EUROPEAN EMPLOYMENT OBSERVATORY

QUARTERLY REPORTS

JANUARY 2011

EXECUTIVE SUMMARY

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 January 2011.

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

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

b) They are likely to be effective to counter the effects of the economic crisis.

2 LABOUR MARKET POLICIES AND THE EUROPE 2020 STRATEGY

This section presents developments in national labour market policies described in the September 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 measures to support older workers to find or stay in employment, which have been implemented or proposed in Belgium (Flanders) and Austria. Other countries have taken steps to limit or discourage early retirement, e.g. Spain, Romania, Sweden and Croatia. Retirement and pension reforms have taken place or been proposed in Bulgaria, the Czech Republic, Spain, France, Austria, the UK and Croatia.

Amendments to unemployment benefits have taken place in Bulgaria, the Czech Republic, Austria, Slovenia, the UK, and Croatia, while measures to increase activation among the unemployed have been taken in Denmark and Estonia. Subsidised work placements for the unemployed will be introduced in Ireland and Latvia, while in Austria socio-economic enterprises and non-profit employment projects can now receive wage subsidies, for their participants, up to the amount of the average unemployment benefits. Actions to tackle undeclared or informal work have been taken in Bulgaria, the Czech Republic, Lithuania and Romania.

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

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

A number of countries are introducing measures which relate to gender equality and work-life balance, e.g. policies on maternity leave and childcare. These include for example, France, Hungary, Malta, Poland, Romania, Slovakia and the UK.

In terms of **Guideline 8,** countries have implemented a range of measures aimed at different sectors of education and target groups. Several countries have implemented measures targeted towards the unemployed (e.g. Belgium, Ireland, Portugal) while in others the focus is on improving links between education and training and the labour market (e.g. the UK, Croatia). In Greece and Italy, reforms of the higher education sector have been proposed, while in Hungary it is the vocational education and training sector which is the subject of reform. Other measures vary from support for children from low-income families in Germany, to greater investment in research and development in Luxembourg.

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

In **Belgium**, the Flemish government has agreed with its social partners to progressively extend the activation policy for unemployed people to the age of 58. This scheme is managed by the regional public employment agency, the Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding (VDAB), as is the case in the other regions. Up to now, unemployed people aged above 52 were not systematically followed up and supported. On the other hand, the Public Employment Agency of Wallonia (FOREM) has reinforced its plan for supporting job-seekers. This was tested on the target group of young unemployed persons and is progressively being generalised. The number of support staff has been significantly increased, from 257 in 2009 to 617 in June 2011. These two different actions reveal the different approaches followed in the Flemish and Walloon labour markets: the accent is placed on older people in Flanders, whereas the priority in Wallonia is on young job-seekers.

In **Bulgaria**, a major advance has been made towards the regulation of home- and distance-working. All national representative organisations of the social partners signed two national agreements for the regulation of such activities. For the first time in the history of the social dialogue, the texts of these agreements will be applied without legislative amendments. It is also intended that, in 2011, legislation on temporary employment agencies will be adopted. This will contribute to increased flexibility and security for workers in Bulgaria. In addition, the delay in enforcing the legislation on the legalisation of activities from the grey sector and improvement of the flexibility of the legal employment will be overcome.

Another important component of the social dialogue in Bulgaria is the ongoing dissemination of branch collective labour contracts. Examples include the contract in the ‘wood processing and furniture industry’ that will apply to 24 000 workers and employees, having previously applied to 12 300 persons. This is the fourth case of such dissemination that contributes to the efforts of the Ministry of Labour and Employment (MLSP) to limit the grey sector, improve working conditions and implement adequate social insurance.

A reform of the Bulgarian pension system has been initiated with the ultimate goal of strengthening the financial stability of the system and securing pensioners’ incomes. The reform should stimulate appropriate action by insurers and the insured and facilitate security in the labour market. It is envisaged that, starting from 1 January 2012, an increase in the length of service in the third category of the pension system (the largest category) by four months per calendar year will be in force, until reaching 37 years length of service for women and 40 years for men in 2020. Similar changes will be introduced for the other categories from 2015. Changes are also outlined in the requirements for retirement of self-insured persons, who can now increase the amount of their future pensions.

Also in Bulgaria, the amendments introduced to the formation and the payment of unemployment benefits may have a stimulating effect on the behaviour of registered unemployed persons. The payment starting date is now tied to a specific requirement for registration with the employment agency; there is no longer a maximum amount of unemployment benefit which can be paid. The time for declaration of changed circumstances that may impact upon the benefit has been revised and the provision of unemployment benefits for long term unemployed has been repealed.

The **Czech** Government is introducing a wide range of changes to various types of insurance payments and benefits. Some of the changes which are likely to have significant economic repercussions are listed below:

- An amendment to the Foreigners Residence Law, which was approved by the Senate in December 2010, is predicted to dramatically increase the bureaucracy faced by non-EU foreigners wishing to obtain permanent residence permits. The amendment is stricter than the EU directives on the issue and representatives of car-manufacturers, IT firms and other important investors in the Czech Republic argue that this is a very serious problem.
- The public wage bill is to be cut by 10 % in 2011 and a new system of determining public employees' salaries - to allow for efficient implementation of the aggregate wage bill cut - will be introduced. Some professions, for example teachers, should be excluded.
- The government intends to tackle the abuse of disability pensions. In addition, legislative plans have been revealed that should allow for the merging of the health care, sickness benefits and disability pension registries.
- The Ministry of Labour and Social Affairs (MoL) plans to abolish the possibility for employers to avoid the penalty for not employing a certain share of disabled workers, by purchasing inputs from a company that does employ a large number of disabled people. The policy of major tax breaks for firms where disabled people make up over half of the workforce will also end in 2011.
- There have been some changes to the conditions associated with unemployment benefits. The replacement ratio decreased from 65 to 45 % of the claimant's previous wage during the first two months of unemployment, for those who have left their job voluntarily. Entitlement to unemployment benefits is now also postponed for those receiving severance pay. Finally, as of January, the partial unemployment policy, where it was possible to earn half the minimum wage (CZK 4 000, EUR 165) while still collecting benefits, has been terminated.
- In contrast, in January initial investment expenditure support for those unemployed who decide to become self-employed was introduced. Such support, spread over five months, can reach up to CZK 30 000 (EUR 1 240) and can be combined with a subsidy for creating one new job of up to CZK 170 000 (EUR 7 011).
- In terms of pensions, those pensioners who generate labour income exceeding three times the average wage will have to pay personal income taxes from 2011.
- Social benefits will now paid after deduction of any outstanding re-payments. Some argue that this will have an adverse impact on socially and economically excluded groups for whom those benefits provide the only means of survival but the MoL has stated that all will be guaranteed income at the level of twice the minimum living standard.

- The MoL intends to introduce yet another package of measures to move people out of undeclared work arrangements and into regular declared employment. Each contract will have to be in the written form ex-ante to simplify inspections and proofs. Also fines imposed on employers for illegal employment should increase tenfold from the current low level of CZK 10 000 (EUR 400).
- Plans have been announced to cancel the obligation of employers to report vacancies to District Labour Offices (DLOs) and to allow for outsourcing of employment services (job search support, etc.) from DLOs to private companies.
- During the last two months of 2010, each of the three coalition parties submitted its own version of pension reform and the emerging consensus seems to include the introduction of a second (defined contribution) pillar that would accumulate mandatory savings. The second pillar savings would be managed by both private regulated pension funds and there would probably be also a default option of investing in Czech government bonds through a publicly supervised or publicly managed fund.

In **Denmark**, a major reform of the system for financing active labour market policy and sickness benefit was agreed in November 2010. In January 2010 a new model for financing the activities of the job centres (which deal with the unemployed and persons on sickness benefits) was introduced, transferring the full operational and economic responsibility for the job centres to the municipalities. According to the model, the state would refund 65 % to 75 % of the unemployment benefits for those unemployed who were participating in active measures and 35 % to 50 % of the benefits for the unemployed who were not activated. The aim was of course to create incentives for the job centres to give a high priority to active measures. However, during the summer of 2010, a number of media reports emerged that gave examples of ‘meaningless activation’ indicating that the job centres in some cases sent the unemployed into active programmes mainly in order to get the higher refund for their unemployment benefits. Similar stories were reported for persons on sickness benefits. In response, two agreements were signed on 5 November 2010, between the Government, the Danish People’s Party and two minor parties about a new common financing model for both the unemployed and the recipients of sickness benefits, as follows:

- A uniform refund of 50 % of unemployment benefits will be paid to the job centres for all participants in training with public and private employers and in general education.
- For participants in other active programmes or not in active measures, a refund of 30 % of unemployment benefits will be made.
- Similar refunds will be given for persons receiving sickness benefits.
- A common maximum amount of the costs for active measures (educational fees, etc.) that can receive a refund was introduced for all target groups, including recipients of sickness benefits. The amount is set to DKK 13 700 (EUR 1 840 Euro) per year per full-time participant.

The new funding scheme will thus increase the incentives for job-focused activation and education. Also, as a response to criticism of the administration of employment policy for being too bureaucratic, the Minister of Employment published on 12 January 2011a list of 46 concrete initiatives to streamline the administrative system. Last but not least, reacting to criticism of the abuse of wage subsidies for employing staff who should be employed under ordinary contracts, the Minister of Employment announced on 15 January 2011 a ban on employment under wage subsidy with the same employer where the unemployed person was last employed and that there must be 'reasonable' proportions between the number of ordinary employees and those employed with wage subsidies.

In **Estonia**, the 2011 budget was approved by Parliament and left the national minimum wage level as well as the unemployment insurance premiums unchanged. With the adoption of the new Employment Contracts Act in 2009 it was agreed that several changes will take effect from 2013 in order to increase social protection in the Estonian labour market. Among others, it was agreed to raise the unemployment insurance benefit level to 70 % of the previous average remuneration during the first 100 days of unemployment and to 50 % after that, instead of the current 50 % and 40 % respectively. Persons who terminate their employment relationship voluntarily or by agreement will also be eligible for the unemployment insurance benefit from 2013. In addition, some parental benefits will be increased. Moreover, in November 2010, the Estonian Parliament started discussions over the changes in the Labour Market Services and Benefits Act. The purpose of the changes is to increase job search activity among the unemployed, speed up the process of finding a job, prevent long-term unemployment and enable the unemployed to concentrate on their job search through enabling more flexible measures for contacting the Unemployment Insurance Fund during the job search process. Changes in the unemployment benefit system are also planned. The purpose is to improve the conditions of accepting short-term jobs by making the conditions of unemployment insurance benefit and unemployment assistance more flexible. Until now there was a waiting period for the unemployed when they applied for unemployment benefits in cases of repeated unemployment spells. With the proposed changes, the unemployment benefits will be calculated from the respective application. Even though the Parliament took up the issue in December 2010, most of the discussions and decisions on the exact contents of the changes will be made in 2011.

The **Irish** Government announced a new Work Placement Initiative on 21 December 2010. The initiative, which will be operated by the Department of Social Protection, will be known as Tús (the Irish word for 'beginning' or 'start') and will provide 5 000 short term working opportunities for people who have been unemployed for over a year. The placements will be with community sector organisations to support the delivery of their services. A total of EUR 30 million is being committed in 2011 to allow for the introduction of Tús and this will grow to a commitment of EUR 100 million in 2012. Participants will be paid the full jobseekers rate plus an additional EUR 20 per week. Participants will work for 19.5 hours per week for 12 months, with some degree of flexibility in terms of the schedule of hours. In addition to any financial benefit to the participant, the work is intended to bring other benefits from being in employment and involved in activities in the wider community. The measure will also support the control and management actions of the Department of Social Protection in identifying those not genuinely interested in work or those operating in the black economy.

In **Spain**, the government is currently negotiating with the main Trade Unions and employer representatives on four important reforms to be adopted in the coming months, including: the reform of the pensions system; the effective application of the Labour Market Reform; the reform of the ALMPs; and the new law on collective bargaining. In January 2011, the government presented a proposal for the reform of the retirement system. This proposal has led to a long debate, which was expected to finish on 28 January 2011, when the government's final proposal was to be sent to Parliament. The purpose of the reform is to guarantee the financial sustainability of the system in the long-term (30 years), considering the demographic perspectives of the ageing population. Its core point is to gradually increase the retirement age from 65 to 67 years of age. In addition, the proposed reform: considers lengthening the period of time worked used to calculate the amount of the retirement pension; to promote employment among older workers with special regard to those occupations that require stronger physical conditions (one key point is to promote gradual retirement in order to avoid the incapacity of older workers); to reduce early and part-time retirement; to simplify the different regimes; and to reduce the bureaucratic and administrative costs of the system.

In **France,** the retirement reform adopted at the end of October by the Senate, after its adoption by the Assembly of Deputies, was validated by the Constitutional Court and definitively promulgated on 15 November 2010 after months of challenge by trade unions and opposing political parties. The main point of the reform is to increase the legal age for retirement to 62 years in 2018, from the current 60 years. In the public sector, the civil servant system of subscription (currently at 7.85 %) will be placed at the same level as the private one (10.55 %) by 2020. Moreover, the opportunity for women with three children to retire from the civil service after 15 years of work will be removed by the reform (many teachers and nurses used it). The 900 000 active civil servants who could retire at 50 (police, air controllers) or at 55 (fire fighters, customs workers) will be able to do so at 52 and 57 years old.

The last main point of the French retirement reform relates to gender equality. The government has decided to reinforce the penalisation of companies which was included in the reform: enterprises will have to negotiate an agreement or as a minimum elaborate an action plan to reduce inequalities. If this is not undertaken, sanctions will be applied (1 % of the payroll), which marks a very big difference from the law voted in 2006 on gender equality where the obligation for companies to negotiate a gender action plan was not accompanied by sanctions. The application decree will be published in April 2011.

In **Latvia,** a new measure of the State Employment Agency is subsidised workplaces for young people aged 18-24 who have been unemployed for at least six months. During the course of this activity, monthly subsidies (ranging from EUR 70 to 150) will be paid to employers for each young person they employ, for up to six months. Moreover, the employer may receive between 10 % and 50 % of the minimum wage to cover teaching and training costs for young people. Compared to the agency's previous programmes of training in the workplace, this is intended as a step forward and a way to include young persons in the labour market for a longer period of time. This is part of the agency's complex support measures, and it is planned to involve 1 200 young people.

Other measures in Latvia include a support programme for young people aged 18-24 who wish to develop their job and social skills by performing voluntary work in various non-governmental organisations. It will be possible for each young person to receive a stipend of LVL 40 (EUR 60) for up to six months. Nearly LVL 400 000 (EUR 600 000) has been allocated to this activity, which is expected to assist 1 300 young people to undertake voluntary work.

In addition, in 2011 the Latvian State Employment Agency will organise workshops at educational institutions, in which young people aged 15-24 without formal professional education or job experience will have an opportunity to try out three professions over a period of three weeks. The purpose of this is to help young people to make an informed decision about their future education and career path. Participants in these workshops will receive a stipend of LVL 40 (EUR 60). LVL 700 000 (EUR 1 million) has been allocated for the participation of 1 700 young people in this activity.

In the fourth quarter of 2010 in **Lithuania** measures were proposed / adopted to tackle undeclared work and to support the inclusion of groups of people who are more difficult to integrate into the labour market. In November 2010 the Law on Illegal Work Prohibition (LIWP) was drafted by the Ministry of Social Security and Labour and submitted for consideration by the stakeholders and social partners. The LIWP defines the characteristics of illegal work, sanctions (including fines of up to EUR 2 900 for employers using illegal workers and fines of up to EUR 290 for the illegal worker), illegal work control authorities and their functions, as well as protection of the rights of illegally employed people. It is expected that the LIWP will come into force in July 2011.

Also in Lithuania, the Law on Support for Employment was amended slightly to make it easier to obtain subsidies for creating jobs for disabled people and to obtain subsidies to become self-employed. Amendments to the Law on Sickness and Maternity Social Insurance should also be noted, as well as the conclusions and proposals of the working group set up in August 2010 by a Prime Minister's decree 'for tackling the issues relating to the integration of disadvantaged people receiving social cash benefits into the economically active population'. With a view to changing the existing ineffective system of social cash benefits, the working group recommended consideration of the possibility of increasing the monthly minimum wage, tighten sanctions for the use of illegal work, promote the involvement of the unemployed in public and other works beneficial for society, reduce the amount of social benefits for working-age individuals staying unemployed for prolonged periods, and reduce the tax burden on low income, etc.

In **Luxembourg**, the government gave the 'green light' in December 2010 to the introduction of draft legislation on the creation and organisation of the new Agence de Développement de l'Emploi (National Employment Agency) that will replace the Administration de l'Emploi (National Employment Agency, ADEM). The long-awaited reform has already been implemented with the recruitment of new professional staff, a more professional management and guidance service for jobseekers, a new executive committee and a de-localisation to the regional level of agency branches, with the objective of tackling unemployment in those regions where unemployment is high. The draft legislation can be regarded as fundamental because it tackles more efficiently Luxembourg's challenge to stop a further increase in unemployment by providing more professional guidance and by taking into account the heterogeneity of competences; the draft legislation is further in line with Guideline 7 as regards the relevance of activation and matching procedures. A further vital aspect of the reform is the agency's dialogue with companies to recruit jobseekers as companies do not always resort in their recruitment procedures to the pool offered by ADEM.

Also in Luxembourg, two draft bills passed by the government in December 2010 deal with the implementation in both the private and public sector of a system of time saving accounts that allow employees to accumulate their days off and use them for professional and private issues. Time saving accounts have often been announced as a new form of employment in Luxembourg's National Reform Programmes (NRPs) and a way of dealing with more flexibility on the employment market. The two major trade unions also put forward a profound reform of the existing worker participation law (i.e. employee delegation) – also announced by the governmental 2009-2014 programme - which is viewed as being outdated in the sense that the current financial and economic crisis has shown that constraints for employees have often increased. In addition, the government announced that it will tackle the rising unemployment rate of older workers through a discussion within the Permanent Work and Employment Council in a tripartite context and dealing with related issues of professional training, protection or working conditions. In an effort to better guide older workers and reduce the number of older jobseekers, ADEM announced that it will set up specific workshops for this target group, during which they can exchange their experiences. In addition to a recent reform of the healthcare system, the government announced an impending reform of the pension system and a more general debate on how to shape the pension system has been launched.

In **Hungary,** the Government has developed broad plans for its employment strategy and is in the process of elaborating its details. Current policy development interest is centred on two important issues, the employment of the low educated and flexibility of employment. A target has been set of creating one million new, tax-paying jobs over 10 years, of which 150 000 are to be created by 2014.

A series of measures have been introduced in the area of gender equality and reconciliation of work and family life. In a reversal of the decision by the previous administration, the basic maternity benefit has again been made available for three years instead of two. The change reflects the need to bridge the gap between the demand and supply of day-care but appears to be in contradiction to the strategic plans which support the labour market participation of mothers. In addition, a new form of support to social security contributions was introduced for part-time employees sharing a job with women returning from maternity leave. Employees of the recipients have to pay 20 % social security contributions instead of the standard 27 %. Furthermore, early retirement for women will be now permitted after 40 years of service, including time spent on maternity leave.

As a temporary measure, the rehabilitation of people with disabilities has stopped in Hungary until the end of 2011, meaning that even disabled people for whom experts consider rehabilitation is possible can assume indefinite disability pensioner status.

In **Malta,** the 2011 budget contains some measures promoting female employment. It was announced that part of the income from part-time work earned by women in families entitled to social benefits will not be taken into account in the means test used to determine the level of social benefits that the family is entitled to receive. Also, self-employed women were given the choice of selecting a pro-rata rate of 15 % national insurance contributions in lieu of the current minimum rate of EUR 26.37 per week. The government also announced the opening of five new childcare centres in Malta and Gozo. Moreover, the government has issued a public call to enlist the services of qualified and experienced nurses and midwives who have reached retirement age but are not yet 65 years old. This call was meant to increase the number of public health workers which has in recent years been at critical levels and to keep older persons active in the labour market.

In **Austria** two reforms aim to increase incentives for hiring people with disabilities. The first enhances flexibility by changing the qualifying time for special protection from dismissal for (eligible) disabled people from six months to three years. The second measure is an increase of the Ausgleichstaxe (compensatory tax) affecting companies that do not hire people with disabilities. Through this, the incentives for SMEs hiring people with disabilities should be improved.

Moreover, in Austria, in the context of the Unemployment Insurance Act and the Act on Labour Market Service, the following measures have been taken:

- The entitlement period for unemployment benefits has been extended up to 78 weeks after undertaking a vocational rehabilitation measure.
- In order to improve incentives to continue working, the age limit for the part-time allowance for older workers will not be raised as originally planned. Women of 53 years and men of 58 years can claim a part-time allowance.
- Socio-economic enterprises and non-profit employment projects can now receive for their participants wage subsidies up to the amount of the average

unemployment benefits (for a maximum of one year). This represents an activation of passive benefits.

The new Work and Health Law in Austria addresses the challenge of increasing the labour market participation of older workers. It aims for a reduction in disability pension claims, for the general improvement in the employability of workers as well as in saving costs to the social insurance system. With this law a comprehensive consulting services infrastructure ('Fit2Work') will be introduced, offering information, case management, etc.

Besides the Work and Health Law, several specific changes have been made to aspects of the Austrian pension insurance system. The price for post-purchasing pension contributory times for periods of education will increase considerably in order to reduce the outflow of workers taking retirement at 60 (men) and 55 (women) under the long service 'Hacklerregelung' pension. Furthermore from 2014 the entry age for this pension will be raised by two years. Reforms to the disability pension scheme include linking the entitlement to a disability pension to participation in rehabilitation measures.

In **Poland**, the Act of 16 December 2010 amending the Law on Employment Promotion and Labour Market Institutions, among others, introduced changes which are not major developments but rather offer rather clarification to existing regulations and relate to:

- Clarifying the definition of an unemployed person;
- Refining the understanding of income - income from other sources than employment, other paid work, economic activity, benefit paid by the Labour Fund, which are subject to tax under the provisions of income tax for individual tax payers;
- Clarifying the status of an unemployed person, e.g. unemployed status cannot be denied to pregnant women and within 30 days after the birth, and to the unemployed who have been entered into the National Court Register as the founder of a social cooperative.
- Providing for the compulsory preparation of an Individual Action Plan for the unemployed who are: under 25 years old; over 50 years old; without qualifications; without vocational experience; unemployed after serving a prison sentence; and registered continuously for at least 180 days.

Also in Poland, the programme for the development of childcare for children up to age three was presented by the Minister of Labour and Social Policy on 12 January 2011. The programme will help to develop childcare structures for young children, by assisting local government units in this task. In the long run it is foreseen as a tool to enable parents to reconcile work with family life. The programme is planned to fund the creation of 277 nurseries and children's clubs; the adaptation of 1 670 nurseries, children's clubs and day care facilities; and provide equipment for 2 540 nurseries, children's clubs and daycare facilities. In total, around 41 000 additional places are to be created for young children in care facilities. The programme will be funded from the state budget with a budget of PLN 190 million (around EUR 49 million) and it responds to a gap in access to childcare services, which limits the labour market participation of young parents.

The most important decision of the **Portuguese** government during the fourth quarter of 2010 was the adoption of the Iniciativa para a Competitividade e o Emprego (Initiative for Competitiveness and Employment), which is a package of 50 measures. Those measures that are of particular relevance to Guideline 7 are:

- New legislation by the end of March 2011 aiming at the decentralisation of collective bargaining. This is an important step on Portugal's specific path towards achieving flexicurity. It is part of a broad strategy for the stimulation of negotiated change via collective bargaining, initiated in 2009 by the revision of the Labour Code.
- Creating a fund that guarantees the payment of part of the compensations workers receive in the case of redundancies and legal limitation of the maximum compensation. The new model of compensation for dismissed workers is designed to increase labour market participation by reducing employers' immediate costs in the case of redundancies.
- Making legislation on short time working arrangements more effective.
- Implementing active employment policies during 2011, among others strengthening the support for hiring young workers and changing the values paid in professional traineeships in order to reduce undesired effects of the substitution resulting from subsidies for employment.

In **Romania,** a number of long-term measures are planned by the Government:

- Increasing the flexibility of the labour force and reducing its cost (through proposed changes in the Labour Code);
- Creating a better balance between working and family life and encouraging a swift return to work (through newly legislated measures regarding child care leave);
- Increasing the duration of working life and reducing opportunities for abuse of the social protection system (through the new unitary pension law); and
- Reducing undeclared work.

Both the changes in the labour code as well as the recent overhaul of the public pension system should at least deter individuals from making an early exit from the labour market, even if they do not bring more people onto the labour market in the immediate term.

In **Slovenia**, the new Labour Market Regulation Act came in force on 1 January 2011. This replaced the Employment and Insurance Against Unemployment Act. The new act expands the range of insured persons and people who can voluntarily insure themselves against unemployment and consequently expands entitlement to unemployment benefit for the time of unemployment. The right to unemployment benefit is increased, especially for young people who often have little professional experience, thus increasing their social protection. Among other measures, the Act also: increases the minimum and maximum level of unemployment benefit; gives the opportunity to unemployed people to work in 'mini jobs' (to a limited extent – for up to EUR 200 per month), whilst preserving the right to unemployment benefit; introduces the possibility of partial unemployment at the start of part-time employment by a previously unemployed person; extends the duration of unemployment benefit for persons aged over 50; and makes vulnerable groups a priority in active employment policy measures. Finally, the Act introduces new ALMP measures such as 'job rotation' and 'job sharing', and removes unnecessary administrative burdens on businesses and job seekers.

Also in Slovenia, during December 2010 the government adopted proposals to amend: the Act on the Prevention of Illegal Work, which establishes new penalties for employers who illegally employ unemployed or inactive persons; and the Act on the Employment of Aliens. These amendments were needed because of massive abuse of the law setting up limited liability companies in order to obtain work permits and residence permits, enabling workers to go to other Schengen countries. The amended act includes stricter criteria for issuing work permits, although to strengthen the protection of the rights of foreigners who are employed or working in Slovenia, easier conditions for obtaining a personal work permit valid for three years are proposed.

Last but not least, a strategy for 2010-2020 for the economic migration of Slovenians was adopted in December 2010. The strategy defines ten guidelines for the management of economic migration in terms of:

- Managing immigration, which will cushion the effects of an ageing population and reduce short-term imbalances in the labour market;
- Promoting immigration to increase innovation and entrepreneurial activity, maintain and promote competitiveness and increase the quality of human resources; and
- Ensuring the acquisition of work experience of the domestic labour force abroad, while reducing the ‘brain drain’ by encouraging the circulation of professionals.

In **Slovakia**, the Ministry of Labour, Social Affairs and Family is preparing a revision of the Labour Code. A draft outline of changes was to be submitted to social partners by the end of January 2011, the actual wording of the revised law will enter the official review process by the end of February and a final version will be negotiated by the cabinet in April. The announced (but unconfirmed) changes comprise of:

- A discontinuation of the concurrence of notice period and severance pay (currently a severance pay of 2-3 months average salary is provided on top of the notice period of 2-3 months);
- Relaxation of hiring and firing provisions; and
- More flexible working time arrangements.

In preliminary debates, trade unions expressed strong disagreement with most of the above proposals and presented their own requirements, which include a shortening of weekly working hours, reduction of overtime work, abolition of the work performance agreement, and a redefinition of dependent work to reduce forced self-employment.

In addition the Slovakian Parliament gave the green light to a number of legislative changes, most of which entered into force on 1 January 2011, on social security, health insurance and the tax system, including:

- Maternity (parental) leave has been extended from 28 to 34 weeks. In addition, maternity benefit was raised from 55 % to 60 % of the assessment base.
- The sum of the parental benefit has been unified at EUR 190.10 (until now at two different levels) and parents may carry out work without any limitation (until now, working parents were not entitled to the parental benefit, but could apply for a child care benefit; the latter has now been increased and may be drawn by parents who prefer institutional child care). Payment of parental benefits is henceforth conditional on school attendance of the parents' older children.
- Pensioners taking early retirement have to decide by the end of February 2011 between work and an early pension, as a concurrent drawing of both will be discontinued.
- Lump-sum deductible expenses for the self-employed were unified at 40 % of income (previously at three different levels – 25, 40, and 60 %),

- Tax exemptions favouring specific professions such as health care professionals have been abolished.

In **Finland** a new tripartite Programme for Sustainable Economy and Employment was announced on 21 October 2010. The aim of the programme is to boost the employment rate, investment and technical development.

On the same date, the Finnish Government approved a Policy Report on Gender Equality, which has now been submitted for parliamentary consideration. This comprehensive policy report has been drawn up for the first time in Finland. The most important element in the report is the future policy definitions for the period until the year 2020.

In **Sweden**, in order to combat the exclusion of foreign nationals from the labour market the Government will continue with targeted wage subsidies. Moreover, in order to increase the labour supply of older workers and delay the average year of exit from the labour market the government has also announced that it envisages the possibility of raising the age up to which people have a right to remain in work, from 67 to 69 years. Previous studies have shown the importance of the retirement norm as regards exit behaviour, so it is expected that this would encourage workers to retire later.

Another policy announced in Sweden is temporarily higher government grants (by SEK 3 billion (EUR 339 million) in 2011) to local authorities in charge of the provision of public services (health care, education, etc.). Local authorities will receive a total of SEK 8 billion (EUR 904 million) in 2011. This measure is aimed at securing core welfare services and sustaining employment in the public sector.

The **UK** government issued a consultative paper entitled 'Welfare Reform - '21st Century Welfare' outlining its ideas for widespread reform of the welfare system. At the heart of the proposals is a simplification of the benefits system, which will involve merging a range of current benefits into a Universal Credit that will provide a basic allowance with supplements to cover family circumstances, housing needs and disability. The government cites a number of key reasons why the new approach should be beneficial. For example, the payment of benefits will be more flexible so that people returning to work can continue to be supported but with the benefit tapered as hours of work and earnings develop. It is also expected that the new system will allow benefit recipients to do limited amounts of work according to their abilities and the availability of jobs – particularly important for disabled jobseekers.

However, behind the expected labour market effects lie the government's objectives of reducing the overall cost of benefits through limiting misuse of the system and reducing the administrative burden of dealing with a multiplicity of benefits. Criticism of the approach is focused on the emphasis on getting people into work when they may not be able or ready and where the labour market is unable to provide the necessary job openings to make the new regime work. This is a real concern given the other pressures on the labour market from the shakeout of public sector jobs and it suggests that there will be little or no short or even medium term benefits to the exchequer from the planned changes.

The government in the UK has also recently published an equality strategy, which is principally a reaffirmation of the Equality Act 2010 that applies to the whole of the UK, although with the possibility of some variations in each of the home countries (Northern Ireland, Scotland and Wales). From an employment perspective the general principles of equal treatment and equal opportunity apply, but more specifically there is emphasis on a commitment to positive action in recruitment and promotion. There is also provision for more information to be made available on gender pay – but mostly on a voluntary basis which might disappoint some proponents.

The UK government is to publish a new Pensions Bill in late January 2011 which includes a number of measures likely to affect the labour market. Firstly, the retirement age at which men and women can claim the state pension will increase to 66 (it is currently 65 for men and 60 for women) and will be phased in between 2018 and 2020. Secondly, a new workplace pension scheme, The National Employment Savings Trust (NEST) will be launched in a limited way in 2011 before being rolled out to all employers in 2012. This automatically includes employees in the contributory scheme but there is an opt-out clause. Thirdly, the default retirement age (currently 65) will be eliminated so that employers cannot force employees to retire – although they must still prove that they are capable of doing the job. These reforms are quite fundamental and will change the shape of retirement in the UK with an expected positive effect on active ageing. However, the changes have been questioned from an equality of opportunity perspective since women will be particularly hard hit with their state pension age rising by six years, when that for men increases by just one year over the same ten year period.

The **Croatian** Parliament has accepted the Government's proposed changes in the Law on job-search Services and rights during unemployment, which should lower unemployment benefit for those unemployed for more than 90 days. This measure is intended to reduce the level of unemployment by shortening individual unemployment spells through activation and more effective and more rapid job placements. For the first three months of unemployment, the benefit remains at 70 % of the average salary of the individual's last three months of employment (to a maximum amount of the legal minimum salary, without social contributions), while the benefits for a longer period of unemployment were lowered from 50 and 40 % to a single rate of 35 %.

In December 2010 the Croatian Employment Service (CES) established a helpdesk for combating discrimination in the labour market. The helpdesk is designed as permanent assistance to all employers in the implementation of anti-discrimination measures and diversity management principles. Anti-discrimination trainers, trained through project activities, and CES staff will provide support to employers through workshops and lectures as well as counselling regarding specific cases of discrimination in the labour market.

The Croatian Government has submitted the revised Law on Retirement Insurance to parliamentary procedure, which brings several very important changes to the national retirement system. Following the legal obligation resulting from the decision of the Constitutional Court in 2007 on equalising the retirement age for men and women, the new law sets the retirement age for both sexes at 65 (it was previously 60 for women), while the age for early retirement would be 60 (previously 55 for women). The equalisation should be gradual. Trade unions and some pensioners associations demanded a longer transition period, with the retirement age for women increasing by three months every year, instead of six months, as the Government proposed. The Government has decided to accept the above-mentioned proposals and included a 20 year transition period in the final version of the Law.

A second important change introduced higher penalties for workers who retire early; according to the first Government proposal each month of earlier retirement should mean 0.34 % lower pension, making it in total 20.4 % lower for those who retire at the age of 60. In order to stimulate workers to remain active after the age of 65, the pensions for those who retire later should be increased by the same percentage. Previous penalisation for early retirement had been set at 0.15% per month, making it a maximum of 9 % for five years. The measure has been justified by the high ratio of early retired people in the total retired population, and the ratio of only 1.27 workers for each retired person. Total expenditure for retirements counts for 10.5 % of Croatian

GDP, while only 57 % of that amount is covered by the retirement contributions from salaries, with the rest covered by the budget.

In **Iceland**, in December 2010 the maximum entitlement period for unemployment benefits was increased from three to four years. With the increase in long-term unemployment it was clear that many individuals would in the next few months no longer be entitled to unemployment benefits, and would therefore have to make do with other benefits, such as communal support. The City of Reykjavik has also decided to raise social benefits offered to those unemployed who no longer qualify for unemployment benefits. The social benefits will now almost equal the basic unemployment benefits of ISK 149 523 (EUR 937) a month. Other communities have been urged to follow suit. Extending the period of unemployment benefits and raising communal benefits is important as it increases the likelihood of people staying in the labour force, rather than dropping out and reverting to undeclared work. However, both these measures may discourage workers from actively seeking employment. This holds especially true for younger or less experienced workers for whom the replacement ratio may be close to unity, that is, unemployment or communal benefits may be close to their expected wages.

In **FYROM** a new Economic and Social Council has been established. It consists of 12 members: four members from the government, four members from the representative employers' associations (one employers' organisation) and four members from the representative trade unions (two trade unions). So far, the new Council has had two meetings and laid a solid foundation for dynamic improvements in the sphere of social dialogue in the country.

The **Turkish** Ministry of Labour and Social Security formed a task force for preparing an employment strategy in October 2009. The strategy document targets an unemployment rate of 5 % in 2023 (11 % in 2010 September), with an employment rate target at 50 % (44 % in 2010).

Employment rates of older workers in **Serbia** have been steadily declining since the start of transition. The most serious effort to tackle the employment crisis of mature workers thus far was the programme 'Severance to Job' (STJ), implemented in Serbia from November 2006 until 2009. Its beneficiaries included almost 2 000 redundant older workers. The STJ programme assisted redundant workers in finding new employment by relying on an almost universal availability of rather generous severance payment packages, secured either by new owners of formerly socially owned firms or by the Government through the special Transition Fund. The STJ programme aim was twofold: to broaden the range of re-employment opportunities through provision of incentives for a productive use of severance payments and to support the National Employment Service in implementing and monitoring nationwide active labour market programmes. Out of 1 947 re-employed workers 416 found a job with a new employer and 1 531 entered into self-employment.

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

In **Belgium**, the government of the Brussels Region has launched a Language Plan providing a large number of measures aimed at increasing the language capabilities of the workforce. It includes Language Vouchers for unemployed persons, giving them access to language courses, increased collaboration with the Flemish Employment office (VDAB), language training oriented to the needs of business and in-company training courses. These measures are not only devoted to the acquisition of a second or third language, but also to give to some unemployed persons a minimum competence in French. This Plan also announces a mid-term set of measures, mainly oriented towards the educational system.

In **Germany,** an 'education package' of EUR 700 million is included in the Government's new October 2010 proposal on calculating social benefits. The package is intended to specifically support children from low-income families with cooked lunches, school books and other materials, private lessons, sports and arts activities. Credits and vouchers will be given to the families by the local labour agencies. This support could result in the cost-free expansion of educational services for low-income families. It is currently being questioned whether the improvement and expansion of schools and childcare facilities would not be a better strategy than the provision of vouchers and other direct support to families.

In **Ireland**, the Skills Development and Internship Programme is a new labour market activation initiative aimed at people who have been unemployed for at least three months. Participants will be offered a 12 month placement with host organisations in the private or community and voluntary sectors. In addition to the placement, participants will undertake a significant education and training component, which will be certified and will aim to improve their skills and competencies and provide a structured pathway to employment. During the actual 12 month placement phase of the programme participants will receive a state allowance equivalent to their social welfare entitlement, plus an 'up-skilling bonus' of EUR 100 per week. In order to participate in the programme, host organisations will have to pay EUR 150 per week per participant for a 12 month period into a fund managed by the National Training and Employment Authority FÁS. This contribution will be used to fund the 'up-skilling bonus' of EUR 100 per week for each participant and the host organisation's contribution to the training costs of the participant. The Government has made provision for up to 5 000 places to be supported under this programme; however, this is subject to the level of interest and uptake by enterprises.

In the higher education sector, a new multi-annual fund of EUR 20 million is being created to enable unemployed people to access innovative part-time higher education opportunities from diploma to postgraduate levels. The fund aims to up-skill the unemployed in areas of immediate and future labour market opportunity. The criteria for selection of programmes will include: evidence of alignment of programmes with regional skills needs; engagement with industry and employers; and cost and value for money. It is expected that participants will already hold at least the Leaving Certificate (National Framework of Qualifications (NFQ) Level 5), or equivalent in terms of work experience, and will have been unemployed for at least of six months. Places will be funded on part-time and flexibly delivered programmes, enabling participants to remain available to seek employment.

In **Greece**, the government has announced the re-establishment of 'experimental schools' at primary and secondary level. According to the Ministry the aim of the experimental schools is to become 'workshops for the reform of the Greek education system'. The initiative follows a similar project, abolished in 1985, which saw the operation of so-called 'prototype schools' alongside regular state schools. The schools will be linked to several departments of the universities they are paired with and will broadly follow the national curriculum, although they will be encouraged to use innovative material and to practice alternative teaching techniques.

The Greek government has also launched another debate on tertiary education. Its reform programme for universities aims at overhauling the way that universities are run and includes bringing in independent assessors to check on the institution's boards and rectors. The reform is currently opposed by rectors who insist that universities should be allowed to run themselves, independent of government or any other kind of oversight.

In **Italy**, a reform of the university system was approved in December 2010, despite student protests around the country and the suspension of many lectures. The main features of the reform are the following: a six-year limit for the mandates of rectors; meritocratic tenure for academics, including a maximum of six years of fixed-term contracts for entry-level assistant professors who must either obtain tenure during this time or leave the academy; a role for the private sector on university boards of directors, with a minimum of three non-university representatives on a board of 11 directors, who have the power to initiate and close degree courses; the creation, over three years, of 4 500 new positions for assistant professors; obligatory national certification for candidates applying for academic positions; and a reduction by half of the current 370 scientific sectors. The 2011 Budget has also approved the extension of public support worth EUR 100 million to training activities implemented within apprenticeships as well as tax credits in favour of companies that entrust R&D activities to universities or public research organisations.

The **Lithuanian** Ministry of Education and Science (MES) initiated a number of measures aimed at improving the training of professionals who are in demand for the national economy. For instance, funding projects were approved totalling EUR 26 million to invest in upgrading study programmes in social, humanitarian and art sciences in eight Lithuanian universities. The beneficiary universities plan to equip modern interactive laboratories, upgrade premises, create virtual workplaces enabling their students to use centrally filed study materials, etc. The implemented innovations are expected to raise the prestige of social sciences, humanities and art studies in regional universities and have a qualitative influence on all study programmes in these areas in general, as well as provide students with education based on practical skills.

In addition, in November 2010 the Lithuanian MES assigned EUR 6.1 million to six Lithuanian colleges. The funds will enable the colleges to fundamentally upgrade the learning resources and facilities in technology and engineering fields and equip modern practical training centres. Modern infrastructure will be also available for students from other colleges and vocational schools. The implemented innovations will contribute to better training of qualified professionals with adequate practical skills who are in high demand on the labour market.

Another decision taken in November 2010 by the Lithuanian MES is to assign EUR 174 000 for the promotion of university and college courses in areas that are important for the needs of the State. These funds will be used to encourage university and college entrants to choose physical, technological, agricultural and veterinary professions.

In **Luxembourg**, in spite of the crisis and the related austerity package, the government continues to invest in R&D. In December 2010, the government established a financial agreement with Luxembourg’s public research centres, planning thus to invest EUR 208.2 million over the 2011-2013 period in R&D. Luxembourg has been committed to increase investments into R&D as part of a long-term strategy. Such R&D investment is not only part of common European long-term objectives, as set out in the Europe 2020 strategy, but it is also in line with the employment guidelines in the sense that R&D strategies bear the potential to increase the employment rate, as new sectors emerge with new income streams, supporting entrepreneurship and creativity as emphasised in Guideline 8 on the development of a skilled workforce to respond to labour needs.

The **Hungarian** government has reached an agreement with the Chamber of Commerce to put a dual system of secondary vocational education in place. Vocational education is seriously underperforming in Hungary; therefore reconnecting vocational education with companies is important. One has to bear in mind however that without the development of primary education and a strong school-based contribution to vocational education, the latter's success will be limited.

In **Malta**, while in the 2011 Budget the government did not heed the calls of trade unions to increase the minimum wage, it announced a EUR 25 weekly increase for minimum wage earners who embark on training programmes to improve their skills. Moreover, in September 2010, the Malta Information Technology Agency (MITA) signed a three-year agreement with Vodafone Malta Ltd intended to double the internet bandwidth provided to departments and schools. This project will continue strengthening Malta's e-government and will further encourage students' e-learning, which can have long-term positive effects on the diversification of the economy.

In **Portugal**, part of the Iniciativa para a Competitividade e o Emprego (Initiative for Competitiveness and Employment), which was adopted in the last quarter of 2010, focuses on improving access to and the provision of training, such as:

- Launching 50 000 professional traineeships for young workers;
- Approving the legal regime of certification of competences, aiming at its generalisation;
- Adopting measures that improve the match between the VET offer and the needs of the labour market; and
- Several measures for improving the qualifications of the unemployed.

In **Slovakia**, the parliament approved compulsory English lessons for primary schools. Until now, a (first) foreign language was compulsory for pupils starting from grade 3 but the school could decide on the language (92 % chose English). The Ministry of Education expects the reform to improve the preparation of students for the world of work and life in general. The shortage of qualified English language teachers seems to be a crucial impediment, which needs to be addressed with increased funding.

In addition, Slovakian MPs pushed through changes in the financing of primary and secondary schools. The changes concern, among others, increased funding for non-state (private and church) schools and new provisions on financing of costs for pupils from socially disadvantaged environments.

The **Swedish** Government intends to put more resources into apprenticeships and enhance incentives for young people who have not completed compulsory or upper secondary education to complete their studies, as well as to further increase the number of slots in vocational training. According to the 2011 budget Bill, 30 000 apprenticeship places will be established in upper secondary school and 5 900 in adult education. The Government has also announced its intention to improve the evaluation of students' knowledge with the introduction of earlier grades from years six onwards and more national tests. In order to better meet labour market requirements an increase in the number of teaching hours in mathematics, natural sciences and technology is planned.

Moreover, in Sweden an extension of the skills enhancement initiative for teachers has also been announced. In order to enhance social integration of foreign students the Government intends to improve the competences of teachers of Swedish to immigrants (SFI) within the framework of the aforementioned initiative and to increase resources for schools in segregated and exposed areas.

In the **UK**, the recent Skills for Sustainable Growth strategy, which sets out plans to 2015, focuses on reform of the adult education and skills sector in England[3]. This is very much a continuation of the approach started by Leitch[4], with the emphasis on a demand-led system with education and training providers responding to the needs of employers and individuals – although with those who benefit from the system expected to contribute more financially. However, there are some significant changes planned. For example, some agencies currently serving the education and skills market will either be abolished or subsumed into other organisations. Funding support will also disappear for most intermediate and higher level qualifications, although those aged 19-24 will continue to have their first Level 2 or 3 qualification supported. Apprenticeships will receive a new impetus with extra places created and more encouragement given (though not necessarily of the financial kind) for apprentices to reach Level 3 and above.

The strategy puts more emphasis on the providers of education and training (such as colleges of education) to respond to market signals, which can be difficult in practice because the signals emanating from employers, for example, are often unreliable – especially in the context of the planning cycles to which providers tend to work. The strategy also gives the impression of trying to do more with fewer resources, clearly shifting some of the costs currently covered by the state to employers and individuals. Some new funds are available, such as in the Growth and Innovation Fund, but this is unlikely to be enough to persuade employers to change their ways when it comes to skills development in the workplace.

Within the **Croatian** Economic Recovery Programme (see below) it was underlined that there have been insufficient links between the education arena, the economy and labour market and not enough attention is given to the estimation of future trends and needs of the labour force, which causes problems in providing education and skills programmes compatible with the skills and occupations in demand by the labour market. An Interdepartmental Working Body for Labour Market Monitoring (IWBLMM) has been established, which is tasked with defining the system of monitoring and predicting the educational needs of the labour market, defining and promoting the system of providing career advice at all levels of education and promoting the cooperation between the education system and the labour market. At its second meeting, the IWBLMM discussed the role of the recently adopted National Curriculum Framework (NOK) for education; it was emphasised that the NOK opened up a broad spectrum of possibilities for expanding and upgrading the content and ways of teaching various educational topics. The possibility for noting the examples of good practice and an exchange of positive experiences among teachers through the curricula were stated as a special value of this approach.

[3] Other home countries have responsibility for their own policy. For example, the Scottish Government has revised its own skills strategy which can be accessed at: http://www.scotland.gov.uk/Resource/Doc/304388/0095468.pdf

[4] The Leitch Review was tasked in 2004 with considering the UK's long-term skills needs. See internet: http://www.ukces.org.uk/leitch-review-prosperity-for-all-in-the-global-economy-world-class-skills

3 LABOUR MARKET POLICIES AND THE ECONOMIC CRISIS

This section presents developments taken by Member States to address the economic crisis and its repercussions on the labour market, as well as some initial assessment of whether measures taken are beginning to show some effect. The reports show that many countries are implementing cuts in public expenditure (e.g. Cyprus, Greece, France, Austria and Portugal), while some countries are providing support to private sector companies (SMEs) or promoting entrepreneurship (e.g. Spain, Malta, the Netherlands and Turkey). Short-time working measures are notable in Belgium and Portugal, while a part-time unemployment benefit measure will be sustained in the Netherlands. Increases in VAT and other indirect taxes are observed in Cyprus and Malta.

In **Belgium**, the set of policy measures adopted since 2008 to counter the employment effects of the economic crisis appears to have had very positive effects. The existing possibility of temporary unemployment for blue-collar workers was extended, through various schemes, to white-collar workers. New forms of short-term reduction of working time (STWs) were also introduced in 2008-2009. All these measures have significantly diminished the effect of the crisis on employment and unemployment. According to the OECD[5], "in the case of Belgium, taken at face value, the estimates suggest that STWs may have damped the fall in permanent employment by as much as 1.3 % by the autumn of 2009, relative to a scenario where such schemes would not have been available". With 5 % of employees having benefitted from short-term reductions of working time, including temporary unemployment, Belgium is the largest user of this kind of measures among EU member states. According to the Employment Committee, this has allowed Belgium to save between 40 000 and 70 000 jobs. Other measures also seem to have had a positive impact and 47 626 employment contracts have been established within the framework of the Winwin Plan.

In **Bulgaria**, although positive results have been reported, it is too early to claim an improvement on the labour market. Major negative indicators of the limited results of the anti-crisis measures and other programmes are the number and the structure of the output flow of persons after the end of registration in the labour offices. Their number has grown by 44 973 persons in 2010 compared to 2009 (first 9 months). The share of persons who did not find a job was 45.1 % in 2010, compared to 56.5 % in 2009[6]. This is due to the lack of changes in labour demand and limited opportunities for financing subsidised employment. Other factors are the behaviour of the registered unemployed and frustration related to proposed job opportunities (i.e. when the registered unemployed who have some chance to generate income - most often through employment in the grey sector - decline work proposed by the labour office).

In **Cyprus**, the budget approved in December 2010 contains the following austerity measures:

- Introducing a 5 % VAT rate on food and medicines as of January 2011 and modifying water pricing policy. These measures are expected to amount to EUR 70 million.
- Imposing, for the next two years, a 0.05 % tax on the liabilities of banks. Their own capital and deposits covered by deposit insurance will be exempt. This measure is expected to raise EUR 60 million.

[5] OECD, Economic Outlook Report 2010, June 2010, issue 87

[6] Data from the Employment Agency

- Increasing taxes on cigarettes and cigars, raising their retail prices by 20 % and 30 % respectively; expected to raise EUR 30 million.
- Improving and speeding up the administrative mechanism for the issue of building titles.
- Reducing several budget items, limiting the government wage bill through measures to be agreed between the President and the unions, freezing 400 vacant permanent government positions (only in 2011) and reducing by 600 the number of government contract positions.
- Plans for structural changes involving the governmental and semi-governmental pension system, the system of wage indexation, tax evasion, a reduction by 5 % in government permanent and contract positions over five years and improvements in social security payments.

In **Greece**, the government passed a law in December 2010, imposing a strict hiring policy, as well as cuts in wages and other benefits, in loss-making state enterprises, in an attempt to cut operational costs and produce budget savings. More specifically, according to this law, staff in about 50 public companies face a 10 % salary cut, reductions in allowances and the capping of annual salaries at EUR 48 000. Private sector companies will be able to negotiate reductions in minimum wages with employees instead of cutting jobs. The government also announced the intention to introduce legislation aiming at liberalising the so-called ‘closed’ professions, including pharmacists, lawyers, notaries, engineers and architects to bring prices down in these professions and make the economy more competitive to stimulate growth. The government will also accelerate the privatisation drive in order to raise EUR 7 billion by 2014.

In **Spain**, during the past quarter, some important measures have been taken, while deep and important reforms to be implemented in the coming months continue to be discussed and negotiated. On 3 December 2010, the government approved a wide package of measures to promote entrepreneurial activity, investment and employment. This is entitled the ‘3 December Package of Measures’ and includes:

- Fiscal and liberalisation measures to promote SMEs, reducing the tax burden on SMEs. Also, the establishment of new enterprises has been eased with the simplification of bureaucratic processes and the abolition of certain taxes. These changes will make it possible to create new SMEs within five days, while the package ensures that it will be possible to establish new small businesses with a social capital of EUR 3 000, and reducing administrative costs to EUR 100.
- Strengthening the PES through an additional 1 500 advisers in February 2011. This measure strengthens the PES in a context of persistently high unemployment. In addition, the role of private employment companies has been defined through the Royal Decree 1796/2010 of 30 December 2010, whereby, in order to face the high unemployment rates, private employment agencies will be entitled to collaborate with the PES.
- Fiscal austerity measures, including the privatisation of a part of AENA (the public airport management company) and of the Public Lottery Company and the increase of the special taxes on tobacco. Moreover, new civil servants will be incorporated into the general Social Security regime instead of a special regime as has been the case, in order to strengthen the general regime.

In **Ireland**, the National Recovery Plan 2011-2014, which was published on 24 November 2010, sets out in detail the further measures that will be taken to put the public finances in order and specifies the policy actions which the Government intends to implement to promote growth, especially in key sectors of the economy. It is anticipated that the latter measures (which relate mainly to export related industries and services) will promote a return to sustainable growth over the coming years. The Plan also describes a range of measures which will be introduced to support employment and promote skill enhancement. The implementation of the Plan, which was drawn up in consultation with the European Commission and the European Central Bank (ECB), forms an essential component of the arrangements for the joint EU/ECB/IMF EUR 85 billion bail-out for the Irish economy which was announced on 28 November 2010. The main objective of the Plan is to reduce the General Government Balance to 3 % of GDP by 2014 (it is estimated to have reached 11.7 % of GDP).[7]

The 2011 Budget also signalled a number of significant measures which are of relevance to the labour market.

- All social welfare payments (apart from the State Old Age and Invalidity Pensions) are to be reduced by an average of about 4 % from 1 January 2011.
- The pensions of all former public sector employees will be reduced by between 4 and 6 %. The pay of serving public servants was not reduced on this occasion,8 on the basis that their representative associations accept far reaching reforms in the service. These are expected to result in a net decrease of nearly 25 000 in the State employment total.
- The National Minimum Wage (NMW) is to be reduced – by EUR 1, or 12 %, down to EUR 7.65. This change is expected to remove a barrier to job creation. It is noted that even when this reduction is made, the Irish NMW will still be in the top tier of corresponding EU rates.
- The National Employment Action Plan (NEAP) will be refocused, in order to establish clearer pathways to employment by ensuring that State agencies interact early with those who have lost their jobs to provide opportunities for education, training or work experience placements as appropriate. Building on the measures that have already been introduced, an additional 15 000 activation places and support for the unemployed will be put in place in 2011 at a cost of about EUR 200 million.
- The principle of conditionality is to be more firmly applied in relation to the receipt of benefits, not only in regard to employment, but also in circumstances where beneficiaries decline to avail of training opportunities.

In **Estonia,** some local measures have been introduced to counter the effects of the crisis. In December 2010, a programme to support employees and enterprises during 2011-2012 was approved in Tallinn.. The programme includes measures in the following fields: unemployment, social assistance, counselling of people in difficulty, reducing expenses on energy and heating, supporting entrepreneurship and consumer protection. In terms of labour market measures, the city will create new social jobs, will support the creation of new jobs in private enterprises, will provide benefits to companies creating new jobs, and set up job clubs, etc. The measures implemented are mostly planned only for a limited time and they concern jobs that are mostly low-paid and temporary. All of the measures are limited to Tallinn, the aim of the action plan being to reduce unemployment in the city. Most of the smaller municipalities will not have the resources to implement such additional measures.

[7] These figures exclude payments to cover certain types of bank losses.

[8] Public servants' pay was substantially cut in the 2010 Budget.

In **France**, no specific measures have been adopted to counter the crisis since the last quarterly report. The financial act was definitively adopted in December 2010: its aim is for a decrease of the budget deficit by EUR 60 billion. Several measures have been announced by the government to reduce the deficit to 6 % in 2011, 4.6 % in 2012 and 3 % in 2013.

One of the immediate consequences of austerity measures in France is the important cut made in state supported contracts dedicated to enterprises and the social economy helping people facing difficulties to return to employment. In 2009, the strategy was to increase the number of contracts during the crisis, but given the country's debt situation, this decision was reversed after July 2010, limiting access to this type of contract to people excluded from the labour market. This trend will continue in 2011, with a probable impact on unemployment, especially long term unemployment. The same '360 degree turn' was made recently by Pole Emploi, the French public employment service, announcing both 1 800 job cuts inside Pole Emploi and an important cut (around two thirds of the budget) in subcontracting with private placement operators.

In **Italy,** in order to tackle the social effects of the current crisis, the Decisione di Finanza Pubblica (DFP*)* allocates extra funding to ensure the extension of unemployment benefits in 2011. The Regions will have responsibility to define the rules and the requirements for the provision of these unemployment benefits. Some Regions have already defined the field of application and the categories of potential beneficiaries for 2011 through agreements with trade unions and employers' associations.

One of the consequences of the financial and economic crisis in **Lithuania** is a shift of part of the labour force and economic activities to the shadow economy. The adoption of the Law on Illegal Work Prohibition, LIWP (expected to come into force in July 2011), would on the one hand reduce the scope of the shadow economy but on the other hand, under the current strained economic conditions many people do not have a permanent and official job, so take small opportunities to earn from temporary and casual works. Even the short-term employment of persons for one-off, temporary jobs involves a lot of formalities in Lithuania and the employment of people with unemployed status for several days per month would negate their unemployed status and related social guarantees. In such a situation, very strict application of the provisions of the LIWP would push such people and employers hiring them on a temporary basis into a very unfavourable situation, potentially leading to an even worse situation in the national labour market and in overall living standards.

The most acute labour market problems in Lithuania – the mass emigration of young, working-age population from Lithuania and its consequences – has not been given due attention by the authorities. If adequate measures are not taken, there is a strong possibility that professionals trained under new study programmes in demand on the labour market today will not stay in Lithuania, preferring to emigrate to countries where such professionals are paid higher salaries and have better working conditions.

In **Luxembourg**, the package of austerity measures to reduce the government deficit was approved by the parliament in December 2010. 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. 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 an increase in 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 **Malta**, the 2011 Budget included several initiatives aiding private economic activity, such as: support to companies in their exporting activities; a tax rebate to companies investing in product and service improvements; the development of a Micro Business Park in Gozo; and improvements in several industrial estates. In November 2010, the government launched the Create Scheme, meant to award 60 % tax credit (or up to EUR 25 000 of the costs) towards the development of a business, intellectual property, the development of artistic work and translations. Moreover, a VAT increase (from 5 % to 7 %) on tourist accommodation was meant to generate funds to be used by the Malta Tourism Authority (MTA). Indeed, in the 2011 Budget, the MTA Budget was increased by EUR 4 million to EUR 35 million. Over the years, investment in the MTA has yielded noteworthy results and so this increase has the potential of further sustaining this pivotal economic sector. Interestingly, the 2011 Budget has allocated EUR 500 000 to promote Gozo as a separate tourist destination, a move that has long been requested by the Gozo business community.

In **Hungary**, a substantial change in the policy mix appears in the shift in emphasis from the supply to the demand side of the labour market. In fact, employment policy is perceived as a supplement to general stimuli of the economy and thus demand for labour. A new concrete measure is the austerity tax levied on companies operating in industries that are stable and producing goods and services which are in demand. The affected industries include banking, telecommunications, energy and retail trade. Companies in these sectors are obliged to pay the extra tax for three years starting in 2010. The progressively increasing tax starts at 0.1 % for those with a tax base between HUF 0.5 and 30 billion, reaching 2.5 % for a tax base above HUF 100 billion.

In the **Netherlands**, the government has decided to prolong a temporary arrangement to help small and medium sized companies (SMEs) to obtain loans. Due to the crisis, banks have become reluctant to lend money, which has made it quite difficult for SMEs to attract enough finance to invest in their companies. Via the Borgstelling MKB-kredieten (BMKB) arrangement the government vouches for the loans of SMEs for up to EUR 1.5 million. By prolonging the arrangement, the government will continue to vouch for up to 80 % of the loan of individual SMEs for another year.

The **Dutch** scheme for part-time unemployment benefit (*deeltijd-WW)* has also been prolonged until the end of June 2011. The number of people in this scheme has decreased rapidly to 13 000 employees in October 2010 and the inflow into the scheme reduced significantly, as a result of the economic recovery. In total 75 000 people made use of part-time unemployment, of which 62 000 have already left the scheme.

In **Austria,** expenditure cuts of about EUR 1.4 billion have been planned for 2011. These cuts will affect, among others, family benefits, long-term care benefit and the budget for labour market policy. The budget for active labour market measures - measures according to the Arbeitsmarktförderungsgesetz (Federal Act on Employment Promotion) and the Arbeitsmarktservicegesetz (Federal Act on Labour Market Service) - will be reduced by around EUR 110 million. The reduction of the labour market budget can be seen in the context of the economic upswing in Austria.

In **Portugal**, out of the labour market policies announced in the last quarter of 2010, there are some pure cost cutting measures (e.g. reduction of specific allowances for public servants and reduction of child allowances in general), and there are measures such as the improvement of legislation on short-time working measures targeted specifically to economic crisis situations. The launch of 50 000 professional traineeships for young workers is an example of measures aimed at mitigating the effects of the crisis and that is in line with the strategic goal of increasing labour market participation.

In the context of the Portuguese government's efforts to resolve the state's financial problems, the national budget for 2011 is designed to reduce the deficit to 4.6 % (in 2010 it was approximately 7.3 %). This includes considerable cuts in the budget of the Ministry of Labour and Social Solidarity, particularly personnel costs. The budget of the Instituto de Emprego e Formação Profissional, IEFP (Institute for Employment and Vocational Training) is increased by almost 10 %.

In **Romania,** in addition to the long-term measures outlined above, in the short-run the priorities are to overcome the effects of two years of contraction and to resume growth. For this reason in 2011, the first increase in the minimum salary in two years has been conceded, together with a salary increase of 15 % for public personnel, albeit calculated from the 25 % reduced base of the last quarter of 2010. It is hoped that these steps will restore a certain measure of consumer confidence and thereby help to bring about a modest surge in domestic demand for 2011. However, Romanian households have been so badly hit by the crisis and now suffer from such a loss of disposable income that hoarding of any surplus or its use for debt-servicing rather than outright new spending will be the norm for 2011. In addition, for the country's 5.6 million pensioners, incomes will remain flat at their 2010 levels for the whole of 2011. Thus, in real terms they will be quite hard hit as inflation has almost reached the levels experienced in mid-2008, with the notable difference being that back in 2008 the value of the pension point was correlated with salaries (i.e.: the gross national average), while now it tracks consumer-price inflation.

The stabilisation package in **Slovakia** is a direct response to the worsened economic situation, largely attributed to the crisis. With this package, the government's main goal is not to pursue labour market revitalisation, but the consolidation of public finances (which is the precondition for sound developments in other domains). There have not been many changes in employment policy since the latest amendment to the Act on Employment Services in September 2010. The Ministry of Labour, Social Affairs and Family decided to prolong the increased sum of the contribution for commuting to work, which was increased in March 2009 (temporarily until the end of 2010) as part of the employment recovery package to intensify inter-regional labour mobility. The programme is attracting massive interest among previously unemployed workers (almost 27 000 approved applications in the first 11 months of 2010), presumably because of the relatively low eligibility criteria (income support provided without means testing or additional requirements).

In light of the recent improvement in the **Swedish** labour market the scope of counter-cyclical ALMP will be gradually reduced. Furthermore, the focus will be, to a larger extent than during the crisis, on reducing long-term unemployment and concentrating on targeted measures towards persons with a weak foothold on the labour market. Previously the emphasis was put on supply side measures aimed at facilitating the current economic upturn and limiting potential overheating and the emergence of labour bottlenecks (shortage in certain occupations and/or regions). In this context the government intends to put more resources into work experience placement and coaching, 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 intends to further reduce income tax for pensioners and also improve the situation of single parents and parents with low income by increasing housing allowance.

The Government of **Croatia** announced its Economic Recovery Programme in April 2010. It incorporates the following goals: the state's withdrawal from the economy; the implementation of necessary structural reforms; greater labour market flexibility; public administration rationalisation and efficiency improvement; reduction of public expenditure; simplification of the tax system, reform of the state aid system and a fiscal responsibility law. The Programme was soon followed by a Plan for the Enforcement. If the goals are fulfilled, they may lead to higher economic growth, a better fiscal position, an increase in employment and reduction of unemployment, and higher competitiveness.

In **Iceland**, in January 2011 the project 'Allir vinna' ('Everyone gains') was prolonged for another year, to end in January 2012. The project, which is undertaken jointly by the government and various labour market actors, offers tax relief for individuals who refurbish or renovate their dwellings. There are clear indications that many have taken advantage of this opportunity and that thanks to this, the incidence of undeclared work has diminished.

In November and December, the **Turkish** government targeted SMEs with a temporary support scheme. In the 'urgent' package, there was TRL 36 billion (EUR 1.43 billion) for loans to SMEs, 75 % of which were grants. Each SME qualified for between TRL 30 000 and 80 000 (EUR 14 300 to 38 100) with women entrepreneurs qualifying for an additional TRL 10 000 (EUR 4 762). In early November the Minister for Industry announced a target of 45 000 beneficiaries for this scheme. In another effort to increase formal employment, the government announced plans to hire 100 000 public employees. The State Minister, Mr. Hayati Yazici, said that 25 000 of these would replace those who will retire in 2011. Another temporary measure, the compensation for short-time working, practically unused before the crisis, was phased out in 2010.

In **Serbia**, the STJ programme (mentioned above) was not significant enough to make a large difference to the total population of older workers, although it undoubtedly had a positive impact on its beneficiaries, as confirmed by the scientific impact evaluation. It ceased to exist at the start of the crisis and the situation of workers aged over 45, especially those in the age bracket 45-54, has worsened significantly since – although this trend is not necessarily related to the phasing out of the STJ programme.