



The Employment Committee

EMCO/15/241105/EN-Rev1

Report of the EMCO Ad Hoc Group on the outcome the Cambridge Review country examination of the employment sections of the NRPs for 2005

1. INTRODUCTION

At its meeting on 14-15 November 2005, the EMCO Ad Hoc Group carried out the Cambridge Review examination of the employment sections of the National Reform Programmes for 2005. This year, the Cambridge Review examination took place in four parallel workshops of 5-6-7-7 Member States. EMCO had nominated a chair/rapporteur to each workshop.

The Cambridge Review provided an initial examination of the 22 NRPs submitted by then. However, also the countries which had not been in a position to submit their NRP by that date had made a preliminary draft and a country fiche available. However, it is understood that a fully-fledged analysis can only be based on the final official NRP.

In the workshops, each Member State was examined by one other Member State and then the examination was extended to involve other delegations. The workshop examinations were followed by a summing-up session in the full Group. Fiches were prepared in advance by the examined and examining country per NRP. The Commission presented a first overview of the NRPs. It also actively participated in the workshops.

To reflect the integrated nature of the Lisbon Package and the cross-cutting policy dimensions in the different strands, EPC and SPC were present at the Cambridge Review. Furthermore, the EPC organised country examinations for the BEPGs.

The challenges for Member States vary as well as their starting position. During the examinations, Member States focused on the key challenges facing a particular country in trying to deliver more and better jobs. The country review zoomed in on examining the choices and policies with respect to the challenges and the priorities identified in the NRPs.

2. APPRECIATION OF THE EMPLOYMENT DIMENSION IN THE NRPS

2.1 *Appreciation of national choices*

The refocused Lisbon strategy on growth and jobs and its accompanying Integrated Guidelines prove to be a useful framework to take forward a national reform agenda.

The bilateral meetings between the Commission and the Member States in June/July 2005 encouraged the definition of clear-cut key themes which were retained in the NRPs, although Member States generally showed greater ambition by flagging up additional priorities, notably to ensure a comprehensive and integrated national reform programme.

From the perspective of strategy, the Cambridge Review concluded that *overall the choices made* by the Member States with respect to challenges, priorities and the pointers for action *are in line with the aims of the Lisbon strategy*.

2.2 *Ownership at national level*

The review confirmed that the establishment of the function of a national Lisbon coordinator has stepped up synergies across policy strands and that joint work at national level has increased government ownership. The NRPs have become **sharper** and **more focused strategy documents** than the previous National Action Plans. However, as to ownership, the country examination highlighted that the involvement of social partners in preparing the NRP was generally insufficient. Civil society had still been less involved, which thus limited the 'feeding in' of the social protection strand.

The main reason for the limited involvement of a range of actors and stakeholders was ascribed to the limited timeframe available to the Member States to produce their NRP.

It was therefore emphasised *to bolster the partnership dimension of the Lisbon strategy* during the implementation of the NRPs.

2.3 *The role of employment in the NRPs*

The review underlined that the employment guidelines offer a valuable structure to define the key challenges and to design policy priorities and action plans to address them. The *employment dimension in the NRPs has been well articulated* and nearly every NRP features a *clearly identifiable employment section*. However, the country examinations also showed that in several cases the splitting up of information in the three strands –macro, micro and employment section – had resulted in a partial understanding of the employment dimension of the NRP. A more elaborate cross-referencing in the NRP could reduce this impediment without duplicating the information.

On the other hand, the integrated nature of the NRPs also made it possible to establish the linkages with for instance innovation or the fostering of SMEs on the micro-employment axis or the macro-economic conditions on the macro—employment axis. Furthermore, the overall appreciation was that the demand and supply side were well addressed and lined up in the NRPs.

2.4 *The three overarching objectives*

As to the three overarching objectives – full employment, improving quality and productivity at work, strengthening social and territorial cohesion – most Member States flagged up the full employment objective as the most crucial guiding principle, hereby underlining the economic and social priority of employment growth. In this context, it is important that virtually all countries operate now with national employment targets which are ambitious, albeit realistic, with many of them setting intermediate targets.

Most countries with outspoken regional differences target explicitly regional cohesion, whereas social cohesion, including in its combination with the social protection 'feeding in' approach feature less prominently. Promoting quality and productivity at work received the least attention in the NRPs. However, the Cambridge Review indicated that this is a domain to be revisited in the exchange of information between Member States given the importance of adaptability and flexicurity from an operational point of view. More attention should be given to the active involvement of the social partners, who have a significant responsibility in this domain.

2.5 *Horizontal themes*

With respect to several horizontal items, the Cambridge Review concluded the following:

- **Gender equality:** Although all NRPs address female participation in employment, the country examinations showed that the mainstreaming of gender equality was treated only superficially. Rather than being a cross-cutting issue relevant throughout the NRP, the gender dimension is limited to specific actions.
- **Discrimination:** Given the specific problems of certain groups in society, the non-discrimination challenge remained a marginal aspect in the NRPs.
- **Intergenerational approach:** While essentially all Member States focus on the young and the old, the lifecycle approach and the truly intergenerational dimension remains largely underdeveloped. As such, it is difficult to assess the synergy effect of measures per target group with respect to a life cycle approach.
- **Allocation of financial resources:** For most Member States the budgetary provisions to transpose ideas into policy measures were lacking. This is due to the timeframe during which the NRPs were drafted. Several Member States indicated that they will complement the NRP on the budgetary aspect as soon as the agreements are made. All countries where the resources of the ESF are of an important magnitude made reference to the contribution of the ESF to the implementation of the NRP without being in a position to provide specific details at this moment in time.
- **Indicators:** Whereas the use of indicators prominently featured in the country examinations, only a minority of countries included them explicitly in their NRP, particularly those derived from national data sources. References to the agreed targets and benchmarks are limited.

2.6 *Forward-looking NRPs embedded in long-term programmes of change*

Even when the refocused Lisbon strategy zooms in on the period 2005-2008 and while the NRPs are generally considered to be forward-looking, the review revealed an important level of continuity with previous years. Given the importance of implementing policies in a strategic way over a longer period of time, this was seen as a positive aspect. Examples here include the shift Member States have made towards preventative measures including through personalized counselling and job search activities. From a more general perspective, Member States also took advantage of the 2004 country specific recommendations to build on.

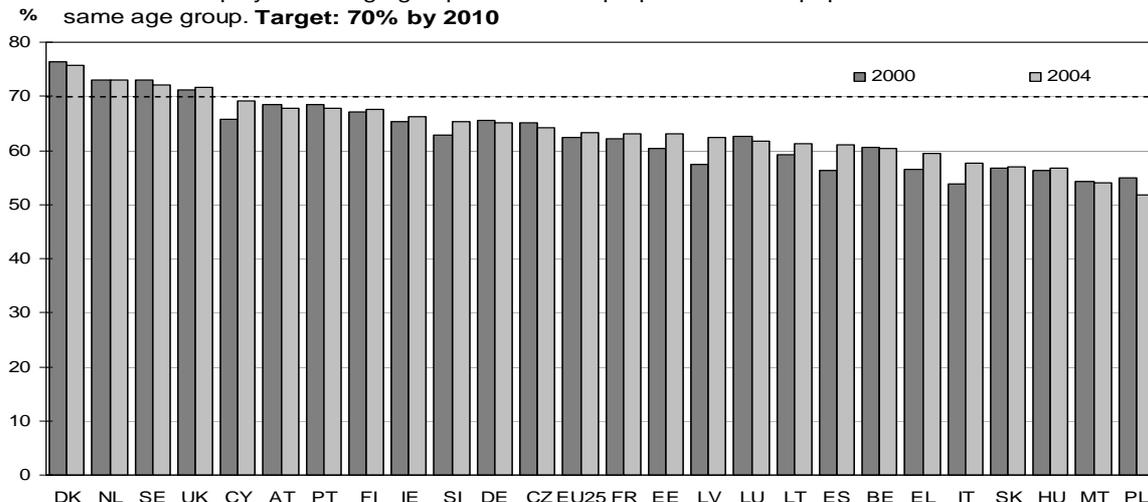
3. APPRECIATION OF THE EMPLOYMENT PRIORITY AREAS

3.1 *Attract and retain more people in employment, increase labour supply and modernise social protection systems*

This is the **priority area** in the Employment guidelines which member States identified as the most critical one. The key objective to raise labour supply through increased employment and to reduce unemployment and inactivity is seen as a justified choice given that the employment growth in the EU remained limited again in 2004 with 0.6%, the third year in a row now. With an employment rate of 63.3% - compared to a 70% employment rate target in 2010 - stepping up employment participation should be expected to be an absolute priority in the NRPs.

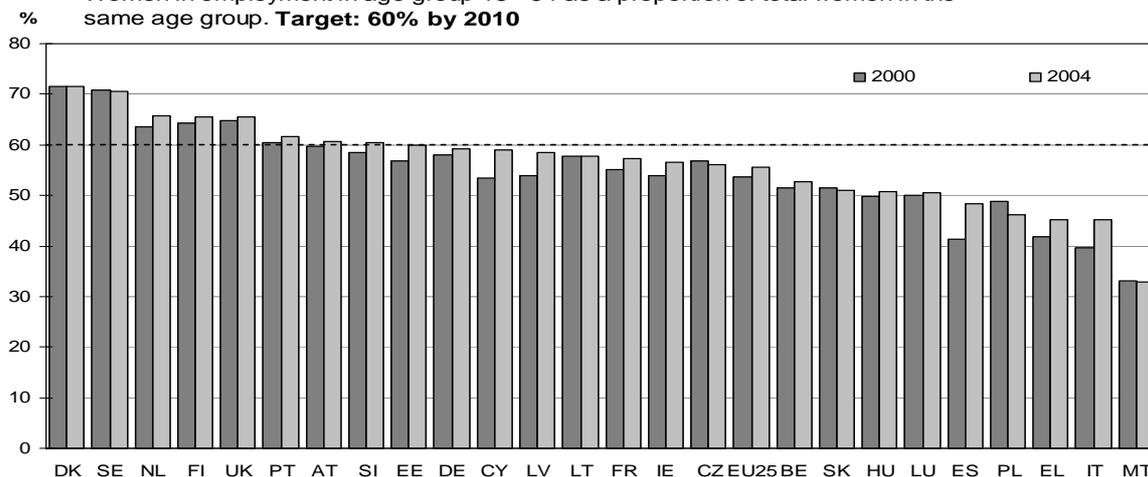
Employment rate 2000 and 2004

Persons in employment in age group 15 - 64 as a proportion of total population in the same age group. **Target: 70% by 2010**



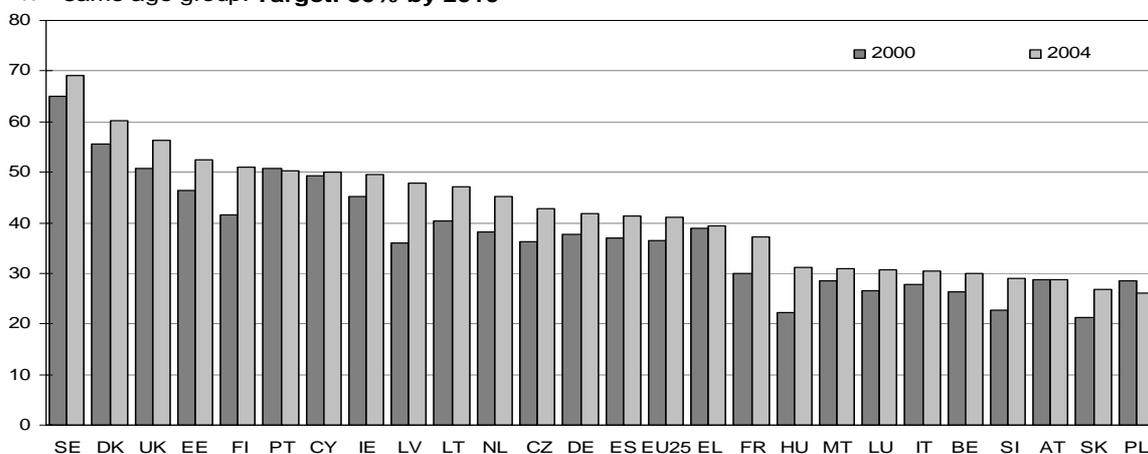
Employment rate for women 2000 and 2004

Women in employment in age group 15 - 64 as a proportion of total women in the same age group. **Target: 60% by 2010**



Employment rate for older workers 2000 and 2004

Persons in employment in age group 55 - 64 as a proportion of total population in the same age group. **Target: 50% by 2010**



Most Member States have focused their employment policy on national targets, whether explicitly mentioned in the NRP or implicitly taken as a reference. The diverse starting position of countries with respect to employment participation means that this priority area is targeted from different perspectives and with an operational angle compatible to the challenges every individual Member State faces.

The measures focus on tapping into the unused potential, hereby identifying the relevant target groups, but fall short of framing this yet in the promotion of a lifecycle approach to work. Sweden, the Netherlands, and Germany emphasise the necessity to increase hours worked and France highlights that workers who wish to work more hours will be allowed to do so.

The improvement in the overall employment rate has been realised through the continuation of the increase of women at work and the higher employment participation of older workers. Female employment participation has now reached 55.7 % and the participation of older men has reached 41%, compared to the 2010 EU targets of 60% and 50% respectively.

3.1.1 Tapping into the unused potential

The country examinations underlined that overall Member States detail large target groups and set out specific measures which should be conducive to increase employment participation from those groups whose potential is currently underused:

- Compatible with the Youth Pact, all Member States address **youth** unemployment and mention in a horizontal way measures to build appropriate employment pathways for young people. In this context, the interlinkage with priority area 3 – investment in human capital – is particularly well developed, including through promoting the transition from school to working life. Amongst the policy output necessary to help achieve this, is the increase of the flexibility and adaptability of the education systems.

However, a stronger focus may be required during the implementation phase on non-discrimination policies.

- Increasing **female participation** is also high on the reform agenda in all Member States. In Malta and Greece, for instance, the participation of women is a top priority. It is a main source to increase overall employment participation and valorising currently unused employment potential. Stepping up the provision of childcare facilities is a crucial measure in Ireland, Luxembourg, the UK, the Netherlands, and Germany. Portugal emphasizes the availability of neighbourhood services for dependency care. Slovakia and Hungary highlight the reconciliation between work and family life, in particular aimed at young households and through increasing flexibility. Voluntary part-time work and teleworking encourage women to take up paid employment. Also Cyprus advances flexible work organisation for women.

However, the insufficient treatment of gender equality may impede the impact of measures geared towards increasing female employment participation.

- As to **older workers**, many Member States pursue active ageing policies and interlink pension reform with employment participation. Policies in for instance Germany, Italy, Austria, Luxembourg and Cyprus encourage the gradual postponement of the retirement age. Denmark and Austria highlight the improvement of working conditions and an appropriate workplace design to keep older workers longer in a job. Whereas the Netherlands insists on removing tax incentives that stimulate early retirement, the UK and Cyprus aim at reducing it. Belgium pledges to raise awareness on the employment participation of older workers and Estonia plans information campaigns on job possibilities for older workers. Italy and the Czech Republic put pension reform in the limelight.

However, to retain older workers longer in employment, it will be crucial that the ongoing or announced measures with respect to early retirement, sickness or disability schemes or other measures to curb back inactivity will be implemented in full.

3.1.2 Active labour market policies

Attracting and retaining more people in work and increasing labour supply also builds on the promotion of inclusive labour markets as well as on reducing inactivity.

- **Activation and prevention** have become key principles for employment policy in all Member States. For instance, the provision of personalized job search assistance prominently features in the NRPs. Finland established forty labour-force service centres to help the hard to employ. 'Profiling', as for instance done in Austria, is seen as a valuable method. France highlights here the usefulness of social integration contracts. Also as to the integration of groups at risk of exclusion from the labour market, Portugal established a new generation of specific employment programmes linking employment and social inclusion policies. Also the shift from 'unemployment benefits' into 'job seeker allowances' mark this important policy change. Sweden, the Netherlands, Hungary and the UK promote policies to bring people on sick leave back into employment. Italy begins to experience some programmes to reduce the use of unemployment benefits for people dismissed and to promote job-to-job transitions. Austria and Denmark introduced active labour market policies targeted at immigrant workers. The NRPs are evidence that the Member States have switched or are in the transition phase to switch from curative to preventative policies.

During the implementation phase, Member States should make sure that the effort on prevention and activation effectively leads to more active as opposed to passive policies.

- **Financial incentives and sanctions** are key tools. Denmark, Slovakia and Ireland highlighted the reduction of taxation on low income groups as a way to remove disincentives from tax and benefit systems. Hungary stressed the lowering of social contributions for targeted groups. The UK offers a tax credit and the Czech Republic carries out a tax reform. Sweden underlined subsidized employment, just as Slovenia which also redesigns its social transfer regime. The Netherlands and Slovakia give financial incentives to hire from specific target groups and France provides employment premiums.

Reducing the cost of labour, notably for the low-skilled, wider tax and benefit reforms, make work pay measures and active labour market policies will need continue to be pursued.

3.1.3 *Mobility and migration*

Also mobility and migration can play an important role with respect to labour supply:

- **Mobility**, in particular interregional mobility, is treated for instance by Spain, Italy, the Czech Republic, Lithuania, Sweden, Slovakia, Latvia and Greece. This aspect tends to be associated with the goal of territorial cohesion, as for instance shown in the territorial employment support programmes in Lithuania. As to free movement of workers, several NRPs touched upon the transitional regimes without going into further detail.
- Ireland, the Czech Republic, as well as Germany and Slovakia for high skilled workers, put forward **migration** as an instrument for increasing labour supply. Lithuania, on the other hand, pointed out the negative effect of emigration and brain drain.

3.1.4 *Supporting policies*

Other issues supporting increasing employment participation, include:

- **Public employment services** play a key role in this across Europe. Many Member States underline in this context also the importance of the availability of decentralized services. Slovakia also highlighted the outsourcing of employment services. Poland, Denmark and Portugal emphasize the quality improvement of PES, while Sweden increases staff. Italy finally launched an internet system for matching supply and demand of labour. The UK, the Czech Republic and Hungary mention the integration of job search and modernisation of public employment services.
- The **modernisation of social protection systems** featured throughout the Cambridge Review. This does not only hold for pension reform but also for making work pay and activating social policies. Furthermore, Member States are implementing and/or preparing pension and health care reform.

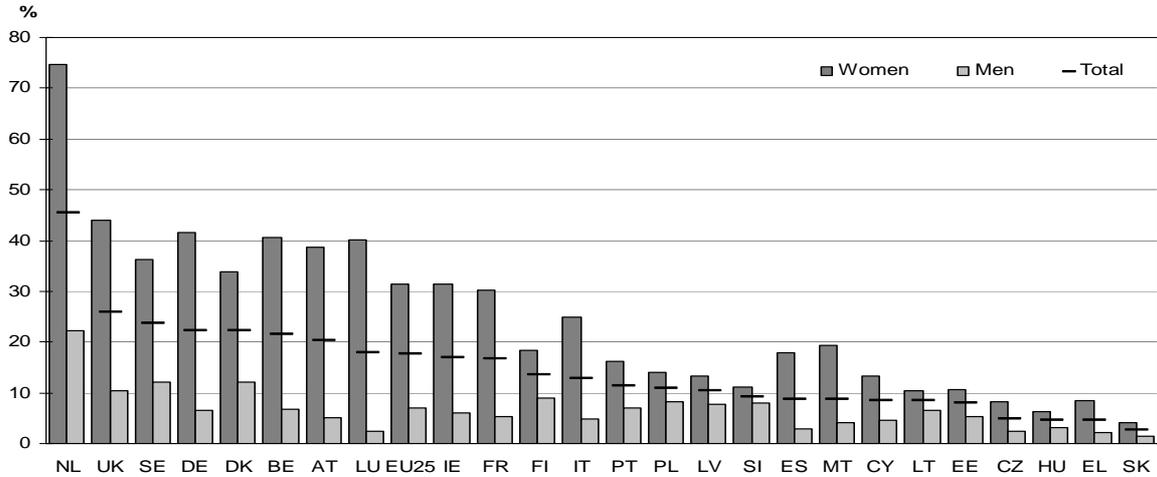
3.2 *Improve adaptability of workers and enterprises*

The Employment Guidelines identified allowing more flexibility combined with employment security to meet the needs of companies and workers as a centrepiece of policies to improve adaptability of workers and enterprises. Overall, this priority area received the least attention under the employment dimension of the NRPs. However, adaptability and benefiting from increased flexibility to increase employment participation while addressing security to make such work more attractive are crucial in the context of the refocused Lisbon Strategy.

An important dimension here concerns part-time work, fixed-term contracts and self-employment.

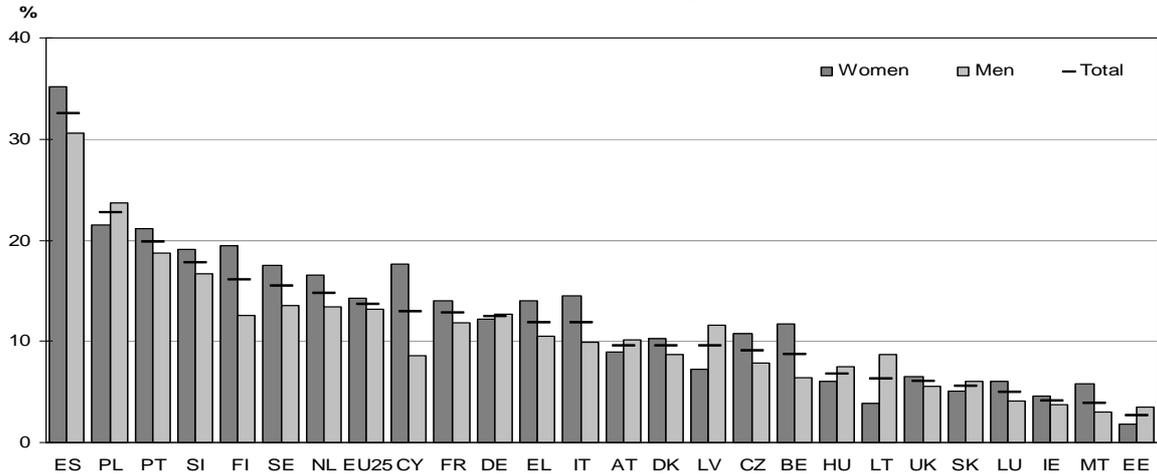
Part-time employment , 2004

Persons in part-time employment as a percentage of all persons employed



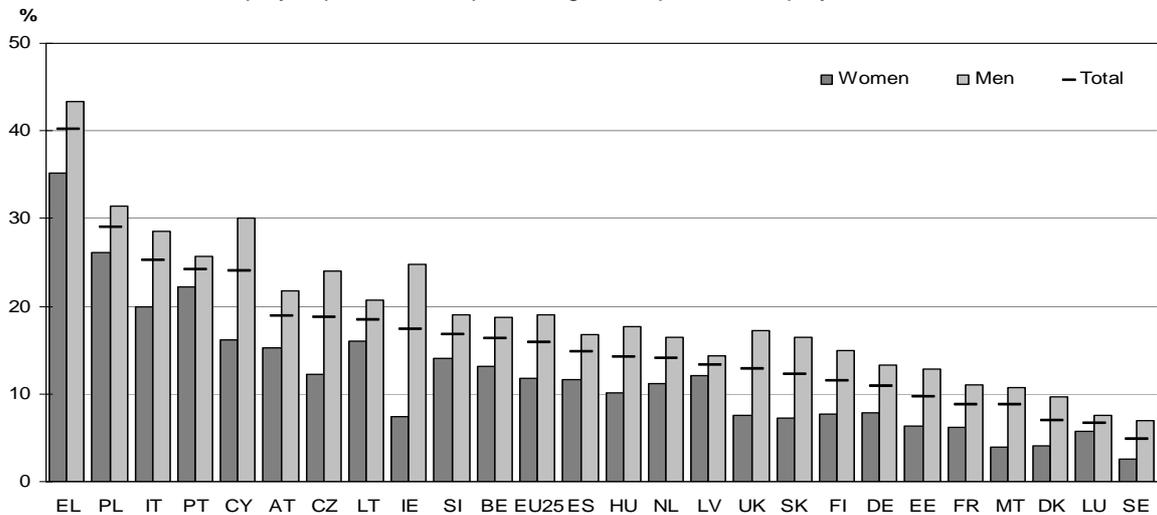
Employees with temporary contracts, 2004

Employees with fixed-term contracts as a percentage of all employees.



Self-employment, 2004

Self-employed persons as a percentage of all persons employed



Whereas some Member States outline initiatives to step up flexibility and some others refer to measures to prevent or reduce significant wide labour market segmentation, there is little information available to assess how flexibility and security is treated in parallel to make labour markets more attractive and performing.

3.2.1 Adapting employment legislation

Member States refer to the **adaptation of employment legislation**, although to a more limited extent as well as in less detail than could be expected.

- Nevertheless, several countries report on new flexible work forms, including telework, promoting part-time work as well as fighting involuntary part-time work. A number of countries highlight flexibility with the Netherlands, the UK, and the Czech Republic addressing dismissal. Sweden and Estonia are strengthening security and Hungary and Italy highlighted the flexicurity balance as an important objective. Spain targets overcoming the segmentation of the labour market from the point of view of employment contracts and makes this a spearhead in its reform programme. Also to address segmentation, France introduced new legislation on a “New Recruitment Contract” Luxembourg introduced new working time arrangements. Finland introduced new forms of work to foster productivity growth.
- By far and large, the limited information reveals measures on flexibility and measures on security, but suggest the **absence of comprehensive 'flexibility–security' adaptations** in most countries.

3.2.2 Social partnership

Related to the relatively limited coverage of adaptability is the role social partners play in this respect. They tended to be superficially involved in the preparation of the NRPs, particularly as the time available to prepare the NRP was largely insufficient to include social partnership commitments in the NRP. However, Spain for instance reported that it will complement its NRP with the actions foreseen by the social partners, once an agreement is reached.

As to the implementation phase, more attention should be given to social partnership and the policy measures negotiated by social partners to support and carry out the national reform agenda.

- **Restructuring and managing change** is only marginally touched upon in the NRPs. However, Italy and Belgium create employment teams to accompany dismissal as a result of restructuring, Poland identifies it as a major domain and Portugal established rapid and personalized intervention teams. Finland introduced a "job to job guarantee" in the case of dismissals for economic reasons.
- Overall, the employment section of the NRPs do not cover or only touch marginally on the development of employment friendly labour costs development and wage setting mechanisms.

3.2.3 Undeclared work

With the exception of a few countries, including Italy and Latvia, which step up inspections, little attention is given in the NRPs to undeclared work. Given the estimated magnitude of

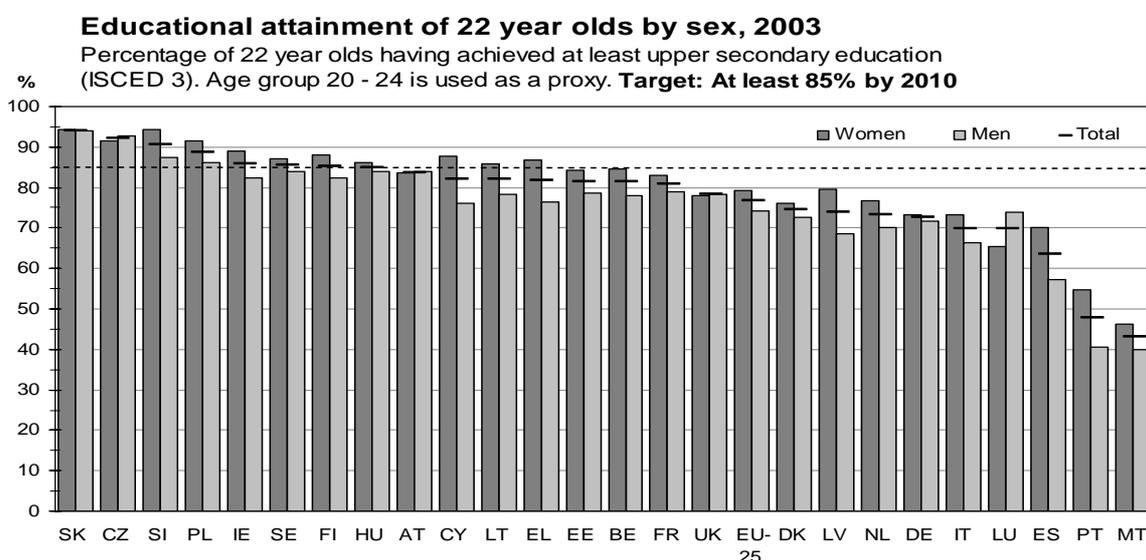
the problem, this is a reason for concern, particularly as undeclared work is mentioned as an important theme by many, but specific actions to curb it down are not indicated.

3.3 Increase investment in human capital through better education and skills.

Human capital has been identified as a major challenge and priority theme in the employment section of the NRPs. Quality education and lifelong learning received major attention throughout.

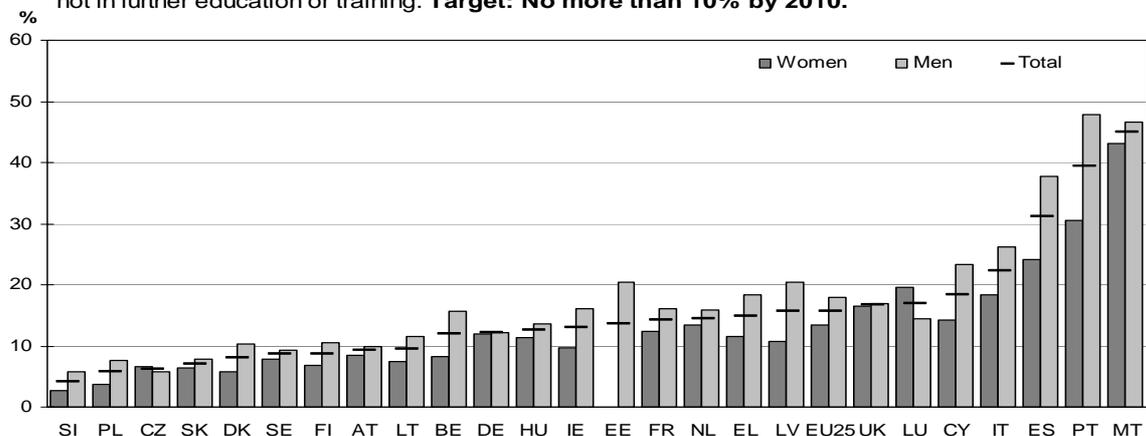
The EU targets provide a strong guidance here for all countries. Furthermore, countries such as the Netherlands, Sweden and Slovakia set ambitious national targets in this domain.

By far and large, the challenge remains significant for many countries, as detailed in the structural indicators with respect to human capital.



Early school-leavers by sex, 2004

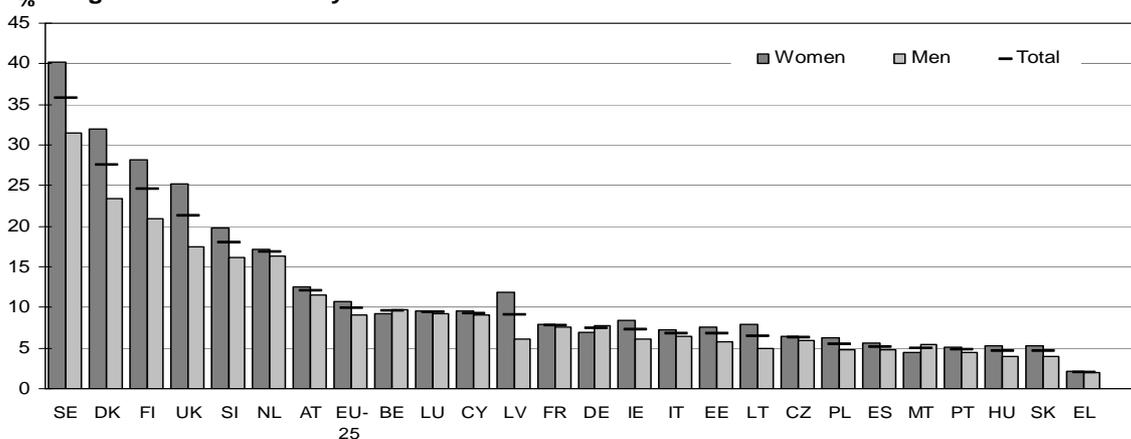
Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training. **Target: No more than 10% by 2010.**



Life-long learning, 2004

Percentage of the adult population aged 25-64 participating in education and training.

Target: At least 12.5% by 2010



3.3.1 Quality education – accessible to all

- A major priority remains **access to quality education**, in particular for more vulnerable groups. This is flagged up in particular for the United Kingdom, Sweden, Hungary, Cyprus, Portugal and Slovakia with the UK singling out explicitly the diversified support to be given to ethnic groups and Slovakia facilitating access to university education. Evaluation of education and educational institutes is flagged up by Luxembourg, Portugal and Spain.
- Member States underline that human capital development is central to the shift towards a more knowledge based economy. A **competent and skilled workforce** will be more adaptable to the changing needs. Austria and Slovenia underlined the importance of ongoing reforms for scholarships.

3.3.2 Adaptable and flexible systems

- To achieve this, education systems themselves should become more adaptable to the needs of the labour market. The change of the **curriculum** contributes to this. Many Member States see progress stemming from a better interaction with the private sector. Such co-operation would also be instrumental in improving the basis for research and innovation.
- A strong element in the NRPs is the focus on making **educational systems more flexible**, including through introducing a modular system, often combined with certifying obtained skills. Ireland, Portugal and Denmark have introduced measures which make qualifications achieved more transparent.

Cyprus, Sweden, Hungary and the Netherlands prioritise the quality of training itself and address the upgrading of vocational training apprenticeships. Latvia highlights in this context the attention to be given to motivate and support teachers.

3.3.3 Learning over the lifecycle

- The NRPs underline that investment in **human capital throughout the lifecycle** is seen as a priority area. Ireland, Greece, Hungary and the Czech Republic highlight the role of on the job training. As to lifelong learning, the contribution the social partners should bring is emphasised. Member States identify here in particular the

special attention to be given to the low skilled. They underline the efforts to improve the framework conditions and to bring forward incentives to spread lifelong learning activities. France, for instance, insisted on the 'individual right to training'. Portugal also encourages entrepreneurship training as well as training to improve the skills of entrepreneurs and Luxembourg focuses on developing more a business spirit.
