%. The very favourable unemployment picture that emerges from the official statistics above must be qualified. Broad unemployment is still quite high due to the fact that many benefit recipients are not actively looking or available for work. There is also considerable hidden unemployment among the 744.000 persons receiving invalidity benefits.

One of the major problems is the current mismatch on the labour market due to skill shortages. Apparently all sectors of the economy are facing hard to fill vacancies. In 1996 there was one vacancy per hundred workers, now this figure has more than doubled.

## **2. Overall employment strategy**

Ever since the agreement of Wassenaar in 1982, wage moderation and measures to improve the functioning of the labour market have been the cornerstones of the Dutch employment policy. This policy is achieved through nominal wage moderation and through reductions in income taxes, and if possible employers' social security contributions. The Social Partners, supported by government legislation, have over the years established many agreements relating to training and labour market flexibility, starting with the promotion of part-time work and the wide spread use of temporary work agencies.

The Dutch 2000 NAP mentions three themes as the main policy focus for the coming years: i/ A general 'enabling' policy aimed at macro-economic stability and structural reforms to make sure that the labour market keeps pace with economic development, ii/ The stimulation of effective labour supply to keep wage cost under control and to meet present labour shortages and iii/ The limiting of the present inflow into and the encouragement of the outflow from the invalidity benefit schemes.

### 3. Progress assessment

#### 3.1. General appreciation

The 2000 NAP presents a concise but comprehensive presentation of how the Dutch policy mix is balanced between the four pillars. The main emphasis is clearly on increasing and maintaining labour supply through activation and prevention. The *comprehensive approach* of the employability pillar appears to be making progress. The exact situation for GL 2 is difficult to evaluate due to incomplete quantitative monitoring. It is questionable if the measures in the NAP are a sufficient short run response to the recent rise in *labour shortages*. The announced reform of the *social security* system was long overdue. Its success will depend crucially on the possibility to streamline the various implementing bodies, who each have their own objectives, into one single well functioning Centre for Work and Income.

#### 3.2. Implementation of the 1999 National Action Plan

**Employability:** In 1999 the Council already acknowledged that the Netherlands complies with *GL 1*. By law the non-compliance rate should be put at zero, although empirical evidence is not available in the NAP. In the case of *GL 2* the non-compliance indicator rate is set at a surprisingly high 63%. This result is incomplete as it is based only on Employment Service data registers, it does not contain data from the unemployment benefit agency (LISV) nor from the municipalities. The Dutch strive for compliance in full by the end of 2002. The activation effort indicator of *GL 3* in 1999 is estimated at 34%.

The government, together with the social partners, has formulated as a "*lifelong-learning*" policy target to equal the performance of the top two MS's. The apprenticeship scheme is to be transformed into a '*training on the job*' system. Employability is further promoted by a *quality award* for investing in people, by a *skills validation* system and by a pilot system of *individual learning accounts* based on UK experience. Average *class size* are to be reduced and a campaign has started to make the teaching profession more attractive. *Early school leaving* is attacked with the Regional Registration System Act, supported with a budget of 27 million Euro.

Special reintegration efforts were made on behalf of 82.000 disabled persons, to date 10.700 have been placed in paid employment. A taskforce will evaluate the new Act to Encourage Labour Force Participation of Ethnic Minorities (SAMEN). The SMEs in association with the government and the Employment Service, have started a programme to place 20.000 persons with an ethnic background in paid jobs.

**Entrepreneurship:** An external body is reviewing all current procedures and regulations with the aim to reduce by 15% in 2000 the administrative cost of running a business. The government intends to tackle obstacles to entrepreneurship by revoking superfluous business requirements, by promoting risk capital for SMEs, by amending the Bankruptcy Act and by introducing a business training programme for young people. Furthermore the highly successful Market Forces, Deregulation and Legislative Quality Project (MDW) will continue. Under the *new tax system* for the 21<sup>st</sup> century tax rates on labour are reduced, i.e. ranging from 0.6 % points for the first bracket to 8 % points for the third and fourth bracket. There are special tax advantages for working parents and for environmental protection. The VLM/SPAK (wage-cost subsidy) scheme, which was introduced a few years ago provides employers with a tax rebate if they hire long term unemployed people or employ workers earning up to 115% of the minimum wage. The scheme is estimated to have generated almost 60.000 additional private sector jobs. The average *wedge* for a minimum



wage has been reduced from 29% in 1990 to 15% in 1999. Additionally tax incentives of 4436 Euro are given to employers to promote the "on the job" training of LTU. The Netherlands has started experiments with lower VAT rates in labour intensive sectors.

**Adaptability:** The Adjustment of Working Hours Act, which will come into force in July, gives workers statutory rights so that part-time workers can expand up to full-time or the reverse. The dual dismissal procedure is under review, the aim is to accommodate employers without sacrificing individual worker rights.

**Equal Opportunities:** In order to redress the gender gap, the Dutch want to raise the female employment rate to a level as close as possible to 70% by 2010. An Equal Pay Monitor was launched in 1999 to better detect sex-based discrimination. The government has prepared the new Work and Care Act which combines various leave schemes. The new act entitles both parents to three weeks of paid maternity leave, and up to 10 days of care leave per year paid at 70%, half of the employer's cost is reimbursed. The new Leave-Saving will make it possible to save up to 10% of one's income for a sabbatical period.

The number of childcare places has almost doubled. The 89,000 places that existed in 1998 are enhanced with an additional 71,000 places. The Government has made 68 million Euro available to expand childcare tax relief. A special childcare budget of 56 million Euro is made available for single parents. So far 2700 new subsidised childcare jobs have been created. In 55% of all collective wage agreements specific childcare provisions have been included. Childcare cost can be reimbursed as part of a reintegration pathway.

The **Social Partners** have been consulted during the drafting of the NAP. The social partners have a first responsibility for lifelong learning through the sector training funds and they are also directly involved in solving the sector bottlenecks that arise due to skills shortages.

The **ESF contribution** for the new period is fully used to speed up the implementation of the NAP. A special effort is made to reinforce GL 2 and the comprehensive approach.

#### 4. New policy initiatives (NAP 2000)

##### *The 1999 Council recommendations on the implementation of Dutch employment policies*

*(1) Continue efforts to **improve the tax benefit system** with a view to **removing disincentives** which may discourage participation in employment, in particular of older workers and women. Resolute efforts are needed to reduce the high number of persons who remain outside the labour market depending on passive income support;*

*(2) Pursue efforts to **upgrade the statistical monitoring system** so that policy indicator on prevention and activation will be published by 2000 in accordance with agreed definitions and methods.*

#### 4.1. Initiatives taken in response to the recommendations

Concerning the efforts to **remove disincentives in the tax and benefit system**, the Dutch government is pursuing a four-pronged tax reform policy, which represents a significant step forward to meet the first Council recommendation. The first is the *tax reform* which among other things will reduce the poverty trap through tax credits which increase net income at the lower end of the pay scale by 2-3%. At the same time the tax allowance of inactive persons is abolished which

increases the difference between income and benefit by 540 Euro. Second, there is *social security* reform recently approved in Parliament. The structure and implementation will be more integrated and transparent following the *one stop shop* approach. Public funds are channelled to a separate private market for reintegration in order to improve effectiveness and efficiency. The third is to promote the *participation of older workers* by making working at an older age possible and attractive again. Compulsory early retirement is to be avoided and replaced by voluntary retirement at the individuals own expense. The outflow from employment is curbed by ending the present favourable tax treatment for early retirement schemes. The inflow is encouraged through tax reductions, The government is considering an abolishment of the exemptions for older unemployed people to apply for a job. Fourth, the *participation of women* is supported by doubling the number of childcare places, through the Work and Care act and the Working Hours (Adjustment) Act and via the tax reform. The government is also reviewing the favourable treatment of breadwinners in the tax and social security system.

Regarding the large number of persons receiving invalidity benefit it seems that the problem lies mainly in entry conditions that are too lenient. Although the NAP announces various measures to limit this inflow their effectiveness can only be evaluated in a few years time. Their success will depend critically on the possibility to impose more stringent conditions of entry.

With respect to the second recommendation about the need to **improve the monitoring of the comprehensive approach**, an extra effort is needed to get harmonised information from the three different implementing bodies i.e. the municipalities, the LISV and the Employment Service, responsible for supplying information on the inflow into unemployment and on the outcomes of the reintegration pathways. So far only one, the Employment Service, has a monitoring system in place. Moreover 500 municipalities were until now unable to provide information on this subject. At the moment the government has started together with Association of Municipalities (VNG) a pilot with the 25 largest municipalities (G25) to arrive at a common system. The first usable data should be available in the first quarter of 2002. For the unemployment benefit agency (LISV) the first results are expected in the third quarter of 2001.

#### **4.2. Other policy initiatives**

Regarding the implementation of the GL's 2000, the parliament has now approved the Cooperation in the Implementation of Work and Income Act (SUWI) concerning the *reform of the PES*. The five existing benefit bodies are merged into one public body responsible for implementing employee insurance schemes. Local Centres for Work and Income will take over the advisory function of the Employment Service. Social Partners and local authorities are represented in a national Work and Income Council. In the **employability** pillar, the main new initiative is the extension of the comprehensive approach to the current stock of unemployed, without jeopardising the implementation of GL 2. Additional funds will be made available to provide for as many pathways as needed. Practically all collective wage agreements now have special employability measures. On the job training is offered to unemployed people and to subsidised workers. Experiments with the Unemployment Insurance Act allow for training without the loss of benefits. In April an Invalidity Benefit Action Plan was submitted to Parliament to curb the increase in invalidity benefits. In line with the Lisbon summit, the government has pledged to connect all schools to the internet by 2001, which is one year earlier than was announced in 1999. Under the **entrepreneurship** pillar *local development* is strengthened by giving the Employment Service a special budget for projects that reduce local mismatches. The **adaptability** pillar is addressed by the ever increasing number of collective wage agreements that have provisions for the training of workers. **Equal Opportunity** has received attention via the new Equal Rights Monitor. This monitor promotes gender mainstreaming and pays also special attention to ethnic origin.

Performance Indicators

**Netherlands**  
**Annual data**

**Employment**  
**Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Rate	70,9	69,4	67,5	65,4	62,2	59,9
<i>Males</i>	80,3	79,6	77,9	75,7	71,6	69,7
<i>Females</i>	61,3	58,9	56,9	54,8	52,9	50,0
15-24	62,7	60,3	56,9	54,1	39,0	36,2
25-54	80,6	79,3	77,8	75,8	75,6	73,4
55-64	35,3	33,0	31,4	30,0	36,9	35,9
Full-time eq. Employment rate	56,3	55,2	53,7	51,8	56,8	55,0
<i>Males</i>	73,2	72,4	71,1	69,2	69,7	68,6
<i>Females</i>	39,7	38,1	36,4	34,4	44,2	42,3

**Unemployment**  
**Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Unemployment Rate	3,3	4,0	5,2	6,3	9,2	10,8
<i>Males</i>	2,3	3,1	3,9	5	7,9	9,6
<i>Females</i>	4,7	5,3	7,0	8,1	10,8	12,4
Youth Unemployment Ratio	4,8	5,3	6,1	7,3	8,5	10,2
<i>Males</i>	3,3	5,2	5,3	7,0	8,5	10,3
<i>Females</i>	6,3	5,4	6,8	7,7	8,5	10,1
Long-Term Unemployment Rate	1,3	1,9	2,6	3,1	4,2	5,3
<i>Males</i>	0,9	1,6	2,0	2,7	3,5	4,5
<i>Females</i>	1,7	2,4	3,4	3,8	5,4	6,2

**Annual change**

**Employment related Economic Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Growth	2,5	2,5	3,1	2,3	1,4	0,7
Real GDP Growth	3,6	3,7	3,8	3,0	241	1,6
Labour Productivity Growth	0,9	1,0	1,0	0,5	1,0	1,0
Real Unit Labour Costs	0,8	-0,4	-0,9	-0,2	0,0	-0,5

**General appreciation:** *In comparison with most Member States, the Austrian labour market results are quite satisfying. The situation improved during 1999. Both the favourable economic situation and ALMP contributed to the increase in employment and the decrease in unemployment. But the key challenges in the labour market - low participation of older workers in employment, the significant gender gap in employment and the higher-than-average tax share on labour - remain unchanged.*

**Policy Mix:** *The medium-term strategy concentrating on employability continues to be implemented with some modifications. Activation and prevention measures were extended significantly, the 'safety net' for apprenticeship-seekers addressed the unemployment of disadvantaged youth with some success and the gender mainstreaming approach in the employability pillar has now more transparent objectives.*

**Response to Recommendations:** *There has been a limited response to the Council Recommendations. The measures put in place to encourage older workers to stay longer in work have not had the desired results. Unemployment in the age group 55 years and over remains high. In order to reduce the gender gap and to reach the Lisbon targets of increasing the female employment rate, more efforts are needed concerning the expansion of childcare facilities for children under 3 years and of the home services for elderly people. The problem of the high gender pay gap has to be addressed. The announced gradual reduction in non-wage labour costs of about 0.4% of GDP in 2003 can be considered as a modest step forward to bring down the high tax burden on labour.*

**Challenges ahead:** *Future bottlenecks and skill gaps in the labour market need to be avoided by harnessing the potentials of new technology. Life-long learning should be further promoted by concerted efforts from those responsible for research and education and the social partners to anticipate demand. New ant-discrimination measures need to be promoted for migrant workers. Incentives within the unemployment insurance system or flexible working time models could contribute to reducing seasonal unemployment.*

## **1. Economic and Employment Situation**

In 1999, GDP growth in Austria amounted to 2.1%. After a phase of sluggish activity in the wake of the Asian crises, the economy recovered and the cyclical upswing gained momentum in the course of the year. Productivity growth slowed down to 0.7% percent.

The performance of the Austrian labour market improved in the last year. Employment grew by 1 % in 1999 and the employment rate increased from 67.4 % in 1998 to 68.2 % in 1999. The full-time equivalent employment rate for men was 75.4 %, for women 50.8 %. Employment gains were translated into a decline of the unemployment rate, which was reduced from 4.7 % in 1998 to 3.8 % in 1999. The register based unemployment rate in Vienna was one fifth above the Austrian average, and approximately half of all long-term unemployment was registered in Vienna. By contrast, Upper Austria and Salzburg reached almost full employment.

Besides the favourable economic situation (vacancies increased considerably), the significant expansion of the funds available for ALMP contributed to this positive outcome. Although female unemployment was still above male unemployment (4.5 % to 3.3 %), the gender gap in the unemployment rate was reduced slightly. With the exception of Luxembourg, Austria had the lowest youth unemployment ratio (2.9 %), and the long-term unemployment rate (1.2 %) remained one of the lowest in the EU and was slightly decreasing. However, the recovery of the labour market for people over the age of 54 was well below that for younger persons.

## **2. Overall Employment Strategy and Its Main Objectives**

The positive economic situation has enabled Austria to reach, in 1999, the national targets originally set for 2002 of increasing the proportion of people in ALMP measures to at least 20% and, in 2000, of creating 100.000 new jobs.. The Austrian policy mix focuses on employability, on developing entrepreneurial potentials, on opening up innovative employment resources and on equal opportunities for women and men. These objectives are to be realised through a comprehensive and coordinated strategy of employment policy. The mainstreaming of the concept of the Territorial Employment Pacts into all Länder is improving the dissemination of good practice in job creation on regional and local level.

## **3. Progress Assessment**

### **3.1. General Appreciation**

In 1999, the NAP contributed significantly to the improvement of the Austrian labour market performance through a balanced policy mix. In particular, the greater emphasis on active labour market policy has helped to reduce the number of the unemployed as well as the inflow into LTU. The fight against youth unemployment met with some success. The safety net for young people, providing opportunities for disadvantaged youths to find apprenticeship training, was an important measure as it put emphasis on this group. Under the 1999 NAP, a policy package for older people was worked out that came into force on 1 January 2000 with the aim of increasing the employment rate of older workers. Within the entrepreneurship pillar, there has been a certain progress in initiating administrative reforms. The NAP process gave rise to a broad debate on a variety of obstacles to fostering entrepreneurship. As in the last two years, the social partners did not make much progress on modernising the organisational framework of work. Some efforts were put into strengthening equal opportunities for women and men by facilitating the return to the labour market after a longer break.

### 3.2. Analysis by Pillar (NAP 1999)

**Employability:** Austria is implementing **preventative and active policies** very satisfactorily. The flow into LTU is amongst the lowest in the EU. The share of participants in active measures was increased significantly by 5.6 percentage points and as a result Austria is complying for the first time with the 20% common target. Almost half of the increase was due to a significant expansion of a training programme on job search training (due to be cut back in 2000). The regional differences in activation are still very high and range from only 15.9% in Vienna (despite the increase in activation in this region) to 33.1% in Upper Austria.

Older workers became the central target group of the PES. However, there are still no attractive measures that represent an alternative for older (lower qualified) workers who have already reached early retirement age. A 62 M€ programme co-financed jobs for more than 15.000 long-term unemployed people and older persons. For young people, the safety net was quite successful as it reduced the strain on the apprenticeship market on a short-term basis.

Two innovative qualification measures concentrating on the ICT bottleneck were implemented in 1999. In total, 6.300 participants were trained, though first results show they had difficulties in integrating into the labour market. Consequently, an improved version of this measure has been designed.

Concerning lifelong learning, early school leavers were offered some opportunities to complete compulsory education at a later stage. In total, 600 persons participated in such courses (3.6 M€). Efforts for the provision of a second chance need to be increased to reach the medium-term national targets on the reduction of the share of low qualified young people.

The situation of disabled persons on the labour market improved in 1999, but this group did not profit from the economic upswing to the same extent as other groups. Though expenses for ALMP for disabled persons have been increased considerably during the last year, more efforts for an effective integration of the disability dimension in all ALMP have to be undertaken.

For ethnic minorities and migrant workers, the NAP 1999 did not provide any additional measures.

**Entrepreneurship:** Austria has adopted a tax reform (Steuerreform 2000) which simplifies the taxation regime for small businesses, facilitates business transfers and removes several administrative fees for businesses. The reform particularly addresses SMEs and start-ups. It includes the introduction of special favourable conditions for new businesses, which profit from a certain reduction of non-wage labour costs. Apart from the innovative programme NEWSTART, a few initiatives were taken to meet the target of creating new jobs in the social and health care sector.

**Adaptability:** New working time models contributed to the decrease of seasonal unemployment in the construction industry, but this problem has not yet been tackled either in the other seasonal branches such as tourism or in the regions concerned. Take-up of other flexible working time models, such as the educational leave scheme (*Bildungskarenz*) or the solidarity bonus model which links flexible working time with the recruitment of unemployed persons in 1999 was rather low.

Only limited progress was made on the dissemination of new occupational profiles and new certification regulations. For instance, the Länder developed new occupational profiles and new training programmes for home help services for elderly people, but the certificates are not recognised by the other Länder. Moreover, for this fast growing branch, specific collective agreements still have to be reached in order to attain attractive working conditions and assure high quality standards of the services delivered.

**Equal Opportunities:** In 1999, the targets of the guidelines 1-3 were changed into more equal opportunities specific performance targets. 10.000 childcare places were created under a special programme that ends in spring 2000. This represents a limited progress in providing more and better childcare facilities. Efforts to create more facilities better adapted to the needs of working parents should be sustained. In 1999, the share of unemployed women with mobility restrictions (mostly due to childcare) was, after a rise in 1998, back to the 1997 level. The concept of gender mainstreaming was well implemented under pillar I, but there were no new initiatives under the other pillars.

**Social Partners:** In contrast to previous years, the Social Partners' involvement has decreased. This year they were only consulted on the draft NAP as were other federal and regional authorities.

**ESF and the Structural Funds:** The NAP strategy was underpinned by the main objectives of the ESF programmes, particularly as regards the guidelines 1-3, 6, 9, 12 and pillar IV. In 1999, 124 M€ ESF and 262 M€ of total public funds were spent on measures of the ESF programme. In 1999, the priorities of the European Employment Strategy coincided with the target groups of the Austrian ESF programmes: Specific groups needing assistance for their integration into the labour market such as young persons, older people, disabled and long-term unemployed persons are target groups in the NAP as well as in the ESF. Within objective 4, skills training for workers is aimed at preventing unemployment. The data for the first half of 1999 indicate that 48% of all participants were female. For the new programming period 2000-2006, the objectives of the NAP and the ESF have also been harmonised. The ESF will concentrate on preventive measures to combat unemployment of adults and youth and on policies for disabled persons. A focus on lifelong learning has been introduced under the new objective 3, and the gender mainstreaming approach will be pushed forward.

#### 4. New Policy Initiatives

*The 1999 Council recommendations on the implementation of Austria's employment policies Austria should:*

- (1) Review early retirement incentives and develop flexible working time schemes, so as to keep older people longer in working life;*
- (2) Pursue a comprehensive strategy to narrow the gender gap in employment, inter alia by putting in place measures, which facilitate the reconciliation of work and family life;*
- (3) Continue efforts to reduce the high tax burden on labour, in particular by focusing on problem groups in the labour market.*

##### 4.1. Initiatives Taken in Response to Recommendations

Regarding the recommendation on the participation of older workers in employment, a "policy package for older workers" has been worked out focusing on flexible working models. This includes part-time work arrangements and unemployment insurance contribution incentives. First results from the year 2000 indicate that the take-up of these part-time work models is low. A higher participation of older workers in active employment is not foreseeable in the near future. New initiatives need to be taken to activate the older workers to stay in the labour market.

The recommendation on narrowing the gender gap in employment and facilitating the reconciliation of work and family has been taken into consideration by a number of largely motivational and 'soft' measures. The provision of childcare facilities for parents working unusual hours and for children

under 3 and furthermore assistance for people with care obligations need to be set as quantified targets.

The recommendation on reducing the tax burden on labour with specific attention to the problem groups on the labour market has been partially addressed by the 2000 tax reform, which brought measures supporting the employment of apprentices, special assistance of young entrepreneurs and support of in-house training. The labour costs were lowered only for apprentices. By 2003, it is planned to reduce the non-wage labour costs by 0.9 b€ (0.4% of GDP). In the light of the continuing high tax rate on employed labour, the impact of such reforms needs to be closely monitored.

#### 4.2. Other Initiatives

Under employability, the government set the target of raising the proportion of low-skilled workers in skills training to the level of participants with medium-level qualifications. However, no additional measures to attain this goal have been planned for 2000. The option to **complete compulsory education later** was already mapped out in 1998 and extended in 1999 on a small scale. With the help of the new ESF objective 3 programme, this important target will be reinforced for 2000, covering approximately 850 participants. It is planned to provide all Austrian schools with an access to the World Wide Web by 2002. However, due to current budget restrictions, the financial means for this initiative have not yet been allocated.

No new provisions under GL 9 have been made to improve the situation of **migrant workers**, who are among the most disadvantaged groups on the Austrian labour market. Austria should promote training measures adapted to the needs of the migrants, in particular for women and for the second or third generation.

In the NAP 2000, measures are planned to strengthen the venture capital sector, to reform the social security system and the administrative system as well as to improve e-commerce vis-à-vis market requirements. Measures discussed for several years (one-stop-shops, liberalisation of regulations) are also listed in the NAP 2000. The NAP 2000 mentions a new priority for the creation of new jobs in the social and care sector, using territorial employment pacts and initiatives under the new ESF objective 3. No additional steps are planned for defining new outlines of professions, and the employment potential of the Austrian care regulations were not fully exploited. Administrative obstacles, e.g. the validity of certifications across the borders of the Länder demonstrate that many barriers still remain in these areas. In addition, collective agreements and a further exploration of the employment potentials in the emerging new service sectors, especially the health care sector, should be envisaged. These new challenges require an innovative approach from the social partners.

The NAP 2000 points to the importance of raising the labour market participation of women and reducing female unemployment with a special focus on the reconciliation of work and family life. Simultaneously, the government is discussing new policies that may even lead to a more traditional division of labour by implementing a longer parental leave with higher childcare subsidies. In the long run, such policies may counteract the target of integrating more women into the labour market.



Performance Indicators

**Austria**  
**Annual data**

**Employment  
Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Rate	68,2	67,4	67,2	67,3	62,2	59,9
<i>Males</i>	76,7	75,9	75,9	76,1	71,6	69,7
<i>Females</i>	59,7	59,0	58,5	58,6	52,9	50,0
15-24	54,9	54,2	54,0	55,5	39,0	36,2
25-54	81,3	80,4	79,9	79,3	75,6	73,4
55-64	29,2	28,0	28,5	29,4	36,9	35,9
Full-time eq. Employment rate	63,0	62,7	62,8	62,9	56,8	55,0
<i>Males</i>	75,4	74,6	74,7	74,9	69,7	68,6
<i>Females</i>	50,8	50,9	50,9	51,0	44,2	42,3

**Unemployment  
Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Unemployment Rate	3,8	4,5	4,4	4,3	9,2	10,8
<i>Males</i>	3,3	3,8	3,6	3,6	7,9	9,6
<i>Females</i>	4,5	5,4	5,3	5,3	10,8	12,4
Youth Unemployment Ratio	2,9	3,9	3,9	3,7	8,5	10,2
<i>Males</i>	2,3	3,2	3,4	3,2	8,5	10,3
<i>Females</i>	3,5	4,5	4,4	4,2	8,5	10,1
Long-Term Unemployment Rate	1,2	1,4	1,3	1,2	4,2	5,3
<i>Males</i>	0,9	1,1	1,0	0,9	3,5	4,5
<i>Females</i>	1,6	1,8	1,6	1,5	5,0	6,2

Annual change

**Employment related Economic Indicators**

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>EU 1999</b>	<b>EU 1996</b>
Total Employment Growth	1,4	0,9	0,5	-0,6	1,4	0,7
Real GDP Growth	2,1	2,9	1,2	2,0	2,4	1,6
Labour Productivity Growth	0,7	1,9	0,7	2,6	1,0	1,0
Real Unit Labour Costs	0,6	0,3	-1,6	-2,7	0,0	-0,5

**General appreciation** *In 1999, the Portuguese economy has continued to grow at a greater rate than the EU average. Both the employment and the unemployment rates registered a better performance than the EU average, particularly for women and long-term unemployed. However, the skills level of the workforce still suffers from high levels of drop out in secondary education, low levels of formal education and low levels of participation in continuous training. This goes along with low productivity levels and a need for modernisation of work organisation. The service sector is under-developed with a significant potential for the creation and up-grading of jobs.*

**Policy-mix** *The main challenge for Portugal is to make it compatible to continue structural changes and the modernisation of the economy while maintaining the good employment performance. The national strategy for 2000 follows a path of continuity with the 1999 NAP although stronger attention is now devoted to lifelong learning, which is consistent with the need to increase the level of qualifications of the labour force.*

**Response to the 1999 Council Recommendations** *The NAP addresses the 1999 recommendations but with a greater emphasis on the education sector, the training system and the introduction of new technologies. The main weaknesses of the education system are addressed but a comprehensive lifelong learning policy should be further developed. There is still no clear strategy of development of the service sector. Faced with difficulties in social dialogue, the government and social partners have agreed upon a new and pragmatic methodology for the partnership on adaptability.*

**Challenges ahead** *Efforts should continue as part of a long-term strategy of structural reform with a strong focus on improving the quality of both the supply and the demand of the labour force. This implies the development of lifelong learning and the improvement of the education sector in parallel with the evolution towards a more high-skilled productive system.*

## **1. Economic and employment situation**

In 1999, the Portuguese economy continued to grow at a greater rate than the EU-average even if the pace was slower than in 1998 (2.9% growth compared to 3.5% in 1998). The employment and unemployment situation has continued to improve.

The employment rate has globally improved (from 66.5% in 1998 to 67.4% in 1999) with a particularly strong increase for women (from 57.9% to 59.4%) and temporary workers. The gender gap has diminished also in unemployment rates where the positive performance (4.9% to 4.5%) is completely due to the better situation of women (6.1% to 5.2%). Long-term unemployment has decreased (2.3% to 1.7%), which is a faster rate than total unemployment. The situation of all groups except older men improved.

Nevertheless, this good employment performance continues to hide structural weaknesses related to low participation in education and training, low productivity levels and unbalanced employment distribution by sectors. Labour force participation in the service sector has also increased mainly due to the growth of low-skilled jobs (particularly in commerce and health, social and personal services) and, to a lesser extent, of high-skilled jobs.

## **2. Overall employment strategy**

The national strategy is to stabilise and reinforce the effectiveness of the current employment policies. Therefore, the strategic objectives follow a path of continuity with the 1999 NAP within the wider objective of maintaining the employment rate over 70% and the unemployment rate under 5%. These objectives have to be seen in the light of national indicators, which were 71.5% and 4.5% in 1999. The global strategy does not therefore aim at increasing the employment rate but rather at maintaining it while pursuing the modernisation of the economy.

All pillars are addressed and as in the previous NAP there is a clear focus on the first pillar. Under employability, the priorities are prevention, early intervention and effective integration of those more exposed to the risk of long term unemployment. Lifelong learning will be further promoted, particularly in the field of new technologies, which is consistent with the need to increase the level of qualification of the labour force.

Entrepreneurship is to be fostered particularly in the service sector and at the local level. Equal opportunities are to be ensured by the gender mainstreaming approach.

The overall strategy is to be assessed against a framework of difficult collective bargaining.

As compared to last year's budget, the NAP 2000 presents a consistent and considerable shift of resources from active measures offered to unemployed (particularly GL 1) to lifelong learning (GL 6). Early intervention measures will be developed at regional level.

## **3. Progress assessment**

### **3.1. General appreciation**

1999 has been a year of consolidation of the Portuguese employment strategy outlined in the 1998 NAP. Efforts have been concentrated on Pillar I and particularly on measures aimed at the unemployed: the territorial coverage of the employment networks has reached – as foreseen – 75% of the population. Most of the quantitative objectives have been met or exceeded. There has been a

noteworthy improvement of indicators. Given the positive economic and employment performance as well as the quantitative success of the activation policies, efforts should now be focused on qualitative objectives.

Some weaker features appear though: the PES are confronted with a low level of turn-up of unemployed; inflow into LTU remains high; the planned budget for 1999 has been under-spent (but the financial data is still provisional), no information is given on fiscal measures and their effectiveness. Social dialogue has made little progress.

### **3.2. Implementation of the 1999 National Action Plan**

On **employability**, the programmes dealing with young (INSERJOVEM - GL 1) and adult unemployed (REAGE – GL 2) continue to produce significant results. The territorial coverage of both initiatives has been widened and 18,7% of young and 21,2% of adults had not been offered an active measure before, respectively, 6 and 12 months of unemployment. Assessment of these relatively low rates of non-compliance (one of the best performances among Member States) shall take into account that many unemployed do not answer the PES call. Turn-up rates are indeed worryingly low: 52% of the young and 43% of the adults do not come to the interviews offered by the PES. A study on this problem is being carried out. There is also a lack of information about the type of measures offered to ensure the most efficient integration. Globally, 18,8% of the registered unemployed received an active measure in 1999 (GL 3). However, some measures seem to be under-evaluated. The 20% objective is set to be reached by 2002.

A national agency for the education and training of adults has been created but is still at a very early stage. The number of employed in continuous training under the Pessoa programme has increased by 60% as compared to 1998 (GL 6). The number of apprentices (at 31%) has also greatly improved beyond expectations (GL 8).

As for **entrepreneurship**, it has been made easier to start business with an average delay of 14-26 days compared to 5-6 months as a result of the further development of the Network of Business Formalities Centres. However, these initiatives only partially cover the registering and licensing of a company. Measures have been taken to fight bogus self-employment (workers disguised as sub-contractors) with a subsequent fall in the self-employment rate, and informal employment.

A legal effort has been carried out in order to foster **adaptability** with laws adopted in the fields of part-time employment, temporary work and night work. The legal framework for employees (wages, dismissal) has been amended. In 1999, about 140,000 employees have benefited from training co-financed by the ESF.

**Equal opportunities** are addressed through the mainstreaming approach. Indicators have been developed to monitor it but they will be applied only in 2000. The coverage rate of pre-school education (3 to 5 years of age) has increased to 65% (from 62.6% in 1998) and reached 323,000 children.

**Social partners** have participated in the assessment and revision of the NAP but there were considerable problems in the collective bargaining process as a whole.

Most of the measures executed in the 1999 NAP were co-financed by the ESF. Guidelines 1, 2 and 6, representing more than 90% of the planned budgetary effort (excluding fiscal rebates), were co-financed up to an average of 63%. This strong link between the NAP and the ESF will be maintained in the 2000-2006 period. For 2000, the ESF is expected to co-finance these three

guidelines up to an average 73% of the public expense, with a special effort on continuous training.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Portugal's employment policies*

- (1) *Pursue efforts to improve the quality of the education system, and to strengthen support for continuous training, in particular by involving social partners more actively;*
- (2) *Adopt and implement coherent strategies, encompassing regulatory, fiscal and other measures, in order to reduce the administrative burden on companies, to stimulate entrepreneurship and to exploit the job creation potential of the service sector;*
- (3) *Encourage a partnership approach and promote concrete commitments by the social partners at all appropriate levels on the modernisation of work organisation, with the aim of making undertakings more productive and competitive while achieving the required balance between flexibility and security.*

##### 4.1. Initiatives taken in response to recommendations

In order to improve the **quality of the education system**, the plan lays down several measures aimed at reducing early school-leaving and at strengthening the content in new technologies. Notably, the special education action zones will be developed, alternative curricula will be offered to pupils with learning difficulties, special combined education and training courses will be made available to early school-leavers entering the labour market. The number of pupils in professional training should increase by 10% compared to 1997. An increase of up to 40% of pupils in new technologies is also planned with special attention to equal opportunities. It is also stated that the reform of the secondary education will be carried out by 2002. The efficiency of these measures will need to be closely monitored taking into account an early school-leaving rate of 45% in 1999.

The national target of reaching a 10% rate of participation of employees in **training** actions is being pursued until 2002 and it has been made more ambitious by adding a supplementary target according to which half of these actions should have new ICT content. Further attention should be devoted to the adequacy and the anticipation of labour market needs. A medium term agreement on Employment, Labour Market and Training is being negotiated with the social partners. This translates into a considerable budget increase for GL6.

This set of initiatives appears as a response to some of the main deficiencies of the system but should be presented in a context of a long-term strategy for lifelong learning.

The initiatives aimed at reducing the **administrative burden on companies** will continue, particularly in the area of social security. However, incomplete information is given on the present situation. The lack of information also hampers the assessment of the financial support given to new enterprises (financial schemes, fiscal measures). A large number of initiatives for the **service sector** (notably in the fields of new technologies, tourism and environment) are announced but they don't allow for a clear picture of the strategy adopted.

To overcome the blocking of the **social dialogue**, the government proposed a new working approach to the social partners with the objective of settling medium term agreements on sector themes such as training, work organisation, social protection, working conditions. All partners were committed to this approach and reports should be issued this year.

#### 4.2. Other policy initiatives

Furthermore, other initiatives of the NAP 2000 show the willingness to increase efficiency of the overall employment strategy by a stronger focus on lifelong learning and local development, as recommended by the Guidelines 2000. Particular attention is devoted to new technologies in education and training, in line with the Lisbon Summit conclusions.

Under the **employability** pillar, the full territorial coverage of the Regional Employment Networks will be completed in 2000. Learning issues are further emphasised with new quantitative – but not qualitative -targets (GL 8).

Computer literacy will also be emphasised with new curricula and multimedia products. The programme Internet in Schools will ensure that by 2002 all Portuguese schools (primary and secondary) are connected to the internet, with a strong support of the structural funds. This will be done through the Science, Technology and Society Network that will link the schools also to public libraries, teacher training centres and cultural associations.

In order to develop **entrepreneurship** at local level, territorial Pacts will be further extended and foster partnerships at local level. The objective is to create 5000 jobs per year at local level thanks to micro-initiatives.

As for **equal opportunities**, Portugal has clearly identified its weaknesses in particular in the field of labour market horizontal segregation. Nevertheless, few new positive actions are planned the most important being the development of the pre-school network that will reach full coverage by 2006.

Performance Indicators

Portugal  
Annual data

Employment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	67,4	66,5	63,5	62,3	62,2	59,9
<i>Males</i>	75,8	75,6	71,8	71,0	71,6	69,7
<i>Females</i>	59,4	57,9	55,7	54,2	52,9	50,0
15-24	43,7	43,1	38,0	35,1	39,0	36,2
25-54	80,8	80,1	78,5	78,2	75,6	73,4
55-64	50,7	50,0	47,5	46,3	36,9	35,9
Full-time eq. Employment rate	64,6	63,8	61,4	60,7	56,8	55,0
<i>Males</i>	74,2	74,3	71,2	70,4	69,7	68,6
<i>Females</i>	55,5	54,0	52,5	51,8	44,2	42,3

Unemployment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	4,5	4,9	6,8	7,3	9,2	10,8
<i>Males</i>	3,9	3,9	6	6,5	7,9	9,6
<i>Females</i>	5,2	6,1	7,7	8,3	10,8	12,4
Youth Unemployment Ratio	4,3	5,1	6,7	7,2	8,5	10,2
<i>Males</i>	3,7	4,3	5,8	6,8	8,5	10,3
<i>Females</i>	4,9	5,9	7,5	7,6	8,5	10,1
Long-Term Unemployment Rate	1,7	2,3	3,6	3,9	4,2	5,3
<i>Males</i>	1,5	1,8	3,1	3,4	3,2	4,5
<i>Females</i>	2,0	3,0	4,3	4,6	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	1,8	2,6	1,8	1,6	1,4	0,7
Real GDP Growth	2,9	3,5	3,7	3,6	2,4	1,6
Labour Productivity Growth	1,1	0,8	1,9	2,0	1,0	1,0
Real Unit Labour Costs	1,0	-1,1	-1,2	-0,4	0,0	-0,5

**General appreciation** *The labour market situation is characterised simultaneously by a higher than EU-average economic growth and employment rate. It also has a higher than average unemployment rate. Also the tax burden on labour is high in Finland. Employment is higher than EU-average, but the participation of older age groups is low and the labour market is strongly segregated. The structural unemployment has become a persistent problem threatening ageing LTU people with exclusion.*

**Policy-mix** *The aim of the national employment strategy is to raise the employment rate to 70% by 2003. This seems realistic, provided that favourable economic development continues and that the social partner support is sustained. Emphasis is put on ensuring the supply of labour and well-functioning labour markets by investing in skills development and public employment services. Reinforcing entrepreneurship, improving the adaptability of organisations as well as alleviating segregation are closely linked to the knowledge-based growth strategy. An effort is made to reduce taxes on labour.*

**Response to the 1999 Council Recommendations** *Finland responded to the recommendations by introducing incentives and disincentives for the employees and employers to keep the older workers longer in active life. Several measures have been put in place to support active ageing, including raising the limit for early retirement pensions, but making it possible to go earlier to a part-time pension. Finland has continued to reduce the tax burden on labour. Steps were taken in 1999, and further steps announced for 2000 and 2001. However, further progress is still needed. Gender segregation in the labour market is a difficult problem with important social and labour market implications. To desegregate the labour markets the NAP introduces a major initiative "Equal Labour Markets", where the social partners play a key role.*

**Challenges ahead** *include further efforts to reduce structural unemployment. In addition, Finland may, in a decade, face serious problems in the availability of labour, not only in the IT-branches, but also in services at various skill levels, if no strong measures are taken to secure the availability of skilled labour. There is a considerable pool of resources to be mobilised in the LTU-reserve, bearing in mind that bottlenecks are experienced also in other than highly skilled jobs.*

*Attention should also be paid to develop wide partnerships on the ground including the private sector, the municipalities, citizens' organisations, and the third sector. The regional and local actors have a major role to play in achieving concrete results.*



## **1. Economic and employment situation**

Finland has maintained strong economic growth through the past five years. Even though there was a drop in the GDP growth in 1999, the economic outlook is very favourable with fairly low inflation and interest rates combined with considerable improvement in the export industry output.

In 1999 the total employment growth was 2.2%, the employment rate being 66.3% (69.1% for men and 63.4% for women), varying though considerably according to age. Over 80% of the prime age groups (25-54) were employed compared to those over 55 years out of whom only 38.8% were in employment.

The strong economic growth has led to rapid job creation, but due to a simultaneous increase of the labour supply, the total unemployment rate stood at 10.2% in 1999 (10.7% for women and 9.8% for men), with wide regional disparities. The youth unemployment ratio remained high in Finland (10.8%). Most new jobs are in the private sector, where recent labour shortages have occurred, especially in sectors experiencing rapid growth. The demand is focusing on young people with good qualifications and IT skills, while at the same time job seekers that are over 50 years and with outdated skills tend to remain unemployed.

## **2. Overall employment strategy**

The NAP 2000 reflects the strong will of the Finnish government to improve overall employment by investing in knowledge-based growth. The government has set a target to reach an employment rate of close to 70% by 2003, which is in line with the Lisbon Conclusions. The objective is to promote balanced economic growth through disciplined fiscal and other policies, in order to prevent bottlenecks in the labour market. Emphasis is put on ensuring the supply of labour and well-functioning labour markets by investing in skills development and public employment services. To improve efficiency, the focus will shift from targeting short-term unemployed to those in danger of shifting into long-term unemployment.

The employment policy in Finland is based on a thorough analysis of the needs and problems of the labour market. The NAP 2000 provides a strategic approach, consolidating its actions into eight distinct action programmes, all multi-sectoral with specific targets and timetables (i.e. improving skills within SMEs, the availability of skilled labour, New Start, preventing exclusion, reinforcing the information society, entrepreneurship, modernising work organisation and adaptability in enterprises, an equal labour market).

## **3. Progress assessment**

### **3.1. General appreciation**

To achieve a long-term impacts in the labour market, Finland has evaluated and defined the policies of the past rounds. From extensive use of labour market measures the focus has now been put on improving the quality of the actions. The individual service process and close cooperation with the companies have been put to the foreground.

Progress in key areas has been achieved and the recommendations have been addressed properly. Although immediate results cannot be expected, as most goals set out in the NAP 1999 were far reaching, positive steps have been taken especially in improving employability. Under Entrepreneurship the NAP set targets for further tax reductions, especially for low-income earners. These will now have to be translated into action in line with the Council recommendation.

Achievements under Adaptability concern a comprehensive review of all aspects of work organisation and serious efforts could be also seen in improving the equality policies.

### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** The Finnish labour market policy reform aimed at providing all job seekers with an action plan to find work in the open labour market. Although significant progress was made, the targets set for GLs 1 and 2 were not fully reached in 1999. Of all unemployed job seekers around 95% received an action plan before reaching the threshold. However, almost half of those drifting into long-term unemployment (6/12 months) did not have an individual action plan. In spite of the importance of the prevention effort, the output indicator is still high: around 10% of both young and adult job seekers passed the threshold into long-term unemployment. The risk of long-term unemployment is very high for older job seekers (32% for the age group 55-59 and 61% for the age group 60-64).

Active labour market measures covered 30% of the unemployed job seekers in 1999. The follow-up data shows that even if nearly 30% found quickly work in the open labour market after subsidised work or labour market training, still 44% returned to unemployment after 3 months. The efforts to improve the quality of the measures should therefore be strengthened, especially when considering the problems of the most-difficult-to-place groups.

Lifelong learning has long been regarded as a generator of Finland's growth, competitiveness and employment strategies. In addition to offering a vocational training place to all young people, the objective has been to equip the adult population with the skills needed in the information society.

Adult education and labour market training have been expanded and developed, but as the NAP 1999 did not set concrete targets for lifelong learning, it is unclear how fruitful the measures have been. To ease the transition from school to work, most vocational training (70%) included practical training in 1999. Internet-links have been in place since early 1999 in 80-90% of primary schools, in 90-95% of upper secondary schools and in all vocational institutions.

A great effort was made to prevent bottlenecks and to secure the availability of labour (a national guideline). Universities and polytechnics, the regional and employment offices, together with the social partners, launched projects to anticipate changes in the labour demand and provided for extensive training programmes, especially in the ICT sectors.

**Entrepreneurship:** The creation of new companies was swift in the late 1990s; the number of SMEs has grown in all sectors, mostly in the services. To improve the survival rate and to facilitate the links between higher technology and the businesses, the Government has further increased investments to RDT (3.1% of GDP in 1999, including both state and private sector investment). The implementation of the planned actions under GLs 10-13 however had a slow start.

**Adaptability:** Particular attention has been devoted to the development of work organisation both by legislation and new ways of working. The Government, together with the social partners, has continued to develop labour legislation to guarantee the safety of workers and the flexibility of enterprises. Finally, after four years of preparatory work, the Employment Contract Act is being submitted to Parliament. It will bring about improvements in the job security in atypical work, provisions related to trial period, and benefits and obligations to offered work. The social partners were also involved in launching the "Well-being at Work Programme" which has started during the first half of 2000.

**Equal opportunities:** Mainstreaming equal opportunities in all government acts has taken a step forward, but a longer "leap" will not be taken until in 2000 when the new Employment Contract Act will be assessed for its gender impact, and be used as a pilot project in assessing other legislative bills for their gender impact. To desegregate the labour market, each regional employment authority was obliged to draw up a programme for alleviating segregation. The NAP does not explain what concrete steps have been taken to proceed in this difficult task. The social partners have been involved in developing more equal wage systems and continued their project to develop an equal workplace.

**Social partners:** As previously, the social partners have been involved in the implementation and monitoring of the NAP. They have also taken an active role in the NAP 2000 and have committed themselves to carry out the planned initiatives. It is a basic principle that the social partners in Finland participate in the preparation of legislative proposals and decision making in the employment-related issues. The tripartite process facilitates cooperation and increases the commitment to the agreed upon goals.

**Structural Funds:** The role of the Structural Funds is not easy to trace in the 1999 progress report. During 2000-2006 the ESF together with the other Structural Funds will contribute to the goal of the Finnish Government to increase the employment rate, to keep the ageing workforce longer in work, and to support job-creation, thereby underpinning the implementation of the European employment strategy. The ESF plays a positive role in terms of developing new methods of implementing labour market policies.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Finland's employment policies*

- 1) *Pursue the review of existing benefit schemes, particularly those facilitating early retirement, in order to keep older workers longer in active life;*
- 2) *Pursue recent policy orientations to reduce the tax burden on labour;*
- 3) *Examine, in the context of a gender mainstreaming approach, ways to reduce the current levels of occupational and sectoral segregation in the labour market.*

##### 4.1. Initiatives taken in response to the recommendations

To pursue the review of existing **benefit schemes**, particularly those facilitating early retirement, in order to keep older workers longer in active life, the Finnish Government and the social partners agreed on a package of measures to support active ageing. The measures, initiated mostly at the beginning of 2000, include both incentives and disincentives for the employees and employers, e.g. employers' share of pension costs was increased, the age limit for early retirement was raised, but it was made possible to retire earlier on part-time pension. Preventive action is favoured through early rehabilitation plans and improving working conditions. The average retirement age has already risen by one year, but the link between the package of measures and this achievement is not clear.

To pursue recent policy orientations to reduce the **tax burden** on labour, the NAP 1999 announced that the government will continue cutting the income tax and social security contributions, with an emphasis on low-income earners. The government aims to gradually reduce taxes on labour by € 1,8 billion (1.5% of GDP). The concrete decisions are taken yearly and are based on economic

trends and the state of public finances. In 1999 the cuts amounted to € 350 million, out of which around € 260 million will go to wage earners. Significant further cuts have been announced for 2001. However, Finland still remains above the EU-average as far as tax burden on labour is concerned.

To examine, in the context of a gender mainstreaming approach, ways of reducing the current levels of occupational and sectoral **segregation** in the labour market, Finland has introduced a new initiative "Equal Labour Markets" to alleviate segregation. The social partners will be in a key position to implement this project, to be started in 2000. The initiative includes a feasibility study aiming at identifying key success factors in dismantling segregation and identifying out best practice. In addition, a regular monitoring of wage differences will be created. Whether concrete results will be achieved, remains to be seen.

#### 4.2. Other policy initiatives

The NAP 2000 puts strong emphasis on addressing the structural problems of the labour market, the most important being the availability of labour, high level of unemployment, threat of exclusion and gender segregation.

The local employment initiatives are not treated as a separate issue. Instead there is a plan to regionalise the implementation of the NAP implying that regional and local actors can adapt the plan to their own needs and circumstances. Because this is the critical point of the NAP, the dialogue between the central and regional levels will be decisive. It is also crucial to ensure that the implementation resources are sufficient.

Under **Employability** emphasis is given to long-term human resource development in SMEs as well as to skills-development of the total population to prevent shortage of labour and to ensure that the labour supply responds to the needed qualifications. To support regionally balanced development, action will be taken to create jobs also outside growth centres. An initiative called "New Start" will be launched to prevent prolonged unemployment. The measures in the individual action plans must be *started before 6/12 months*, and the quality of the plans will be improved.

To reinforce the information society, ICT in enterprises will be promoted, including new business methods and networking. To improve the quality of training, all educational institutions must draw up an ICT curriculum by 2002. This is to ensure that the objective of enhancing the IT skills of the total population will be reached.

A special **Entrepreneurship** project will be implemented in 2000 and 2001, where several Government services are cooperating to speed up actions to initiate new businesses and to improve their competitiveness. The focus will be on the critical stages of the life cycle of SMEs. Emphasis is also put on staff participation in the planning of training, professional development, and well-being of work-organisations. To improve **adaptability** the National Workplace Programme will be renewed, covering the entire workforce and focusing on older workers and promotion of equal work communities. This new programme is expected to cover 600 development projects and 85.000 employees (3.3% of the total workforce). Initiatives under **Equal opportunities** concentrate mainly on GL 19 tackling the segregated labour market by introducing concrete initiatives, e.g. to discover and eliminate the key factors maintaining segregation and to encourage girls and boys to choose an atypical occupation.

## Performance Indicators

### Finland Annual data

#### Employment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	66,3	64,0	61,9	60,5	62,2	59,9
<i>Males</i>	69,1	67,2	64,5	62,4	71,6	69,7
<i>Females</i>	63,4	60,8	59,2	58,4	52,9	50,0
15-24	40,0	34,3	31,3	27,7	39,0	36,2
25-54	80,3	78,7	76,3	75,1	75,6	73,4
55-64	38,8	36,3	35,7	34,3	36,9	35,9
Full-time eq. Employment rate	63,5	60,0	58,8	57,0	56,8	55,0
<i>Males</i>	67,5	64,1	62,5	59,7	69,7	68,6
<i>Females</i>	59,7	55,9	55,1	54,0	44,2	42,3

#### Unemployment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	10,2	11,4	13,1	15,3	9,2	10,8
<i>Males</i>	9,8	10,8	12,6	14,9	7,9	9,6
<i>Females</i>	10,7	12,0	13,7	15,8	10,8	12,4
Youth Unemployment Ratio	10,8	11,1	11,5	12,0	8,5	10,2
<i>Males</i>	10,9	11,1	11,5	12,2	8,5	10,3
<i>Females</i>	10,8	11,1	11,4	11,7	8,5	10,1
Long-Term Unemployment Rate	2,9	3,2	3,8	5,1	4,2	5,3
<i>Males</i>	3,1	3,6	4,0	5,6	3,2	4,5
<i>Females</i>	2,7	2,8	3,5	4,5	5,0	6,2

### Annual change

#### Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	2,2	2,1	3,3	1,4	1,4	0,7
Real GDP Growth	4,0	5,5	6,3	4,0	2,4	1,6
Labour Productivity Growth	1,8	3,3	2,9	2,6	1,0	1,0
Real Unit Labour Costs	-0,1	-2,3	-3,1	0,4	0,0	-0,5

**1. General appreciation**

*The labour market improved substantially during 1999 and with an employment rate of 72.2%, Sweden reinforces its position as one of the top performers in the EU. The main challenges in 1999 for the Swedish economy were to combat the high unemployment rate, to reduce the gender-segregated labour market and to reduce the tax burden, especially for low-income earners.*

**2. Policy-mix**

*The overall employment objective is to halve the unemployment rate by the end of this year reaching 4% (national definition) and to increase the employment rate to 80% by the year 2004, for people of working age. These goals will also reduce the numbers dependent on various benefits and grants. Activation and skills enhancement are fundamental to reach the goal of increasing the employment level meaning that the labour market policy supports those who have most difficulties in obtaining work on the one hand and underpin growth on the other hand.*

**3. Response to the 1999 Council recommendations**

*Some first steps have been taken to reduce the taxation on labour by raising the starting point for paying state tax and by reducing the tax contribution for financing earning-related and supplementary pensions of low and medium wage earners. These steps should be viewed as the start of a comprehensive tax reform. The implementation and the effects of this comprehensive tax reform remain to be seen. Sweden intends to combat the gender segregated labour market by confronting the problem at a much earlier stage at all levels of education, and by an awareness campaign in the labour market to improve the situation of both sexes.*

**4. Challenges ahead**

*The main goal in the years to come should be to ensure an efficiently functioning labour market and to avoid bottlenecks in the labour market, thereby avoiding inflationary wage increases, and lead to sustainable employment and overall GDP growth. The tax burden on labour in Sweden is still the highest in the EU and efforts for reductions should continue. The Swedish labour market should promote geographical and occupational mobility in order to tackle increased regional disparities and also to satisfy regional skill shortages. Efforts to improve the integration on the Swedish labour market of those having most difficulties, including migrant workers, should be further pursued.*

## **1. Economic and employment situation**

The Swedish economy continued to perform well during 1999 with an overall GDP growth of 3.8%. This boost in the economy has led to a strong employment growth of 2.2%, which is the best for last 10 years. The employment growth during 1999 was evenly spread between women and men, with an overall employment rate of 72.2%, (70.3% for women and 74.0% among men), thus already higher than the target set by the Lisbon European Council for the EU. The majority of the employment growth has occurred in the private services sector.

The unemployment rate continued to fall during 1999 for both women and men and stands today at 7.1% for women and 7.2% for men. The youth unemployment ratio also declined to 6.2%. The unemployment for persons born outside Sweden has improved during the last two years but is still more than double the figure for the population as whole.

The employment rate among older people is very high, 64% for the age group 55-64 years old, compared with other Member States. The strongest growth during 1999 has, been for the young people, while the employment rate for the prime-age group remained stable.

The regional disparities remain and have increased during recent years, with strong growth in the southern part of Sweden and a less favourable development in Northern Sweden.

## **2. Overall employment strategy**

The overall employment objective is to halve the unemployment rate by the end of this year reaching 4% (national definition) and to increase the employment rate to 80% by the year 2004, for people of working age. These goals will also reduce the numbers dependent on various benefits and grants. Activation and skills enhancement are fundamental to reach the goal of increasing the employment level. This has meant that the labour market policy underpins growth on the one hand and supports those who have most difficulties in obtaining work on the other hand. During recent years the number of participants in various labour market schemes has been reduced; however, there is greater emphasis on labour market training, as a tool to underpin growth.

Swedish entrepreneurship policy aims at fostering a good business climate in general and also to fully exploit the job potential in the information society. To do so, the policy is directed, among other things, towards achieving broad IT skills throughout society and removing obstacles that might exist to fully exploit the potential in this sector.

Sweden's employment policy focuses on a good collaboration between the government and the social partners in order to create the conditions that will promote employability, flexibility and opportunities for lifelong learning. They intend to produce these initiatives jointly.

Equal opportunities for women and men are a cornerstone of the government's policy in achieving a more even distribution of growth and welfare. In obtaining this overall aim, well-developed childcare provision, care of elderly and the right to parental leave, are important factors to achieve this objective. The individual based tax and benefit system is also important in reaching equal opportunities between women and men.

### **3. Progress assessment**

#### **3.1. General appreciation**

The NAP focuses strongly on upgrading skills among employed and unemployed people, both by using traditional labour market policy measures and also new pioneering initiatives for lifelong learning. An Internet based information system is been created in order to improve the information available to small and newly started enterprises. The equal opportunity policy in Sweden is well developed and an additional initiative has been taken in the NAP aiming to reconcile work and family life.

The Swedish NAP is well in line with the European Employment Strategy with an ambitious employment policy and with clear targets. The policy mix is to some extent biased with more emphasis put on employability and equal opportunities. Although the adaptability pillar is rather weak on the implementation part, efforts have been made to reinforce it in this year's NAP especially on competence development. Efforts are being made to improve the environment for entrepreneurs, especially in reducing the administrative burden for enterprises.

#### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** The preventive approach has been successfully implemented for young people. Around 90% of all newly unemployed young people commenced their individual plan before reaching the 6 months threshold. The output indicator shows that only 3% of those who became unemployed drifted into long-term unemployment. For the adults, around 93% had started an individual action plan before reaching the 12 months threshold, though the inflow rate (15%) into long-term unemployment is much higher than for youths, and this is a significant increase compared to 1998. This difference between adults and young is explained by a clearer national target for young people, which stipulates that every young unemployed person should have an individual plan before reaching 100 days of unemployment. In addition to what the Swedish regular educational system is contributing to employability in the longer term, policy has also switched from work schemes to training measures. As the latter are more expensive, a smaller population will be reached with the same budget, which may in turn lead to an increased risk of adults becoming long term unemployed. The Swedish activation rate exceeds the target set out for the EU, amounting to 86%.

The measure "general recruitment incentive" has been successfully implemented and covered around 10 000 people per month during 1999. Of these, 63% obtained a job. In October 1999 an "extended recruitment incentive", giving a higher tax credit for employers who hire people who have been unemployed for more than 24 months, was introduced and had until March 2000 covered around 2 600 people monthly. The initiative to offer teachers skills development in the IT area is being implemented.

**Entrepreneurship:** A number of measures have been taken to reduce the administrative burden for enterprises, the most important being the National Tax Office and the Patent and Registration Office implementing measures on simpler company registration. To improve the information available to small and newly started enterprises an Internet based information system will be created. During 1999 each county has prepared a Regional growth plan emphasising the importance of knowledge growth and promoting lifelong learning to underpin the regional and local needs.

**Adaptability:** The Swedish labour legislation is largely optional and is complemented with collective agreements between the social partners. This leads to large differences in working



practices in the different sectors. Part-time employment is common in Sweden, especially among women. However, approximately 1/3 of part-timers wants to increase their working time. The progress under the Adaptability Pillar is however vague, which makes it difficult to assess the implementation of NAP 1999.

**Equal opportunities:** The use of parental allowances for men has risen during 1999 and amounted to 33%. The introduction of the "father's month" has clearly affected the share of parental allowance utilised by fathers. Around 70% of the fathers of children born in 1995 and 1996 have used parental allowance during the child's first two years. This can be compared with 60% for fathers of children born in 1993.

**Social partners:** The dialogue between the government and the social partners has continued and been strengthened during the preparation of the NAP. In particular in the areas concerning education, training and skills development in working life, a tripartite agreement has been concluded. The partners have highlighted the need of a more differentiated and individual oriented labour market policy. Consensus on a central level is an important criterion for a stable and sound economy, and will make it easier to reach consensus on a local level.

**ESF:** The importance of the ESF as a tool of implementing the employment strategy is more visible in this year's NAP. ESF's main task during the programming period 2000-2006 will be to strengthen the skills development of both employed and unemployed people.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of Sweden's employment policies*

*(1) Take measures to reduce the **high tax burden on labour income**, in particular for those with a low take-home pay from work;*

*(2) Examine, in the context of a gender mainstreaming approach, ways to **reduce the current levels of occupational and sectoral segregation** in the labour market.*

##### 4.1. Initiatives taken in response to recommendations

Sweden should take measures to reduce the **high tax burden on labour income** with an emphasis on low take-home pay from work. As a first step of a comprehensive tax reform, starting from 1 January 2000, the tax has been reduced for low and medium wage earners. Some first steps have been taken to reduce the tax for low-income earners, by reducing their individual tax contribution and by raising the starting point for paying state tax. Furthermore, the minimum income level for paying state tax has been increased and the target is that no more than 15% of the taxpayers should pay state tax instead of 18% (19% in 1999) as it is today.

Sweden should examine, from an equal opportunities viewpoint, how **gender-segregation** in various sectors and occupational categories can be reduced. The Swedish labour market is too highly gender-segregated. The plan, however, also points out the beneficial effects for female employment of the development of public services (such as child care etc). In order to tackle segregation, some actions have been taken especially within the education system in order to affect pupils' choice of higher education. In addition to these specific measures, active labour market policies also contribute to affect the choice of occupation for women and men. Although the results of these measures should be seen in a long-term perspective, efforts should be continued in this direction.

## 4.2. Other policy initiatives

The regional growth agreements will be implemented during year 2000 to reinforce the collaboration between different actors on a local and regional level and to find measures that will increase growth and employment. Most schools have access to Internet, 85% of primary school pupils and 88% of secondary school pupils have access.

Under **employability** emphasis is put on reaching those who have most difficulties in obtaining a job by proposing that the recruitment incentives should be strengthened. The length and tax reduction for the recruitment incentives will depend on how long the unemployed has been registered, i.e. the more severe the problem is, the higher the tax reduction will be. Furthermore, an "activity guarantee" will be introduced with the aim of breaking the vicious circle for those who have been unemployed for more than 24 months, by giving them a stable and sustainable full-time activity until they find a full-time job. This measure implies that none will be unemployed for more than two years. Furthermore, the unemployment insurance is being reformed with the aim of reinforcing its role as adjustment insurance. The aim is to clarify the efforts that individuals need to do while seeking work, together with reinforcing the requirements in terms of geographical and occupational mobility. In order to stimulate the labour force participation for older workers the government will propose later this year that it will be possible to continue to work until the age of 67 years.

Under **entrepreneurship** work has continued to reduce the administrative burden and simplify the rules both for those who want to establish a new business and for existing businesses. The government intends to create a new authority for business development by a merger of parts of existing authorities, which is expected to improve support services for entrepreneurs and would-be entrepreneurs. Furthermore, the government aims to reduce the tax for low and medium wage earners. Beyond the recommendations, the Swedish government has taken further steps towards a green tax shift by raising diesel tax, electricity tax and nuclear power tax. The revenue gained from this tax increase will be used for tax subsidies in conjunction with individual skills development.

The **adaptability pillar** has been reinforced compared to previous NAPs. The government intends, on the request from the Swedish parliament, to present a proposal during spring 2000 concerning the right for employers to make exemption for two employees in each workplace from the priority rules of the Employment Protection Act. A goal has also been set to reduce the number of "part-time unemployed people", i.e. people who want to increase their working time, a goal which, in an agreement between the government and relevant social partners, aims to reduce that group from 30,000 people to 15,000 people. The Swedish government has allocated more than 117 Mio € as a stimulus for individual savings towards skills development. The stimulus will be provided in the form of a tax subsidy.

Under **equal opportunities** emphasis is put on measures to tackle the gender segregated labour market, and to continue the work towards a gender mainstreaming approach into day-to-day activities within all policy areas on a central, regional and local level. The family policy has been further strengthened. Among other things an additional "father's month" will be introduced later this year aiming to provide incentives for men to utilise parental leave to a higher degree. Furthermore, as a first step in lifelong learning, general pre-school for 4 and 5 year-olds will be introduced from 1 January 2003 and a ceiling on child-care fees are some actions that will be presented in a bill for the Parliament during spring 2000.

Performance Indicators:

Sweden  
Annual data

Employment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	72,2	70,6	68,3	69,7	62,2	59,9
<i>Males</i>	74,0	72,1	69,8	70,6	71,6	69,7
<i>Females</i>	70,3	68,9	66,8	68,7	52,9	50,0
15-24	40,7	35,4	32,1	33,8	39,0	36,2
25-54	82,3	81,9	80,4	81,4	75,6	73,4
55-64	64,5	64,6	61,6	64,1	36,9	35,9
Full-time eq. Employment rate	63,1	61,7	61,2	62,2	56,8	55,0
<i>Males</i>	68,4	67,5	66,4	67,2	69,7	68,6
<i>Females</i>	58,0	56,0	56,1	57,4	44,2	42,3

Unemployment Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	7,2	8,2	9,9	9,6	9,2	10,8
<i>Males</i>	7,2	8,6	10,2	10,1	7,9	9,6
<i>Females</i>	7,1	7,8	9,5	9,0	10,8	12,4
Youth Unemployment Ratio	6,2	7,5	9,3	9,5	8,5	10,2
<i>Males</i>	6,2	8,0	9,7	10,0	8,5	10,3
<i>Females</i>	6,3	7,1	8,8	9,0	8,5	10,1
Long-Term Unemployment Rate	2,1	3,1	3,4	2,9	4,2	5,3
<i>Males</i>	2,4	3,5	3,7	3,4	3,5	4,5
<i>Females</i>	1,7	2,6	3,1	2,4	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	2,2	1,3	-0,6	-0,6	1,4	0,7
Real GDP Growth	3,8	3,0	2,0	1,1	2,4	1,6
Labour Productivity Growth	1,5	1,7	2,6	1,7	1,0	1,0
Real Unit Labour Costs	-0,6	0,3	-0,8	3,6	0,0	-0,5

**General appreciation:** *The UK's favourable employment growth continues, although some structural challenges need tackling. The tightening labour market is showing signs of skill gaps in certain sectors, particularly in IT. Although falling, much of the remaining long-term unemployment is concentrated within workless households, amongst disadvantaged groups, and in a number of geographical areas, presenting associated problems of social exclusion. The UK has the lowest labour force participation rates for lone parents in the EU.*

**Policy mix:** *This years' NAP sets out a more ambitious goal of full employment. The mix has a better balance between pillars, but with an emphasis on tackling social exclusion and bringing the inactive into work.*

**Response to Recommendations:** *The Minimum Wage is helping low paid women and closing one of the largest gender pay gaps in the EU. 1999 UK figures indicate the gap for hourly full-time earnings shrank by one percentage point to 19%. A wider range of policies to tackle occupational gender stereotyping and segregation, could further encourage this reduction.*

*The contribution to the NAP of the UK's two main Social Partners reflects a closer relationship with Government. There are clearer signs of specific actions at all levels in the economy, especially the local level. Progress on national involvement could be built upon.*

*Current statistical monitoring systems have enabled the calculation of most policy indicators. On activation, the UK provides two indicators, one applying the common definition, showing the UK falls well below the 20% target, and one using the UK's wider definition, including intensive counselling and advice with job search. Under this definition the UK achieves 100%.*

*Reforms are addressing the deficiency of childcare provision. The number of publicly funded childcare places has increased by 170,000 under current initiatives. This progress will contribute towards a reduction of a gender gap in employment of over 3 million jobs.*

**Challenges ahead:** *Certain labour market policy challenges face the UK. The main weakness in providing active support to prevent adult long-term unemployment is the over reliance on intensive job search through the Job Seekers Allowance regime (JSA). For most adults more intensive support is not provided until the 24 month point when they move on to the New Deal. Flagship policies for lifelong learning represent fundamental changes in policy but are still to be fully implemented. There is little detail on progress towards meeting national targets. In addition policies need to target those with basic skill problems, and show how access and opportunity will be ensured for these groups. This is a particular problem for older workers. Social Partners have an important role in promoting workplace learning to tackle basic skill levels and helping address low labour productivity.*

## **1. Economic and employment situation**

1999 saw continued real GDP and employment growth, translating into a higher employment rate of 70.4%. The rate for women increased whilst remaining relatively static for men. Most of this growth is due to increases in full-time employment. There remains a large difference between the employment rate for women and the full-time equivalent although this indicator is less relevant to the UK. Working patterns mean the distinction between part-time and full-time work is increasingly blurred. The employment rate for 15-24 year olds fell due to increased participation in education. The employment rate for older workers is above the EU average. The tightening labour market shows signs of skill gaps in certain sectors, particularly IT. Labour productivity growth was slightly under the EU average in 1999 and levels remain below that of major competitors.

Unemployment fell to 6.1% in 1999. Rates for women remain lower than for men. Male youth unemployment exceeds the EU average. The long-term unemployment rate continues to fall and is less than half of the EU average. Unemployment and inactivity are increasingly concentrated amongst male older workers, disadvantaged groups, and within a number of deprived communities where the number of workless families is high. Regional unemployment disparities remain significant, although large sub-regional variations in unemployment have also been highlighted as a problem.

## **2. Overall employment strategy**

This NAP presents an ambitious strategy to deliver full employment by ensuring job opportunities for all. With unemployment at its lowest level for 20 years, the UK problem is increasingly becoming the need to extend the workforce. The employability pillar sets out the strategy of "making work pay". Tax and benefit reforms are designed to remove financial disincentives of returning to work and tackle associated problems of social exclusion. The UK has set targets for 2002, to increase participation in lifelong learning, raise skill levels, cut the numbers of early school leavers by one third and have all schools online. Local employment creation initiatives are a central objective for the UK Government and the devolved administrations in addressing problems of geographical variations in job creation and opportunities. The Adaptability pillar concentrates on maintaining a flexible workforce, combined with measures to ensure a minimum standard of fairness. There are a range of initiatives aimed at improving the work/life balance and encouraging more women into the labour force.

## **3. Progress assessment**

### **3.1. General appreciation**

The NAP provides a well-developed presentation of how the UK policy mix is designed to tackle labour market issues. However, by not distinguishing between existing and new policies, the style often renders the identification of new developments difficult. A number of important new policies are not included, in particular in the area of social inclusion. Despite this, the NAP presents a more balanced policy mix, especially between the first two pillars. The Employability pillar remains most important but more emphasis is placed on entrepreneurship in this NAP. The Adaptability pillar reconfirms moves towards a balance between flexibility and security, with the Social Partners confirming such a need, but there seems little in the way of new initiatives. There is also little specific detail on how the UK will tackle low labour productivity.

The UK continues to move towards a more active and preventative labour market policy since the start of the EES. Further moves towards compliance can be seen under the Employability,

Entrepreneurship and Equal Opportunity pillars. There is little visible change in Adaptability policy. Certain policies announced in previous NAPs, like the Minimum Wage and the New Deal initiatives are starting to tackling labour market issues, but in general the NAP could have provided more detail on the impact policies are now having.

### **3.2. Implementation of the 1999 National Action Plan**

**Employability:** The NAP provides the full range of input and output indicators, although not broken down by gender. For guidelines 1 and 2 the active nature of the JSA regime means that all claimant unemployed receive a new start before the 6 or 12 months. The 100% compliance rate is linked to strict benefit sanctions. The input indicator for guideline 3 is discussed under section 4.1. The key policies of the active approach remain the New Deal initiatives. Evaluation evidence is suggesting that the New Deal for Young People is having an impact on the off-flows from unemployment. However, inflows into long-term unemployment of both the young and adults (17% and 11% respectively) still exceed those of the best performing Member States. Taxation reform towards in-work support for the low paid through the Working Families Tax Credit (WFTC) is now benefiting 1.4 million workers. The Minimum Wage is paid to 1.5 million low paid workers, mostly women. Combined with a lower starting rate of income tax, these measures are removing financial disincentives of returning to work. The New Deal for 50 plus and the New Deal for Disabled People benefit the older inactive or unemployed.

UK policy aims to encourage lifelong learning to address low levels of basic skills. Ambitious national targets have been set. The NAP illustrates the role of partnership in delivering the strategy but does not adequately reflect the priority the Government places on this area. There is little indication of how flagship policies will target provision towards those with basic skill problems, and how access will be ensured for groups on the wrong side of the "Learning Divide". This is a particular problem for older workers. Flagship initiatives, announced three years ago, have yet to be fully implemented. The University for Industry will not start until autumn 2000, and IT learning centres will not be delivered nationally until 2002.

**Entrepreneurship:** The UK is one of the best performers in terms of employment in services. The UK has one of the shortest lead-in times for starting a new business and the second lowest rate of non-wage labour costs in the EU. Taxation reform is designed to remove barriers to setting up and running SMEs. Devolution of powers to Scotland, Wales, Northern Ireland and the English regions is having an impact on this pillar. The English Regional Development Agencies and the devolved administrations have responsibility for developing strategies to increase skills and stimulate job creation. The work of local agencies is key to stimulating enterprise and tackling social exclusion.

**Adaptability:** Social Partners re-affirm the need for an appropriate balance between flexibility and security. This has been helped by the 1999 Employment Relations Act. The NAP recognises the UK's persistently low levels of labour productivity growth but there is no discussion of the early impact of the policies in this area. The NAP does begin to spell out steps taken by the Government and Social Partners to promote workplace learning through initiatives like the Union Learning Fund and the Partnership Fund. The important role of the National Skills Task Force under this pillar is not discussed.

**Equal opportunities:** Childcare provision and policies to tackle the gender pay gap are discussed in section 4.1. The introduction of in-work support through the WFTC is helping parents to move into work. The NAP reports on the New Deal for Lone Parents (NDLP), which tries to encourage more lone parents into work. However take-up remains low. The Women's Unit within Government is responsible for the monitoring of all new policy to ensure that gender issues are fully considered. In addition the Government and the devolved administrations require all new legislative policy to

contain a statement on gender impact.

**Social Partner** arrangements are discussed in section 4.1.

**ESF and the structural funds:** The NAP sets out well the role that the Structural Funds have and will play in delivering the EES. ESF and ERDF have already delivered contributions to the NAP objectives. There is also detail on how the Structural Funds, in particular ESF will be used to underpin the NAP in the 2000-2006 programming round. ERDF will have a major role to play in tackling variations in local job creation and in encouraging entrepreneurship and adaptability, and the ESF will play an important role across all pillars, with particular emphasis on the Council Recommendations. This strategy will be reinforced by the Government's commitment on match-funding arrangements for Structural Fund interventions, which will help to deliver NAP objectives.

#### 4. New policy initiatives

*The 1999 Council recommendations on the implementation of UK employment policies*

*(1) Focus on the issue of gender pay gap and develop appropriate policies to address this, building inter alia on the positive effects to be expected from the introduction of the minimum wage in 1998.*

*(2) Encourage a partnership approach and promote concrete commitments by the social partners at all appropriate levels on the modernisation of work organisation, with the aim of making undertakings more productive and competitive while achieving the required balance between flexibility and security.*

*(3) Upgrade the statistical monitoring system, so that policy indicators on prevention and activation will be provided by 2000 in accordance with agreed definitions and methods.*

*(4) Pursue efforts to expand and improve the quality of child care provisions, in order to enable particularly women to participate more in part-time as well as full-time work, according to their preferences.*

##### 4.1. Initiatives taken in response to recommendations

The Minimum Wage has started to benefit women who are over represented amongst the lower paid. Although narrowing, the UK still has one of the highest gender wage gaps in the EU. Further reductions would be helped by a wider range of policies to tackle stereotyping by occupation. There is no mention under this recommendation of the Part-time Work Directive, legislation which will ensure fairer pay and conditions for the UK's part-time workers, 80% of whom are women.

This NAP demonstrates a more transparent partnership approach. The two Social Partners have provided a joint text for their section of the NAP. Partnership arrangements work differently in the UK and this NAP uses good practice examples to illustrate how arrangements work at the local and company level, although this often makes the evaluation of progress difficult. Local partners are key to tackling issues like social exclusion. At national level, involvement could be built upon. The Social Partners welcome the establishment of the Partnership Fund, which aims to support projects in the workplace which foster partnership, training and importantly given the UK's more dispersed partnership culture, the spread of good practice. Consultation with the Devolved administrations and the English regions has improved compared with last year.

Current statistical monitoring systems have enabled the calculation of most policy indicators on prevention and activation. For guideline 3, under the common definition of the indicator, 8.7% of

the unemployed receive active training. Although this has increased from the previous year it is significantly below the 20% target. The NAP argues that this figure by itself does not represent an appropriate indication of the help available from active labour market policies relevant to guideline 3. Applying the UK's wider definition of support, which includes counselling, and help with job search allows the inclusion of the JSA regime and a range of other initiatives. Under this measurement the UK achieves 100%.

This year's NAP reinforces measures to boost the provision of childcare. There is a development of a clear strategy with a frank admission that the UK has been slow to develop good quality, affordable and accessible childcare. Progress is being made with the number of publicly funded childcare places increasing by 170,000 under current initiatives. The WFTC contains a credit to assist towards childcare costs. The local delivery of the childcare strategy is designed to match the provision with the local demand. Progress needs to continue if the UK is to encourage more women into the workforce to facilitate further employment growth. Despite high participation rates, further potential still exists, with a gender gap in employment of over 3 million jobs.

#### **4.2. Other policy initiatives**

**Employability:** The range of New Deal initiatives has been extended to offer support to a wider spectrum of the out of work. Over 50 either inactive or unemployed may now join the New Deal 50 plus. From April 2001 adults' unemployed for 18 months will be eligible for a more intensive New Deal for 25 plus. Recent policy builds upon tax and benefit reform with an impressive range of measures to remove financial disincentives and "make work pay". Changes to income support, extended payments of housing benefit, and a Job Grant, are designed to smooth the transition into work. In 2003 an employment tax credit will extend the principle of the WFTC to those without children. From 2001 the responsibilities of the PES and much of the Benefits Agency will be merged. The Government is investing in IT initiatives to modernise the PES, including a telephone match service, a call centre and a "Learning and Workbank" website providing on-line access to all PES and many other vacancies.

The network of Learning and Skills Councils begins in April 2001 and will play a major role in improving participation in lifelong learning and ensuring flexibility in meeting local skill needs. There is no mention of some important new developments under lifelong learning, for example the new Adult Basic Skills Strategy Unit introduced as part of the Government's response to the Moser report. Raising education standards is a priority. By 2002 the Government aims to reduce by one-third levels of truancy, irregular attendance and exclusion. The revised English National Curriculum aims to provide school leavers with the skills for a modern workforce. In 1999 62% of primary and 93% of secondary schools were online, by 2002 the target is for all education establishments to have an internet connection.

**Entrepreneurship:** The Government aims to make the UK the "best location in the world for e-commerce by 2002". The growth strategy for IT employment concentrates on removing barriers to e-commerce and encouraging investment through tax breaks. Budget 2000 introduced a 100% capital allowance for small firms buying ICT equipment. The range of local job creation policies designed to tackle social exclusion are impressive, but not fully reflected in this NAP. Both the New Deal for Communities and Employment Zones, which started in 15 new areas in April 2000, will be focused on areas with pockets of high unemployment. However there is little or no discussion of a range of new policy initiatives like Employment Action Teams and the job and skills focus of the National Strategy for Neighbourhood Renewal.

**Adaptability:** In July 2000 the Part-time Work Directive will enhance existing legislation and ensure a fairer treatment for the UK's significant number of part-time workers. The Regulatory



Impact Unit ensures new regulations are transparent and carefully targeted. Otherwise, the NAP presents little new policy on further developing both flexibility and security.

**Equal Opportunities:** Recent initiatives concentrate on tackling gender gaps and improving the work/life balance to encourage more women into the workforce. Special attention should be paid to lone parents. The UK has the lowest participation rates for lone parents in the EU and the UK should build upon a number of important lessons and changes to the NDLP to reinforce policies in this area. The coherence and consistency of gender mainstreaming in the NAP would be improved by a better demonstration of the gender impact of policies.

Performance Indicators

United Kingdom  
Annual data

Employment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Rate	70,4	70,2	69,7	68,7	62,2	59,9
<i>Males</i>	76,9	77,0	76,3	75,0	71,6	69,7
<i>Females</i>	63,7	63,2	63,0	62,3	52,9	50,0
15-24	55,0	56,1	55,7	54,9	39,0	36,2
25-54	79,6	79,1	78,4	77,5	75,6	73,4
55-64	49,4	48,3	48,5	47,7	36,9	35,9
Full-time eq. Employment rate	60,6	60,3	59,8	59,0	56,8	55,0
<i>Males</i>	73,2	73,4	72,6	71,7	69,7	68,6
<i>Females</i>	48,7	47,9	47,7	47,0	44,2	42,3

Unemployment  
Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Unemployment Rate	6,1	6,3	7,0	8,2	9,2	10,8
<i>Males</i>	6,7	7,0	7,8	9,5	7,9	9,6
<i>Females</i>	5,3	5,5	6	6,5	10,8	12,4
Youth Unemployment Ratio	8,6	9,1	9,4	10,2	8,5	10,2
<i>Males</i>	10,1	10,7	11,2	12,5	8,5	10,3
<i>Females</i>	7,0	7,3	7,6	7,7	8,5	10,1
Long-Term Unemployment Rate	1,8	2,1	2,7	3,3	4,2	5,3
<i>Males</i>	2,3	2,7	3,4	4,4	3,5	4,5
<i>Females</i>	1,1	1,3	1,6	1,8	5,0	6,2

Annual change

Employment related Economic Indicators

	1999	1998	1997	1996	EU 1999	EU 1996
Total Employment Growth	1,2	1,2	2,0	2,6	1,4	0,7
Real GDP Growth	2,4	2,7	2,5	1,6	2,4	1,6
Labour Productivity Growth	0,9	1,0	1,4	-0,1	1,0	1,0
Real Unit Labour Costs	0,8	1,1	0,0	-1,3	0,0	-0,5

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