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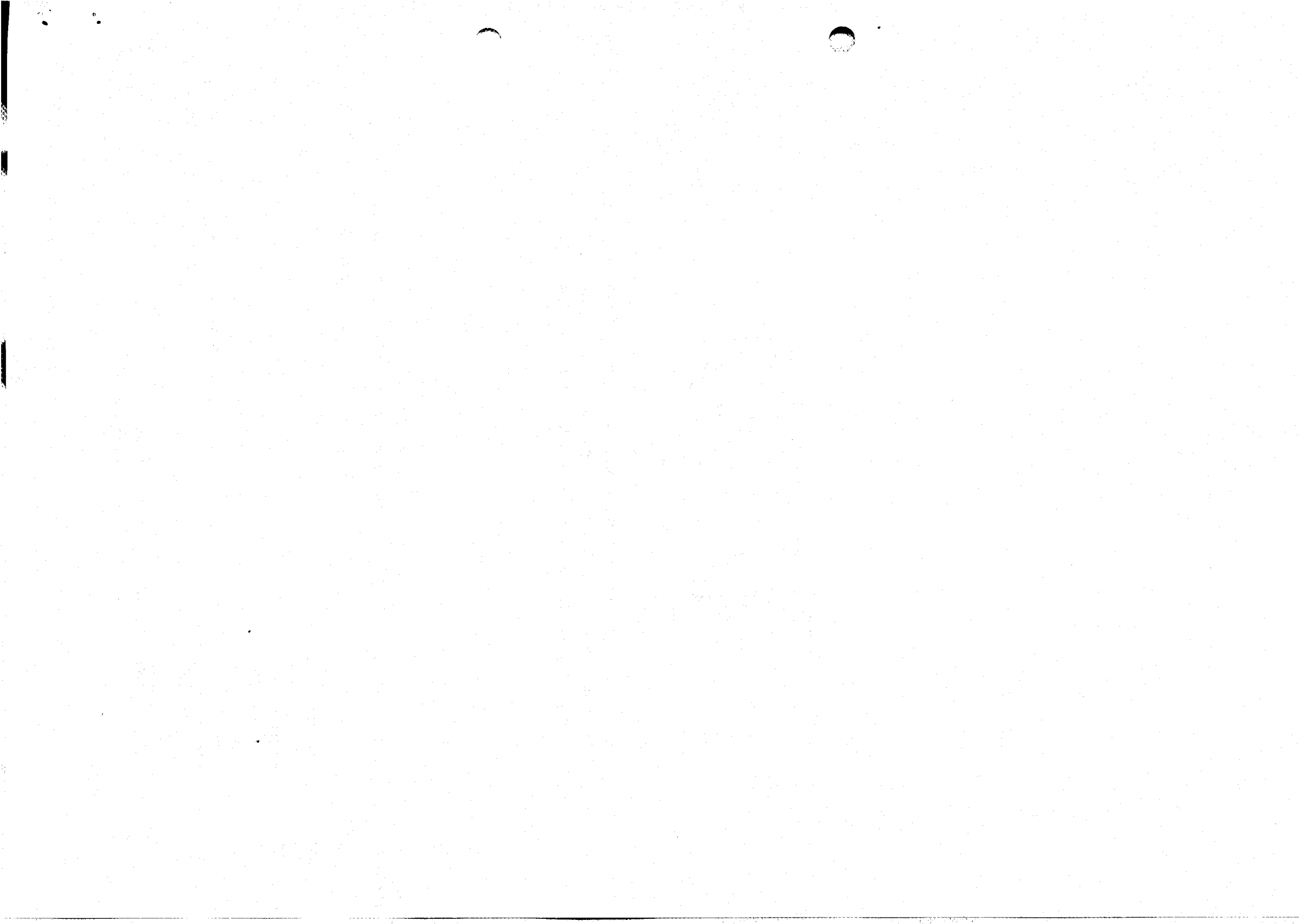
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Subject : Draft Joint Employment Report 2000  
– Part I: the European Union, including Executive Summary and  
Statistical Annex

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Delegations will find attached the draft text of the Joint Employment Report 2000, Part I: the European Union, as it appears following its examination by the Employment Committee and the Economic Policy Committee. This part includes the Executive Summary and the Statistical Annex.

"Part II: the Member States" is to be found in 12909/00 SOC 402 ECOFIN 311 ADD 1.

**JOINT EMPLOYMENT REPORT 2000**

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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.

**JOINT EMPLOYMENT REPORT 2000**

**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.

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

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.

### ***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).

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<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 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 – 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).

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

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

### ***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 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.

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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 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 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%.

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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.

### *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 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.

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

***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.

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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.

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.

### **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.

<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.

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.

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.

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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.

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.

**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 both years from Greece, Italy, France and the Netherlands.

***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.

<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).

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.

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

Member State	Definition of the target	Target value	Deadline
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.

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### **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.

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## 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.

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## 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.

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### *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>

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.

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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; 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.

- 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.
- 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.

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### 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.

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### 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.

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### **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.

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#### ***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>.*

<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.

- 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 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, agreements in Germany on the increased use of flexible forms of working time as part of the Jobs Alliance, 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 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.*

<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

### 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).

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

## *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 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		
<sup>25</sup> 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
<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	⊗

<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.



### 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.

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#### **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.

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**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).

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## 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.

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### *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 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**.

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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).

#### 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.

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## 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.

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## 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.

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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.

- 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.
- 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.

- 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.

<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.

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

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

- 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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# **JOINT EMPLOYMENT REPORT**

## **STATISTICAL ANNEX**

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

## DEFINITIONS OF INDICATORS

### Basic Performance Indicators

#### Employment Indicators

Indicator	Definition	Source	Rationale
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

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

Guideline	Indicator	Definition	Source
Guideline 19	EO <sub>1</sub> = Absolute unemployment gap	The difference in unemployment rates between women and men in absolute figures (percentage points).	LFS
	EO <sub>2</sub> = Absolute employment gap	The difference in employment rates between women and men in absolute figures (percentage points).	LFS
	EO <sub>3</sub> = Index of gender segregation in occupations	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
	EO <sub>4</sub> = Index of gender segregation in sectors	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
	EO <sub>5</sub> = Gender pay gap	Ratio of women's hourly earnings index to men's for paid employees at work 15+ hours. Breakdown by private and public sectors.	ECHP
	EO <sub>6</sub> = Gender income gap	The proportion of women earning less than 50 percent of national median annual income, compared to the corresponding proportion of men.	ECHP
Guideline 20	EO <sub>7</sub> = Employment impact of parenthood by sex	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
	EO <sub>8</sub> = Gender gap in the employment impact of parenthood	Ratio between the EO <sub>7</sub> indicators for women and men.	LFS
	EO <sub>9</sub> = Involuntary part-time employment	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**

	Indicators for Guidelines 1-2	Indicators for Guideline 3	Data deficiencies detected
<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 (5)</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
Belgium	18.6*	19.0*	18.1*	57.6*	56.2*	58.9*	20.6	21.5	19.7	50.4	47.7	53.2
Germany							74.4	na	Na	15.8	na	Na
Denmark (5)							5.0	4.0	6.0	84.0	84.0	84.0
Greece												
Spain (1)							45.4	48.5	42.5	79.1	79.7	78.8
Finland							95.0	94.1	95.8	48.4	49.3	47.3
France (2)							4.1	3.6	4.5	77.8	77.5	78.0
Ireland				60.7**			na	na	na	58.8**	na	na
Italy												
Luxembourg	31.4	33.9	28.3	29.9	22.0	38.3	39.3	41.3	36.7	13.8	7.5	21.9
Netherlands (3)							100.0	100.0	100.0	0.0	0.0	0.0
Austria (4)	71.3	72.3	70.1	4.4	3.5	5.0	62.4	61.6	63.2	15.2	14.2	15.9
Portugal	35.3**	Na	na	33.4	38.3	31.0	32.1**	na	Na	18.7	19.0	18.6
Sweden	96.1	96.1	96.1				89.7	91.6	87.6	3.4	2.8	4.6
UK							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
Belgium	17.0*	16.3*	17.7*	47.1	43.9	49.8	16.0	15.8	16.2	54.3	52.7	55.6
Germany							77.0	na	na	20.8	na	Na
Denmark							11.0	8.0	14.0	76.0	78.0	74.0
Greece												
Spain (1)							32.5	32.1	32.9	84.0	87.1	82.0
Finland							94.5	92.7	95.6	52.1	52.5	51.8
France (2)							4.0	3.4	4.7	74.8	76.6	73.2
Ireland							na	na	na	52.9**	na	na
Italy												
Luxembourg	17.7	17.8	17.7	63.1	61.2	64.8	26.3	26.5	25.9	41.4	42.0	40.7
Netherlands (3)							17.0	15.0	19.0	63.0	62.0	64.0
Austria (4)	71.2	69.4	74.7	3.6	4.0	3.2	62.9	59.0	70.0	14.2	17.9	10.7
Portugal	35.0**	Na	Na	11.1			31.5**	na	na	21.2	19.0	22.7
Sweden	94.6	94.9	94.4				92.9	94.3	91.4	4.7	4.8	4.6
UK							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	457.949	28 (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.

(..) 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

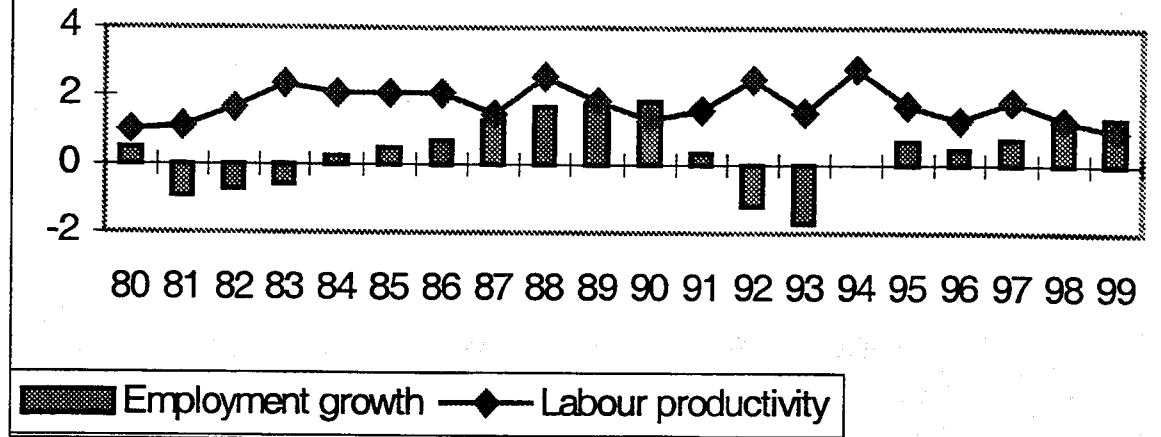
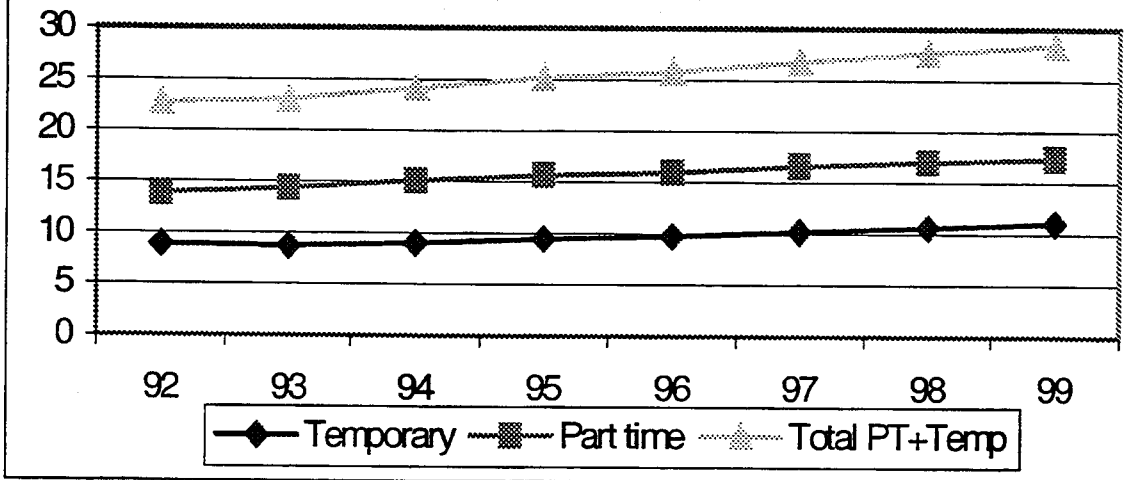


Chart 2: Temporary and Part-time employment in total Employment, EUR 1992-1999, Source: ELFS



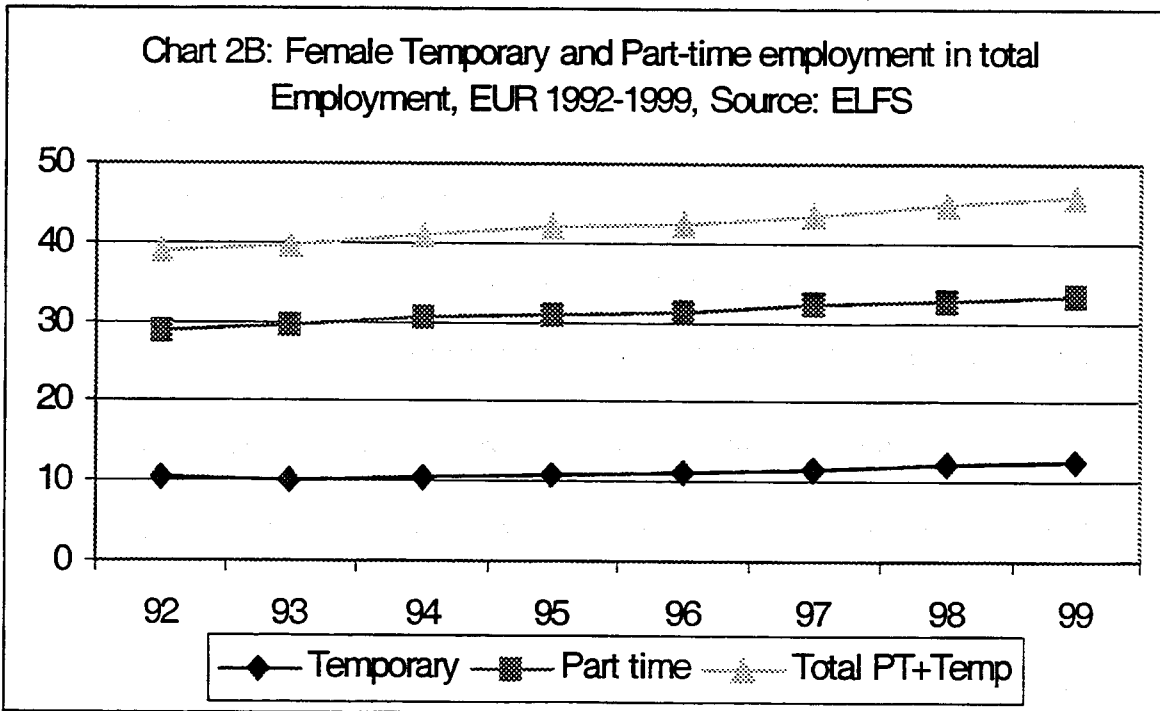
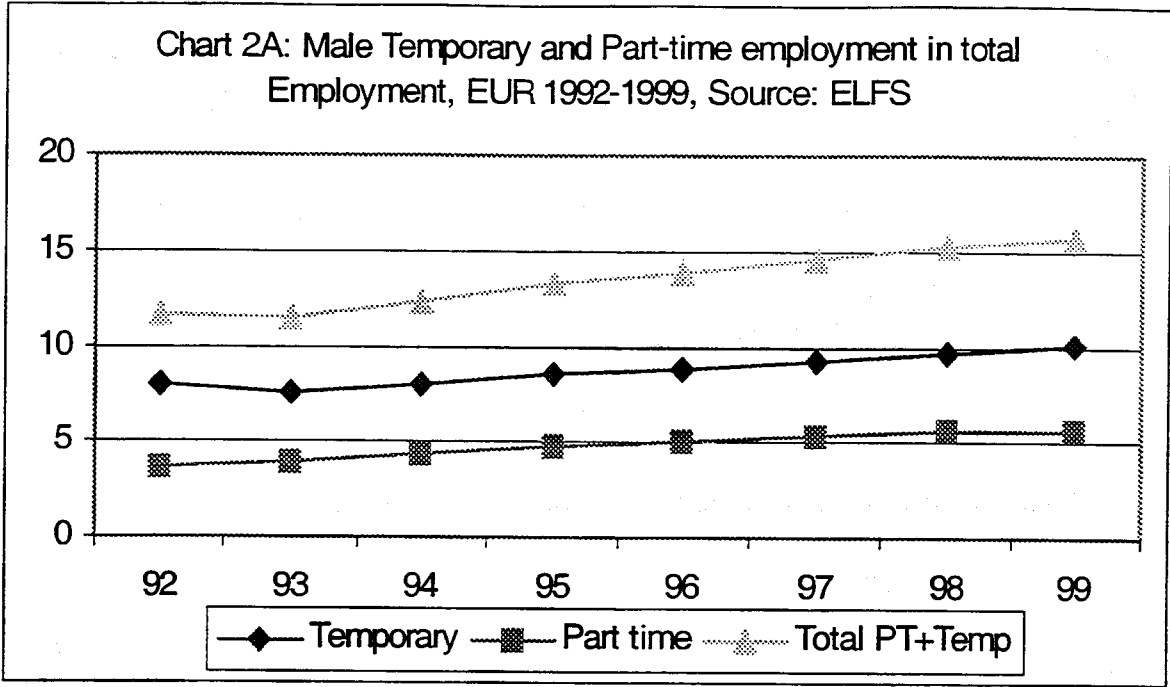


Chart 3: Employment rates by Gender 1990-1999

Source: Eurostat ELFS, EUR12 1990-1994

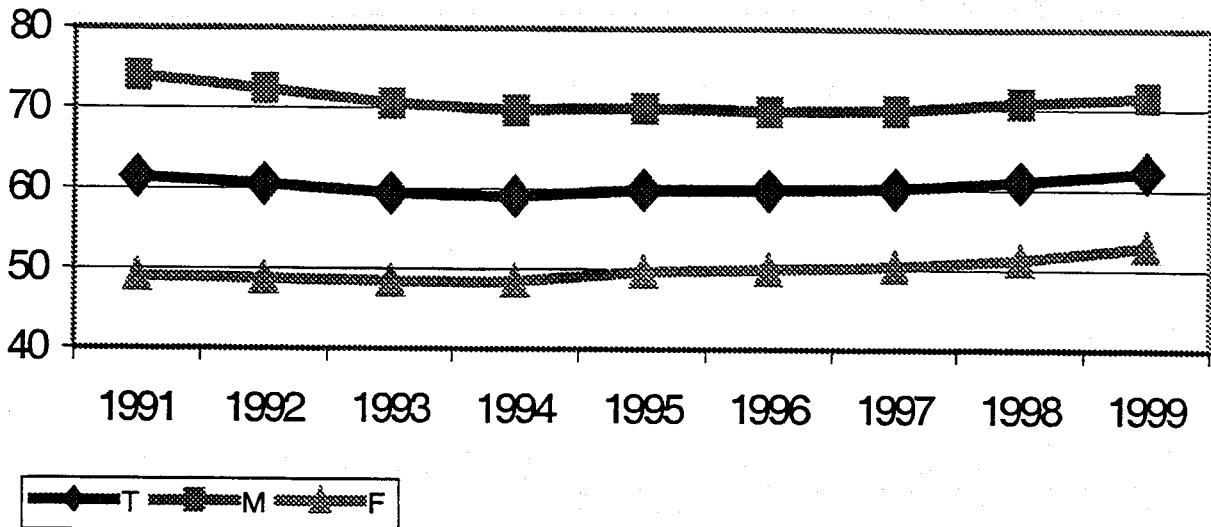


Chart 4 : Unemployment rates by Gender 1990-2000

Source: Eurostat Harmonised series on unemployment

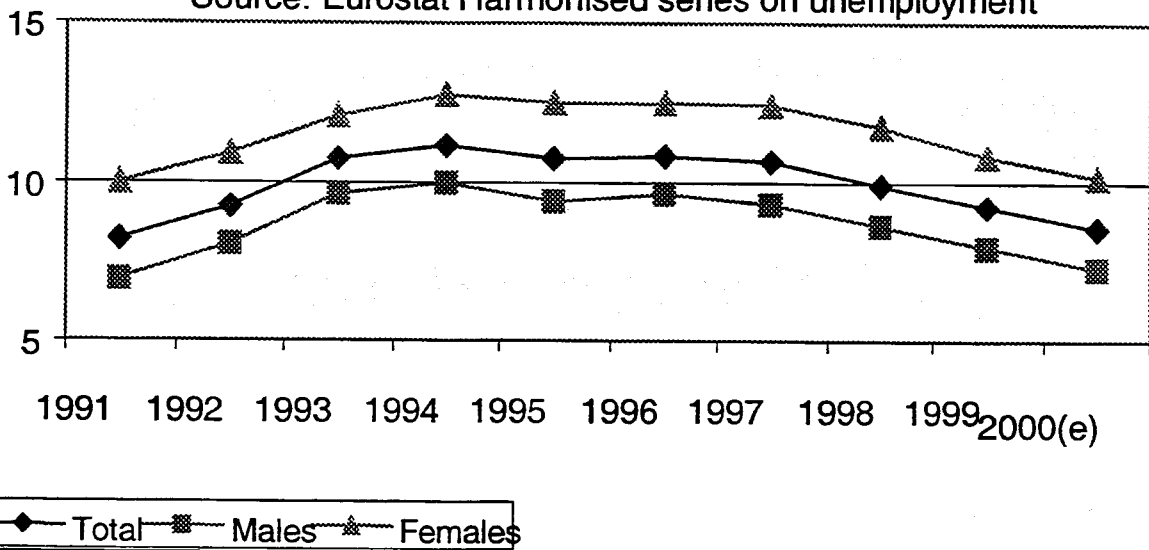


Chart 4: Employment growth 1997/1999

Source: DG Ecfm, Annual change

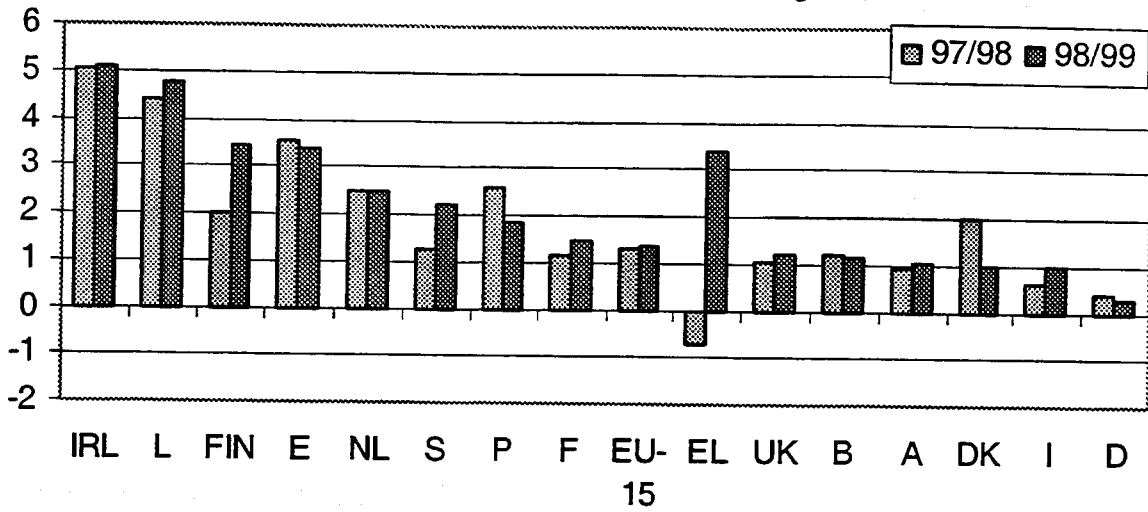


Chart 6: Employment Rates, 1997/1999

Source: Eurostat LFS

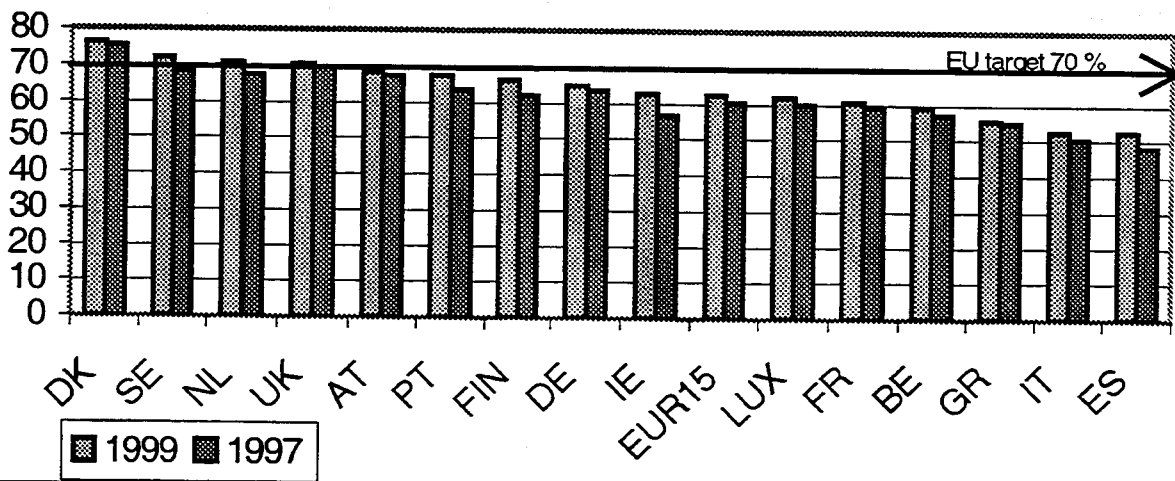


Chart 7: Female employment rate, 1997-1999

Source: Eurostat LFS

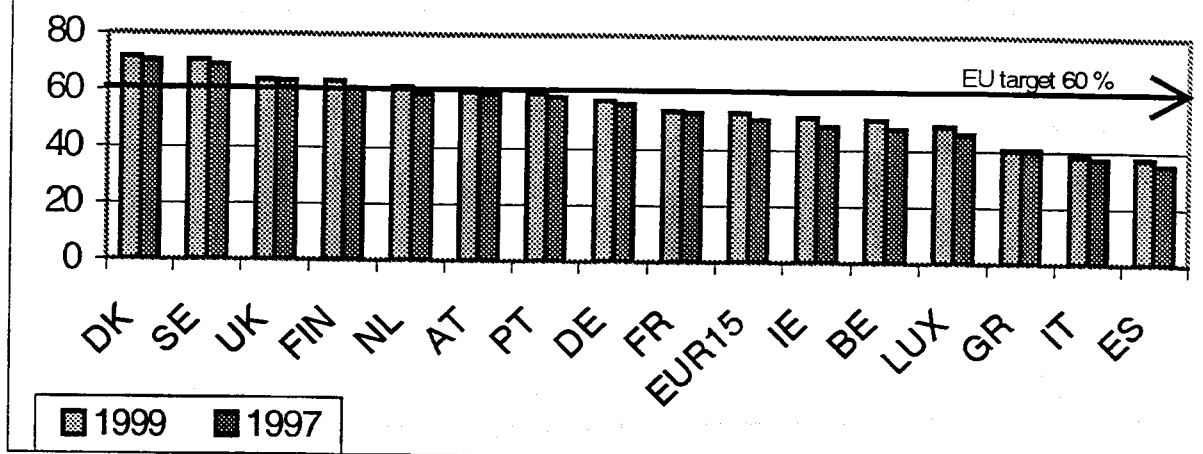


Chart 8: Employment rates for Older workers (aged 55-64), 1997-

1999

Source: Eurostat LFS

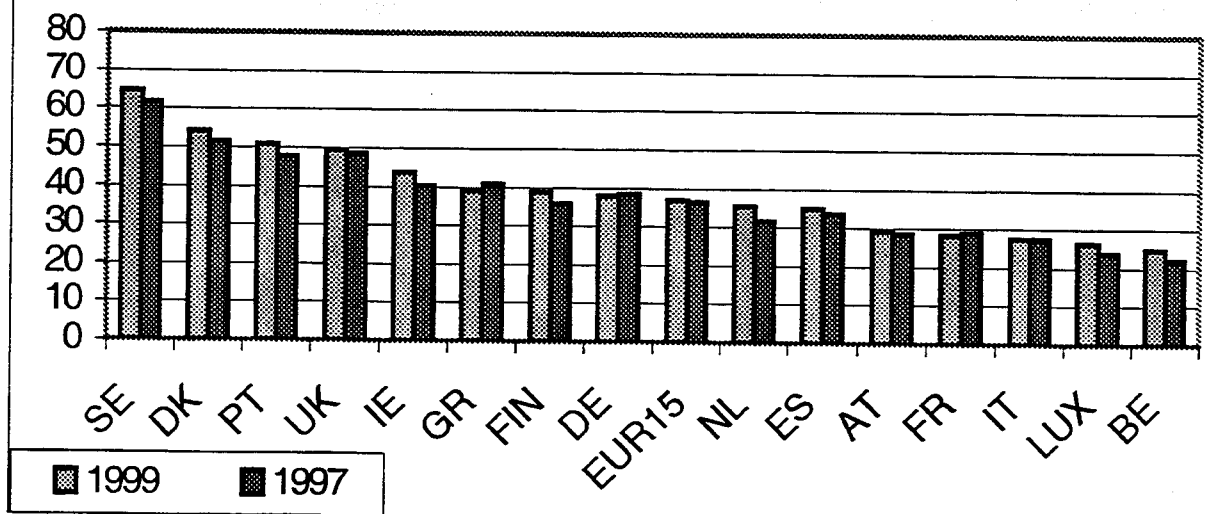


Chart 9- Unemployment rates, 1997-1999  
 Source: Eurostat, Harmonised series on unemployment

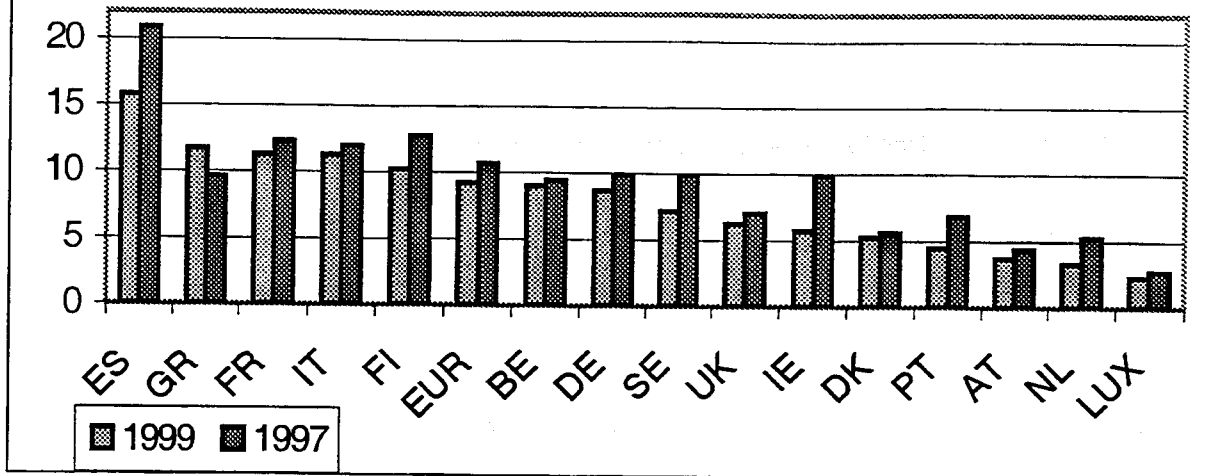


Chart 10 - Coefficient of variation of unemployment rates by NUTS2 regions - 1997, 1999

