



COMMISSION OF THE EUROPEAN COMMUNITIES

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Recommendation for a

COUNCIL RECOMMENDATION

ON THE IMPLEMENTATION OF MEMBER STATES' EMPLOYMENT POLICIES

(presented by the Commission)

EXPLANATORY MEMORANDUM

This recommendation from the Commission to the Council, drawn up in accordance with Article 128§4 of the Treaty, is part of a package also including the draft Joint Employment Report for 2001 and the proposal for a Council decision on the Employment Guidelines for 2002. Once adopted by the Council as a recommendation on the implementation of Member States' employment policies, it will focus policy action on priority areas and provide Member States with support and guidance in implementing the Employment Guidelines.

The response to the 2001 recommendations

Recommendations on Member States' employment policies were adopted for the first time on 14 February 2000 as part of the employment package of 1999. The last set of recommendations was adopted by the Council on 19 January 2001, together with the Employment Guidelines for 2001. Whereas the majority of the 2001 recommendations were updates of the 52 recommendations of the previous year, others put stronger emphasis on the need for Member States to develop lifelong learning strategies and to improve their policy mix under the four pillars of the Employment Guidelines, which led to an increase in the number of recommendations to 58.

The National Action Plans, submitted by Member States in May 2001 and assessed in the draft Joint Employment Report for 2001, give a picture of how these recommendations, as well as the Employment Guidelines, have been put into practice. Although Member States' responses to the recommendations have generally been constructive, they reflect different stages of implementation and compliance with the Employment Guidelines. Overall, important weaknesses have still to be addressed and structural reforms of European labour markets need to be further pursued, especially in the light of the less favourable economic prospects.

The recommendations for 2002

The proposed recommendations, which Member States should implement after adoption by the Council and report upon in their National Action Plans for 2002, draw on the findings from the Commission's examination of the National Action Plans, as described in the draft Joint Employment Report for 2001. Altogether the examination of the National Action Plans led to 57 proposed recommendations, a number similar to last year's both in total number and by Member State¹ :

- the majority of the recommendations (48) have been updated on the basis of progress made;
- nine recommendations are entirely new²;
- in only four cases were there grounds for withdrawing the recommendations³ made last year.

¹ Denmark would have one recommendation less (on gender mainstreaming), as well as Portugal (due to the merging of two recommendations of 2001) ; Ireland would receive an additional recommendation on regional disparity.

² The ones in the field of regional disparities and on the effectiveness of active labour market policy –see below-; gender mainstreaming in Greece, and lifelong learning in Austria

The order of presentation of the new recommendations for each Member State does not reflect any order of priority. Since the majority of recommendations are updates of last year's, these are presented in the same order (which is also the order in which they were assessed in the draft Joint Employment Report) ; the new recommendations are normally to be found at the end of the list.

As required by Article 126 of the Treaty, the Commission has taken care to ensure consistency with the Broad Economic Policy Guidelines in drawing up the proposed recommendations.

Although comparisons from year to year are difficult because of the gradual change in substance of some recommendations, some thematic trends emerge clearly:

- recommendations in the field of the policy mix have been made more specific to help address country-specific weaknesses, such as the low employment rates (compared to the Lisbon and Stockholm targets)⁴;
- recommendations focused on taxation and benefits, which previously aimed at increasing the participation of particular groups such as older workers, now generally address a broader set of target groups including older workers, women and immigrants in order to contribute to an overall increase in labour supply⁵;
- the recommendations on lifelong learning have been reviewed by focusing on specific problems such as the skills gap and the absence of a comprehensive and coherent approach in several Member States;
- gender-related recommendations have been made more specific by focusing on particular problems, notably the provision of care facilities⁶
- several new recommendations focus on the problem of regional disparities, often in the context of bottlenecks which were the subject of a new Guideline in 2001⁷;
- a number of recommendations put stronger emphasis on increasing the effectiveness of active labour market policies⁸.

³ This is the case for the recommendations on gender mainstreaming in Denmark; social partnership in Luxembourg; statistical monitoring in the Netherlands; and fiscal pressure in Finland (where tax reductions have been decided upon for 2002)

⁴ see Italy and Greece

⁵ e.g. Belgium, Denmark, Ireland, Luxembourg, Netherlands, Sweden

⁶ e.g. Germany, Greece, Spain, Ireland, Italy, Austria, Portugal,

⁷ Belgium, Spain, Ireland, and Finland (see also Germany and Italy)

⁸ Germany, Finland, Sweden

Recommendation for a

COUNCIL RECOMMENDATION

ON THE IMPLEMENTATION OF MEMBER STATES' EMPLOYMENT POLICIES

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 128(4) thereof,

Having regard to the Commission recommendation of 12 September 2001,

Having regard to the joint opinion of the Employment Committee and the Economic Policy Committee⁹

Whereas:

- (1) The Council adopted the employment guidelines for 2001 by the Decision of 19 January 2001¹⁰.
- (2) The Lisbon European Council on 23 and 24 March 2000 agreed on a comprehensive strategy towards employment, economic reform and social cohesion and made a commitment to creating the conditions for full employment ; targets for employment rates to be reached by 2010 were accordingly set and further complemented by the Stockholm European Council on 23 and 24 March with intermediate targets for 2005 and a new target for increasing the employment rate among older women and men by 2010.
- (3) The Nice European Council on 7, 8 and 9 December approved the European Social Agenda, which states that the return to full employment involves ambitious policies in terms of increasing employment rates, reducing regional gaps, reducing inequality and improving job quality.
- (4) The Council adopted the recommendation on the Broad Economic Policy Guidelines on 15 June 2001, and the Amsterdam European Council of 16 and 17 June 1997 agreed on a Resolution on a Stability and Growth Pact setting commitments by Member States.
- (5) Member States should implement this recommendation in a way which is consistent with the Broad Economic Policy Guidelines, and in particular the labour market part thereof.
- (6) The 2001 Joint Employment Report, prepared jointly with the Commission, describes the employment situation in the Community and examines the action taken by

⁹ (Joint nature of the opinion to be confirmed)

¹⁰ OJ L 22 of 24.1.2001, p. 18

Member States in implementing their employment policy in line with the Employment Guidelines and the Council Recommendation of 19 January 2001 on the implementation of Member States' employment policies¹¹.

- (7) The Council considers it appropriate, in the light of the examination of the implementation of the Member States' employment policies, to make recommendations. They should be used sparingly, concentrate on priority issues and be based on sound and accurate analysis.
- (8) In complementing action undertaken by the Member States with a view to contributing towards the achievement of full employment, the competences of the Member States should be respected.
- (9) The Council acknowledges the significant efforts already undertaken by Member States with a view to implementing the Employment Guidelines and the Recommendation of 19 January 2001. In the assessment of the impact of these policies, the multi-annual perspective of the Employment Guidelines should be taken into account.
- (10) Member States should articulate their response to the Guidelines under the four pillars in a coherent overall strategy aiming at full employment, recognising Member States' different starting positions, the development and implementation of comprehensive and coherent strategies for lifelong learning and a comprehensive partnership with the social partners; due consideration should be given to gender mainstreaming and the need to reduce regional disparities and evaluate progress under all four pillars on the basis of indicators.
- (11) In order to influence the trend in youth and long-term unemployment, all young people should have the opportunity to gain entry to the world of work before they have been unemployed for six months and all the adult unemployed should be offered a new start before they have been unemployed for twelve months.
- (12) Member States should pursue the modernisation of their Public Employment Services;
- (13) It is important to reduce disincentives to employment embodied in the tax or benefit systems in order to ensure higher participation rates amongst women and older workers.
- (14) The development and implementation of lifelong learning, covering the development of systems for initial, secondary and tertiary education, further education and vocational training and the setting of national targets, is crucial to the development of a competitive and dynamic knowledge-based society and requires the active commitment of all actors concerned, including public authorities, the social partners and individuals, with a relevant contribution from civil society.
- (15) A coherent set of policies which promote social inclusion by supporting the integration of disadvantaged groups and individuals into the world of work, and combat discrimination in access to, and on the labour market is called for.

¹¹ OJ L 22, 24.1.2001, p. 27.

- (16) Improvements of the business environment and a better equipment of individuals for taking up entrepreneurial activities are needed to stimulate job creation by more and more dynamic enterprises. Framework conditions need to be developed to tap the potential for employment growth in the services sector.
- (17) Sustained job creation calls for more employment-friendly taxation systems in which the currently high burden on labour is shifted to alternative sources of fiscal revenue, such as energy and the environment.
- (18) Local action for employment significantly contributes to the achievement of the objectives of the European Employment Strategy.
- (19) The establishment of partnerships at all appropriate levels is crucial for the modernisation of the organisation of work and the promotion of the adaptability of undertakings and their employees.
- (20) Gender gaps in the labour market, particularly affecting employment, unemployment and pay, as well as gender segregation across sectors and occupations, require comprehensive mainstreaming strategies and measures to better reconcile work and family life.

HEREBY ISSUES to the individual Member States the recommendations set out in the Annex.

Done at Brussels,

For the Council
The President

ANNEX

I. BELGIUM

Problems in employment performance

The Belgian labour market improved in 2000 with an increase in the employment rate to 60.5%, still markedly below the Lisbon target of 70%. A further drop in the unemployment rate to 7% (below the EU average of 8.2 %) was recorded and employment growth picked up to match the EU average (1.8%). However, long-standing challenges are only gradually being met.

- Inflows into long-term unemployment are high and, despite a further decrease, the stock of long-term unemployed people - 3.8% of the labour force in 2000 –is greater than the EU average.
- Participation in employment amongst older workers is still the lowest in the EU (at 26.3%, 11.4 points below the EU average), while the rate amongst women, at 51.5%, remains below the EU average.
- The tax burden on labour remains one of the highest in the EU.
- Work organisation needs to be further modernised with the involvement of the social partners.
- Labour and skills shortages are apparent and a fully coherent and comprehensive lifelong learning strategy is not yet in place.
- Regional disparities in unemployment remain considerable.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: implementation of a preventive policy, notably for adults; increasing the employment rate amongst older workers and women; reduction of the tax burden on labour; the development of lifelong learning; and increasing labour mobility between regions.

Belgium should therefore:

1. reduce inflows into long-term unemployment by taking decisive steps to implement an appropriate early intervention system for unemployed adults; examine the impact of the new personalised approach towards all unemployed young people;
2. take stronger action with a view to increasing the overall employment rate, notably for women and older workers. Belgium should, in particular, examine the impact of recent measures and consider further measures aimed at preventing the early withdrawal of workers from work, as well as incentives enhancing the capacity of older workers to remain at work;
3. pursue further measures to reduce the tax burden on labour so as to encourage employees to take up work and employers to create new jobs, and closely monitor the impact of measures already taken, including those related to the reduction of social security contributions; intensify efforts with the social partners to better combine security with greater labour market flexibility;

4. reinforce, in cooperation with all actors concerned, the development and implementation of a comprehensive lifelong learning strategy to prevent skills shortages, to raise the attractiveness of technical and vocational education and to build a more solid foundation for the knowledge-based economy and society;
5. take concerted action to increase labour mobility between regions through the provision of labour market information and further improvements to the coordination of labour market policies.

II. DENMARK

Problems in employment performance

The labour market situation remains very favourable with the highest female employment rate in the EU (71.6 %), one of the highest male employment rates (80.8 %) and one of the lowest unemployment rates (4.7 %). While Denmark exceeds the Lisbon targets, key challenges for Denmark are:

- The overall tax burden which is still high. The small differences between benefits and low wage incomes have limited so far the effects from tax reforms on work incentives for low income groups.
- The tightening of the labour market in 2000, while a considerable part of the working age population is on early retirement or on social benefits, and the employment rate remains low amongst migrant workers.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the reduction of the tax burden; and increasing labour market participation.

Denmark should therefore:

1. pursue and closely monitor implementation of on-going reforms to reduce the overall fiscal pressure on labour, in particular through lowering the high marginal effective tax rates on low and medium income earners;
2. pursue incentives to encourage yet more people to take up employment, particularly through further development of the inclusive labour market and further efforts towards the integration of migrant workers.

III. GERMANY

Problems in employment performance

Positive overall employment and unemployment trends over recent years were confirmed in 2000. While the overall employment rate of 65.3 % exceeds the EU average, it remains 5 percentage points below the Lisbon target. The key challenges still facing Germany's labour market are:

- Relatively slow decreases in long-term unemployment, which still accounts for 4% of the labour force, with persistent regional differences, notably in unemployment rates, the new Länder being particularly badly affected. In addition, the outcomes of the active labour market policies in the Eastern part of the country are mixed.

- The employment rate of people aged 55-64, at 37.3%, which decreased slightly to below the EU average.
- The need for modernising work organisation and for a continuing substantial lifelong learning effort to overcome skill gaps and to enhance generally the qualification level of the labour force.
- Despite on-going reforms, the still high overall tax burden on labour.
- One of the highest gender pay gaps in the EU and relatively few childcare facilities.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: preventive policies; increasing older people's labour market participation; lifelong learning; the tax burden on labour; and equal opportunities.

Germany should therefore:

1. in order to substantially reduce long-term unemployment, devote additional effort to the prevention of inflows into long-term unemployment, particularly in the Eastern part of the country and in respect of ethnic minorities and migrant workers, and increase the effectiveness of active labour market policies;
2. continue to remove obstacles and disincentives liable to discourage labour market participation amongst older workers and other groups at risk; examine and report on the effectiveness of initiated and agreed actions and adopt further measures to improve the employability of workers above 55 years of age;
3. Take measures, where appropriate in the framework of the "Alliance for Jobs", to make work contracts and work organisation more flexible ; tackle skill gaps in the labour market through the implementation of agreed improvements for initial and continuing training, and through further developing a comprehensive strategy for lifelong learning supported by qualitative and quantitative targets. The social partners and the Government, each in its field of competence, are invited to strengthen their efforts to raise the quality of continuing training and to set up systems for the accreditation and recognition of formal and non-formal learning;
4. pursue efforts to reduce taxes and social security contributions at the lowest end of the wage scale to make work pay and to enhance viable and acceptable employment prospects; examine and report on the impact of measures undertaken;
5. strengthen action to reduce the gender pay gap and address the impact of the tax and benefit system on women's employment; promote the availability of childcare facilities and more family-friendly working times and school times. The implementation of these policies, involving the respective actors at all levels, should be monitored with appropriate verifiable indicators and targets.

IV. GREECE

Problems in employment performance

Greece still has one of the lowest employment rates in the EU (55.6% overall and 40.9 % for women, well below the Lisbon targets). Unemployment has now stabilised at 11% - well

above the EU average - with growth in employment outweighed by long-term structural increases in the labour force. Long-term unemployment has been reduced to 6.2% but remains significantly higher than the EU average. This situation reflects the following structural problems in the labour market:

- The low employment rate, while there is still unexploited job-creation potential in its SME and services-based economy.
- Against the background of high youth, female and long-term unemployment, the public employment services do not deliver yet a preventive and personalised approach. Despite efforts to monitor flow statistics, a comprehensive system is not yet available.
- In the context of low employment rates, the tax system as well as rules on pension entitlements should be reviewed in order to increase labour supply.
- Educational reforms include steps to develop lifelong learning, but there is still no clear overall strategy, and education and vocational training systems need further improvement.
- There is room for further improvement in the modernisation of work organisation, including through the social partners' contribution.
- There are wide gender gaps in employment and unemployment which should be addressed inter alia by increased provision of childcare facilities.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the overall policy approach; prevention of unemployment; tax-benefit reform; lifelong learning; the modernisation of work organisation; and gender mainstreaming.

Greece should therefore:

1. improve the strategic framework, in particular by developing a set of well co-ordinated and balanced policies for the implementation of the employment guidelines across the four pillars with a view to increasing employment and the employment rate, in particular for women and young people;
2. speed up the restructuring of the Public Employment Services and take decisive and coherent action to prevent young and adult unemployed people from drifting into long-term unemployment through inter alia swift implementation of the personalised approach; upgrade the statistical system so that policy indicators on prevention and activation are available in good time and progress can be effectively monitored;
3. examine and eliminate distortions arising from labour taxes and pension entitlements, thus improving incentives to work;
4. further develop and implement a comprehensive strategy on lifelong learning, including the setting of targets; increase investment in and further improve education and vocational training systems, including apprenticeship, in order to enhance the skills of the labour force and meet the needs of the labour market.

5. ensure full implementation of the recent labour market reform package and build on these efforts by promoting concrete commitments by the social partners at all appropriate levels on the modernisation of work organisation, while achieving a balance between flexibility and security;
6. take effective and comprehensive action to increase the employment rate for women and to reduce the employment and unemployment gender gaps. To this end, care facilities for children and other dependants should be extended.

V. SPAIN

Problems in employment performance

Spain has been experiencing steady and positive economic and employment growth over recent years, but serious challenges remain:

- Unemployment is still very high at 14.1%, despite a significant decline since 1996. Long-term unemployment has also declined, but women remain particularly badly affected by unemployment.
- The employment rate of 55 %, though on the increase, is among the lowest in the EU and far below the Lisbon target. Although the female employment rate has been steadily increasing, at 40.3% it is still one of the lowest in the EU. Gender gaps in both employment and unemployment (29.6 and 10.8 percentage points respectively) are among the highest in the EU.
- While levels of educational attainment and participation in further learning are low, a fully coherent and comprehensive approach to lifelong learning is not yet in place.
- Employment under fixed term contracts is high; most of these temporary contracts are of short duration and tend to be taken predominantly by women and young people.
- Regional disparities are wide, while geographical mobility is very low.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: activation and prevention of unemployment; gender mainstreaming; lifelong learning; adaptability; and regional disparities.

Spain should therefore:

1. complete the modernisation of the Public Employment Services so as to improve its efficiency, and step up implementation of the preventive approach, particularly with regard to the adult unemployed, so as to cover all potential beneficiaries. These efforts should include the completion of the statistical monitoring system;
2. take effective and comprehensive action to increase the overall employment rate and to close gender gaps in employment and unemployment. As part of a gender mainstreaming approach, targets for the provision of care facilities for children and other dependants should be adopted and implemented;
3. vigorously complete reforms on vocational training to encompass a comprehensive and coherent strategy on lifelong learning, including the setting of verifiable targets,

with a view to increasing the levels of educational attainment and the participation of adults in education and training, addressing the low level of skills and developing non-formal learning;

4. further modernise the labour market and work organisation with the active involvement of the social partners with a view to reducing the high share of fixed-term contracts, and increasing the use of part-time contracts;
5. reduce regional disparities in employment and unemployment by encouraging conditions conducive to employment creation in regions lagging behind and by diminishing obstacles to labour mobility.

VI. FRANCE

Problems in employment performance

The employment situation continues to improve. At 62.2%, the overall employment rate is close to the EU average, whilst the female employment rate exceeds the EU average. However, significant structural problems persist:

- The employment rate of people aged 55-64 rose in 2000 but remains considerably lower than the EU average (29.7% compared to 37.7%).
- Despite some progress, the marginal effective tax rate is still relatively high.
- The unemployment rate continues to exceed the EU average (9.5% compared to 8.2%) thus necessitating the pursuit and evaluation of programmes that implement the preventive approach.
- The modernisation of work organisation needs to be pursued ; the implementation of working time legislation constitutes an important new challenge for small enterprises.
- Lifelong learning must be promoted and the social dialogue must be strengthened in this area.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: increasing older people's labour market participation; efforts to reduce the tax burden on labour; the prevention of unemployment; the implementation of legislation on the 35 hour working week; and lifelong learning.

France should therefore :

1. strengthen efforts to curb older workers' early withdrawal from working life by developing a more comprehensive approach towards active ageing involving the social partners;
2. building on recent tax-benefit reforms, continue implementing and monitoring the impact of policy measures designed to encourage workers to seek and remain in work, particularly measures with an effect on low-skilled and low-paid workers;
3. pursue implementation of personalised and early intervention schemes for the unemployed; examine the effectiveness of and report on the implementation of the

Personalised Action Plans for a New Start initiative; evaluate the medium term impact of on-going efforts to create new job opportunities for young people;

4. intensify efforts to modernise work organisation with a view to better combining security with greater adaptability to facilitate access to employment ; closely monitor the net effects of the implementation of the 35 hour working week legislation, especially on small businesses;
5. pursue efforts within the framework of the social dialogue to improve the efficiency of the continuous training system and to promote a comprehensive lifelong learning strategy.

VII. IRELAND

Problems in employment performance

Ireland's economic and employment performance has been very good. In 2000 the overall employment rate at 65.1 % was higher than the EU average for the second year running and the already low unemployment rates continued to fall for all groups. These developments indicate a further tightening of the labour market and some structural problems still exist:

- Whilst labour supply shortages have increased in recent years and have fuelled wage inflation pressures, the employment rate for women (despite recent increases) has only just reached the EU average (54%) and the gender gap in employment remains high.
- In this context, further effort is also needed to boost the low rates of participation in further learning, especially amongst those in employment.
- Considerable regional disparities – in employment and unemployment rates but also educational levels and earnings – risk impeding sustained and balanced development.

After due analysis, it appears that continued efforts are required in response to the employment guidelines and recommendations concerning: increasing labour market participation rates, particularly amongst women; lifelong learning, especially in-company training; and regional disparities.

Ireland should therefore:

1. pursue further its comprehensive strategy to increase labour supply and employment rates. Particular efforts should be undertaken to mobilise and integrate further into the labour market economically inactive people, in particular women, by removing tax barriers, increasing the number of affordable childcare places and taking action with the aim of reducing the gender pay gap;
2. pursue efforts to sustain productivity growth and upgrade skills and qualifications in the workforce, through increased emphasis on in-company training and the further development of lifelong learning, including the setting of overall targets, and in this respect promote active involvement of the social partners in implementing the Programme for Prosperity and Fairness;

3. in the context of the Spatial Strategy programme, address imbalances in employment, unemployment, job creation and human capital endowment between various areas in Ireland.

VIII. ITALY

Problems in employment performance

As in the previous year, employment increased and unemployment fell during 2000. However, these improvements leave several structural problems of the Italian labour market still unresolved:

- The low employment rate of 53.5% is still some 10 percentage points below the EU average and far below the Lisbon target. The employment rate for women (39.6 %) is the lowest in the EU and for older people it is one of the lowest in the EU (27.8 %).
- Work organisation needs to be further modernised ; the planned general review of the social benefit system was postponed for the second time.
- Unemployment fell to 10.5% but remains almost 2 percentage points above the EU average. Regional disparities remain significant with unemployment rates ranging from less than 5% to over 20%, despite recently recorded faster growth in the South.
- Wide gender gaps in employment — at 27.9 percentage points — are characteristic of the labour market, particularly in the Southern regions, and female unemployment, at 14.4%, is almost double the male unemployment rate of 8.0%.
- In a context of low levels of educational attainment and participation in further learning, improvements in the approach to lifelong learning are required, including as regards those in employment.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the appropriate policy mix to favour employment growth, reduce regional imbalances and combat undeclared work; tax and benefit systems; activation and prevention of unemployment; gender mainstreaming and gender gaps; and lifelong learning.

Italy should therefore:

1. pursue policy reforms to sustain growth in employment rates, in particular for women. Such reforms should address regional imbalances by further strengthening employability policies, and by promoting job creation and the reduction of undeclared work, with the active involvement of the social partners ;
2. continue to increase labour market flexibility with a view to better combining security with greater adaptability to facilitate access to employment ; pursue the implementation of the reform of the pensions system through the review planned for 2001, and undertake the planned review of other benefit systems in order to reduce the outflow from the labour market; pursue efforts to reduce the tax burden on labour, especially on low-paid and low-skilled workers;
3. in the context of employability policies, take further action to prevent the inflow of young and adult unemployed people into long-term unemployment. Such action

should include: the full implementation of the reform of the Public Employment Services across the country; the speedy introduction of the Employment Information System; and continuation of current efforts to upgrade the statistical monitoring system;

4. improve the effectiveness of active labour market policies and implement specific measures to reduce the wide gender gaps in employment and unemployment within an overall gender mainstreaming approach, and in particular by setting targets for the provision of care services for children and other dependants;
5. strengthen efforts towards the adoption and implementation of a coherent strategy on lifelong learning, including the setting of national targets; social partners should continue their efforts to provide more training opportunities for the work force.

IX. LUXEMBOURG

Problems in employment performance

In Luxembourg, the labour market is benefitting from a favourable environment supported by strong economic growth (8.5%) and an increase in employment (5.5%). At 2.4%, the unemployment rate continues to be the lowest in the EU. However, some structural problems persist:

- At 62.9%, the employment rate continues to fall short of common objectives, despite the highly favourable employment situation. The latter results, however, in large part from a high level of cross-border working. Activity rates are particularly low amongst older workers (27.4%) and women (50.3%) though both figures have been on the increase since 1996.
- The gender employment gap – 24.8 percentage points – remains one of the highest in the EU.
- Efforts underway in respect of continuing training must be pursued in order that the needs of a modern and dynamic economy be met.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: increasing labour market participation amongst older people and women; the coherence of lifelong learning policy.

Luxembourg should therefore:

1. further strengthen action aimed at significantly increasing labour market participation rates amongst workers over the age of 55 by reviewing early retirement and disability pension schemes ;
2. strengthen efforts aimed at increasing labour market participation rates amongst women, by improving services to facilitate a better reconciliation of work and family life, by encouraging their return to work after long periods outside the labour market and by adopting measures to promote equality between men and women particularly as far as the gender pay gap is concerned;

3. ensure effective implementation of the framework law on continuous training, with strong involvement by the social partners, combat early school leaving and undertake a revision of the overall learning system with a view to achieving better coherence between the different education and training sectors.

X. THE NETHERLANDS

Problems in employment performance

Employment growth was healthy in 2000 and employment rates (73.2 % overall and 63.7 % for women) are well above the EU averages and the Lisbon targets. The official unemployment rate continued to fall in 2000, to less than 3%, which is significantly below the EU average. However, a key structural imbalance characterises the labour market:

- Despite emerging labour market shortages, the labour force is constrained by the high proportion of the working age population drawing on disability, unemployment or welfare benefits.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: labour supply and benefit reforms.

The Netherlands should therefore:

1. in addition to measures to decrease the inflow into disability benefits, develop effective policies to reintegrate people currently drawing on such benefits into jobs that take account of their remaining capacity to work;
2. in order to tap all possibilities of potential labour supply and reduce inactivity, address the cumulation of benefits, including local cost of living subsidies for low income recipients.

XI. AUSTRIA

Problems in employment performance

The Austrian labour market's performance improved last year, with an overall employment rate of 68.3% (59.4% for women) close to the targets set by the Lisbon Summit and well above the EU average. Overall unemployment was reduced to 3.7% in 2000 and, together with youth and long-term unemployment, is still among the lowest in the EU. Despite the overall good performance, structural problems remain in the labour market.

- In the context of ensuring an adequate labour supply in a tightening labour market, there is room to boost the participation of older and low-paid workers, as well as ethnic minorities and migrant workers.
- There is still a significant gender gap in employment and one of the highest pay gaps in the EU, requiring new measures to facilitate the reconciliation of work and family life. Childcare coverage rates are among the lowest in the EU and need to be extended.
- A comprehensive and coherent lifelong learning strategy, with quantitative targets and the appropriate involvement of all relevant actors, is still lacking.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: increasing labour market participation ; gender gaps and childcare provision; ; and lifelong learning.

Austria should therefore:

1. develop policies to ensure an adequate labour supply in the future. In this context, Austria should pursue and extend the reform of tax and benefit systems to increase the participation of older workers and low skilled and low paid workers, and improve equal opportunities for ethnic minorities and migrant workers on the labour market;
2. develop a target-based strategy for narrowing the gender pay gap, in agreement with the social partners; promote at all levels action to reduce the gender gap in employment, by extending childcare facilities and promoting policies to facilitate the reconciliation of work and family life;
3. adopt and implement a comprehensive and coherent strategy on lifelong learning in agreement with all actors involved, which includes indicators and national quantitative targets and ensures that appropriate resources are made available to support structural links between compulsory and higher education, initial and continuing training, and adult education.

XII. PORTUGAL

Problems in employment performance

With an overall employment rate of 68.3 %, the employment situation has further improved and come close to the Lisbon target. At 4.2%, unemployment is among the lowest in the EU and long-term unemployment is at a low level (2.7%). However, the labour market suffers from structural weaknesses which require action:

- In the context of low levels of educational attainment and participation in further learning, as well as (despite a fall) the highest rates of early school leaving in the EU (43.1%), improvements in the field of lifelong learning are required.
- Further strong input from the social partners is needed to address the main challenges facing the Portuguese labour market, in particular the low skill level, the modernisation of work organisation and employment relations.
- Portugal has a good record in terms of its female employment rate, having now reached the 60% target set at the Lisbon Summit. However, the Portuguese labour market displays one of the most pronounced gender imbalances in terms of employment across sectors in the EU.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: lifelong learning and skills; the partnership approach; and gender imbalance.

Portugal should therefore:

1. better articulate the lifelong learning strategy, by improving education and training systems in order avoid skill shortages, increase the supply of skilled labour and thus

promote the creation of medium and highly skilled jobs and raise labour productivity;

2. pursue efforts to implement a partnership approach and promote concrete commitments from the social partners, in particular in the areas of modernisation of work organisation and adaptation of employment relations, including labour regulations, carefully monitoring the implementation of the agreements already signed by the Government and the social partners;
3. pursue efforts to reconcile family and working life, in particular by extending childcare facilities, and examine new ways to promote a better gender balance at sectoral level.

XIII. FINLAND

Problems in employment performance

While Finland has maintained strong employment growth over the past five years, reaching an overall employment rate (67.5 %) close to the Lisbon target and a female employment rate (64.4 %) in excess of the EU average and the Lisbon target, some major structural problems remain.

- The overall unemployment rate is still high at 9.8%, with high youth and long-term unemployment rates among older workers giving particular cause for concern, as well as large regional differences in unemployment.
- Finland has a high female employment rate and well developed equal opportunities policies. However, the Finnish labour market displays one of the most pronounced gender imbalances in terms of employment across sectors and occupations in the EU, as well as a considerable gender pay gap.
- Finland faces skills shortages in several sectors (both in high and low-skilled jobs) and in some regions; the outcome of active labour market programmes in terms of employment contracts of the participants is mixed.

After due analysis, it appears further efforts are required in response to the employment guidelines and recommendations concerning: tax and benefit incentives to increase participation; the gender pay gap and gender imbalance; and regional disparities.

Finland should therefore :

1. continue to review tax and benefit schemes with a view to encouraging participation in the labour market and ensuring the availability of labour; in particular, strengthen efforts to reduce high marginal effective tax rates especially on low wage earners and to improve incentives in benefit schemes, especially pensions, for people to take up work and to stay in the labour force;
2. take appropriate action, in the context of a gender mainstreaming approach, to close the gender pay gap and continue taking action to improve the balance in representation between men and women across both occupations and sectors;

3. increase the effectiveness and quality of active labour market programmes with a view to combating unemployment and reducing regional disparities and labour market bottlenecks, focusing on the needs of the long-term and young unemployed.

XIV. SWEDEN

Problems in employment performance

At 73% and 71% respectively, Sweden exceeds the Lisbon targets and has among the highest overall and female employment rates in the EU. Overall unemployment fell to 5.9% in 2000. However, a number of structural problems remain in the labour market:

- A large number of people of working age are dependent on benefits: the tax burden on labour is still high, and tax and benefit incentives to work could be further enhanced.
- Sweden has a high female employment rate and well developed equal opportunities policies. However, the Swedish labour market displays one of highest gender imbalances across sectors and occupations in the EU.
- Regional differences in unemployment are significant and the labour market situation of ethnic minorities and migrant workers could be improved; the effectiveness of different types of active labour market policies is mixed.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the tax burden on labour and tax-benefit incentives to work; gender imbalance; and the efficiency of active labour market policies.

Sweden should therefore:

1. pursue reforms, including the setting of targets taking into account the national situation, to reduce significantly the high tax burden on labour in particular for low wage earners; pursue reforms of tax and benefit systems to promote work incentives;
2. take new initiatives to tackle the current imbalance in representation between women and men (at both occupational and sectoral level), as part of the gender mainstreaming reforms begun in 1999;
3. review the effectiveness of the active labour market programmes, especially in relation to long-term unemployment, in this context paying particular attention to the needs of ethnic minorities and migrant workers.

XV. UNITED KINGDOM

Problems in employment performance

The UK saw further employment growth in 2000 and, at 77.8% and 64.6% respectively, the employment rates for men and women are well above the EU average and the Lisbon targets. The unemployment rate continued to fall in 2000, to 5.5%, below the EU average. However, important structural problems persist:

- At national level, despite increasing role and visibility, there is no general approach to social partners' involvement which therefore remains restricted to a number of specific issues.
- Though diminishing, the gender pay gap and the current imbalance in representation between women and men (both occupational and sectoral) remain high compared to the EU averages; the provision of affordable childcare places, although it has started to improve, is important in this regard.
- Inflows into long-term unemployment amongst young people and adults slowed only slightly in 2000 (to 16% and 10% respectively) and are still rather high. Inactivity, long-term unemployment and low employment rates are concentrated in households with no-one in work, certain regions and particular disadvantaged groups (lone parents, certain ethnic minorities, male older workers, the disabled, and the low skilled).
- The low level of basic skills amongst the workforce is contributing to emerging skills gaps and to levels of labour productivity which, despite recent improvements, remain low.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the partnership approach; gender imbalance; activation policies, especially for adults and disadvantaged groups; and the role of work-based training in tackling skill gaps.

The United Kingdom should therefore:

1. further foster social partnership at the national level to improve policy implementation and development. In particular, efforts should be aimed at improving productivity and skills, and the modernisation of working life;
2. strengthen efforts to reduce the gender pay gap and improve the balance in representation between women and men across occupations and sectors, by involving all relevant actors including the social partners and enabling monitoring with appropriate verifiable indicators and targets; further implement and monitor the impact of actions taken to improve the provision of affordable childcare facilities;
3. reinforce active labour market policies for the adult unemployed before the 12 month point to supplement the support provided by the Jobseekers' Allowance Benefit and schemes to improve job search effectiveness. Within this context, particular attention should be paid to groups facing particular problems in the labour market;
4. reinforce current efforts to encourage and develop work-based training to address increasing workforce skill gaps and low levels of basic skills.