



The Employment Committee

Report of the Employment Committee

Indicators for monitoring the Employment Guidelines 2002

Progress report from the Indicators Group to the Employment Committee, including proposals for the classification of existing indicators into key and context indicators, the integration of agreed quality in work indicators into the set of employment indicators and new basic performance indicators and other new indicators on tax-benefit, lifelong learning, skills and labour market bottlenecks, adaptability and tackling gender gaps.

INTRODUCTION

This progress report presents the conclusions of the Indicators Group based on their work from September 2001 to July 2002. The Group's starting point was the existing set of employment indicators which were set out in last year's progress report to the Committee (see document EMCO/19/310501/EN_REV1) and approved by the Committee in 2001. The report covers the Group's three main areas of work undertaken this year: proposals for the classification of existing indicators into key and context indicators; the integration of the quality in work indicators endorsed by the Employment and Social Policy Council on 3 December 2001 into the set of employment indicators; and new indicators on tax-benefit, lifelong learning, skills and labour market bottlenecks, adaptability, gender gaps. The number of new indicators proposed by the Group this year is minimal since, in light of the impact evaluation of the Employment Strategy, the Group's work programme for 2002 emphasised the need for consolidation of the existing and ongoing work on indicators. In addition to the new indicators, a number of technical changes are proposed to existing indicators, mainly to reflect the availability of better data sources.

Once endorsed by the Employment Committee, the conclusions of the Group should be taken into account in drafting the Joint Employment Report 2002 and in the further development of statistical work related to, in particular, the preparation of a list of structural indicators by the Commission.

The complete set of employment indicators are listed in the table in annex 2 this report. The proposed key indicators are highlighted, as are the proposed new indicators, and any existing indicators where changes or updates in data source are proposed. The Group proposes that all indicators should be broken down by gender, as far as this is appropriate. A separate list of the proposed key indicators only is set out in annex 1 for ease of reference.

1. CLASSIFICATION OF INDICATORS INTO KEY AND CONTEXT INDICATORS

The Group has undertaken the classification of indicators into key and context indicators following the request of the Committee at their informal meeting in Helsingborg on 31 May-1 June 2001, where it was agreed that such a distinction between existing indicators should be established.¹

The Committee agreed that this classification should reflect the following definitions of these categories:

- A **key indicator** will measure progress in relation to the objectives defined in the Employment Guidelines.

Key indicators should therefore be linked to a precise objective of the Guidelines. Moreover, they should be significant, in the sense that a trend in the development of the indicator should clearly indicate progress or a lack of progress in relation to that objective. They should rest on reliable statistical data and be sufficiently recent and regularly updated to form the basis of the monitoring process.

- **Context indicators** will support the analysis of the NAPs by putting national policies and performance into perspective.

The proposed classification of existing indicators is set out following the pillar structure of the Employment Guidelines in annex 2 to this paper.

The Group has attributed all existing and proposed new indicators to specific horizontal objectives or guidelines of the Employment Guidelines for ease of reference. However, the basic performance indicators remain as a separate category, as, given the importance of the areas they measure, the Group did not feel that these indicators should be attributed to specific guidelines at this stage. The Group proposes a classification of the basic performance indicators into key and context indicators and will revisit the question of attributing these indicators to specific guidelines in the context of the future Employment Strategy.

2. INTEGRATION OF QUALITY IN WORK INDICATORS

The Group proposes the integration of the quality in work indicators endorsed by the Employment and Social Policy Council on 3 December 2001 into the Employment Guideline-based structure of the existing list of indicators, with each quality indicator attributed to a specific horizontal objective or Employment Guideline, as with the other employment indicators. The quality indicators endorsed by the Council have not been changed in any way by the Group, and the agreed classification of those indicators into key and context indicators is fully reflected in the complete list of proposed indicators set out in annex 2. For ease of reference, the relevant numbered reference from the endorsed list of quality indicators is given alongside the integrated quality indicator in annex 2 – as the list

¹ Document EMCO/21/310501/EN

of quality indicators has already been endorsed by the Employment and Social Policy Council, these indicators are not underlined as 'new' indicators in annex 2.

3. BASIC PERFORMANCE INDICATORS

In the Group's further discussions on the existing performance and policy indicators, the focus was on the classification of these indicators, but the development of indicators of time-related underemployment and of the labour reserve was also considered. The Group is proposing two new basic performance indicators, one on *time related underemployment due to involuntary part-time work* (TRUE) and the other on the *labour reserve* (LR), to supplement the existing set of employment indicators. The Group will continue to liaise with Eurostat to ensure the consistent development of data for these indicators.

4. ACTIVATION AND PREVENTION

The Group is proposing a relatively minor change to the established set of indicators on activation and prevention. One additional context indicator on the *evolution of the activation rate* (set out in the annexed table as ACT_{C1}) is proposed. In addition, the Group is proposing to update the data source used for the existing indicator *on expenditure on active and passive measures as a percentage of GDP* (set out in the annexed table as ACT_{C2}), to use the Labour Market Policy database as the source for this indicator (in line with the general aim to move towards the LMP database as a data source for the prevention and activation indicators in particular).

In general, in relation to the activation and prevention indicators, the Group acknowledges that difficulties remain in comparing Member States – for example because of the varying definitions used by Member States for policy actions on activation and prevention – and considers that this limitation should be clearly reflected when these indicators are used as a basis for analysis in the Joint Employment Report.

5. TAX-BENEFIT AND TAXATION INDICATORS

In the area of tax-benefit and taxation indicators (grouped together for ease of reference), the Group is proposing only very limited changes.

One new tax-benefit indicator is proposed (*AETR – average effective tax rate*) with the aim of identifying unemployment traps. The Group also proposes to remove the existing indicator on the *marginal tax rates*, which was only used in the 2001 Joint Employment Report as a proxy indicator because of data availability problems with the indicator on the *marginal effective tax rate* (METR), which are now resolved. In addition, the Group will continue to work on the development of a possible indicator on the *benefit dependency ratio*, but much more work is needed on methodology, data sources and data quality before a concrete proposal can be made for calculating such an indicator.

On taxation, the Group is proposing no substantive changes this year, beyond the proposed classification into key and context indicators.

6. LIFELONG LEARNING

The main work of the Group this year in relation to lifelong learning consisted in updating the data source for certain existing indicators, as foreseen last year, with new data from the Continuing Vocational Training Survey (CVTS 2). Therefore, the Group is proposing to implement the agreement reached last year to update the data source used for the existing indicators.

No new indicators are proposed for lifelong learning. The Group proposes updated data sources for two proposed key indicators, on the *rate of Internet coverage in schools* (LLL₄), and on the *share of teachers with IS literacy* (LLL₅). In addition, the Group proposes updated data sources for four proposed context indicators: on the *rate of student access to computers and to Internet* (LLL_{C4}); on the *share of employees participating in continuing training* (LLL_{C5}); on a breakdown of the LLL_{C5} indicator (LLL_{C6}); and on *hours spent on continuing vocational training* (LLL_{C7}).

In relation to the proposed indicators LLL_{C5} (*share of employees participating in continuing training*) and LLL_{C6} (*share of employees participating in continuing training, by gender, enterprise size and technology type*), the Group felt that, while the CVTS 2 should be used to provide the data for these indicators, LFS data should also be used to the extent possible alongside this information. While recognising that the CVTS 2 provides valuable information on enterprise-supported continuing vocational training for all 15 Member States plus candidate countries, some Members had concerns about the frequency of this survey (currently every seven years, although the intention is to carry out the survey every 5 years, with the next one planned for 2005²). Therefore, for the moment, LFS data should also be used on the *share of employees participating in continuing training*, although in a more limited form to reflect the information available from the LFS (while the LFS generally provides annual, reliable harmonised data, in relation to this indicator, it does not provide information on training resulting from collective agreements or by enterprise size and therefore can only provide a partial picture of vocational training).

In relation to the proposed LLL_{C5} (*share of employees participating in continuing training*), the Group generally feels that this should be considered as a context indicator, given the concerns of some Members of the Group about using the CVTS as a data source for a key indicator, due to its current regularity. Equally, the LFS would not seem to provide the basis for a key indicator in this case as the information it could provide would not cover some central elements of the guideline 15 commitment.

In relation to the use of the Eurobarometer survey data for the indicators LLL₄ (*rate of Internet coverage in schools*), LLL₅ (*share of teachers with IS literacy*) and LLL_{C4} (*rate of student access to computers and to Internet*), the Group stresses the importance of ensuring

² With regard to the frequency of CVTS as a data source, it should be noted that for the future the intention is to carry out the survey every 5 years, with the next one planned for 2005 with a reference year of 2004 and dissemination of results expected in 2006. For CVTS 2, the time lag between the reference period and the date of availability of results was reduced to three years compared to four years for CVTS 1. CVTS 2 covered all the candidate countries and 15 Member States.

regular Eurobarometer surveys in order to provide a consistent and continuous data source for those indicators.

7. SKILLS AND LABOUR MARKET BOTTLENECKS

The Group's work programme for 2002 had identified the area of skills and labour market bottlenecks as one of the outstanding areas where the development of indicators was still needed. Therefore, this is one of the few areas in which the Group proposes new indicators this year.

Five new context indicators are proposed to measure:

- *existing bottlenecks* (NECK_{C1} and NECK_{C2});
- the *promotion of occupational mobility* (NECK₃); and
- the *promotion of geographical mobility* (NECK_{C4} and NECK_{C5}).

The Group decided that, at this stage, it is not possible to identify appropriate indicators on the job-matching potential of employment services or on emerging (as opposed to actual) bottlenecks. The Group proposes to return to the issue of developing indicators to measure the development of the job-matching capacities of employment services as soon as the new data from the Community Survey on Job Vacancies (JVS) and Vacancy Monitoring System of the PES are available. On existing bottlenecks, the Group agreed that the proposed indicators NECK_{C1} and NECK_{C2} would provide useful indicators for the time being, recognising that the indicators in this area would need to be improved in future work.

The Group had asked the Commission services to consider if, and to what extent, the indicator on *trend in the change in occupational structure* (NECK c3) could be weighted for the size of sector and occupation in relation to the overall labour market. The Commission services agreed that it is helpful to weight this indicator; this indicator as proposed can be seen as a weighted average of the rates of mobility in each occupation, with weights corresponding to the numerical importance of the occupations; each occupation is expressed as a percentage of total employment to reflect their relative weight.

8. ENTREPRENEURSHIP

The area of entrepreneurship was also identified in the Group's 2002 work programme as an outstanding areas for the further development of indicators. New indicators are also proposed here this year.

Two new key (see ENTR1 and 2) and two new context indicators (see ENTR_{C1} and 2) are proposed in this area, in addition to the five existing entrepreneurship indicators.

The new indicators would take advantage of a new data source, the Eurostat Business Demography project, which is being carried out within the framework of the development of Structural Business Statistics (SBS). This is a major development project which the Commission and Eurostat have started with Member States' national statistical institutes in order to obtain harmonised statistics on business demography. The data will be provided by

the national statistics institutes by Autumn this year, and the first results from a harmonised data collection should be available by December 2002.

In addition to the new indicators proposed here, the Group will continue to work on developing indicators to measure the *rate of employment growth in new firms* – where the aim will be to measure employment growth in new firms, or in all firms. The Group stresses, in relation to the proposed new indicator on employment growth in new firms, that they will need to return to this issue once data was available. The Group will also consider updating the data source for the existing indicator ENTR_{C3} on *share of employment in SMEs* with the new SBS data source, once data are available.

The Group also welcomed the Commission services' proposals for an approach to developing indicators to measure progress in relation to guideline 11 (job creation at regional or local level and within the social economy, with the active participation of civil society). The Commission services informed the Group that they envisage launching a feasibility study on developing indicators to measure regional and local level employment later this year. The Group will also work closely with the Commission services to consider definitions of the social economy before considering possible indicators of job creation in the social economy.

9. ADAPTABILITY

Building on the adaptability indicators agreed last year by the Committee, the Group's main work this year has been to classify the adaptability indicators into key and context indicators, and to integrate the relevant quality in work indicators endorsed by the Employment and Social Policy Council on 3 December 2001 into this list. In some cases, integrating the agreed quality in work indicators has meant updating or replacing existing adaptability indicators.

The Group proposes to replace some of the existing adaptability indicators with closely related agreed quality in work indicators in order to avoid duplication with the agreed key quality indicators on *new forms of work* (NFW1) and on *accidents at work* (HSW1), and the agreed context quality indicators on *employment transitions* (TRANS2). One new context indicator is proposed, WT6, on *trends in annual working time*.

The proposed key indicator on new forms of work (NFW1) would measure in a single figure the number of people working part-time (both voluntary and involuntary part-time) and on fixed-term contracts (both voluntary and involuntary), as a percentage of all employees. This indicator would consist of four separate elements of non-standard work which are available from the Labour Force Survey:

- voluntary part-time work;
- involuntary part-time work³;
- voluntary fixed-term contract work; and
- involuntary fixed-term contract work⁴

³ Note: Data from LFS for this indicator excludes part-time work for reasons of education and training, illness or disability, for 'other reasons', or where no reason is given.

Each of these elements are measured as a percentage of the total number of employees. The combination of these four elements, over the total number of employees, gives the single overall figure for the NFW1 indicator⁵. For ease of reference, the Group proposes that each of these four elements should also be available as a context indicator.

The Group is proposing to suspend the existing indicator on *access to career breaks*, which addresses the possibility of interrupting employment voluntarily for a limited period of time for personal purposes (care duties or education), as it cannot presently be calculated. The Group stresses that this is an important indicator, which provides a proxy indication of the extent to which needs of private life can be reconciled with those of professional activity and is therefore considered as an aspect of quality of work. It has also been endorsed in the context of the list of quality of work indicators. It has been proposed that Eurostat includes a specific variable on a career break in the 2003 Labour Force Survey (LFS). The Group underlines the importance of this variable being included in the 2003 LFS; once that data become available, this indicator should be reinstated.

In relation to working time, the Group will further examine proposals for an indicator of *working time variability* later this year.

10. TACKLING GENDER GAPS

Given the political priority attached to tackling gender gaps, and the technical possibility of constructing additional new indicators, the Group has proposed a number of new indicators in this area. The Group is proposing 1 modified key indicator (EO6), 12 new context indicators (EO_{C1} – EO_{C12}) and a change of data source for one key indicator (EO2).

In relation to the indices of gender segregation in occupations and sectors (EO 3 and 4), the Group suggests that these should be used to measure trends within Member States.

On the issue of the gender pay gap, the Group notes that the planned Statistics on Income and Living Conditions (SILC) data source, which will be introduced in 2003, will include information on gross as well as net earnings and feels that this data source should be preferred when the results are available (in 2005).

In relation to the proposal to use national data sources for some indicators on the reconciliation of work and family life, the Group recognises that further work is needed to develop both national and Community data sources to promote comparability.

The Group proposes that the existing indicator on the gender income gap (*proportion of women earning less than 50 percent of national median annual income compared to the*

⁴ Note: Data from LFS for this indicator excludes fixed-term work for reasons of a contract covering a period of training (such as apprenticeships), a probationary period, or where no reason is given.

⁵ Note: Those working part-time on fixed-term contracts will have to be isolated and only counted once when combining the four elements of this indicator to produce one figure, as this group would otherwise be double-counted.

corresponding proportion for men) could be dropped since the Employment Guidelines for 2002 concentrate on pay differentials and not on the income gap.

The Group also agreed to consider further a proposed indicator, in the light of further planned discussions on the labour reserve, on the *share of inactive people wanting to work, by reason of personal and family responsibilities, by gender*.

11. FURTHER DEVELOPMENT OF QUALITY IN WORK INDICATORS

The Group's intention has been to integrate the agreed list of quality in work indicators fully into the existing framework of employment indicators, to link each indicator to a specific guideline or horizontal objective of the Employment Guidelines. For four of the quality indicators: JSAT, on *job satisfaction*; TRANS1, measuring *transitions between non-employment and employment and within employment by pay level*, TRANS3, measuring *transitions between employment, unemployment and inactivity*; and TRANS4, measuring *transitions of unemployed people into employment and training* it is proposed that the best attribution is to horizontal objective B (quality in work) of the Employment Guidelines⁶.

In line with the Committee's report on quality in work indicators, endorsed by the Employment and Social Policy Council on 3 December 2001, the Group is continuing to consider the areas identified in the report for further work on quality indicators. The Group will report to the Committee later this year on its work.

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⁶ Note: as the Group did not discuss the attribution of all of the transition indicators to specific guidelines or horizontal objectives, the attribution of indicators TRANS1, TRANS3 and TRANS4 is proposed on the Chairman's authority, following the general approach taken by the Group in attributing indicator JSAT to horizontal objective B.

Annex 1

LIST OF PROPOSED KEY INDICATORS

Area	Key indicators
Basic Performance Indicators	Total Employment Rate
	Employment rate of 55-64 year olds
	Unemployment Rate (% , total and by gender)
	Long-Term Unemployment Rate (by gender)
	Growth in labour productivity
Horizontal objective B (quality in work)	Transitions between non-employment and employment and within employment by pay level
	Transitions between employment, unemployment and activity
Horizontal objective C (lifelong learning)	Investment expenditure on education /GDP
Prevention	Share of young/adult unemployed having started an individual action plan before reaching 6/12 months unemployment
	Share of young/adult still unemployed in months X+6/12 and having not started an individual action plan
	Rate of inflow into long-term unemployment
Activation	Activation rate
	Rate of return to employment
	Rate of return to unemployment
Tax-benefit	Marginal effective tax rate
	Average effective tax rate
Lifelong learning	Participation in education and training
	Rate of early-school leaving
	Internet coverage in schools

	Share of teachers with IS literacy
Entrepreneurship	New enterprise births
	Survival rates of newly born enterprises
	Rate of self-employment
	Employment rate in services by gender
Taxation	Adjusted implicit tax rate on employed labour
	Tax rate on low wage earners
Modernising work organisation	Number of employees working voluntary and involuntary part-time as % of total number of employees and of those with voluntary and involuntary fixed-term contracts as % of total number of employees
Health and safety at work	Accidents at work
Tackling gender gaps	Absolute unemployment gap
	Absolute employment gap
	Index of gender segregation in occupations
	Index of gender segregation in sectors
	Gender pay gap
Reconciliation of work and family life	Gender gap in the employment impact of parenthood
	Employment impact of parenthood by gender

Annex 3 Transition tables for quality in work and adaptability

The tables below show how the transitions described in indicators TRANS 1, 2, 3 and 4 set out in annex 2 will be presented. These indicators, in this form, were part of the list of quality in work indicators endorsed by the Employment and Social Policy Council on 3 December.

TRANS1 Transitions between non-employment and employment and within employment by pay level (source: European Community Household Panel – ECHP).

Status at t Status at (t-1)	1 st decile	2 nd decile	3 rd decile	4 th -10 th decile	Non- Employment ⁷	Total
1 st decile						100
2 nd decile						100
3 rd decile						100
4 th -10 th decile						100
Non-Employment						100

TRANS 2 Transitions between non-employment and employment and within employment by type of contract (source: ECHP)

Situation at t Situation at (t-1)	Permanent contract	Fixed-term contract	Non- Employment	Total
Permanent contract				100
Fixed-term contract				100
Non-Employment				100

TRANS 3 Transitions between employment, unemployment and inactivity (source: LFS)

Status at t Status at (t-1)	Employment	Unemployment	Inactivity	Total
Employment				100
Unemployment				100
Inactivity				100

⁷ Non-employment covers both unemployment and inactivity.

TRANS 4 Transition of unemployed people into employment and training (source: LFS)

Status at t Status at (t-1)	Training	Non- Employment	Employment	Total (t- 1)
Training				
Non-Employment				
Employment				
Total (t)				