EUROPEAN EMPLOYMENT OBSERVATORY

QUARTERLY REPORTS

JULY 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 July 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:

a) They 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) They can be effective to help the given 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 July 2011 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 increase the labour market participation of specific target groups, including youth (Denmark, Latvia, Lithuania, Luxembourg, Finland, the UK and Turkey), immigrants and ethnic minorities (Sweden and Denmark, respectively), Roma (Bulgaria), the disabled (France, Slovenia and Turkey) and parents (Austria, Lithuania and Slovakia). In relation to the latter group, in France, Malta, Austria and Turkey steps have been taken to improve the balance between work and family life, for instance through a state contribution to the cost of childcare in Austria. In contrast, cuts to the state funding towards childcare have been announced in the Netherlands.

In relation to social dialogue, the system of consultation with social partners has been reformed in Hungary, and in Spain a major reform of the regulation of collective bargaining has taken place. A number of legislative changes relating to labour relations have been introduced in Greece, and in Romania a new Social Dialogue Code has been passed. Steps have been taken to increase contractual flexibility in Hungary, Lithuania, Portugal, Romania, Slovakia and Turkey, while Bulgaria has introduced a

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

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

new support scheme for projects supporting employers to introduce various forms of flexible employment.

Amendments to unemployment and social benefits have taken place or are being proposed in the Czech Republic, Denmark, Hungary, Slovakia and Iceland, while Denmark is tightening access of foreign citizens to various welfare schemes. Reforms to existing legislation governing the minimum wage have been adopted or are being discussed in Hungary and Slovakia, while the Czech Republic has adopted measures to strengthen compliance with minimum wage provisions and undeclared work. Steps to tackle undeclared work have also been taken in the Czech Republic and Spain.

General pension reforms have taken place or are under discussion in the Czech Republic, Denmark, Cyprus, Lithuania and the Netherlands, while reforms related to cross-border pensions have taken place in Malta and Poland. A number of countries have taken steps to limit or discourage early retirement, including the Czech Republic, Lithuania and Portugal.

Countries have implemented a range of measures of relevance to **Guideline 8**. Several countries have implemented measures targeted at the unemployed (e.g. Estonia, Latvia, Portugal and Serbia), young people (Denmark, Spain, France, Italy and the UK), and immigrants (Austria and Sweden), while in Greece the public employment services (PES) have set priorities for the training of employed workers.

In Portugal, Latvia, Serbia and Sweden, efforts have been made to increase access to vocational training, including by increasing the availability of internships and apprenticeships. In Sweden the focus has been on improving the standard of education in schools.

In Portugal, there has been a commitment to improving the system of anticipating skills needs and in Croatia, the first results of two projects relating to adult and vocational training have identified a range of skills mismatches in the country.

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

In **Belgium**, the Minister of Employment has proposed measures to fight harassment at work and to improve the effectiveness of the existing legislation. In addition, the Council of Ministers has approved a draft royal decree on the establishment of a specific category in the ACTIVA plan (a federal initiative aiming to reintegrate jobseekers into the labour market) of people who have reduced ability to work. Through the ACTIVA plan, unemployed individuals can keep part of their unemployment benefits when they are hired by an employer. The employer may deduct part of the allowance from the net salary. This measure will come into effect on 1 August 2011.

A new scheme has been introduced in **Bulgaria** under the European Social Fund Operational Programme ‘Human Resource Development 2007-2013’ (OP HRD). The ‘Social Innovations in Enterprises’ scheme has a budget of almost EUR 19.4 million and a maximum budget per project of EUR 199 000. The objective of the scheme is to assist employers to apply innovative human resource development strategies and to introduce various forms of flexible employment. The scheme marks the start of a new direction for activities in support of employment flexibility in Bulgaria. However the guidelines for the submission of project applications contain provisions that may cause the planned actions to be less effective. For example, some of the targets appear to be ambitious and should perhaps be reviewed.

A second scheme called 'Take your life in your hands' was also started in **Bulgaria** in the first quarter of 2011. Its target group is disaffected unemployed people and the aim is their return, or entry, to the labour market, with particular attention given to ethnic minority groups. Beneficiaries of the scheme are employers, non-governmental organisations and training institutions. They are expected to submit projects that include identifying unemployed persons in regions with high Roma populations and encouraging them to register in employment offices. These persons will then participate in motivational training, professional qualification courses or training in key competences. Participants who successfully complete the courses will then work as apprentices in companies. Employers who take employees from vulnerable groups for three months under this scheme will receive a subsidy covering the minimum wage and the social insurance contributions of each employee.

In the second quarter of 2011, no new labour market policies were adopted in the **Czech Republic**. However a number of proposals were announced by the government and considered in parliament. For example, the Czech Ministry of Trade and Industry prepared a Strategy of International Competitiveness which the government is expected to consider in August. The strategy contains specific proposals for supporting innovation, labour market reform and financial regulation.

The government has issued a proposal to make unemployment benefits and social benefits for people in material need conditional on recipients agreeing to participate in jobs in public works, including for example street cleaning, irrespective of educational attainment and past labour market experience. Other recent proposals aimed at increasing labour market participation include extending the retirement age for current 30 year-olds to 66 and current newborns to 73, but these have not yet been approved by parliament.

At the end of June 2011, the Ministry of Labour announced a new phase of intensive inspections of undeclared employment, focusing primarily on the service sector (restaurants and hotels). The inspectors checked minimum wage stipulations, working-time records and employment contracts.

The Lower House has passed (in a first reading) the government's pension reform proposal, which introduced a voluntary opt-out from the first 'pay as you go' (PAYG) pillar. The final form of the second pillar, which was reached as a result of political compromise by the governing coalition, is strongly opposed not only by the opposition parties, but also by most economic experts including the government's National Economic Council.

Earlier, in May, the Lower House also approved the so-called 'small' pension reform of very important parametric changes, which will have current thirty-year-olds retire at age 66 or more and current newborns retire at age 73 (i.e. in 2084). A new pension-pay formula also increases pension pay for those in the top 20 % earnings group, in accordance with Constitutional Court wishes. As expected, the Senate rejected the proposal, which will thus return to the Lower House.

In **Denmark**, the second quarter of 2011 was a period of many reforms, some of which have already become legislation, while others, especially the retirement reform, will have to await the outcome of the elections in the autumn of 2011. The main elements of the recent reforms are described below.

- A retirement reform, which implies that part of the so-called 'Welfare-reform' from 2006 will be brought forward by five years and the duration of the Voluntary Early Retirement Pay (VERP) will be reduced from five to three years.

- The flexi-job-scheme will be made more restrictive by limiting the duration of the wage subsidy to five years. For persons aged over 40, the wage subsidy may thereafter become permanent. In addition, limits have been put on the size of the wage subsidy. The employer, the employee and the municipality must prepare a plan aimed at having the employee return to normal employment.
- A reform of the State Student Grant (SU) implying among other things a reduced duration of the grant and bonuses to stimulate faster completion.
- A tightening of the access of foreign citizens to different welfare schemes, including the old-age pension.

Apart from these broader reforms, a number of additional initiatives were also agreed between the government, the Danish People's Party and one independent MP:

- Stronger efforts to integrate ethnic minorities in the labour market,
- Initiatives to reduce absence from work due to sickness,
- A tax-deduction for private services bought by households.

Finally, a broad political agreement focused on youth unemployment was reached in early July 2011.

The **German** Federal government has announced that it will discontinue the 'one-euro-jobs' scheme of publicly-financed jobs for recipients of the unemployment benefit UB-II. One-euro-jobs were the most commonly used instrument to reintegrate the long-term unemployed through practical work in municipal jobs and in 2010 the government spent around EUR 1.7 billion on between 600 000 and 700 000 one-euro 'jobbers'. The 'Law to Improve Integration Chances on the Labour Market from May 2011' redefines the application of active labour market measures and gives lower priority to one-euro-jobs compared to other labour market instruments which directly integrate the unemployed into the labour market or instruments which further qualify unemployed persons. The lump sum of on average EUR 280 per month, which is paid to the municipalities as a mentoring fee for each participant, will be limited to a fixed rate of EUR 30 and an additional EUR 120 for service-intensive cases. According to the Federal government, the instrument has been redefined because one-euro-jobs replace regular jobs and there have been low placement rates of participants. The new regulations will also avoid the deadweight losses which were criticised by the Federal Court of Audit.

A recent study by the German Institute for Employment Research shows that actually one-euro-jobs partly improve employment chances. Moreover the study found no evidence of substitution effects. According to the Job Vacancy Survey one-euro-jobbers are positively evaluated by the majority of companies which employed them. It is questionable if a cut or limitation of one-euro-jobs will benefit the unemployed. They were designed to support unemployed people who are difficult to place and to preserve their working capacities rather than to integrate them in the labour market. They should help the unemployed to conform to the routine of daily work and to escape from the isolation of unemployment. One-euro-jobbers acquire competences which are useful in working life and are a good basis to profit from the presently favourable labour market conditions. The non-substitution criterion counteracts the idea of reintegration under 'real' job conditions. For a successful reintegration of the low-skilled unemployed, regular jobs would have to be used, in order to provide a working environment which is close to real working life.

In **Estonia**, after the elections, the coalition that had already been formed in 2009 continued in office and established a new government in April 2011. In terms of labour market policies, the new coalition action plan has been criticised for not considering the inclusion of social partners in labour market development. It has also been suggested that several important issues have not been touched upon in the action plan, including for instance the financial sustainability of labour market services, access to labour market services and participation of low qualified adults in lifelong learning. A positive development is the plan to create new jobs in north-east Estonia in order to fight unemployment. In addition, the government is planning to evaluate the effects of the new Employment Contracts Act that took effect in 2009.

In **Ireland**, a formal review was undertaken earlier this year of the long-standing 'Registered Employment Agreements' (REAs) or 'Employment Regulation Orders' (EROs), which provide a legal framework within which employers and workers can agree statutory arrangements concerning pay and conditions of employment. While the review recommended retaining the structure of these arrangements, it did indicate that reforms were necessary in order to render the agreements more flexible and more responsive to changing economic conditions, especially at firm level. However, circumstances have since been overtaken by events. The Irish High Court recently declared the entire system unconstitutional following a legal challenge by a group of employers which claimed that the agreements conferred unwarranted powers of compulsion outside of the judicial system. Thus, in effect, the REA/ERO system has ceased to exist, but a very large number of low paid workers (some 300 000 or 16 % of the work force) have now been left in a vulnerable position. In response, the Minister for Jobs, Enterprise and Innovation announced measures to reform the REA/ERO wage settling mechanisms. These will radically overhaul the system to make it fairer, more competitive and more flexible in order to increase job creation in these sectors. They will also reinstate a robust system of protection for workers in these sectors in the aftermath of the recent High Court ruling. The Government intends to bring legislation setting out these changes in more detail before the Dail (Parliament) when it returns after the summer break.

In **Greece**, in the field of labour relations, the government has introduced a number of legislative changes. The measures envisage various policy reforms including a drastic revision of collective bargaining procedures, impacting on minimum salaries, mass lay-off limits, collective bargaining arbitration and severance pay cuts. In this frame, the government committed to making private sector wages more flexible in order to allow cost moderation for an extended period of time. New legislation provides for a reduction in pay rates for overtime and enhanced flexibility in the management of working time. Changes now allow the creation of local territorial pacts setting wage growth below sectoral agreements and introduced variable pay to link wages to productivity performance at the firm level. The arbitration system has also changed, so that both parties can now resort to arbitration if they disagree with the proposal of the mediator. The government has also adopted legislation on minimum wages introducing sub-minima for groups at risk such as the young and long-term unemployed and has put measures in place to guarantee that current minimum wages remain fixed in nominal terms for three years. New rules have extended the probationary period for new jobs to one year, reduced the overall level of severance payments and ensured that the same severance payment conditions apply to blue and white-collar workers.

In the field of active measures, most of the labour market policy measures taken by the government to boost employment and limit unemployment are being co-financed through the Operational Programme EPANAD 2007-2013. In the frame of EPANAD, OAED, the **Greek** public employment service (PES), implements approximately 30 different schemes, affecting 51 500 persons altogether (women, young people, long term unemployed, etc.). The cost of these schemes amounts to EUR 834 million. Direct job creation (social work) schemes are currently being implemented on a regional basis. These schemes come with a budget of EUR 190 million and are expected to benefit 57 500 unemployed workers. Legislation is currently in preparation for two other actions, namely the local integrated programmes (TOPSA) and the actions within the frame of social economy. For the TOPSA schemes a sum of EUR 190 million has been earmarked, while for the social economy actions the equivalent figure amounts to EUR 60 million. The local integrated programmes are expected to benefit 57 500 unemployed workers.

In **Spain**, a major reform relating to the regulation of collective bargaining took place during the second quarter of 2011. The main purpose of the reform is to create more flexibility in order to promote economic activity and therefore to enhance the recovery of the economy and the labour market. A second purpose of the reform is to strengthen companies in periods of crisis, helping them to adapt to the new market conditions through reductions in the length of the working day. Concretely, the reform gives priority to the agreements made within corporations over the sectoral agreements in relation to important issues such as basic wage, remuneration for overtime, working schedules, holiday planning or conciliation measures. Moreover it limits the deferral of expired agreements to eight months for agreements signed for two years and to 14 months for remaining agreements. Finally, it fosters the solution of disputes through arbitration instead of through judicial procedures.

Another significant measure in **Spain** has focused on the regularisation of undeclared work and the promotion of the construction sector through fiscal rebates on housing renovations. This two-fold measure is positively assessed, as it combines on the one hand, fiscal incentives to promote growth in the ailing construction sector; and on the other hand, it encourages clients to demand invoices from construction companies, facilitating the control of undeclared activities.

In addition, the **Spanish** Labour Market Reform approved in June 2010 has advanced further with regard to issues such as the participation of private job centres and the regulation of collective redundancies. The first private job centres have been allowed to cooperate with the PES to fight unemployment. Moreover, the Minister's Council approved the new code on documentation relating to collective redundancies. The new code provides more flexibility to companies needing to implement collective redundancies due to production problems. The code also states that more accurate documentation must be provided by companies wishing to access collective redundancies. In addition, it promotes the reduction of the working day as an alternative to collective redundancies in order to preserve employment in critical periods. The achievement of more stability through flexible measures is one of the core objectives of the Labour Market Reform.

In **France**, a new measure called 'contract to increase employment security' (Contrat de sécurisation professionnelle) has been created with the adoption of the Cherpion Act on 13 July 2011. This contract merges and substitutes the existing 'contract for professional transition' (Contrat de transition professionnelle, CTP) which was created in 2006 and the 'convention for personalised outplacement' (Convention de reclassement personnalisé, CRP) which was implemented in 2005. The contract can be used by companies with under 1 000 employees which need to make redundancies as a result of the economic crisis. Around one third of the contract is financed by the company and two thirds by unemployment insurance over a period of one year. The employee also benefits from a year of support, which begins with a pre-assessment and continues with different actions (e.g. training courses, internships) to help them to return rapidly to employment.

The **French** Ministry of Solidarity has called on the social partners to find solutions at company level for a better reconciliation between working life and family life. In relation to this issue, the question of family leave is central. Parental leave is remunerated by social security, i.e. complements the income given to parents of children under three years old who are not working or are working part-time. A recent report has shown that the scheme has a negative impact on women, pushing them out of the labour market: 'only 4 % of beneficiaries are men'. This situation is directly influenced by wage inequalities: linked to the low level of the benefit of EUR 560 per month, the majority of couples choose the one with the lowest wage, and, for 80 % of cases, women have the lower income. The same report recommends an individual 'right to parenthood' financed by social contributions. This would be a three month leave remunerated according to a percentage of the wage (with a limit). The cost is estimated at EUR 500 million based on an average wage of EUR 1 700. Another measure relates to paternity leave, which is only used by two thirds of fathers, again because the level of the benefit is very low. Some large French companies have introduced wages compensation, which has led the government to open the debate with social partners.

A new law to improve employment for disabled people was definitively adopted in June by the **French** Senate, after 18 months of debate within the Parliament. The main fields modified by the law related to the accessibility and the functioning of the sub-regional 'one-stop-shop' for disabled people (Maison départementale des personnes handicapées, MDPH) and some measures try to improve access to employment for disabled people.

In **Cyprus,** several measures are pending since the December 2010 budget and are still under discussion, including: actuarial advice on the pensions of the wider public sector; a commitment by the President to reduce the government wage bill by EUR 35 million in 2011; and a commitment to examine the Cost of Living Allowance Clause (COLA) operating in most collective bargaining agreements. At the end of a meeting among political leaders on 22 July 2011, it was announced that political leaders had agreed to a common package which has not yet been formally announced. The package will however be subject to more discussions with the unions and employers, formal announcements, and the required legislation and administrative actions.

In particular, regarding the pension reform, the actuarial report suggests that without measures to strengthen the viability of the social security fund, difficulties would arise later with regard to the pension obligations of the wider public sector. Agreement was reached between political parties to increase the contributions of existing public employees by four percentage points and to increase their contributions to the widows and orphans fund by two percentage points. Concerning reductions in benefits, agreement was reached to calculate the pension and lump sum payable on retirement not based on the salary of the last month but on the average salary of the previous 30 months, thereby calculating pension obligations on a lower salary and reducing the incentive for pre-retirement promotions. These are reasonable moves but the union of public sector employees has rejected both of them. The governing party is fully opposed to extending the retirement age, despite substantial increases in life expectancy and the fact that not doing so would be a burden to the younger generations. Extending the retirement age for all but dangerous and physically demanding occupations is appropriate and will reduce the need to rely on reducing benefits and increasing contributions.

In the second quarter of 2011, the **Latvian** State Employment Agency (SEA) adopted a new measure called ‘Support for Voluntary Work by Young People’, which is aimed at involving unemployed persons aged between 18 and 24 in voluntary work in non-political foundations and associations. This programme provides participants with a monthly stipend of LVL 40 (EUR 57) and is designed to promote the labour market integration of young people by providing them with work experience and skills which will enable them to better meet or adapt to labour market needs.

On 19 May 2011, a new Law on Employment via Temporary Work Agencies was adopted in **Lithuania**. This law legalised the activities of agency workers and is expected to stimulate job creation by enabling more flexible forms of employment, even though it has been pointed out that the benefits would have been greater had the law been adopted before the economic crisis. (The first draft of the law was issued as far back as 2004.)

With a view to improving job-search opportunities for young people, the **Lithuanian** Labour Exchange (LLE) has launched a new website designed to provide young people with information on where to look for a job, how to register with a labour exchange and what labour market support measures are available.

Amendments were also introduced to **Lithuania**’s Law on Sickness and Maternity Social Insurance. These amendments aim to encourage parents to return to the labour market by allowing them to work during the second year of their maternity/paternity leave without any reduction in their maternity/paternity allowance.

In June 2011, the **Lithuanian** parliament approved amendments to the Law on State Social Insurance Pensions, which introduced a gradual extension of the retirement age to 65 years, with a transitional period from 2012 to 2026. A second plank of the Lithuanian pension reform, concerning proposals to encourage people to save for additional pensions in private second-tier and third-tier pension funds, has been submitted to parliament and the reform of Lithuania’s Board of the State Social Insurance Fund (Sodra) has begun. These reforms are not only expected to provide older people with a better social safety net but also to encourage them to remain in the labour market for longer.

In **Luxembourg**, a new wage agreement for civil servants was reached in July 2011 after lengthy negotiations between the civil servants union (CGFP) and the government. In the public sector, wage bargaining has led since 2005 to consecutive agreements between the government and trade unions in 2007, 2010 and 2011. The 2010 agreement already underlined that deeper reforms on wages are envisaged as the government agreed to hand over to the union a comparative study on wages for civil servants and employees in all other sectors. A set of guidelines for legislative reform provided by the government and already announced in the governmental programme of 2009 - then discussed by the Council of Ministers - have focussed much more on a wage reform for civil servants than previous agreements. One of the most criticised elements of the agreement is the fact that while the training period for future civil servants will be increased from the current two years to three years, training period allowances are fixed at 80 % in the first and second year and at 90 % in the final year - it has been argued that lower allowances would affect mostly young people. Other elements of the reform include an increase of social leave from four to eight hours per month for family or health issues; an allowance for all civil servants to a single bonus of 0.9 % of the salary (paid in July 2012); an increase by 2.2 % of the basic salary from 1 January onwards (still to be approved by Parliament); an alteration of the career structure to only four streams (central administration, police, army and education); and the introduction of a competence-based evaluation for civil servants.

Debates during the negotiation period centred on the question of whether wage reforms follow a particular trend in the direction towards pay decreases or even pay freeze. The main trade unions opposed reforms on wage reductions in the public sector, commenting that such reforms would lead to social breakdown. There has been a hard fight to achieve a consensus and the civil servants' union has been given support by the two other unions to form a united front against wage cuts and more profound reforms. These negotiations also led to the suppression for all wage earners from 2012 onwards of the often-criticised crisis tax which was introduced to address Luxembourg's crisis-related budgetary deficit. The suppression of the crisis tax was unanimously requested by the social partners.

The government of **Luxembourg** was quick to respond to the European Commission's recommendation to tackle youth unemployment by putting forward additional measures to combat youth unemployment. Although youth unemployment has been on the policy agenda for some time - measures included for example both the introduction of the Employment Initiation Contract - Practical Experience (CIE-experience) in 2009 and education-related measures such as the creation of a Second Chance School - the government introduced new financial incentives for employers in order to increase the number of apprenticeships. In addition to stronger collaboration with municipalities, the government will increase compensation, for employers which supervise an apprentice paid by the employer, from 27 % to 40 %. Limited to a year, the measure is only temporary and applies only to the category of apprentices studying for a 'Certificate of professional capacity' (Certificat de capacité professionnel, CCP).

In the context of the introduction of the single status, when the social partners (especially employers, who pushed for tougher controls) agreed to analyse the development of absenteeism in **Luxembourg**, the government stated its intention to tackle the issue through the creation of a new observatory on absenteeism.

In the context of the recently introduced 'Hungarian Work Plan', the **Hungarian** government has adopted, or proposed, a number of measures aimed at fostering greater labour market participation. The first development is the publication of a new labour code, at this stage only for public consultation, which proposed to increase considerably employment flexibility in a number of areas, including in relation to holidays, lay-offs and overtime. Although these changes are likely to increase flexibility, critics have expressed doubts about their effectiveness.

As part of the delivery of its employment policy programme, the **Hungarian** government has reorganised the system of communication between social partners. The former tripartite National Council of Interest Reconciliation has been replaced by a new National Economic and Social Council. The new body, which includes representatives of employers, employees, churches, chambers, NGOs and academics, is expected to issue an opinion on important pieces of labour market legislation. Nevertheless, the government is not obliged to respond to the new body's remarks or suggestions.

The **Hungarian** parliament has passed a new Law on Public Works, which regulates all aspects of public works. This includes a provision allowing public works to pay below the regular minimum wage. The aim of the law is to assist unemployed persons to enter the open labour market but critics have pointed out that public works are often an inefficient and stigmatising form of active labour market policy. The same Law on Public Works modifies Hungary's social benefit legislation, in particular by suspending the payment of social benefits if a recipient does not accept public work offers and allowing municipalities to suspend payment if a recipient does not keep his or her residence tidy.

In **Malta**, the government aims to continue increasing the take up of family-friendly measures since an analysis by the National Audit Office recently found that flexible work schedules led to a substantial decrease of pay deductions related to punctuality. In April 2011, the government announced that it was proposing to increase adoption leave from five to fourteen weeks.

On 10 June 2011 the Prime Minister of the **Netherlands** announced that a new pension agreement had been achieved by the government and the social partners. The main change in the agreement is raising the retirement age from 65 to 66 by 2020. In the future the retirement age will be linked to life expectancy, which means that it is likely that the retirement age will be raised to 67 in 2025. Retiring before the official retirement age will remain possible but early retirees will forfeit 6.5 % of their retirement benefits and thus receive lower benefits. It is believed necessary to keep the option of earlier retirement open for people who started working at a very young age. In addition, the level of the old-age benefits (including the state pension) will rise by an extra 0.6 % as of 2013, on top of inflation. The Prime Minister expects this agreement to be supported since it embodies a well considered vision of the future of the pension system. However, several trade unions have expressed their dissatisfaction with the agreement and the youth trade unions FNV Jong and CNV Jongeren have requested some clarification about the proposed pension system before supporting or rejecting it. The Alternative trade union (AVV), which among others represents people with a flexible employment contract, is very negative about the pension accord and claims that it leaves all entitlements for older generations intact while shifting all risks to future generations. It is therefore uncertain as to whether the trade unions will continue to support the agreement after having consulted their members. Should the accord be supported and implemented, it may lead to higher labour participation of older workers. However, as the measure will come into effect only after 2020, the current generation of older workers is not likely to be affected. Meanwhile, the labour participation of older workers will continue to increase, as a result in large part of the ageing of society and the fact that more and more women have been entering the labour market in recent decades – these women will continue to work as they grow older.

The **Dutch** government has also announced budget cuts to a scheme that lowers the costs for childcare facilities for working parents. Due to the success of the scheme, public expenditure tripled from EUR 1 billion in 2005 to EUR 3 billion in 2010. The initial idea was for the government, employers and parents to each cover a third of the costs of child care, but in practice it appeared that on average parents contribute less than a quarter of the total costs and that employers do not contribute a third either. Consequently, the government feels that the balance needs to be restored and hopes to achieve this through various measures. The measures announced include an increase of the parental contribution by 16.25 % for all children; an obligatory monthly contribution of about EUR 15 for all parents, regardless of their income; and a cancellation of the allowance granted to the first child in high-income families (with a household income of about EUR 130 000 or more). Altogether, the measures should lead to a decrease of EUR 774 million in public expenditure on childcare by 2013.

Several stakeholders fear that as a result of the measures, many families will no longer be able to afford formal childcare. They fear that couples (especially those with higher incomes) will weigh the costs and benefits of working full-time against those of one of the partners working part-time or becoming a stay-at-home parent. This could be seen as a negative development in relation to Employment Guideline 7, which prescribes promoting labour market participation among men and women.

At the end of May 2011, the **Austrian** government announced it would provide a federal contribution towards the expansion of childcare places, a policy area which falls under the competences of Austria's provincial authorities. The federal contribution will amount to EUR 10 million in 2011 and EUR 15 million per year in 2012 and 2014. This is expected to contribute to the establishment of around 5 000 new places, with a special focus on places for children up to three years of age. The reform is considered to be an important contribution to facilitating labour market participation, in view of the lack of childcare places for this age group. There are concerns however that the financing set aside for this will not meet current demands for new places. According to data from the Austrian Statistical Office, the percentage of children between the ages of three and five attending childcare facilities for the first time exceeds 90 %, whereas the percentage of children attending childcare facilities under the age of three is only 17.1 %. Negotiations with the provincial authorities to secure an agreement on this reform are currently underway.

Two other related reforms have been adopted in **Austria** in recent months. The first is the decision, adopted in July 2011, to extend a further federal contribution to the obligatory year of childcare support for five year-old children amounting to 20 hours per week. The second is the agreement to provide a federal contribution of up to EUR 200.15 million until 2014 in order to double the number of all-day childcare places (Ganztagesbetreuung) in primary and secondary schools by 2015. Currently these places number 105 000.

In **Poland,** the government adopted a draft law amending the Law on the Organisation and Operation of Pension Funds on 31 May 2011. The draft amendment covers the provisions of Directive 2003/41/EC, in particular concerning the sponsorship of cross-border employee pension schemes. It regulates the procedures for administering contributions paid to employee pension funds by employers established in another country of the EU than Poland, in which the benefit of an employee pension scheme is guaranteed by the employer. The proposed regulations will regard employers, employee pension funds and the companies managing them.

Moreover, in June 2011 the **Polish** government adopted a draft law amending the Law on pensions from the Social Insurance Fund. The draft amendment proposes further changes to the rules for granting pensions to those with general incapacity for work. These changes will include the insured who at the date of entry into force of this new legislation have not yet reached full retirement age. According to this amendment, the obligation that a person totally unable to work should prove that they have paid five years of social insurance contributions during the last decade will be removed. The new condition is that women have at least 30 years of contributions and men have a 35-year contribution period.

Finally, the Law of 9 June 2011 amending the Act on the National Labour Inspectorate will from August 2011 allow labour inspectors to undertake faster and more effective control and supervisory activities, and also creates the conditions for more widespread preventive and promotion actions to be taken among employers, as well as rewarding well-functioning entities.

Following legislative elections on 5 June 2011, **Portugal**'s new Council of Ministers approved a new draft law seeking to amend the Labour Code in order to lower the costs of dismissals. This was one of the measures included in the Tripartite Agreement for Competitiveness and Employment (Acordo Tripartido para a Competitividade e Emprego), established between the former Portuguese government and social partners and part of the Memorandum of Understanding reached between Portugal and the European Union, International Monetary Fund and European Central Bank.

The draft law also proposes the creation of a fund for the partial payment of compensation for dismissed workers.

On 30 June 2011, the new **Portuguese** government issued its work programme. The most important innovations proposed in the area of employment are changes to Portugal's labour legislation aimed at introducing greater contractual flexibility; changes to the unemployment insurance system, in particular its extension to self-employed workers; changes to the contributory code in order to reduce the burden of labour costs on firms and to facilitate the situation of self-employed workers; and active labour market policies, including incentives for self-employed workers and programmes to promote the labour market participation of persons aged over 54.

In **Romania**, a new Social Dialogue Code has been passed by Parliament. The main innovation in this code is the removal of the time-honoured clause which made negotiation at national level binding. Accordingly, collective bargaining is no longer compulsory at national level. From now on collective agreements will only be made at sector or branch level and even these will not be compulsory for enterprises, except when unions in the enterprise are affiliated to the federations having negotiated the branch/sector agreement. The only mandatory agreement will be the enterprise agreement and even these will only be compulsory for companies with more than 21 employees. This means that for the majority of Romanian companies, the main instrument of labour relations will be the individual contract. The market has thus seen an almost complete liberalisation, with flexibility being pushed towards its upper limits.

These measures constitute a firm step forward towards the decentralisation of the negotiation process and thus to making both the market more flexible as well as ensuring that salary negotiations do not lead to excesses that remove the link between employee compensation and productivity. However, it is not yet clear, given the fact that flexibility must be matched also by some degree of security, what will be put in place to guarantee that workers are not at risk of being abused. It is possible that these new flexible rules on negotiation, together with the increasing importance of the role of enterprise and ultimately individual negotiation, as well as the fact that the public sector has been decoupled from the private sector, might in the future spur job generation. Nevertheless, this will only happen if the general economic climate improves. Therefore, while in the long term the measures are more than conducive for the attainment of the objectives and targets Romania has assumed in the frame of the EU 2020 Strategy, no major impact should be expected from them in the near term.

In April the **Slovenian** government adopted the draft amendments of the Vocational Rehabilitation and Employment of Disabled Persons Act, which were required to comply with EU legislation and in addition to supplement some provisions which needed minor changes and additions. These changes should lead to increased efficiency of the act, its ease of use and also to simplify procedures for users. In addition, the proposed amendments will intensify the supervision of the implementation of the quota system of employment of disabled persons and of sheltered workshops and employment centres. The proposal provides sanctions for violators on a much larger scale than ever before.

The government also adopted a draft new European Works Councils (EWC) Act, which should replace the old EWC Act and should introduce into **Slovenian** legislation Directive 2009/38/EC on establishing EWCs or a procedure for informing and consulting employees in undertakings or associated companies. The proposed law will, in accordance with the Directive, regulate and improve workers' rights to information and consultation in larger companies or groups operating within the European Union or European Economic Area.

The **Slovenian** Ministry of Labour, Family and Social Affairs postponed the start of the new social legislation (Exercise of Rights to Public Funds Act) to 1 January 2012. The main reason for postponing the application of the Act is the delay of the design and establishment of certain records (real estate, central records of participants in education and higher education) that affect the establishment of an information system to support the implementation of the Exercise of Rights to Public Funds Act and Financial Social Assistance Act. The Exercise of Rights to Public Funds Act introduces as a significant innovation in the enforcement system of social transfers the 'single entry point' Centre for Social Work, which should significantly simplify the process of establishing social transfers. It also introduces common standards and conditions for the exercise of individual rights.

On 13 July 2011, the **Slovakian** Parliament approved an amendment to the Labour Code aimed at increasing labour force participation by introducing more flexible employment regulations. Among the changes introduced is a reduction of dismissal costs by abolishing the concurrent claims for salaried notice period and severance pay. The new regulation foresees the application of only one protective instrument and/or the combination of both, but for a reduced notice period. Additional changes include an extension of the maximum length of a fixed-term contract from two to three years, with the possibility of three renewals; an extension of the maximum probationary period for persons entering managerial positions; an extension of the overtime limit in collective agreements from 250 to 400 hours (and 550 hours for workers in managerial positions); the introduction of working time accounts; and the introduction of job sharing to enable two or more part-time workers to share responsibility for one job in alternation. The revised law will enter into force on 1 September 2011.

In the second quarter of 2011, **Slovakia's** Act on Investment Aid was amended with the aim of shifting support to regions with high unemployment and sectors with higher value added. This shift in support shall be achieved by introducing a differentiation in the conditions and limits applied to investment aid. The minimum amount of investment needed to qualify for investment aid has been halved, while entitlement to investment aid provided in the form of tax relief has been extended from five to ten years. The changes will come into effect on 1 August.

The **Slovakian** Ministry of Labour, Social Affairs and Family also prepared a revision of the Act on Social Insurance which proposes, among other things, changes in the unemployment support scheme regarding the benefit period and benefit amount. As regards the benefit period, two alternatives are currently being discussed: preserving the current maximum of six months (or four months if the jobseeker was previously in fixed-term employment) or a differentiated benefit period ranging between four and eight months, depending on the duration of unemployment insurance. The benefit period for persons employed in fixed-term jobs would not change. As regards benefit amounts, the option of advancing a differentiated benefit period foresees the preservation of the current replacement rate of 50 % of the assessment base (gross wage). Providing the maximum benefit period of six (or four) months is preserved, an alternative benefit amount with gradually declining rates could be applied at different stages of the support period. While the aim of this proposal is to give benefit recipients greater motivation to search for a job, observers have noted that a micro-level empirical analysis of the structure of unemployment, which identifies the actual incentives and opportunities faced by different groups of unemployed persons, should be carried out before pressing forward with such a change.

Further legislative amendments to **Slovakia's** Laws regulating parental benefits and child allowance are also currently being discussed by the parliament. These propose to reduce by 50 % the amount of benefits available to parents who have not paid sickness insurance for at least 270 days over the last four years and to withdraw their right to child allowance altogether. The government has conditioned its consent to these amendments by requiring the recognition of activation programmes and activities in the 270 day requirement, even though these do not require mandatory sickness insurance. The aim of these proposals is, purportedly, to remove any disincentive among socially excluded groups to rely on benefits linked to children rather than seek employment. However, civil society groups have criticised the proposals as unconstitutional and even racist in nature.

In **Finland**, in order to increase the employment rate and to bring unemployment down to 5 %, credible and effective measures will be launched in keeping with the government programme. These will include: an industrial policy that supports sustainable growth and employment; prolonging working lives at all stages of the career cycle; a realignment of innovation policy; employment-enhancing taxation measures; anticipation and management of structural change situations; active labour market policy measures; alignment of employment and social security; reconciliation of work and family life; prevention of social exclusion among young people; measures to promote the faster completion of studies; the development of adult education; and improving the labour market position of hard-to-employ groups.

In **Finnish** employment policy special attention will be paid to the participation of the unemployed in training, subsidised employment or other measures. There will be a special Youth Guarantee, where a job, studies, work experience, workshop or rehabilitation will be offered for every young person under the age of 25 and every new graduate under the age of 30 within three months of becoming unemployed. The new Minister of Employment wants the Youth Guarantee to be in full effect by 2013. A Youth Guarantee has been tried before, without full success but this time, according to the Minister, there will be a more determined effort, aiming for a safety net without gaps to prevent drop-out, find activity for young people not in employment education and training (NEETs) and secure transitions to working life.

In addition, a special experiment to address long-term unemployment after 12 months of unemployment will be launched with the main responsibility given to municipalities, with extra government support. The collaboration model of Labour Force Service Centres (Työvoiman palvelukeskukset) will be extended to cover the whole country and a special Bill will be passed to secure their position. The Labour Force Service Centres are a collaborative unit between PES, municipalities and National Insurance but so far without special legislation. Finally the renewal of the PES (the Employment and Economic Centres) will be continued.

No new structural reforms have been undertaken in **Sweden** in the second quarter of 2011. However, this period has seen the implementation of a number of measures adopted in the 2011 Autumn Budget Bill, adopted by the Swedish Parliament in December 2010. In particular, coaching initiatives at the Public Employment Service have been expanded thanks to the additional resources (SEK 950 million, amounting to approximately EUR 105 million) committed to these activities in the Autumn Budget Bill. A total of 6 000 new work experience positions have also been initiated. Targeted wage subsidies aimed at combating the exclusion of foreign born residents from the labour market will also be continued. Observers have noted, however, that while these subsidies should help to integrate Sweden's foreign-born population into the labour market, they should ideally be supplemented with more pro-active anti-discrimination measures.

The **UK** government's commitment to tackling youth unemployment by supporting youth employment was confirmed in a paper from the Prime Minister's Office (2011). It identified five priority areas for fostering youth employment in association with business, voluntary groups and local communities and these focused on: raising attainment and ensuring that young people have the skills they need to compete in the global economy; helping young people at risk of falling through the net by supporting local partners to provide effective, coordinated services; encouraging employers in both the public and private sectors to offer more work experience, internships and apprenticeship opportunities; promoting personal responsibility by ensuring that work pays and that those on out-of-work benefits can prepare and search for work effectively; and creating the wider conditions for balanced, sustainable growth, including protecting and extending flexibilities in the labour market. The paper went on to outline its plans to publish a strategy later in the year so the detail on what specific measures might be taken and whether they will attract additional funding remains to be seen.

The current National Employment Promotion Plan 2011-2012 is currently under implementation in **Croatia**. A total of HRK 135.4 million (EUR 18.1 million) has been earmarked for its implementation and so far all the planned activities have been achieved. The planned number of participants in the programme was 12 353 and activities until June this year have been going according to plan in relation to the part of the programme for which the Croatian Employment Service (CES) is responsible. It is important to note that the scope of the measures are such that they cannot have a significant impact on unemployment or job creation, since substantially greater financial resources would be needed to make a difference to the present high level of unemployment. Furthermore, integrated policies across the fields of social welfare, population policy, fiscal policy, industrial policy, regional development policy and education and employment policy are needed to contribute to the achievement of medium- to long-term positive outcomes on the Croatian labour market.

A new Law on Social Welfare has passed through the **Croatian** parliament and has been published in the Official Gazette 57/2011. It attempts to streamline processes between the centres of social welfare and employment service offices when common clients of working-age are concerned. An attempt has been made to promote workfare principles for recipients of social welfare but this particular solution has already been criticised for its lack of legislative support for involuntary work, which seems to go against the basic constitutional rights linked to free choice of occupation and work. Further discussions and analyses will ensue within a project ongoing in the Ministry of Health and Social Welfare.

In **Iceland**, in 1997, the government and City of Reykjavik set up a loan guarantee fund for women entrepreneurs. The fund proved to be quite successful but was only operated for six years. The fund was re-established in spring 2011, with the primary aim to support women who own and operate small businesses and enhance their access to funds, as well as to increase female participation on enterprise boards. At a more general level, it is hoped that the fund will lead to the creation of new jobs and further innovation in society. As well as providing female entrepreneurs with loan guarantees, the fund will also offer guidance and counselling.

Also in Iceland, following an amendment made to the Unemployment Insurance Act in March 2011, individuals receiving benefits can now claim up to five sick pay days during each 12 month unemployment period. The introduction of sick pay for the unemployed can also help to increase labour market participation, especially among marginal groups. Also, in May 2011, unemployment benefits were raised in line with nominal wage increases of the new wage agreements. Raising the level of unemployment benefits helps those covered by unemployment insurance to recover from the recession. However, high replacement rates may discourage benefit recipients from actively seeking employment.

In **FYROM**, the draft National Employment Strategy (NES) 2015 and draft National Action Plan for Employment (NAPE) 2011-2013 were prepared in May 2011. These documents were prepared by the Ministry of Labour and Social Policy, in cooperation with other relevant domestic institutions. The NES 2015 has been prepared in line with the Europe 2020 Strategy and the Integrated Guidelines, though respecting the country-specific situation and challenges. In this regard, the national targets for 2015 are much lower than the EU headline targets (though the latter refer to 2020).

Planned activities for fulfilling the goals in the NAPE 2011-2013 include the implementation of ALMPs, use of IPA-Component IV funds, monitoring and evaluation of employment programmes, preparation of an action plan for future participation in EURES, to tackle the informal economy, to further harmonise branch- and firm-level collective bargaining, etc.

The private **Turkish** Economy Bank (TEB) instituted an 'SME Employment Project' in the second quarter of 2011. SMEs that provide at least two new jobs or one new job for a disabled person will benefit from a 1.5 point reduction in their loan rates from the bank. SMEs comprise 98 % of all establishments in Turkey and 80 % of employment is in these institutions. In the context of the high rate of unregistered work in the country, the loan initiative also encourages formal employment.

In a move to further restructure the **Turkish** Employment Agency (ISKUR) it has been announced that 2 000 job and occupational consultants will start work in August, with a further 2 000 to be hired in 2012. The role will be taken up by graduates in the subjects of business administration, economics, law, industrial relations and fine arts, who will receive training over a period of 2.5 months, resulting in a certification. The introduction of these consultants is a first for ISKUR, which until now conducted training courses and administered the unemployment insurance fund as its main activities. The consultants are described as the 'new face of ISKUR'. The move is an acknowledgement of the public perception of ISKUR as an employment agency for blue collar occupations. Previously, university graduates did not register with ISKUR or utilise its resources; its training programmes are of a vocational-technical nature. ISKUR now aims to be an institution where any recent graduate would register by default. The agency's routine functions would be in the background while consultants would be the main 'face' of support to the unemployed, offering career counselling services. Although unemployment in Turkey is particularly high among women and young people, the priority will be the long-term unemployed.

It is reported that the national employment strategy document, which remains unpublished, is undergoing some changes. Portions of the draft document have been discussed in the media and in public debate. According to one source, an important development will concern the regulations on severance pay, which arguably is the most sensitive issue for the labour unions. The government is planning a severance pay fund, with a limit of six months' wages for 20 years of work (the current regulation is a month's pay for every year of tenure in the same firm). As such, this was a rigid labour market institution very frequently avoided by employers. The proposed fund will be personal and will preserve earned rights. Only employers will contribute and the fund will be seeded from the unemployment insurance fund. Partial withdrawal rights will require 10 years of contribution, while the remainder will be paid in retirement. It is anticipated that the labour unions will fiercely oppose the reduction of the severance pay limits. Although it is a step in the right direction, the design of the fund should be further questioned. As it currently stands, it appears to be a supplement to retirement, which defeats the object of a severance pay regulation; this should act as a lump sum risk insurance for *unexpected* job loss.

Flexibility is a key issue within the strategy document but the measures proposed in this area may also be controversial. With regard to temporary work agencies, the strategy requires full adoption of European flexibility regulations into **Turkish** labour regulations. Many of these have been in place since 2003 but have been slow to take effect. The document identifies the reasons for this as being the high proportion of undeclared work in Turkey, as well as long and illegal working hours, part-time work being subject to the general social security regulations (so workers could never retire), and the fact that temporary contracts cannot be issued back-to-back. This last obstacle will be removed first, although again there will be fierce opposition from the unions. Other changes will be to make it easier to issue temporary contracts to young people and to introduce regulations for private temporary work agencies. Finally, young people will be given four-month ‘trial periods. It is likely that these changes will be the subject of considerable debate.

There is also a proposal for a regional minimum wage regulation, with a different minimum wage for each of the 26 NUTS2 regions in **Turkey**. ‘Local’ actors will determine the minimum wage. Again, this is considered to be a potentially controversial and risky move.

Other measures identified in the strategy include the extension of childcare so that in the future there will be universal coverage. If employers provide such facilities, the expenses will be subsidised by the government. Another measure will be to subsidise youth employment, as a continuation of recent regulations. Young people will benefit from training programmes with employment guarantees, as well as counselling. The currently rigid unemployment insurance eligibility requirements will be relaxed and the level and duration of unemployment insurance will be increased. Finally, means tested social welfare programmes will be instituted and the working poor will be acknowledged and will be able to qualify for welfare.

Serbia saw the expansion of active labour market programmes created within local employment action plans in the second quarter of 2011. According to this scheme, municipalities that create their own employment programmes and commit funds for their implementation are eligible for additional matching funds, ranging from 50-70 % of the total value of the programmes, committed by Serbia’s Ministry of Economy and Regional Development. The total allocated funds for locally developed active labour market policies amounts to EUR 11 million. The policies include subsidies for self-employment and job creation.

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

In **Belgium,** the Ministers of Employment from the Flanders and Brussels regions are due to sign a cooperation agreement on employment, with the objective of encouraging unemployed individuals from Brussels to take up job vacancies in Flanders. A first cooperation agreement of this kind had already been signed in 2007 and the new cooperation agreement for the period 2011-2015 aims to update that initial agreement. In the agreement, the Flemish PES (VDAB) agrees to send 1 500 job announcements annually to Brussels, while Actiris promises to mobilise six job seekers for each job. Therefore, every year, 9 000 unemployed people in Brussels will be affected by this law. In the same context, Flanders will unlock EUR 150 000 for language training of unemployed people in Brussels.

In July 2010 a report was published in **Bulgaria** with the results of the survey on progress achieved and the level of satisfaction with the Programme ‘I Can’. The survey identified organisational problems which are associated with the voucher scheme used in the programme. The problems relate to the efficient application of the vouchers, which requires trainees to bear responsibilities in terms of expenditure. At present, sanctions are not imposed on beneficiaries in case of absence from training sessions or failure to use the vouchers they have received. In relation to this, an issue which is often raised is how to find appropriate ways to distribute advance financing to training providers.

In response to the critical conclusions of the study, the **Bulgarian** Government approved amendments in a decree on rules and procedures for granting vouchers for the training of the unemployed and employed under Priority Axis 1 and Priority Axis 2 of the OP HRD. The purpose is to facilitate the procedure, to optimise the rules for re-issuing and cancelling vouchers and to strengthen the control procedure. Draft amendments stipulate obligations and responsibilities for persons who use vouchers for training in order to ensure a normal training process and commitment of trainees. Training providers are entitled to request reimbursement of expenses incurred in relation to training from persons who do not attend training sessions without justified reason. An obligation has been introduced for trainees to attend an exam at the end of the training, when provided for in a legal act and/or the curricula for the respective training. A procedure for the cancellation of the vouchers has also been drafted.

The **Czech Republic**’s study abroad industry continues to experience the consequences of student visa regulations introduced in January 2011, which make it more difficult for foreign students to study in the country. This is considered to have negative consequences for the Czech Republic’s ability to attract skilled labour.

In **Denmark,** a recent reform (May 2011) of the State Student Grant (SU) implies among other things a reduced duration of the student grant and bonuses awarded for faster completion. Students will also be allowed to earn more, while combining work and study, without deductions from the grant. Furthermore, it will become easier for students to undertake all or part of their higher education abroad through the establishment of better access to financing for tuition fees that cannot be covered by scholarships.

The **German** Federal government has devised a concept to ensure the future supply of skilled workers in the country. Currently, there is already a lack of skilled workers, relating for example to the supply of engineers and doctors. In the future demographic change will further exacerbate the situation and without any action the labour force may shrink by 6.5 % in the next 15 years.

The concept aims to both increase labour participation and improve the skills levels of the labour force. The measures are categorised according to five topics:

- Activation and guarantee of employment,
- Improved compatibility of family and career,
- Educational opportunities for all,
- Vocational training, and
- Integration and qualified migration.

The measures planned are intended to ensure the employment of workers aged over 55, to increase the labour market participation of women, to improve educational opportunities for children and young people, to reduce the number of early school leavers and drop-outs from vocational training and to improve migration by reducing linguistic, cultural and educational barriers.

In **Estonia,** the Unemployment Insurance Fund has revised training plans and has approved priority areas for labour market training. The training principles were revised together with the Estonian Development Fund, Enterprise Estonia and Tartu University. Priorities were set for training the labour force in industrial, medicine and welfare services, transport and storage as well as in the area of the green economy. The priorities are revised twice a year and mostly result from the needs of employers. It was also considered important to train the labour force in potential growth sectors, such as the green economy or welfare services.

The **Irish** Minister for Education and Skills announced on 27 July that a new Further Education and Training Authority called SOLAS is to be established. It will replace the Training Division of FAS, the existing training authority and will operate under the aegis of the Department of Education and Skills. SOLAS will coordinate and fund the wide range of training and further education programmes, which will be available country wide. The new body will ensure that further education and training programmes provide jobseekers and other learners with the new skills needed for jobs in the labour market of the future, as outlined in the National Skills Strategy. There will be a shift away from skills provision for traditional occupations like construction which have seen a huge fall in employment, and a greater focus on training and education programmes which prepare jobseekers and other learners for occupations in growth areas like the services, ICT, medical devices, food and the bio-pharmaceutical sectors, etc. Participants on current FÁS and further education courses will not be affected by the establishment of SOLAS and will continue their courses under the new authority.

In **Greece**, OAED is implementing a scheme offering consultancy bonuses and training measures to enterprises. The scheme has a budget of EUR 190 million and is expected to benefit 32 000 employed workers. A new training scheme, providing for the up-skilling of unemployed construction workers, is expected to be set in motion soon. The scheme will benefit 800 workers at a cost of EUR 6.7 million.

In **Spain,** during the first quarter of 2011, the unemployment rate among young people with at most primary education reached 50.6 % for those aged 20-24 years old and 43 % for those aged 25-29. In response, the PES is about to take forward the Training and Professional Experience Plan for Youth (Plan de Formación y Experiencia Profesional para Jóvenes), which aims to reach out to 30 000 young low-skilled unemployed*.* The plan consists of courses plus apprenticeships in companies and young people receive a monthly scholarship of EUR 400 paid by the company.

A list of measures has been included in the aforementioned Cherpion Act in **France** in the field of apprenticeships and 'professionalisation': the most well-known relates to the introduction of a bonus-malus for companies with over 250 employees. Other measures have been introduced to give more flexibility to the whole system from an administrative and organisational point of view. In addition, the Cherpion Act introduces more legal provisions relating to internships, both to improve the status of interns and to fight against companies using interns as workers.

In **Italy,** the Council of Ministers approved the new Act on Apprenticeships in May 2011. The Act identifies three typologies of apprenticeships which will be defined by the social partners within the collective bargaining framework. The Act considers apprenticeships to be the main tool for fostering youth employment and for tackling early school leaving and the growing unemployment rate in the 20-24 age bracket. The envisaged apprenticeship contracts will have an enhanced training content in order to allow apprentices to develop their skills and obtain a permanent contract at the end of the apprenticeship. The Minister of Labour, the social partners and a delegation of the Italian Regions met in June 2011 to discuss the new apprenticeship contract and agreed on a set of changes that are expected to improve the overall implementation process.

In May 2011, the **Latvian** SEA adopted a new measure targeting the unemployed; 'Vouchers for Vocational Training Programmes'. The measure enables unemployed people who do not already have a professional qualification, whose previous professional qualification is no longer in demand, or whose professional skills have been lost due to not working in the field, to participate in a vocational training or professional development programme. By providing professional training to low-skilled workers in particular, the programme aims to reduce structural unemployment.

With regard to education and training, there have been a series of relevant developments in **Luxembourg**:

- The Minister of Education and Professional Training announced a reform of higher education classes in secondary education.
- The Parliament adopted a law providing for a better integration of disabled children into the education system.
- The Ministry of Education and Professional Training carried out the first evaluation of the 'Neie Lycée' pilot project (created in 2005 for the testing of new reforms) in June with rather promising results.
- There has been a debate about the 'Eis Schoul' school (founded in 2008 in the context of education reforms of the fundamental school) and criticisms were voiced as to the implementation of the concept of inclusive pedagogy.

In **Malta,** the government announced in May 2011 that it will reform the Matsec examination system to increase its relevance and help motivate students to learn and better demonstrate their skills. The report on the new National Minimum Curriculum (NMC) was also launched for consultation in May 2011. The new NMC aims to group subjects into eight learning areas, all of which will include e-learning, education for sustainable development and entrepreneurship, intercultural education and creativity and innovation. The main objective of these reforms is to continue reducing Malta's early school leaving rate which is considerably higher than the EU average.

Moreover, after consulting with stakeholders, the **Malta** College of Arts, Science and Technology (MCAST) decided to offer new courses on renewable energy services, starting in September 2011. Meanwhile, the college is continuing to provide funds and logistics to help its lecturers further their training and acquire higher qualifications from Malta and abroad. In the case of the two new bachelor degrees that the college offered in the past two years, German professors were brought in to deliver the lectures to students, with MCAST lecturers shadowing the professors. The local lecturers gradually took over the delivery of the courses.

In early July, the **Austrian** State Secretary for Integration, in post from April this year, presented the National Action Plan for Integration – Integration Report 2011. In the field of employment, the report describes the lower rate of labour market participation of persons with an immigrant background, especially women with a Turkish background. The report also expresses concern about the relatively low level of qualifications held by persons belonging to certain ethnic groups and about the fact that many well-educated migrants are overqualified for their jobs. Among the report's policy recommendations are: facilitating the recognition of the educational and vocational training degrees held by migrant workers; offering second-chance schooling for young adults who do not have a formal school degree; setting up mentoring and training programmes for women; and providing facilities for migrants to improve their German language skills. While addressing important labour market bottlenecks facing persons of immigrant origin, the report has been criticised for not providing a clear indication of responsibilities and budget.

The active labour market reforms foreseen in the new **Portuguese** government's work programme, mentioned in section 2.1 above, also include improving the anticipation of skills needs, adjusting the content of vocational training programmes, providing retraining for the unemployed and initiatives to prevent the emigration of highly skilled youth.

The **UK** Commission for Employment and Skills has emerged from the recent expenditure cuts relatively intact, which can be taken as an affirmation of the government's prioritisation of the skills agenda. The organisation has published its strategy and business plan for 2011/12 in which it sets out three strategic objectives, to: provide outstanding labour market intelligence which helps businesses and people to make the best choices for them; work with businesses to develop the best market solutions which leverage greater investment in skills; and maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base. The document develops priorities around these strategic objectives and provides more details of what activities the Commission plans to undertake. The skills base is felt to be improving, though not at a sufficient pace to keep up with developments internationally, but there is also a stated need to rebalance investment in skills to mirror the government's aim of rebalancing the economy towards the private sector.

In **Croatia**, the first results of the methodology to be used for planning VET qualifications, which was prepared within the IPA projects 'Strengthening institutional capacity for development of VET occupational standards, qualifications and curricula' and 'Adult learning institutions' have indicated that there are significant skills mismatches in the 13 analysed skills sectors which are most apparent at the county level. Three different forms of mismatch were identified: inadequate replacement demand (either surplus or deficit), mismatch between the skills needs derived from the county development strategies and the types of training programmes available in the counties, and issues of training outcomes which are not adjusted to local labour market skills needs. Furthermore, a looming threat of demographic decline was identified, which affects both **enrolment** and the average age of the workforce, raising issues of flexibility, mobility and competitiveness of the workforce, especially in certain less developed counties. The methodology was presented in early June to stakeholders including social partners and was well received both in the Ministry of the Economy and the Ministry of Science, Education and Sport.

In **FYROM**, the aforementioned NAPE sets the following goals which relate to Guideline 8:

- the development of attractive and quality vocational education;
- the improvement of the adult education system and support for adults to get involved in different forms of adult education;

- the promotion of the concept of lifelong learning;
- support for the geographic and professional mobility of the labour force.

The activities that would contribute to achieving those goals include improving the adult education system, increasing opportunities for second-chance learning of adults, improving the vocational education system, establishing a system for continuous monitoring of labour market needs, further implementation of twinning projects within the IPA-Component IV and the implementation of programmes that promote mobility and employment of young persons.

The aforementioned **Turkish** national employment strategy stipulates the completion of national occupational standards by 2013, while vocational training will be delegated to the private sector. Entrepreneurship training will be provided by ISKUR and entrepreneurship will be included in the curricula for middle schools.

The system set up in **Serbia** of matching funds for locally developed active labour market policies, mentioned in Section 2.1 above, also includes programmes which focus on training and internships.

3 LABOUR MARKET MEASURES TO SUPPORT ECONOMIC RECOVERY

In relation to measures to support economic recovery, a number of countries are taking forward cuts in public expenditure (e.g. Bulgaria, Czech Republic, Greece, Italy, Cyprus, Hungary, the Netherlands and Finland) while some countries such as Malta are providing support to private sector companies (SMEs). Other countries are promoting entrepreneurship (e.g. Austria, Lithuania and Slovakia). In Ireland, an internships programme has been launched and in Poland, a programme to support direct investment in high technology sectors has been introduced to contribute to employment creation and economic growth.

Tackling youth unemployment during the crisis has been a priority in Denmark and in Spain while Italy and Malta are focusing on addressing early school leaving. In Greece and France, measures have been taken to enable employers to keep down the costs of hiring or holding on to workers, while in Belgium, an existing measure giving the right to pay reduced employers' and employees' social security contributions when laid-off workers are hired in a new job has been prolonged. In contrast, increases in social insurance contributions have been announced for workers aged over 57 in Austria. Serbia and Sweden have adopted broader measures aimed at fostering job creation and sustaining aggregate demand during the recovery process.

In **Belgium**, as part of the anti-crisis measures introduced in 2009, the Federal government had extended the benefit of the 'restructuring' card to workers who lose their jobs in cases of bankruptcy, liquidation or closure of the business. This card gives holders rights to reduced employers' and personal insurance contributions when they are recruited in a new job. This measure was applied to laid-off workers during the period 1 July 2009 to 31 January 2011 and has now been prolonged.

The **Bulgarian** Parliament has adopted amendments in the State Budget Act related to the Financial Stability Pact. These amendments state that the budgetary deficit should not exceed 2 % and that the re-allocation of revenues should not exceed 40 % of forecasted GDP. In addition, a new approach to the calculation of the budgetary balance will be introduced; it will be closer to the methodology of the European Commission. The amendments will enter into force on 1 January 2012.

The **Czech Parliament** is currently considering a first package of Social Reforms, with particular consequences for the country's Labour and Employment Acts. Some of the more controversial reforms aimed at fostering job creation during the economic recovery process are lower severance pay for short tenures, allowing employers to lay off people on sick leave and introducing sanctions to persons who accept jobs provided by District Labour Offices but leave these within six months.

In **Denmark,** the rapid increase in youth unemployment since the beginning of the crisis has triggered a number of initiatives, the most prominent being the so-called 'Youth Package' from November 2009. In March 2011, the Ministry of Employment announced a proposal with initiatives to improve the employment situation of young people. Following broad political negotiations an agreement was reached on 6 July 2011. The total costs of the new initiatives are estimated at DKK 62 million (EUR 8.3 million), which are to be financed from the state budget. The main elements of the agreement were:

- More options for labour market education for young unemployed aged less than 30 years;
- Strengthening of the support for the employment of young unemployed academics in small and medium sized companies (targeted training, job-rotation, wage-subsidies);
- Campaigns for more apprenticeships and traineeships; and
- A targeting of resources for active measures to the young unemployed in the construction sector, where unemployment is exceptionally high.

In **Estonia,** no new temporary crisis measures have been introduced during the second quarter of 2011, while some crisis measures have already been withheld. Measures to tackle the effects of the economic crisis in the labour market have mostly come down to project based and local level approaches. For example, a cooperation project between an electricity company and the Unemployment Insurance Fund has taken place. This was a two-month project during which 25 unemployed persons in the north-east region (the region with the highest unemployment) were provided with training specific to the energy production sector. As a result, 13 project participants have been offered a job at the electricity company since June 2011.

In **Ireland**, the national internship scheme 'JobBridge', which was announced earlier as part of the 'Jobs Initiative' programme, was launched on 29 June 2011 by the Minister for Social Protection. The measure is clearly designed to counter the effects of the current economic downturn but could also give rise to positive longer term benefits in line with Employment Guideline 8. JobBridge has a capacity of 5 000 places and is designed to give unemployed individuals the opportunity to undertake a quality internship in an organisation in the private, public or community or voluntary sectors for a six or nine month period. Interns will receive an allowance of EUR 50 per week in addition to their existing social welfare entitlement. As the Department of Social Protection is paying the weekly EUR 50 allowance to interns, there will be no direct cost to participating organisations. JobBridge is open to jobseekers who have been on the Unemployment Register for at least three months and are unable to get a job without experience, either as new entrants to the labour market, or after training or education, or as unemployed workers seeking to learn new skills. It is hoped that some employers who found their interns through JobBridge can subsequently offer them employment.

The **Irish** Government considers that JobBridge is a new example of how industry and the government can work together to instigate real change. Enterprises with 30 employees or less can take on up to three interns, while for larger companies the limit is 20 % of their workforce, subject to a maximum of 200. The internship will not be provided to displace an existing employee. The Minister said she was very encouraged by the positive feedback from many employers to the new Internship Scheme. Thus far, 23 large enterprises have pledged to support the scheme. JobBridge will run for two years so applications for internships will continue to be accepted until June 2013.

In **Greece**, recent reforms mean that wage settlements and unit labour costs are currently being moderated, leading to improved competitiveness. However, the short-term prospects of the Greek labour market seem bleak. It is predicted that employment will fall further and unemployment will rise. Reduced employment opportunities in the private sector, along with the recruitment freeze and cuts in short-term contracts in the public sector, are expected to push the unemployment rate up well above its current level, during 2012. Weakening labour demand, combined with declining wages, translates into a drop in disposable incomes, which in turn reduces real demand. In the short-run therefore, it is unlikely that the new measures will suffice to prevent unemployment from escalating further and to restore employment.

In **France**, the concept of employers grouping together to share some competencies between different companies which was created 20 years ago, has multiplied rapidly. Recent modifications in the aforementioned Cherpion Act will allow more of this kind of employment to be developed. Originally, it was developed by the agriculture sector due to the seasonality of work in that sector and was successful in enabling employers to share staff with transversal competencies such as those working in accounting, computing, administration, etc. With the Cherpion Act, the loan of staff is now easier to implement for companies facing difficulties as a result of a change in the economic cycle.

In **Italy**, the Parliament gave final approval to a budget correction worth nearly EUR 80 billion on 15 July 2011. The correction aimed at achieving a balanced budget in 2014 and rapidly reducing the debt/GDP ratio in fulfilment of the undertakings set out in the Stability Programme. The additional corrective measures amount to 2.3 percentage points of GDP in 2013-14 (1.2 points in 2013 and 1.1 points in 2014). Almost EUR 17 billion out of the total amount will come from the implementation of a specific enabling law (delega fiscale) aimed at reforming the welfare system and streamlining the social assistance system. If the enabling law is not implemented by 30 September 2013, an automatic mechanism will be activated identifying the adequate measures to be introduced in order to reduce the deficit by EUR 4 billion in 2013 and by EUR 20 billion in 2014. About two thirds of the expenditure reduction involves government departments and local authorities. The main measures are meant to introduce sharp cuts to tax breaks, pensions and healthcare costs and exemptions. Higher revenues will mainly come from the higher stamp tax on securities accounts, the increase in the regional tax on productive activities (*Irap*) for banks and insurance companies, some measures on gaming and others to combat tax evasion. Tax depreciation rates will also be revised in 2014. Public sector salary increases will be halted and no hiring will take place. The austerity budget also introduces into the public healthcare system new charges for general health check-up and specialist consultations. A tax will be levied on top-tier pensions and the minimum pension age will be linked to life expectancy starting from 2013 instead of 2015. New rules will limit the use of cars and official jets by politicians and ministers as a result of public anger over the high costs of political parties and bodies.

The two new measures adopted in **Latvia** mentioned in Sections 2.1 and 2.2 above – the Voucher for Vocational Training and the Voluntary Work and Support for Voluntary Work by Young People – should contribute to the economic recovery by making certain groups better prepared to participate in the labour market. However they are not in themselves designed to create new jobs.

Between March and May 2011, the **Lithuanian** Ministry of Economy, together with the public institute 'Versli Lietuva', initiated a series of entrepreneurship promotion sessions designed to promote the development of existing businesses and encourage new start-ups. The sessions were held in 10 Lithuanian cities and towns during a period of two months to share the knowledge and experience of professionals in various fields, including representatives of higher education and successful businessmen. During the first semester of 2011, INVEGA, the guarantee institution founded by the government of Lithuania in 2001, issued 62 % more guarantees for loans to small and medium businesses than the previous year, amounting to a 70 % increase in the amount of loans. The Ministry of Economy provided further support for small businesses in May by proposing to legalise a limited liability legal entity of a new legal form – the small partnership (SP).

The new Act on Public Works in **Hungary**, mentioned in Section 2.1, abolishes unemployment benefits (UB) and shortens the average length of unemployment insurance (UI) eligibility to 90 days (in contrast to the current maximum length of 270 days). The number of days which UI recipients are required to have worked is still 365 (in five years instead of four) but in order to obtain one insured day, the new regulation requires ten days of work instead of five. Only older workers who have at most five years before retirement can claim UB-type benefit. This re-regulation of UI is largely motivated by fiscal concerns as it is expected to significantly reduce public expenditure on passive unemployment support. However, it has been pointed out that it might inadvertently decrease labour market flexibility by making labour market transitions more difficult for many people.

In addition, the **Hungarian** government has decreed that companies that do not introduce pay rises in order to compensate workers for the adverse effects of the personal income tax reform will be excluded from public procurement for two years.

In **Malta**, a microcredit scheme for SMEs announced in the Budget 2011 was launched in April 2011. The scheme aims to provide small businesses with soft loans of up to EUR 500 000 payable over a 10-year period, through a fund of EUR 51 million. The scheme was set up through an agreement among the government, the European Investment Fund and the Bank of Valletta. In its first few weeks of operation, the scheme already attracted the interest of hundreds of enterprises. Moreover, a Small Business Bill was discussed in Parliament in May. The Bill aims to facilitate the operations of SMEs by improving state bureaucracy which often hampers such enterprises. Through the proposed impact assessments, the drafting of any new legislation would have to take into consideration its effects on SMEs. The Bill also provides for the setting up of an Enterprise Consultative Council and a College of Regulators to facilitate the consultative process, ensuring transparency, objectivity, efficiency and the uniform application of laws. The new legislation should help boost Malta's relatively low entrepreneurial activity. Malta Enterprise will also launch a Business Support Centre, which will serve as a one-stop-shop after the summer of 2011. The centre will support start ups and will give integrated support to enterprises.

According to the **Dutch** economic research organisation SEO, raising the price of childcare leads to a decline in usage of formal child care and to a decline in mothers' labour market participation, whereas improving the quality of childcare has a positive effect on the development of children of parents with a low socio-economic status. Furthermore, there are some indications that higher quality child care leads to fewer children being referred to special needs education and that it may in addition lead to a better quality of health. Hence, the cutbacks in childcare in the Netherlands mentioned in Section 2.1 may have negative effects on (especially women's) participation rates. Thus, in the short-term, budget cuts in this respect will help the Netherlands to improve its financial stability but in the long run making formal child care more expensive can have negative effects on labour participation. According to the report, it is likely for higher educated people to not only have higher income levels but higher participation levels as well. Therefore, if participating in formal childcare has positive effects on a child's future educational level and health, good childcare facilities may also indirectly have a positive effect on future labour participation rates.

In July 2011, the **Austrian** parliament adopted an amendment to the New Companies Promotion Act (Neugründungs-Förderungsgesetz) which supports business start-ups by exempting newly-founded companies from various fees. The reform will grant start-ups an exemption from the employer's contribution to wage tax for 12 months within three years, instead of the previous regulation of one year. The reform aims to contribute to the economic recovery process by creating incentives for new start-up companies and thus for job creation. The expansion of childcare facilities and the microcredit project mentioned under Section 2.1 above are also expected to contribute to job creation during the economic recovery.

In addition, in the last quarter a microcredit pilot programme which was launched in four provinces in 2010 was extended to all of **Austria**'s provinces. The programme offers a maximum of EUR 12 500 to single persons who wish to start up a business. The aim is to reduce structural employment by targeting unemployed and atypically employed persons. The results of the pilot programme are promising, with a total of 65 loans granted amounting to EUR 700 000.

A measure has also been introduced in **Austria** suspending the exemption from paying unemployment insurance contributions for workers aged 58 years and over until the end of 2015, and for workers aged 57 years or over until the end of 2017. By suspending the exemption, originally intended to ease the tax and social security burden on this group of workers, thereby encouraging their labour market participation, the federal government expects to raise EUR 800 million. Of this sum, 41 % will be used to replenish Austria's insolvency funds, which are struggling financially as a result of the large number of insolvencies resulting from the economic crisis. Another 41 % will be used to finance active labour market policies and the remainder to cover the deficit in spending for labour market activities.

In **Poland,** the government adopted a Resolution on the development programme entitled 'Programme to support the investments of considerable importance for the Polish economy in 2011-2020' on 5 July 2011. This will be implemented by promoting direct investment in high technology sectors, since they contribute most to economic growth and strengthening of competitive advantages. In practice, this means that the programme is addressed to entrepreneurs planning to invest in the automotive, electronics, aerospace, biotechnology, modern services and research and development sectors. It is estimated that the investment projects supported by means of the programme will create over 32 000 new jobs and about 8 000 additional jobs in subcontracting firms. The programme creates opportunities for the influx of innovative new investments necessary for economic development. In the years 2011-2020, a total of PLN 727 million (about EUR 184 million) will be allocated from the state budget for the implementation of this programme.

The new measures in **Romania,** described above, may have some effect in the short term, although this is uncertain in the small Romania economy, which is strongly affected by changes in the market. Nevertheless, when a more sustained recovery does set in, these measures will help to add a stronger dimension of job-creation to economic growth. With employers having more freedom of negotiation and with the labour force better able to use its capacities, unconstrained by the rigidities of the earlier version of the Labour Code, it will become less costly to create jobs and far easier for individuals to assume more than one job and thus increase wealth generation. Nevertheless, not much should be expected in the very near term as the measures themselves will give little help to make the nascent recovery stronger, as the Romanian economy depends on foreign markets and on foreign capital flows. Thus the measures will only have an effect and enhance the job-creation effect of growth if and when the general economic climate improves on a more sustained basis.

In **Slovakia**, the cabinet approved a package of measures, known as ‘Project Singapore’, aimed at reducing the administrative burden on businesses. The plan, which comprises almost 100 measures, envisages a 25 % reduction of administrative costs by 2012. The measures include a shortening of the periods needed for registration with trade and commercial registers; enabling electronic communication between businesses and labour offices; widening the service portfolio of one-stop-shops to include other notification and registration duties, such as VAT registration; and the streamlining of obligations related to safety and health at work. Slovakia’s business community has welcomed the plan but also shows a level of hesitance about the extent to which the measures will be implemented.

If properly implemented, the changes in **Slovakia**’s investment aid provision could also encourage job creation in regions with above-average unemployment rates. The revised labour law is expected to facilitate hiring by lowering the costs of employment.

In the section on economy in the new Programme of the **Finnish** government there is a commitment to achieve a substantial reduction in the central government debt-to-GDP ratio by the end of this parliamentary term. Net annual adjustments to central government expenditure and revenue will total EUR 2.5 billion through to 2015.

In addition a total of EUR 800 million will be reallocated so that EUR 400 million will be spent on improving basic social security, EUR 200 million will go towards measures to promote employment and growth and EUR 200 million will be earmarked for supplementary budget needs.

The government’s decisions on these spending limits will ensure that the economic policy objectives set out in the government programme are met and that the Finnish State is able to maintain its current credit rating. The government is committed to undertaking further adjustment measures if there are indications that the central government debt-to-GDP ratio is not shrinking and if the central government deficit shows signs of settling at over 1 % of GDP.

The increased grants provided by the **Swedish government** to local authorities, implemented during the first quarter of 2011, should contribute to sustaining aggregate demand and further improving economic growth and employment, particularly among women who make up the majority of public sector employees at local level.

In the **UK**, the publication of the 'Hutton Report' on public sector pensions has generated a great deal of discontent among those likely to be affected by the proposed changes, culminating in a widespread one day strike of public sector workers in June. The report looked at the sustainability of a pensions system that was deemed to be overly generous when compared with what was available to workers in the private sector and in need of reform to keep pace with pension age reforms and increased longevity. The costs of the pensions to the Exchequer were around GBP 32 billion in 2008-2009, or the equivalent of two-thirds of all expenditure on the basic state pension, and this would only increase over time. The principal recommendation from the report was to change the current system of a final salary scheme, to an average salary scheme based on the pay of a worker over their career. This would considerably reduce the value of the pensions received. In addition, Hutton recommended that the age at which public sector workers could draw their pension should be the same as the state pension age (which will be 66 years old for both men and women in 2020)[3]. The measures suggested have yet to be adopted and will face further opposition before they become embedded in the terms and conditions of staff.

The **UK** government has issued a White Paper on 'Open Public Services', in which it sets out a desire to modernise the public services to give people choice and control over the services they use. In essence it is strongly allied to the 'Open Society' agenda and like the Open Society, it has the personal backing of the Prime Minister. The idea is to put the control of the public services that people use (such as education and health) into the hands of individuals and communities – or their representative bodies. In practice it is likely to mean greater decentralisation, more choice (largely achieved by increasing the range of service providers to the private and voluntary sectors) and greater local accountability. However, it is not particularly clear how this will work in practice and where the support mechanisms and extra funding needed to get such a system up and running will come from. The recent attempts at reform in the National Health Service were of this type but ran into significant problems before they even started, resulting in further consultation and revisions.

In **FYROM,** the positive development in the draft NES 2015 and NAPE 2011-2013 is the increased complementarity and synergy among different areas of intervention, as well as among planned measures. For instance, focus is given to the improvement of skills of the workforce and greater match between labour demand and supplied skills, which was recognised as one of the weaknesses of the employment policy and ALMPs in previous years. However, the actions set in the NAPE are rather general and hence it is difficult to assess whether their implementation would address current challenges of the labour market in FYROM - high unemployment, low employment, low and inappropriate workforce skills, especially of vulnerable groups, etc. The NAPE also envisages further improvement of the capacity of the labour market institutions (mainly the Employment Service Agency), but the planned actions are somewhat unclear, again making it difficult to conclude if those would improve the implementation and enforcement capacity of these institutions. Similarly, it is not clear how a greater balance between security and flexibility would be reached.

Serbia's locally developed active labour market programmes, mentioned in Sections 2.1 and 2.2 above, are designed to foster job creation. However, some observers have expressed doubts about their effectiveness since some of the funding associated with these programmes has supported internships and temporary employment in local

[3] For the so-called 'uniformed services' such as the armed forces, police, fire and rescue, the age would be 60.

administration and local public enterprises. As a result, the programmes are viewed by some as compensating for the centrally-imposed mandatory reductions in employment in local administration and public enterprises.