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## INTRODUCTION

Title VIII of the Treaty establishing the European Community lays down the principles and procedures towards developing a co-ordinated strategy for employment. Article 128 specifically details the steps leading to the formulation of such a strategy including, on an annual basis, guidelines for employment, recommendations to the Member States and a joint report by the Council and the Commission to the European Council on the employment situation in the Community and on the implementation of the guidelines. Each Member State is to provide the Council and the Commission with an annual report on the principal measures taken to implement its employment policy in the light of the guidelines for employment. The European Employment Strategy which has been developed according to the above institutional framework is a major contribution to the wider political agenda defined for the European Union at the Lisbon Summit in Spring 2000, and since confirmed by the Nice and Stockholm European Councils.

The present Joint Employment Report provides an overview of the employment situation and a political assessment of the progress made by Member States in the implementation of the 2001 Employment Guidelines<sup>1</sup>, and highlights the remaining challenges for the Member States.

It contains both an analysis of progress across the EU under the major agreed objectives and guidelines, and a brief country by country review. Key common indicators underpin the analysis and are summarised in the annexes.

A more detailed analysis of recent developments under each guideline and for each Member State is provided in a supporting document of the Commission services<sup>2</sup>.

Both reports underpin the other two elements of the Employment Package, which are the Recommendations and the Employment Guidelines for 2002<sup>3</sup>.

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<sup>1</sup> Council Decision on Guidelines for Member States' employment policies for the year 2001 (2001/63/EC); OJEC L 22 of 22.01.2001.

<sup>2</sup> SEC (2001) 1398.

<sup>3</sup> COM (2001) 512 final and COM (2001) 511 final.

## TABLE OF CONTENTS

INTRODUCTION .....	2
Executive Summary .....	5
1. The political and economic context.....	9
2. Implementation of the 2001 Employment Guidelines and Recommendations: Assessment of performances and policies across the European Union.....	12
2.1. The overall policy framework: reflecting the horizontal objectives of the 2001 Guidelines .....	13
2.2. Assessment of the progress made under the four Pillars of the 2001 Guidelines.....	19
2.2.1. Employability.....	19
2.2.2. Entrepreneurship .....	27
2.2.3. Adaptability.....	33
2.2.4. Equal opportunities.....	36
3. Implementation of the 2001 Employment Guidelines and Recommendations: Assessment of performances and policies per Member State.....	42
BELGIUM.....	42
DENMARK.....	45
GERMANY .....	48
GREECE .....	51
SPAIN .....	54
FRANCE .....	57
IRELAND.....	60
ITALY .....	63
LUXEMBOURG .....	66
THE NETHERLANDS .....	69

AUSTRIA.....	72
PORTUGAL.....	75
FINLAND.....	78
SWEDEN .....	81
UNITED KINGDOM.....	84
4. The way forward .....	87
Annex 1: Overview of the 2000 key indicators.....	92
Annex 2: Overview of the common agreed indicators on prevention and activation for 2000.....	98

## EXECUTIVE SUMMARY

The European Employment Strategy is a major contribution to the wider political agenda defined for the European Union at the Lisbon Summit in Spring 2000, and since confirmed by the Nice and Stockholm European Councils. In line with the general economic performance, the employment performance in the European Union was exceptional in 2000. GDP growth of 3.3% and labour productivity growth of 1.6% were accompanied by the creation of 3 million new jobs and a reduction in unemployment to 8.3%, a level close to that prevailing in the early 1990s. At the same time, the results of structural reforms of European labour markets are becoming apparent in particular with respect to the increasing employment intensity of growth, stronger job creation in high-tech and knowledge intensive sectors - reflecting the move to a knowledge-based economy - and a strong inflow of women into the labour market. Important structural weaknesses remain, however, especially with respect to the still high unemployment levels, in particular amongst young people, significant remaining gender gaps and the low employment rate of older workers. Although progress is being achieved towards the Lisbon and Stockholm employment targets, it is clear that structural reforms and macroeconomic policies agreed under the Broad Economic Policy Guidelines (BEPGs) need to be pursued, in particular in view of a less supportive economic and employment outlook.

The improving *quality of the National Action Plans on employment* and the involvement of an increasing number of partners in their preparation and follow-up reflects the continuing momentum created by the European Employment Strategy.

Despite this encouraging progress the horizontal objectives introduced in the 2001 Guidelines have not yet all been fully integrated into national employment strategies. Few Member States present a global approach as to how they intend to contribute to the attainment of the Lisbon and Stockholm *employment targets* and only those already closest to or above the European targets set national objectives in this respect. The objective of raising *quality* is taken up mainly in relation to labour supply, while quality in work is only considered in a limited way<sup>4</sup>. Clear progress has been achieved in terms of developing *lifelong learning*, which is now an established policy priority throughout the European Union. Comprehensive lifelong learning strategies are now in place in about half of the Member States, but such strategies remain at an early stage of implementation. In addition, in the majority of Member States there is insufficient evidence of co-ordination and synergy between the competent Ministries. Also few Member States set targets for increases in human resource investment or participation in further learning. In relation to the elaboration of NAPs the partnerships

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<sup>4</sup> The relevant aspects of quality in work are spelled out in Commission Communication COM(2001)313, 20.06.2001.

between public authorities and *social partners* has developed. However, the specific contributions of the social partners is difficult to identify given the lack of available information.

The move towards a knowledge-based society – which underpins the whole Lisbon strategy – is reflected in many respects in the NAPs, especially in relation to lifelong learning issues and entrepreneurship. With respect to the four pillars of the Employment Strategy, the *policy mix*<sup>5</sup> remains tilted in favour of actions under the Employability Pillar, followed by the Entrepreneurship Pillar. Actions under the Adaptability and Equal Opportunity Pillars remain relatively weak. The *regional and local dimension* of the strategy is more strongly reflected but regional disparities remain a serious problem in several Member States. Significant progress has been achieved with respect to the definition of *common indicators*, but a more effective and streamlined use is now called for. In the framework of the Employability Pillar, Member States are generally pursuing and consolidating their efforts with regard to the *prevention* of long-term unemployment. With regard to the target that at least 20% of the unemployed should benefit from active labour market measures, only one Member State does not comply. The on-going modernisation of the *Public Employment Services* supports both the preventive approach and more tailor-made measures in favour of the *re-integration* of the long-term unemployed. More attention is paid to *lifelong learning*, with stronger coverage of adult learning than initial education. The development of basic skills raises widespread concern. The common *e-learning* targets in terms of school internet coverage and teacher training in information and communication technology (ICT) seem generally within reach. Different policy responses - with the main emphasis on occupational mobility - are given by Member States to *labour and skills shortages*, which are still largely limited to certain occupations/sectors, except also for a small number of Member States which experienced general recruitment difficulties in 2000.

On the other hand, serious doubts remain as to the capacity of five Member States to comply with the *2002 target* for full implementation of the preventive approach as defined in the Guidelines giving a new start to all young and adult unemployed before they drift into long-term unemployment. Monitoring of the *effectiveness of active measures* is generally inadequate. Progress in reforming benefit systems and incentives structures appears often insufficient to promote participation and the interaction between *tax and benefit systems* requires more attention. A comprehensive approach towards *active ageing* policies is lacking in most Member States and measures taken remain limited in their scope and impact. The NAPs fail to give a full picture of measures taken to promote the integration of disadvantaged groups into the labour market and to promote *social inclusion*. Only half of the Member

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<sup>5</sup> In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

States set national targets to increase the employment levels of *disabled people* and only Denmark and the Netherlands set targets for *ethnic minorities*. Further efforts in all these respects would be necessary in order to contribute to the quality of public policy and to sound public finances.

Under the Entrepreneurship Pillar, Member States put a strong emphasis on simplifying the *regulatory and administrative environment* for business creation and development. New information technologies are widely used to reduce burdens for enterprises especially in the start-up phase. The fight against *undeclared work* is stepped up by several Member States. The *territorial dimension* of the European Employment Strategy has developed considerably, with stronger local partnerships, including Local and Regional Action Plans for Employment. The *social economy* seems to be developing more rapidly since 1999, although its potential could still be better utilized. Many Member States are making progress in delivering more employment-friendly tax systems. Progress in reducing the *tax burden on labour* is relatively slow overall, but more substantial in respect of low-paid/low-skilled labour.

The reluctance of Member States to simplify *rules for hiring new staff* remains an impediment to job creation which is not outweighed by efforts presented in the plans to ease social security or tax provisions. With the main focus on simplifying the business environment, not enough emphasis seems to be put on creating an *entrepreneurial culture*, which would require a more comprehensive and strategic approach covering several interrelated policy actions.

In the context of the Adaptability Pillar, many initiatives have been taken in relation to *working time* issues and *flexible forms of work* both by public authorities and by the social partners. More attention has been given, and some innovative actions taken, with respect to *health and safety* at work. The social partners have been involved in a number of initiatives and agreements in relation to *training and lifelong learning* but an assessment of impact is missing.

Other aspects related to work organisation and to quality in work have received little attention. Partnership between Governments and the social partners has generally improved, but little is known about actions by the *social partners* to the implementation of measures related to work organisation, especially as they have not taken up the opportunity of autonomous reporting offered by the Guidelines. Little response from the social partners was for example found in the NAPs on the target to give every worker the opportunity to achieve *information society literacy* by 2003.

As part of actions under the Equal Opportunities Pillar, progress can be noted on *gender mainstreaming* in terms of co-operation mechanisms and gender impact assessment. The issue of reducing *gender segregation* has been addressed in several Member States and there are

some good examples of innovative approaches to diminish the *gender pay gap*. Moreover, many interesting initiatives to *reconcile family and professional life* have been reported.

However, a comprehensive approach on *mainstreaming* is lacking in most Member States and most of them fail to set national *targets for female participation* in employment, in line with the Lisbon conclusions. Measures to reduce the persistently high *gender pay gaps* are limited and there are hardly any new initiatives to promote *women in decision making*. *Childcare services* remain insufficient in many Member States and there is no clear approach yet to the issue of *care for the elderly* or other dependants. In all, it appears that many Member States have taken a "wait and see" attitude to initiatives they have taken under earlier guidelines.

The above assessment of employment performances and of progress achieved in implementing the 2001 Guidelines in combination with a less favourable economic outlook, shows that structural labour market reforms should be pursued without complacency. In particular, an appropriate policy mix based on all four Pillars of the strategy should be defined with a view to increasing *employment rates*. Actions should better take into account the objective of promoting *quality in work* as a factor of promoting participation on the labour market as well as increased competitiveness. More forceful policies are needed to address *gender gaps* in the labour market, and in particular the gender pay gap. The potential of *older workers* should be better exploited with more comprehensive approaches to prevent early withdrawal from the labour market.

Investing in *human resources* remains an utmost priority in the move to a knowledge-based economy and in particular to tackle the emerging *labour and skills shortages*. The contribution of the Employment Strategy to the fight against *social exclusion* need to be defined more clearly. Regional disparities need to be addressed and fuller use should be made of the Structural Funds, especially the *European Social Fund*, to support the Employment Strategy. Finally, the contribution of *social partners*, which is an essential condition for the success of the strategy, needs to be better integrated in the process and better evaluated. The work on developing and using precise and comparable indicators must continue. This concerns particularly indicators capable of catching the quality and effectiveness of policies.



## 1. THE POLITICAL AND ECONOMIC CONTEXT

The European Employment Strategy is part of a wider political agenda defined by the Lisbon European Council in Spring 2000. In Lisbon, the objective was set of making the European Union the most dynamic and competitive knowledge-based economy of the world, capable of sustainable economic growth together with more and better jobs and a greater social cohesion. The objective of achieving an employment rate as close as possible to 70% overall and exceeding 60% for women on average in the EU by 2010 was agreed. A global strategy was defined, aiming at preparing the transition to a knowledge-based economy, modernising the European social model and sustaining a healthy economic outlook and favourable growth prospects. The Göteborg European Council completed the above political commitment with a sustainable development strategy and added the environmental dimension to the Lisbon strategy, recognising the link between environment, economic growth and employment.

Confirming the Union and the Member States' commitment to the goal of full employment, the Stockholm European Council in March 2001 set intermediary employment targets of 67% overall and 57% for women by 2005, as well as a target of 50% employment for older workers (aged 55 to 64) by 2010.

### *Good employment performances...*

The year 2000 saw the strongest employment growth for ten years, with 3 million new jobs created. The employment rate thus increased from 62.3% in 1999 to 63.3% in 2000, bringing the EU closer to the Lisbon target.

For the third year in a row, more full time jobs than part-time jobs were created in 2000. Full time jobs accounted for almost 70% of the net jobs created, up from 60% in 1999 and 54% in 1998.

The unemployment rate came down from 9.1% to 8.2% in 2000 and the number of unemployed people fell by 1.5 million - the largest decrease for a decade - bringing down the total number of unemployed people to 14.2 million. Long-term unemployment decreased even faster than overall unemployment, reaching 3.6%.

*...associated with a favourable economic context overall in 2000*

Recent developments with respect to the employment performance in the EU have to be seen against the background of improved economic performance overall in 2000. In its fourth year of recovery, the EU experienced the most favourable economic situation for many years. GDP growth reached 3.3%. Growth rates ranged between 10.7% (Ireland) and 2.9% (Denmark and Italy). Public finances continued to improve in most Member states. Only inflation developed negatively and rose by 2.1% compared to 1.2% in 1999.

*A number of uncertainties for economic developments in the near future*

However, GDP growth is forecast to slow down in 2001 and 2002, and the EU economy will not offer the same supportive environment for improvements on the employment front.

*Signs of structural changes on European labour markets*

Beyond the past overall improvements in employment performances, a closer analysis reveals the structural changes which European labour markets are undergoing.

A striking feature of recent developments is the parallel increase in employment and labour productivity. Labour productivity grew at 1.6% in 2000. For some Member States, by contrast to the 1980s, there is evidence in the last decade that a high productivity growth is accompanied by high employment growth. This may reflect spillover effects from the recent strong job creation in high technology and knowledge-intensive sectors of the economy. Indeed, the pattern of job creation clearly reflects the move towards a knowledge-based economy. High-tech and knowledge-intensive sectors drove job creation, contributing to more than 60% of total job creation between 1995 and 2000. This benefited not only highly skilled workers, but also low and medium-skilled people employed in these sectors.

More than 1.6 million of the new jobs were taken by women, whose employment rate grew from 52.8% in 1999 to 54% in 2000.

*Remaining structural weaknesses*

Improvements on the EU labour market have however not eliminated important remaining structural weaknesses.

First, the unemployment level remains high, twice that in the US for example. The high unemployment of young people, in particular, remains a feature of the EU, representing 16.3% of active young people - or 7.8% of all young people aged 15 to 24.

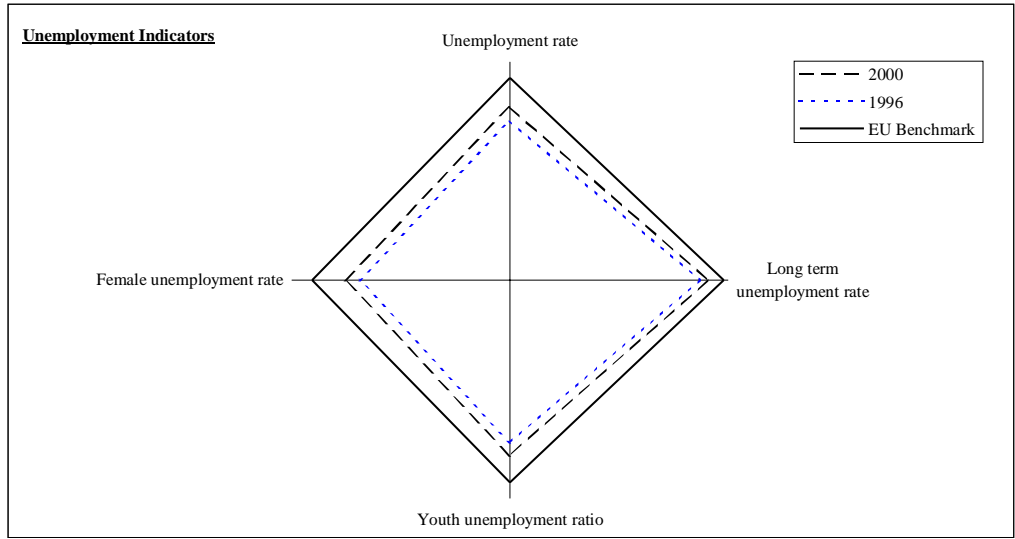
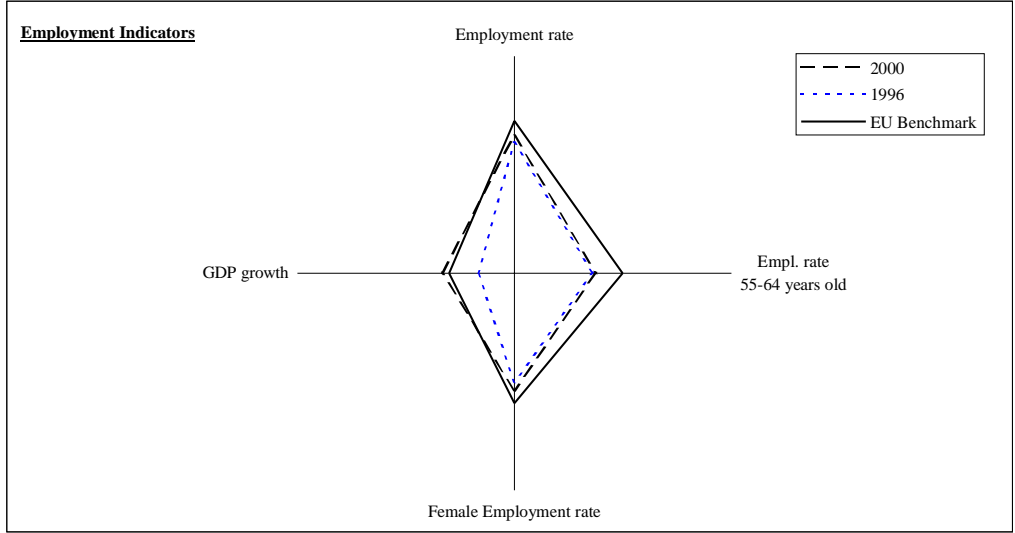
The low employment rate of older people is a serious concern, with an EU average of 37.7% for people aged 55 to 64, a long way from the Stockholm target.

Finally, important gender gaps remain in terms of employment, unemployment and occupational segregation.

# Graph 1: Overview of employment and unemployment performance in the European Union, 1996 and 2000

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	63.3	60.1	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	37.7	36.2	50 (2010 target, Stockholm summit)
Female Employment rate	54.0	50.2	60 (2010 target, Lisbon summit)
GDP growth	3.3	1.7	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	8.2	10.8	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	3.7	5.2	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	7.8	10.2	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	9.7	12.4	3.8 (average of 3 best performers:LU,NL,IE)

Section 3 presents the diamonds per Member State.

## **2. IMPLEMENTATION OF THE 2001 EMPLOYMENT GUIDELINES AND RECOMMENDATIONS: ASSESSMENT OF PERFORMANCES AND POLICIES ACROSS THE EUROPEAN UNION**

The 2001 Guidelines had been substantially modified compared to the previous sets of Guidelines, as a result both of the mid-term evaluation performed in 2000 and of the new policy agenda decided by the Lisbon Summit. A number of horizontal objectives underlying the overall Employment Strategy were spelt out. In addition, some new Guidelines were added and existing Guidelines modified to emphasise certain priorities, for example bottlenecks in the labour market, discrimination, undeclared work, the common target for workers' ICT literacy by 2003 and national targets for increased employment of women and care facilities.

The 2001 National Actions Plans for Employment (NAPs) provide a much clearer and more coherent presentation of Member States' employment policies than in previous years. This seems to reflect not only the continued commitment of Member States to the European co-ordination of national employment policies, but also the strengthening of the preparation process at national level. The elaboration of the NAPs involves an ever increasing number of actors at different levels – national, regional or local – and of different origins – different Ministries but also social partners – in a strong partnership approach. This trend is a positive factor for the better integration of employment policies with other related policies.

A close examination of the NAPs reveals a move in the right direction in many areas covered by the Guidelines. This can be seen in graph 1, where the EU as a whole is moving towards union benchmarks across all key indicators highlighted. Yet, the desired strength and coherence of approaches often appears to be lacking in many vital areas such as - for example – actions with a view to raise the employment rates, accompanying the move to a knowledge-based society, promoting active ageing and equal opportunities, or reforming the tax-benefit systems. The stepping up of these efforts appear even more vital now that the global economy is faced with more uncertainties than in the year 2000.

The move towards a knowledge-based society – which underpins the whole Lisbon strategy – is reflected in many respects in the NAPs. This is especially so in relation to lifelong learning issues – where special emphasis is put on e-skills and e-learning – and to entrepreneurship – where ICT is used as a means to simplify the business environment. However, a clear presentation of how national information society strategies contribute to the Luxembourg process is not often made.

## 2.1. The overall policy framework: reflecting the horizontal objectives of the 2001 Guidelines

The new horizontal objectives featuring in the 2001 Guidelines set the overall policy framework for implementation of the European Employment Strategy, reflecting the Lisbon Summit's ambition of achieving full employment in a knowledge-based society.

Member States make diverse responses to Objective A in terms of how to *maximise employment rates in view of the Lisbon targets* of an overall rate of 70% and a female employment rate of 60% by 2010. Assessment of progress should also take into account the intermediary targets set at the Stockholm European Council of Spring 2001 for employment rates of 57% for women and 67% overall by 2005 and 50% for the 55-64 years old in 2010<sup>6</sup>

### The facts on employment rates (see table 1)

- *The overall employment rate in the EU increased in 2000 to 63.3% and for women to 54%. As in 1999, the gains in employment rates reached 1% overall and 1.2% for women. The best performing countries, with employment rates above 70% were, as in the previous year, Denmark, Sweden, the Netherlands and the UK. Spain, Greece and Italy were at the lower end of the scale (each around 55%).*
- *Employment rates have increased across all age groups in 2000, reaching 40.3% in the 15-24 age group, 76.6% in the 25-54 age group and 37.7% in the 55-64 age group. While differences across Member States are narrowing in the prime-age group, differences for the young and older workers persist or are increasing. The low employment rates for young people reflect an increase in the proportion of young people in further or higher education, but the low employment rates for older workers give more cause for concern.*

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For older workers see section 2.2.1.

**Table 1: Employment rate targets**

MEMBER STATES	EMPLOYMENT RATES IN 2000		NATIONAL TARGETS IN NAPS 2001		COMMENTS
	OVERALL	WOMEN	OVERALL	WOMEN	
Austria	68.3	59.4	No	No	Overall and women's rates close to EU target.
Belgium	60.5	51.5	No <sup>7</sup>	No	
Denmark	76.3	71.6	Yes	No	Both rates exceed EU targets. National target of further 1.3% increase in overall rate by 2010
France	62.2	55.3	Yes (62.8)	Yes (55.8)	National targets only for 2001
Finland	67.5	64.4	Yes (70)	No	Both rates close to or exceed EU targets. National target for overall rate, mid-term, 2005
Germany	65.4	57.9	No	No	
Greece	55.6	40.9	Yes (61.5)	No	National target for overall rate, mid-term, 2005
Italy	53.5	39.6	Yes	No	National targets for overall rate: 58.5% in 2005 and 61.3% in 2010 <sup>8</sup>
Ireland	65.1	54.0	No	No	
Luxembourg	62.9	50.3	No	No	
Netherlands	73.2	63.7	No	Yes (65)	Both rates exceed EU targets. National target for women refers to participation rate, 2010
Portugal	68.3	60.3	No	Yes	Both rates close to or exceed EU target. National target for women: reduce gender gap by 25% by 2003
Spain	55.0	40.3	No	No	
Sweden <sup>9</sup>	73.0	71.0	Yes (80)	No	Both rates exceed EU targets. National target for overall rate refers to ages 20-64 by 2004
United Kingdom	71.2	64.6	Yes (75)	Yes (70)	Both rates exceed EU targets. National target for women refers to lone parents only

<sup>7</sup> Belgium subscribes to the Lisbon targets without making explicit commitments for national targets apart from the remark that to reach such targets it would require current employment rates to grow by 1 percentage point per year.

<sup>8</sup> Based on complement to NAP, June 2001.

<sup>9</sup> The national target of 80% for the age group 20-64 is comparable with about 76% for the group 15-64 years old.

Few Member States present an overall approach on how to contribute to these overall targets. While the Guidelines invite Member States to consider setting national employment targets, those Member States which set fairly ambitious longer-term targets<sup>10</sup>, such as Denmark, Sweden, the Netherlands and the UK, already have employment rates in excess of the Lisbon targets. Other Member States either do not set targets (though in some cases referring or subscribing to the Lisbon targets) or set less specific, less ambitious or shorter-term targets.

The parallel objective of better quality jobs also set out in Objective A is reflected as a cross-cutting concern in a number of NAPs (Portugal, Belgium, Denmark, Ireland and France) or is referred to under particular Guidelines. A common focus is on improving the labour supply, with links to lifelong learning, preventive/active labour market policies and the fight against undeclared work. In contrast, although a few initiatives are cited, the issue of quality of employment itself is not developed in detail.

Under Objective B and in response to relevant Recommendations made last year to some two-thirds of Member States, progress has been made on *lifelong learning* with significantly higher profile being given to the issues in the 2001 NAPs. However, in general, there is a lack of evidence of co-ordination between the relevant Ministries. The enclosed table shows that half the Member States now have comprehensive and coherent strategies (Denmark, the Netherlands, Finland, Sweden, the UK, France and Germany, with the latter two being in the process of refining some final stage elements). Table 2 gives broad criteria for such strategies as well as 'state of play' assessments of each Member State. In terms of comprehensiveness, Member States tend to cover the formal education and training sectors best, sometimes integrating recognition of non-formal learning. But if Member States are to succeed in mobilising more non-learners, better promotion and exploitation of non-formal learning, including in the workplace, is needed, as well as concrete measures for disadvantaged groups and greater attention to investment issues, including individual funding schemes. More attention should also be given to measures such as advice and guidance services and cross-sectoral learning pathways which improve the overall coherence of available learning. Impact evaluation of established measures is generally premature as Member States are at a development or early implementation phase. Investing in human resources is essential for the success of the employment strategy and is required for the implementation of several Guidelines, notably to promote the employability and adaptability of the workforce. Yet, only few Member States set targets for increases in human resource investment (Belgium on in-company training) or participation in further learning (Netherlands, France, Belgium (Flanders), Portugal and Germany), which raises questions as to the monitoring of progress in the other Member States.

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<sup>10</sup> These sometimes refer to particular age groups or to participation rather than employment rates.

**Table 2: Member States' positions on developing lifelong learning strategies<sup>11</sup>**

<b><u>CHARACTERISTICS</u></b>	<b>BE</b>	<b>DK</b>	<b>DE</b>	<b>EL</b>	<b>ES</b>	<b>FR</b>	<b>IRL</b>	<b>IT</b>	<b>LUX</b>	<b>NL</b>	<b>AU</b>	<b>PT</b>	<b>FIN</b>	<b>SW</b>	<b>UK</b>
<b>COMPREHENSIVENESS OF STRATEGIES</b>															
Compulsory education	P	A	A	P	P	A	P	A	P	A	P	P	A	A	A
Formal adult education/training	P	A	P	P	P	P	A	P	P	A	P	P	A	A	A
Workplace/other non-formal/ recognised prior learning	P	A	A	P	P	A	P	P	I	P	P	P	A	A	A
Focus on disadvantaged groups	P	P	P	A	I	P	P	I	P	P	P	P	A	A	P
Overall investment / funding schemes	P	A	P	I	P	P	P	P	P	A	P	P	P	A	P
<b>COHERENCE OF STRATEGIES</b>															
<b>System development</b> (policy needs, planning, targets, implementation, monitoring)	P	A	P	P	P	A	P	I	P	A	P	P	A	A	P
<b>Partnership working</b> (social partners, public authorities, learning providers, civil society)	P	P	A	I	P	P	A	P	P	P	P	P	P	A	A
<b>Cross-cutting aspects</b> (advice/guidance services, education/training mobility)	P	A	P	P	P	A	P	P	P	P	I	I	A	P	A

Notes:

A = Adequate. 'Adequate' denotes that a particular criterion is given appropriate priority within both the Member State's strategy and concrete actions.

P = Partial. 'Partial' indicates that some attention is given to the criterion in both the strategy and actions *or* that it given appropriate priority in one or the other.

I = Insufficient. 'Insufficient' refers to when the particular criterion is absent from both the strategy and the actions or is given some attention in one or the other.

<sup>11</sup> The assessment is indicative and mainly based on the NAPs 2001, but also on other relevant information available. Further explanations can be found in the Commission Services' Supporting Document to the Joint Employment Report.



All Member States recognise the crucial role of social partners in lifelong learning, though the nature/extent of their involvement varies and little information is provided on their autonomous initiatives. While limited partnership working by/with public authorities is reported, the involvement of civil society appears marginal. Indeed, better articulation between actors and levels of intervention should be developed.

**Objective C** calls upon social partners to play a key role in developing and implementing policies at national and European level. In general, the NAPs reflect a trend towards the desired strengthening of co-operation, but on the whole contributions of social partners still lack visibility and concreteness both at European and at national level. This is partly due to the specific, decentralised and also diverse situations of social partners in European and national contexts which seem to make it difficult for them to make the most of their role within the EES, participating in the process which they basically support, but at the same time trying to maintain their autonomy and independence.

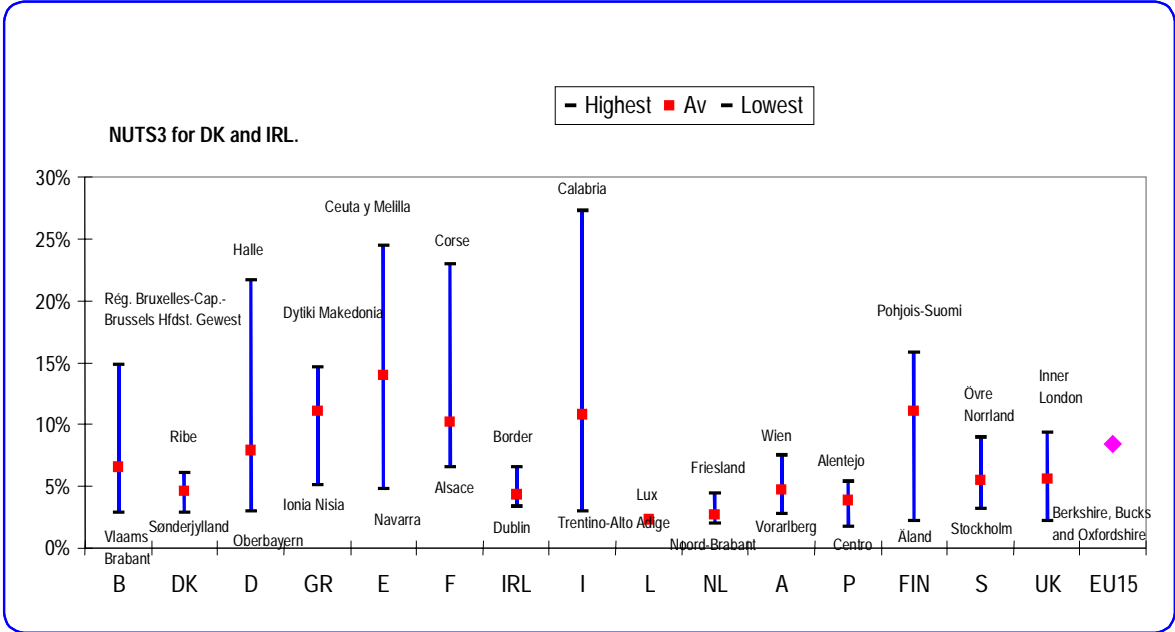
At the national level social partners have in many cases been better involved in the development of the NAPs, mainly within tripartite bodies (Germany, Sweden, Ireland, Belgium, Greece, Italy, Portugal and Spain). However, a comprehensive contribution of social partners at national level in all phases of the Luxembourg process and all areas which address them directly is not yet convincingly developed. In only a few Member States, such as Belgium, do the social partners appear to have created mechanisms to evaluate their actions.

In the context of the European social dialogue, the social partners made contributions at both cross-industry and sectoral level. At cross-industry level negotiations concentrated on temporary agency work and telework. At sectoral level progress has been made in the telecommunications industry, the commerce sector, civil aviation, agriculture and the construction and tanning industry. These activities were accompanied by a first attempt to contribute to the process of reporting and assessment within the EES.

The *policy mix* within the NAPs (Objective D) should reflect how the overriding aim of more and better jobs is pursued in accordance with national circumstances. As previously, the NAPs generally continue to place most emphasis on the Employability and, to a lesser extent, the Entrepreneurship Pillars. Despite progress in involving social partners at least in the development of the NAPs, the Adaptability Pillar remains the least developed due to insufficient information about the actual achievements of the social partners and their impact on employment. Less emphasis is placed by Member States on the Equal Opportunities Pillar compared to 2000, especially in those Member States where gender equality has been weakest.

In terms of the *regional aspects* of Objective D, regional disparities remain a serious problem in many Member States (see graph 2). Disparities in unemployment continue to be most serious in Italy, Spain, Germany and Belgium and are even worsening considerably in the latter two cases. That improvements are possible is demonstrated by reductions in disparities in Finland and the Netherlands.

**Graph 2: Unemployment rates in NUTS2<sup>12</sup> regions in 2000<sup>13</sup>**



Source: Calculations on the basis of Eurostat Labour Force Survey.

In response to persisting regional disparities, *Member States are taking more account of the regional dimension of employment policies*, with regional authorities tending to move from an implementation role to active involvement in developing policies and action for employment or broader development. Indeed, some Member States (Finland, Portugal, the United Kingdom) are developing regional action plans (RAPs) based on the EES which may in turn lead to local action plans (LAPs). In addition, national programmes are increasingly designed in such a way as to allow for flexible implementation at regional/local level, sometimes in parallel to separate regional programmes which complement the policies and/or financing

<sup>12</sup> Refers to territorial units in European statistics, the nomenclature of Territorial Units for Statistics.  
<sup>13</sup> Disparities in unemployment are measured by the coefficient of variation, which is obtained by dividing the Standard Deviation by the average-weighted mean value (weighted average of the employment/unemployment rate in a country).

emanating from national level. The *European Union Structural Funds* can be used at both levels and so play an important role in supporting this development, as well as, through national/regional objectives set in the programmes, providing an otherwise rare quantifiable dimension to monitoring progress.

Close co-operation between the Commission and the Indicators Group of the Employment Committee has led to some 20 new indicators to assist the *monitoring of the Guidelines* (Objective E), specifically in relation to lifelong learning, adaptability and work organisation, taxation and tax/benefits systems, regional disparities, exclusion and discrimination. Following the Stockholm Summit, priority areas for the further development of indicators are quality of work and equal opportunities (gender pay gap and care services for children/other dependants).

## **2.2. Assessment of the progress made under the four Pillars of the 2001 Guidelines**

### *2.2.1. Employability*

The main aim of this Pillar is improving the employability of workers and the unemployed in order to contribute to the prevention and the reduction of unemployment and to support the general objective of raising the overall employment rates in the European Union. The Pillar covers tackling youth unemployment and preventing long-term unemployment, promoting active labour market policies for the unemployed and inactive, tax-benefit reforms and developing skills for the new labour market in the context of lifelong learning. Two Guidelines have been added since last year: one on developing policies for active ageing and a second on active policies to develop job matching and to prevent and combat emerging bottlenecks.

### ***Consolidation of approaches on prevention of long-term unemployment and a stronger focus on effectiveness***

#### The facts on long-term unemployment

- *In 2000, long-term unemployment decreased both for young people and adults. The decrease in long-term unemployment was slightly larger than the fall in overall unemployment.*
- *However, 1.7 million young people, representing 51.6% of the unemployed aged 15-24 years, had been unemployed for 6 months or more.*
- *Around 5 million adults, representing 50% of the adult unemployed, had been unemployed for 12 months or longer.*
- *The rates of inflows into long-term unemployment vary greatly between Member States, ranging from around 1% (Sweden and Austria) to above 40% (Belgium for young people).*

In 2000, no major changes have been made to the overall design of the preventive approaches. Apart from their further extension in several Member States, efforts generally focused on improving the quality and the effectiveness of prevention. Main lines of action in that respect consisted in bringing forward the point of intervention (Ireland and the United Kingdom), strengthening the individualisation of services (Germany, Spain and Belgium), intensifying intervention during the first stages and the support for job-search (Finland and the United Kingdom) and better tailoring the employability measures offered to the unemployed, in particular training measures, to labour market needs (Finland, the United Kingdom and Portugal).

***Further progress in the implementation, but little change regarding compliance with the EU-wide targets on prevention<sup>14</sup>***

Despite the progress observed in 2000, Portugal is the only new Member State that can join the former group of five countries (Austria, Sweden, the United Kingdom, Luxembourg and Finland) considered to be closest to compliance with the EU-wide target of cutting the inflow into LTU of young people and adults. Concern remains as to the capacity to achieve the target by 2002 of five Member States, either due to insufficient quantitative evidence (the Netherlands) or to uncertainties and delays in the completion of the PES modernisation (Germany, Italy and Greece) or in the full scale implementation of the preventive approach (Belgium). Improvements are needed concerning the monitoring systems and in particular the provision of commonly agreed indicators. Although almost all Member States provide data on the indicators, they do not always enable the assessment of effort and results for the latest period and in general fail to provide information regarding the effective integration.

Eight Member States had received a Recommendation related to their preventive policies and/or their monitoring system, most of them for the second time. Responses are encouraging, since further steps have been taken either to improve or step-up the implementation of preventive approaches or to develop a suitable monitoring system. However, as far as prevention is concerned results still fall short of significant progress towards compliance with the Guideline and monitoring systems still need further development.

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<sup>14</sup> Guideline 1: By 2002 Member States will ensure that every unemployed person is offered a new start before reaching six months of unemployment in the case of the young, and twelve months of unemployment in the case of adults.

### ***Modernisation of the PES is progressing, but monitoring and staff adaptation should be improved***

The modernisation of the Public Employment Service (PES) is progressing in all Member States and confirms the crucial role of PES for an effective delivery of employability policies, in particular for activation and prevention. Modernisation projects also reflect the changing situation in the labour market by putting more emphasis on supporting job search in the open labour market, improving jobseekers' skills in accordance with demand and increasing the flexibility in service provision. In most Member States, the extension of modern ICT facilities, as well as intensified co-operation with other market actors are a crucial support to the new PES service model. Many Member States (in particular France and Germany) provide comprehensive information about their strategy and actions to adapt the organisation and working methods of their PES to the new requirements as well as clear timetables for their modernisation process, but fail to give information on measures taken to adapt the staff and to ensure the monitoring of progress.

### ***Continued emphasis on activation***

In 2000, fourteen Member States achieved an activation rate above the 20% target<sup>15</sup>. The United Kingdom only achieved a rate slightly over 12%. The average of the three most advanced Member States (Sweden, the Netherlands and Ireland) was 44%. In most Member States the activation rate increased, due to both an increased emphasis on active labour market measures and a declining number of registered unemployed. The number of participants in activation measures also increased, mainly in terms of various types of training programmes, even though some countries saw a significant decline in participation rates. Expenditure on active labour market programmes slightly increased. The diversification and targeting of activation measures continued and work-related training programmes, start-up initiatives and similar increased in number. In some countries ICT training has started to be incorporated to a larger extent. There is also more co-operation with employers to design the active measures.

### ***Inadequate monitoring of the effectiveness of active measures***

In terms of effective integration on the labour market, only a few Member States (Sweden, Denmark and Finland, and to some extent Germany, Austria, Spain and the United Kingdom) provide figures. It appears that business start-up incentives and various types of job training are more efficient than traditional labour market training and wage subsidies in especially the public sector. In general, women tend to be better integrated than men are. Work on

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<sup>15</sup>

See overview in Annex 2.

improving indicators on integration should be pursued in most Member States. There is only scarce information on outcomes, outputs and cost effectiveness of measures. There is a need to further enhance the efforts to regularly evaluate the effectiveness of active labour market programmes. A critical note is that in most Member States the coverage of inactive persons in activation measures is insufficient.

### ***Efforts mainly focus on tax reforms, much less on benefit systems***

Recent reforms concentrate more on making the tax system more employment friendly than on benefits. Progress on reforming benefit systems is insufficient with several measures undertaken in a piecemeal approach and reforms implemented at a slow pace. A few Member States address comprehensive tax-benefit reforms through improving their incentive structures, reinforcing control systems and tightening eligibility conditions (Denmark, the Netherlands and the United Kingdom). France also took measures to reduce the marginal effective tax rate. Others focus on enhancing the interaction of tax and benefit systems, notably in tackling the problem of unemployment and poverty traps, and promoting the overall structural reforms particularly by tackling the persistent and high structural unemployment (especially Belgium, France, the Netherlands and the United Kingdom).

More attention is needed on facing the problem of reducing the still large number of benefit recipients and tackling more effectively the problem of invalidity benefits, mainly to facilitate reintegration into the labour market. Moreover, Member States need to consider the gender impact of tax-benefit reforms and avoid disincentives that may discourage female participation. A positive step towards enhancing work incentives and addressing the problem of the "working poor" is the tendency to introduce or increase in-work or employment-conditional benefits, such as back-to-work schemes and employment premiums or tax credits on earned income.

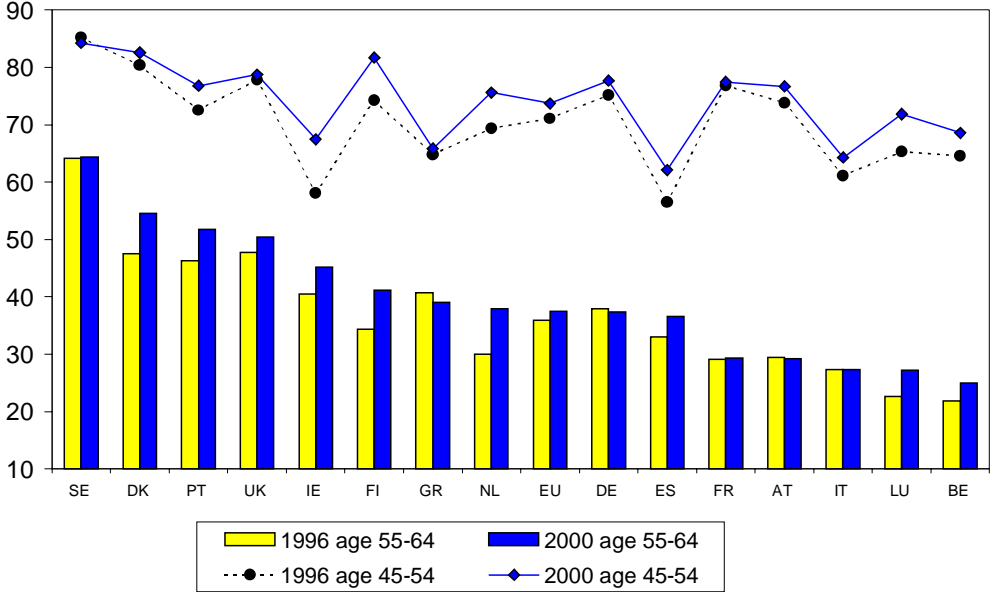
### ***Lack of comprehensive approaches on active ageing***

The relevance of the new Guideline 3 on active ageing has been highlighted by the Stockholm Summit conclusions setting the objective of raising the average European Union employment rate of 55-64 year olds to 50% by 2010.

#### The facts on older workers

- *Employment rates in 2000 in the age group of 55-64 year olds remain low and vary considerably around the EU average of 37.7%, from 66.4% in Sweden to less than 30% in Belgium, Luxembourg, Italy, Austria and France. Only a modest increase can be seen from the level of 36% in 1995.*
- *Given the ongoing changes in employment policies for older workers, strong labour demand and regional mismatches related to specific skills, the current high employment rates among 45-54 year olds (EU-average 73.7% in 2000) could be well translated into significantly higher employment rates for the next age group up a decade from now (see graph 3).*

**Graph 3: Employment rates of workers aged 55 to 64 (compared to workers aged 45 to 54)**



Source: Eurostat, Labour Force Survey.

Several Member States have acted on their concern at the demographic challenge. This implies reforming benefit and pension schemes, promoting sustained participation and reducing incentives for early retirement in order to raise the effective retirement age, which is currently substantially lower than the statutory retirement age in most Member States. However, comprehensive approaches towards active ageing policies are generally lacking, with most Member States focusing on treating older workers as a further 'disadvantaged group' in the labour market and failing to address the issues early enough in individuals' careers. Only a couple of Member States respond to the challenge with strategic targets (the Netherlands and Sweden) or sufficient attention to capacity-enhancing policies for older people such as workplace training and development, including for the unemployed or inactive (e.g. Denmark and the United Kingdom). Most Member States adopt a piecemeal approach to benefit reform with little monitoring of progress, and committed action by the social partners is generally lacking.

## *Lifelong learning implementation improves, but varying progress on e-learning*

### The facts on lifelong learning

- *Educational attainment: over 60% of 25-64 year olds in the EU had attained at least upper secondary level education in 2000. Significant disparities between Member States are closing due to progress in successive cohorts of young people; the gap between the highest and lowest rates amongst 25-34 year olds decreased from 40.4% to 30.4% in the period 1995 to 2000.*
- *Participation in education and training continues to be low. The participation rate of 25-64 year olds in the EU increased only marginally in 2000 to 8% from 7.8% in 1999 compared to 6.7% in 1997. Participation of older workers is limited whilst women are more likely, and younger people are far more likely, to participate.*
- *Early school leaving: in 2000, 18.5% of people aged 18-24 left the education system prematurely, with only lower secondary education – in several Member States this rate is almost 30% or worse. The percentage of early school leavers is significantly higher amongst males. Moreover, they have a higher risk of unemployment.*

Member States have paid greater attention to lifelong learning, activating a broad range of measures, increasingly in the framework of comprehensive strategies. In general, initial education and training is less well covered than adult learning but Member States have now started voicing widespread concern for basic skills in their NAPs. Most Member States promote basic adult education (literacy, numeracy and sometimes ICT and social skills), including in non-formal settings. All Member States aim to encourage more young people to stay on in learning. Where early school leaving rates are acute, Member States promote flexible secondary education curricula and second chance schooling. More encouragingly, disparities in educational attainment in the EU are generally closing, fuelled by particular progress amongst young people.

Member States often emphasise the need to increase adult learning participation rates, but tend not to set overall targets for such increases. More attention is needed to ensuring that NAPs report about progress towards targets, overall or more specific, set in previous years. Increasingly common measures focusing on individuals (e.g. learning accounts/vouchers) will help raise participation rates. However, more emphasis on making adult learning diverse, accessible and attractive, as well as provision of information, advice and guidance services and local learning centres, would help reach more non-learners and ensure progress into further learning. Member States should further develop non-formal and informal learning, including via the recognition of prior learning and pay attention to the gender dimension. The involvement of social partners in lifelong learning policies and measures is strengthened in



most Member States, most commonly in relation to access and funding. However, there is an on-going lack of information about their autonomous initiatives, especially at enterprise level.

Most Member States report on measures to promote ICT skills, often with priority for disadvantaged groups and as part of a crosscutting e-learning strategy. Many Member States also prioritise development of e-learning content. Taking all elements together, there is a broad three-way split between the most advanced Member States (Denmark, the Netherlands, Sweden, Finland and the United Kingdom), those with measures well underway (Belgium, Ireland, Germany, France, Luxembourg and Austria) and those where efforts will have to be increased (Spain, Greece, Italy and Portugal). On the common e-learning targets, almost all Member States can be expected to have 100% school internet coverage by end 2001. However, slower progress in a few Member States will require efforts to be redoubled including those actions highlighted in the eLearning and eWorking dimensions of the eEurope 2002 initiative. Progress reported on having all teachers in need of ICT skills trained by end 2002 is encouraging, but insufficient data precludes firm conclusions.

### ***Emerging labour and skills shortages lead to differentiated policy responses***

Most Member States anticipate the problems of bottlenecks on the labour market becoming more serious in the short and mid-term future, based on combined economic and demographic forecasts. Some Member States assess this development as a threat to economic and labour market performance, others as an opportunity to facilitate the re-integration of certain categories of workers into the labour market. At present, in most Member States the problems are limited to a few occupations/sectors (e.g. the ICT sector, construction industry, health care, education and social services, hotel and catering and highly skilled technical areas). Some, however, find themselves in a very tight labour market, featuring both specific skills and overall labour shortages (both at high and low skill occupations). Apart from general measures taken to reduce unemployment, increase labour force participation and raise employability and skills, a number of specific initiatives are taken to deal with labour and skill shortages and to facilitate the transition to a knowledge-based economy. These include monitoring, occupational mobility, matching people and jobs, geographic mobility and partnerships.

#### The facts on mobility

- *While geographic mobility between EU Member States remains relatively low - with only 225,000 people changing residence between two European Union Member States in 2000 - geographic mobility between regions and commuting are already of considerable size and increasing. About 1.2% of the EU population changed residence to another region within one European Union Member State in 1999. About 600,000 persons work in a country different from the country of main residence.*
- *While occupational mobility and job turnover in the EU clearly remain lower than in the US, at least in the group of high-skilled employed, job-to-job mobility has been increasing over the past years. Between 1998 and 1999, around 10% of all high-skilled employed changed jobs, ranging from 12% or more in the UK, Denmark, Finland and Spain to less than 5% in Italy.*

***The linkage between the employment process and the new social inclusion process needs more attention***

Although the Commission had asked Member States to cover the labour market related measures aiming at social inclusion in the NAPs on employment, this is not sufficiently visible for most Member States. This could be due to differences in approach among Member States: some stress that employment policy is the best means for achieving social inclusion, whereas others make a clear distinction between both policies. Some Member States perceive (general) labour market policy as the key instrument to promote social inclusion. Others emphasise the specific needs of socially excluded people and that the different target groups might require tailor-made measures, e.g. France, Finland, the Netherlands and Italy. The majority of Member States put, as last year, more emphasis on integration than on anti-discriminatory measures. However, some Member States try to apply a more balanced approach. The impact of the Article 13 anti-discrimination package approved by the Council in 2000 is evident and sometimes explicitly mentioned.

Concerning ethnic minorities and disabled people, only half (France, Spain, Portugal, Germany, Austria, the United Kingdom and Ireland) of the Member States set national targets to increase the employment levels of the latter, whereas only Denmark and the Netherlands set targets for the former group.

A key contribution of the NAPs to the fight against exclusion is related to measures to promote the re-integration of the long-term unemployed into the labour market. A number of Member States have already started or are starting to introduce personalised individualised approaches similar to the ones used for prevention, while others are reviewing existing employment schemes and measures to make them more supportive to the reintegration of long-term unemployed. While the reintegration of long-term unemployed into work is seldom seen as a means to solve the bottlenecks problems, it is an important element of the overall strategy to fight social exclusion, especially in those Member States enjoying low levels of unemployment and where long-term unemployment tends to concentrate on specific groups that are difficult to reintegrate.

### 2.2.2. Entrepreneurship

This Pillar is about providing conditions which favour the creation of new jobs. It aims at facilitating the creation of an environment favourable to start-ups, to business growth and consequently to employment creation. This in particular through reducing administrative compliance costs and tax burdens. It aims at exploiting effectively the employment potential of the knowledge society and of the services sector. Its objective is also to stimulate action for employment at regional and local level. The few new elements this year include the encouragement of the fight against undeclared work, the promotion of entrepreneurial education and the promotion of assessments of the impact of new regulations for business. The table below present the overview of key measures reported in the NAPs 2001.

**Table 3: Objectives of key measures reported in NAPs 2001 for Entrepreneurship**

	AU	BE	DK	FIN	FR	DE	EL	IRL	IT	LUX	NL	PT	ES	SW	UK
Assessing impact of new legislation	X		X			X				X				X	X
Less burden for business		X		X	X	X	X			X	X	X	X	X	
Less obstacles to start-ups	X	X			X	X	X		X		X	X		X	
Better access to finance			X	X	X	X		X						X	X
Combat undeclared work	X	X			X	X	X		X	X	X	X		X	X
Job creation in services, environment, knowledge society	X			X	X	X	X	X	X	X		X	X	X	X
Easing procedures on hiring additional staff				X											

#### Facts related to sectoral job creation in 2000

- *In 2000, high-technology and knowledge-intensive sectors created 1.5 million net jobs in the EU. As in previous years, employment growth generally continued to be strongest in the service sector and in high-skilled non-manual occupational groups. The employment rate in the service sector continued to increase and almost one million new jobs were created in industry. Job losses continued to be marked in the agricultural sector.*
- *The sectors with the strongest current employment growth at EU-level are all characterised by either high technology and high shares in ICT-related jobs ("high-tech sectors") or a high knowledge intensity as reflected in high educational levels of the workforce ("high-education sectors"), or both. Employment growth in these sectors also continues, however, for workers with lower skill levels, while actually stagnating or even declining for this subgroup in other sectors of the economy.*
- *While Ireland, Finland, Spain and the Netherlands are experiencing employment growth in all sectors of the economy, albeit strongest in the high-education sectors, in other countries such as Germany, Austria and Sweden, employment growth has been positive only in high-education sectors while actually negative in other sectors.*
- *This is further evidence that the employment dynamics in the high-education sectors contribute decisively to the overall employment dynamics of the European labour markets.*

#### ***Using new technologies to reduce burdens for enterprises***

Many Member States report on the use of electronic systems for on-line registration and information provision as a common way to simplify compliance with formal procedures. However, making documents and information available on line does not per se provide simplification, and needs to be complemented with a clear strategy for simplification of the different procedures that enterprises face in their contacts with governments (c.f. information sharing within the different government departures, simpler forms), and of the regulation on which they build. Single Access Points ("one-stop-shops") are proving very useful in providing better information, assistance and advice in the pre-start-up stage.

Austria, Germany, Spain, Greece, Ireland, Luxembourg, Sweden, Finland and the United Kingdom have made substantial efforts to ensure that enterprises (and small firms especially) integrate ICTs into their everyday operations and to encourage the broader fabric of the economy to adapt to the demands of the knowledge society.

### ***Incomplete approach to facilitating the hiring of new staff***

The reluctance of Member States to simplify rules for hiring new staff is an impediment to job creation which is not entirely outweighed by efforts presented in the plans to ease social security or tax provisions. Indeed, while lowering the cost of personnel for small enterprises will strengthen the willingness of self-employed people to create new jobs, simplification of rules for hiring new staff will allow a small business to grow faster and create employment in particularly critical sectors.

### ***Progress towards creating an entrepreneurial culture***

Member States appear to give genuine priority to initiatives for the teaching of entrepreneurship. There is no overall evidence about the impact of such measures on the image of self-employment which, with the exception of some professions, remains largely negative. As a result self-employment trends are rather static when one would expect a significant general increase of the self-employed particularly in the service sector. Apart from training for entrepreneurship, steps to raise social recognition of entrepreneurs are less prominent or missing. Such recognition may entail more rewards for successful entrepreneurs and consequently more involvement of young people with such activities.

While a number of measures have been taken by Member States to promote female entrepreneurship, concrete data on their impact is still lacking.

#### **The facts on SMEs and self-employment**

- *The employment rate in firms with less than 50 employees has been stable over the past few years at around 27%;*
- *The average rate of self-employment in the European Union has gone down from 15.4% to 14.8% overall between 1998 and 2000;*
- *Self-employment is twice as high among men as among women, with 17.6% and 10.9% respectively in 2000.*

### ***Combating undeclared work***

The fight against undeclared work can create conditions for higher quality jobs and more healthy competition among enterprises. This issue has become a major preoccupation and there is a promising commitment in the NAPs of 11 Member States (Austria, Belgium, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Sweden and the United Kingdom). Most of them focus on simplified procedures for the declaration of new jobs, increased inspection and penalties for offenders. Others reinforced tax administration attempts to prevent businesses being exposed to harmful competition from those that use illegal workers. One goes even further by refusing benefits and public contracts to businesses sued for undeclared work. It is rather early to expect reporting of results from all the initiatives taken.

### ***More emphasis on regional and local development***

The territorial dimension of the European Employment Strategy has developed considerably. Strengthened inter-regional co-operation can be observed and, in some cases, elements of the open co-ordination method have been introduced in the relationship between national and regional authorities and the "professionalisation" of territorial management is developing. The forms of co-operation are quite diverse depending on the different institutional contexts. In general, the territorial dimension is still very much confined to the regional level, where progress is most visible, but the local level is also developing positively. The Public Employment Services are increasingly developing a diversified territorial dimension to their activities and are becoming actively involved in local and regional partnerships. In order to better meet the particular needs of local and regional labour markets, they have increased flexibility in implementing services and active labour market policy programmes. Development of the social economy is still slow but has been speeded up since 1999; most Member States provide specific support in terms of advice or funding. Particularly important are steps towards equal treatment of organisations belonging to the social economy and other enterprises in terms of e.g. taxation or access to financial instruments of economic policy.

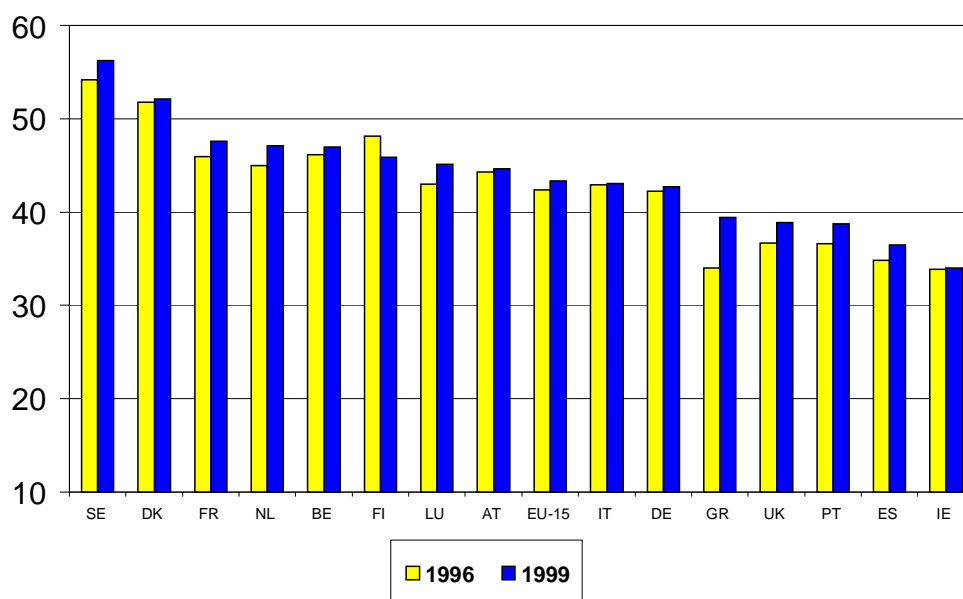
***Some progress on reducing the tax burden on employed labour, especially on low paid/low skilled labour***

**The facts on overall and labour taxation**

- *The overall tax burden<sup>16</sup> increased from 42.4 to 43.3% over the period 1996-1999 with a tendency to stabilise in 2000 (43.1%). In several Member States including Belgium, Denmark, France, Luxembourg, the Netherlands, Finland and Sweden the overall tax rate as a percentage of GDP is still high, exceeding 45% (see graph 4);*
- *The tax burden on labour<sup>17</sup> in the EU was reduced by 0.8% over the period 1996-2000 to 40.6% but it continues to be high in several Member States. Tax reductions on low paid labour were more substantial. Such reductions are observed in almost all Member States (except Luxembourg, Netherlands) exceeding on average 2 percentage points over the period 1996-2000 for a single person earning 50% or 67% of the average wage, to 35.2% and 39.2% respectively in 2000<sup>18</sup>.*

Tax reforms in the last three years vary among Member States both in coverage and depth. Most Member States aim at reducing the overall tax burden mainly through reductions in direct taxation on personal and corporate income or capital taxes aimed at improving business competitiveness and stimulating growth and employment, although only four Member States (Austria, Finland, Germany, the Netherlands) have set national targets for the reduction of the overall tax burden.

**Graph 4: Rate of total tax revenue (% of GDP)**



Source: Commission Services DG TAXUD.

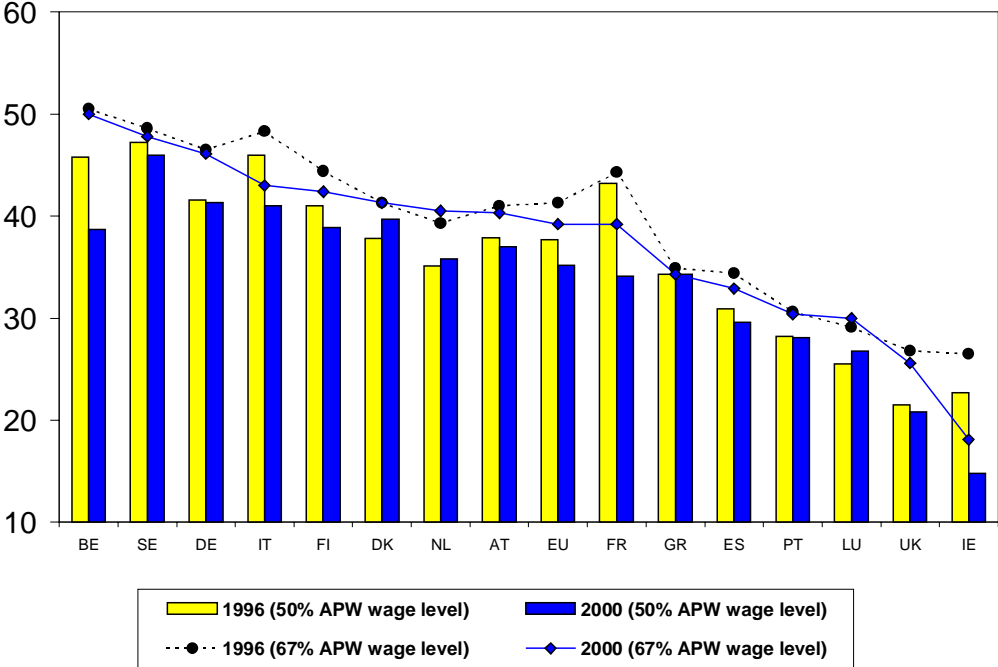
<sup>16</sup> Measured as a percentage of GDP.

<sup>17</sup> Indicates the average effective tax burden on labour income, and is calculated as a percentage of total compensation received by employees plus the pay roll taxes.

<sup>18</sup> Data is based on tax indices that are constructed for hypothetical households.

An increasing number of Member States are committed to the objective of reducing the tax burden on employed labour. The responses to Recommendations addressed to two-thirds of Member States last year have shown some progress, varying among Member States, towards reducing the tax burden on labour. A graph 5 shows progress is more substantial for low paid labour (good examples are Belgium, France Ireland and Italy). Efforts need to be continued or intensified to obtain more visible results. However, no Member State has set a quantified target<sup>19</sup> for reduction, as called for by the Guidelines. A gradual reduction of labour taxation is more visible on low paid/low skilled labour. The most important component in these tax rates remains the social security contribution and other charges (i.e. payroll taxes) paid by the employers, accounting on average for more than half of such taxes. In some Member States the reduction in labour taxation was accompanied by green tax reforms, whilst tax incentives to individuals and enterprises, aiming to stimulate investment in human capital, are limited.

**Graph 5: Average tax rate for low paid single earner<sup>20</sup>**



Source: Commission Services DG TAXUD, based on OECD database.

<sup>19</sup> However, Germany sets a partial target of reduction of social security contributions to 40% of gross wages (currently estimated at about 41%).  
<sup>20</sup> EU average is a weighted average (weighted by the number of persons working in the manufacturing sector in each Member State).



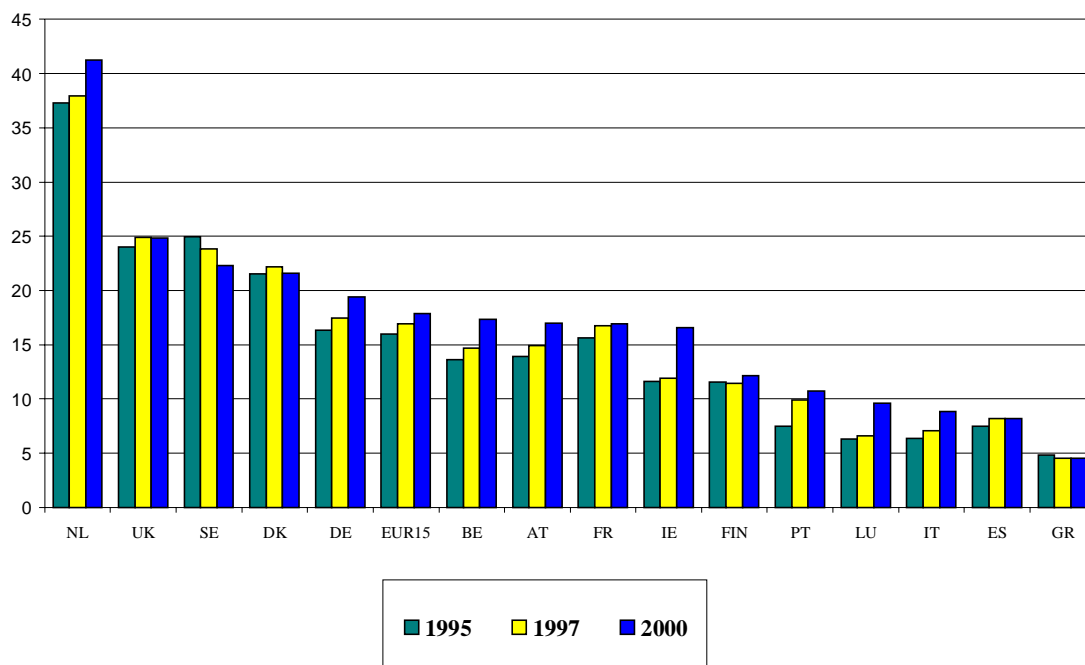
### 2.2.3. Adaptability

Under the Adaptability Pillar, social partners and Governments are called on to improve, through a partnership approach, the level and quality of employment and to enhance the competitiveness of the European economy in order to facilitate job creation. Efforts are focussed on identifying a sound balance between flexibility and security which is needed to reconcile employees and enterprises needs. The Employment Guidelines 2001 introduced some new aspects which broadened the scope of the Adaptability Pillar, in particular references to health and safety at work, quality and lifelong learning, a target for information society literacy to be achieved by 2003; furthermore, social partners have been invited to report annually on their own activities.

#### *Strong focus on working time issues ...*

*Policies are still largely focused on working time issues.* Both Governments and social partners are clearly giving priority to this aspect of working life reform. But the formerly prevailing focus on working time reduction is increasingly complemented by arrangements enabling flexibility. Most innovations were launched with regard to implementing *more flexible working time systems*. Recent developments in this area focused on two aspects: duration and flexibility, e.g. by extending the reference periods or by the introduction of long-term working time accounts. Part-time work, as the most important form of flexible work in the EU, was the subject of legislation and/or agreements.

**Graph 6: Part-time employment as a share of total employment, 1995-2000**



Source: Eurostat Labour Force Survey

### *... and flexible forms of work*

There is a *general trend towards new and flexible forms of work*, facilitating the introduction and use of fixed-term contracts, temporary work and part-time work (for the latter see the graph above) through collective agreements. *Governments, often in co-operation with social partners, are also reacting to this trend and are developing - or adapting - their legal framework accordingly.* Temporary agency work is now regulated in all Member States through legislation which is often applied through social partner agreements. The same applies to most initiatives regarding fixed-term contracts; their number is increasing at EU level, but the situation between Member States differs considerably. Only in a few Member States (Austria, Denmark, Ireland, Germany and Sweden) was teleworking the subject of specific actions or collective agreements.

#### Flexibility of work and working time

- *Non-standard employment<sup>21</sup> is increasingly common and now represents 29.8% of all contracts (up from 29.0% in 1999); the highest proportions can be observed for the Netherlands (54.3%), Sweden (35.5%), Spain (33.7%) and France (32.2%), the lowest for Greece (12.3%), Luxembourg (14.4%), Italy (16.1%) and Austria (23.8%); the number of people employed part-time with fixed-term contracts remained stable below 3% over time.*
- *In most Member States part-time employment is the most common form of non-standard employment, exceptions being Finland, Greece, Portugal and Spain where fixed-term employment prevails.*
- *Over the last five years, the share of part-time jobs in total employment increased steadily to 18%. However, for the third year in a row, more full-time jobs (more than 2 million) than part-time jobs (around 1 million) were created. Full-time jobs thus accounted for almost 70% of all net jobs created, against only 54% in 1998 and 60% in 1999. A third of all employed women and 6% of all employed men are in part-time jobs.*
- *The average weekly number of hours worked remained almost stable between 1995 (36.6 hours) and 1999 (36.5) but declined to 36.2 hours in 2000. The difference between weekly working times of men and women remained stable at 7.7 hours.*

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<sup>21</sup> Non-standard employment encompasses part-time employment (on the basis of a self-assessment) and fixed-term employment (which by definition includes seasonal work, temporary agency work and casual work).

### ***A narrow approach to work organisation and little focus on quality in work...***

Perhaps as a result of the prevailing concentration on working time and legal issues (in particular aiming at more flexible types of contracts), *other aspects in the context of work organisation have not received much attention* e.g. the links between the introduction of new technologies and the need to adapt the organisational environment within an enterprise, new management techniques, teamwork, flattening down of hierarchies, involvement of employees in decision-making processes or participation in the results of enterprises activities etc. are not systematically covered by the NAPs.

In addition few initiatives relating specifically to the objective of improving the quality of employment are introduced under the Adaptability Pillar this year.

### ***...except for health and safety at work***

In the field of health and safety in the workplace, many Member States (e.g. Austria, Denmark, Ireland and Spain) have developed *new approaches* in order to ensure a better application of existing legislation and to promote measures for the reduction of occupational accidents and diseases. The preferred instrument for this approach is the extension of guidance mechanisms. These efforts aim at enhancing the quality of work, an issue that has otherwise not received appropriate attention under the Adaptability Pillar. In several Member States (e.g. Denmark, the Netherlands and Portugal) social partners are directly or indirectly involved in the bodies responsible for the development, implementation and monitoring of health and safety regulations at national, regional and enterprise level.

### ***Challenges of training and lifelong learning have not been comprehensively taken up***

The commitment of the social partners to lifelong learning has increased. But although Member States report consultation or participation of social partners in the development of lifelong learning strategies, *qualitative data provided in the NAPs and social partners' own assessments are not sufficient* to draw general conclusions on the scope and degree of this involvement, particularly in the implementation phase. The social partners emphasised, however, that their commitment through collective agreements or other joint forms of initiatives increased since last year. Concerning the promotion of training in SMEs, only scant information is given. Most actions, based on agreements and joint or tripartite initiatives, focus on the individual access of workers to training, training funds and risk group training. Advanced actions link working time with training through instruments such as long-term

working time accounts. The target to give every worker the opportunity to achieve information society literacy in 2003 was hardly touched upon in the 2001 NAPs.

### ***Social partners are better involved, but contributions still lack visibility and concreteness***

In general - and in line with a number of last year's Recommendations in relation to employment - the involvement of social partners in the development and implementation of national employment strategies has clearly improved. However, the visibility of their contributions is still unsatisfactory; social partners have not used the opportunity provided for them under Guideline 13 which invited them to report annually on the modernisation of work organisation; no such process has been launched in any of the Member States.

#### ***2.2.4. Equal opportunities***

The aim of this Pillar is to strengthen equal opportunities policies for women and men in the labour market, in order to reinforce the impact of policy under the other three Pillars. This is sought through a gender mainstreaming approach across all four Pillars, reducing gender gaps (unemployment, employment, gender segregation and pay) and policies oriented at reconciling work and family life. New elements in the fourth Pillar this year concern gender mainstreaming in particular: consultative systems with gender equality bodies should be developed, procedures for gender impact assessment applied, and indicators on gender equality for each Guideline should be developed. Moreover, access of women to lifelong learning and ICT training should be facilitated and national targets on female employment and care services for children and other dependants should be considered.

### ***Gender equality weakens in the policy mix***

Whilst in previous years there has been a positive trend in the way in which Member States have addressed gender issues, in 2001 less emphasis has been placed on the Equal Opportunities Pillar, especially compared to last year. This is especially the case in those Member States where gender equality has been weakest and the challenge of female participation in the labour market is highest. A re-balancing of policies is essential to actively encourage women's participation in the labour market, not only at the point of entry, also especially at mid-career, to help women stay in the labour market for longer. Fundamental in this respect are the issues of equal pay, adequate care facilities combined with reconciliation of work and family life, and lifelong learning. The social partners should do more to improve gender equality.

### *Uneven responses to Recommendations on gender equality*

The 2001 NAPs represent the second opportunity for Member States, where relevant, to respond to Council policy Recommendations on gender equality. The responses are uneven. Ireland, Denmark, Finland, Sweden and the United Kingdom have launched some interesting initiatives. However, as some are still at an early stage of implementation, **results need to be carefully monitored** and evaluation of the policy impact is premature. Germany, Austria, Portugal and Luxembourg have responded partially to the requests. Italy, Spain and Greece have introduced some actions but, given the difficult starting points and the extent of the challenges, policies need to be strengthened.

### *Increasing female participation – few targets*

#### The facts on employment and unemployment gender gaps

- *As in previous years, women have been the main beneficiaries of job creation. As a result, in 2000, the gender gap in employment in the EU declined slightly to 18.5 percentage points. However, wide differences across countries exist with extremes in Sweden (3.8 points), Greece and Spain (around 30 points). The full-time equivalent employment gender gap in the EU in 2000 was 25.7 percentage points.*
- *Of the more than 1.6 million jobs taken up by women in 2000, the most were part-time. Over the period 1995-2000, the share of part-time jobs in total employment increased to 18%, covering one third of all employed women and 6% of all employed men.*
- *Unemployment rates have decreased for both men and women in 2000, giving an EU average female unemployment rate of below 10%. However, with EU average male unemployment now at 7%, the unemployment gender gap only decreased by 0.2 to 2.7 percentage points. Spain continued to have the highest unemployment gender gap in the EU. Other countries showing a marked divide between male and female unemployment rates are Greece, Italy, France and Belgium.*

Achieving the long-term full employment objective set at the Lisbon Summit is dependent upon the further integration of women into the labour market. Even though employment rates for women have increased since 1999, there still exists a substantial gender gap of over 18 percentage points. Measures to promote gender equality are numerous but the majority are isolated measures without a strong impact on the overall situation. Most initiatives relate to facilitating reintegration of unemployed and inactive women to the labour market, increasing opportunities for training and education, reviews of tax and benefit systems and measures to reconcile work and family life. The Employment Guidelines for 2001 invited Member States to consider setting targets for increasing women's employment but, with the exceptions of France, Portugal and the Netherlands, Member States have not set such national targets. It

should be noted in particular that the countries with low female employment rates have not set national targets and have introduced only limited actions to improve the current employment situation for women (Spain, Greece and Italy).

### ***Progress on gender mainstreaming, but comprehensive approach lacking***

Some progress has been made on implementing gender mainstreaming in terms of co-operation mechanisms and gender impact assessment tools, but a comprehensive approach<sup>22</sup> is still lacking in most Member States. Generally, Member States have not implemented gender impact assessment for each Guideline and have not developed adequate indicators to measure progress. However, countries that have recently embraced the gender mainstreaming objective are continuing to make progress, for example by extending policies to regional levels and introducing training programmes on gender for staff in public administrations (e.g. France and Ireland). The Nordic countries confirm their commitment to mainstreaming gender equality. On the other hand some countries which received a policy Recommendation on the need to promote or continue gender mainstreaming efforts (Greece, Germany, Italy, Spain, and Luxembourg) have not taken decisive action to improve the situation.

Gender equality objectives are still not properly integrated into employment policies under the other three Pillars. Little attention has been given to gender issues in the policies aimed at improving ICT skills and realising a knowledge-based society. Very few initiatives are reported on reducing the negative impact of tax and benefit systems.

### ***Gender pay gap persistently high***

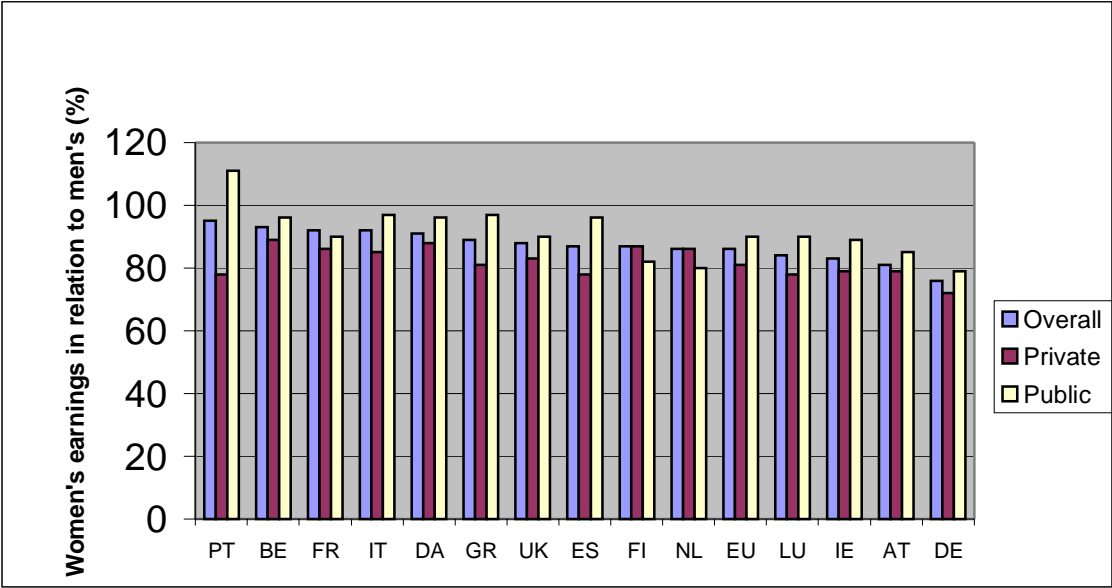
The facts on the gender pay gap (see also graph 7)

- *According to the most recent data at EU level (source: European Community Household Panel, hourly earnings for employees at work for 15 hours or more), the gender pay gap decreased by 2 percentage points between 1996 and 1997, but was still around 14%.*
- *The situation was worse in the private sector where wage gaps were as high as 19 percentage points, compared to 10 percentage points in the public sector. Gender pay gaps decreased or remained stable in all Member States, except in Spain and Austria where slight increases could be noted.*

<sup>22</sup>

Comprehensive here refers to measures covering consultative systems with gender equality bodies, including at regional level, gender impact assessment procedures for new legislation, provision of indicators and statistics, awareness raising in the form of information, training, surveys and other innovative approaches.

**Graph 7: Gender pay gap in 1997: overall, public and private sectors**



Source: Eurostat, European Community Household Panel (ECHP). No data available for Sweden.

Despite the high profile given to the issue of the gender pay gap at the Stockholm Summit, measures to reduce the pay gap and to reduce the differentials in incomes between women and men are limited. Initiatives mainly refer to reviews of job classification systems, various legislative measures and study reports. Where new initiatives are taken they are at an early stage of implementation and often lack concrete actions. Much more effort needs to be devoted to tackling this problem by Member States. Even more important is the role and responsibility of the social partners. They have not addressed this issue specifically, especially in labour markets where demand is high, which runs counter to their public statements and declared positions. However, there are some good examples of innovative approaches, e.g. increasing wage transparency and facilitating equal pay cases before the court in Denmark, and the introduction of a legal obligation for employers to annually review wages to detect any unjustified pay differences in Sweden.

## ***Some positive actions to tackle gender segregation***

### The facts on gender segregation

- *Employment across sectors remains highly segregated by gender, with men over-represented in agriculture, industry and financial services, and women over-represented in other services, including healthcare, education and private households. Over the period 1995-2000, segregation declined only in a few sectors such as wholesale and retail sales and financial intermediation. Employment in the expanding high-tech sectors tends to be gender-biased, with men accounting for almost two-thirds of total employment.*
- *Gender segregation in sectors and occupations remains stable from last year (17.8% in sectors and 25.2% in occupations<sup>23</sup>). By occupation, Finland, Sweden and Denmark have the highest segregation, ranging from 28% to 30%. By sectors, Finland, Sweden, Portugal, Ireland and Austria have the highest segregation, with more than 20%.*

Gender segregation has a negative effect on labour market efficiency and functioning. This issue has been addressed by most of the countries that have high levels of occupational and sectoral segregation and that have received a policy recommendation in this field. Initiatives range from changing educational choices, setting recruitment targets for under-represented professions and training for women in entrepreneurship. However, changes in gender segregation are slow and closely linked to other structural changes in the economy. There are some new – though still very modest – initiatives to promote women's participation in decision-making.

### ***Lack of childcare limiting participation***

#### The facts on the impact of parenthood on employment

- *The presence of children influences the full participation of women in the labour market. In 2000, in the 11 Member States for which data are available, 72% of the women aged 20-50 without children were in employment, as opposed to only 59% of women with children under 6 years. In contrast, men tend to increase their participation in employment with the presence of a young child. 94% of men aged 20-50 with children are in employment compared to 89% without children.*

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<sup>23</sup> Gender segregation is measured by applying the national share of employment for women and men to each sector/occupation. The differences are added up to produce a total amount of gender imbalance. This figure is then presented as a proportion of total employment.



This year there are many initiatives to help working parents in terms of more flexible work organisation, better and more flexible care services and tax and benefit reforms. Moreover, there are many positive initiatives in the NAPs to encourage women to return to employment after an absence.

Although Belgium, the United Kingdom, France, Greece, Portugal and Ireland have set targets for increasing the provision of care services, for the most part childcare services are not sufficient to deal with the scale of demand. Countries with a low level of childcare services, especially for 0-3 year olds, have not set quantitative targets and have taken only limited actions to improve the situation (Italy, Spain, Austria, Germany and the Netherlands).

### ***Care for the elderly needs attention***

An important new area, which will become ever more challenging, is care for other dependants, particularly the elderly. The majority of Member States have not yet started to give this issue serious attention and consequently have no clear approach, much less targets. However, a few Member States (France, Luxembourg, Greece, Portugal and Spain) have introduced some new initiatives in their 2001 NAPs.

### 3. IMPLEMENTATION OF THE 2001 EMPLOYMENT GUIDELINES AND RECOMMENDATIONS: ASSESSMENT OF PERFORMANCES AND POLICIES PER MEMBER STATE

#### BELGIUM

**General appreciation** Strong economic growth (4.0% in 2000) had a positive impact on labour market developments: the employment growth was 1.8%, the employment rate increased to 60.5% and the unemployment rate decreased to 7.0%. But the long-standing weaknesses of the Belgian labour market are only gradually being challenged: high inflows into long-term unemployment, low labour market participation of older people, an increasing number of labour shortages, a high tax and non-tax burden on labour. In addition there are substantial regional and sub-regional disparities in labour market performance.

**Policy-mix**<sup>24</sup> The Belgian NAP gives a good overall view of how the different Belgian authorities define the policy mix in order to implement the European Employment Strategy. Efforts to increase the coherence of the Belgian NAP are strengthened, but the total number of labour market instruments is still high. The budgets devoted to each of the four Pillars show that the two first Pillars constitute the bulk of the NAP. As regards the Adaptability Pillar, Belgium has a fairly good record as regards flexibility, so that there is less need for new measures in this area. Equal Opportunities is a horizontal guideline incorporated in various other policies discussed in the NAP. Social partners have actively been involved in the preparation and the follow-up of the NAP at national and regional level.

**Response to the 2000 Council Recommendations** Measures have been taken to increase preventive action for the young unemployed, but an appropriate early-intervention system for unemployed adults is not yet proposed. As regards the labour market participation of older people, several measures have been taken to provide positive incentives to stay at work, but it remains to be seen whether they suffice to reduce early exit from work. Co-operation between the different labour market authorities has improved, as illustrated by several co-operation agreements, although results at the operational level are awaited. The tax system has been made more employment-friendly through a comprehensive reform package. Improvement in the benefit system needs to be pursued. A multitude of initiatives are taken in order to build a more solid foundation for the knowledge-based economy and society, but a comprehensive

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<sup>24</sup> In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

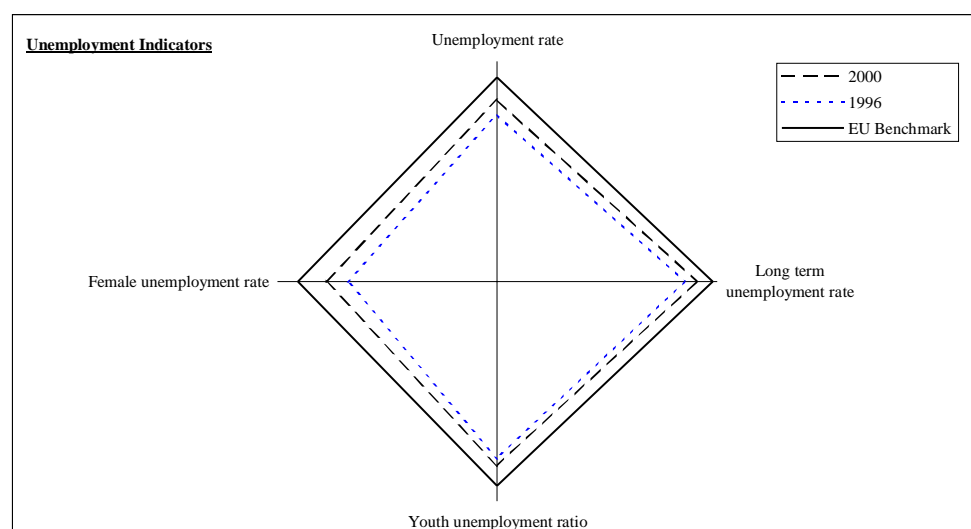
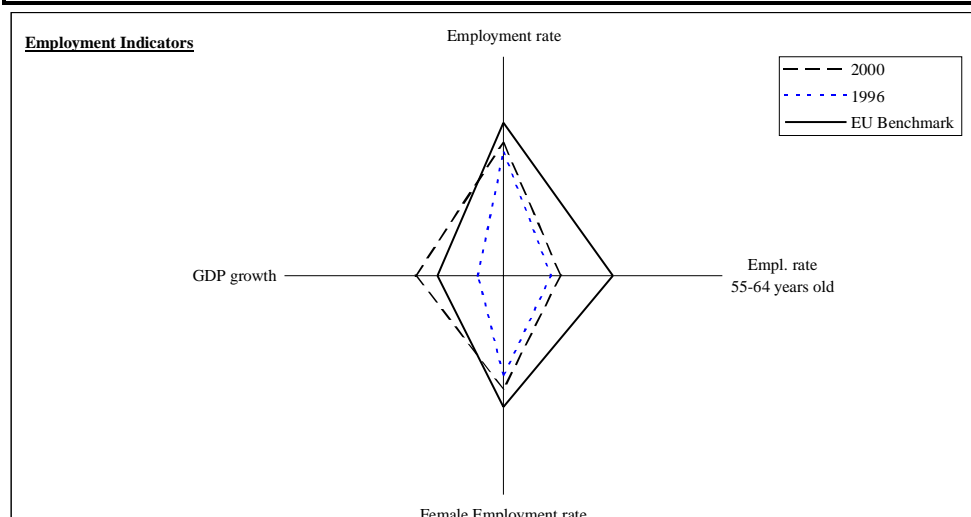
*lifelong learning strategy is not yet available, mainly caused by the high number of players involved.*

**Challenges ahead** *Belgium needs to examine the most effective strategies to meet the targets set for the overall employment rates, as well as for women and older workers. Concerning the increased participation of older workers, initiatives are called for in order to curb early retirement schemes, combined with further (employer and employee) incentives enhancing the capacity of older workers to remain at work, putting emphasis on targeted training. Intensified preventive action for adults is urgently required together with activation programmes for the (very) long-term unemployed, in order to avoid exclusion. The different authorities and the social partners should co-operate to develop a more coherent strategy for lifelong learning, and assess the relative effectiveness of current instruments for the promotion of lifelong learning among different groups. Belgium is faced with acute labour shortages in some segments of the labour market. To tackle this problem, further measures are needed to raise the attractiveness and quality of technical and vocational education and to pull down regional, linguistic and ethnic barriers on the labour market.*

## BELGIUM

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	60.5	56.3	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	26.3	21.9	50 (2010 target, Stockholm summit)
Female Employment rate	51.5	45.4	60 (2010 target, Lisbon summit)
GDP growth	4.0	1.2	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	7.0	9.7	2.9 (average of 3 best performers:LU,NL,AT)
LTU rate	3.8	6.0	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	6.5	7.8	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	8.8	12.7	3.8 (average of 3 best performers:LU,NL,IE)

## DENMARK

**General appreciation** *The Danish economy continues to perform strongly, with economic growth at 2.9% in 2000. Although there was only a small rise in the overall employment rate to 76.3%, it is still the highest in the EU, both for men (80.8%) and women (71.6%). Unemployment has further decreased to 4.7%, particularly for women, youth unemployment has gone down to 5.3%, and long-term unemployment is 1%. The labour market remains tight, with indications of shortages in some regions and sectors. Demographic trends also show long-term reduction in the natural growth of the labour force.*

**Policy-mix**<sup>25</sup> *Denmark is responding positively to the need to increase the labour force by targeting pools of potential workers such as those over 55 and migrant workers, encouraging a more inclusive labour market, increasing the quality of education, and upgrading qualifications of those at work. The long-term challenge is being met by a truly comprehensive strategy for lifelong learning, increased use of ICT, and by keeping taxes stable and reducing public debt, to ensure the financial burden does not become too heavy. Supporting actions are being taken under all the Pillars, although the NAP gives little information on access to employment for those facing social exclusion. Although the inflow to long-term unemployment is low, delays have occurred in ensuring that all receive action plans before the 6 and 12 month thresholds. A new industrial strategy aims to increase the number of new enterprises and ease administrative burdens on SMEs. Company tax is being reduced in 2001. Innovative actions are proposed to reduce gender pay gaps and segregation. The social partners play an active role in policy formation and implementation at all levels, including the introduction of increased flexibility in work organisation.*

**Response to the 2000 Council Recommendations** *On-going reforms to reduce the overall fiscal pressure on labour have led to some reduction in the marginal tax rate, though not by as much as expected due to increases in local taxation. The small differences between benefits and low wage incomes furthermore implies limited effects from tax reforms on work incentives for low income groups, where the incentives for work continue to depend heavily on strict availability rules and eligibility criteria together with more efficient labour market policies. Efforts to make the labour market more inclusive have been continued and the reform of the voluntary retirement scheme is showing some results in keeping people at work. New initiatives to improve the working environment seek to reduce the flows out of work caused by health problems. Although there has been a sharp drop in the numbers of unemployed on training leave, those on parental leave have not fallen markedly. Considerable effort has been put into gender mainstreaming, where the principle has now*

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<sup>25</sup>

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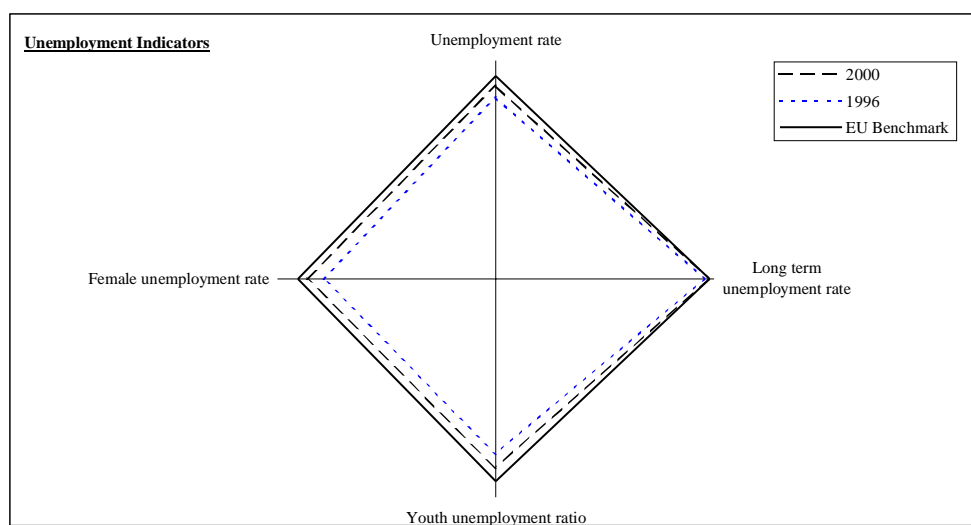
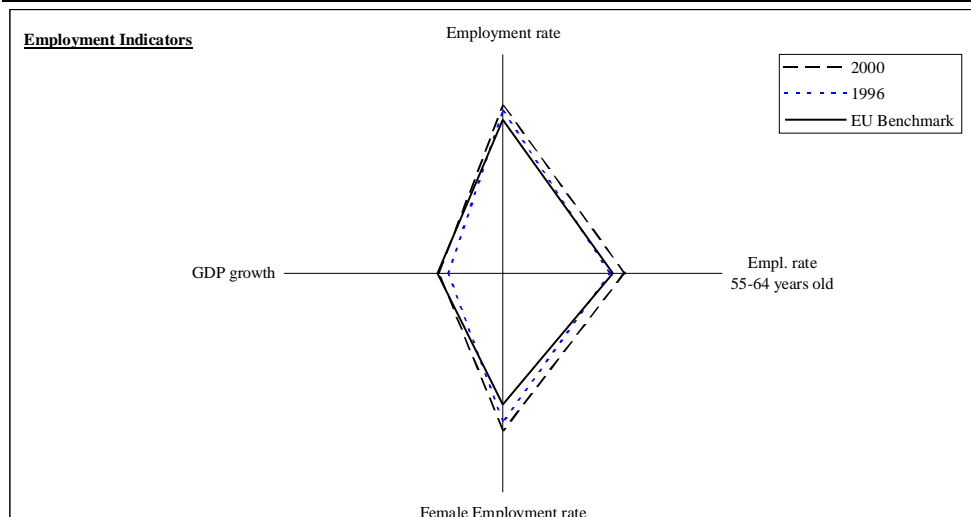
become established by statute. New initiatives have been launched to tackle the problem of gender segregation and wage differentials.

**Challenges ahead** The main challenge remains to increase both the quality and quantity of labour supply, in part through raising participation rates and improving productivity. There will continue to be a need to closely monitor and assess the effects of the reforms in place, particularly tax-benefit reforms, to see if they will be sufficient to bring more people into the work force. In this context, more attention needs to be paid to the integration of ethnic minorities. The effects of the new initiatives to tackle gender segregation and wage differentials also need to be monitored, including the measures to diminish bottleneck problems. Future NAPs should include better information on those not covered by unemployment insurance.

## DENMARK

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark	
Employment rate	76.3	73.8	70	(2010 target, Lisbon summit)
Empl. rate 55-64 years old	55.7	49.1	50	(2010 target, Stockholm summit)
Female Employment rate	71.6	67.4	60	(2010 target, Lisbon summit)
GDP growth	2.9	2.5	3	(base line scenario, Lisbon summit)



	2000	1996	EU Benchmark	
Unemployment rate	4.7	6.8	2.9	(average of 3 best performers:LU,NL,AT)
Long term unemployment rate	1.0	1.8	0.8	(average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	5.3	7.9	2.9	(average of 3 best performers:LU,AT,IE)
Female unemployment rate	5.3	8.3	3.8	(average of 3 best performers:LU,NL,IE)

## GERMANY

**General appreciation** At 3%, real GDP growth in 2000 was the highest rate in the last 10 years, as was employment growth, at 1.5%. Unemployment (7.9%) continues its downward trend, but job creation in the Eastern part of the country is stagnant and unemployment remains high. The youth unemployment ratio continues to be far below the EU average, but the stock of long-term unemployment, while gradually decreasing, at 4.0% remains above the EU average, and inflow remains the same. The employment rate for older workers (55-64 years), while being roughly at EU average level, has not increased in the last few years.

**Policy mix**<sup>26</sup> The challenges are being addressed by a panoply of measures in the framework of an overall stability- and growth-oriented macroeconomic policy, wage moderation and longer-term sustainability of public finances. Actions under the Employability Pillar are being progressively strengthened, but need more sharpening and coherence. Though lifelong learning is on the political agenda, it requires further forceful implementation, with partnership between the Federal Government, the Governments of the Länder, as well as all other actors in education and training and the social partners. Equally, while policy efforts by and with the social partners in the Jobs Alliance proceed, many of them need to be followed up more intensively in collective agreements and, where appropriate, with public financial support. A number of specific actions to foster entrepreneurship and notable income and corporate tax reforms, are improving the business climate for investment. Gender mainstreaming remains strongly on the agenda, but needs more concrete output.

**Response to the 2000 Council recommendations** While measures have been taken to strengthen the preventive approach, the instruments so far deployed have not yet come to grips with the aim of reaching the 2002 targets of GL1 and substantially reducing long-term unemployment. The challenge to improve general employment prospects, which, in the light of the Stockholm targets, is particularly relevant for older persons, has been clearly recognised by all labour market actors and constitutes a major item in the Jobs Alliance process. For overall and women's employment rates there is gradual progress towards the Lisbon targets. Building on further successful developments in the dual training system as well as on a number of actions to improve continuing training, lifelong learning has become a major policy issue. While the Federal Government has developed a set of focused and innovative actions in the framework of an action plan on lifelong learning, this has not yet translated into a fully comprehensive strategy supported by all actors including those of the Jobs Alliance and with relevant quantitative targets. Few concrete actions have resulted so far, notably with regard to various innovations and qualitative reforms in training, including ICT

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<sup>26</sup>

In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.



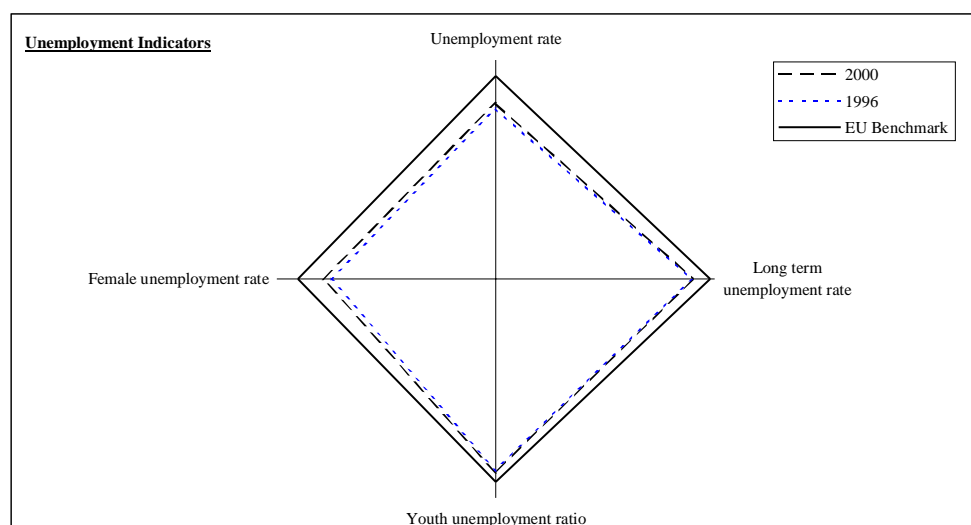
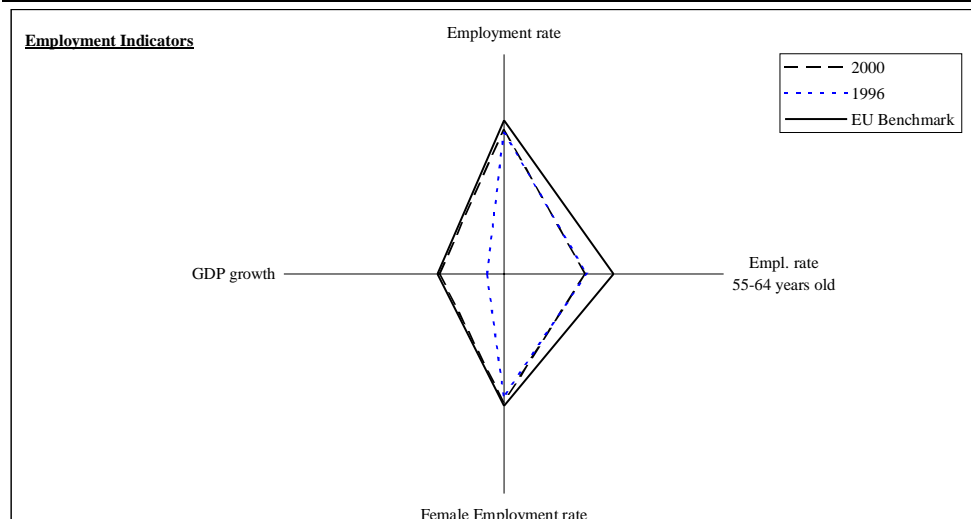
training. The continued reduction of income tax and the recent lowering of the corporate tax, as well as the stepping-up of the eco-tax, continue to decrease the overall tax burden. Model projects have started to reduce wage costs at the lower end of the pay scale. The double-pronged approach concerning both gender-mainstreaming and specific action for women has been continued. The Government is committed to taking action to address the impact of the tax and benefit system on women's employment and to reduce the gender pay gap on the basis of a report to be submitted in Autumn 2001.

**Challenges ahead** A large job deficit continues to exist, notably in the Eastern part of the country. At the same time skill shortages, particularly in ICTs, are clearly apparent. The preventive approach needs to be consolidated, especially for ethnic minorities and migrant workers and in East Germany. Employment amongst older workers must be increased. Lifelong learning needs more human capital investment, a clearer engagement from the social partners, and appropriate qualitative and quantitative targets. Improvement of social inclusion through better employment for the low-paid continues to be a challenge. Providing more and affordable (child)care facilities and all-day schools and enabling family-friendly working times, reducing fiscal disincentives and eliminating discriminatory pay differentials remain important issues. The economic catch-up process in East Germany needs to be reinvigorated through coherent regional and structural policies in order to substantially reduce underemployment. The development of relevant targets and progress indicators in all Pillars should be speeded up.

## GERMANY

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	65.4	64.1	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	37.3	37.9	50 (2010 target, Stockholm summit)
Female Employment rate	57.9	55.3	60 (2010 target, Lisbon summit)
GDP growth	3.0	0.8	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	7.9	8.9	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	4.0	4.3	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	4.6	5.0	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	8.3	9.8	3.8 (average of 3 best performers:LU,NL,IE)

## GREECE

**General appreciation:** In 2000 the Greek economy grew by 4.1%, faster than the EU average (3.3%) for a fifth consecutive year. Greece is now a member of the Euro zone. Labour productivity improved, as did total employment growth and the overall employment rate. However, the main structural problems of the Greek labour market persist: lower employment rate (55.6%) than the EU average (63.3%) and the high unemployment rate which, despite a reduction for the first time in several years from 11.6% in 1999 to 11.1% in 2000, remains higher than the EU average, in particular for young people and women. The gender gap in employment is still the highest in the EU and that in unemployment the second highest.

**Policy-mix<sup>27</sup>:** Greece responded to the above challenges with a series of measures aiming at combating labour market rigidities, fostering entrepreneurship, encouraging adaptability, raising employment, reducing unemployment and modernising work organisation. Their implementation must be accelerated and monitored, if concrete results are to be achieved. A major rationalisation and reform of the social security system is under consideration. Employability remains the most important Pillar, although there is a gradual shift towards the other Pillars. The reform of the Public Employment Services is underway but further efforts will be needed to speed up the process. Measures have been taken to enhance entrepreneurship. New essential measures to promote gender equality are required. The social partners have actively participated in discussions regarding these measures. Efforts must continue towards their more active and constructive involvement in policy conception and implementation, encouraged by the Government. Measures are planned for lifelong learning and training, the knowledge-based society, entrepreneurship and equal opportunities. While progress is visible, more efforts are needed for the development and monitoring of indicators, quantitative targets and benchmarking.

**Response to the 2000 Council Recommendations:** The Greek NAP 2001 is presented in a more comprehensive and strategic way. Certain measures need to be better focused on the Guidelines. The restructuring of the Public Employment Services is underway. The main part of the reform should be carried out by the end of 2003, while complementary measures will continue until the end of 2005. This, however, should not pose obstacles to the full implementation of the preventive and individualised approach and compliance with the EES. The special action undertaken to improve flow statistics is welcome but the need for a comprehensive statistical monitoring system remains. The measures taken to reduce taxes and encourage labour market participation are in the right direction. Greater involvement of women in the labour market is anticipated through mainstreaming and special actions, but

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<sup>27</sup>

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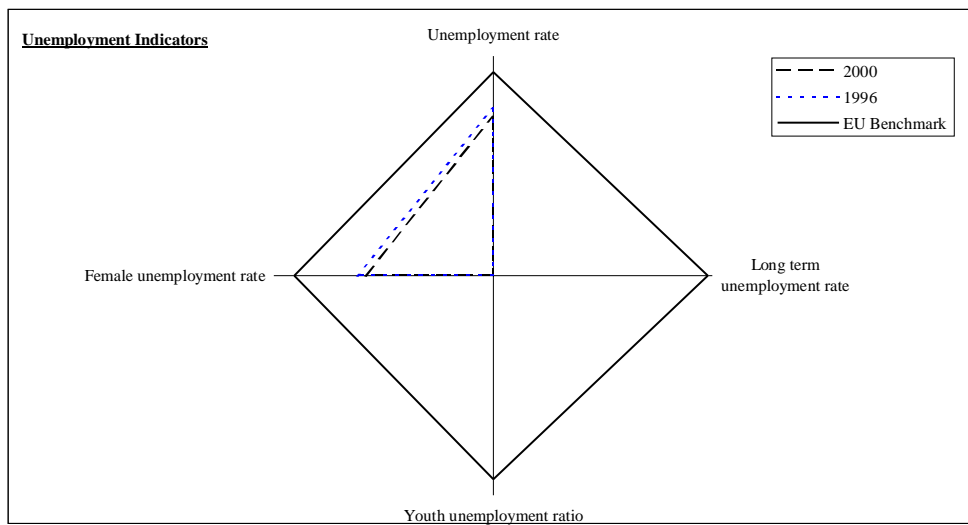
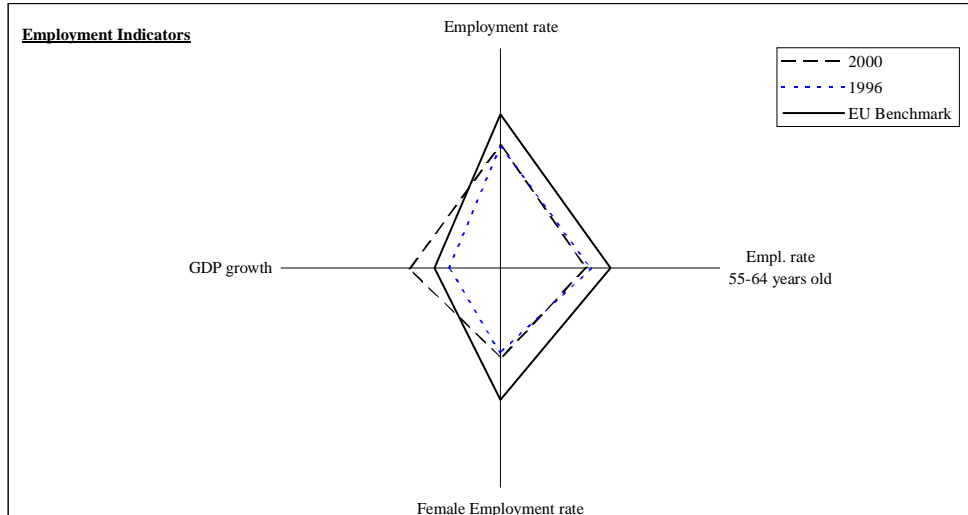
*there is ample room for further progress. A comprehensive lifelong learning strategy is still in an initial phase. Measures to reduce administrative burdens involved in setting up new business are positive but efforts should continue. Although most new jobs were created in the services sector, the full job creation potential of this sector should be further exploited. There have been positive developments in the partnership approach, but efforts should continue, in particular from the social partners.*

***Challenges ahead:*** *Despite some improvement, structural deficiencies in the labour market persist. Therefore, Greece should continue and intensify efforts to develop a strategic framework and a set of well co-ordinated and balanced policies; speed up the reform of the Public Employment Services and implement preventive, individualised and activating policies; upgrade the statistical monitoring system; further encourage labour market participation, in particular of women and young people; further develop and implement a comprehensive lifelong strategy and improve the quality of education and vocational training, strengthening links with labour market needs, and further encourage the social partners to adopt a more active and constructive attitude, in particular for the modernisation of work organisation. In addition, Greece will need to reinforce monitoring and evaluation of measures already adopted in order to take corrective action if necessary.*

## GREECE

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	55.6	55.0	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	39.2	41.2	50 (2010 target, Stockholm summit)
Female Employment rate	40.9	38.7	60 (2010 target, Lisbon summit)
GDP growth	4.1	2.4	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	11.1	9.6	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	:	:	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	:	:	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	16.7	15.2	3.8 (average of 3 best performers:LU,NL,IE)

## SPAIN

**General appreciation** *The year 2000 in Spain was accompanied by strong growth. GDP and employment grew by 4.1% and 3.3% respectively, well above the EU average, and unemployment decreased, though less than in the previous year due to a strong increase of the labour force. However, unemployment rates, at 14.1%, remain much higher than the EU average and employment rates (55%) much lower, especially among women and young people. A high share of fixed-term contracts and a low share of part-time work, well below the EU average, are still worrying features of the Spanish labour market. Finally, important regional disparities with respect to unemployment rates co-exist with increasing labour shortages in some sectors and occupations.*

**Policy-mix**<sup>28</sup> *The Spanish employment strategy contained in the 2001 NAP can be said to be a continuation of that adopted in previous years. It relies on improving the employability of the labour force, through the development of active measures, and also on fostering labour demand, namely through reducing fiscal and administrative costs on enterprises and stable job creation. The goal of full employment has been brought to the debate but, in spite of the employment increase and the 60% employment rate in 2004 forecast in the Stability Programme, no fixed targets have been set. Positive measures have been introduced in work organisation but as yet without significant results. As concerns equal opportunities, the emphasis has been on specific measures rather than on gender mainstreaming or female employability strategies. Though both Trade Unions and employers' associations have been actively involved in the elaboration of the NAP, they have not backed up all the measures proposed. No agreement was reached with the social partners on the proposed new Law on the Reform of the Labour Market prior to its adoption.*

**Response to the 2000 Council Recommendations** *Although the measures proposed cover the recommendations, not all of them have been explicitly addressed in the 2001 NAP. The employment policy focuses on activation of unemployment benefits and, due to the reduced number of unemployed, on the intensification of budgetary efforts. The efforts to better coordinate the regional Employment Services are important, but the completion of the system has still been delayed. In spite of a continued increase in the female employment rate and recent legal measures for positive actions, the mainstreaming of equal opportunities must be reinforced. Measures to guarantee a significant increase of female labour force participation are still insufficient, especially in the field of childcare for 0 to 3 year olds and other dependant care, and no quantified targets have been set. The draft of the new law on Vocational Training has been advanced and the III National Agreement on Continuous*

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In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

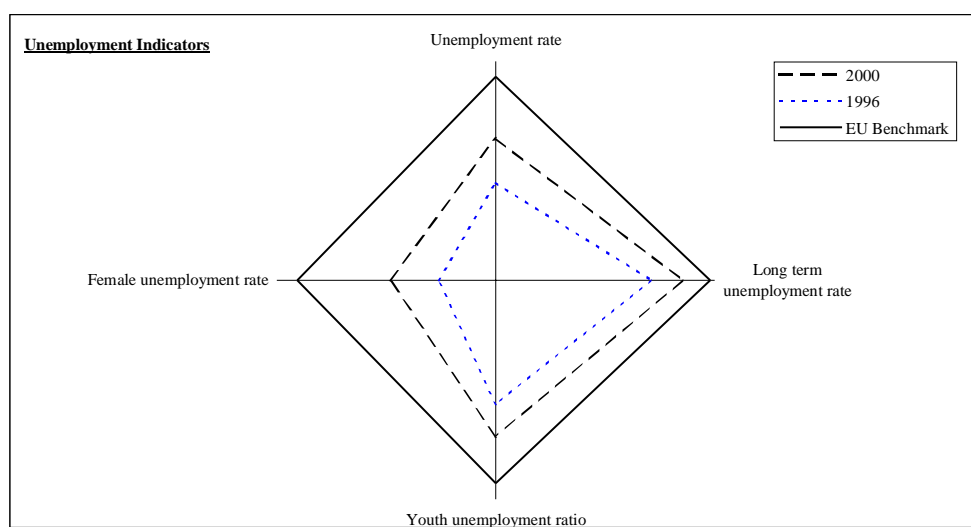
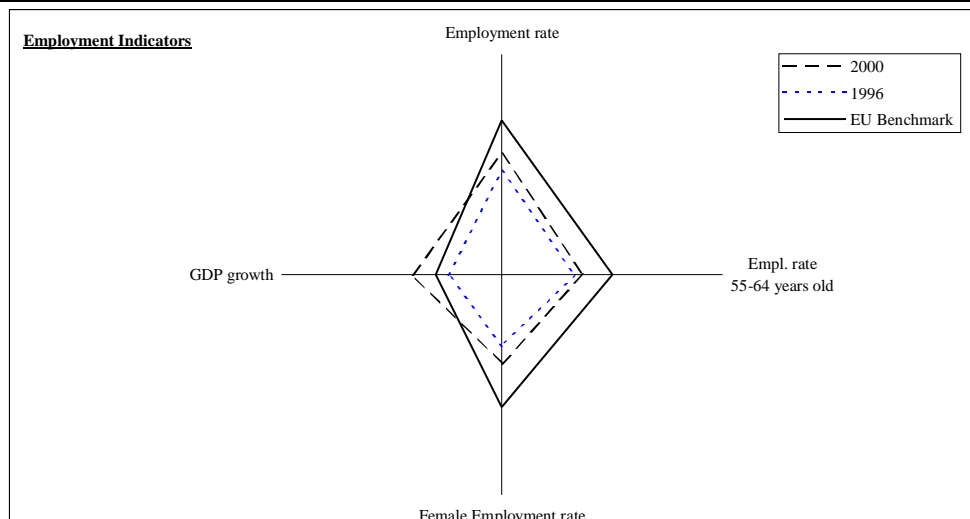
*Training was signed in December 2000 with the social partners. However, no specific targets have been proposed regarding the implementation of a coherent strategy for lifelong learning. The new Law on the reform of the labour market introduces more flexibility in contracts. It aims to foster stable hiring, to promote part-time jobs and give special attention to people with particular difficulties in entering the labour market. Some measures have been adopted concerning disincentives to work arising through the benefit system and to reduce the tax burden on labour.*

**Challenges ahead** *Spain must intensify efforts to ensure the provision of a sufficiently skilled and flexible labour force, reinforce the use of ICT and promote a knowledge based society. The adoption of the Law for Vocational Training should be part of an overall strategy for lifelong learning which must cover the integration of the three subsystems of vocational training and implement an enhanced coherence with educational policy and non formal learning at all levels. Further action should be taken to promote specific measures for active ageing. To increase co-ordination between regional employment services and ensure an adequate balance between regional development and occupational and geographical mobility, the reform of these services must be completed, and its impact monitored. The quality of the NAP indicators needs to be improved. In this framework, the development of the new statistical monitoring system (SISPE) is expected to play an important role. A reduction in fixed-term contracts and a greater use of part-time contracts remain important challenges. The aim of increasing female employment rates needs the urgent implementation of critical efficient measures, especially to promote the reconciliation of family and work and, in particular, childcare and other dependant care.*

## SPAIN

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	55.0	47.1	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	36.8	33.0	50 (2010 target, Stockholm summit)
Female Employment rate	40.3	32.3	60 (2010 target, Lisbon summit)
GDP growth	4.1	2.4	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	14.1	22.2	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	5.9	11.7	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	11.4	17.3	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	20.6	29.5	3.8 (average of 3 best performers:LU,NL,IE)



## FRANCE

**General appreciation** *The French strategy, which focused on increased growth which was more employment-intensive and benefited everyone, is now being realigned with the objectives set by the Lisbon and Stockholm European Councils. The focus is now on quality in work: more stable, better-paid jobs which are more knowledge-intensive and which have the best organisational conditions and job security. The increase in domestic demand has led to a growth in employment of 2% and a reduction in unemployment (-1.7%). Initiatives such as jobs for young people or, to a certain extent, the reduction in working time have had a positive effect on employment. In this context, the negotiations between the social partners on working time have had a positive effect by promoting wage moderation and an increase in productivity by means of the reorganisation of work. However, the overall unemployment rate, and the female unemployment rate, are still above the European average. The activity rate for the over-55s is one of the lowest in the EU.*

**Policy mix**<sup>29</sup> *The NAP covers all the guidelines and horizontal priorities well. The number of people benefiting from the preventive actions of the “new start” is increasing, although it is still below the targets. Policies on integration and combating exclusion have led to a decrease in the female and long-term unemployment rates. However, there are still imbalances, which show that there is a hard core of unemployment which will take a long time to reabsorb. In other respects, labour shortages are beginning to appear in some sectors whilst the unemployment rate remains high. The “New services, jobs for young people” programme has had an immediate and significant effect on youth employment, with the challenge now being to consolidate these jobs. Finally, the pace of ICT penetration has quickened.*

**Response to the 2000 Council Recommendations** *Progress has been made on reducing the administrative burden for companies, on modernising the organisation of work and assessing the impact of employment measures for young people. The implementation by small enterprises of legislation on the reduction of working time is nevertheless a major challenge. The negotiations with the social partners on improving the system and quality of education and training are continuing. The results in 2001 with regard to increasing individualised and preventive measures for unemployed people fall short of expectations. The Personalised Action Plan for a New Start, a new measure aimed at all unemployed people, has been in operation since 1 July 2001. Measures proposed to stem the early retirement of older workers do not appear to go far enough to tackle the issues. Progress has been made in terms of reducing the fiscal pressure on labour.*

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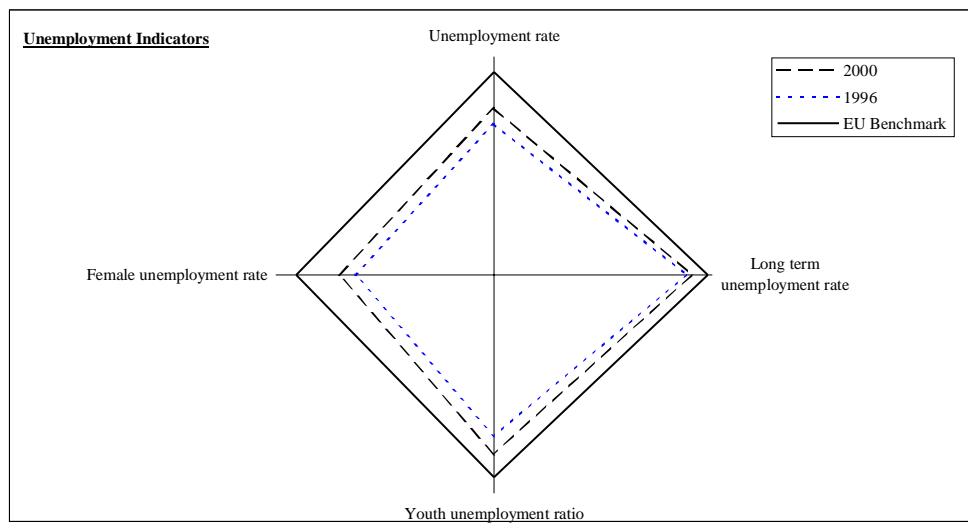
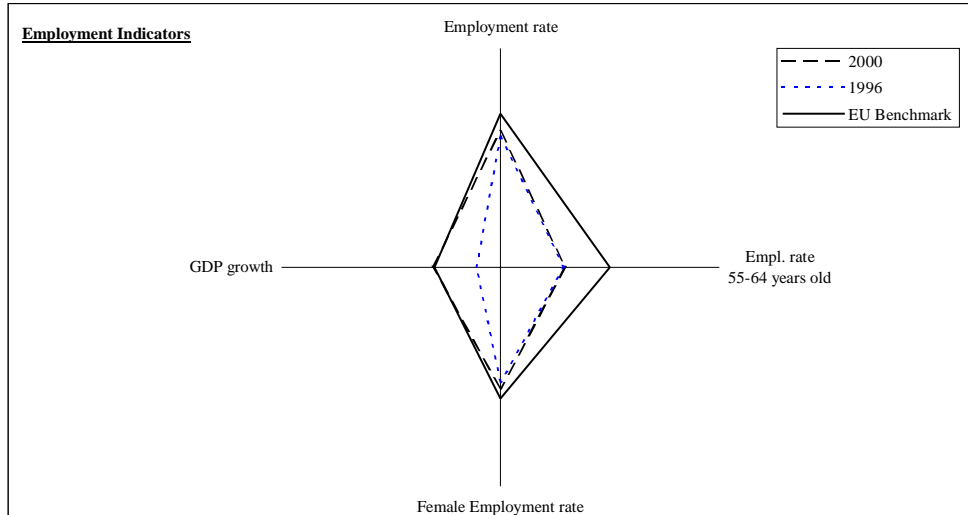
In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

***Challenges ahead** Measures aimed at the active ageing of workers over 55 years of age should be strengthened. Efforts must be made to raise awareness amongst the social partners and public opinion about the implications of the use of early retirement schemes. Efforts must continue to reduce the tax burden on labour, which, despite the progress achieved, remains above the European average. The policy of prevention as part of the implementation of the Personalised Action Plan for a New Start must be closely monitored. Lifelong learning must be promoted and the social dialogue on reforming the continuing training system must be pursued. The effects on employment and the labour market of reducing the statutory working week to 35 hours in small enterprises must be assessed.*

## FRANCE

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	62.2	59.6	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	29.7	29.0	50 (2010 target, Stockholm summit)
Female Employment rate	55.3	52.3	60 (2010 target, Lisbon summit)
GDP growth	3.1	1.1	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	9.5	12.4	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	3.8	4.8	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	7.1	10.4	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	11.5	14.5	3.8 (average of 3 best performers:LU,NL,IE)

## IRELAND

**General appreciation** The year 2000 saw another substantial increase in employment by 4.7% and a further fall in unemployment to an historic low of 4.2%. Despite this, some structural challenges remain. Whilst long-term unemployment has fallen to under 2%, there remain high numbers of people economically inactive and/or on subsidy schemes. The total employment rate is 65.1% and employment rates for both men and women across most age cohorts are exceeding EU averages and moving towards the Lisbon and Stockholm targets. The labour market is characterised by skills and labour shortages and the risk of wage inflation remains. This needs to be managed carefully through increasing the volume of the labour force and the participation rates, drawing from all available sources. Labour productivity should be further improved through investment in skills and lifelong learning as should be the quality of the jobs created.

**Policy-mix**<sup>30</sup> This year's NAP continues with the cautious shift of emphasis from Employability to the other three Pillars. It sets out the results of the policy of labour mobilisation introduced in 1999, complementing the preventive strategy. Unfortunately, the NAP does not contain figures on the inflows into unemployment making an assessment of the strategy deployed difficult. Efforts to increase the quality of labour through education, training and lifelong learning require systematic continuation. The tripartite Programme for Prosperity and Fairness provides the framework for many employment-related actions which need now to be implemented by all players. Last year's commitments to Equal Opportunities and gender mainstreaming are beginning to yield initial results as the National Development Plan is put into action. With the implementation of the NPD, equitable regional and local development should become more important for future labour market policies.

**Response to the 2000 Council Recommendations** Ireland again saw increased female employment rates which now equal the European average. However, Ireland still ranks only 10<sup>th</sup> in the EU and employment rates for women over 35 are below EU averages. Ireland's tax reform and actions to improve the provision and quality of childcare are being rolled out. The supply of affordable childcare is not sufficient. Concrete progress in efforts to close the gender pay gap and gender segregation generally still needs more time to materialise. Labour productivity increased substantially in 2000. The NAP reports on widespread initiatives in the area of skills and lifelong learning. However, these initiatives should be reinforced in order to bridge the divide between the education and training sectors. Although the NAP contains a set of education targets, it fails to deliver overall lifelong learning targets. In particular, the area of continuing vocational training for workers remains underdeveloped. The National

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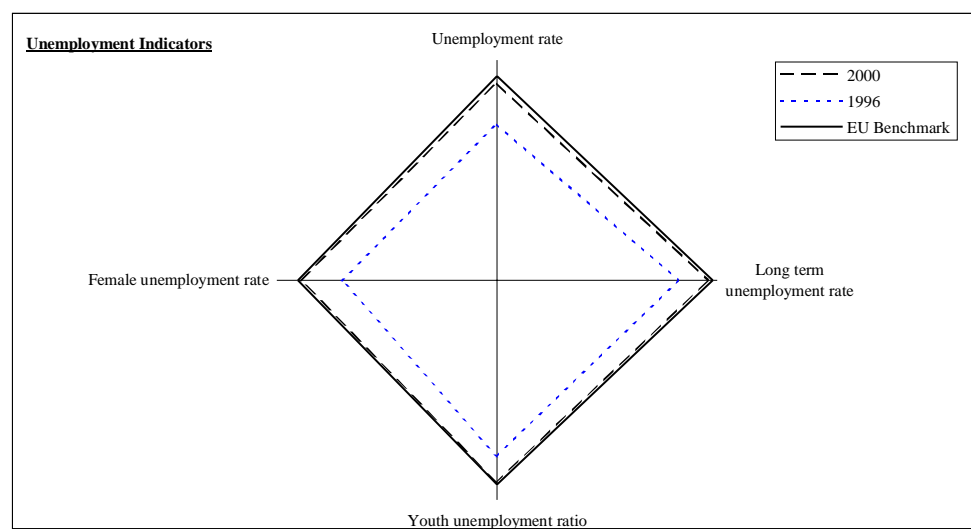
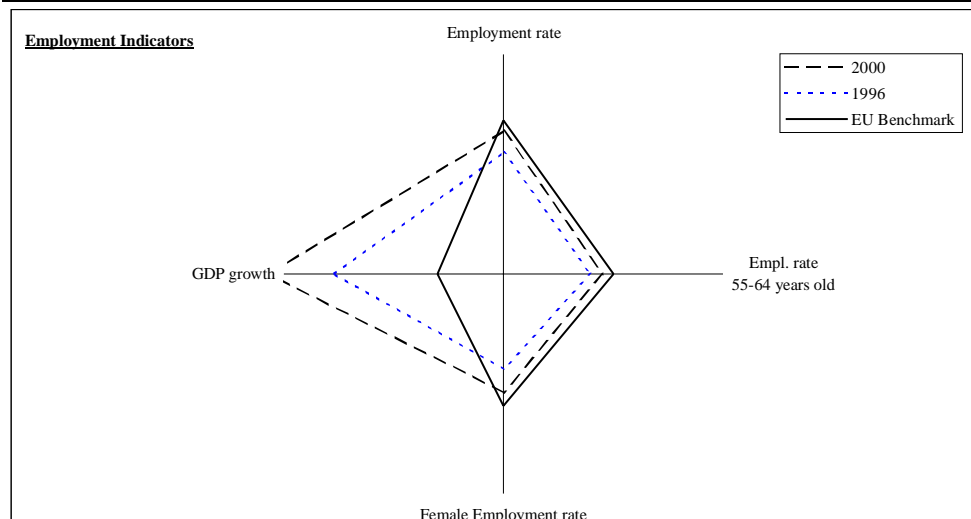
*Training Fund – already announced in last year's NAP – had a slow start but should now be used to increase investment in continuing training for workers.*

***Challenges ahead*** Ireland should continue to strive for balanced and sustained employment growth exploiting increased participation, especially of women and those economically inactive, inward migration and natural growth of the labour force. In addition, efforts to close the gender pay gap and gender inequalities generally through childcare and tax reforms need to be pursued actively. A comprehensive, all embracing lifelong learning strategy is under preparation and synergy between the different building blocks should be ensured. Special attention should be paid to in-company training. The future success of the Irish employment strategy will also be measured by the extent to which labour market policies achieve a more balanced regional and local development in the context of Ireland's forthcoming spatial strategy.

## IRELAND

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	65.1	55.4	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	45.3	39.7	50 (2010 target, Stockholm summit)
Female Employment rate	54.0	43.2	60 (2010 target, Lisbon summit)
GDP growth	10.7	7.7	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	4.2	11.7	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	1.7	7.1	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	3.3	8.0	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	4.2	11.7	3.8 (average of 3 best performers:LU,NL,IE)

## ITALY

**General appreciation** Significant improvements in labour market outcomes were registered in 2000: employment growth was 1.5% in full-time equivalents (FTE) while by January 2001 the unemployment rate had fallen below 11%. Significantly, the female employment rate grew at a faster rate (1.3%) than the males rate (0.8%). Faster economic growth (2.9%), fiscal incentives aimed at favouring hiring, and new flexible arrangements were relevant for this result. Despite this, the overall employment rate (53.5%) remains the lowest in the EU and traditional structural difficulties persist: low youth employment ratios; wide gender differentials in employment and unemployment rates; regional imbalances. The end of the last Parliament and difficulties in the social dialogue contributed to the limit ambitions, content and quantitative targeting of the NAP. The new Government set overall employment targets of 58.5% by 2005 and 61.3% by 2010, and described its future strategy aimed at modernising the labour regulatory framework, liberalising the Employment Services and combating undeclared work.

**Policy mix**<sup>31</sup> Steps forward in the implementation of established policies, rather than innovations in the policy mix, can be reported. The Italian NAP focuses on the Employability Pillar with fiscal incentives for new employment which also favoured the regularisation of irregular work in the South, some measures for lifelong learning and incentives to extend working life. In the Entrepreneurship Pillar, support to depressed areas was extended while difficulties in the social dialogue slowed the on-going modernisation of work organisation. Actions for Equal Opportunities remained too marginal. Limitations persist in the development of policy monitoring and evaluation systems.

**Response to the 2000 Council recommendations** Improvements in the implementation of the policy mix outlined in the NAP 2000 can be acknowledged but do not constitute a comprehensive reorganisation. The review of the pension system is planned for this year, while the general reform of the social benefit system was postponed once more. Fiscal incentives for hiring disadvantaged workers or for shifting from “precarious” into more stable employment conditions, were reinforced. No new action to prevent the inflow of young people into long-term unemployment was reported, while measures for the adult unemployed mostly centred on incentives to hiring. The local structuring of the PES is on-going, but difficulties were experienced in the distribution of resources to local administrations; this delay hindered a preventive approach to long-term unemployment and the availability of administrative data within an Employment Information System (SIL). Thus, the NAP does not provide input or output indicators. Marginal actions to promote female employment were

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taken, but these are insufficient to make up a comprehensive strategy for the enhancement of equal opportunity. A quantitatively defined strategy on lifelong learning was not developed, but specific improvements and actions were undertaken, also involving the social partners.

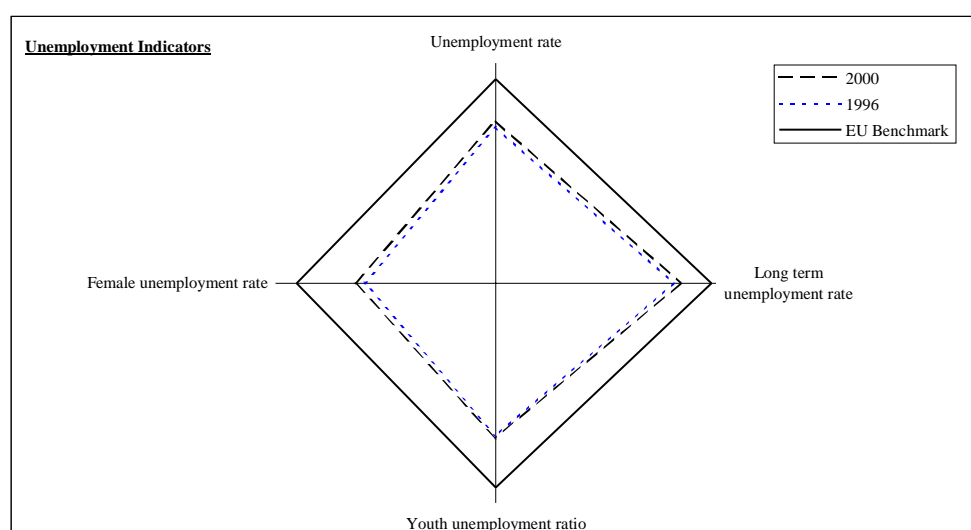
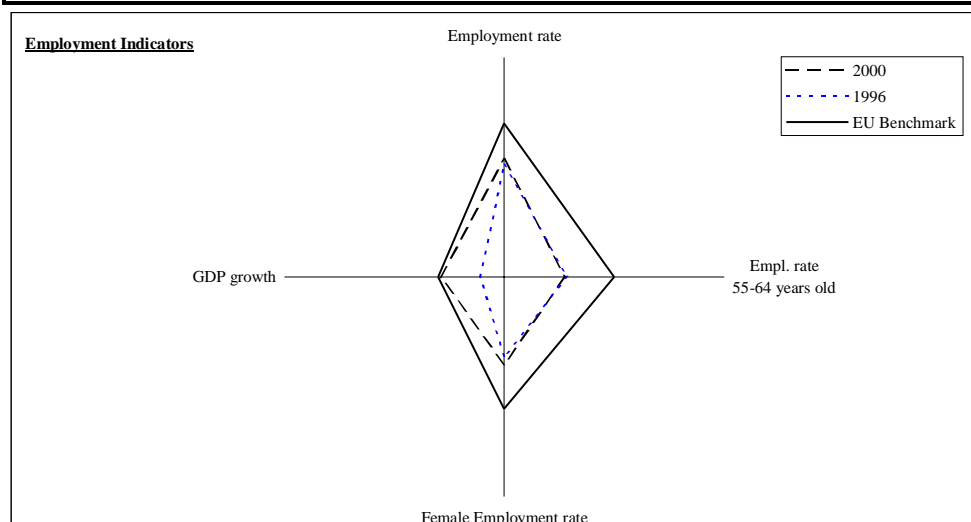
**Challenges ahead** The coherence of the policy mix and its compatibility with the Lisbon targets should be further pursued, paying particular attention to the wide regional disparities; data from the statistical monitoring system should be provided in order to allow an evaluation of the country's efforts. Actions to reduce gender gaps should move from spot measures to a broader strategy encompassing the four Pillars, devoting, for example, more attention to the provision of care services for children and other dependants. With the labour market characterised by high youth and long-term unemployment, the PES reform and the lack of implementation of the SIL continue to be critical factors hindering the preventive approach. Due to these weaknesses, the promised general reform of the benefit system is more than ever required. Particular attention should continue to be paid to reducing the tax burden on labour, especially to low-paid workers. Sharper efforts are also required to design and implement a quantitatively planned strategy on lifelong learning particularly aimed at increasing the employment rate of women, older people and other disadvantaged groups.



## ITALY

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	53.5	50.9	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	27.8	28.8	50 (2010 target, Stockholm summit)
Female Employment rate	39.6	36.0	60 (2010 target, Lisbon summit)
GDP growth	2.9	1.1	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	10.5	11.7	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	6.4	7.7	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	11.8	12.2	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	14.4	16.1	3.8 (average of 3 best performers:LU,NL,IE)

## LUXEMBOURG

**General appreciation** Strong economic growth (8.5%), a preventive and active employment policy which is periodically reviewed in cooperation with the social partners, and the individualisation of employment services are factors which explain the virtual absence of unemployment in Luxembourg (2.4%). This economy is characterised by being very open to the outside world for its supplies of goods, services and also labour. Immigration and extensive use of border workers have traditionally made up for the shortage of local labour. This external availability of labour has enabled the economy to grow without calling on the pool of local labour, which is limited in number and which would not have been able to meet the needs, in terms of quality and quantity, of the growth over the past few decades. The result is that the domestic employment rate exceeds the national employment rate.

**Policy mix**<sup>32</sup> The policy to combat unemployment remains focused on prevention, based on the early identification of needs, the personalised supervision and monitoring of jobseekers, and also on the activation of unemployed people and others not in work, by means of employment placement or training measures and the introduction of new measures aimed at increasing the flexibility of jobseekers. Increasing the employability of the workforce is a major aspect of Luxembourg's strategy which has been well developed, and successfully, in the past. The "entrepreneurship" pillar is the most prominent aspect in the 2001 NAP, with a large number of technical, fiscal and financial measures and also measures relating to access for SME to continuing training. The social economy is soon to have new regulations and it is interesting to observe the development of this new link between the economic and the social. The adaptability of workers focuses in particular on the NICT. Equal opportunities between women and men are becoming a firm feature of all policies.

**Response to the 2000 Council recommendations** The recommendations for Luxembourg have been implemented to varying degrees. The social dialogue, which is a well-established feature of economic and social life in this country, met with some difficulties when the 2000 NAP was being drawn up. It has since been resumed, particularly for the purposes of the 2001 NAP. Continuing training has become a reality and is contributing to the collective effort to make Luxembourg a knowledge-based society. The targets for investment in human resources still need to be set. Finally, with regard to the recommendation regarding older workers, the response has been generally unsatisfactory and this should be one of the future priorities of the employment strategy.

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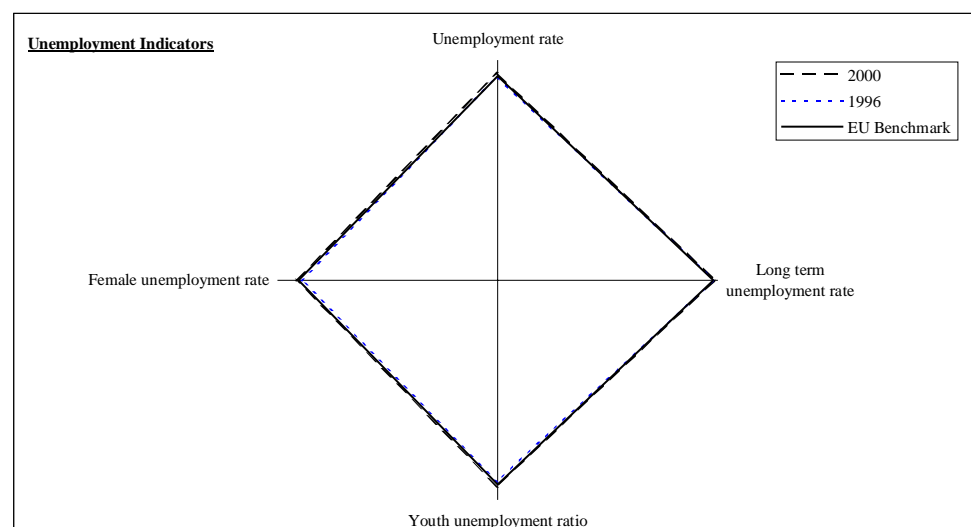
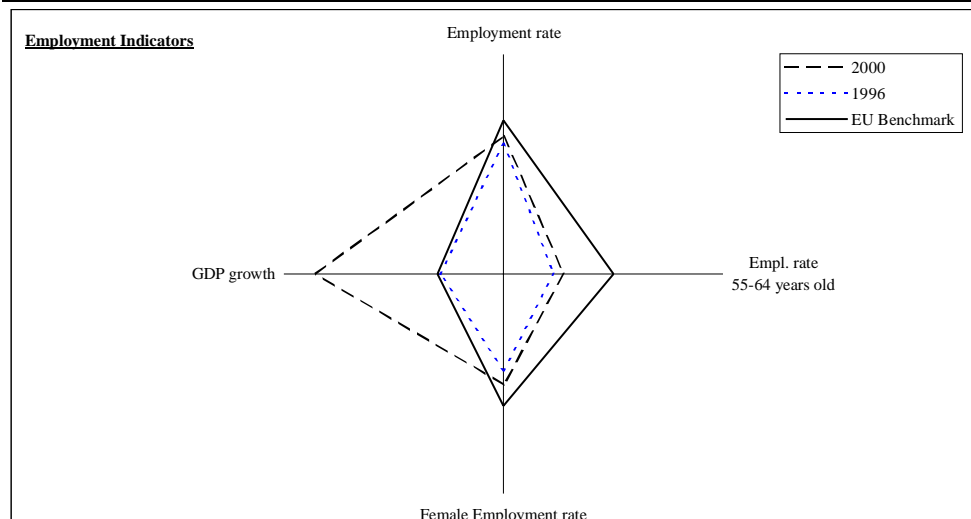
In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

**Challenges ahead** Policy reforms should be implemented aimed at active ageing and significantly increasing the activity rate of workers over 55 years of age. Technical and vocational education aimed at preventing young people from leaving school without job qualifications is a priority in order to create better coherence between the different sectors of lifelong learning, including apprenticeships and the contribution of civil society. Raising awareness in the economic and social sectors regarding access for women, and regarding wage differentials between men and women, as well as any other measures to increase the activity rate should be continued. In view of its specific characteristics, efforts should be made to strengthen regional cooperation at Saar-Lor-Lux level with a view to improving the management of the whole labour catchment area of the Luxembourg metropolis.

## LUXEMBOURG

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	62.9	59.2	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	27.4	22.9	50 (2010 target, Stockholm summit)
Female Employment rate	50.3	43.8	60 (2010 target, Lisbon summit)
GDP growth	8.5	2.9	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	2.4	3.0	2.9 (average of 3 best performers: LU, NL, AT)
Long term unemployment rate	0.6	0.8	0.8 (average of 3 best performers: LU, NL, DK)
Youth unemployment ratio	2.5	3.4	2.9 (average of 3 best performers: LU, AT, IE)
Female unemployment rate	3.3	4.3	3.8 (average of 3 best performers: LU, NL, IE)

## THE NETHERLANDS

**General appreciation** *There are clear signs that the longest postwar boom of the Dutch economy is coming to an end. The performance of the Dutch economy and labour market in the coming years is expected to remain above the EU average. Expected employment growth in full-time equivalents (FTE) for 2001 is 1.75%. The unemployment rate is expected to stay around 3%. Consequently there is also no change in the high level of demand for labour will undoubtedly help to raise the employment rates of women and people over 55. It is also significant that employment measured in full time equivalents is currently growing faster than employment in persons. Even disadvantaged citizens with a minority ethnic background are at last benefiting from the booming labour market. A prolonged period of skills shortages increases the risk of a wage-price spiral. Inflation reached a record level of 4.3%. The Dutch economy may have started to cool off just at the right time.*

**Policy-mix**<sup>33</sup> *Traditionally the Netherlands has focused on increasing effective labour supply through activation and prevention and on measures to make the tax and benefit system more employment friendly. At the same time the Government, together with the social partners, has re-emphasised real wage increases in line with productivity, flexible labour relations and the modernisation of the organisation of work to allow for the reconciliation of work and care. This year more attention is given to adaptability and social exclusion which has improved the balance between the four Pillars of the European Employment Strategy. Entrepreneurship remains the least visible Pillar mainly because it is implemented through more general measures in the area of taxes and competition. In the Dutch Polder model the social partners have their own responsibility for areas such as work organisation, remuneration and lifelong learning. They have been well involved in the drafting of the NAP.*

**Response to the 2000 Council Recommendations** *The Dutch authorities have introduced a general tax credit for all workers plus the possibility for local authorities to reward long term benefit claimants with a substantial bonus if they accept paid work. The Donner Commission has proposed a solution to avoid the number of (partially) disabled passing the one million mark. There has been a clear improvement in the statistical monitoring of the comprehensive approach. For the first time information is provided by all three bodies responsible for the reintegration of the short term unemployed. But as there are still technical problems to be resolved, providing evidence that the 2002 deadline will be met remains a major undertaking.*

**Challenges ahead** *In order to reduce the poverty trap more attention should be paid to the cumulation of welfare and unemployment benefits with other low income subsidies. The*

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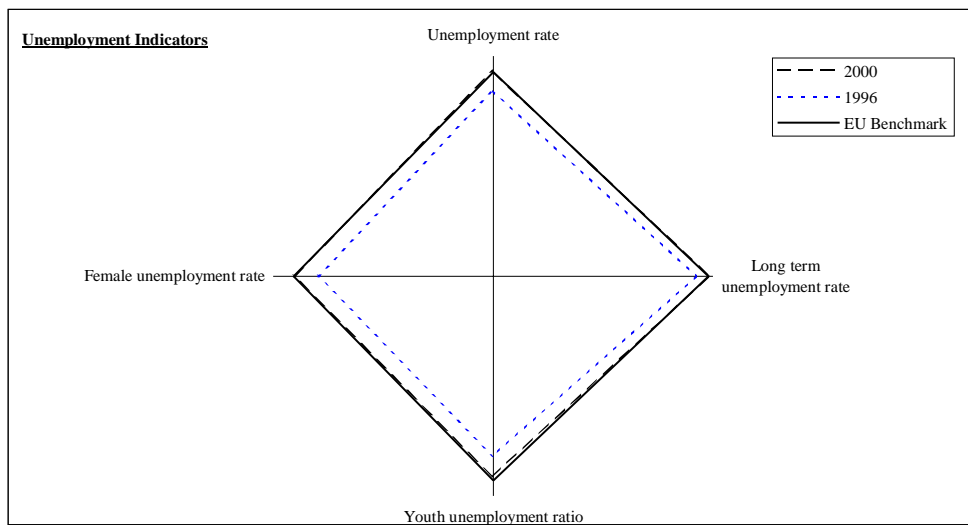
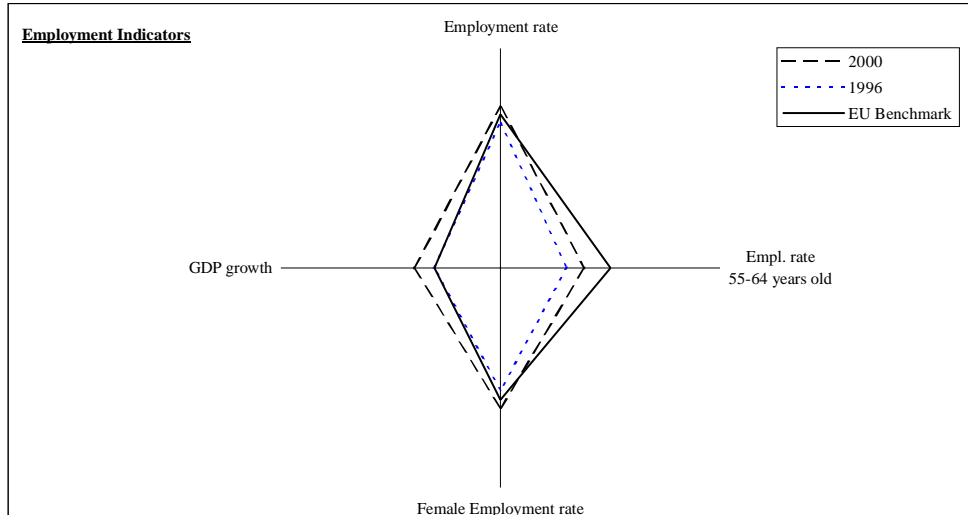
<sup>33</sup> In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

*emerging consensus on how to solve the disability problem pays much more attention to the inflow than to the outflow side. It should not be forgotten that, in view of the size of the stock, greater efforts are also needed to increase the outflow. Particularly significant are the efforts to reduce the risk of a possible wage-price spiral, especially the implementation of measures to post workers in vacancies which are difficult to fill. Efforts to raise the employment rates of the over 55 year old and women have to be continued. In spite of considerable progress there continues to be a short-term shortage in the supply of childcare. The new Childcare Basic Provision Act will come into force by the year 2003. Productivity needs to be strengthened by paying more attention to the quality of labour supply in a knowledge based economy.*

## NETHERLANDS

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	73.2	65.9	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	38.3	30.3	50 (2010 target, Stockholm summit)
Female Employment rate	63.7	55.3	60 (2010 target, Lisbon summit)
GDP growth	3.9	3.0	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	2.7	6.3	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	0.8	3.1	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	3.6	7.3	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	3.7	8.1	3.8 (average of 3 best performers:LU,NL,IE)

## AUSTRIA

**General appreciation** *The year 2000 was another year of very favourable economic and employment performance with a real GDP growth of 3.2% and an unemployment rate of 3.7%, one of the lowest in the EU. At 68.3%, the employment rate nearly reach the Lisbon target (77% for men and 59.4% for women). However, efforts to reduce structural labour market problems have not yet had the expected result: the employment rate for older workers remains far below the EU average figures and has decreased further in 2000, there is still a significant gender gap in employment and the positive effects of the newly introduced childcare allowance still need to be demonstrated.*

**Policy-mix**<sup>34</sup> *Austria is responding to the overall challenges with a coherent strategy and a large range of initiatives under all Pillars to develop the job potential of the knowledge based economy. Actions under the Employability Pillar appear to be consolidated at a high level. Inflow into long-term unemployment is very low, in spite of a slight reduction in activation rates. Gender mainstreaming is strongly on the agenda but with a range of measures which should be turned into a more concise strategy . Efforts to sharpen lifelong learning activities have been stepped up but still fall short of an adequately comprehensive and integrated strategy.*

**Response to the 2000 recommendations** *The objectives for the PES are clearly orientated towards those aspects of the EES and the recommendations for Austria which fall within its remit, particularly as concerns groups who face problems in the labour market. There has been a strong decrease in unemployed disabled people. The clear gender objectives of the PES could stimulate other private and public institutions to implement a comprehensive medium-term strategy. This is particularly obvious with respect to the reduction of the sizeable pay gap. No progress has been made in reducing the heavy tax burden on labour, which is particularly high for the low-paid/unskilled labour. Some amendments to labour legislation have been made, and in view of the good employment performance a small reduction of the unemployment insurance is planned. It seems that the reduction of the budget deficit commands greater support than the reduction of the 'tax-wedge'. In order to persuade older people to stay in work longer the Austrian Government raised the statutory age for early retirement from 55 to 56.5 for women and from 60 to 61.5 for men, and new regulations under invalidity pension schemes and measures facilitate a gradual transition to retirement. It also provides several incentives to employers encouraging them to keep older workers at work longer. The social partners have supported these policies for older workers by expanding collective agreements for part-time work. In view of the still decreasing*

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In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.



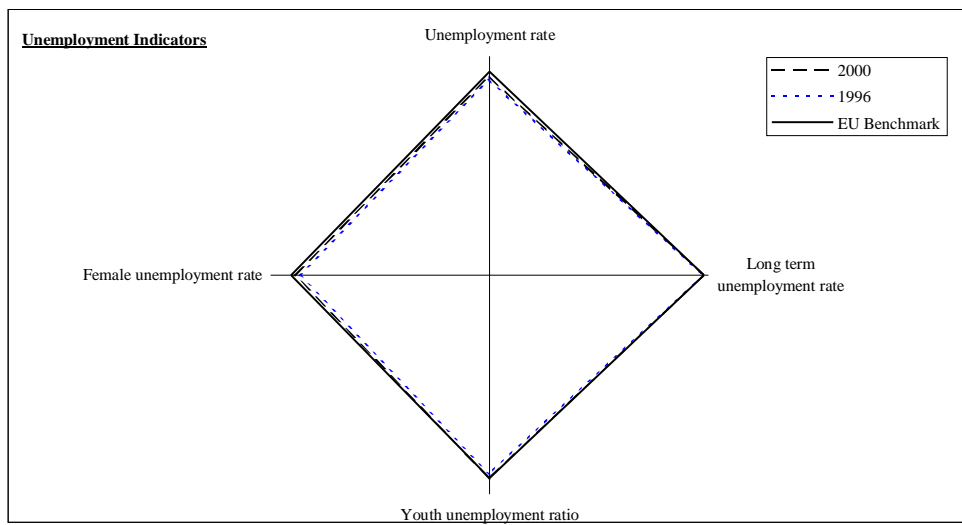
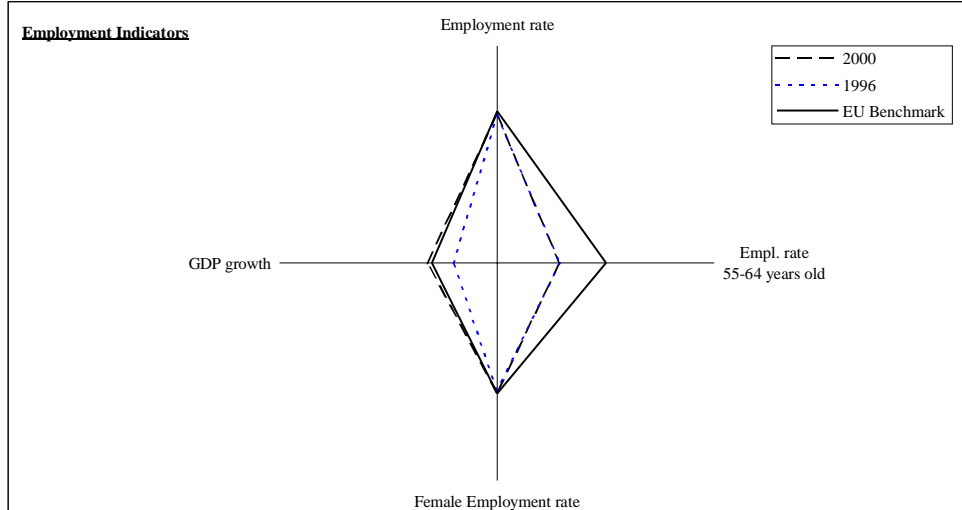
*employment rate of older workers this appears insufficient and further efforts need to be undertaken which must also focus on the effectiveness of measures.*

***Challenges ahead*** *With near-full employment in Austria the focus must continue to be on target groups through active labour market policies. More effort must be put into tackling structural problems in the employment system (f.e. the tax burden on labour), especially to enhance the employment rates for women and older workers. Policies are needed for the integration of migrant workers. The Government and the social partners, each in its own field of competence, should agree on a comprehensive and coherent lifelong learning strategy which integrates ICT skills and vocational training within the whole range of education and training sectors. More action is needed from all those responsible, Government (Bund and Länder) and social partners, to reduce the gender pay gap and increase the care service provision.*

## AUSTRIA

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	68.3	67.7	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	28.9	29.1	50 (2010 target, Stockholm summit)
Female Employment rate	59.4	58.2	60 (2010 target, Lisbon summit)
GDP growth	3.2	2.0	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	3.7	4.3	2.9 (average of 3 best performers:LU,NL,AT)
LTU rate	1.0	1.1	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	2.9	3.7	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	4.3	5.2	3.8 (average of 3 best performers:LU,NL,IE)

## PORTUGAL

**General appreciation** *The Portuguese economy grew 3.3% in 2000 at a higher rate than in 1999. Labour market indicators in general show continued good performance, with an improvement in the employment rate (68.3%) and a decrease in the unemployment rate to 4.2%. However some structural weakness continue to jeopardise the future development of the labour market. Most important among these are: low productivity and low skills level of the workforce, low participation in continuous training, high levels of early school leaving and an under-developed service sector.*

**Policy mix**<sup>35</sup> *Portugal is responding to these problems by focusing on the Employability Pillar. A comprehensive and ambitious plan for lifelong learning is presented. The objectives of the plan covering the development of the training and education systems will require strict implementation and close monitoring and evaluation. At the same time the unemployed are being activated in the framework of national measures that put into practice GL1 and GL2. No major initiatives were presented with regard to Entrepreneurship. Concerning Adaptability there is an effort to involve the social partners through sectoral agreements, namely on labour market and employment policy, education and training. Under the Equal Opportunities Pillar the objective of achieving a balanced share of men and women participating in work and family life will be mainly supported by the enlargement of the childcare facilities network at pre-school level.*

**Response to the 2000 Council Recommendations** *A wide-ranging plan on lifelong learning has been developed aimed at improving initial vocational training through the diversification of paths within and outside the formal education system, especially among adults. The role that new technologies will have in the near future was taken into account. The growth of the service sector will be promoted through the increase of employees' skills and the creation of more employment. Concerning the social partners, an important step was taken with the signing of two tripartite agreements. The strategy to reconcile family and working life is concentrated on the enlargement of the pre-school childcare network with no major new measures to promote male participation in family life although Portugal plans to adopt new legislation recognising the indispensability of the right to paternity leave.*

**Challenges ahead.** *Portugal will have to modernise its productive structure in order to meet the future requirements of a more global and competitive market. To this end it is necessary to create more good jobs in the services sector and improve labour productivity. These goals could be achieved through a correct implementation of a comprehensive lifelong learning*

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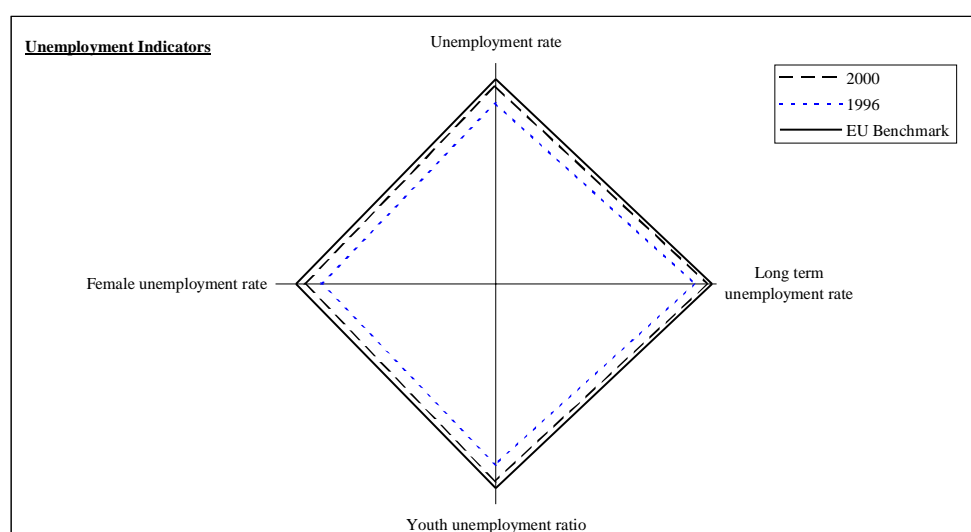
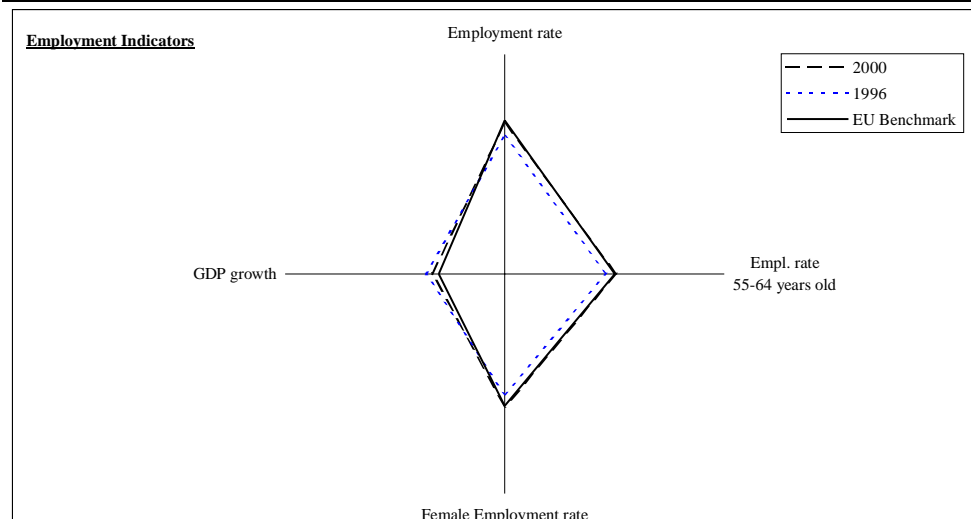
<sup>35</sup> In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

*plan, upgrading the skills level of the workforce and the adoption of new technologies in the framework of concrete commitments from social partners. At the same time young people should enter the labour market with the appropriate skills and much emphasis should be placed on further reducing early school leaving. The mismatch between job offers and demand needs to be better addressed, particularly as regards the provision of appropriate job opportunities for the high skilled part of the labour population. Additional impetus is needed to address the gender sectoral imbalance.*

## PORTUGAL

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	68.3	62.8	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	51.0	46.3	50 (2010 target, Stockholm summit)
Female Employment rate	60.3	54.7	60 (2010 target, Lisbon summit)
GDP growth	3.3	3.6	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	4.2	7.3	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	1.7	4.0	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	4.2	7.2	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	5.2	8.3	3.8 (average of 3 best performers:LU,NL,IE)

## FINLAND

**General appreciation** *The labour market situation in Finland continued to be characterised by a higher than EU average economic growth (5.7%) and employment rate (67.5%). There is also a higher than average unemployment rate (9.8%) with strong regional variations. At the same time, shortages of labour and bottleneck problems are emerging in some sectors and growth centres.*

**Policy-mix**<sup>36</sup> *The NAP 2001 is a more strategic continuation of NAP 2000 and aims at improving employment growth, the supply of labour and the functioning of the labour market by investing in skill development and expertise. All Pillars are well represented, but emphasis is put on the first Pillar. The target is to raise the employment rate to 70% by 2005, though this is dependant on a continuation of favourable economic growth and support from effective labour market and training policies, workplace reforms and reductions in taxes as well as moderate wage agreements. In spite of an improvement in offering early action plans, the rate of inflow into long term unemployment showed little improvement. In raising the employment rate, special attention is devoted to measures aimed at older people. The NAP includes a comprehensive life long learning strategy mainstreamed in all Pillars. The reform of active labour market measures continues with a view to preventing inflow into long-term unemployment and ensuring availability of labour including the promotion of employer services in PES. Supporting the adaptability and quality of working organisations, reinforcing entrepreneurship and alleviating the gender-based segregation are linked to the knowledge-based growth strategy. More attention is given to the regional dimension of employment policy. Social partners are involved in the NAP process.*

**Response to the 2000 Council Recommendations** *As regards the incentives, some changes to pension schemes were made in 2000 in order to reduce incentives to take up an early pension. In 2001, some new initiatives for those most hard to place were made and the potential for further incentive improvements will be reviewed in 2001. Several measures will also be devoted to older people for updating their skills and working capacity. Finland has a comprehensive strategy to ease the tax burden on labour by 1.5% of GDP from 1999 to 2003. The income tax and social security contributions of the labour costs of the average employee are estimated to be 46.7% in 2001. In order to alleviate gender-based segregation, several actions are being implemented in co-operation with the social partners. New initiatives were taken for alleviating parental responsibilities and distributing the parental costs incurred by employers.*

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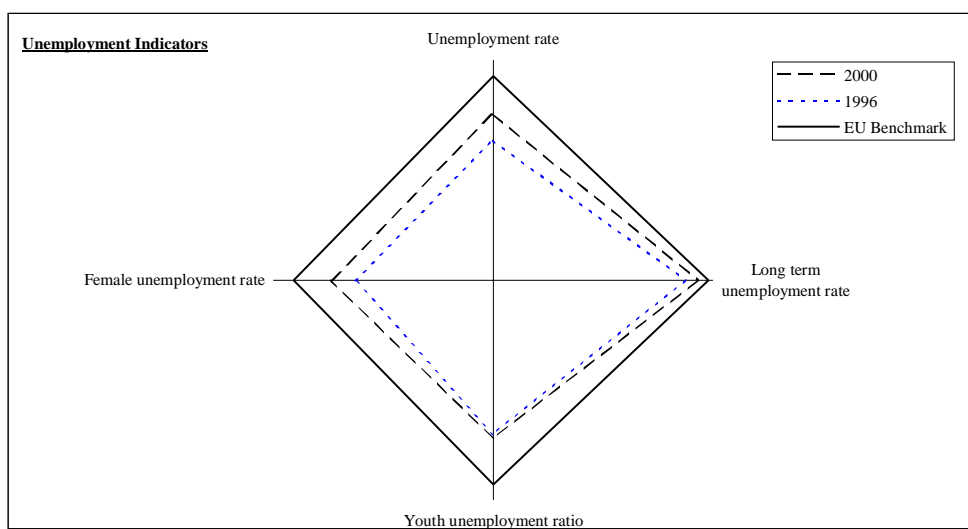
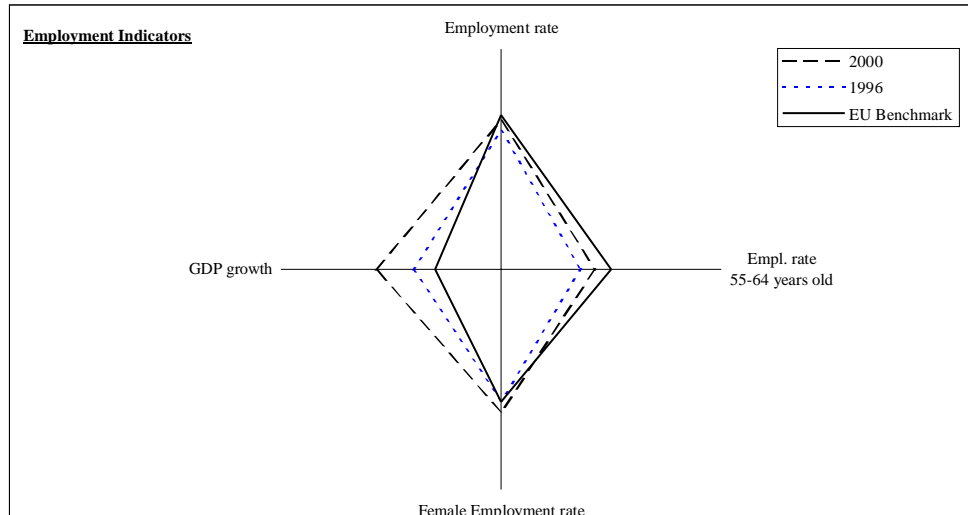
<sup>36</sup> In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

*Challenges ahead* are the immediate bottleneck problems, together with the need to ensure an adequate labour supply for the future in the context of the ageing labour force, early retirement, and strong regional disparities as well as structural unemployment. The hard-core of long-term unemployment especially calls for increasing the efficiency and quality of labour market programmes.. Attention needs also to be given to high youth unemployment. Occupational segregation still needs to be tackled, particularly in the context of solving bottleneck problems, and creation of viable enterprises and entrepreneurial culture also needs further efforts. The results of tax-benefit reforms need to be monitored, and efforts to reduce the high tax burden on labour, especially the high marginal effective tax rates on low wage earners, should be continued.

## FINLAND

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	67.5	62.8	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	42.7	36.2	50 (2010 target, Stockholm summit)
Female Employment rate	64.4	59.5	60 (2010 target, Lisbon summit)
GDP growth	5.7	4.0	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	9.8	14.6	2.9 (average of 3 best performers:LU,NL,AT)
Long term unemployment rate	2.8	5.1	0.8 (average of 3 best performers:LU,NL,DK)
Youth unemployment ratio	11.2	12.0	2.9 (average of 3 best performers:LU,AT,IE)
Female unemployment rate	10.6	14.9	3.8 (average of 3 best performers:LU,NL,IE)



## SWEDEN

**General appreciation** *The Swedish labour market has improved markedly during the last few years. Employment grew last year by 2.2%. The 2000 employment rate was 73%. GDP continued to develop very well with an increase of 3.6% last year. The unemployment rate continued to fall, to 5.9%. Some signs of bottlenecks in the labour market can be found, mainly in the ICT sector but also in the health and care sector, but there is no general scarcity of labour yet. The employment rate among older workers remains very high in comparison with the EU average.*

**Policy-mix**<sup>37</sup> *The overall aim of employment policy in Sweden is to reach full employment. As an ambitious mid-term goal, 80% of the population 20 - 64 years old should be employed by 2004. According to estimates in the Spring Budget, the goal will not be reached with current GDP growth. Labour market policy has been reinforced with the aim of having an efficient labour market with full employment and high economic growth. The policy put in place has managed to reduce the inflow into long-term unemployment for adults, and for young people the inflow remains low. Industrial policy is aimed at stimulating the business climate so that new businesses are established and existing ones expand but also at increasing skills in and accessibility of new information technology. The regional growth agreement aims to use existing resources in a more efficient way and can be seen as an important instrument for regional enterprise policy. Under its educational policy the Swedish Government emphasises the importance of giving the right prerequisites for lifelong learning and believes in making investments in education at all levels. The social partners also have a large responsibility in ensuring that individuals can engage in lifelong learning. Furthermore, they played an active role in preparing this year's NAP with several text contributions, mostly under the Adaptability Pillar. The equal opportunities policy aims at making it possible to combine work and family life. In the light of demographic changes it is also necessary to increase women's labour force participation. Efforts have been made, but the target to halve the number of people working part-time has yet to be reached.*

**Response to the 2000 Council recommendations** *The efforts made to reduce the high tax on labour are a follow-up of the tax reform presented last year. No new measures have been reported that reduce the taxes on labour. Although reduced, taxes remain higher than in other Member States. Sweden has taken strong action to increase the incentives to take up a job. It is no longer possible to qualify for a new period of unemployment benefit by participating in a labour market scheme and the unemployment insurance is limited to 600 working days. After the first 100 working days an unemployed person will be obliged to have both geographical*

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<sup>37</sup>

In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

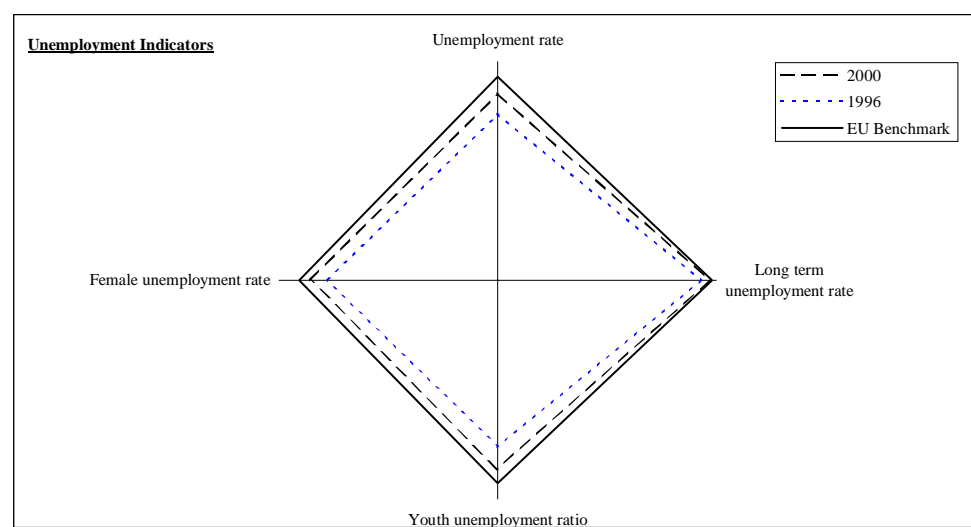
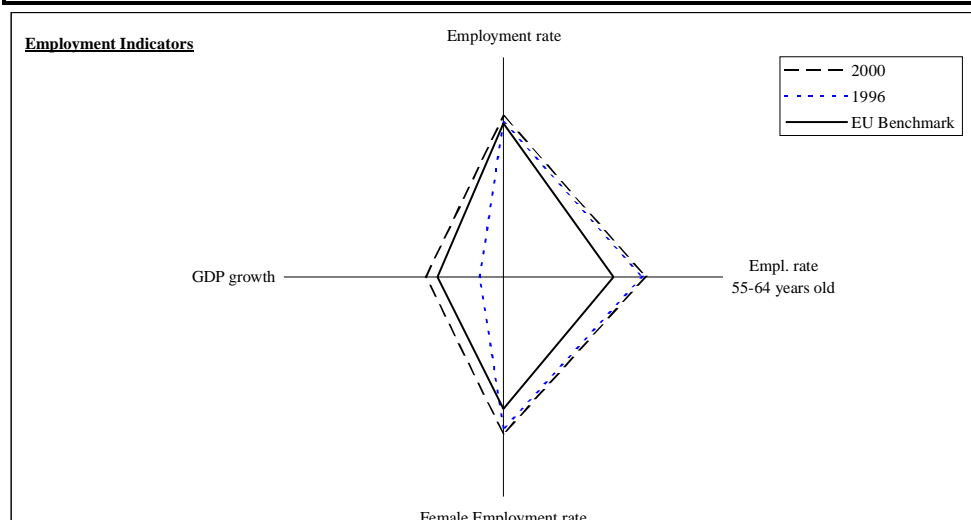
*and occupational mobility and the ceiling of the benefit level will be reduced. Beyond this an activity guarantee has been introduced which aims to break the vicious circle between unemployment and labour market programmes. The introduction of the activity guarantee has also reduced the usage of unemployment insurance as an early retirement pension. A target to halve the number of people dependent on social welfare between 1999 and 2004 has been introduced. The monitoring and assessment of current levels of occupational and sectoral segregation has been addressed in the past but no new main initiatives can be found. As a consequence of the Council recommendation, the Government instructed the National Labour Market Board to report on initiatives taken to overcome the gender based nature of the labour market. Results are still awaited from this report.*

**Challenges ahead** *Taxes have been cut but the tax burden on labour remains high in an EU context. In spite of improvement in the labour market situation for ethnic minorities and migrant workers, their situation remains difficult in comparison to people born in Sweden, and needs to be addressed. While the social partners are responsible for much of the third Pillar, more active involvement by the Government in encouraging, monitoring and evaluating the progress made by the social partners is desirable. While efforts are being made to intervene at an early stage to break occupational and sectoral segregation, it is still high, and calls for further action. The securing of a sufficient labour supply in the long-term is also a key challenge for Sweden as well as ensuring the efficiency of the active labour market programmes.*

## SWEDEN

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark	
Employment rate	73.0	70.3	70	(2010 target, Lisbon summit)
Empl. rate 55-64 years old	65.1	63.4	50	(2010 target, Stockholm summit)
Female Employment rate	71.0	68.7	60	(2010 target, Lisbon summit)
GDP growth	3.6	1.1	3	(base line scenario, Lisbon summit)



	2000	1996	EU Benchmark	
Unemployment rate	5.9	9.6	2.9	(average of 3 best performers: LU, NL, AT)
Long term unemployment rate	1.3	2.9	0.8	(average of 3 best performers: LU, NL, DK)
Youth unemployment ratio	5.5	9.5	2.9	(average of 3 best performers: LU, AT, IE)
Female unemployment rate	5.8	9.0	3.8	(average of 3 best performers: LU, NL, IE)

## UNITED KINGDOM

**General appreciation** Strong labour market performance delivered a further year of employment growth and an overall rate of 71.2%. Despite this some structural challenges remain. One in five employers say they have a significant gap in their workers skills. Inflows into long term unemployment of the young and adults (16% and 10% respectively) declined slightly in 2000 and still exceed those of the best performing Member States, although outflows from long-term unemployment are amongst the highest. Inactivity and remaining long-term unemployment are concentrated in jobless households, within deprived areas, and amongst disadvantaged groups (certain ethnic minorities, the disabled, male older workers and lone parents). 40% of benefit claimants have literacy or numeracy problems.

**Policy mix**<sup>38</sup> The UK's employment strategy places emphasis on trying to make increased employment more inclusive. Additional measures in the Entrepreneurship Pillar further strengthen the balance between Pillars. Local employment initiatives are important for the Government and the devolved administrations in addressing geographical variations in job creation. The Adaptability Pillar illustrates current flexible working practices but measures to increase security of workers would provide more balance to the strategy. Recent initiatives under Equal Opportunities should improve the work life balance.

**Response to Recommendations** This year's NAP further illustrates the strong role of partnership in the UK at the local level. Local partners have been given a more flexible role in the delivery of policies for lifelong learning and social inclusion. At the national level there are examples of the increasing role of the UK's two major national social partners but there is no general approach as their involvement is restricted to a number of specific issues.

The National Childcare Strategy continues to improve the provision and affordability of childcare places. Its impact should be closely monitored. Special attention is devoted to encouraging more lone parents to move into work. The pay gap for full time working women narrowed slightly to 18% but remains one of the largest in the EU. The UK have declarations of intent, but less specific policy and no target for its reduction. The UK accepts the need for a more balanced gender representation in all sectors but could increase policy intervention to realise this.

Under the common definition of the indicator for Guideline 2, 12.4% of the unemployed participated in an active measure falling well short of the 20% target. Reform of the New Deal for Adults which now intervenes earlier is a partial answer to the Recommendation. The

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<sup>38</sup> In the context of the implementation of the Employment Guidelines, the term "policy mix" refers to the balance between the four pillars of the Guidelines.

*rationale for bringing forward the point of intervention to 18 rather than 12 months is not justified in the NAP. With unemployment so low, those reaching the New Deal at 18 months are the most hard to help and less able to compete in the labour market. It is unclear how many of the long-term unemployed finding work retain this work.*

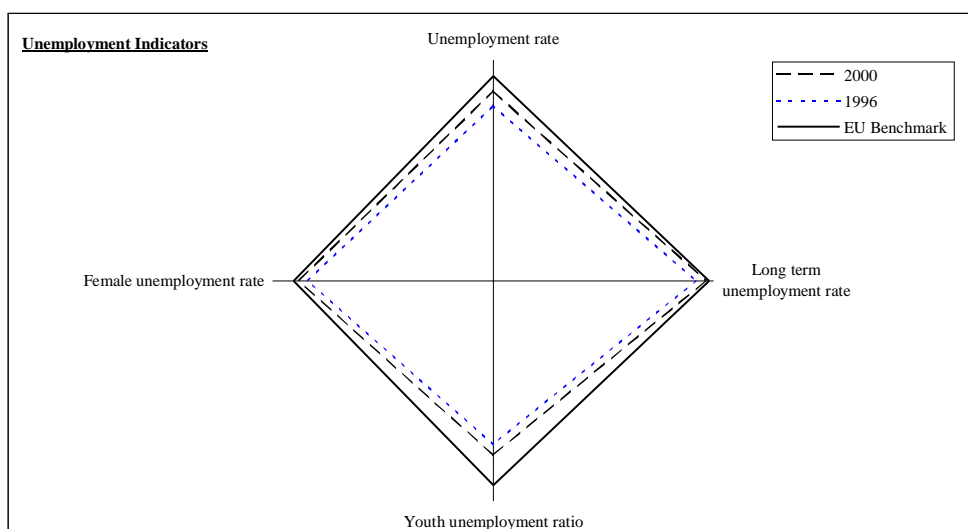
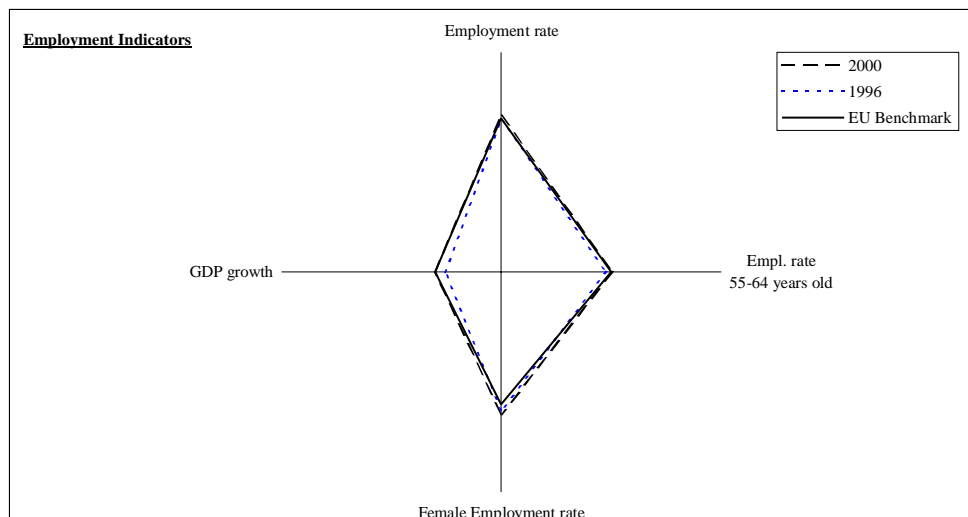
*As part of the lifelong learning strategy, the NAP illustrates the priority given to improving low levels of basic skills by encouraging access to and participation in learning. Much of the strategy described in earlier NAPs is now operational with emphasis placed on the role of non-formal learning. The NAP displays the further impetus provided by the new Adult Basic Skills Strategy, involving an overhaul of the learning infrastructure and considerable new resources targeted towards those in greatest need.*

**Challenges ahead** *To address workforce skill gaps and low labour productivity, the Government, Employers, and Unions have an important role in encouraging work based training within a comprehensive life long learning framework (particularly amongst small firms). Especially important are policies for those with poor basic skills (literacy and numeracy). Although more intensive support for the adult unemployed is now offered at 18 months through the New Deal for Adults, the UK could further reinforce earlier activation by intervention for more people at 12 months. With non-employment increasingly concentrated amongst disadvantaged groups, additional support would help to close the gap in employment between these groups and the rest of the workforce. The gender pay gap remains one of the largest in the EU. The Government and Social Partners both have important roles in addressing the issue. It is important to build upon the increasing role of the social partners in the delivery of policy at national level.*

## UNITED KINGDOM

**Note:** The bigger the area the better the performance. The graphs are constructed in such a way that the higher employment rates and the lower unemployment rates are further away from the centre.

	2000	1996	EU Benchmark
Employment rate	71.2	69.3	70 (2010 target, Lisbon summit)
Empl. rate 55-64 years old	50.8	47.8	50 (2010 target, Stockholm summit)
Female Employment rate	64.6	62.7	60 (2010 target, Lisbon summit)
GDP growth	3.0	2.6	3 (base line scenario, Lisbon summit)



	2000	1996	EU Benchmark
Unemployment rate	5.5	8.2	2.9 (average of 3 best performers: LU, NL, AT)
Long term unemployment rate	1.5	3.3	0.8 (average of 3 best performers: LU, NL, DK)
Youth unemployment ratio	8.3	10.2	2.9 (average of 3 best performers: LU, AT, IE)
Female unemployment rate	4.9	6.5	3.8 (average of 3 best performers: LU, NL, IE)

#### **4. THE WAY FORWARD**

The assessment outlined above of both performances and policy developments gives cause for some optimism. Performances are improving in terms of both employment and unemployment. Policies are broadly developing in support of the Employment Guidelines and Recommendations, although not always with the systematic approach that would be required.

However, the analysis also indicates that serious structural weaknesses remain in the EU labour markets. These need to be addressed as a matter of urgency in order to ensure the success of the Lisbon strategy.

##### ***Increasing employment rates***

The recent downwards revision of growth forecasts compels the EU Member States rigorously to pursue policies to facilitate job creation and to increase labour force participation, in order to secure progress towards the Lisbon objectives and full employment.

An across-the-board implementation of the Employment Guidelines provides solid ground for a comprehensive strategy to increase employment rates.

On the supply side, investments in preventive and active measures to accelerate re-entry of the unemployed to the labour market must not be relaxed. All Member States should make sure that they can comply with the targets for prevention concerning young people and adults by 2002 as agreed at the Luxembourg Summit in 1997. Increased attention must be paid to measuring the effectiveness of active labour market policies and their adequacy to the specific needs of the unemployed and those of the employers in a changing labour market environment. More should be done in the field of tax and benefit reforms in particular to remove financial disincentives to take up work and to discourage early retirement. The rigorous implementation of the emerging lifelong learning strategies is equally important.

On the demand side, measures to promote an entrepreneurial culture and to remove obstacles to the creation and running of small- and medium-sized businesses must be pursued. The development of better indicators and benchmarks could contribute to policy developments in this respect. The recent and still modest trend in the reduction of labour taxation needs to be reinforced, with particular emphasis on low paid work.

A balanced policy mix backed by concrete national targets to increase employment rates is thus called for.

### ***Quality in work***

Quality in work is a multi-dimensional question reflecting both the intrinsic characteristics of individual jobs and the wider work environment and characteristics of the labour market. The quality of employment must be improved in such a way as to attract and maintain more people in employment.

Better working conditions and better facilities to reconcile work and family lives are key to increasing the participation of older people, women and the disabled. Securing better quality in work can help to solve emerging recruitment difficulties in a number of sectors, both public and private. Better career and development prospects are important to prevent drop-out from the labour market and consequent social exclusion. Quality in work is also a factor of increased productivity, just as higher productivity promotes quality.

As a policy area which links the twin objectives of competitiveness and social inclusion, quality is a centre piece of the European social model and a key to the success of the Lisbon strategy. National authorities and the social partners have a shared responsibility in delivering quality in work.

### ***More determined action in favour of equal opportunities***

A remarkable feature of the European labour market over the last few years has been the increase in women's participation. However, this high level of growth has been built on part-time jobs, a pay gap in the private sector of around 20%, and persistent glass ceilings in terms of career development and management positions. Unless policies redress this imbalance, the objective of the Lisbon Summit (60% female employment rate by 2010) will not be achievable. This means that Member States should put more effort to increase actions under the Equal Opportunities Pillar, also in view of the weakened attention in the 2001 NAPs compared to previous years. More determined action to address gender gaps, especially the pay gap, is necessary. Closing the gender pay gap is an investment in a productive factor. Not only does it address a major source of inequality between women and men, but it also improves motivation for women workers, which can lead to increased labour productivity, and helps desegregate the labour market and change traditional roles.

### ***Improving the capacity and exploiting the potential of older workers***

The cohort of workers aged 55-64 is one with particularly low employment rates requiring a more determined set of measures, with a view to reaching the target set by the Stockholm Summit of an employment rate for this age group of 50% by 2010. An analysis of recent NAPs indicates that Member States fully recognise the importance of the issue and have



initiated some reforms related to retirement and particularly pre-retirement regimes. However, there appears to be some reluctance to take rigorous measures to discourage early retirement, especially on the side of the social partners.

Beyond such reforms, a wider set of measures is needed to maintain older workers in or attract them to work, based in particular on a preventive approach and a profound cultural change.

### ***Investment in human resources, lifelong learning, tackling labour and skills shortages***

Employment rates can be constrained by an inadequate matching of labour demand and supply. The emerging tensions between demand and supply in a number of markets (at national, local or sectoral level) require increased attention for both occupational and geographical mobility of workers. Efforts to make a reality of lifelong learning should improve overall skill and qualification levels – amongst the unemployed and those already in employment, as well as successive cohorts of new entrants into the labour market. Just as importantly in the increasingly knowledge-based economy, measures designed to reach non-learners, the development of more flexible forms of learning and the promotion of 'a learning habit' amongst adults will be critical in enabling the workforce to continue to up-skill and re-skill in response to changing labour market needs. Improvements in the jobmatching capacity of employment services are important in this context and the on-going modernisation efforts should be pursued vigorously. The progress achieved in setting up a Europe-wide database of jobs and learning opportunities, as requested by the Lisbon Summit, should be built on as a means to increase the transparency of the European labour market.

### ***Fighting social exclusion***

The current economic conditions must be fully exploited to fight social exclusion by opening new labour market opportunities to weaker groups in society. Participation in the world of work is a key element of social inclusion. Active measures should be increasingly opened to those concerned and adjusted to the characteristics of harder-to-place people. Transition from supported jobs and from the informal economy to the mainstream labour market should be actively supported, as should transition from low quality to higher quality jobs, which are proven to secure better employment prospects. To do so, it is paramount to provide the people at risk of exclusion with adequate access to skills and competences.

In pushing forward the complementary employment and inclusion agendas, Member States should aim at a de-segmentation of measures as well as of labour markets. This should be achieved in particular through strong co-operation between the institutions concerned at all levels – from policy design to on-the-ground implementation.

### ***Social partners***

The invitation made to social partners in the 2001 Guidelines to develop their own process to support the European Employment Strategy has not been taken up to a significant extent. The support of the social partners' organisations for the European Employment Strategy expressed for example in their declaration to the Stockholm European Council – is therefore not matched by a visible contribution to the process. Given the key role of the social partners in the success of the European Employment Strategy, and with due respect to their autonomy, it is necessary to ensure stronger involvement of the social partners in the future.

### ***Regional disparities***

Employment disparities between regions are still unacceptably high in the European Union. Whereas disparities between Member States are tending to decrease, those between regions are tending to become more pronounced. This calls for strengthened efforts to achieve a better balanced employment situation across European regions. Such efforts include financial transfers but must be based on the need to strengthen regional competitiveness. Investment in physical and human capital must remain the key objective of European as well as of national and regional policies. The European Employment Strategy provides an appropriate strategic framework.

### ***European Social Fund (ESF)***

The ESF has been established as an important instrument for Member States' employment policies. However, ESF operations can seem rather detached from the Employment Strategy and it is not always easy to specify the contribution of the ESF makes to the EES. Although the intensity of ESF funding varies between Member States, renewed attention is needed in order to ensure on a permanent basis the coherence between the ESF and the European Employment Strategy. Now that the 2000-06 programmes have been launched, renewed attention should also be given to procedures and institutional arrangements. Moreover, flexibility is needed in order to maintain the ability of the ESF to adapt to changing circumstances, including in the context of the EES objectives. The community initiative EQUAL should also provide a significant contribution in combating discrimination in access to and participation in the labour market.

## **Follow-up**

The Commission and the Council will continue to develop and implement the European Employment Strategy through:

- the determined implementation of the Employment Guidelines and Recommendations under all Pillars and taking the horizontal objectives into account;
- the strengthening of the Employment Guidelines to reflect the above evaluation of policies and challenges. In particular, provisions will be strengthened with respect to:
  - employment rate targets for older workers
  - the promotion of jobs of better quality
  - the reduction of gender pay gaps
- an in-depth examination of the conditions for promoting increased labour force participation and active ageing based on a Joint Report from the Commission and Council, as requested by the Stockholm European Council;
- an Action Plan on Skills and Mobility to support the development of new European labour markets, based on the findings of the High Level Group constituted following the Stockholm Summit, in time for the Spring 2002 Summit;
- an Action Plan on Lifelong Learning following a wide-ranging consultation in 2001 of Member States, other EU institutions, the Social Partners, NGO's and others, based on last year's Memorandum<sup>39</sup>, and a detailed work program on the follow-up of the concrete future objectives of the education and training systems, as requested by the Stockholm European Council;
- the continued development of indicators to assess progress under the Employment Guidelines, with particular emphasis on gender pay gaps and care services for children and other dependants, as well as the issue of quality (see below);
- a proposal to the European Council in December 2001 regarding the development of indicators on quality at work, taking as a basis the Commission Communication on Investing in Quality<sup>40</sup>; and
- an in-depth evaluation of the impact of the European Employment Strategy in terms of policies and performances over the years since its introduction, to be concluded in 2002.

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<sup>39</sup> SEC(2000) 1832, 31.10.2000.

<sup>40</sup> COM(2001)313 final, 20.6.2001.

## ANNEX 1: OVERVIEW OF THE 2000 KEY INDICATORS<sup>41</sup>

	BE	DK	DE	GR	ES	FR	IE	IT	LUX	NL	AU	PT	SF	SW	UK	EU15
<b>Employment Indicators</b>																
Total Employment Rate	60.5	76.3	65.4	55.6	55.0	62.2	65.1	53.5	62.9	73.2	68.3	68.3	67.5	73.0	71.2	63.3
<i>Males</i>	69.5	80.8	72.8	71.1	69.9	69.3	76.1	67.5	75.1	82.4	77.0	76.6	70.6	74.8	77.8	72.5
<i>Females</i>	51.5	71.6	57.9	40.9	40.3	55.3	54.0	39.6	50.3	63.7	59.4	60.3	64.4	71.0	64.6	54.0
15-24	29.1	66.0	46.1	26.8	32.7	29.0	50.6	25.9	31.9	69.2	53.1	43.5	40.2	41.6	56.2	40.3
25-54	77.4	84.2	79.5	69.5	67.8	78.8	75.4	67.9	78.4	81.8	82.2	81.9	81.5	83.8	80.4	76.6
55-64	26.3	55.7	37.3	39.2	36.8	29.7	45.3	27.8	27.4	38.3	28.9	51.0	42.7	65.1	50.8	37.7
Full-time eq. Employment rate	60.5	69.3	58.6	55.3	52.5	58.7	60.6	51.7	60.4	57.2	63.5	66.6	64.9	65.1	61.7	57.9
<i>Males</i>	74.4	76.9	71.1	71.5	69.0	69.2	75.8	67.0	75.9	74.6	76.2	76.6	69.3	70.0	74.4	71.0
<i>Females</i>	46.6	62.2	46.1	40.0	36.6	48.7	45.2	36.7	44.6	40.1	51.0	57.1	60.5	60.2	49.7	45.3
<b>Unemployment Indicators</b>																
Total Unemployment Rate	7.0	4.7	7.9	11.1	14.1	9.5	4.2	10.5	2.4	2.7	3.7	4.2	9.8	5.9	5.5	8.2
<i>Males</i>	5.7	4.2	7.6	7.3	9.8	7.8	4.3	8.0	1.9	2.0	3.2	3.4	9.1	6.0	6.0	7.0
<i>Females</i>	8.8	5.3	8.3	16.7	20.6	11.5	4.2	14.4	3.3	3.7	4.3	5.2	10.6	5.8	4.9	9.7
Youth Unemployment Ratio	6.5	5.3	4.6		11.4	7.1	3.3	11.8	2.5	3.6	2.9	4.2	11.2	5.5	8.3	7.8
<i>Males</i>	5.9	5.0	5.3		9.8	7.0	3.4	11.4	2.4	3.5	2.8	3.5	10.9	5.4	9.4	7.7
<i>Females</i>	7.0	5.5	3.9		13.1	7.3	3.3	11.9	2.6	4.6	3.0	4.8	11.4	5.7	7.2	7.9
Long-Term Unemployment Rate	3.8	1.0	4.0		5.9	3.8	1.7	6.4	0.6	0.8	1.0	1.7	2.8	1.3	1.5	3.6
<i>Males</i>	3.1	0.9	3.7		3.5	3.0	2.1	4.9	0.5	0.7	1.0	1.4	2.8	1.4	2.0	3.0
<i>Females</i>	4.8	1.2	4.3		9.5	4.7	1.0	8.8	0.6	1.1	1.0	2.0	2.7	1.1	0.9	4.4
<b>Economic Indicators</b>																
Total Employment Growth	1.8	0.8	1.5	1.2	3.3	2.0	4.7	1.5	5.5	2.5	0.9	1.7	1.5	2.2	1.0	1.8
Real GDP Growth	4.0	2.9	3.0	4.1	4.1	3.1	10.7	2.9	8.5	3.9	3.2	3.3	5.7	3.6	3.0	3.3
Labour Productivity Growth	2.2	2.1	1.4	2.9	0.8	1.1	5.6	1.4	2.8	1.3	2.3	1.6	4.1	1.4	2.0	1.6
Change in Real Unit Labour Costs	-0.8	-1.8	0.2	-0.9	-0.2	-0.1	-3.8	-0.7	-1.8	-0.7	-1.4	0.8	-2.9	4.7	0.3	-0.2

<sup>41</sup> For further explanation of the key indicators see below.

**Other key indicators**

Participation in training	6.8	20.8	5.0	1.1	4.9	2.8		5.2	4.8	15.6		3.3	19.6	18.6	20.3	8.0
<i>Males</i>	7.6	17.8	5.4	1.1	4.4	2.6		5.0	3.9	16.4		3.2	17.7	16.6	17.9	7.6
<i>Females</i>	6.0	23.8	4.7	1.1	5.4	3.1		5.3	5.3	14.7		3.4	21.5	20.7	22.7	8.4
Early School Leavers	12.5	11.7	14.9	17.4	28.1	13.3		29.0	16.8	16.7		43.1	9.8	7.7	6.8	18.5
<i>Males</i>	14.8	13.4	14.6	21.8	33.7	14.8		32.4	15.9	17.5		50.6	12.5	9.2	6.5	20.7
<i>Females</i>	10.2	9.9	15.2	12.9	22.4	11.8		25.6	17.6	15.9		35.6	7.2	6.2	7.1	16.4
Internet Coverage in Schools																
<i>Primary</i>	70	94	56	1	80	30	80	75	25	38	63	42	90	57	86	
<i>Secondary</i>	95	100	81	18	94.5	84	90	90	100	86	100	100	95	99	98	
Rate of Self-Employment	14.0	8.2	10.1	32.4	18.2	10.1	17.7	24.2	8.9	9.6	10.8	23.3	12.9	10.6	11.3	14.8
<i>Males</i>	17.2	11.9	12.9	38.9	21.2	13.5	24.9	29.0	11.0	11.5	12.7	25.5	17.1	15.2	15.0	17.6
<i>Females</i>	9.6	3.9	6.4	21.6	13.3	5.9	7.1	16.1	5.6	7.0	8.4	20.8	8.3	5.6	6.8	10.9
Rate of Employment in Services	44.0	54.2	41.7	34.2	34.1	42.9	40.9	33.6	48.1	51.2	43.6	37.0	44.9	51.8	51.8	42
Marginal Tax Rate	54.1	50.7	51.0	20.1	26.4	48.6	22.0	32.8	34.1	45.8	37.1	25.0	42.7	38.3	32.0	
Average Tax Rate single earners	50.0	41.3	46.1	34.3	32.9	39.2	18.1	43.0	30.0	40.5	40.3	30.4	42.4	47.8	25.6	39.2
Share of Employees in non-standard Employment	24.5	31.0	31.3	12.3	33.7	32.2	24.9	16.1	14.4	54.3	23.8	25.7	27.5	35.5	31.6	29.8
<i>Part time</i>	15.9	20.4	18.6	4.0	6.3	15.0	15.8	7.6	10.9	37.3	16.5	9.9	10.5	19.4	23.5	16.4
<i>Fixed-term</i>	6.1	7.9	11.1	7.0	23.7	13.5	7.2	6.0	2.6	9.1	6.4	14.0	13.7	10.4	5.4	10.5
Gender Pay Gap <sup>42</sup>	93	91	76	89	87	92	83	92		86	81	95	87		88	86

<sup>42</sup>

Based on the most recent data, which is 1997.

## **Definition and source of the key indicators**

### ***The Eurostat Quarterly Labour Force Data (QLFD)***

This series replaces last year's data set originating from the LFS and the Benchmark series on employment, used in previous Employment in Europe reports and Joint Employment Reports. LFS has drawbacks as a survey from a wide point of view. The second quarter is taken to represent the whole year and the survey changes through time which impairs comparisons. In order to correct these problems the Benchmark series on employment was created by DG Employment on contract. This was a series compiled without Eurostat having overall responsibility. Basically the intention was to build a good comparative time serie on employment using the best available source for each country. This year Eurostat have compiled a similar concept, namely the QLFD. All indicators apart from unemployment rate, youth unemployment ratio, full-time equivalent employment rates and the economic related indicators are based on this series. A detailed description is found below.

The Eurostat Quarterly Labour Force Data (QLFD) are made of two sets of quarterly series starting in 1991, updated every quarter and covering EU Member States, EU-15 and EU-12:

- population, employment and unemployment by gender and age, mainly based on the community LFS results;
- employment by economic activity and employment status (mainly based on the economic accounts ESA-1995 employment data), further broken down by gender and by some job characteristics.

#### **A Population, employment and unemployment by gender and age**

The community LFS results (provided by the National Statistical Offices in accordance with Council Regulation n° 577/1998) are made consistent over time (to eliminate breaks in the series) and completed (by estimates based on national employment data from other sources) when quarterly community LFS results are not available.

These data only include the population living in private households (collective households are excluded) and refer to the place of residence (national concept).

The following age classes are used: less than 15, 15-19, 20-24, 25-29, 30-54, 55-59, 60-64, 65 and over

The employment data by gender and age are further broken down by civilian employment and armed forces.

The unemployment data by gender and age are further broken down by job search duration (less than 6 months, 6-11, 12-23, 24 or more).

#### **B Employment by economic activity and employment status**

The ESA-1995 employment data (provided by the National Statistical Offices in accordance with Council Regulation n° 2223/1996) are available by NACE, rev.1-A6 and by employment status (employees/self-employed persons).

They are made consistent over time (where necessary) and completed (by estimates based on LFS results or national employment data sources) when quarterly ESA-1995 data are not available.

They are further broken down by gender, full time/part time, permanent/temporary contracts (using a top-down approach with LFS or other national data).

They cover all people employed in resident producer units (national concept), including people living in collective households.

*The key indicators: definitions and data sources*

**I Employment rates by age groups (15-64,15-24,25-54,55-64) and gender**

Definition: employed persons as a share of total population of same gender and age.

Source: Eurostat QLFD, part A.

**II Full time equivalent employment rates by gender in the age bracket 15-64**

Definition: full time equivalent employment as a share of total population of same gender and age (full time equivalent employment being defined as total hours worked divided by the annual average number of hours worked in full time jobs).

Source: Labour Force Survey (spring data) - (Belgian figures adjusted by Eurostat).

**III Unemployment rates by gender**

Definition: unemployed as a share of active population of same gender and age.

Source: Eurostat harmonised series on unemployment, yearly averages of monthly estimates.

**IV Long term unemployment rates by gender**

Definition: long term unemployed (12 month's duration or more) as a share of active population of same gender.

Source: Eurostat QLFD, part A.

**V Youth unemployment ratio by gender**

Definition: unemployed people aged 15-24 as a share of total population of same gender and age.

Source: Eurostat harmonised series on unemployment, yearly averages of monthly estimates.

**VI Employment growth**

Definition: annual change in population employed by resident producer units.

Source: QLFD, part B.

**VII Other economic related employment indicators (real GDP growth, labour productivity growth and real unit labour costs)** are provided by DG ECFIN (AMECO database), based on national accounts (ESA-95 definitions) and on Spring forecasts. The data are average annual change from previous year in percentage.

**Other key indicators**

**VIII Participation in education and training**

Definition: Percentage of working age population participating in education and training by gender, age group (25-34, 35-44, 45-54, 55-64 and 25-64), working status and educational attainment.

Source: Labour Force Survey (spring data).

## **IX Rate of early-school leaving**

Definition: Percentage of 18-24 year olds having achieved lower secondary education (ISCED level 2) or less and not attending further education or training, by gender and working status.

Source: Labour Force Survey (spring data).

## **X Internet coverage in schools**

Definition: Percentage of primary and secondary schools having Internet access.

Source: Benchmarking Report following up the "Strategies for Jobs in the Information Society", SEC(2001) 222 (7/2/01), based on national data provided to the High Level Group On the Employment and Social Dimension of the Information Society.



## **XI Rate of self-employment by gender**

Definition: Share of self-employed in total employment by gender.

Source: Eurostat, Labour Force Survey.

## **XII Rate of employment in services**

Definition: Rate of employment in services for 1998-99-00: by age:15-64, by Gender: Male, female and total and by NACES: Services.

Source: Eurostat, Labour Force Survey.

## **XIII Marginal Tax Rate**

Definition: Ratio of increase in personal income tax plus increase in employee social security contributions divided by the increase in gross compensation, by family status and wage level.

Source: OECD, "Taxing Wage- Taxes on wages and salaries, social security contributions for employees and their employers, child benefits", various years. Commission services based on OECD database 1996-1999/2000.

## **XIV Average tax rate for a low-paid single earner**

Definition: Ratio of total taxes (taxes on personal income, employees' and employers' social contributions incl. payroll taxes) paid by a single person (full-time average production worker, APW) with two children, where the earning 50% or 67% of the average wage to gross compensation. This ratio can be further divided into its component taxes.

The information is based on tax indices that are constructed for hypothetical households.

Source: "Taxing wages – taxes on wages and salaries, social security contributions for employees and their employers", Commission services based on OECD database 1996-1999/2000.

## **XV Share of employees in non-standard employment**

Definition: Number of employees in non-standard (wage) employment as a percentage of total number of employees by gender.

Source: Eurostat QLFD.

## **XVI Gender pay gap**

Definition: Ratio of women's net hourly earnings index to men's for paid employees at work 15+ hours per week. Breakdown by private and public sectors. For France, gross hourly earnings have been used.

Source: Eurostat European Community Household Panel.

**ANNEX 2: OVERVIEW OF THE COMMON AGREED INDICATORS ON PREVENTION AND ACTIVATION FOR 2000**

	Detail	BE	DK	DE	EL	ES	FR	IE	IT	LUX	NL	AU	PT	SF	SW	UK	EU15
<b>Adult people unemployed</b>																	
<i>Effort (C/A)</i>	Total	42.8	7.0	67.2		30.0	6.6			27.3	17.0	54.6	35.8	98.6	99.9	100.0	
	Male	42.5	6.0	68.2	19.9	29.0	5.3			28.0		49.5	37.2	97.9	99.9	100	
	Female	43.2	8.0	65.8	16.0	30.0	7.9			26.6		67.0	35.1	98.9	99.9	100.0	
<i>Non-compliance (D/B)</i>	Total	38.7	73.0	23.6		62.0	50.6			38.2	66.0	16.9	11.6	14.1	0.8	0.0	
	Male	35.2	78.0	21.0		66.0	55.9			41.0		18.7	11.4	14.6	0.7	0.0	
	Female	41.3	70.0	26.3		59.0	45.9			35.2		15.3	11.8	13.6	0.8	0.0	
<i>Output (B/A)</i>	Total	33.9	5.0	17.3		8.0	13.3			14.6	21.0	0.9	14.4	10.2	6.7	10.0	
	Male	31.2	4.0	15.0	41.8	7.0	12.1			15.0		0.6	16.7	14.1	7.8	11.0	
	Female	36.3	5.0	20.4	42.5	9.0	14.6			14.1		1.7	13.2	7.9	5.6	7.0	

<b>Young people unemployed</b>																	
<i>Effort (C/A)</i>	Total	53.3	5.0	65.6		39.0	5.9			40.6	100	58.4	36.1	99.0	99.9	100.0	
	Male	53.2	5.0	66.5	10.6	42.0	5.2			42.8		56.2	34.0	98.8	99.8	100	
	Female	53.4	5.0	64.2	10.1	37.0	6.7			38.0		61.3	37.3	99.2	99.9	100.0	
<i>Non-compliance (D/B)</i>	Total	21.7	81.0	18.5		37.0	59.9			11.8	0.0	15.2	6.8	10.9	9.6	0.0	
	Male	19.7	80.0	18.1		36.0	59.4			6.5		18.5	7.5	11.0	10.3	0.0	
	Female	23.6	81.0	19.1		38.0	60.3			18.8		12.8	6.4	10.7	8.5	0.0	
<i>Output (B/A)</i>	Total	44.9	10.0	16.6		12.0	14.8			21.8	10.0	2.8	12.1	9.1	1.3	16.0	
	Male	42.9	8.0	16.0	39.5	9.0	12.8			21.8		2.2	9.5	10.8	1.6	16.0	
	Female	46.9	11.0	17.5	44.7	15.0	16.8			21.7		3.6	13.8	7.8	1.1	15.0	
<b>Activation rate (%)</b>																	
<i>All measures</i>	Total	45	30	34	29	32	23	36	21	30	39	20	22	22	56	12	
	Male	42	26	34		39	24			34		17		19	54	13	
	Female	48	32	33		26	15			25		22		26	58	11	
<i>Training</i>	Total	6	21	21		10	3	11	14	25		12	7	12	24	12	
	Male	9	17	22		12	3			25		10		11	19	13	
	Female	5	23	20		10	3			24		13		11	30	11	

## Explanatory notes to the annex 2:

*Indicator of effort (C/A)* is defined as the share of young/adult unemployed people becoming unemployed in month X and having started an individual action plan before reaching 6/12 months unemployment.

*Rate of non-compliance (D/B)* is defined as the share of young/adult unemployed people becoming unemployed in month X, still unemployed in months X+6/12 and not having started an individual action plan.

*Output indicator (Rate of inflow into long-term unemployment)(B/A)* is defined as the share of young/adult unemployed people who are still unemployed at the end of month X+6/12 without any break.

### Remarks on the prevention indicator specific to Member States:

- Belgium: Indicators are not comparable with those from other Member States as unemployment breaks under three months are not counted as exits from unemployment.
- Germany: Indicator for adults might include all the unemployed.
- Denmark: Data cover insured unemployed people only.
- Greece: [Figures for the adult unemployed people category refer to 1999. Calculations of the C/A indicator are based on a proxy measure for the variable C covering the unemployed included in a labour programme within 6/12 months for the young and the adults respectively.](#)
- The Netherlands: Indicators based on newly unemployed people only. Young unemployed people: indicators based on situation 12 months after registration.

The **activation rate** is defined as the annual average number of previously unemployed participants in active measures (E) divided by the annual average number of registered unemployed persons (F) and participants in active measures. The definition of the input indicator was changed in this year's NAPs to better reflect the fact that participation in most active measures in the majority of Member States break the unemployment spell. It is now defined as  $E/(E+F)$  instead of  $E/F$ . 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.

### Remarks on the activation indicator specific to Member States:

- Belgium: 1999 data.
- Denmark: Data covers insured unemployed people only.
- France: Breakdown by gender refers to 1999 data.