EUROPEAN EMPLOYMENT OBSERVATORY

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EXECUTIVE SUMMARY

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1 INTRODUCTION

This report presents an executive summary of the national quarterly reports submitted by the SYSDEM correspondents of the European Employment Observatory from 32 European countries (EU-27, Croatia, FYROM, Turkey, Serbia and Iceland) to the European Commission in April 2011.

The purpose of the executive summary is to provide an overview of labour market policies taken in the last quarter in the countries participating in the quarterly report and to identify whether they:

a) can be expected to help reach long term Europe 2020[1] targets and whether they are in line with Employment Guidelines 7 and 8[2];

b) are likely to be effective in helping the labour market to recover from the recession.

2 LABOUR MARKET POLICIES AND THE EUROPE 2020 STRATEGY

This section presents developments in national labour market policies described in the April quarterly reports, which have been identified as addressing the objectives set out in the European Employment Guidelines 7 and 8:

- **Guideline 7:** Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality.
- **Guideline 8:** Developing a skilled workforce responding to labour market needs and promoting lifelong learning.

Developments of relevance to **Guideline 7** include efforts to increase the flexibility of labour markets (Luxembourg, Malta, the Netherlands, Romania and Slovakia), changes to social security benefits and contributions, or to taxes to incentivise both employees and employers (Germany, Ireland, France, Hungary, Slovakia and Sweden) and pension reforms or changes to the retirement age (Czech Republic, France, Luxembourg, Hungary, the Netherlands and the UK). Supported contracts, subsidies and job or training guarantees are used in a number of countries to stimulate employment (e.g. France, Latvia, Hungary). Reforms of the public employment services or the introduction of new services such as one-stop-shops, or website support, have taken place in Estonia, Ireland, Luxembourg and Hungary. Some countries have had to make cuts to existing or proposed programmes (Belgium (Flanders) and Bulgaria).

A number of countries are introducing legislation or other measures on the rights of specific groups of workers such as temporary workers (e.g. Malta and Poland) and third country nationals (e.g. Denmark and Slovenia), while Poland and Slovakia have taken steps to tackle illicit employment. Other countries are focusing employment

1 http://ec.europa.eu/eu2020

2 See http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf

policies and measures on groups which are at a specific disadvantage on the labour market such as women (France, Italy and Hungary) young people (France and Latvia), older workers (France and Luxembourg), the disabled (Belgium, Bulgaria and Serbia) and workers in sectors which were badly affected by the crisis (e.g. construction in Cyprus). Two countries have involved the public and other stakeholders in policy development through consultations and communications (Lithuania and Slovenia)**.**

Measures and policies which are identified as being in line with Employment **Guideline 8** cover a range of sectors and target groups. A number of countries refer to the need to ensure a better match between skills supply and demand (e.g. Belgium, Bulgaria, Malta and the UK) and there are measures to promote vocational training, apprenticeships or internships in several countries (France, Ireland, Italy, Lithuania, Hungary, Portugal, Finland and Sweden). The issue of tackling early school leaving is raised in a smaller number of countries (Malta and Austria) while others are focusing on improving or investing in school education (Belgium, Greece, Hungary and Sweden for example). Measures to support the unemployed through education and training opportunities are being implemented or discussed in Bulgaria, Ireland and Lithuania, while Austria and Sweden have introduced initiatives promoting the integration of migrants.

2.1 Policies to support increased labour force participation, reduce structural unemployment and promote job quality

In **Belgium**, a number of changes have been implemented in the area of employment policy.

- An activation policy for persons with reduced ability to work has been introduced under the ACTIVA plans. Employers may deduct an allowance of EUR 500 from the net salary payable. This allowance will be paid by the National Office of Employment (Office national de l'emploi, ONEM).
- A number of measures have been outlined under the mediation proposal which aim to harmonise the status of employees and blue-collar workers.
- The Brussels government has decided to raise the grants allowed to cooperatives by 8.6 % in 2011 (in total EUR 315 000). This helps the unemployed in receipt of benefit and welfare recipients to create their own company while continuing to receive their benefits for a maximum 18 months.
- Since 1 January 2011, the accreditation requirements for private employment agencies in Flanders have been abolished.
- On 1 April 2011 the Flemish Government approved the Flemish reform programme EU2020 ('Vlaams Hervormingsprogramma EU2020') a programme that sets targets to contribute to the Europe 2020 strategy. Regarding employment, the Flemish objective is to achieve an employment rate of 76 % for people aged between 20 and 65 by 2020.
- The crisis measure introduced by the Flemish Government in 2010 allowing employers to offer a one-year contract to an intern after individual vocational training (instead of a permanent contract as prescribed by law) has been extended until the end of 2011.
- On 16 February the Walloon Government adopted on first reading the preliminary draft decree 'Airbag'. This decree will grant workers who are undertaking self-employed work, in addition to their main employment, financial assistance to make their self-employed work their main occupation.

In Flanders, a number of measures have been abolished or reduced in scope: the job discount (jobkorting) measure which reduced income tax for low-income workers living in Flanders was abolished on 1 January 2011; the lead-to-work subsidy (Vlaamse tewerkstellingspremie) for private sector employers hiring people over the age of 50 can no longer be combined with the corresponding allocation from federal level for hiring the unemployed aged over 50; and the Flemish support premium (Vlaamse Ondersteuningspremie), a wage costs subsidy introduced in 2008 to stimulate the employment of disabled persons, has been limited to a period of five years (with possibilities of renewal).

In **Bulgaria**, financial constraints have meant that a number of employment programmes and measures have not yet been implemented or have been discontinued. For example, the ‘Maternity Assistance’ programme has not received new financing, which may have a negative impact on the transition of young mothers to work. The programme for school leavers and the national programme of literacy courses for Roma are in the same position and will contribute to the long-term unemployment of poor and low qualified unemployed young people. There is some compensation from the programmes financed from the European Social Fund (ESF) which have been implemented as anti-crisis measures.

Under the **Bulgarian** Employment Promotion Act, the key programmes are ‘From social benefits to employment’ and ‘Personal assistants to disabled persons’. In January 2011, ‘From social benefits to employment’ remains the largest programme implemented by the Employment Agency, although it remains limited in scope. The schemes of the Operational Programme ‘Human Resource Development’ initiated in the last two years continue to be applied and contribute to improving the employability and professional mobility of employed and unemployed persons, particularly young people. Amongst other things, they help participants to overcome difficulties in terms of entering the labour market (including people who have lost their jobs as a result of the crisis) and implement preventive measures for employees at risk of losing their jobs. Most of the programmes provide training for the acquisition or improvement of professional qualifications, key competences and employment.

In the **Czech Republic**, a package of new labour market measures was implemented in January 2011. Most of these policies related to the tightening of eligibility rules and support levels for various types of programme. The majority were adopted during the autumn of 2010 via expedited legislative procedures in the Parliament that would normally be used only in the case of a national emergency. In March 2011, the Constitutional Court ruled that legislation adopted via expedited legislative procedure will become invalid by the end of 2011 unless re-approved via standard Parliamentary procedures. During the last three months, the efforts of the government became focused on defining longer-term policy priorities and no new policies were implemented.

Pension reform is on the agenda in the **Czech Republic**. Parliament is about to consider an amendment to the law on public pension insurance, which is now pending in the Lower House. If approved, the Czech retirement age could be revised upward for the third time since 1995. The amendment would allow for further increases of not only the statutory but most likely also the effective retirement age. The proposed new changes would have numerous fiscal, labour and health related implications.

In **Denmark,** a strategy for improving the working environment up to 2020 was agreed in March 2011, setting specific targets for the working environment in 2020 compared to the present situation:

- the number of work-related accidents should be reduced by 25 %;
- the share of the employed feeling mentally overloaded should be reduced by 20 %;
- the share of the employed experiencing physical overload should be reduced by 20 %.

The agreement lists a total of 19 initiatives that will be implemented in order to fulfil these targets. The measures include inspections, fines, assistance to small firms to address mental health issues in the working environment, increased attention to the needs of foreign workers and other measures to improve the interaction between public authorities and companies to improve the working environment.

In **Germany,** the Federal Government passed the new regulation of 'basic social income benefits' (UB-II) in February 2011 and amended the support to low income families with an 'educational package'. The regulation includes:

- the increase of regular social benefits to EUR 364 per month (an increase of EUR 5);
- one-fifth of additional labour incomes can be retained from EUR 100 up to incomes of EUR 1 000 euro per month. With the new regulation, the remaining labour income rises from EUR 260 to EUR 280 at the upper income limit;
- the 'education package' of EUR 700 million supports children of low-income families with lunch, school books and other materials, private lessons, sports and arts activities. Credits and vouchers are given to the families by the local labour agencies.

In addition, the reform package includes a cut of parental allowances, pension insurance payments and heating cost grants for UB-II beneficiaries. Even if there is some scepticism about the effectiveness of the reform, it will not bring into question the overall effectiveness of the Hartz Reform[3]. The cut of additional grants will more than compensate for the increase of regular benefits and thus further increase the incentives to search actively for a job.

The Expert Advisory Board published a critical assessment of the reform, stating that the benefit to wage differential is narrow and the marginal transfer reduction rate is high: social income earners receive between 60 and 87 % of a potential labour income and a potential job would cut their labour income by 90 % on average[4]. As a consequence, most recipients of social benefits who are working are in marginal jobs with incomes below EUR 400. They are in the combined-wages trap which mainly cuts the incentives to increase their number of working hours. The Board concluded that the intended reform cannot be expected to change working incentives substantially. This is in line with the assessment by the Institut für Arbeitsmarkt- und Berufsforschung[5].

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[3] Reform of unemployment insurance under the Federal Employment Service (Bundesagentur für Arbeit) and active labour market policies, named after Peter Hartz, principal staff manager of Volkswagen and the president of the "Hartz Commission" established by the German government in 2002.

[4] Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung (2010): Jahresgutachten 2010/11. Wiesbaden. Internet: http://www.sachverstaendigenrat-wirtschaft.de/?id=199

[5] IAB (2010): Was am Ende übrig bleibt. Reform der Hinzuverdienstmöglichkeiten im SGB II. IAB-Kurzbericht 24. Internet: http://doku.iab.de/kurzber/2010/kb2410.pdf

Early experience with the educational programme shows that only 2 % of the families who are eligible for the support actually make use of it. This is due to the fact that larger cities already provide similar services in their youth centres. These services still have to be merged with the new programme. The additional effect of the programme on youth services is expected to be low.

The **German** Federal Government also plans to reduce the support for 'one-euro-jobs'. These are publicly financed jobs for unemployment benefit II (UB-II) recipients who are employed and reintegrated through practical work in municipal jobs. The lump sum of EUR 263 per month which is paid to the municipalities as a mentoring fee for each participant should be reduced to EUR 150. Moreover, the activities of the one-euro-jobbers should not substitute regular jobs. The Federal Government argues that the new regulations will avoid the deadweight losses which were criticised by the Federal Court of Audit. However, charity organisations see a substantial reduction in the number of one-euro-jobs. The majority of one-euro-jobbers are assessed as having, at least partly, a set of positive competences, such as reliability (85 % of one-euro-jobbers) or motivation to work (80 %). These competences are a good basis for this labour market group to profit from the presently favourable labour market conditions. Finally, the non-substitution criterion counteracts the idea of reintegration under 'real' job conditions. For successful reintegration of the low-skilled unemployed, regular jobs will have to be used, otherwise individuals will not be working in an environment which is close to real working life.

In **Ireland**, the new coalition government has outlined a number of labour market developments which it intends to pursue. Within its first 100 days in office, the Government will initiate and resource a 'Jobs Fund' which will support a range of measures, including: halving the lower 8.5 % rate of employer's Pay Related Social Insurance (PRSI), up to the end of 2013, on jobs paying up to EUR 356 per week; reversing the cut in the minimum wage imposed by the previous Government; implementing a number of sectoral initiatives in areas that will create employment in the domestic economy; and accelerating labour-intensive capital works for which the planning stage is complete, including schools and secondary roads. The Government also proposes to establish a Tax and Social Welfare Commission to review the entitlements of self employed persons and examine ways to eliminate disincentives to take up employment.

The new Government also detailed proposals for reforming and streamlining the public service, including open public competition for vacancies, greater staff mobility, reductions in staff numbers and (where appropriate) outsourcing of services. It is envisaged that the reforms in question will allow a reduction in public sector staff numbers by between 22 000 and 25 000 by 2015 (i.e. by about 6 %), without recourse to involuntary redundancies. In particular, the intention is to reduce the size of the Department of the Prime Minister (An Taoiseach), transforming it into the equivalent of a Cabinet Office that oversees the delivery of a new Programme for Government.

Under the previous Government, the Social Welfare (Miscellaneous Provisions) Act 2010 came into force on 1 January 2011. This Act provides, inter alia, for the transfer of responsibility for the Public Employment Service, the Community Employment Programme and other employment measures from the National Training and Employment Authority (FÁS), to the Department of Social Protection (DPS). The legislation also provides for the integration of the relevant FÁS staff into DPS. The labour market policies of the new Government reveal a very similar approach to the reorganisation of labour market agencies, except that these appear to indicate that

FÁS in its entirety will be transferred into DPS to form a new 'National Employment and Entitlements Service'. This integrated service will provide a complete 'one stop shop' for people seeking to establish their benefit entitlements, seeking work, as well as the provision of training supports. The Service will also initiate measures to tackle the problem of welfare fraud.

As part of the National Recovery Plan in Ireland (see below for further details), the Government agreed to initiate a range of structural reforms in the labour market aimed at removing barriers to employment creation and disincentives to work. This involved, inter alia, a commitment to review the framework of Employment Regulation Orders (ERO) and Registered Employment Agreements (REA) wage-setting mechanisms within a period of three months. The terms of reference for the independent review provide a clearer picture of the issues which it is being asked to address. These stipulate that the matters to be taken into account should include the current levels of domestic competition and the international competitiveness of the sectors covered by EROs and REAs**;** price and wage movements in the economy and in major trading partners; and the impact of EROs and REAs on labour market flexibility and sustainable employment across the economy (especially during weak economic conditions). The Government is committed to taking urgent action, including making any legislative provision which may be necessary, following its consideration of the recommendations from the Review. This initiative has become controversial in recent weeks since it transpires that the number of workers covered by these measures (previously not recorded) is considerable – some 300 000, or over 16 % of the employed workforce.

In **Greece**, the Government has recently announced the launch of an 'Operational Plan for the Support of Work 2011'. The plan comes with a budget of EUR 775 million and consists of three main axes: a Social Work Programme, aiming at the absorption of 55 000 unemployed (EUR 280 million); Regional Integrated Programmes for the Support of Employment for 37 000 beneficiaries (EUR 190 million); and a series of ALMPs to be implemented by the Manpower Employment Organisation (OAED) in 2011 for 100 000 beneficiaries (EUR 375 million).

In **Spain**, following the labour market reform passed in October 2010, social dialogue has been resumed, resulting in the signature of the Social and Economic Agreement by the government and the social partners in February 2011. The Royal Decree Law 3/2011 of 18 February 2011, on urgent measures for employability improvement and the reform of active labour market policies, is based on the main lines of this Agreement and constitutes a global reform of the ALMP system. It will consist of a Spanish Employment Strategy (a multi-annual programme) and an Annual Plan of Employment Policy, which will be elaborated together with the Autonomous Communities and the social partners. The reform will affect unemployed people in 2013. However, in the meantime, the right to an individualised path to employment will be prioritised for young people, workers older than 45 in long-term unemployment and workers from the construction sector and other sectors affected by the crisis who are low-skilled. Other measures include a catalogue of basic citizen services, which will integrate services for the unemployed and employed people. Additionally, the creation of a 'Fund for employment policies' is especially relevant as it increases resources to meet future needs.

In **Estonia**, in order to support contacts with the Unemployment Insurance Fund, the self-service website of the Unemployment Insurance Fund has been opened up on the internet[6]. This enables jobseekers to view and add job offers, create their CVs upon registration, apply for jobs, provide contact information to the Unemployment Insurance Fund, etc. Employers can enter job offers, find suitable candidates or apply for redundancy benefits. The page has been popular among users with 70 000 visits during the first month.

Also in **Estonia**, the employment service has introduced the opportunity of a probationary work period of up to three days. During this probationary period, the unemployed person has a chance to decide whether the job is suitable for them and the employer can see whether the potential new employee is qualified for the job. During the probationary work period, candidates retain the right to be registered as unemployed and receive unemployment benefits. Other changes include: allowing training vouchers to be now also used for retraining; financing, through scholarships, volunteer work among the unemployed; and registering, as unemployed, those disabled persons who are studying full-time.

In **France** retirement reform has been implemented after months of challenge by trade unions and opposing political parties. This could stimulate employment amongst older workers. There is a financial support incentive of EUR 2 000 for every company that recruits unemployed people over the age of 45 in a part-time training contract. There is also a youth employment promotion measure whereby young people with no or low level school qualifications are supported into work. The individual reinforced support over 12 months will be implemented by a personal advisor and assisted by a voluntary sponsor. Some specific measures have also been designed to help young people in higher education to enter the labour market. Overall, 65 000 young people will be involved in the new support measures. The employment of women has also been addressed through the law of 27 January 2011, which has made it obligatory for a minimum of 40 % of employees on the board of directors (*Conseil d'administration)* to be women. This is the same for all companies employing more than 500 employees with a turnover of over EUR 50 million and includes public companies.

An effective employment promotion measure in **France** has focused on adjusting the social contributions of employees who are on low wages. The government wants to match this new employment policy with more involvement from employers. Another key development to tackle long-term unemployment is the requirement for Pôle Emploi, the public employment service, to offer all unemployed people either a certified training course or employment in the next three months. The main measure to assist the long-term unemployed remains supported contracts, now delivered through the Unique Insertion Contract (Contrat Unique d'Insertion). This has gained momentum as a way to counter the impact of the crisis on employment. In the 2011 budget, the Government committed to supporting 390 000 subsidised contracts, although decreasing their number (from 510 000) and decreasing the amounts of subsidies per contract to bring them back to pre-crisis funding levels. Again, to address the alarming situation of long-term unemployment, the government took the decision in March to increase supported contracts with the objective of giving priority to Active Solidarity Income (Revenu de solidarité active, RSA) beneficiaries, who represent part of the long-term unemployed.

[6] See http://www.tootukassa.ee

In **Italy,** the Council of Ministers approved the 2011 Document of Economy and Finance (*Documento di Economia e Finanza*) in April 2011, in the context of the new EU policy coordination framework. The Document contains three sections: the Stability Pact, the analysis and trends of public finances and the National Reform Programme (NRP). The NRP aims at replacing the Workers' Statutes (the legislative text, approved in 1970, stating the fundamental rights of workers) with a new 'Works' Statute'. The new Statute is intended to simplify the current system and to identify a core of universal rights applicable to all employees, while defining other areas where employment protection will be left to collective bargaining (at the sectoral, local and employer level), involving also bilateral bodies.

Raising the employment rate of women is a key priority in Italy. In March 2011, the Ministry of Labour and Social Policies signed a Memorandum of Understanding with the trade unions concerning the future measures to be adopted in order to favour the reconciliation of work and family life, particularly by means of flexible working time arrangements and 'second level' collective bargaining, linking wage dynamics to productivity growth. Moreover, in the face of the low coverage rate of childcare services confirmed by the latest data for the school year 2008/09 (coverage of 12.7 % in Italy, compared to the EU target of 33.3 %), the Memorandum also foresees the refinancing in 2011 of the Plan for Childcare Services.

In **Cyprus**, recent reforms to the property management system should help the construction industry to overcome its image problems and may reduce structural unemployment in this sector. Reforms include the legislative approval of an amnesty on zoning and town planning violations, whereby small deviations will receive approval following the payment of a fine to local authorities. Also, the process of obtaining titles will be speeded up, which might encourage investment in tourism accommodation. Other measures adopted recently include the legislative approval of a 0.095 % tax on commercial bank deposits in excess of EUR 100 000, which will raise about EUR 60 million per annum. Part of these funds will go into a stability fund that can be accessed in case of need (under terms to be worked out by the Central Bank) by commercial banks. Since the tax is permanent, a fund of approximately EUR 500 million (or 3 % of GDP) is planned. This development is expected to boost the image of commercial banks in Cyprus and will thus help maintain jobs in these big employers.

In **Latvia**, very little has changed on the labour market policy front in the first quarter of 2011. There has been one new labour market policy measure: on 13 April, the State Employment Agency announced that young people would have yet another opportunity to work in government-subsidised jobs in the private sector. The measure applies to all 18 to 24 year-olds who have been unemployed for at least six months, or have recently been on childcare leave, or have a disability. The aim of the measure is to allow the participants to develop their skills, obtain experience and become able to compete on the labour market. Young people who take part in the programme will be able to work for nine months for at least the minimum wage (EUR 280), from which the employer will make all required social security contributions. Employers who provide work places receive subsidies. This activity is part of the agency's complex support measures and it is planned to involve 1 050 young people. The measure is in line with Guidelines 7 and 8, since it provides opportunities for young people to participate in the labour market and gain much-needed practical training and work experience, which might possibly lift some young people out of long-term unemployment. Since the measure is based on real job contracts, it also helps to bridge the gap between unemployed young people's skills and labour market needs. While aimed by definition at young people, it is an economic crisis-related measure only to the extent that the crisis has accentuated the problem of young people who are unable to find work and are at a risk of entering a prolonged spell of unemployment, either after graduation from university or after working in low-skilled jobs that were relatively well paid during the years of economic growth, but in which workers are no longer in demand.

In **Lithuania**, the fourth competition for the National Socially Responsible Business Award was held in the first quarter of 2011. Employers were nominated for awards in four categories: for the creation of new jobs in territories witnessing the highest unemployment rates; for the integration of socially vulnerable people into the labour market; for youth integration in the labour market; and for initiatives to start up and develop businesses. Most of the new jobs were created without any financial aid from the State. The measures aimed at encouraging employers are undoubtedly in line with both Europe 2020 long-term targets and the Employment Guidelines, as labour demand and job creation are crucial for increasing participation in the labour market. Previously, only the state would assume the burden of the difficult role of promoting employment, creating new jobs and ensuring their quality. Therefore, the attempt to turn to employers, who create and recruit to high quality jobs, undoubtedly contributes to the targets relating to increasing and improving the quality of employment.

There have also been initiatives in **Lithuania** to communicate with society. Two communications to the public were published in March 2011. On 23 March the Ministry of Social Security and Labour (MSSL) published a communication inviting employer organisations, trade unions and other parties concerned, to submit proposals concerning the flexibility of employment relations (amending relevant legislation), giving due account to the practice of fixed-term and temporary employment contracts, the organisation of part-time work and application of other flexible forms of work. On 30 March the Government launched a public consultation on new measures to reduce unemployment. Lithuanian residents, organised civil groups, social partners, representatives from businesses and associated organisations, as well as experts from various fields were invited to submit proposals concerning the reduction of unemployment and the promotion of new jobs.

In **Luxembourg**, it has been announced in the 2009-2014 government programme that a review is to be carried out of whether to maintain in-employment policies and contractual arrangements (i.e. flexible or part-time contracts, Employment Initiation Contracts (CIE) as a flexible measure to counter the crisis), but no developments in this area have yet been identified. The Government has also introduced time-saving accounts which give employees the opportunity, for example, to accumulate annual leave not taken during the calendar year, and extra days off. These accounts may further help to reach the Europe 2020 objectives in the context of lifelong learning strategies as employees can take time off to apply for training schemes or personal skills development schemes. However the policy was criticised in an assessment by the Chamber of Wage Earners as it disregards the findings of an assessment carried out by the Economic and Social Council in 2004.

Active ageing, a fundamental element of Employment Guideline 7, has recently been debated in the context of **Luxembourg**'s impending pension and health care system reform. The pension reform is also to be placed in the context of how to deal with the employability and vulnerable position of older workers. The reform proposals have sparked a wide debate: in addition to a parliamentary discussion on how to reform the pension insurance system, additional discussions are planned with the social partners. The following elements of the reform are worth pointing out: the reform allows, at least in theory, for a certain degree of flexibility (a kind of 'à la carte' pension system) with several options for pensioners; while the retirement age remains set at 65 years, with an insurance period to cover 40 years, the employee can decide to stay in work for 43 years so as to increase his/ her pension income. As an alternative to this, the employee may want to voluntarily opt for only a 40-year active working period, which would then lead to a decrease of the pension income by 15 %. This new calculation model not only seeks to keep employees longer and on a voluntary basis in work, which would impact positively on the employment rate in the context of an ageing population, but would also respond to the need to guarantee the financial sustainability of pensions. Social partners are concerned about the new guidelines.

More details have also emerged on the ongoing Fit4job initiative in **Luxembourg**. The initiative will help jobseekers with tailor-made competences from various activity sectors to acquire new competences. It is a proactive policy measure to address labour market demands for example in the financial sector (Fit4Financial markets), as well as a measure to help jobseekers registered at the national employment agency (ADEM) to re-orientate towards a new sector and enhance their chances of finding employment.

The draft bill on the reform of ADEM, already introduced in December 2010, forms a fundamental pillar in the management of unemployment and the achievement of the Europe 2020 employment targets. In addition to the establishment of a new internal management structure, the new agency has the dual mission of representing an unemployment-managing and employment-generating force. Local branches have also been opened so as to take the burden off the central Luxembourg-based branch and bring assistance to those regions where unemployment is still high (i.e. the south).

Another previously-announced reform, linked indirectly to public finances and wages in **Luxembourg**, has been the presentation in 2010 of guidelines for the new reform of the public sector, focussing primarily on a wage reform for newly recruited government officials and the introduction of an evaluation system as part of the government's aim to modernise and render its management more efficient. In spite of the fact that discussions between the government and the trade unions are ongoing, the main trade unions oppose the reforms.

In **Hungary** there have been a number of developments in labour market and employment policy. From 1 January 2011 onwards, the base for the minimum payable social security payment is the minimum wage. Compared to the previous, rather questionable base of an occupation-specific expected wage, this measure is expected to lower the fixed costs of employment and therefore increase employment on the one hand and reduce the black economy on the other, by dismantling a disincentive against formal employment. Key changes to the social benefit system which are intended to increase employment also commenced in January 2011. First, all public benefit recipients are now registered in a database available to PES offices. A public works offer must be accepted by anyone on social benefit if it matches the qualification of the beneficiary. (Plans are in place to change this in 2012 to require the acceptance of any job. These documents indicate a number of pending developments regarding labour market and employment policy, including the drastic shortening of unemployment benefit (to three months) and the complete abolition of early retirement). Applications are already posted on the PES website but there is yet no direct information on uptake. Investment in public works can contribute to reaching the Europe 2020 goals through two channels. First, it can raise the employment rate statistically at a relatively high price. Secondly, it can provide a transition path to the open labour market (although there is yet no evidence on this). It is important however that the government clearly states that the primary aim of public works is supporting this transition and nothing else. Second, the Wage-Replacement Benefit (WRB) replaces the former Availability Benefit (AB) for the long-term unemployed without sufficient income. WRB is set at the same level as the AB (the minimum level of old-age pension) and is available to those with at least 30 days of employment or six months of participation in training programmes in the preceding year. Municipalities can also oblige beneficiaries to keep their real-estate tidy. This measure is expected to increase employment. Finally, a potentially very important institution was created at the beginning of 2011 from ECOSTAT, the former analysis unit of the Statistics Office: the Governmental Centre for Impact Evaluation. Information on its operation will be available at a later date.

Also in **Hungary**, a new system of personal income tax took effect in January 2011, with a flat rate of 16 % on super-gross income, i.e. gross income plus social security contributions. In addition to this, a generous tax allowance is available for couples with children. This provides families with extra cash and provides a rather strong motivation to work for both parents in families with many children. There are also attempts to increase the employment of women. Employers offering part-time employment to women have to pay 20 % social security contributions instead of the regular 27 %. New projects also include the development of kindergartens, reconciliation of work and family life through the development of innovative day-care solutions, support to prevent student drop-out, providing integrated help to support disadvantaged children and their families, providing equal opportunities in education and supporting lifelong learning in the most disadvantaged micro-regions. On paper, all of these measures contribute to reaching the Europe 2020 targets, but the programmes are not yet known in sufficient detail to provide any further analysis.

In **Malta**, a new law transposing the temporary agency work directive will come into force in December 2011, aiming to enhance the rights of temporary agency workers. This is an important step forward towards a greater flexibility and diversity of contractual arrangements within the Maltese labour market. It will help employers to meet unexpected or short-term human resource demands, while offering new employment opportunities for persons who are unable to embark on a traditional employment contract.

In the **Netherlands**, although social partners published a pension agreement in June 2010, in which they, among other things, agreed to raise the retirement age from 65 to 66 by 2020, an agreement upon its development has not yet been reached. Trade unions FNV and CNV have expressed their dissatisfaction with the agreement. For instance, the trade union CNV-ACV (the union for police officers) has commented that in the plans employees bear the risks involved with old-age pensions and that there are no alternatives for people with strenuous jobs. Also many disputes have arisen with trade union FNV about the content of the negotiations. FNV has indicated that it wants to discuss issues such as the division of pension premiums between employers and employees and the extent to which old-age pensions will grow along with wages. Thus, although actors are still discussing and negotiating, the retirement age and the pension system remains a controversial issue.

The **Dutch** Minister of Social Affairs and Employment has proposed to relax the conditions for terminating an employment contract, even though the new government had agreed not to change employment protection legislation. The majority of the parliament is against this proposal, partly because it affects employment security. Trade unions FNV and CNV recently indicated that employers are firing permanent workers and replacing them with less costly temporary and flexible workers.

In **Austria**, the Law against Wage and Social Dumping (Lohn- und Sozialdumping Bekämpfungsgesetz) will take effect on 1 May, just at the end of the transition arrangement period concerning workers from the new member states. This law is in line with Employment Guideline 7, because it would reduce structural unemployment by cutting illegal work and helping to promote job quality through trying to ensure fair payment. There was concern, especially among workers representatives (Chamber of Labour, Trade Union Federation), that there would be an increase in wage and social dumping through cheap foreign workers from eastern neighbouring states. The law contains a number of changes especially regarding the control of illegal work and payment according to collective agreement. Employers have to prove the correct registration of workers, and wages must not fall short of the minimum collective agreement wage of the relevant branch of industry. The law also fixes quite high administrative penalties for the employer if illegal workers are repeatedly detected. The fines range from EUR 500 to EUR 5 000 for missing documentation and from EUR 1 000 to EUR 10 000 for wages below collective agreement minimum wages. Repeated and multiple offences will be fined by up to EUR 50 000.

In **Poland,** on 12 April 2011 the Council of Ministers adopted the assumptions for the draft law on sanctions for employers of third country nationals residing in Poland without a permit. The Government's Legislative Centre will now develop a draft law on the basis of these assumptions adopted by the Council of Ministers. This is a proposal to transpose the Directive of the European Parliament and Council 2009/52/EC of 18 June 2009 into Polish legislation. The purpose of Directive 2009/52 is to reduce the scale of illegal immigration into the EU by reducing the attractiveness of employing illegal third country nationals. The assumptions for the draft law are to:

- make it compulsory for employers to require a valid document authorising legal residence status in Poland from their employees; and
- foresee sanctions for the employment of illegal third-country nationals (fines, removal from the registers, withdrawal of access to public assistance, bearing the cost of arrears to the State, the exclusion from the proceedings of public procurement, etc.).

Also in **Poland**, a draft act to amend the law on employing temporary workers is currently under inter-departmental consultation. The purpose of the proposed amendments is to enhance the protection of workers, in cases where employers break employment contracts to replace workers with temporary staff.

The **Romanian** Government has introduced some sweeping changes to the country's Labour Code, which was enacted on 31 March 2011. The main changes affect: the use of determined duration or closed-ended contracts (with an extension of their maximum duration from 24 to 36 months); the ease of constraints regarding collective dismissals and especially post-collective dismissals hiring (the period for which employers are prohibited from hiring following collective dismissals has been cut from nine months to only 45 days); a reduction in scope of the collective bargaining (national bargaining is no longer compulsory) and finally a decoupling of the private sector from the public sector in terms of collective agreements. In the meantime, the implicit limit with regard to the number of labour contracts an individual can conclude either with the same employer or with different employers has been removed and more freedom has been given to employers with regard to the probation/testing period, whereby more than one individual/applicant can be hired simultaneously for the same job. Finally, since the beginning of the year the registration of labour contracts must now be made in electronic format instead of the old 'labour booklet' (*Carnet de Munca*) format.

The **Romanian** Government has shown itself to be bold in making these changes to the Labour Code. The extension of the period of time for which determined duration (closed-ended) contracts can be concluded from a maximum of 24 to a maximum of 36 months revolutionises the functioning of the Romanian labour market. Given the fact that employees on fixed-term contracts enjoy practically the same rights as employees on open-ended contracts, this will mean a considerable step towards a market that would gain in flexibility but would not become unnecessarily segmented as a consequence.

In **Slovenia**, in recent years there has been increased mistrust between the trade unions, employers and the government. Moreover, the government failed to communicate effectively to the public the aims and positive expected outcomes of two reforms on the Mini Jobs Act and Pension and Disability Insurance Act. The result was strong opposition to the reform, especially to those legal documents that are introducing changes which could be perceived as reducing the rights of workers or reducing their social security. Such opposition produced a strong rejection of the Mini Jobs Act in the referendum held on 10 April 2011 (80 % voted against it). A similar scenario might unfold during the second referendum (set for 5 June 2011) when Slovenian citizens will decide on the Pension and Disability Insurance Act and on the Prevention of Illegal Work and Employment Act.

In February 2011, the **Slovenian** Government earmarked EUR 300 000 as financial assistance to third-country workers falling into the categories who cannot claim rights to benefits from the termination of employment.

- Workers who have lost their jobs and have expired work permits and residence permits in the Republic of Slovenia.
- Those who have lost their jobs and still have a valid personal work permits and a residence in the Republic of Slovenia.
- Those who are employed in the Republic of Slovenia, but have not received salaries for the last two months and in case of loss of employment.

The assistance is intended to bridge the period of waiting to legally obtain authorisation or to ensure the return to the country of residence. Up to early April 2011, 997 third-country workers had received such financial assistance.

Also in Slovenia, the National Assembly approved the Social Entrepreneurship Act which came into force in April 2011. The Act provides a legal framework for the operation of social enterprises. Its primary objectives are the development of the non-governmental sector, volunteering, reduction of the shadow economy, and increased employment in the field of social entrepreneurship. The Act also provides specific conditions of employment for vulnerable groups of people, especially for people with disabilities, unemployed persons who are older than 55, the long-term unemployed, first jobseekers, Roma and certain other groups, such as ex-prisoners, addicts and dropouts. In **Slovakia**, the cabinet approved the long-awaited and debated amendment to the Labour Code on 28 April. This major amendment will be voted in parliament in June. The declared purpose is to improve the flexibility of employment regulation which in turn should lead to increased hiring and employment. Out of the total number of 140 changes the most important include:

- abolition of the concurrence of notice period and severance pay for redundancy dismissal;
- linking the notice period more closely to the years of service;

- extension of the probationary period for persons entering managerial positions to up to six months (it is now up to 3 months universally);
- extension of the maximum length of a fixed-term contract from two to three years with the possibility of three renewals;
- the introduction of job sharing to enable two or more part-time workers to share responsibility for one job in alternation;
- the annual paid leave from work for persons aged 33 and above shall be at least five weeks (the basic annual leave entitlement of at least four weeks remains unchanged);
- parental leave of three years may be spread over a period of five years;
- the overtime limit may be extended in collective agreements by 250 hours to a maximum of 400 hours (and/or 550 hours for workers in managerial positions) in a calendar year;
- flexible working time may be agreed with employee representatives without a strict delimitation of a basic working time;
- partial relaxation of collective dismissals and harmonisation with applicable EC directives;
- employers and employees may agree a non-competition clause stipulating (i) a period of maximum of one year during which, in the event of termination of employment, the employee may not pursue activities in competition against the employer, and (ii) a compensation equalling at least 50 % of the employee's average wage;
- abolition of so-called minimum wage claims, which specify six different levels of the minimum wage in relation to how demanding the work is; only one level of the minimum wage shall apply, namely that stipulated by the minimum wage law;
- broadening of the scope of issues that can be collectively negotiated at company level.

None of the social partners were satisfied with the approved draft and both employers and trade unions announced plans to pursue further changes. Thus the possibility of further adjustments to the draft law cannot be excluded.

A minor amendment to the Labour Code came into effect in **Slovakia** in April. The changes were prompted by the obligation to transpose EU legislation in the area of equal opportunities and protection of parents, especially mothers in the workplace. The most discussed change concerned the obligation of employers to place employees returning from parental leave in their previous job position and guarantee remuneration at least at the level provided prior to their leave, taking into account all improvements achieved during the employee's leave, i.e. wage and non-wage increases, bonuses, etc. Employers protested against the change, pointing to its difficult viability and increased costs. The Ministry of Labour admitted that changes may negatively impact especially on companies with flexible and dynamic job structures.

A reform of taxes and social security contributions is currently under preparation in **Slovakia**. The reform is part of a broader policy project which should result in unified administration and collection of taxes, insurance contributions and customs duties (project UNITAS). Reduced administrative burden, a simplified and transparent tax and social security scheme, and improved efficiency and collection of taxes and contributions are the ultimate goals of the reform. The government's proposal envisages:

- the introduction of a super-gross wage (gross wage plus insurance contributions paid by the employer) which will serve as the assessment base for the income tax (19 % rate preserved) and insurance contributions (a single social contribution at 19 % for employees and 13 % for self-employed, and a single health contribution at 9 % for employees and self-employed);
- work performance agreements and work activity agreements, which are non-standard types of contracts on work performed outside an employment relationship, shall be levied with a 10 % social contribution and a 9 % health insurance contribution; income below the minimum subsistence level (approximately EUR 190 monthly at present) shall not be liable to contribution payments;
- deductible lump-sum expenditures at 40 % of income shall be replaced by a sum equalling to the minimum subsistence level;
- social security contributions shall no longer be deductible from the tax base; and
- lowering of the contribution burden by 4 percentage points in four years, starting in 2013.

The **Slovakian** government has also approved an amendment to the Act on illicit work and illicit employment. The revision was carried out to comply with Directive 2009/52/EC of the European Parliament and of the Council of 18 June 2009, providing for minimum standards on sanctions and measures against employers of illegally resident third-country nationals. Organisation of undeclared work inspection will change as the competence of the Central Labour Office and territorial labour offices in this area will be transferred to the National Labour Inspectorate and its regional branches.

In **Finland** a greater number of people have been participating in ALMP measures arranged by the public employment services compared to a year ago. The Europe 2020 National Programme has also signalled longer working careers and occupational and regional mobility of labour to lend support to economic growth.

In **Sweden** the new set of measures announced by the Government in the 2011 autumn Budget Bill were adopted by Swedish Parliament in December 2010. In order to secure core welfare service and sustain employment in the public sector, the Government has announced temporary higher government grants (amounting to SEK 13 billion) for local authorities in charge of the provision of public services (health care, education, etc.). In light of the recent improvement in the Swedish labour market the scope of counter-cyclical ALMPs will be gradually reduced. Furthermore the focus in 2011 will be on supply side measures aimed at facilitating the current economic upturn and limiting potential overheating and the emergence of bottlenecks (shortage in certain occupations and/or regions). According to the Government a stronger emphasis should in 2011 be put on reducing long-term unemployment and on targeted measures towards persons with a weak foothold on the labour market. In this context the Government has decided to allocate more resources for work experience placement and coaching.

Also in **Sweden**, as far as income distribution is concerned and in order to limit the negative impact of the crisis on poverty and social exclusion, the government has further reduced income tax for pensioners. The Swedish Riksdag has also adopted the increase of housing allowance targeted to single parents and parents with low income. In order to combat the exclusion of migrants from the labour market, the targeted wage subsidies will be continued. In order to increase labour supply of older workers and delay the average year of exit from the labour market, the government has also set up a parliamentary committee that will explore the possibility of increasing the age up to which people have a right to remain in work from the current 67 to 69 years. Regarding work-life balance and gender equality, a simplified gender equality bonus within the framework of the parental leave system has been adopted. The Government proposition to allow both parents to take parental leave and receive parental benefit at the same time for 30 days during the child's first year will be implemented.

The **UK**'s Pensions Bill went through parliament confirming some measures already announced but bringing forward, to 2018, the date for introducing the State Pension Age of 66 for men and women. Also indexation of the State Pension with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) was confirmed (the CPI has been lower than the RPI for some time) and a wider debate has been opened up on introducing a flat rate pension instead of the current system of a lower pension plus various means-tested benefits that individuals need to claim and which could be introduced from around 2016, although this would only apply to new pensioners.

The **UK** government's new consolidated approach to active measures - the 'Work Programme' - came into force in April 2011 and will gradually replace the array of separate programmes previously on offer. This includes the expansion of work placements for young people aged 18-24 lasting up to eight weeks (the March Budget widened eligibility to include graduates). However a key difference with the Work Programme is that private and voluntary providers have been contracted (through a process of competitive tendering) to manage the programme with payments based on successful outcomes including the duration of employment – a challenging agenda when the job creation potential is currently limited.

In **Croatia**, there was a significant increase in the number of people participating in active labour market measures in 2010, compared with 2009. Within the framework of the National Employment Incentive Plan 2010, a total of 13 088 persons were included in the implementation of active labour market policy measures within the authority of the Croatian Employment Service (CES), a significant increase compared to the 6 296 persons participating in measures in 2009. A particularly welcome measure is the newly introduced programme of professional training for work without concluding an employment contract, which should enable young unemployed persons to gain their first work experience.

In **FYROM** the operational plan for active policies and measures for 2011 was completed towards the end of last year. The main ALMPs address: self-employment; assistance for registration of existing business; assistance for additional employment in existing businesses registered through the self-employment programmes in 2007, 2008 and 2009; labour force mobility; employment preparation; employment subsidies; internships in support of first employment; job vacancies survey; improvement of the economic situation for women-victims of domestic violence; and support for Roma.

In **Serbia**, the new law on the professional rehabilitation and employment of persons with disabilities (in force since May 2010) creates the necessary preconditions for the integration into employment of persons with disabilities, aiming to at least double the number of disabled people in employment within five years. It introduces a quota system and at the same time uses funds from penalties paid by firms that do not meet the minimum requirements to finance professional rehabilitation. As of 2010, employers with 20-49 employees are obliged to have at least one disabled employee and those with 50 or more employees are required to employ one disabled person for each additional 50 workers. In 2010, the inflow into the Budgetary fund (from penalties) was around RSD 800 million, while it is expected to grow in 2011 to over RSD 2 billion, which should serve to subsidise the salaries of disabled employees as well as to widen the scope of active programmes of the National Employment Service targeted specifically at persons with disabilities.

2.2 Policies to develop a workforce with skills responding to labour market needs and promote lifelong learning

In **Belgium**, the Brussels minister of Employment, Economy and Research has committed to supporting school investments (for technical and vocational schools). The Brussels Government has also decided to reinforce the Brussels professional reference centre (CDR) through the creation of a new CDR 'jobs in the city and in the public service', through the simplification of procedures and through the implementation of action plans. CDRs are partnerships between the public and private sector, including public organisations of employment and vocational training, sectoral representatives, education and the Vocational Training Fund. There are currently five CDRs.

In Wallonia, measures to support language learning are being implemented. Under the Marshall Plan, young people in Walloon who complete secondary school can obtain a scholarship to fund a stay in another linguistic community. In 2010, 810 scholarships were provided and the offer is similar for 2011. In addition, the Minister of Employment and Training called for a language tutorial to be made available to all Walloons. An offer of online language learning will emerge in the coming months.

A new regulatory framework will be developed in 2011 for the sector comprising companies providing work-based learning opportunities (Entreprises de formation par le travail, ETF) and institutions supporting socio-professional integration (Organismes d'insertion socioprofessionnelles, OISP). To this end, various working groups will be established on the following topics:

- Match between training offers and needs of individuals and businesses; and
- Better recognition of the sector among other stakeholders in vocational training.

The Walloon public service for employment and training will also be subject to three new decrees. The first, which should be effective in the coming months, establishes a Strategic Committee which will meet representatives of trade unions, employers, the director general and the government. The other decrees will focus on the organisation of the Walloon public service for employment and training and clarify its purpose.

Although the reforms of secondary and higher education in **Bulgaria** are ongoing, progress is slow. The drafting of the new Secondary Education Act has not been completed and considerable work is needed to reform higher education and improve the quality of the university programmes in order to respond to employers' needs and to scientific and technological achievements.

The implementation of the **Bulgarian** project 'Realisation' commenced in the first quarter of 2011. It envisages the improvement of the qualifications, knowledge and skills of 730 unemployed people with secondary and higher education in the districts of Varna, Plovdiv, Ruse and Sofia-city. Each beneficiary will participate in a package of training services, including motivation training, digital competence training and training on part of a profession.

In **Ireland**, the joint programme of the new Government states that lifelong learning, community education and vocational training for jobseekers will be a high priority. The intention is to expand training options for jobseekers in the vocational and higher education sectors to facilitate the upskilling of the labour force. Within the aforementioned 'Jobs Fund', resources will be provided for an additional 15 000 places in training, work experience and educational opportunities for those who are out of work. In addition, the eligibility for the Back to Education Allowance will be expanded. The new Government has also indicated that it will develop a new graduate and apprentice internship scheme, as well as work placement programmes and further education opportunities for young unemployed persons, providing an additional 60 000 places across a range of measures and initiatives. Furthermore, literacy and basic workplace skills will be set out as a national priority, with, where relevant, special components incorporated into a wider variety of the measures in question. Those on the unemployment register who are identified as being most at risk of long-term unemployment will receive priority treatment for more intensive support.

In **Greece**, the Education Ministry announced plans to merge more than 1 000 public schools nationwide. Redrawing the school division map is the country's most radical attempt yet to save millions of euro in education spending. Starting from the next academic year, some 1 933 of Greece's 16 000 public schools will be merged into 877 schools. The majority of the planned mergers affect primary schools. Teachers are preparing to resist the new mergers, as they fear these will result in mass transfers of teachers to other schools. As many as 2 000 public school directors will be made redundant, even though the Education Ministry stressed that no teachers will be fired.

The Education Ministry has also presented a new study plan for upper secondary schools. According to the education reform plans, which aim to provide school leavers with a detailed knowledge of some subjects and good all-round schooling, senior high school pupils will study fewer subjects but for longer hours and will focus more on research. In a radical departure from the past, pupils will be asked to produce research papers (one of which can be in English) every four months, which will count toward their final grades. At the moment, grades depend on end-of-year exam results. The new measures proposed will directly affect the country's 1.3 million students and some 160 000 school teachers in public sector schools. Teachers feel threatened because not all teachers are willing to undergo retraining, as the government will require, in order for them to be educated about the new methods and new curriculum.

The **Greek** National Council for Education (ESYP), an advisory body for the Ministry of Education, has presented to the government a new proposal for university students, aiming to make the current higher education system more efficient and to better prepare graduates for the labour market. If the proposals were to be adopted, university students would see more homework, research papers and class discussions, while they would have to choose their major after the first year of university.

In **France** the new mobilisation plan has confirmed the implementation of a *bonus malus* system for companies with over 250 employees. This is a tax incentive to reduce companies' contributions if they are recruiting young people in part-time training and to increase apprenticeship quotas from 3 % to 4 %. Also, in SMEs there is an exemption from social contributions for recruitment of a higher number of apprentices compared with the year before.

In **Italy**, the recently approved National Reform Programme (NRP) foresees that the apprenticeship contract should become the main instrument to be used in order to favour the job insertion of younger workers and to accelerate their transition from school to work. Tax credits will be granted to companies that entrust R&D activities to universities or public research organisations.

In **Lithuania** measures have been implemented which are aimed at improving the system of vocational training. Decisions are being taken to raise the standards and quality of vocational education and training. The first meeting of the Central Vocational Committee (CVC) took place in the first quarter of 2011. (CVC is a collegial cooperation-based advisory authority formed to coordinate strategic issues relating to the formation of the qualification system). The agenda of the meeting included linking the structure of Lithuanian qualifications to that of European qualifications and sectional vocational (SVC) committees for creating vocational standards (a SVC is a collegial cooperation-based advisory authority formed to coordinate qualification issues in a particular economic sector).

Also in **Lithuania**, issues on labour market training centres and vocational training of the unemployed were also addressed by the social partners (employers, trade unions and GRL) at the sitting of the Tripartite Council of the Republic of Lithuania (TCRL) held in March 2011. The reform of vocational training in Lithuania, as presented by the Ministry of Education and Science (MES), raised a number of questions to the social partners; it was agreed to continue analysis and discussion of the problems raised at the future sittings of the TCRL. In the first quarter of 2011, the MES also paid much attention to projects to give students entrepreneurial and practical skills. Student placements will involve the elaboration of models of practical work, the training from placement tutors, the creation of websites containing information on available placements to students, and the implementation of pilot placements. The goal of the projects on developing entrepreneurial skills is to provide students with a practical entrepreneurial foundation. These projects are to be oriented towards students' practical work and learning in enterprises, agencies or organisations.

Policies to develop students' practical skills can certainly be seen as positive in the context of both the Europe 2020 long-term targets and Employment Guideline 8. So far, inadequate practical training of graduates and their availability for the labour market in Lithuania have been seen as some of the main reasons for their non-employment or for the mismatch between their skills and the needs of the labour market. Therefore, the current efforts are positively evaluated. On the other hand, it is today quite difficult to evaluate the ongoing reform of the vocational training system. Information provided by the government on the labour market and unemployed persons' training reform is quite scarce and difficult to understand both to the social partners and experts who are not directly involved in the process.

Female employment has increased over the last year in **Luxembourg** and represents a vital part of the country's overall employment rate. In order to provide better access to the labour market, the government therefore put forward the creation of an additional 8 000 places in childcare facilities.

Also in **Hungary**, there has been a revision of ALMPs. The new Action Plans for the Social Renewal and Social Infrastructure Operational Programme cover areas inherited from the earlier period, include mostly ALMPs, training programmes (importantly: training programmes focusing on primary skills and delivered by the PES offices), social security contribution allowances, the development of the PES, support of innovative schools and support for those with poor employment chances.

In **Malta**, new initiatives aim to reduce early school-leaving and to promote particular specialisations needed by the country. The government is supporting postgraduate studies and doctoral research in national priority areas, including those of research and innovation, through several scholarship schemes and is trying to unblock the EU suspension of funds for the Lifelong Learning and Youth in Action programmes, brought about by their mismanagement.

The Ministry for Education, Youth and Employment continued to work on its educational reform strategy, as a priority to increase employment. The government is scaling up its efforts to ensure that all children complete primary school with at least a basic knowledge of English, Maltese, mathematics and e-learning.

At 36.8 %, Malta has the highest percentage of 18-24 year olds with a lower secondary level of education among EU countries; the EU average is 14.4 %. While it has made significant improvements in recent years, it seeks to reduce the number of early school leavers by a further 8 % by 2020. Among the other measures being developed and implemented, is a pilot project for the introduction of vocational subjects in secondary schools to help low performing students to remain in education and increase their skills and qualifications. Moreover, in February 2011, the government launched the Youth Inc. Programme which gives early school leavers the opportunity to participate in vocational training meant to enhance their academic knowledge and vocational skills. The programme promotes active learning as opposed to traditional teaching methods and includes mentoring by youth support workers.

In **Austria**, in order to attract highly qualified workers from outside the EU or EEA, a new work permit system will come into effect by 1 July 2011. In the course of the reform of the foreigner employment law (*AuslBG*) and the unemployment insurance act, the introduction of the so called 'red-white-red card' (Rot-Weiss-Rot Karte) was passed in parliament on 31 March. The quota system for the labour market access of third country nationals is replaced by a criteria-guided scoring system, with criteria relating to the persons' qualifications, work experience, age, language skills and minimum pay. Highly qualified migrants, migrants with an occupation in demand on the labour market (occupations with skilled labour shortage) and other key personnel will be given easier access to the Austrian labour market. Also, foreign nationals who are alumni of Austrian universities or colleges of higher education (Fachhochschulen) will be given an option for employment in Austria. In the course of the changes of the foreigner employment law, the employment possibilities of third country nationality students have also been reformed. In the future they will be able to work for 10 hours per week without any checks on their status.

The introduction of the red-white-red card aims to develop a skilled workforce by using the skills potential of third country nationals. Because of demographic changes, a shortage of qualified young workers in Austria is expected in the near future. It is therefore intended that the guided immigration of highly qualified migrants will have positive economic effects and will lead to an increase in the comparably low rate of highly qualified workers in Austria. Critics argue that the preconditions for third country nationals are less attractive compared to other EU- or EEA Member States. Therefore it is expected that highly qualified workers (e.g. from Asia) would prefer to move to English-speaking than to German-speaking countries. The conditions for family unification are perceived to be more attractive in other immigration countries. Thus it is expected that the number of red-white-red card holders will be relatively low and that there will be limited impact on the skills structure of the Austrian workforce.

In **Poland,** a strategy paper was prepared by the Interdepartmental Team for lifelong learning in February 2011 and is currently under social consultation. The strategy includes a design for the National Qualifications Framework. The document points to the increasing importance of skills and competencies as human capital, whose importance is increasing in global competition. Rapid economic and social development, the increased mobility of students and workers and an ageing population make it necessary to reorient the traditional career model as a whole - from early care and education, to school learning, continuing education and professional development up to learning by older people.

In **Portugal** only one legislative measure of particular relevance for the labour market seems to have been taken during the first quarter of 2011. The Decree-Law that establishes the rules for extracurricular occupational traineeships, in order to guarantee certain minimum standards in this relation, in particular with regard to the obligations of the institutions that receive trainees (payment of a remuneration of EUR 419 minimum per month, written contract, provision of a workplace and of an instructor). This measure referred to the commitment of the signatories of the Social Pact on the Reform of Labour Relations signed in 2008 to combat informal work relations, namely by putting an end to the proliferation of unpaid traineeships.

In **Finland** as part of broader ALMP measures, persons covered by training and subsidised employment measures arranged by the public employment service increased by 16 %. People placed under employment subsidy measures were up by 14 %, and labour market training was also up somewhat (2.6 %), compared to a year ago. The Europe 2020 National Programme has also signalled the intention to increase the proportion of people having completed tertiary education to 42 %, and to reduce the proportion of early school leavers to 8 %.

In **Sweden**, more resources have been allocated to apprenticeships as well as measures aimed at enhancing the incentives for young people lacking a compulsory or upper secondary education to complete their studies. The number of places in vocational training will also be increased in 2011. Around 30 000 apprenticeship places will be established in upper secondary school and 5 900 in adult education. The Government proposals to improve the evaluation of student's knowledge with the introduction of earlier grades from year six onwards and to have more national tests have also been approved. The extension of the skills enhancement initiative for teachers has also been adopted. In order to enhance social integration of Swedish residents who were born in another country, a set of measures will be implemented, in particular efforts to enhance the competence of teachers of Swedish to immigrants (SFI) within the framework for the skills enhancement initiative for teachers. Resources for schools in segregated and exposed areas have also been augmented.

In the **UK**, in March 2011 the independent Wolf Report on vocational education in England was published. A key recommendation was for a more simplified system with more flexibility in its institutions, closer attention to labour market needs and making sure that participants emerge with satisfactory core skills. The report also emphasises the need for courses to be driven not just by the acquisition of qualifications, but by the potential for progression in learning and work. The government will formally respond to the recommendations later in the year.

Developing a skilled workforce responding to labour market needs and promoting employability remains an elusive goal in **Turkey**. Quality initial education for all and attractive vocational training have not yet been achieved. The quality of vocational education has long been a difficult issue for Turkish employers. On the supply side, vocational schools and higher (tertiary) level vocational technical education schools are not top choices as families and students value a university education. Furthermore, the government closed the technical education faculties in 2009. These Technology Faculties had four-year engineering departments, where students who had finished the two-year vocational school could then proceed to a full engineering degree. The Council of State (Danistay) nullified the government regulation in April and declared that all vocational school graduates who desire to have a four-year degree should take the two-stage university entrance examination.

In **Iceland**, the government announced in April 2011 that all applicants up to the age of 25 will be guaranteed admission to upper secondary school in the autumn of 2011. Increased emphasis will also be placed on enabling older individuals to attend school. In addition, up to 1 000 new study opportunities for job-seekers will be created this autumn and during the coming two school years. The government has further decided to set up a special fund to promote vocational-industrial studies at secondary and tertiary level.

3 LABOUR MARKET MEASURES TO SUPPORT ECONOMIC RECOVERY

Reforms and measures which are identified as supporting the recovery from the economic crisis vary considerably across the 32 countries contributing to this report. Some continue to focus on improving public finances (Ireland, Greece, Poland, Portugal and Iceland) and to reducing public sector debt. Ireland and Greece are aiming to reduce costs in the public sector, in contrast to Romania, where public sector salaries have been increased to improve the purchasing power of public employees. The public sector is being reorganised in Hungary, which includes a reform of the PES. Modernisation and restructuring of the PES is also taking place in the Czech Republic and France.

In other countries measures are focused on specific sectors or specific target groups. Governments in Cyprus and Malta are introducing interventions in specific sectors hit by the crisis, such as construction and tourism. Measures supporting youth employment have recently been taken in Belgium, Denmark, Spain, Malta and FYROM and the long-term unemployed are also identified as a group of specific concern in Spain, France and FYROM. In Serbia, a new law has been introduced to improve the prospects of disabled persons to acquire employment.

A number of countries have taken measures to improve flexibility on the labour market (e.g. Hungary, Romania and Slovakia). Within the labour market programme in Hungary, a deregulation of the labour market is proposed, making hiring and firing significantly easier than before and making overtime and work at irregular times (weekend, night) much cheaper. In Romania, the Labour Code has been amended to increase the period of time for which fixed-term contracts can be concluded and in Slovakia, a number of structural reforms are ‘in the pipeline’.

In **Belgium**, the policy measures adopted since 2008 to counter the employment effects of the crisis have had very positive effects and have been highlighted by the European Commission in its ‘Employment in Europe 2010’ report and also by the

OECD. In particular, the 'Win-Win' plan has been very successful. In total, 333 474 job cards were delivered in 2010. These contracts are mostly offered to young people under the age of 24 (58 %) and to people older than 50 years (13 %). The 2011 Win-Win budget has increased by EUR 197 million compared to 2010.

In 2010, the financial resources allocated for applied programmes and measures in **Bulgaria** were lower than in the previous years. A total of BGN 70.3 million (EUR 35.9 million) was allocated, of which 10 % was from the European Social Fund and the other structural funds. On the one hand, this is a stable financing that one can count on. On the other, the absorption capacity is still low, and the contribution of these funds is limited.

In 2010, the number of unemployed on the labour market grew in **Bulgaria** and the supply of jobs remained limited. Based on a comparison of data from 2003 and 2010, the effectiveness of the work of labour mediators has decreased. In these years, the results achieved are identical in terms of the proportion of persons who have obtained employment (in the real economy or through programmes and measures), out of the total number of unemployed registered at the Labour Office. Nevertheless, the number of unemployed per vacancy is lower in 2010. All other conditions being equal, this fact would facilitate the work of labour mediators and the number of persons who become employed should be higher in 2010. Yet the optimisation of the work of labour mediators remains an unresolved issue in the overall policies on increasing employment. An overall reform is necessary in this sector but is not currently on the horizon.

In the **Czech Republic** no new policy measures to tackle the recession were introduced during the last quarter and none are currently in preparation. However, efforts of the government during last three months have become focused on defining longer-term policy priorities. Changes to the Employment and Labour Codes are undergoing legislative process. Other developments which have implications for the labour market and its ability to recover from recession include an amendment to the foreigners' residence law implemented in January 2011 which has made further changes to the immigration and work-permit system. This involved mainly administrative and procedural changes but a key development was shortening the length of the work visa from one year to six months. There has also been a modernisation of employment services in the Czech Republic involving the centralisation of employment services (the network of district labour offices). This is first step in a broader two to three year-long plan towards integration of institutions and processes in the area of employment and social policies.

In **Denmark** the Ministry of Employment, together with the Ministry of Education and the Ministry of Science and Technology, proposed, in March 2011, 13 new initiatives to improve the employment situation of young persons, a group that has been hit hard by the crisis. Among the initiatives are:

- Intensified counselling in job centres for unemployed persons under the age of 30;
- Traineeships in enterprises of extended duration for the young unemployed – up to 13 weeks instead of the previous four weeks;
- A targeting of resources for active measures for the young unemployed in the construction sector, where unemployment is exceptionally high;
- Several measures to increase the number of apprenticeships; and

- Initiatives to increase the number of academics employed by small and medium sized firms including a temporary wage subsidy of EUR 1 700 per month for up to 12 months.

The total cost of the 13 new initiatives is estimated at EUR 24 million, to be financed from national resources. The proposals are now the subject of political negotiations.

In **Ireland**, the National Recovery Plan 2011-2014 sets out in detail the measures that will be taken to reduce the large fiscal deficit and the policy actions which the Government intends to implement to promote growth, especially in key sectors of the economy. The objective of the Plan is to reduce the General Government Balance (GGB) deficit to 3 % of GDP by 2014. The Government estimates that achieving this target will require further financial adjustments totalling EUR 15 billion in the period up to 2014. The total consolidation is being significantly 'front-loaded' in order to achieve the required corrections as quickly as possible and the provisions of the recent National Budget aim to achieve savings of EUR 6 billion in 2011. Thus the scope for initiating new labour market policies and programmes will be very limited in the years immediately ahead.

The Public Service Agreement 2010-2014 (the so-called Croke Park Agreement) was negotiated between the **Irish** Government and the Public Service Trade Unions and signed off on 8 December 2010. While this accord covers many issues, an important aspect is the agreement of the Trade Unions to the redeployment of staff between different institutions in order to promote greater efficiency and cost containment. Previously, this was virtually impossible, especially if the proposed movements were between the core Civil Service and the semi-State sector. As a quid pro quo the Government has agreed not to impose further cuts in public sector pay for the duration of the Agreement – if the expected cost reductions materialise. The transfers referred to are being closely observed to see if cost savings are achieved and the redeployments actually materialise.

In **Greece,** in an attempt to address the economic crisis and deal with the deeper, structural weaknesses of the Greek economy, the government has recently announced an ambitious Medium-term Fiscal Strategy Framework. The framework is expected to be approved in Parliament in May 2011 and will envisage budget projections, fiscal interventions to help achieve the targets, annual spending ceilings and targets for each government ministry, long-term projections of public debt, intervention plans in public sector enterprises, abolition or mergers of state agencies, combating tax evasion, and further cuts in social, public and defence spending.

The interventions envisaged, which will be made in 12 sectors, account for 11.4 % of GDP by 2015 and include, among others, cuts in expenditure on the civil service payroll, introducing an one-to-five ratio in new hiring in the public sector, cutting contract workers by at least 10 % annually, raising working hours to 40 per week, reducing compensation paid to commissions, reducing overtime pay, introducing part-time work in the public sector and limiting the number of entries in productive educational schools. The Medium-term Fiscal Strategy Framework also envisages a widespread privatisation programme, through the sale, concession contracts, finding strategic investors, selling equity stakes through the stock market and creating a holding company for the state's real estate property.

Furthermore, strategic moves and alliances in banks are encouraged, while the government will restructure the financial institutions under its control. Finally, in real estate property, a register is currently being made of the state's real estate property assets. The timetable for exploiting the state's real estate property will be completed by the end of 2012.

In **Spain**, the Royal Decree Law 1/2011 of 11 February 2011, was passed urgently to encourage the transition to stable employment and the professional requalification of unemployed people, especially of the young and long term unemployed. The law has established a temporary Social Security rebate for those companies hiring part-time workers who are under 30 or who have been unemployed for at least 12 months in the 18 months prior to the hiring. The rebate amounts to all of the Social Security contribution for one year if the company has less than 250 employees. The working time must be between 50 % and 75 % of regular working time and the contracts may be both temporary and open-ended. The law has also established the right to participate in an individual path with particular training actions. The active participation in these actions is mandatory to receive an unemployment subsidy of EUR 400 a month, for a maximum of six months, which is means-tested. Moreover, more unemployed people have to participate in training for employed people. In particular, between 20 % and 40 % of participants should be unemployed during actions programmed in 2011.

In **France** the significant increase of long-term unemployment over the last year has led the government to develop a new employment plan to address this matter. In addition, the merger of the main two services in charge of redeployment will occur soon. While results of both these services seem to be positive, a recent presentation to parliament was very negative, showing that only 36 % of dismissed people are affected.

In **Italy**, the recently approved National Reform Programme (NRP) confirmed the allocation of extra funding worth EUR 1 billion in 2011 for the extension of the unemployment and the 'wage guarantee fund' (Cassa Integrazione Guadagni, CIG, for workers temporarily suspended from their activity) to workers and firms not eligible according to the standard legislation. These financial resources will be added to the EUR 304 million allocated by the Law 2/2009, which widened the field of application of unemployment benefits 'on derogation'.

In **Cyprus**, the government is credited with taking measures and establishing infrastructure projects that have stimulated demand and have strengthened the social fabric. Moreover, recent reforms to the property management system are expected to enhance local authority revenues and may stimulate real estate transactions and the construction sector. Other measures adopted recently are expected to strengthen the ability of the banking sector to withstand possible losses (including from exposure to Greek sovereign debt). A modest start has been made on a reform of the pension system but the larger issue of the long term viability of the pension system remains to be dealt with, and this will probably be done after the parliamentary elections on 22 May 2011.

In **Luxembourg**, in December 2010, the package of austerity measures to reduce the government deficit was approved by parliament. The preceding discussions did not lead to a consensus between the social partners. In the context of bi-partite discussions in September 2009 with the trade unions and a resulting mobilisation, the government agreed to modify the package: both the mileage allowance and the low-cost notarial act were taken out, whereas the indexation of salaries will again be applied in October 2011. Although the employers refused to take part in the discussions, a bi-partite agreement in December 2010 was elaborated with the government and criticised by the trade unions. In addition to an increase from 14.5 % to 25 % of government funding for professional training, companies will receive compensation for the rise of the guaranteed minimum wage in January 2011. Although trade and employers' unions defend their respective achievements, the government announced that future negotiations will again be based on a tripartite model.

In **Hungary**, an approximation of the actual budget spent on labour market policy (LMP) can be made on the basis of the action plans related to the Social Renewal and Social Infrastructure Operational Programmes. Looking at the difference between the 2010 and 2011 budget for LMP, the most visible change is the largely reduced budget on public works and the exclusion of the PES from the LMP budget. The PES is being reorganised within the framework of the reorganisation of public administration. The first step of this reorganisation is to concentrate all offices of the central government in one place and to provide a one-stop service. This process has begun and affects the regional employment centres (to be transformed to county-level centres) but the transition is still ongoing. Local employment offices appear to be unaffected but it is suggested that their activities will be geared more towards providing employers with appropriate workforce. Along with this change, the National Employment Office is stripped of its social dimension. Its tasks are largely unchanged and no detailed information on a change in its operation is yet available.

Also in **Hungary,** a comprehensive labour market programme (including a new labour code) is being worked on as well as a package for the reduction of the administrative burden. There will be several related measures, including the deregulation of the labour market, making hiring and firing significantly easier than before and making overtime and work at irregular times (weekend, night) much cheaper.

The governing party in **Hungary** has also pushed through a process that has resulted in the acceptance of a new constitution. The new constitution has provoked wide-ranging debates both about the method of its creation and about its content. It does have nevertheless a number of points relevant to labour market and social policy, stating among other things: the obligation to support those in need; the need for balanced, transparent and sustainable public finances; the responsibility of every individual to take care of him or herself and the obligation to contribute to the common good; the right of choice for the means of work; that the state attempts to provide a work opportunity to everyone willing to work. It also states basic rights to good working conditions and social protection, delegating their regulation to specific laws.

In **Malta,** the government has intensified efforts to encourage entrepreneurs to export abroad and is considering ways of improving the tourism industry, in order to alleviate the effects of the economic crisis and the unstable situation in the Southern Mediterranean countries on the economy. In February 2011, Malta Enterprise (ME) launched the programme 'Gateway to Export', providing companies with less than 50 employees free assistance on selling their products internationally. Meanwhile, ME published its list of internationalisation events for 2011 (including several trade missions), aiming to assist local enterprises, especially SMEs, to develop their operations abroad.

The tourism sector also needs particular attention, due to the lingering effects of the international economic recession, the restructuring of Air Malta, and the international turmoil close to Maltese shores. The government is continuing to enhance industry leaders' skills. An EU-funded training programme for managers and supervisors working in tourism and hospitality (called Advance - Training Tourism Leaders) will be offered for the second time. A total of 450 workers were trained for the first intake. Such programmes are essential to increase the quality of the Maltese product. In another significant development relating to tourism, the government is considering a proposal by Ryanair to establish 17 new routes in Malta and is weighing the benefits this would bring against any additional damage it could inflict on the long-term viability of Air Malta.

In the **Netherlands**, there are no new labour market policies which aim at mitigating the effects of the crisis. The effect of the crisis rather causes redundancies in the public sector due to the budget cuts proposed by the new government. There was a further decrease in the number of people making use of the benefit scheme for part-time unemployment (deeltijd-WW) to about 8 500 in December 2010. The benefit scheme was introduced in response to the economic crisis and will cease to exist on 1 July 2011. Employers and labour unions have always been pleased with the scheme, since it has prevented many dismissals. An evaluation of the costs and benefits of the scheme is expected to be published by the end of this year.

In **Austria**, the aforementioned Law Against Wage and Social Dumping is not a recovery measure per se but through increased controls the state will be able to ensure taxes and social insurance is paid, thus securing an increase in state revenues.

In **Poland**, the Act of 25 March 2011 to amend certain laws relating to the functioning of the social security system, enters into force in May 2011. The Act concerns the transfer of pension contributions to the newly created special sub-account managed by the National Social Security agency, changes the investment limits of pension funds and introduces tax incentives when making additional savings for retirement. The changes introduced are seen as public finance stabilisation measures, and as such are intended to assist recovery from the crisis.

In **Portugal**, in the context of the dramatic crisis in public finance and the subsequent political crisis culminating in the resignation of the government on March 23, one day before the fall of the government, a Tripartite Agreement for Competitiveness and Employment (Acordo Tripartido para a Competitividade e Emprego) was reached. This would have been an important step on the way to implementing the government's Initiative for Competitiveness and Employment, ICE (Iniciativa para a Competitividade e o Emprego), but the radical changes in the political context (fall of the government, call for general elections on 5 June, start of negotiations of an economic bail-out) may compromise its execution. The Agreement had the explicit aim of contributing to more competitiveness, to 'the reorganisation and improvement of active employment policies' and to 'punctual modifications in the regulatory framework of labour relations'. In the area of employment policies the agreement stipulated a set of measures designed to increase the quality and efficiency of public employment services (setting quantitative targets), to facilitate the transition of young people and unemployed into the labour market (among other things by means of an ambitious programme of traineeships) and to improve the qualifications of the workforce. In relation to the labour legislation the agreement provided for the decentralisation of collective bargaining, for lower costs of dismissals (reduction of compensations for dismissed workers and creation of a fund for the partial payment of these compensations) and for the easing of the regime of temporary short time working arrangements or partial activity schemes.

The change in the **Romanian** Labour Code, extending the period of time for which determined duration (closed-ended) contracts can be concluded, could help to generate an increased number of jobs, if there is a healthy economic recovery in the country. The change will also help keep wage pressures in check and thus rein in wage-inflation. However no amount of flexibility in hiring and firing and no eased restriction of flexible contracts will per se bring in new jobs since job generation is essentially a function of demand. If domestic demand does not increase then little benefit will accrue from these reforms in the short-term. Much more can be expected for the future, later into the decade when such flexibility might attract investors and thus trigger an increase in employment and activity rates, helping to bring more and more individuals onto the labour market and keeping them there for longer while in the meantime improving transitions. By doing this, the changes can or at least have the potential to help to achieve Romania's ambitious employment target which has been adopted as part of the Europe 2020 Strategy.

More impact can be expected in **Romania** from the rather more modest measures of trying to bring back some of the lost purchasing power of public employees by increasing their salaries. Together with the increase of a certain number of public pensions and the rise in the minimum salary, this might restore some domestic demand. However, while this might help in accelerating growth towards the final quarter of the year, it will not create more jobs as employers have been scared, and scarred, by the deep two-year recession Romania has experienced.

In **Slovakia**, a number of structural reforms are in the pipeline which could help to revitalise employment. The government approved an amendment to the Labour Code with the aim to improve flexibility of employment and thus support new job creation. Another important policy reform pursues the simplification of the tax and social security scheme. The main goals include a decrease of labour taxation, reduction of administrative costs and enhanced collection of tax and insurance contributions. Important stimuli for employment are also expected from the forthcoming reform of active labour market policies and social assistance. The government presented plans of small-scale projects to support the integration of disadvantaged job seekers.

Policy measures implemented in **Slovakia** belong principally to the structural agenda. Yet most of these reforms have the potential to deliver results in the shorter term and thus contribute to labour market recovery from recession. An example is the Labour Code revision. Providing changes favourable to new hiring and increased flexibility of work organisation are passed by parliament in June, the labour market could start to benefit from the changes in the next year. The forthcoming ALMP and social assistance reform could provide additional stimuli for employment, especially in the risk groups. The government has admitted that additional measures may be needed to consolidate public finances. Although no details have been disclosed, the business community calls for more resolute reduction of operational costs in state/public administration, including redundancy, and more effective public procurement.

In **Finland** the publication of the Europe 2020 National Programme for Finland highlights attempts to raise the national employment rate to 78 %, raise the proportion of people having completed tertiary education to 42 % and to reduce the proportion of early school leavers to 8 %. The measures in the national programme also aim to improve the operating conditions for businesses and to create job prospects for young people, immigrants and low-skilled workers. Longer working careers and occupational and regional mobility of labour lend support to economic growth. The government has also approved the Technical Spending Limits for the March 2011 budget in respect to the 2012-2015 planning period. Unemployment security and other cyclical expenditures are expected to decrease over the planning period as the economy continues to recover.

In **Sweden** the newly re-elected government intends during its new term of office (2010-2014) to pursue its effort to increase labour supply (i.e. by strengthening the work-first principle and increase work incentives), improve the functioning of the labour market and combat social exclusion. The new set of measures announced by the Government in the 2011 autumn Budget Bill was adopted by the Parliament in December 2010. The measures aimed at temporarily increasing aggregate demand (increased Government grants to local authorities, further reduction of pensioner's income tax and the increase of housing allowance) go in the right direction and might contribute to sustaining aggregate demand and further improving economic growth and employment. Some of these households can be expected to have a higher propensity to consume which might contribute to a higher aggregate consumption and demand. The increased grant to local authorities appears also appropriate to secure employment in the female-dominated public sector at the local level. The educational measures aiming at improving the skills and employability of job seekers and at enhancing the quality of the educational system and its adaptation to labour market needs also appear to be appropriate, in particular for easing the transition from school to work and to reduce youth unemployment. Even though the package of targeted measures towards immigrants may ease their integration into the labour market, it could be argued that a more pro-active anti-discriminatory policy regarding the recruitment of immigrants is needed.

The March Budget set out the problems facing the **UK** economy and the difficulty the Chancellor faces in trying to stimulate growth. As a result it contained a number of relatively minor measures, some of which involved refocusing existing funding or some additional 'pump priming' money. The construction sector, for example, received some stimulus through the 'FirstBuy' initiative to help first-time buyers purchase a new-build property – but only for 10 000 cases at present. The Budget also built on the measures announced by the Department for Business, Innovation and Skills (BIS) towards the end of 2010 on support for industry, focusing on the setting up of 21 Enterprise Zones, simplification of the tax system and business regulations (especially in relation to start-ups) and a reduction in corporation tax – which is perhaps a surprising move given the need to maximise tax revenues.

The independent Commission on Banking (ICB), which was set up under the previous government to come up with proposals on how to protect against any repetition of the recent financial crisis in the **UK**, published its interim report in April 2011 and set out initial proposals to make banking safer and more competitive. This will include building a 'firewall' between the retail and investment arms of banks, making changing banks easier for the customer and reducing the dominance of some of the big players. For some, the proposed reforms failed to go far enough, although the final recommendations from the ICB will not appear until later in the year.

In January 2011, the Turkey Economy Policies Research Foundation (January, TEPAV), a think tank of the Turkish Union of Chambers and Bourses (TOBB) conducted 'Labour Market Demand Analyses' for 19 provinces that account for 75 % of registered employment and 80 % of registered unemployment in **Turkey**. The resulting policy note stated that there is a mismatch between the skills level of the workforce and employer demand. There are shortages in certain occupations (sewing machine operators, welders, textile workers, clothing workers, ironing workers, turners, sewing workers) because jobseekers do not wish to work long hours for the minimum wage.

The Turkish Employment Agency (ISKUR) is mandated to conduct training for these TOBB-designated occupations. The government will then subsidise the participants' employment (for young workers and women) for up to five years. Within five years, ISKUR is supposed to train one million unemployed with job guarantees. This will reduce the unemployment rate by four points. However, there are already problems in practice. For instance, in many provinces, TOBB-designated demand falls short of provincial quotas for training.

The Turkish government had announced an 'employment package' in May 2008, before the crisis. It provided incentives to hire young or women workers. The package never had a chance to work, because the crisis hit within a few months. Formal employment creation was suspended as 1.3 million mostly informal workers quickly lost their jobs. The government extended the law's coverage and brought it together with the one million person training initiative described above. This is a huge move and it does stand to make an impact on the Turkish labour market. Whether the impact will be long-term remains to be seen.

An assessment of available data would suggest that the active labour market measures in **Croatia** have not been sufficiently adjusted to take account of the crisis and their impact on unemployment has been lower than needed. The measures are implemented on a small scale and the number of participants is low in relation to the number of unemployed in the country. In addition, the expansion of the education, training and up-skilling programmes implemented in response to the crisis is unlikely to significantly improve the current employment prospects of the unemployed, although it may improve their future chances. The public work as well as other programmes can also be seen as a means of providing conditional income support to the unemployed. The expansion of the public works programme partially compensated for the diminishing job opportunities and provided temporary income support to those unemployed who are not eligible recipients of unemployment benefit. However, bearing in mind limited financial resources due to the financial crisis and huge outlays for unemployment benefits, some progress has been made in the realisation of active labour market policy, primarily better targeting of the measures towards those with the lowest employability and the longest time out of work.

In **Iceland**, the private bank Landsbanki opened an online savings account called Icesave in the United Kingdom and the Netherlands, in 2006 and 2008, respectively. When the bank failed in October 2008, the Icelandic deposit insurance fund proved unable to pay minimum guarantees to depositors. The governments in the UK and Netherlands paid out these claims with a view to negotiating a settlement with Iceland on the issue. In April 2010, Iceland rejected for the second time in a referendum an Act that would have authorised the Icelandic Minister of Finance to sign such an agreement, and the Icesave dispute therefore still remains unresolved. In a recent publication, the Icelandic Central Bank claims the economic outlook has become more uncertain in the wake of the Icesave referendum results. Furthermore, exchange rate uncertainty has also increased, which may lead the Central Bank to expedite the accumulation of foreign reserves needed to service government debt in the next 18 months. However, the IMF-led recovery plan will remain on track and the Nordic governments will continue to provide funding to Iceland under their current loan agreements.

A positive development in **FYROM** has been the preparation and publication of the Pre-accession Economic Programme 2011-2013 (adopted by the Government of FYROM on January 25th, 2011). The programme deals with the structural reforms needed for the FYROM economy to become more competitive and prepared to face the challenges after the country joins the EU. The Pre-Accession Economic Programme is a key strategic document in which FYROM presents medium-term macroeconomic and fiscal frameworks and the agenda of structural reforms for the period 2011-2013, before FYROM joins the EU. According to this programme, activities in the period 2011-2013 will be focused on further labour market reforms, to contribute to job creation, in accordance with the Accession Partnership Priorities, as well as the European Commission recommendations in the 2010 Progress Report for FYROM. Policies will be aimed at encouraging and supporting the employment of unemployed persons who face difficulties entering the labour market (young people, long-term unemployed, women, disabled persons, etc.), for the purpose of increasing their employment and competitiveness in the labour market, as well as reducing the grey economy.

In **Serbia**, a first tentative assessment of the new law on professional rehabilitation and employment of persons with disabilities suggests that it has assisted people with disabilities to acquire new jobs (when employers responded to the new law by employing additional people with disabilities) or to preserve existing subsidised jobs (in case employers decided to pay the penalties). In 2010, over 3 000 disabled people were employed via the National Employment Service. Compared with the total number of registered unemployed disabled by the end of 2010 of over 20 000, this could be seen as a very modest achievement, however it is a significant improvement compared to previous years. Still, the major problem remains invisible – and that is inactivity. There is an estimated total of 700 000 inactive disabled persons, with as few as 5 % of them working. In this respect, the newly created Centre for professional rehabilitation will play a major role in assessing the work capability of people with disabilities in an inclusive manner and creating an environment conducive to their successful professional rehabilitation.