



The Employment Committee

EMCO/21/131106/EN-final

Report of the EMCO Ad Hoc Group on the outcome the Cambridge Review country examination of the employment sections of the NRPs for 2006

Introduction

The EMCO Ad Hoc Group carried out the Cambridge Review examination of the employment sections of the National Reform Programmes for 2006 during its meeting on 26 and 27 October. It worked on the basis of (draft) National Reform Programmes (NRPs) and informal fiches prepared by each examined and examining country. The focus of the discussions in this year's country examination was on three pre-agreed themes, for which the Commission also had presented overview notes. The three themes were:

- People at the margins of the labour market
- Flexicurity
- Lifelong learning for older workers

Each theme represents a specific issue under one of the three priority areas of the European employment strategy. With the guidelines¹ remaining stable since 2005, specific attention was given to the implementation of the NRPs.

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

General observations

The Lisbon strategy provides the right orientation for policy reform.

The Lisbon strategy remains a good basis for policy orientation, enabling Member States to address their key challenges with respect to more growth and jobs while taking into account their different starting positions and preferences. This flexibility, contained in a strategy with clearly defined socio-economic objectives, also proves its merit for changing political situations following elections. Changes in government are reflected in the national programmes on growth and jobs. The current analysis shows that while political change may lead to a rebalancing of priorities, means and instruments to implement policies, the key objectives and priorities remain entirely valid.

Greater involvement of actors and stakeholders

This year's examination suggests that partnership and ownership of the Lisbon strategy have improved since last year. The involvement of social partners and consultation of other

¹ The overarching objectives are full employment; improving quality and productivity at work; and strengthening social and territorial cohesion. The guidelines are presented under three priority areas: attract and retain more people in employment, increase labour supply and modernise social protection systems; improve adaptability of workers and enterprises; increase investment in human capital through better education and skills.

stakeholders is wider than last year. This improvement is not limited to the shaping of the national programme, but is observed in the actual delivery of policies. In this context it is worth signalling that in countries in which the institutional set up has been lagging behind, capacity building is on a positive rise (e.g. LT, HU, EE).

Specific reference should also be made to the involvement of regional and local actors. Their more active involvement is a sign of the growing attention given throughout the Lisbon strategy to territorial cohesion (e.g. IT, EL). Despite some exceptions, progress is less widespread with respect to the involvement of NGOs or other social organisations.

The role of employment in the Lisbon strategy

Overall, employment features well in most NRPs. Its presence provides the evidence that employment growth is at the heart of national policy priorities. However, the degree in which employment policy is addressed and articulated varies between countries.

While some Member States formulate clear priorities, often accompanied by national targets, others are less specific and explicit. Compared to last year, there is no noticeable change on setting targets at national level and several NRPs do not report on all guidelines. More widely, despite the 'integrated' Lisbon approach, the inter-linkage between the three policy strands is not made explicit in most NRPs, although IE, UK, ES, and DK provide important counterexamples on this. Member States also articulate the critical role the European Social Fund plays to implement Lisbon type reforms.

Key findings

Improving performance

The implementation of national policies in the context of the employment guidelines is showing a positive impact: overall employment is improving and the focus on women and older workers is showing positive results.

Specific measures to target all the groups at the margins of the labour market are now widely discussed and applied and many Member States are modernising their Public Employment Services (PES). The support provided is becoming more individualised and tailor-made.

Even if a lot remains to be done, it is clear that by and large Member States are on the right track. With challenges being addressed now for many years, the reforms undertaken by Member States are showing positive results. It will remain crucial to stay focused and committed to implement the reforms and work on remaining other challenges.

Unbalanced approach to the three employment priority areas

With the strong emphasis given to attracting and retaining more people in work, there is a risk that national policy agendas will lose sight of the need to improve quality and productivity at work and to increase adaptability of workers and enterprises. Like last year, this priority area was the least developed. Also the implementation of policies on human capital is not as well reported on and suggests that greater efforts are needed to achieve a full breakthrough with respect to learning throughout the lifecycle.

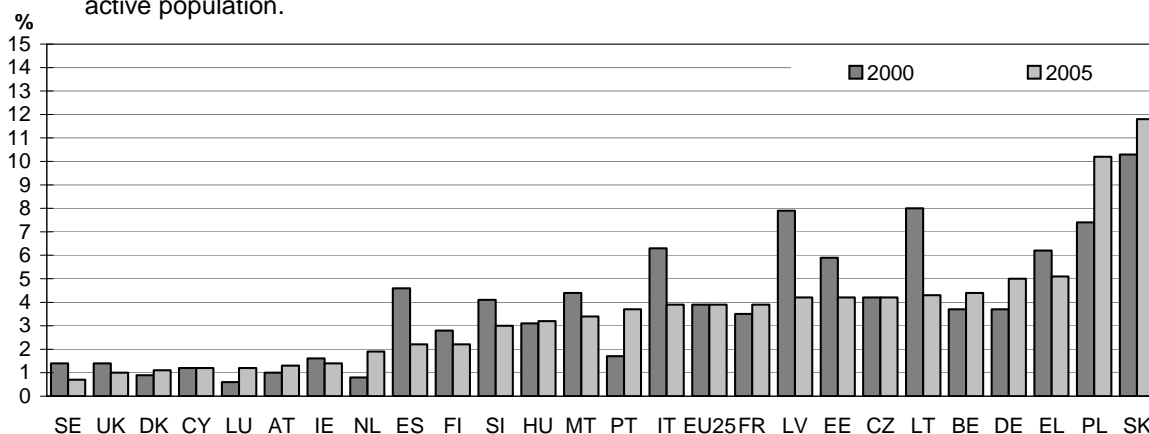
The three thematic issues

People at the margins of the labour market:

The overall positive development with respect to employment cannot conceal the remaining difficulties for these groups when people find themselves at the margins of the labour market. For instance, the long-term unemployment rate (12 months or more) - LTU- has remained at 3.9 percent over the last five years. However there are large differences between countries.

Long-term unemployment rates 2000 and 2005

Total long-term unemployed persons (12 months or more) as a share of total active population.



Source: Eurostat - Quaterly Labour Force Data
DE, ES and SE: Break in series 2005

All Member States identify specific target groups on the fringe of the labour market which deserve special attention. Several also explicitly address the inactive. The labour reserve is very large in the majority of Member States, and policies will be needed to facilitate their access to work and transition on the labour market. These people will be needed to increase the employment rate and sustain Europe's welfare systems in a context of demographic ageing.

Many Member States are in the process of reforming Public Employment Services (PES). The support provided is becoming more individualised and tailor-made and is often done in cooperation with the social partners. SE aims to make better use of non-governmental employment services which has already been implemented in the NL and in DK in the form of private providers.

All Member States thus address people furthest away from the labour market in one way or another. CZ, SK, HU and SI report on measures to improve the situation of its Roma population. BE turns undeclared work into regular employment for those on the fringes of the labour market through service vouchers, a system which was also taken up already in a peer review under the mutual learning component of the European employment strategy. To make work pay and to promote the integration and transition of these people on the labour market, a wide range of policies are pursued across the EU targeted at both employers and workers, including reducing taxes (e.g. IT, FI, SE, NL) lowering social security contributions (e.g. in BE, FR, HU NL), reducing non wage labour costs (SE) and providing subsidies (ES, DK). Making work pay is an important dimension here. SE in particular

announced a shift in policy with respect to making work pay. LU is preparing measures to increase the responsibility of the unemployed, including through the conditionality of benefits and through an activation policy which has been implemented by HU. Minimum wages are adapted in several countries. For example in CZ, minimum wages, social benefits and the subsistence level are adapted to make work pay. Some countries also promote the establishment of a business (DE, SE, MT) for people currently at the margins of the labour market. Other key words are activation and rehabilitation and the focus on rights and responsibilities, for instance in DK.

In short, increasing both the availability of work opportunities and the motivation to take up work is a clear message coming out of the review. The main instruments from the demand side are reducing taxes and social security contributions for targeted groups, while making work more attractive than benefits, through appropriate financial incentives and the provision of good quality jobs, remains a central pillar of supply-side strategies.

Flexicurity:

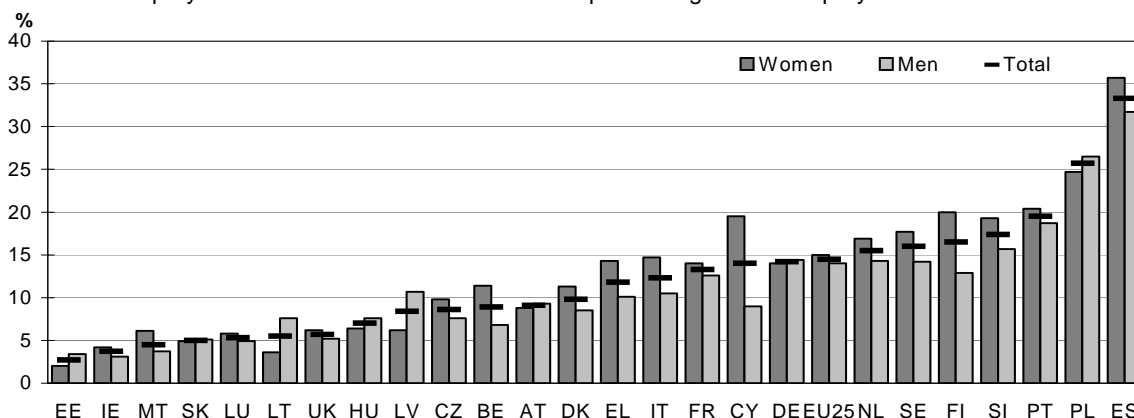
Flexicurity, developed as a policy approach based on combining four ingredients, constitutes now an important focus across the Member States to pursue the adaptability of workers and enterprises. Whereas the wider adaptability priority area as such remains the least developed in the NRPs, the country examination revealed a growing awareness and attention for the flexicurity ingredients. In addition to DK, NL, AT, policy developments in several other countries are beginning to show more of a flexicurity orientation. However, the interaction between the ingredients receives little attention. SI provides a specific case in point here. Several countries also address the phenomenon of undeclared work within the flexicurity context.

In its action to fight the segmentation of the labour market, ES explicitly focuses on a policy mix involving contractual arrangements, active labour market policies, lifelong learning and income policies, hereby seeking a combination between the four ingredients to foster flexicurity. Also IT is addressing the segmentation of the labour market. As in other countries, including PT, HU, EL, LV, LT, EE the active involvement of social partners in the development of such policies was highlighted.

For the EU as a whole, part-time and fixed-term work is crucial for employment creation. However, the provision of efficient transitions in the labour market must avoid that workers get 'trapped' in these types of contracts – with particular attention for the gender dimension. There has been a slight increase of part-time employment both for women and men since 2000 and also since 2004. Part-time employment stands at 32.4% for women and 7.4% for men in 2005. Employees with fixed-term contracts were slightly more common in 2005 than in 2004 (14.5 % of all employees compared to 13.7%). Especially in countries with rather rigid contractual systems, an opening up of the availability of different contracts can yield new dynamics for employment growth but may also entail a risk for segmentation of the labour market if not well managed. Several Member States including EE, CZ, PL, SE, aim at enhancing the flexibility from a contractual point of view, while FI is examining the high numbers of fixed term contracts, HU modified rules for temporary work extending security, and CY secures conditions for part-time and fixed-term contracts.

Employees with temporary contracts, 2005

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



Source: Eurostat - European Union Labour Force Survey
DE, ES and SE: Break in series 2005

In total about half of the Member States report on changes with respect to contractual arrangements and employment protection legislation is being reviewed in EE, PT, FR, CZ, HU, NL, UK, EL, DE, SI, LT and LU. Fewer Member States report on ALMPs as an instrument to shift from job security towards employment security. In this context, it is important to underline that the Cambridge Review highlighted the importance of effectiveness of ALMPs as a measurement, rather than increasing expenditure, even when MT, EE and LV are increasing the financial investment in ALMPs. SE announced its intentions to reduce the scope and the volume of its labour market programs. Individualised services for activation such as counselling and coaching are becoming more popular and benefits and allowances are often closely linked to active job search or participation in ALMPs.

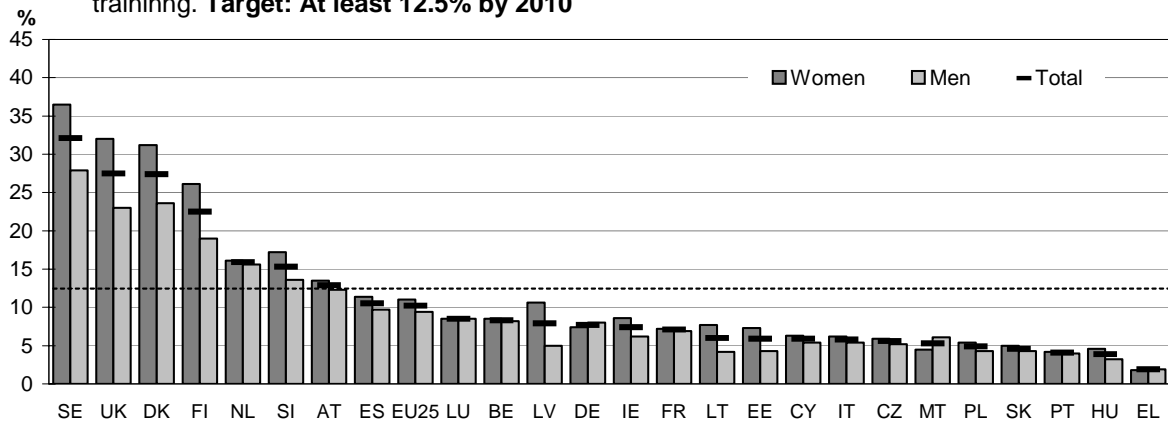
The issue of lifelong learning from a wider perspective is already developed in other parts of this report. As to reforming social security systems to support flexicurity, with some exceptions little information has been provided through the NRPs. Overall little attention was given to the dimensions of quality of work, including opportunities for career progression, and the phenomenon of low pay and the working poor.

Lifelong learning for older workers

Under the human capital priority area of the Lisbon strategy, the Cambridge Review zoomed in on older workers and lifelong learning in order to verify to what extent the new objective formulated by the 2006 Spring European Council to step up lifelong learning for older workers is addressed. The NRPs underline that ageing is playing now a dominant role on any national agenda.

Life-long learning, 2005

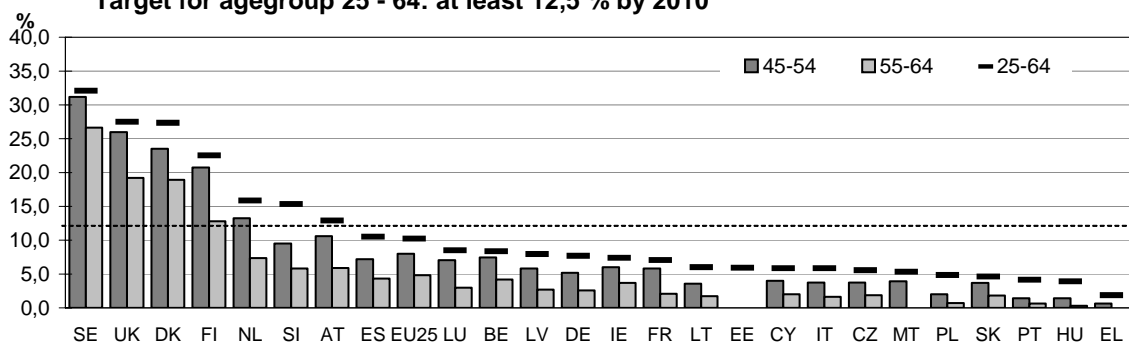
Percentage of the adult population aged 25-64 participating in education and training. **Target: At least 12.5% by 2010**



Source: Eurostat - European Union Labour Force Survey, Annual averages
Notes: EE unreliable values; ES and CY break in series

Life-long learning in agegroups 45 - 54 and 55 - 64, 2005

Percentage of the adult population participating in education and training. **Target for agegroup 25 - 64: at least 12,5 % by 2010**



Source: Eurostat - European Union Labour Force Survey, Annual averages.
No data are available for certain age groups for EL, EE and MT.
Data lack reliability for certain age groups due to small sample size for CY, LV, LT, LU, HU and MT

With the exception of SE, UK, DK and FI, low participation rates of older workers in lifelong learning remains the rule. Whereas the participation rate reaches 10.2 % for the 25-64 age group as a whole, it shrinks to 8.0% for those between 45-54 and crumbles further to 4.83% for the 55-64 year olds.

Most Member States are still focusing on developing and implementing true lifelong learning strategies in a lifecycle approach to work. This involves social partners, enterprises and individual workers. In DK, for instance, a tripartite committee works on adult education and training. Specific attention remains needed to support SMEs and their workers to make lifelong learning also a real option for all.

However, some examples of new policy developments can be quoted. In HU for instance, training directed to the obtaining of a second qualification is made available for adults above 50 years of age since 2006. In FR the 2006-2010 Employment Plan for Seniors includes a framework to develop new tools of vocational training for older workers.

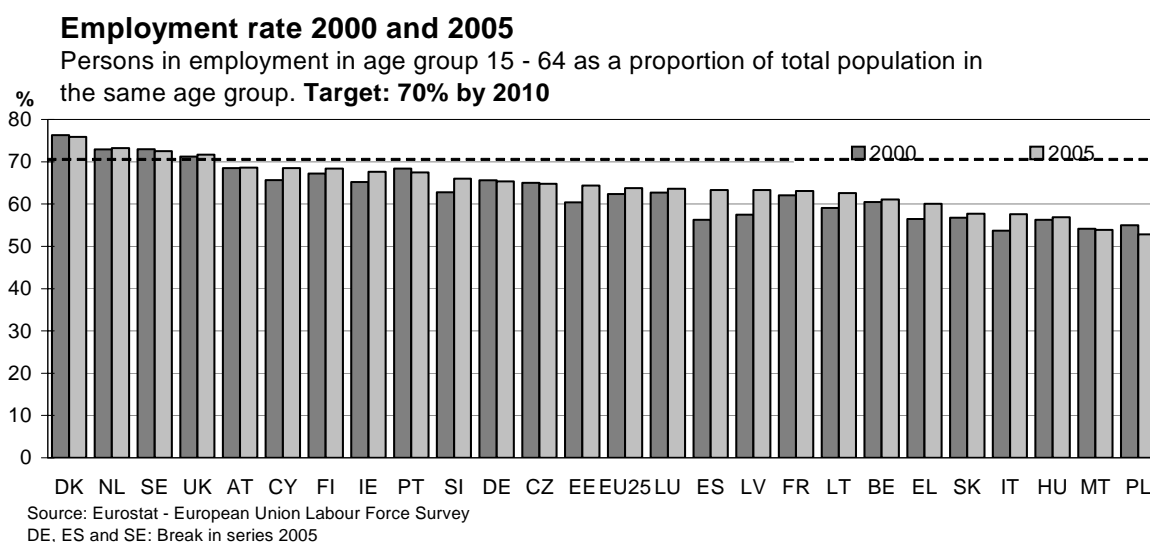
Last year, attention was already drawn to the modular approach of learning as well as to certification of experience and informal learning. These approaches are being implemented. More countries are pursuing certification of informal learning experiences. CZ and HU addressed this issue through the establishment of a formalized system for the acknowledgement of informal learning. Reduction of social security contributions are offered to employers who help employees to secure a diploma in the NL.

Moreover, programmes aiming at sharing experience and expertise between older and new employees have been implemented in certain countries. In SI, mentor and instructor schemes promoting the exchange of know-how between employees as well as programmes aiming at stimulating the transfer of knowledge to younger generations and the harnessing of active retirement are carried out in the framework of active employment policy measures.

Other issues addressed in the Cambridge Review

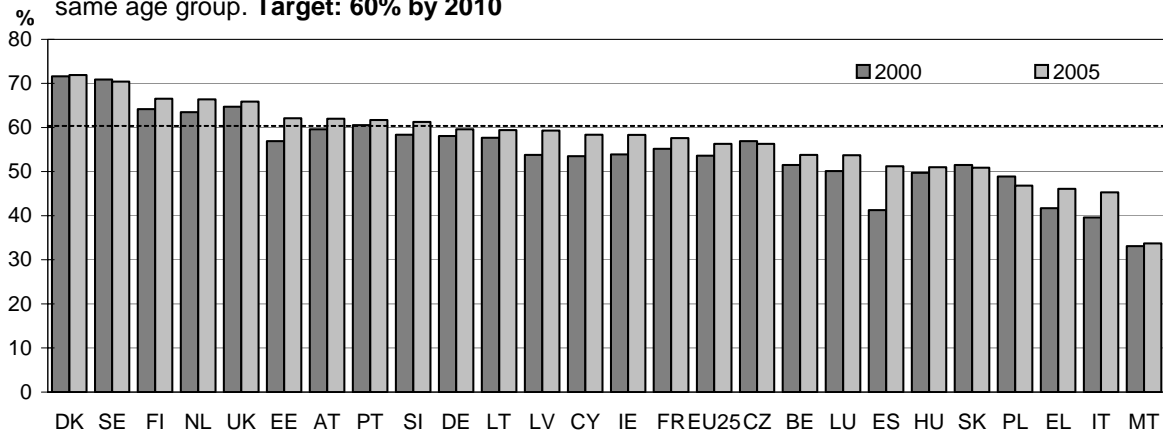
Improving employment performance

By and large, the employment situation has been improving. Employment rose by 0.5 percentage points (pp) and reached 63.8% in 2005. The employment rate for women increased by 0.6 pp and the one for older workers rose by 1.5 pp, hereby bringing the respective employment rates in 2005 up to 56.3% and 42.5%. This improvement, however, cannot hide the gap still to be bridged to reach the Lisbon targets. With 6.2 pp for the overall employment rate, and 3.7 pp and 7.5 pp for the rate for women and older workers removed from the Lisbon targets, significant progress remains necessary.



Employment rate for women 2000 and 2005

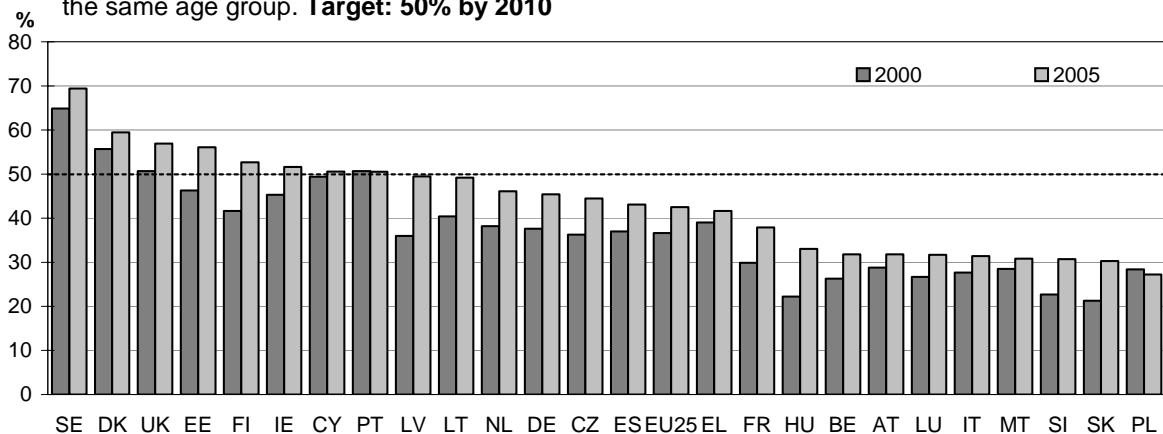
Women in employment in age group 15 - 64 as a proportion of total women in the same age group. **Target: 60% by 2010**



Source: Eurostat - European Union Labour Force Survey
DE, ES and SE: Break in series 2005

Employment rate for older workers 2000 and 2005

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



Source: Eurostat - European Union Labour Force Survey
DE, ES and SE: Break in series 2005

Supporting female employment

This year's NRPs underline the efforts undertaken with respect to child care. This priority given to child care is essential if Member States are to reach the Barcelona targets on child care and to facilitate increasing employment rates. IE with its national child care strategy 2006-2010 is proving a broad approach, the UK has put in place a ten-year strategy, and DK offer from 2006 a child care guarantee through its municipalities. Also IT, BE, MT, CZ, HU, NL, EE, AT, FR, CY, PL, LU, LT, and DE indicate they are explicitly targeting the expansion of child care opportunities and several countries underline the cost factor involved. With the exception of SI, CY and DE, little attention is given to providing care for other dependants.

As to reconciliation between work and family life, there still remains a particular need to support SMEs in their pursuit of such policies. MT and LV report on measures aimed at better involving men in reconciliation practices. EL and MT promote professional careers for women. NL shows the positive impact of measures aimed at reducing the gender pay gap. Despite the limited reference to the Gender Pact, Member States address many measures entailed in this pact in their NRPs.

Retaining older workers longer at work

As to older workers, the gap to be bridged remains very large even if it is closing fast and the discrepancy of performance between countries emphasises that attention must not slip away from this priority age group. All Member States are focused on keeping older workers longer in work or facilitating their reintegration into employment. In several countries debates on policy change are still ongoing. AT provides training to an unemployed of over 50 once at least 3 months in unemployment in the same way as for a young person. HU provides job trials for older workers. DE, FI, LU, NL and CZ provide financial incentives for recruiting older workers and DK and UK encourage active ageing through welfare agreements. SE has decided to lower the employers' contribution for older workers in order to make better use of older people's potential in the labour market. Several countries are also encouraging later retirement, including through changing the formal retirement age (DE). In ES, the workers who will delay their retirement will see their pension increase while a bonus system for social contributions for workers aged more than 60 years should facilitate their maintenance in employment. IE, DK, UK, and FR strongly promote campaigns to change the attitude towards older workers.

Little advancement in defining a lifecycle approach to work

While many measures are addressed to specific target groups, a life cycle approach to work is not yet systematically developed in most countries. However, compared to last year, improvements are observed with the implementation of the 'Generation Pact' in BE, but also through other intergenerational approaches including life-course savings schemes in the NL, or in DE with the opening up of multi-generation homes. Measures to facilitate the return to work are provided for women after parental leave, for long-term unemployed and for older persons. Jobs are specifically designed for people returning to the workforce in the NL while targeted allowances are used for long-term unemployed and mothers in HU.

Efforts for the young

A specific group concerns the young people. Although youth employment measures are addressed, progress here remains limited and is concentrated in a few countries. In most countries, the employment situation for young people has not improved or is still deteriorating. The youth unemployment ratio, the unemployed in relation to the whole population in the age group 15 – 24 years stands at 8,4%, the same as in 2000 and underlines the urgency to provide a preventative approach from 4 rather than from 6 months unemployment as called for by the 2006 Spring European Council and on which few countries reported.

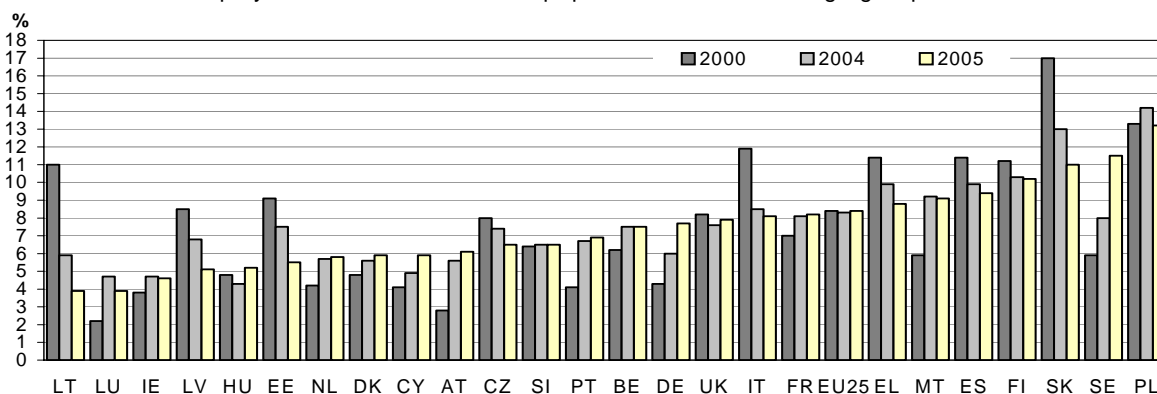
The early school leavers are fewer in 2006 than 6 years ago, 15.1% compared to 17.7%. The rate was 15.2% in 2005. Differences between the Member States are large and 7 have higher

rates in 2005 compared to 2004. For almost all countries, young men show higher rates than young women.

The educational attainment of 22-year olds has improved only marginally (0,9 pp) since 2000 and is now 77.5%. In 14 Member States, women have reached the Lisbon target of 85% while this is the case for men in only 5 countries. However, Member States are aware of the issues at stake and this year's NRPs address more policy measures in line with the Youth Pact, so that the situation is expected to improve for young people.

Youth unemployment ratios (15 - 24 years) 2000, 2004 and 2005.

Persons in employment as a share of total population in the same age group

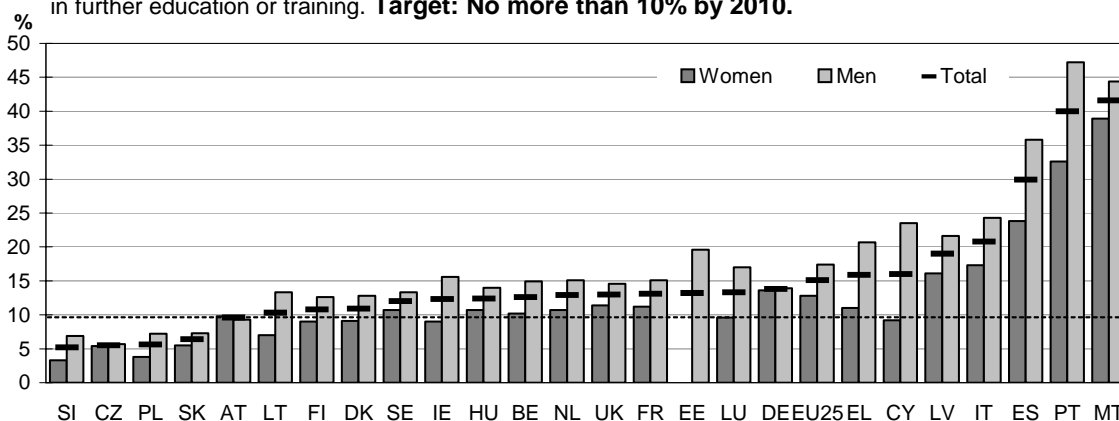


Source: Eurostat - Quarterly Labour Force Data - Annual averages

Notes: Data lack comparability due to changes in certain survey characteristics: between 2000 and 2004 for FR, IT, LU and AT, between 2004 and 2005 for DE, ES and SE.

Early school-leavers by sex, 2006

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.

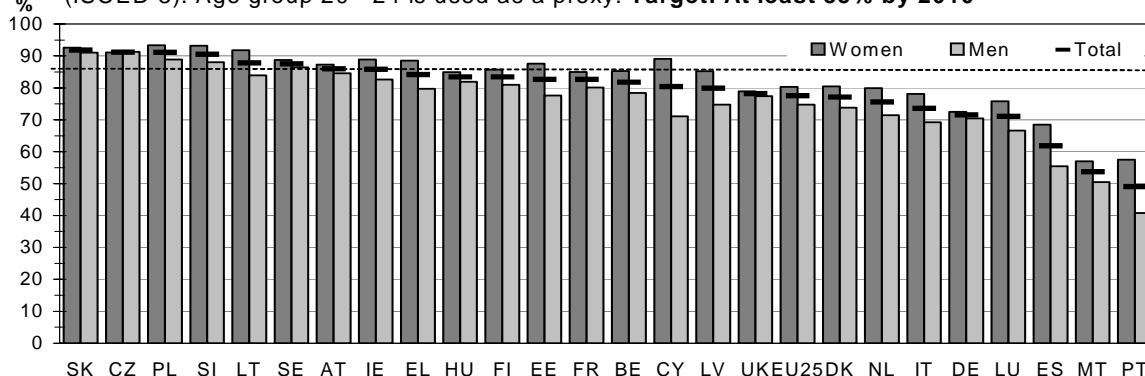


Source: Eurostat - European Union Labour Force Survey

Notes: EE, LT and SI: unreliable values; LV and FI provisional values; Students living abroad for one year or more and conscripts on compulsory military service are not covered by the EU Labour Force Survey, which may imply higher rates than those available at national level. This is especially the case for Cyprus.

Educational attainment of 22 year olds by sex, 2005

Percentage of 22 year olds having achieved at least upper secondary education (ISCED 3). Age group 20 - 24 is used as a proxy. **Target: At least 85% by 2010**



Source: Eurostat - European Union Labour Force Survey
Note: IE Provisional values

Growing attention for mobility, non-EU nationals and economic migration

More attention than last year was given to the integration of immigrants and ethnic groups in an effort to turn around the situation in which non-EU nationals find themselves twice as often in unemployment than EU nationals. IT, IE, AT, DK, DE, PT highlight policies to foster integration

Whereas relatively little reference is made to the free movement issue as such in the enlarged European Union, CZ supports commuting and BE also supports internal mobility through better exchange of vacancies, HU, FI and SK grant travel support, while SK and SI also provide housing support for people moving to take up a job elsewhere in the country. Economic migration is receiving more attention. LT and PL are addressing the effect of emigration of their nationals on their labour market. The management of migratory flows from an employment and labour supply perspective is strongly advocated by ES, IE, IT, SK, DK, CY and MT.

Shifting focus from disabilities towards abilities to work

A specific group which received significant attention in this year's NRPs are people with disabilities. This underlines that the mainstreaming approach within the strategy is starting to pay off. The focus is shifting from disabilities to abilities to work, thus no longer measuring disability but measuring employability. The UK in particular is making important efforts to improve the employment opportunities for people with a disability, but also IE, SI, LT, BE, FR, DK, NL, AT, PT, FI, HU, EE, and ES in particular report on measures with respect to the sustainable integration of people with disabilities into employment.