



# **EUROPEAN EMPLOYMENT OBSERVATORY**

## **QUARTERLY REPORTS**

**JUNE 2009**

## **EXECUTIVE SUMMARY**



## TABLE OF CONTENTS

1	INTRODUCTION.....	3
2	INCREASING LABOUR PRODUCTIVITY .....	4
3	INCREASING LABOUR DEMAND.....	5
4	INCREASING LABOUR SUPPLY .....	9
5	PROMOTING LIFECYCLE APPROACH TO WORK.....	10
6	MAKING WORK PAY .....	11
7	IMPROVING THE MATCHING IN THE LABOUR MARKET .....	12
8	OFFERING SOCIAL PROTECTION.....	13
9	OFFERING EMPLOYMENT SECURITY .....	16
10	ADDRESSING THE ISSUE OF LABOUR MARKET SEGMENTATION.....	19
11	IMPROVING WAGE SETTING MECHANISMS .....	20
12	INCREASING INVESTMENT IN HUMAN CAPITAL.....	20
13	INCREASING THE ADAPTABILITY OF EDUCATION AND TRAINING SYSTEMS.....	22



# 1 INTRODUCTION

This report presents an executive summary of the national quarterly reports submitted by the SYSDem national experts of the European Employment Observatory from 29 European countries (EU-27 Member States, Croatia and Turkey) to the European Commission in June 2009. The reports cover employment and labour market policy developments occurring in late 2008 and early 2009.

The purpose of the executive summary, prepared by the EEO Core Team, is to provide an overview of the developments in the following key employment policy areas.

- Increasing labour productivity – including planned or implemented employment law changes to introduce more flexible working arrangements in Lithuania, Poland and Portugal; reorganisation of public sector structures in Latvia and the UK; and increase in ALMPs in Turkey.
- Increasing labour demand – including offering financial incentives (e.g. reduction of social security contributions) to create job places in Belgium, Greece, Hungary, Austria, Spain, Slovenia and Sweden; allowing work on Sundays in France and Croatia to support the tourism sector; measures to stimulate demand in the construction and housing industry in Lithuania, Finland, Hungary, Slovakia and the UK; subsidies for scrapping of old cars in the Czech Republic and Slovakia; partial lay-off programmes and increased support for shorter working hours in the Czech Republic, Germany, the Netherlands, Croatia; measures to address youth unemployment in France and Austria; public works programmes in Hungary, Lithuania and Slovenia; and measures to restrict employment of third-country nationals in Lithuania and Slovenia.
- Promoting a lifecycle approach to work – including measures to increase the retirement age in Hungary, the Netherlands and Finland; formulation of strategies aimed at supporting the employment of older people in France and Hungary; a proposal aimed to discourage early retirement in Romania; and supporting the development of childcare centres in Greece, Luxembourg and Austria.
- Making work pay – including measures to reduce social security contributions for low-wage workers in the Czech Republic; and changes to the tax regime in Hungary relating to the lowering of social security contributions.
- Improving the matching of demand and supply in the labour market – including structural reform measures to strengthen the capacity of the public employment services in Denmark, Estonia, Spain, Lithuania, the Netherlands; and increased PES funding in Slovakia, Sweden and the UK.
- Offering social protection – including financial measures and more flexible rules to support workers on short-term work arrangements in Belgium and Germany; increases (or widening the access conditions) to unemployment benefit in the Czech Republic, France, Lithuania (planned), Austria, Portugal, Romania, Finland, UK; and providing funds to people unable to meet mortgage payments in Hungary and Poland.
- Offering employment security – including measures to adapt working time regulations in Belgium; exemption, for up to three months, from payments to



mandatory social security schemes in Romania; and support to short-term work measures in Germany, Austria and Turkey.

- Addressing the issue of labour market segmentation – including measures to support youth employment in France and Austria; support the employment of disabled people in Lithuania and the Netherlands; and measures to counteract the abuse of fixed-term contracts in Portugal.
- Improving wage-setting mechanisms – including measures in sectoral approach in Germany, and plans for devising a unitary pay system for the public sector in Romania.
- Increasing investment in human capital – including measures to provide financial incentives for training in Belgium, Netherlands and the UK; support for training courses aimed at unemployed people in Ireland and Malta; and reform of university level education in Spain and Lithuania.
- Increasing the adaptability of education and training systems – including measures to improve vocational training in Estonia and Slovakia; consultations on a new strategy for higher education in Greece and Malta; and skills enhancement drives in Ireland, Sweden and the UK.

Such policy developments are discussed in more detail in the following sections of the Summary.

## 2 INCREASING LABOUR PRODUCTIVITY

In the Czech Republic, training subsidies were introduced accompanying working-time reductions by employers. The aim of this measure is to support lifelong learning when productivity is temporarily low and to support future employment.

In Latvia, the Economic Stabilisation and Growth Revival Programme, adopted by the Cabinet of Ministers, includes several measures to increase labour productivity:

- Public sector structural reform, which includes reorganisation of existing structures and personnel reduction, with the aim of a leaner and more efficient public sector that promotes economic growth and supports the private sector.
- Through dialogue between the government and the private sector, bringing wage levels in line with productivity to achieve lower costs and higher competitiveness of producers.

In Lithuania, proposed amendments to the Labour Code are currently under debate. The amendments aim to liberalise labour relations and create conditions for a more efficient use of the labour force and increase labour productivity at the same time. The draft law aims to open possibilities for more flexible regulation of entering into, and terminating, fixed-term employment contracts; liberalises conditions of termination of employment contracts on the employer's initiative and creates more favourable conditions for more flexible organisation of working time in enterprises.

In Portugal, the new Labour Code provides that the company and the employee may set an agreement to reduce daily working time to six hours, or to increase it up to 10 hours, as long as, on average, weekly working hours are respected (which can now be concentrated in four days a week). As long as workers receive two consecutive days off, collective agreements can concentrate the working week in less than four days.



Through collective agreements, the daily working time can be extended to 12 hours if the average weekly working time over a two-month period does not exceed 50 hours. The annual 'working time accounts' can only be established through collective agreements. These accounts can be used by workers when they need to stay off work, as well as by the firm when confronted with a peak in production, in which case the work provided is not paid as overtime work.

In Slovenia, a public tender - SMER - has been issued, valued at EUR 12 million, and aiming to stimulate technology development projects in micro, small and medium sized companies.

In Finland, service vouchers to be used in municipal health and social services came into force at the beginning of June 2009. They aim to increase competition in the sector and to improve return on investment.

In the UK, the Department for Business, Enterprise and Regulatory Reform (BERR) was merged with the Department for Innovation, Universities and Skills (DIUS) to create the new Department for Business, Innovation and Skills (DBIS). The merger is reported to be aimed at bringing industry and skills more closely together and this should aid the push for higher skills and greater productivity.

#### *Candidate Country*

In Turkey, an employment measures package was adopted in May 2009. It consists of several measures. Firstly, it is aimed to apply active labour market policies to reach 200 000 people who are currently employed. Secondly, measures are targeting 120 000 people in government supported service employment, such as light maintenance and repairs in public property and park services. Finally, it is aimed to offer 100 000 internships for young people in firms, with financial support from the Turkish Employment Agency.

### **3 INCREASING LABOUR DEMAND**

In Belgium, three separate measures have been implemented in the three regions:

- The Parliament of the Brussels Region has increased the budget by EUR 500 000 in 2009 to support the employment of unemployed people in companies, and other employment initiatives. This extra funding supports 71 projects.
- In Flanders, the Flemish government has reduced employer contributions (for a maximum of six months) for employers who hire an individual over the age of 50 on a long-term contract. The aim of the measure is to promote the participation of older workers in the labour market.
- In Wallonia, the Walloon government has offered financial incentives to encourage company start-ups through 'training vouchers for entrepreneurship'. These work by helping to train project managers to become self-employed or to start-up their own company within the region. The training vouchers are used to remunerate the project manager whilst they start up their business activity; to pay for specific training for the project manager; and to remunerate the trainer who provides individual training.

In the Czech Republic, several measures have been adopted:



- Foreign direct investment (FDI) incentives have been substantially reduced during 2007-2009. FDI incentives for simple assembly lines are no longer a priority and it is now considered that such incentives should target technology investments.
- A car scrappage bonus is about to be implemented to enhance employment in car manufacturing.

In Greece, the latest Operational Programme of the Public Employment Service (OAED) envisages the creation of 194 000 temporary jobs in 2009. This highly ambitious programme comes as a response to the current economic crisis and to rising unemployment. The aims of the programme are multiple and include: stimulating labour demand by covering part of the labour costs; encouraging self-employment and entrepreneurship; reducing registered unemployment by allowing the conversion of benefits into employment subsidies; supporting restructuring efforts (such as the restructuring of Olympic Airways); encouraging local solutions to the unemployment problem; and helping new entrants acquire professional experience. The OP is currently active and the various measures have implemented since February 2009.

In Spain, employers' social security contributions for part-time contracts have been reduced with the aim of stimulating an increase in the number of part-time contracts. A reduction in employers' social security contributions is also in force for open-ended contracts for people receiving unemployment benefits, with the aim of creating new employment. Also, the government has implemented the State Fund for Local Investment, aimed to finance investments in municipalities for new planned work to be executed immediately. The main purpose is to use the labour force in the construction sector and contribute to maintaining its employability. In addition, in the automotive sector, a new plan has been approved to promote the recovery of the economic activity and the maintenance of the employment.

In France, a new act has been submitted to parliament which will allow work on Sundays in 'touristic and thermal zones' and in urban areas with more than one million inhabitants in which there is 'exceptional consumption'. The right to work on a Sunday will be based on the signing of a collective agreement between employers and worker representatives or through its approval by a referendum in the companies concerned. The Act will offer greater flexibility to employers and workers with regards to working time arrangements and will simplify existing legislation.

In February 2009, the Lithuanian government approved the Economy Stimulation Plan, which inter alia included the expansion of business crediting opportunities, extension of energy efficiency of buildings and improvement of business environment measures.

In Lithuania, the issuing of employment permits for drivers from third countries was suspended with effect from 1 March 2009 with the aim of protecting local workers employment.

In Luxembourg, the government has developed a national economic recovery plan which aims to boost the economy, keep people in jobs and prepare the country for the post-crisis period. The plan has been implemented through a considerable number of projects, which were approved by the Government Council.

In Hungary, several measures have been adopted or put forward to stimulate an increase in labour demand:



- Public work programmes (valued at HUF 5.6 billion, or EUR 0.02 billion) are being implemented to provide demand for labour which can be filled by long-term unemployed people.
- A proposal has been made to amend corporate tax in order to support the employment of unemployed and disabled people and vocational training in the workplace.
- Public construction projects are being implemented to prevent the collapse of the construction sector and the associated labour market effects.
- Lowering social security contributions by 5 percentage points in 2009 for those earning less than twice the minimum wage, and in 2010 for all earners.

In the Netherlands, a partial lay-off programme has been introduced to reduce the negative consequences of redundancies. The programme replaces a similar initiative which offered firms the possibility of reducing their employees' work hours. The new programme offers unemployment benefits in compensation for a reduction in working hours and targets skilled workers. The intention is to keep workers under contract to the firm, when the workload reduces because of the recession. Firms can use this programme for a maximum of 65 weeks and working time can be reduced by a maximum of half its contracted value and the hours laid off should be devoted to skill improvement. The budget allocated for this temporary programme was EUR 375 million, and was planned to run until 1 January 2010, although the budget was fully deployed by 22 June 2009.

In Austria, several measures aimed at increasing labour market demand have been implemented:

- Firstly, the Minister for Economy, Family and Youth has signed an Apprenticeship pact with the 15 most important providers of apprenticeship places to help reduce youth unemployment. The companies agreed that they would keep the number of apprenticeship places available during 2009/2010 at a constant level (around 11 000 apprenticeship). The number of apprenticeship training vacancies is expected to rise this year.
- Secondly, the solidarity bonus model has been extended as part of the drive to reduce youth unemployment. The extended model will allow future trainees from special training institutions to be recruited as new employees – currently only unemployed people can be recruited. The extended model aims to prevent youth unemployment by creating sustainable job opportunities for young people.
- Thirdly, Austria has increased the age limit at which companies are entitled to claim the older worker bonus from 57 years to 58 years. This will act as a financial contribution for the new labour market measures. It is important to note, however, that this regulation will be valid only until 2013.
- Fourthly, the Council of Ministers has agreed to promote one-person-firms to encourage them to hire additional staff. As a result, the state will take over the employer's social security contributions for employees recruited by one-person-companies. It is hoped this will lead to increased labour demand.
- Finally, the part-time allowance for older workers will be made more flexible in order to increase the employment of older workers. The age limit for



benefit entitlement (currently, 53 years for women and 58 years for men) will not be raised until 2012. In addition, the obligation to replace the older worker on a part-time contract with another person will be removed. In return, the extra payment by the PES will be reduced.

In Slovenia, several measures have been adopted:

- An expanded programme of public works is aimed at stimulating development of some public services (education, social security, environment protection) and social inclusion.
- A decree on Restrictions and Prohibition of Employment and Work of Aliens has been adopted in response to the demands of other EU Member States to prevent third-country nationals with Slovenian residence permits from competing in the EU labour market;
- Various subsidies to employers are being adopted (such as “employ-me” work trials), to increase labour demand, especially for the most vulnerable groups.

In Slovakia, the government programme on thermal insulation of buildings was approved on 20 May 2009. The programme enables individuals and legal entities to apply for a preferential interest-free loan for thermal insulation of family and residential houses. The main objective of the measure is to improve energy efficiency in the housing sector and thus help to mitigate the effects of the economic crisis. The measure aims to create and/or maintain at least 8 000 jobs.

Also in Slovakia, two rounds of a car scrappage scheme have been implemented in March-April 2009 (no follow-up round is envisaged), intended to support the automotive industry.

In Finland, job alteration leave is to be made permanent from the beginning of 2010 in order to increase labour demand. Social partners have formed a tripartite agreement with labour market organisations and the government. There have been a number of other relevant developments:

- From February 2009 there has been a 10% counter-cyclical subsidy for basic housing renovation;
- From April 2009 there has been an increase in interest subsidies for new rental housing;
- In March 2009 Finnvera’s counter-cyclical loans for enterprises came into force; and
- The employers’ national pension contribution will be completely eliminated in 2010.

In Sweden, tax credits in the construction sector have been introduced. Work in the form of repairs, maintenance and improvement of one-family houses and tenant owner housing has been included in existing tax credits for household work. This should in turn increase labour demand in the construction sector.

Also in Sweden, as part of the New Start Job initiative, the government has doubled the deduction for employers who recruit an individual for a New Start job. This implies that the employer will pay about half the cost of the current wage. The measure is aimed at increasing labour demand for young people and has been in force since January 2009.



The UK government recently launched a paper on 'New Industry, New Jobs: Building Britain's Future'. It intends to stimulate demand by removing the barriers holding back business and building on strengths to achieve growth.

Also in the UK, the April 2009 Budget has set up a £600 million (EUR 702 million) funding mechanism to help build more homes. The steep decline in new house building is the basis for this measure which will focus on helping unlock construction sites that are currently dormant.

#### *Candidate Country*

In Croatia, the Association of Employers has proposed an initiative to co-finance a shorter working-week for firms in the textile and foot-wear industries. The proposal is to shorten the working week from the current 40 hours to 32 hours, and for the government to pay the difference in salaries through unemployment benefit of HRK 600 (EUR 810). The proposal is currently being discussed amongst social partners and the government.

Also in Croatia, the Sunday work ban for shops will be lifted from 1 June 2009 and shops will be allowed to open until 2 pm. This is expected to support the tourism sector in Croatia.

## **4 INCREASING LABOUR SUPPLY**

In the Czech Republic, it was agreed to allow employment agencies to hire only qualified foreign workers with a school-leaving exam (Abitur/Maturita). This is to reduce foreign labour supply and eliminate illegal practices.

In Estonia, new centres on coaching for working life are being established, with funds allocated in April 2009. The aim of the coaching centres will be to activate long-term unemployed people and those who have been inactive for a long period of time.

In Greece, approximately 18 000 mothers will benefit from a measure for the 'reconciliation of family and work life' by sending their children to childcare facilities. The aim is to help working mothers, as well as unemployed mothers, with their work lives and ultimately to increase female activation rates. The measure has been launched recently and has been well received by social partners. Investments are needed for both infrastructure and teachers since pre-school education is not well developed in Greece and the current gap is filled by private childcare centres.

In France, two measures aimed at increasing labour supply have been introduced:

- Firstly, the parliament recently adopted a law aimed at easing the maintenance and creation of jobs. The law will enable companies to lend their workforce out to another company for a specified amount of time when facing economic difficulties, instead of making them redundant.
- Secondly, a decree has been introduced which will oblige companies with more than 50 workers to develop a 'senior employment strategy' by 2010. In the event of a company ignoring the decree, they will be required to pay a tax of 1% of their total wage bill. This measure is aimed at encouraging the employment of older workers.

In Latvia, from March 2009 the allowance for unemployed people during retraining has increased from 40 LVL to 70 LVL. It is planned to spend 197 600 LVL in 2009 for the allowances. This measure is aimed at improving labour market flexibility by



incentivising unemployed people to take part in training and retraining programmes and enable them to find new jobs more quickly.

In the Netherlands, the government plans to increase the pension age from 65 to 67. This proposal was originally made before the financial crisis in order to reduce the negative effects of an ageing population.

In Finland, the age limit for part-time retirement and the eligibility age for unemployment pension are both to be raised by one year to 60, in order to increase the supply of older workers. These increases will come into force at the beginning of 2010.

#### *Candidate Country*

In Croatia, the National Employment Action Plan 2009-2010 and the Annual Employment Promotion Plan adopted by the government on 21 May 2009 envisages the following measures to enhance active job search and reduce social exclusion and long-term unemployment:

- Prepare and agree plans for return to work for all unemployed people, at the latest, two months after registration on the unemployment register,
- Increase the level of employability of groups most affected by long-term unemployment, primarily through measures aimed at people with disabilities.

## **5 PROMOTING A LIFECYCLE APPROACH TO WORK**

In France, a law on professional guidance and lifelong vocational training has been adopted. The law covers a number of different elements:

- Firstly, the implementation of the fund for the securitisation of professional paths, which is governed and financed by compulsory contributions from employers up to a total of EUR 900 million within the framework of a national Convention with the State.
- Secondly, the reorganisation and reduction of the number of employer's vocational training funds so as to allow better access for SMEs.
- Finally, several measures which will facilitate individual access to vocational training, notably for unemployed and dismissed workers. An additional 500 000 low qualified workers and 200 000 job seekers will benefit from vocational training opportunities each year.

In Cyprus, the Human Resources Development Authority's (HRDA) measures for continuing training have come in force in January 2009, to assist individuals to adapt to changing labour market needs and to help enterprises keep their employees and avoid layoffs.

In Luxembourg, the scheme for service cheques has been reinforced to provide a considerable amount of childcare facilities. A call centre has recently been set up to inform the public of the services available. Furthermore, the Government Council agreed on a Grand-ducal draft bill which will modify the existing July 2005 law on the provision of services.

In Hungary, several measures have been adopted to promote the participation of older people in the labour market:



- The Parliament has adopted a law to raise the retirement age, from 2012, by six months per year, up to 65 years of age (from 62), so as to prevent early exit from the labour market
- A proposal was made to the government by the Council of the Aged for a National Strategy for the Aged. The strategy is to provide a comprehensive framework for actions concerning older people (60+), including labour market participation, health- and long-term care.

In Austria, three measures have been implemented to promote a lifecycle approach to work:

- Firstly, a free kindergarten year has been introduced for children aged five. This will be available from September 2009 and will cover 20 hours per week. In addition, by September 2010 (at the latest) children will be obliged to attend kindergarten for a minimum of 16 – 20 hours per week. This measure is aimed at reconciling work and family life and reaching the Barcelona target. The agreements have been signed by the central government and the federal states and they should be adopted by the parliament before the summer.
- Secondly, a pilot project in two federal states introduced a health examination sheet and a central examination office to verify the working capacity of impaired workers. This aims to reduce the duration of the examination process and implements early need-based interventions (such as, placement activities; pension applications).
- Thirdly, negotiations between coalition partners are ongoing concerning a further flexibilisation of the childcare benefit. It is planned to introduce a fourth option, which will link childcare benefit to the amount of income earned. The benefit will amount to 80% of income, with a maximum of EUR 2 000 per month available. This new regulation also aims to reconcile work and family life and to encourage men to take care responsibilities.

In Romania, a proposal is under consideration to apply the contribution-based system to all categories of salaried employees. This could increase labour supply by discouraging early retirement.

## 6 MAKING WORK PAY

In the Czech Republic, social security contribution rates for low-salary workers have been reduced to decrease labour costs and thus support the employment of low skilled workers. This was already approved as a part of anti-crisis package.

In Cyprus, an increase of 0.5% in social security contributions was introduced in April 2009, to improve the viability of the social security fund. However, the measure does imply an increase in the cost of employment. The measure is supported by the government and by the trade unions, while employers are more cautious.

In Hungary, two proposals have been made:

- A simplified entrepreneurial tax rate to increase from 25 to 30%, making it less attractive to work outside a regular contract.



- By 2010, the lower tax threshold for personal income tax will be increased to HUF 5 million (EUR 20 000) with a lowered tax rate of 17%. The rate above will be 32%, in order to make work pay as opposed to no work, illegal work and payments of other forms.

In Slovakia, an amendment to the Employment Services Act was approved by the government in March 2009 to tighten the provision of contributions for self-employment, which were reportedly misused previously.

## **7 IMPROVING JOB MATCHING IN THE LABOUR MARKET**

In Denmark, full integration of the PES and the job offices of the municipalities in the new local jobcentres is taking place. The aim is to improve the coordination of the different activities of the jobcentres. The measure is related to the new financial framework making municipalities responsible for the financing of a share of unemployment benefits, which will be in place from 1 January 2010.

In Estonia, the Labour Market Board and the Unemployment Insurance Fund (UIF) are being combined into a single Estonian Unemployment Insurance Fund. The aims of this move are to improve the accessibility and quality of the service being offered and to raise effectiveness in getting people into employment.

In Spain, a plan for the improvement of the Public Employment Service (PES) is under consultation with the social partners. The plan includes the addition of 1 415 professionals into the PES, organisational changes, and changes in management and technology. The aim is to respond effectively to the increasing number of users of employment services.

In Lithuania, enterprises intending to dismiss groups of employees are now obliged to inform a territorial labour exchange (local PES) in advance. This measure is aimed at helping the PES to better prepare for group redundancies and to implement preventive measures more efficiently.

In Luxembourg, major educational and professional reforms have been implemented in recent months. The reform of the education system is seen as a vital element as it aims to better match skills with labour market demands, through a competence based approach. In addition, the Government Council (on 27 March 2009) approved a major draft bill to revamp the National Employment Agency (ADEM). This will include administrative changes and more individualised support for unemployed people.

In the Netherlands, a countrywide network of Mobility Centres has been in operation since March 2009. These centres intend to reinforce the capacity of the Public Employment Service by acting as an on-the-spot labour market, with the involvement of regional unions of SMEs and temporary work agencies, as well as other parties. In addition, as of January 2009, the employment service and the administrator of Unemployment and Disability Insurance have merged into a so-called 'Work Company'. This allows for a one-stop service for jobseekers and firms seeking to fill vacancies, and for those who are temporarily out of work (and seeking income protection).

In Slovakia, an increase in the number of labour office employees was approved by the government on 17 June 2009. The hiring of new employees commences on 1 July; the increase is planned as a fixed-term measure until the end of 2010. The staffing of labour offices will be reinforced by 350 new employees to better cope with the



increasing number of job seekers and people on social assistance, as well as the administration of a widened set of ALMP measures.

In Sweden, an extra SEK 300 million (EUR 27.3 million) has been allocated for public employment services. In addition, SEK 1.1 billion (EUR 0.1 billion) has been designated to strengthen individual coaching. Both measures are aimed at improving the matching process and the control of search activities.

In the UK, the April 2009 Budget provided additional funding to Jobcentre Plus to help cope with increased unemployment, ensuring the provision of public employment services to all new jobseekers.

#### *Candidate Country*

In Croatia, special job-search and vocational counselling measures are in place for national minorities and long-term unemployed people, aimed at improving their employability.

## **8 OFFERING SOCIAL PROTECTION**

In Belgium, the Flemish government has increased the amount of benefit which can be claimed by workers who have had to reduce their working time. This measure aims to compensate for loss of income due to temporary interruption of work. The proposal was initially put forward by the Flemish trade unions in order to increase the benefits adopted at federal level.

In the Czech Republic, as part of the anti-crisis package, an extension of eligibility for unemployment benefits is being approved, aimed especially at providing more income protection for older workers.

In Denmark, more flexible rules are being introduced for temporary work-sharing combined with part-time unemployment benefits. The measure encourages companies to offer to their employees a longer temporary reduction in working hours with part-time unemployment benefits. It came in to force from 30 March 2009 and aims to reduce dismissals and allow firms to keep their workforce during a (temporary) slowdown in production.

In France, there are three measures put in place which offer social protection:

- Firstly, the law aimed at easing the maintenance and creation of jobs (this is discussed in the section on increasing labour supply).
- Secondly, the 'allocation équivalent retraite' (AER – old age pension equivalent) continued to be implemented in 2009. The allocation secures a minimum income for long-term unemployed people under 60 and who have contributed to a retirement scheme for a specified minimum period.
- Thirdly, the convention between the State and Unedic (responsible for managing unemployment insurance) concerning the increase in the compensation for partial unemployment, from 60 % to 75 %). In return, employers benefiting from this measure must commit to keeping their workforce in employment for a period lasting at least twice the duration of partial unemployment. The measure will be financed by social partners, by up to EUR 150 million.



In Ireland, the Pensions Insolvency Payment Scheme (PIPS) has been introduced by the Department for Family and Social Affairs (DFSA) to assist employees and former employees of companies where the employer becomes insolvent and a defined benefit pension fund is in deficit. Under the scheme, the scheme trustees can pay a sum to the Exchequer to cover the cost of paying the pensions of retired members, instead of buying annuities. Savings will then be put towards the pensions of those yet to retire, thereby reducing, to some extent, pension shortfalls.

In Spain, the government has approved a series of measures to improve social protection of people affected by the labour force adjustment plans. Also, it has increased the flexibility in the payment of unemployment benefits, as a way to reduce the waiting time for the unemployed to collect the subsidy and increase the actual social protection.

In Italy, the Government has increased the lump-sum allowance for 'coordinated collaborators' (who are formally self-employed but often work for a single company with a high degree of subordination) working for a single employer (it will now range between EUR 1 000 and EUR 2 600 per year). This will provide social protection to atypical workers who are not entitled to any unemployment benefits and will help them in the current economic downturn.

In Latvia, to balance the public finances, as of 1 July 2009 all pensions are reduced by 10%; pensions for working pensioners reduced by 70%; and support for working parents reduced by 50%.

In Lithuania, a proposal is being considered to extend payment of unemployment insurance benefits for an additional two months in the areas which have the highest unemployment levels.

In Hungary, several measures have been proposed to offer increased social protection:

- A proposal is in development to allow for personal bankruptcy, with the aim of preventing extreme poverty in case of insolvency.
- A crisis fund has been set up for those people whose income is lower than a certain limit. Such funds will be available between 1 August and 30 November 2009.
- The Parliament has approved the provision of a state-backed guarantee to those people who pay mortgage instalments but have lost their jobs because of the crisis.
- A proposal is under consideration to set up an integrated database to trace the provision of unemployment and social benefits in a unified way.

In Austria, a number of different measures have been introduced which offer social protection:

- Firstly, free pension insurance has been extended for family members with care responsibilities. In addition, the time-limit of a maximum of four years of free pension insurance has been abolished. This will secure pension insurance for family members who may have lost part of their pension due to reduced working time or taking care leave because of care responsibilities. According to the Ministry for Social Affairs, approximately 1 000 people will benefit from the new regulation.



- Secondly, unemployment benefit will now take inflation into account, which can be seen as a step forward in reducing poverty risks of unemployment benefit recipients.
- Thirdly, health insurance regulations for recipients of unemployment assistance have been improved. Partners in a civil partnership are now covered by health insurance even if they lose unemployment assistance claims due to their partner having too high an income.
- Finally, transitional allowance has been extended. Older long-term unemployed people, who were entitled to draw a pension before the 2004 pension reform, can now demand the transitional allowance which is 25% higher than unemployment benefit payments. This regulation would have expired in 2009; instead it is extended until 2011, when a phase-out regulation will come into effect.

In Poland, a draft Act was adopted by the government on 19 May 2009, to help unemployed people meet mortgage payments. The measure is part of the Polish government's *"Stability and Development Plan – strengthening the Polish economy during the global financial crisis"*. It aims to assist people who have lost their jobs to meet part of their mortgage payments. The support cannot exceed Polish Zloty 1 200 (approx. EUR 275) per month for 12 months. The repayment period will start two years after receiving the support.

In Portugal, efforts are being made to increase the balance between social security contributions and payments. The aim is to clarify the basis of contributory assessment and to reform the special regimes of reduced contributory rates and the contributory regime for independent workers. A new Contributory Code is proposed which will differentiate contributory rates according to the type of contract (fixed-term and permanent), thereby providing an additional advantage to permanent contracts.

Also in Portugal, Unemployment Assistance (UA) is now provided to those that have exhausted their entitlement to unemployment insurance (UI) or have not completed the qualifying period required for UI, provided that the beneficiary has an income equal to or below 110% of Social Support Indexation (IAS) (previously the limit was 80% of the IAS). The measure is temporary (12 months) and aims to extend the coverage of UA to low income unemployed people during the current period of high unemployment.

In Romania, a minimum public pension has been established. In addition, the duration of the unemployment benefit period has been increased by three months.

In Slovenia, several measures are in place or under consideration to increase social protection:

- A dramatic increase in funding for social protection (EUR 150 million) has been agreed to cover all cases of possible loss of jobs during the global economic crisis.
- Preparation of a new Employment and Insurance against Unemployment Act to set new criteria for unemployment insurance entitlement and to extend coverage to more flexible employees (temporary workers).
- The Rights to Public Funds Act is being prepared to simplify the procedure, and to increase the transparency and effectiveness of the social transfers system.



- A Special Single Social Assistance Act is being prepared to offer additional help to the recipients of social assistance.

In Finland, there is to be an increase in the level of unemployment benefit for participants in activation measures. From the beginning of 2010 the benefit will increase by 2.6% for the average wage level.

In the UK, the April 2009 Budget provided for an additional £1.7 billion (EUR 1.98 billion) for the Department of Work and Pensions (DWP) to support claimants. It recognises that the difficult labour market conditions means that more people are moving off Jobseekers' Allowance and need financial support for longer periods.

## 9 OFFERING EMPLOYMENT SECURITY

In Belgium, the Federal Government has implemented a working time arrangement. This includes the temporary adaptation of working time; individual and temporary reduction of working time; temporary and collective arrangements on full or partial suspension of employment contracts. The measure will allow workers to maintain the rights linked to their initial working contract, preventing them from losing their job. Wage compensation will vary according to the scheme followed and is paid either by the employment agency or the employer, but will be financed by a rebate of social security contributions.

In Denmark, the action plan to improve job opportunities for disabled people was launched on 22 April 2009. The action plan aims to promote increased employment of disabled people leading to a higher overall labour supply, counteracting the negative effects of the ageing of the population and improving quality of life for disabled people.

In Germany, cyclical short-time work arrangements have been extended from 18 months to 24 months. Companies are eligible for support if at least one employee has 10% less work and would earn 10% less due to temporary decreases in orders. The Federal Labour Agency will then pay between 60 and 67% of the difference between gross salary and reduced salary. In addition, companies can also request that the Federal Labour Agency pay for social security contributions from the seventh month onwards. The measure enables enterprises to retain their employees and to plan their workforce up to the end of 2010. It is seen as a key instrument to save jobs during the economic crisis by the Federal Government.

In Ireland, the Back to Work Allowance (BWA) has been reorganised to support aggregate labour demand. The revamped measure, now called the Back to Work Enterprise Allowance (BWEA), involves a shorter qualifying unemployment periods, even though the period of support has been reduced from four to two years. It is estimated that there will be nearly 1 000 additional claims per year. It has also been decided to allow people who have previously participated in the scheme to participate a second time.

In addition, a new Work Placement Programme has been introduced in Ireland to encourage and enhance labour demand. An initial 2 000 individuals who are currently unemployed will be given the opportunity to take part in a six-month work experience programme. Two different streams will be available each catering for 1 000 participants. The first stream will cater for degree level graduates who have been receiving Job Seeker's Allowance for the last six months. The second stream will be open to all other individuals who have been receiving Jobseeker's Allowance for the last six months.



In Spain, the situation of the economically dependent self-employed (those whose income depends by at least 75% on a single client) will be regulated to provide greater legal certainty and working rights.

In France, the social investment fund (FISO) has been implemented. The fund is managed by social partners and the Ministry for Economy and Employment. It will finance measures which promote the employment of young people and enable workers who have been made redundant to re-enter the labour market, and which facilitate access to vocational training. The fund is financed by the State and ESF (EUR 1.5 billion) and social partners (EUR 400 - 500 million).

In addition, the concept of tele-working has been introduced in the French Labour Code. This includes a definition of tele-working and defines the working conditions and use of tele-working by employers. The Code gives tele-working a legal framework and facilitates worker access to tele-working.

In Italy, changes approved in March 2009 foresee that recipients of unemployment benefit are allowed to take, in 2009, occasional work worth up to a maximum of EUR 3 000.

In Lithuania, the government approved the extension of possibilities for using public works. Public works would be organised in enterprises facing economic difficulties as well as by business companies. Participants of public works would include employees of the companies and people referred from the public employment services.

In Austria, a considerable number of measures have been introduced which offer employment security:

- Firstly, there has been an assumption of state liability in the tourism industry. This will mean that short-term reduction in turnover and the resulting liquidity squeeze will be compensated by the Austrian Bank for Hotels and Tourism (owned by the three biggest Austrian banks).
- Secondly, an economic package has been introduced for the electricity industry. The Minister of Economics (also responsible for energy affairs) has introduced an investment programme, which has allocated an annual amount of EUR 2.3 billion for the next two years to be spent on the construction of power plants and energy networks. This will safeguard 95 000 jobs in construction, electric engineering and construction.
- Thirdly, the youth labour foundation has been established which will give 2 000 young people (19-24 years old) the opportunity to participate in vocational orientation, vocational (re)training and outplacement. The foundation's target group is young people who have worked in an SME or at a temporary work agency and who have lost their jobs. The detailed concept is currently being developed.
- Fourthly, transitional arrangements for the Austrian labour market have been prolonged. This is aimed at avoiding wage dumping caused by increased immigration of workers from the EU-10.
- Fifthly, the initiative 'Action Future for Youth' has been implemented as part of the youth offensive (which also includes the existing vocational training guarantee). The measure aims to reduce youth unemployment – within six months all unemployed young people (19-24 years old) will be offered either: a job, tailored training, or subsidised employment.



- Sixthly, new regulations for short-time work have been adopted. This will extend the minimum period of time from 18 months to 24 months and will also increase the allowance (employers' social insurance contributions will be paid by the Labour Market Service from the seventh month onwards).
- Finally, the 'further training leave plus' has been extended to minimise unemployment and improve qualification adaptability. Employers can now take leave of two to 12 months (previously three to 12 months) and the minimum period of time they have to have been employed by their present employer has been reduced to six months (previously a minimum of one year). The regulation is limited to 2011.

In Poland, a draft Act on reducing the effects of the economic crisis for employees and employers was presented to the Government on 2 June 2009 by the Ministry of Labour and Social Policy. The draft Act proposes flexible work time organisation through an increase of working time calculation up to 12 months, applying different hours of starting and finishing work, limiting the possibility of employing the same employee on a fixed term basis to up to 24 months, offering the possibility of reducing working time with the appropriate wage reduction, using the work stoppage payments (while not performing work and maintaining readiness to perform work) for up to six months. It is envisaged that around 250 000 people can make use of this assistance. Within this group, approximately 50 000 can use other supporting measures like training, and postgraduate studies, which can be refunded up to 80 %.

In Romania, companies can now use the so-called 'technical unemployment' clause to claim exemption, for up to three months, from payments to mandatory social security schemes.

In Slovenia, the following measures have been adopted:

- The Partial Reimbursement of Payment Compensation Act aims to preserve as many jobs as possible (up to 25 000) by introducing a 'temporary waiting on the job' provision – workers on the waiting list are entitled to 85% of the wage (50% covered by the state and 35% by the employer);
- An Act for partial subsidy of full-time work aims to preserve jobs by enabling employers to reduce weekly working time to 36 or 32 hours, by using a subsidy to fund the wages up to the full-time payment.

In Finland, the level of unemployment benefits for participants in activation measures will increase by 4.9% (for the average wage level). This is due to come into force from the beginning of 2010 and is aimed at increasing the supply of labour. In addition, individuals who have been laid off will be eligible to transitional social security from the beginning of July 2009 onwards.

#### *Candidate Country*

In Turkey, short-time work compensation is now paid to firms by the Turkish Employment Agency and is renewed every three months. The measure helps to maintain employment in some sectors, for example, automotive and consumer durables sectors. In addition, in these sectors the tax deductions to stimulate the demand were also implemented. The tax deductions started in mid-March 2009 for three months and were renewed for another six months in mid-June 2009.



## 10 ADDRESSING THE ISSUE OF LABOUR MARKET SEGMENTATION

In Estonia, an information day was organised on 20 January 2009 on Estonian language training for non-Estonians. The aim was to increase accessibility to Estonian language training and to raise labour market opportunities of non-Estonians in the long term.

In France, several tax credits have been implemented as part of the Youth Employment Strategy. The tax credits are available for employers who hire young people under 'work and study' contracts (apprenticeship and *contrats de professionnalisation*) and aim to get 500 000 young people into employment or training by 2010. The total cost is estimated to be around EUR 1.3 billion and will be financed by the Social Investment Fund (FISO).

In Lithuania, one of the two new labour market training centres for disabled individuals was opened. Its main aim is to develop a system for vocational rehabilitation of disabled people in Lithuania with a view to promoting their employment and equality of opportunity in the labour market.

In the Netherlands, there are currently two bills under discussion in the Dutch parliament. The first relates to young people with disabilities and the second to sheltered work. The first Bill revises the *Wajong* programme and proposes to make a distinction between 18 year olds who are able to earn at least 20% of the minimum wage and others. For the first group, individual programmes for supported employment will be set up. The second Bill aims to replace current sheltered workshops with more inclusive forms of supported employment for those who are unable to earn the minimum wage.

In Austria, there have been reforms aimed at combating benefit fraud and wage dumping. These reforms have been made through changes to several Acts: the construction worker leave and severance pay act; the temporary employment act; and the bankruptcy securing income act.

In Portugal, a new decree foresees that companies relying on 'false' independent work will be penalised: in the case of recurrent use of this form of work, companies can lose their allowances and benefits granted by the state and their activities may be suspended for two years. The decree extends the restrictions on the use of fixed-term employment contracts. A job cannot have been previously occupied by another short-term or temporary worker. The maximum duration of fixed-term contracts is to be reduced from six to three years. In addition, the use of fixed-term contracts will be restricted by new companies or by established companies which are launching new activities. Open-ended contracts will be encouraged, through the reduction of employers' social security payments. The measures aim to reduce labour market segmentation and precarious employment, and to promote job quality.

In Slovakia, a set of measures to mitigate the effects of the global financial and economic crisis on employment in rural areas was approved by the cabinet on 17 June 2009. Their objective is to provide incentives to new job creation with a special focus on agriculture; the aim is to support the creation of 5 000 jobs. Incentives will be conditional on the creation of new employment or self-employment opportunities for unemployed people (by way of a financial contribution).



## 11 IMPROVING WAGE SETTING MECHANISMS

In Germany, minimum wage regulations have been introduced on a sectoral basis. Social partners have to decide on minimum wages within the system of collective bargaining and the government will intervene should the process fail. The measures aim to: establish barriers against downward spirals of wages for low-skilled and low-income workers; avoid inflexibility of standard minimum wages; and involve social partners.

In Romania, a proposal is currently under consideration to devise a unitary pay system for the public sector.

## 12 INCREASING INVESTMENT IN HUMAN CAPITAL

In Belgium, the Flemish government has implemented a training and continuing education plan for workers, unemployed individuals, and temporarily laid-off workers in 26 sectors in order to increase sector competitiveness. Furthermore, the Walloon government has introduced financial incentives for the training of a company's workers: *Chèque Formation* and *Crédit-Adaptation*. *Chèque Formation* promotes worker participation in general training, which supports the acquisition of transferable competences. *Crédit-Adaptation* promotes worker participation in specific training, which supports the acquisition of competences that cannot be transferred to other companies working in other sectors. Companies must have at least one main seat of activity in the Walloon region in order to be able to benefit from the financial aid.

In Ireland, several measures aim to enhance the quality of labour supply:

- The Department of Education and Science (DES) has expanded further and higher education ('Third Level Places') to provide almost 7 000 additional places for unemployed people.
- An additional 2 300 full-time places are being set aside for unemployed people for courses starting in 2009. These will be supplemented by over 900 places on short part-time transition courses designed to facilitate entry to third level courses
- A further 1 500 part-time third level places will be provided to enable unemployed people, or those on short-time working, to pursue third level certificate or primary degree programmes.
- Provision in the Post Leaving Certificate (PLC) sector will be expanded by 1 500 places in September 2009.

In Spain, the Action Plan 2009 for the support and modernisation of universities has been adopted. The plan foresees spending EUR 37 million for scholarships for University degrees. Moreover, other plans increasing investment in human capital in the country include the promotion of special training programme for struggling sectors, such as the car industry and the subsidisation of Master's level studies for unemployed people between 25 and 40 years of age. This measure will be launched in the 2009-2010 academic year and aims to improve the employability and promote lifelong learning in this age group.

In Latvia, in February 2009, the government approved a project by the Ministry of Education using the Structural Funds to enhance the quality of vocational education



and support through retraining of vocational education teachers. Over three years, 5 000 vocational education teachers will participate in retraining courses and internships in businesses.

In Lithuania, a new draft Law on Science and Studies is under consideration. Its adoption will mark the beginning of reforms in the area of science and studies. The draft law provides for amendments in the funding procedure for education and studies, a new model of management and rules regarding the ownership of state university and college assets, as well as efficient methods for ensuring the quality of studies.

In Luxembourg, second chance schools form the main project for investing in human capital. Their objective is to reintegrate early school leavers back into the education system and to help them to develop general, practical and social competences. Furthermore, a new National Institute for Languages has been given a legal basis through an act of parliament.

In Malta, the Employment Aid Programme, with a budget of approximately EUR 20 million, was recently launched by the Employment and Training Corporation (ETC). The aim of the programme will be to help unemployed people to find employment. Moreover, there are measures (the Training Aid Framework) aimed at helping employers invest in the skills of their existing employees, or to employ disadvantaged people.

In the Netherlands, a training programme has been established to retrain workers made redundant in one sector so that they can work in another sector in which there is high demand. The initiative covers half of the retraining costs of each worker, up to EUR 2 500. Workers without an 'Acquired Skills Certificate' (*Erkenning Verworven Competenties* - EVC) can receive an equivalent subsidy to gain an EVC certificate. The programme is run by the mobility Centres and is partly funded by the ESF.

In addition, there has been a drive in the Netherlands to encourage students to complete or extend their formal or vocational education and to continue on to a higher schooling level. The aim is to reduce the numbers of young people dropping out of education and training, to promote the upgrading of skills and to prevent unemployment by postponing entry into the labour market. A new Bill (*Wet investeren in jongeren - Wij*) is currently being passed through the Senate and seeks to target social assistance applicants under the age of 27. It will oblige municipalities to provide the target group with either a job or access to a training programme. The Bill is part of a broader program initiated by the current coalition to reduce youth unemployment (*Actieplan Jeugdwerkloosheid*) published in June 2009. The Action Plan has allocated EUR 240 million to support several projects. A large share of this budget (EUR 153 million) is aimed at regional projects.

In Sweden, the places and resources allocated to higher education institutions will be redistributed so as to better meet demand and make more effective use of available places. As such the redistribution will increase the efficiency of resource allocation.

In the UK, the April 2009 Budget set out extra spending to help unemployed young adults acquire skills and work experience. An additional £260 million (EUR 304 million) was allocated to training and subsidies for unemployed people aged 18-24 who are approaching 12 months without work. About half of this sum is to be spent on pre employment training places (in England only).

Furthermore, the recent White Paper, 'The Learning Revolution', focused on informal adult learning. It contains recognition of the important role that informal learning plays for both individuals and organisations and pledges the UK government's support.



### *Candidate Countries*

In Croatia, the Open University Zagreb proposed that education and re-qualification of unemployed (particularly long-term) people will be funded by the Croatian Employment Service and reimbursed from the wages of newly employed (previously unemployed) people, who were participants in the educational programmes. The proposal is currently being considered by the government.

In Turkey, Turkish Telecom has established its own training academy. It aims to provide both initial training to newly hired engineers and technicians and lifelong learning incentives (like language skills) to middle management personnel. The firm employs over 30 000 personnel and an additional 10 000 in TTNET that provides internet services. The move is in line with recent Turkish private sector moves in vocational education.

## **13 INCREASING THE ADAPTABILITY OF EDUCATION AND TRAINING SYSTEMS**

In Belgium, the Walloon government has approved and granted subsidies to economic and social institutions and companies for training at work (on the job training). This is intended to: prepare unemployed individuals for the labour market; support equal access to training and employment; and allow unemployed individuals to acquire the necessary competences to find employment.

In Estonia, vocational high schools have been given the right, since March 2009, to set their own admission requirements. The aim is to increase participation in vocational education and to improve the quality of high school education, in general. Employers support this move, in the hope that it will help raise the number of students in vocational education.

In Ireland, three separate measures have been introduced to enhance the quality of labour supply and increase the adaptability of education and training systems:

- Firstly, the Back to Education Allowance (BTEA) has been reorganised to reduce the duration of unemployment periods necessary for qualification. The measure is designed to encourage people on the unemployment register to enter or re-enter education at various levels.
- Secondly, the Training Initiatives Strategy has been extended to include two new training courses. The first will involve 12 000 participants and will run for 10 weeks; whilst the second which is more comprehensive will run for 20 weeks and will involve nearly 2 000 participants. The aim of both of these courses is the development of occupation- specific skills with accreditation at either Levels 4, 5 and 6 on the National Framework of Qualifications, or with recognised industry accreditation bodies.
- Thirdly, steps are being taken to introduce an 11-week certified training programme for up to 700 redundant apprentices each year. Completion of the programme will help participants to progress to higher education training programmes or to complete their apprenticeship at a later stage if on the job placements can be found for them.

In Greece, the government has recently launched a cross-party debate on education reforms, calling for a leaner but more substantial curriculum for senior high school



students preparing for university entrance examinations. This is an attempt to agree on some major reforms of Greece's tertiary education system through a public debate under the auspices of the National Education Council (ESYP), even though the State Secondary School Teachers' Federation (OLME) and two political parties of the left have stated that they will not participate in the debate. Talks should focus on a wide range of issues, including whether there should be entrance requirements for high school students wanting to go to university.

In Cyprus, there is a continuing expansion of publicly funded institutions of higher education and research. This ongoing process aims to improve the availability of tertiary education in the country, removing constraints in university participation. The process is expected to improve the country's ability to cater to demand for tertiary education and reduce the balance of trade deficit due to students leaving Cyprus to pursue tertiary education abroad.

In Latvia, in March 2009, the government approved the following proposals from the Ministry of Education for the use of Structural Funds:

- Until 2013, it is planned to modernise 31 higher education institutions (including their technological equipment and premises).
- It is planned to optimise state-financed higher education programmes to avoid duplication and thus free up funds to provide financial support to students.

In Malta, the 'Further & Higher Education Strategy 2020' is being designed. The aim of the strategy will be to attract more students to post-secondary and tertiary qualifications. A consultation phase has been launched by the National Commission for Higher Education (NCHE).

In Slovakia, a comprehensive piece of legislation on vocational education and training will come into force in September 2009. It aims to improve the preparedness of school leavers for the labour market and life in general.

Several measures are being introduced in Sweden as part of a skill enhancement drive. SEK 500 million (EUR 45.5 million) was allocated in 2009 to:

- Increase the number of places in post-secondary vocational training.
- Increase the number of places in secondary education for adults (adult vocational education).
- Increase opportunities for unemployed people to obtain higher public post-secondary student allowance or aid in 2009/2010.

An additional SEK 2.4 billion (EUR 0.2 billion) has been allocated to increase the number of places in work placement schemes. The scheme will also include 'practical skills development' as a new component - this is particularly aimed at people who already have work experience.

In the UK, the Scottish government recently announced funding of £1.8 million (EUR 2.1 million) for a series of skills development projects in various sectors. As part of this, 12 colleges will examine new approaches to the effective use of skills, working with industry with the aim of increasing productivity and business success.