



European Employment Observatory

Quarterly Reports

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Executive Summary



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## 1 Introduction

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

The purpose of the executive summary is to provide an overview of labour market policies taken in the last quarter in the countries for which quarterly reports are provided. Measures taken and progress made are presented according to whether they correspond to the six priorities identified at the Spring European Council held on 24-25 March 2011<sup>1</sup>, as follows:

- Make work more attractive,
- Help the unemployed get back to work,
- Combat poverty and promote social inclusion,
- Invest in education and training,
- Balance security and flexibility,
- Reform of pension systems.

## 2 Make work more attractive

This section presents those developments in national labour market policies, which have been described in the October quarterly reports and which have been identified as aiming to make work more attractive.

According to the European Commission's Annual Growth Survey (AGS) for 2011<sup>2</sup>, actions in this area should include moves to shift taxes away from labour, in order to stimulate demand for labour and create growth; facilitating the participation of second earners in the work force through tax benefit systems, flexible work arrangements and childcare facilities; and stepping up efforts to reduce undeclared work, both by strengthening the enforcement of existing rules and reviewing tax benefit systems. Some of the developments in individual countries in relation to this heading are described in more detail below.

### 2.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In **Austria**, the Federal Government and the provinces have agreed to expand the availability of childcare and all-day school places, with plans to increase the number of school places from the current 105 000 up to 210 000 by 2015. To support this increase, the federal state will provide funding of up to EUR 200.15 million until 2014, toward the cost of additional personnel and infrastructure development required. In addition, a federal contribution of EUR 55 million until 2014 for the expansion of childcare places has been agreed.

In **Latvia**, as part of its commitments under the IMF / EC Memorandum of Understanding, the government has adopted amendments to the 'Plan of measures for combating the grey economy and ensuring fair competition for 2010–2013', which focus mainly on the smuggling of excise goods and illegal trade. In addition, a list of companies that have legitimately paid taxes will be published. Furthermore, in June 2011, the **Latvian** government also adopted the notion of the 'zero declaration'. This provides individuals with the opportunity to legalise income without receiving penalty charges. It is referred to as a tax amnesty and is expected to increase tax revenues and will be implemented at the beginning of 2012.

Unemployment benefits will also be reformed in **Portugal**, in accordance with the country's Memorandum of Understanding agreed with the IMF, the European Central Bank (ECB) and the European Commission. This is expected to entail:

<sup>1</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/120296.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/120296.pdf)

<sup>2</sup> [http://ec.europa.eu/europe2020/tools/monitoring/annual\\_growth\\_survey\\_2011/index\\_en.htm](http://ec.europa.eu/europe2020/tools/monitoring/annual_growth_survey_2011/index_en.htm)



- the reduction of the maximum duration of unemployment insurance benefits to no more than 18 months;
- the capping of unemployment benefits at 2.5 times the social support index (IAS) and the introduction of a declining profile of benefits over the unemployment spell after six months of unemployment;
- the reduction of the necessary contributory period to access unemployment insurance from 15 to 12 months;
- the presentation of a proposal for extending eligibility to unemployment insurance to clearly-defined categories of self-employed workers who provide their services to a single firm on a regular basis.

## 2.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

### 2.2.1 EU-27 countries

Steps to enable second earners to participate in the workforce, through for example flexible working arrangements and increased availability of childcare, have been or will be taken in Denmark and Malta, as well as Austria (described above). Flexible working arrangements (the flexi-job-scheme) are undergoing reform in **Denmark**, as agreed in May 2011, while the focus in Malta and Austria is on childcare provision. The **Maltese** government plans to establish at least another five childcare centres between 2011 and 2013, as well as to increase the existing three centres offering after-school care services for children up to nine years old.

In the **Czech Republic**, the Ministry of Labour carried out intensive inspections of undeclared employment as announced in June 2011.

Steps have been taken to increase labour supply in Denmark and **Sweden**, where the government has appointed an independent inquiry to analyse and present proposals on how to improve the labour supply of older workers (the inquiry will present its findings to the Government in April 2013 at the latest). In **Romania**, efforts have been stepped up so as to make full use of the EU funds dedicated to the labour market, in particular in relation to projects for employment generation. In addition, an overhaul of the Unemployment Insurance law (dating back to 2002) is now clearly underway, with plans to submit the new draft to Parliament for discussion this late autumn. The draft will include innovative ways to stimulate employers in job-generation, with an emphasis on young people as well as some incentives that will work so as to foster the creation of 'green jobs' or at the very least, the 'greening' of some existing jobs. It is however unclear how long the process will take in the Parliament.

Self-employment is seen as a way to attract people into work in the UK. A new scheme to encourage self-employment has been launched by the **UK** government called the New Enterprise Allowance (NEA). It is open to those aged 18 and over receiving Jobseeker's Allowance (JSA) and offers mentoring support, a weekly allowance (in lieu of JSA) and access to a loan of up to GBP 1 000 (EUR 1 164) to help with business start-up costs.

Other developments which are intended to make work more attractive can be found in Belgium and Poland. In **Belgium** measures will be taken to improve job quality in the temporary agency work sector and to promote better-quality jobs through structural reductions in employers' social security contributions for jobs which are equivalent to at least half-time. Measures proposed in **Poland** reduce certain obligations for citizens and businesses by making changes to the legal system in the area of employment, including extending the use of paid holiday leave, shortening the limitation period for claims relating to contributions to social security from 10 to 5 years and permitting employer organisations and trade unions to apply for tax interpretation.



### 2.2.2 Candidate and potential candidate countries

Among the candidate and potential candidate countries, developments in relation to this priority were only identified in **FYROM**, in relation to combating undeclared work and promoting self-employment as an attractive form of work. The 'Programme for formalisation of existing businesses' aims at the formalisation of informal businesses of registered unemployed persons, through a direct grant for the registration of the business, while the 'Programme for self-employment' which targets various sub-groups of the unemployed, provides grants for purchasing equipment, raw materials, etc. as well as support for training in managing a business, preparation of business plans, etc.

### 2.3 Summary

In sum, it seems the more common measures taken in recent months to 'make work attractive' have been steps to enable second earners to participate in the workforce and to tackle undeclared work. Examples of the former (e.g. flexible working arrangements and increased availability of childcare) were found in three countries (Denmark, Malta and Austria) while measures to tackle undeclared work were also found in three countries (Czech Republic, Latvia and FYROM). No measures were identified in the 32 countries to shift taxes away from labour, in order to stimulate demand for labour and create growth. However, steps are being taken to increase the labour supply in Denmark and Sweden and to encourage employers to create jobs in Romania. Other measures taken to address this issue include the promotion of self-employment as a route out of unemployment in the UK and FYROM, a reform of unemployment benefits in Portugal, which reduces the amount of time benefits are paid for, taking steps to improve job quality in Belgium and making changes to the legal system in the area of employment in Poland.

## 3 Help the unemployed get back to work

This section presents those developments in national labour market policies, which have been described in the October quarterly reports and which have been identified as aiming to help the unemployed get back to work.

The AGS recommends that Member States (MS) should take three key actions in order to help the unemployed back to work. These are:

- Designing benefits to reward return to work or incentives to go into self-employment for the unemployed through time-limited support, and conditionality linking training and job search more closely to benefits;
- Ensuring that work pays through greater coherence between the level of income taxes (especially for low incomes) and unemployment benefits;
- Adapting unemployment insurance systems to the economic cycle, so that protection is reinforced in times of economic downturn.

The developments described in the quarterly reports as helping the unemployed back to work have been separated into two broad areas of activity under which a range of measures were described: reforms in the structure and provision of support for the unemployed; and training, internships and subsidised work for the unemployed.

### 3.1 Reforms in the structure and provision of support for the unemployed

#### 3.1.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In **Ireland**, under the terms of the Social Welfare (Miscellaneous Provisions) Act 2010 (which took effect from January 2011) a number of large labour market support programmes were transferred to the Department of Social Protection. These are the PES, the large Community Employment Programme and other employment related supports. These measures are currently operated by the National Employment and Training Authority (FAS). The Government considers that this legislation represents a significant step in integrating income support and employment schemes within one single department and places a particular focus on job activation. It will also enhance the development of strategies to deal with



income and social supports in a more coherent way and facilitate the development of greater engagement with recipients, including the introduction of approaches such as profiling.

The Act contains sections extending the conditionality associated with the receipt of benefits. It provides for a specific disqualification for receipt of Jobseeker's Allowance where the person refuses an offer of suitable employment. It also includes a provision to reduce the rate of Jobseeker's Allowance or Supplementary Welfare Allowance for applicants who refuse to participate in an appropriate course of training or to participate in a programme under the National Employment Action Plan. Prior to this, the legislation centred only on a requirement for a recipient to be seeking a job and be available for work and did not express the conditionality requirements in such explicit terms as is now the case.

### 3.1.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

#### 3.1.2.1 EU-27 countries

In **Belgium**, there has been an agreement to transfer some competences from the Federal Government to the Regions. The Federal authorities will still be responsible for labour law and the rules governing social security, as well as for negotiations between the social partners. However, the following competences will be transferred to the Regions.

- Monitoring the availability for work of jobseekers: the Regions will be given full powers for monitoring the availability of jobseekers and for imposing sanctions where necessary.
- Activation of jobseekers and reductions in labour costs for the target groups: among other measures, the activation of unemployment benefits and the service voucher scheme will be fully transferred to the Regions.
- Job placement and apprenticeship schemes for jobseekers will also be transferred to the Regions, to ensure a more consistent service.

**Finland** is also adjusting the balance of responsibilities between national and local stakeholders. A temporary pilot to reduce long-term unemployment (among people unemployed for 12 months and over), where the responsibility for the active measures will be given to municipalities (or joint municipalities), is to be carried out in about 10 municipalities in total, of varying characteristics such as size and labour market. EUR 20 million per year is allocated to this pilot in total. An additional EUR 20 million, aimed at the long-term unemployed, will be allocated to subsidised employment, training and other services. The pilot will be evaluated and depending on the results decisions will be made about the division of labour between state and local authorities in the future.

In addition, the **Finnish** government programme proposes that the joint-service model, the 'LAFOS centres' (TYP in Finnish – these are a joint provision between the PES, municipal social services and the National Insurance), which has been in place in larger cities of Finland since 2002, will be spread to the whole country. Establishing LAFOS was one of the responses made in 2002 to prolonged structural unemployment in Finland and they have become an important service unit for vulnerable groups, the disabled and people with multiple difficulties in entering the labour market, or maintaining a job. There will be a law to back up this step (so far the arrangement has been based on agreements between the state and municipalities) and the responsibility for people unemployed for 12 months and over will be transferred to the LAFOS.

The National Agency for Employment in **Romania** has announced that all of the funds earmarked for the modernisation of the PES have now been contracted. However, a related – less positive – issue is that the reimbursement rate on the whole of the Axis 4 of the Operational Programme dedicated to the modernisation of the Romanian PES is very poor. Many projects have been started, not only at central but also at local level by the county (judet) employment agencies or by other structures of the agency but their progress is slow, reimbursement applications are processed slowly and concrete results are therefore coming with a considerable delay. This has led to frustration and a negative attitude towards involvement in ESF-financed projects.



In the **UK**, the government's consolidated approach to providing active labour market support, 'The Work Programme', became operational in April 2011. It has been contracted out and is being delivered by 16 private sector and 2 voluntary sector organisations which, in turn, will sub-contract with hundreds of smaller businesses and voluntary groups to deliver the support. The funding to these companies is on a payment-by-results basis in a range of between GBP 4 000 (EUR 4 655) and GBP 14 000 (EUR 16 296) per jobless person put back into work. Typically the payment for someone on Jobseeker's Allowance will be at the lower end of this scale, rising for the more difficult to help such as the long-term sick. Payments to the contractor will be staged, starting with 10 % when the claimant is initially taken on, followed by 15 % when the client has been in work for six months, with the balance of 75 % only paid after the client has been in work for 18 months.

Other countries (e.g. Czech Republic, Denmark, Spain) are implementing reforms to the active labour market policies (ALMPs) in place to support the unemployed and the support offered by the employment services. For instance, the **Czech** Ministry of Labour is planning a new activation measure from January 2012 whereby 5 000 unemployed workers, i.e. about 1 % of all the unemployed, will have the opportunity to undertake an internship with companies supported from Operational Programme funds, as long as they prove that they have appropriate skills to benefit from the experience.

As mentioned above, the new **Danish** Government which took office in October 2011 has introduced a strategy to increase labour supply by 55 000 persons by 2020. As part of the active labour market policy the activation reform means that unemployed people will be assisted more effectively in securing new employment opportunities and those lacking qualifications will be given correct and relevant training. The activation reform will imply earlier activation compared to the present regime and more assistance to those unemployed who have additional problems besides the lack of work.

In **Germany**, in June 2011 the Government proposed a law to improve integration into the labour market. The main elements of the reform in relation to ALMP instruments include training measures, in particular for disadvantaged young people and older workers, cutting back on start-up incentives, reforming job creation programmes, and reforming integrative wage cost subsidies. The reforms also include the introduction of an activation and placement voucher aimed at enhancing the share of private service providers. In general, a higher degree of decentralisation and individualisation in the implementation of the activation strategy by the PES is promoted. This is expected to increase the effectiveness of activation but is also seen as a cost-saving programme, related to the Government's decision to cut public expenditure (Zukunftspaket). As part of this programme, obligatory ALMP measures of the PES (Pflichtleistungen) will become voluntary, to be used at the discretion of PES staff (Ermessensleistungen) and the number of policy instruments will be reduced. According to the government's proposal, the reform should lead to cuts in expenditure by EUR 7.8 billion during the next four years.

A law to reform the ALMPs in **Spain** (Royal-Decree 3/2011) was passed in February 2011. This law states that every worker has the right to receive a customised and assessed itinerary for his/her professional development. Moreover, the law stated that in the autumn of 2011 the strategy for the development of this new ALMP system must be approved, in order to lead the ALMP at national and regional level in future years.

In **Sweden** the 2012 Budget Bill contains measures that are intended to stabilise employment and contribute toward reaching the employment rate target. In the current economic climate, however, these are presented as temporary counter-cyclical measures only. Amongst them are labour market policy measures that focus on enhancing the role of the PES in identifying measures to improve the functioning of the labour market, identifying activation measures and reducing unemployment, particularly amongst people at risk of long term unemployment (as identified above). To this end, additional funding has been allocated to the PES to support the implementation of a new statistical profiling system to identify those at risk at an early stage.

Changes to the benefit entitlements of the unemployed were mentioned in the quarterly reports for Denmark and Ireland (see above). In **Denmark**, the unemployed who deplete their entitlement to unemployment benefits during the second half of 2012 will have up to six





extra months of benefits. The shortening of the duration of unemployment benefits to two years, implemented gradually from the summer of 2010, will therefore be postponed by six months.

### 3.1.2.2 *Candidate and potential candidate countries*

The **Turkish** Minister of Labour and Social Security has also given the Employment Agency (ISKUR) more responsibility for active labour market policies in the near future. ISKUR implemented these during the crisis but mostly as an anti-crisis measure (the trainees received stipends for attending and there were no follow-up studies). An important provision of the unpublished national employment strategy document is therefore the strengthening of ISKUR's capabilities. ISKUR is planning to hire 4 000 consultants in two years and to ensure that every registered unemployed person will be assigned a consultant. This is a conceptual sea change for ISKUR in the direction of 'EU-style' employment offices.

## 3.2 Training, internships and subsidised work for the unemployed

### 3.2.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In **Portugal**, the government has proposed a measure to stimulate the hiring of active unemployed with subsidies for employers to be paid during six months and the legalisation of extraordinary renewals and extensions of fixed term contracts.

### 3.2.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

#### 3.2.2.3 *EU-27 countries*

In Estonia, Latvia and Slovenia, new training schemes for the unemployed have been or will be introduced, existing schemes have been altered or additional funding allocated to them.

In **Estonia** for example, in August 2011 the financial value of training vouchers (vouchers co-financed by the ESF programme 'Increasing the supply of a qualified labour force 2007-2013') has been increased from the initial EUR 959 to EUR 2 500. This increases the options for unemployed persons in finding suitable training for their needs. The training voucher enables the bearer to choose training from a list of service providers approved by the Unemployment Insurance Fund. This enables training to be provided more flexibly, in a context where structural unemployment and the lack of skills have been stressed as key issues for the unemployed. In line with the **Latvian** National Reform Programme (NRP), LVL 7 million (EUR 10 million) was allocated in August 2011 to a new employment measure entitled 'Training for unemployed persons in cooperation with employers' organisations and industry associations'. This project provides training opportunities identified by employers to support unemployed people back into work. The employer identifies the training programme and the participant receives a stipend of LVL 70 (EUR 100), the employer-training-supervisor receives a stipend of LVL 100 (EUR 142) and industry associations receive LVL 40 (EUR 57) per trainee. The participating employer is obliged to recruit the trainee for at least three to six months after completion of the training programme. The programme is available to 7 000 unemployed people and is targeted at Latvia's main economic sectors of logistics, forestry, chemical manufacturing, tourism and mechanical engineering.

In **Lithuania**, amendments of the Law on Support for Employment are currently being discussed by the government, parliament and social partners with a view to improving the relevance of vocational training provided to the unemployed (and to employees notified about a pending dismissal). Vocational training providers could include, for instance, employers willing to train, while vocational training provided by the Labour Market exchange would be based on labour market forecasts. The proposed changes are expected to encourage people to engage in training related to a job, to improve job placement after completion of training and lead to a more efficient use of training funds. However, these amendments are still being discussed and are not welcomed by employers' representatives.

Internships and (subsidised) work placements are used in other countries as a means of ensuring the unemployed can maintain or build a link with the labour market. In **Hungary**, the New Public Work Programme aims at the widespread provision of public works as an





intermediate form of employment. Its implementation is closely related to the reform of the social benefit system, in force since 1 September 2011. However in order for a public works programme to be effective, it has to be supplemented by appropriate ALMPs to help the beneficiary to move to the open labour market and also by realistic wage levels. Without these, beneficiaries will be locked into a poverty trap.

The **Slovakian** Ministry of Labour, Social Affairs and Family (MOLSAF) has outlined a number of small-scale projects aimed at helping over 1 000 unemployed people to get back to work. Amongst them are:

- A pilot project providing jobs to the unemployed in the restoration of cultural sites. This project began in May and short-term contracts were signed with 50 long-term unemployed people to work on the renovation of two castles.
- A project called 'Cooperation in education and upbringing'. This will involve up to 960 job seekers working as social assistants or security officers in primary and secondary schools. MOLSAF expects the project to reduce unemployment and support children from disadvantaged backgrounds.
- The creation of local employment projects in small and medium-sized enterprises. This project is aimed at engaging disadvantaged job seekers from marginalised communities, in particular Roma. It is intended that up to 100 unemployed people will be provided with a temporary job opportunity of up to 24 months in local companies. The companies will be required to contribute 5 % of labour costs.

The total cost of the projects is estimated at nearly EUR 20 million with an ESF contribution of 85 % and a 15% contribution from the State Budget. There are however concerns that the programme will only reach a small number of unemployed people at a relatively high cost.

In **Sweden**, in addition to the changes to the role of the PES mentioned above, it is also proposed that more work experience placements will be made available for unemployed people and that there is an extension of the shorter qualifying period for unemployed older people starting new jobs. Here temporary measures to support people in the early stages of securing a new job have been proposed. This involves offering people training opportunities and recruiting and suitably compensating mentors to support people in their new job roles. In total, the proposed measures amount to 15 350 full-time equivalent places per year in 2012 and 8 550 places in 2013.

#### *3.2.2.4 Candidate and potential candidate countries*

In **Turkey**, ISKUR has commenced a 'Roma oriented employment strategy' in sixteen provinces. The project entails informing Roma people about possible job opportunities and guiding them into training programmes appropriate to their skill backgrounds. These programmes will have employment guarantees. ISKUR plans to organise workshops in the project provinces in order to identify Roma-related employment problems.

In **Serbia**, the implementation of active labour market policy follows the objective of the National Action Plan for Employment for 2011. Funds for active labour market policies and local and regional action plans for employment amount to RSD 5.35 billion (EUR 50 million), which represents almost a 50 % increase compared to the funds available in 2010. Measures coordinated by the National Employment Services include: career guidance and advice; training and retraining programmes; entrepreneurship programmes; self-employment subsidies; and subsidies for employers hiring unemployed in newly created jobs. A public works scheme also offers work of at least six months to vulnerable groups.

In **Croatia**, in the last quarter, the financing for active labour market measures has been strengthened, particularly in September. In July there were about 760 new participants in the measures, 209 of whom were placed as interns in the public sector. In August this figure increased slightly to 896 new participants, of whom 435 were in the internship programme. In September the number of new entrants to measures was much higher at 5 658, or seven times more than previously. Most of this new participation took place in public works, where 3 700 unemployed persons found temporary employment while a further 1 000 were taken off the register and placed in training programmes. In September there were only two internships in the public sector. Given the low level of demand at the moment, it is not



surprising that wage subsidies could not be used to stimulate employment and that most of the job creation was either in the public sector or in public works.

Also in **Croatia**, a measure introduced as part of the Programme for economic recovery and as part of the Employment promotion programme 2011-2012 relates to the employment of young, highly educated unemployed persons in public institutions without the usual labour contract. This measure, which was introduced in the third quarter of 2011, is an internship scheme aimed at providing a first work experience and on-the-job training. The Croatian employment service is responsible for the implementation of this measure and the numbers employed so far are low. Since the young people participating in this measure do not have a labour contract, they are not considered to be employed but are also not included on the unemployment register, although the employment service pays pension contributions and workplace insurance for them, as well as an internship fee of around EUR 220.

In **FYROM**, a number of relevant programmes are ongoing under the Operational Plan for ALMPs for 2011 (OP).

- The 'programme for preparation for employment', which is made up of several sub-programmes offering training opportunities.
- Employment subsidies, which aim to support the employment of vulnerable labour market groups.
- The 'programme for internships' which aims to increase the employability of young unemployed persons (aged up to 27) by providing three-month internships, given that lack of work experience is one of the main obstacles for young people to finding a job.
- A programme for support for the Roma population, which aims to increase employability through skills improvements.

The implementation of the OP seems to have been successful so far, although there has been some underperformance on some of the programmes.

### 3.3 Summary

The focus of the AGS recommendations in relation to helping the unemployed to return to work is on ensuring that 'work pays' and is more rewarding than benefits. The AGS also recommends that MS ensure adequate protection from unemployment benefits in times of economic downturn. Few recent measures in relation to these three priorities were identified in the quarterly reports, although it should be noted that some changes to benefits systems are described below, under the heading 'Combating Poverty and Social Exclusion'.

Measures which were common include reforms of the PES or other structures in place to support the unemployed, as well as changes to the responsibilities allocated to the different organisations involved in supporting people out of work. Reforms to the active labour market policies (ALMPs) in place to support the unemployed and to the support offered by the employment services were also found in a number of countries. Three countries (Estonia, Latvia and Slovenia) have focused on training for the unemployed, while internships and (subsidised) work placements are used as a means of ensuring the unemployed can maintain or build a link with the labour market in five countries (Hungary, Portugal, Slovakia, Sweden and Croatia). Employers are also being offered financial incentives to take on young / female apprentices / workers in Italy.

## 4 Combat poverty and promote social inclusion

This section presents those developments in national labour market policies, which have been described in the October quarterly reports and which have been identified as helping to combat poverty and promote social inclusion.

In relation to this issue, the European Commission's draft Joint Employment Report (JER) for 2011<sup>3</sup> reiterates the policy priorities set out in Employment Guideline 10<sup>4</sup>: preventing and

<sup>3</sup> [http://ec.europa.eu/europe2020/pdf/3\\_en\\_annexe\\_part1.pdf](http://ec.europa.eu/europe2020/pdf/3_en_annexe_part1.pdf)



fighting poverty through inclusive labour markets; preventing poverty through adequate and sustainable social protection systems and access to high quality services; investing in active inclusion strategies; and improving labour market prospects for parents will help break the inter-generational transmission of poverty. The developments at individual country level have been described below according to two categories: whether they help to combat poverty, or whether they help to tackle social exclusion.

## 4.1 Tackling poverty

### 4.1.1 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

#### 4.1.1.1 EU-27 countries

Several countries have taken steps to introduce a minimum wage, or to adjust or increase the existing minimum wage. This includes Germany, Lithuania, Hungary and Slovakia.

In **Germany**, the Federal Constitutional Court (Bundesverfassungsgericht) called for a revision of social benefits in February 2010. In February 2011, the Parliament (Deutscher Bundestag) and the representation of the *Länder* (Deutscher Bundesrat) not only found a compromise on the Federal Government's proposal but extended it with some essential points:

- An increase of the standard basic income by EUR 5 from 1 January 2011 and by EUR 3 from 1 January 2012. In addition, the standard rate will be adjusted to price and wage changes in 2012.
- An 'education package' totalling EUR 700 million which should specifically support children of low-income families.
- Minimum wages will be introduced for agency work, and preparations will be made for their introduction for security services and vocational training.
- The reduction of marginal tax rates.
- The Federal Government will take on the financial burden of payments to old (and inactive) beneficiaries.

In addition, the reform package includes a cut in parent allowances, pension insurance payments, and heating cost grants for UBII beneficiaries. These cuts can be expected to lower the net costs of the reform and to further increase the incentives to actively search for a job. The reform is expected to cost EUR 6 billion up until 2014, compared to the EUR 22 billion currently spent on social benefits annually. It received majority support in both legislative authorities and is a widely accepted compromise.

Furthermore, a shift in political positions towards the introduction of a general minimum wage can be observed in **Germany**. The ruling Christian Democratic Union (CDU) party recently agreed on its support for regional and branch-specific minimum wage floors set by collective bargaining partners. In **Lithuania**, one of the expected priorities of the new National Agreement which is being drafted by the government and social partners is the creation of a fairer system for remuneration for work. For instance, measures foreseen include an increase in the minimum monthly wage up to LTL 850 (EUR 246) from 1 July 2012 and the amendment of the relevant legislation with a view to modifying the system of social welfare, so that it does not reduce incentives to work.

In **Hungary**, a proposal has been submitted to Parliament to change the Labour Code to differentiate the minimum wage by regions and sectors.

Other countries are making changes to their unemployment and/or social assistance benefit systems, either in the amounts paid, the duration over which they are paid, or the way that the systems are run. These include Spain, Romania, Slovakia, Sweden, Iceland and FYROM (see below for information about the latter two countries).



In **Spain**, the extraordinary unemployment subsidy of EUR 400 per month, introduced in 2009 for a period of six months and subsequently extended, was extended again in August 2011 for another six months. This unemployment subsidy plays a key role in terms of reducing poverty as many long-term unemployed are no longer entitled to unemployment benefit or subsidy. Currently (in the second quarter of 2011), 1 185 000 workers have been unemployed for more than two years, which is the maximum duration of the contributory unemployment benefit. It is noted that the at-risk-of-poverty and exclusion rate in Spain rose from 22.9 % in 2008 to 26.7 % in 2011, while for 2010, the at-risk-of-poverty and exclusion rate among the unemployed was at 46.9%, against a rate amongst the general population of 25.2%.

The **Romanian** Government is intending, by the end of this autumn, in accordance with its commitments under the Memorandum of Understanding with the IMF, World Bank and European Commission, to pass a new law of Social Assistance (also referred to as the Social Assistance Code) that will cut the number of social assistance benefits (those benefits that are financed from general taxes and thus excluding unemployment benefit, pensions and health benefits which in Romania are financed from contributions levied on earnings) from a current total of 59 to no more than 9. Slow progress in the Senate has prevented the law from being adopted on schedule, although it is possible that it will be enacted and enter into force at the beginning of next year.

In **Slovakia**, in September 2011 the government approved the possibility for citizens to apply electronically for state social benefits. If accepted by parliament, it will be possible to submit electronic applications for parental benefits, childcare benefits, or allowances for disability compensations. This change is seen as an important step to improve electronic public administration in the area of social policy. The proposed deadline for implementation is 1 February 2012.

The **Swedish** government has identified a measure to reduce structural unemployment by sustaining and increasing disposable income for households with a low or average income. The proposal is to increase housing allowances for young people, families with children and for pensioners. The rationale is that these households may contribute toward higher aggregate consumption and demand and in turn have a positive impact on employment rates.

Other measures to tackle poverty can be found in Denmark and France. In **Denmark**, the government plans to establish an expert committee to analyse different methods to estimate poverty and develop proposals for an official poverty line. A special focus will be on developments in the number of children living in poverty and people living in long-term poverty. In **France**, two new types of supported contracts, for seven hours per week, dedicated to people receiving the social assistance benefit RSA (Revenu de Solidarité Active) will be trialled in 15 'departmental authorities' (Conseils généraux). A six-month duration is currently being tested, which can be renewed once. These contracts can be offered to people facing difficulties in accessing employment, paid at the level of the minimum wage (SMIC), i.e. EUR 214 per month.

#### 4.1.1.2 *Candidate and potential candidate countries*

In **Iceland** the maximum entitlement period for unemployment benefits was increased from three to four years at the end of 2010. With the rise in long-term unemployment it was clear that many individuals would, in the next few months, no longer be entitled to unemployment benefits and would therefore have to live on other benefits. However, the increase in the entitlement period only applies to people who have become unemployed after 1 March 2008. According to a recent estimate, some 900 individuals, many of them single parents, will become ineligible for unemployment benefit at the end of 2011.

Unemployment benefits were increased in **Iceland** in May 2011 in line with nominal wage increases specified in new wage agreements. Basic benefits were increased to ISK 161 523 (EUR 1 022) per month, and maximum earnings-related benefits to ISK 254 636 (EUR 1 611) per month. Additionally, individuals who received full benefits throughout the period 20 February to 19 May 2011 will receive a one-off payment of ISK 50 000 (EUR 316), and other registered unemployed during the reference period will receive partial payments. Many



communities, including the City of Reykjavik, have increased the level of social benefits in tandem with the increase in unemployment benefits.

Starting from September 2011, changes were made to the health insurance system in the **former Yugoslav Republic of Macedonia (FYROM)**, in order to decouple (universal) health insurance and unemployment status. In particular, the amendment to the Law on Mandatory Social Contributions expanded the existing basis for health insurance (being in employment or unemployment, in receipt of a pension, etc.), adding a category of citizens with low incomes who do not have any other means of being insured. Such a reform should lead to a reduction of registered unemployment in the country, which was (and still may be) inflated by the registration of inactive persons as unemployed, only for the purposes of obtaining free health insurance. Moreover, a more relevant register of unemployed persons would improve the brokerage role of the ESA and might improve the targeting of active labour market policies (ALMPs). The initial effect of the changes in the system was felt in September 2011, when the number of registered unemployed declined by about 3 % compared to August 2011. However, during the whole of 2011 registered unemployment has been falling, from 322 053 in January 2011 to 295 427 in September 2011. Hence, it is difficult to conclude if the reduction of registered unemployment in September is solely due to the change of the system. It seems therefore that more time is needed in order to assess the reform and its effect.

## 4.2 Promoting inclusion

### 4.2.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In **Greece**, a new law has introduced so-called 'stage' agreements for hiring unemployed persons up to 24 years of age, who are registered with the Labour Force Employment Organisation (OAED) for a period of up to 12 months. During the term of this agreement, the gross earnings will correspond to 80 % of the unskilled worker's minimum wage and the social security contributions will be paid by OAED. At the same time, the law envisages the possibility to transform – with the agreement of the unemployed person – unemployment benefit into a 'cheque for reintegration into the labour market'. The cheque is received as a subsidy by the employer who hires an unemployed person registered with OAED. After the end of the subsidy and if the employment relationship continues, the enterprise is entitled, for a certain period of time, to a subsidy of part of the employers' social security contributions.

In October the **Austrian** Federal Minister for Women and the Civil Service presented the 'Gender-Index', which provides information on gender-related statistics. In addition an online wage calculator ([www.gehaltsrechner.gv.at](http://www.gehaltsrechner.gv.at)) has been launched, providing information on wage comparisons against the average real wage.

### 4.2.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

#### 4.2.2.3 EU-27 countries

Countries are taking a range of steps to ensure equality on the labour market and to combat exclusion, which include both general measures to tackle discrimination (as in Belgium) and initiatives targeted at specific sub-groups of the population such as young people and the disabled.

In **Belgium**, discrimination in hiring practices will be tackled firmly. To ensure equal opportunities for all candidates, the use of anonymous CVs at the first selection stage will be encouraged throughout the civil service and in the private sector. A specific piece of legislation will be drawn up on equal pay for women and men and companies will have to report annually on the extent to which their pay policy is gender neutral. Finally, workers who have suffered discrimination will, before possibly having recourse to criminal proceedings, be given the help of a support worker, as is the case in the existing system for dealing with violence or psychological harassment at work.





An integration reform is in place in **Denmark** as part of the new government's work programme, to support the integration of marginal groups in the labour market. Measures are also in place to support businesses to recruit and retain skilled employees from overseas.

Starting from January 2012 a new measure will be introduced in **Latvia** to help those who have been registered unemployed for more than six months and who do not receive benefits. It is targeted towards disadvantaged groups and low-skilled workers. This measure is called 'Paid Temporary Public Works' and replaces the 'Workplaces with Stipend Emergency Public Works Programme'. The intention is that the municipalities or non-governmental organisations will provide jobs in temporary work places for four months and participants will receive LVL 100 (EUR 57) per month. The programme is expected to employ over 49 000 unemployed people during 2012 and 2013.

Disadvantaged groups are also the target of the 'Employ.Me' programme in **Slovenia**, which concerns subsidies for the employment of 'hard-to-employ' groups. The government (with co-financing from ESF) has earmarked EUR 13 million for the programme in the period 2011-12. A subsidy of EUR 4 000 is given for each unemployed person employed for at least one year in full-time employment.

**Malta's** Pre-Budget Document 2012 specifies that the government is analysing the following seven proposals focusing on assisting the labour market participation of specific groups:

- the introduction of a pilot project involving a number of job-creating and sheltered work ventures for people with disabilities;
- the introduction of a scheme for unemployed 21 - 29 year olds which focuses on their respective skills and the labour market opportunities;
- the revision of the present Community Work Scheme aiming to include more people and to ensure that the needs and difficulties experienced during the first phase of the project are met;
- the continued training of low-skilled employees in various sectors, so that they improve their chances of upward job mobility;
- the introduction of more initiatives to encourage more individuals of retirement age to remain active in the labour market;
- the continuation of apprenticeships and training programmes which are seen as a direct investment in the human capital and in the needs of the economy; and
- further investing in equality of opportunity in the workplace for women and men.

The **Dutch** government specifies in the country's NRP how it expects to meet higher labour market participation rates. A first measure to be taken is the introduction of the Work Capacity Act, which should come into force on 1 January 2013. This Act aims to increase labour market participation among groups at the lower end of the labour market, such as people receiving welfare payments, young people receiving disability benefits and people who work in sheltered work places (WSW). The measures propose more activation by:

- Stimulating inactive and unemployed people who are able to work to take on a job;
- Stimulating employers to hire these people;
- Providing municipalities better opportunities to support people in getting a job.

In the **Czech Republic**, new legislation, to be effective from January 2012, has been passed in relation to the employment of people with disabilities. This is a quantitatively significant employment policy area as the Czech Republic has one of the highest shares of workers with disabilities in the EU. The employment subsidy (of CZK 8 000 per month, equivalent to EUR 318) previously available only to companies which employ a large proportion of people with disabilities will now be accessible on the 'open' market. More importantly, the subsidy is now to form a maximum of 75 % of the total compensation. This will prevent employers from simply collecting the subsidy (and sharing it with the workers) without generating any added value. Other technical measures are to be introduced that regulate the ability of companies to substitute for employing people with disabilities by purchasing goods from the few special companies that gainfully employ a large share of people with disabilities. Overall, the new legislation is likely to severely limit misuse of these subsidies. These are important changes that are likely to improve the employability and bargaining position of many workers with disabilities.





Measures to tackle youth exclusion were reported in a number of countries, including Greece, France, Italy, Finland and the UK.

In **Greece**, a new government scheme aims to tackle youth unemployment and boost the country's farming sector by leasing plots of state land to young or unemployed farmers and agriculture graduates. The plan, heralded recently by the Agricultural Development Minister following talks with the country's 13 regional governors, foresees the allocation of plots from a total of 300 000 hectares, ranging in size from 0.4 to 1 hectare to farmers and would-be farmers aged under 35.

The **French** national agreement on youth employment foresees reinforced support for the individual over a period of 12 months for young people who have low levels of qualifications or who are considered to need additional support to access the labour market. The reinforced individual support will be implemented by an advisor but helped by a voluntary 'godparent'. Some specific measures have also been designed for young people involved in higher education to support them in their labour market inclusion. Overall, 65 000 young people will be involved in new support measures.

In **Italy**, the new Consolidated Act on Apprenticeships entered into force on 26 October 2011, aiming to transform apprenticeships as the main tool for fostering youth employment and to tackle early school leaving and the growing unemployment rate in the 20-24 age bracket. Following consultations and agreements with regional authorities and social partners, the Act sets out the regulations and redefines the terms of apprenticeships and how companies can use them. The reform considers apprenticeships in terms of open-ended contracts aimed at training young people: at the end of the vocational training period, if neither the employer nor the apprentice withdraws from the agreement, the working relationship will continue and will be considered as open-ended. The approval of the Consolidated Act on Apprenticeships was warmly welcomed by social partners.

In **Finland**, one of the measures agreed in the national government programme is to introduce a Youth Guarantee for young persons aged under 25 and those under 30 who have recently graduated from education. The Guarantee takes full effect in 2012. In practice it means an enhancement of the services provided by job centres for these target groups. The obligations for the young person to be active him/herself are also emphasised. A total of EUR 60 million per year is allocated to this measure and from this EUR 5 million is allocated to finding and activating NEETs (young people who are not in employment, education and training) and to a special scheme called 'searching for work'. In **Finnish** job centres the introduction of the Youth Guarantee means that after three months at the latest from starting to look for a job, a needs-assessment and an employment plan, plus offers to improve the young person's possibilities on the labour market, must be given by the job centre. This can entail work, training, job practice, coaching and counselling, start-up funding for self-employment and subsidised work. For those young people who need special services because they have a disability, the services must be offered together with local authority social and health services. In practice this can also mean referral to a joint-service unit, the 'Labour Force Service Centres' (LAFOS).

The key elements of a cross-departmental strategy to support youth employment have been outlined in a document from the **UK's** Department for Work and Pensions (2011). In brief, these are as follows:

- Provide job search support for 16-17 year-olds receiving Jobseekers Allowance (JSA) by making adviser support available to these claimants;
- Additional adviser contact to help a young person focus on getting into a job or education or training;
- Extra time for advisers to help clients amounting to one hour at the front end of a claim and an extra five minutes per week while on benefit;
- At least fortnightly reviews between the claimant and adviser or more frequently if this is deemed necessary;
- Attendance at reviews and interviews will be mandatory for the claimant with the prospect of sanctions for those on JSA in the event of non compliance;
- JCP advisers will work closely with local authorities (who currently have front line responsibility for 16-17 year olds).



The emphasis is therefore on providing more advice and guidance to 16-17 year olds. For young people aged 18-24, the existing situation, where they have priority access to The Work Programme after nine months in unemployment, will continue and be extended to vulnerable 18 year olds.

At the other end of the life-course, initiatives have been introduced in Poland and Austria to support older workers. In **Austria** the 'fit2work' programme has been introduced in Styria, Vienna and Lower Austria to increase the participation of older employees in the labour market. The project will extend to Upper Austria, Salzburg and Tyrol in 2012, although its full implementation across the whole country is expected to take some years. The programme provides a counselling service for employees with health problems and for employers with a high number of employees registered as sick. Information is available on how to deal with employees with health problems and reintegration management. The programme is intended to reduce the number of invalidity pension applications, re-integrate people with severe health problems and improve the working ability of the existing workforce.

In **Poland** targeted measures to support specific groups have been introduced, with a key focus on supporting those aged 50 and above. Here key measures focus on: increasing the activity of people aged 50 and over by improving working conditions; promoting employment; improving the skills and qualifications of employees in this age group; reducing labour costs associated with hiring workers in this age group; and introducing activation measures for the unemployed, over 50's and people with disabilities. Further measures include increasing employment opportunities for women and extending the effective retirement age.

#### 4.2.2.4 *Candidate and potential candidate countries*

In September 2011, the government of **Iceland** and the City of Reykjavik resurrected a loan guarantee fund, 'Svanni', for women entrepreneurs. The aim of the fund is to support women who own and operate small businesses and enhance their access to funds, as well as to increase women's participation on company boards and to create new jobs. As well as providing women entrepreneurs with loan guarantees, the fund will also offer guidance and counselling. With a budget of only ISK 70 million (EUR 440 000) the fund should be able to provide guarantees for around 140 projects.

In **FYROM**, the implementation of the project 'Support for the employment of young people, long-term unemployed and women', financed through a direct grant to the Employment Service Agency (ESA) started at the end of 2011. The overall objective of the project is to improve the employability of young people, the long-term unemployed and women, through increasing their competences. The project consists of three components: internships for young people up to the age of 27 entering employment for the first time; general skills training for unemployed persons, to help them to acquire skills which will help them improve their competitiveness on the labour market; and training in skills which are in demand by the labour market, for the long-term unemployed.

### 4.3 **Summary**

In relation to combating poverty, changes to unemployment and/or social assistance benefit systems, either in the amounts paid, the duration over which they are paid, or the way that the systems are run, seemed to be the most common and were found in six countries (Spain, Romania, Slovakia, Sweden, Iceland and FYROM). In addition, four countries have focused on minimum wages as a way of addressing low pay amongst those in work (German, Lithuania, Hungary and Slovakia).

With regard to promoting social inclusion, it seems more common for countries to take initiatives targeted at specific groups than to try to tackle discrimination in general. Targeted efforts were mentioned in relation to the disabled (Czech Republic, Malta, Netherlands), the low-skilled (Latvia, Malta), the long-term unemployed (Latvia), older workers (Malta, Austria, Poland) and women (Malta, Austria, Iceland and FYROM). 'Marginal' and 'disadvantaged' groups were also mentioned in Denmark and Slovenia respectively. However, the most commonly-mentioned group was young people, with measures to tackle youth exclusion reported in Greece, France, Italy, Malta, Finland and the UK.



## 5 Invest in education and training

This section presents those developments in national labour market policies which are related to education and training, as described in the October quarterly reports.

The JER explains that a strong human capital base is the key to sustainable growth, employment and international competitiveness and stresses that MS should continue, in line with Integrated Guidelines 8 and 9<sup>5</sup> and with the Strategic Framework for European cooperation in education and training (ET2020)<sup>6</sup>, in reforming their education and training systems and equipping people with higher and more relevant skills and key competences. This includes for example taking steps to: ensure that people have the right mix of skills and competences, including by improving the responsiveness of training systems; develop measures and tools to anticipate and prepare projections of future skills gaps and needs; promote access to lifelong learning; tackle early school leaving; and ensure that more people can acquire the highest qualification levels.

Developments at individual country level have been presented in this section according to three areas where commonalities were identified across the 32 countries covered by this report: education reforms, aligning skills supply and demand, and encouraging participation in learning opportunities and increasing skills levels.

### 5.1 Education reforms

#### 5.1.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

Reforms are currently underway in the **Austrian** education system with the introduction of 'New Middle Schools' for pupils between 10 and 14 years of age. All former lower secondary schools (Hauptschulen) will be transformed into New Middle Schools with changes in didactical concepts and some upgrades to resources. The transformation of academically oriented secondary schools (Gymnasien) into New Middle Schools is, however, only carried out in the form of pilot projects.

In **Poland**, the Ministry of Education continues to work on the National Qualifications Framework and is working towards preparing, by early 2012, the National Reference Report containing details of the NQF level descriptors. Furthermore, work on the development of the national qualifications system will continue during 2012 and the outcomes will be reported in 2013.

In 2011, a National Research Programme for higher education in **Poland** was announced. It identifies long-term strategic directions for both scientific research and economic development in seven key sectors including for example energy, medicine, environment, IT, security and national defence, social and economic development. In line with the 'Europe 2020' strategy, it is expected that the research outcomes will influence the development of an innovative economy and its competitiveness.

Plans are also underway to reform the quality of higher education in **Slovakia**. In summary these include introducing internal quality assessment and external evaluation by an accreditation agency. Reforms also include: the introduction of minimum criteria for scientific and pedagogical degrees; improving data on schools and the education system more generally; introducing school fees for full-time study programmes conducted in a foreign language; and improving research and development funding.

#### 5.1.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

In the **Czech Republic**, the new Strategy for International Competitiveness for 2012-2020 was approved in August 2011. The strategy has a pillar focusing on education as an engine

<sup>5</sup> <http://ec.europa.eu/eu2020/pdf/Brochure%20Integrated%20Guidelines.pdf>

<sup>6</sup> [http://europa.eu/legislation\\_summaries/education\\_training\\_youth/general\\_framework/ef0016\\_en.htm](http://europa.eu/legislation_summaries/education_training_youth/general_framework/ef0016_en.htm)



for future growth. It proposes specific policies for all main education levels including proposals for changing the content of education. While most of the policy targets are well identified, implementation details will be crucial for success.

In **Greece**, reforms to university governance and course structures were passed in the Hellenic Parliament in August 2011. The reforms have introduced a UK-style university administration, with vice chancellors chosen by university governing bodies, as distinct from the previous system where vice chancellors were elected by students and academics. Students are also given a maximum period of time to complete their courses or face expulsion. The reform also abandoned the 'academic asylum' rules which were introduced to protect freedom of thought and expression on campuses in 1982.

The Cherpion Act in **France** included two controversial measures in relation to apprenticeship contracts. First, the age at which a young person can enter an apprenticeship contract has been lowered (a young person of 14 and a half years old who has finished college can enter an apprenticeship – yet in practice, companies do not want to take on people of this young age as staff). Second, access to apprenticeships has been opened up to interim companies (part-time in a training centre and part-time in the company), to seasonal work and to home-work. It is thought that this may lead to labour market segmentation.

In **Cyprus**, a major initiative that has been ongoing in recent years is the review of the compulsory schooling (up to the age of 15) philosophy and curriculum. This process was brought to completion and implemented at the beginning of the current academic year 2011-2012. The emphasis in the reforms was to stress competences, rather than subject matter, giving more flexibility to teachers on how the competences are to be achieved.

Also in **Cyprus**, there is a range of programmes, some co-funded by ESF, in the vocational education and training sector, including the setting of Standards of Vocational Qualifications (SVQ). The SVQ effort is progressing well and standards have been completed in a number of areas. Challenges include the integration of the standards into the curriculum of Technical Schools, the degree to which certification will be accepted as useful in the marketplace and, more importantly, the extent to which expressing the standards enhances the interest and acceptance of vocational training. The New Modern Apprenticeship is also an important dimension of vocational training but is still under development.

In **Luxembourg**, the Minister of Education and Vocational training has put forward the three main aspects of the future education agenda:

- consolidate the reform of the fundamental school;
- generalise the new professional training reform; and
- prepare the reform of secondary education.

The Minister announced that a draft law on the reform of secondary education will be completed by November and introduced in Parliament in 2012. The general dynamics behind the reform are more autonomy and flexibility for the student while increasing competences at the same time. The focus on languages and competences will also be progressively enhanced.

In **Hungary**, a legislative proposal on public education is being prepared. Some of the provisions foreseen are to develop further practice-oriented vocational education, to introduce a lower age limit for compulsory education and centralised curriculum and a new career path for teachers. A reform in the field of higher education is also debated. Both of these reforms have generated substantial debate and in the case of the proposal for public education, certain elements seem to go against the preferences and advice of many education experts, as well as recent trends.

In **Sweden**, the target to reduce the number of young drop-outs from the education system and increase the level of educational attainment of adults has been supported by considerable investment in the education and training system with major changes planned for 2011 and 2012. For example, a major reform of upper secondary will begin in autumn 2011 with a key emphasis on vocational education and in particular, the upper secondary school apprenticeship programme, in which approximately 30 000 apprenticeship places will be established in 2011. In the past it was compulsory for young people participating in



vocational programmes to gain the necessary entry requirements for higher education. Whilst young people are still encouraged to progress to higher education, they will also be supported in their transition to employment or training opportunities.

Educational reforms in **Sweden** also include professionalising teaching. One example involves enhancing the vocational skills of vocational teachers. For this, professional certification for teachers and pre-school teachers took effect in July 2011, with full implementation planned by January 2012.

In the **UK**, the Education Act 2011 (which applies to England and Wales) is now at an advanced stage of progress through Parliament. Much of the act is focused on revisions to secondary schools and includes more provision for the setting up of independent schools (academies and so-called 'free' schools), including a lighter-touch inspection regime. In the post-16 arena, the main provisions relate to the removal of the requirements on local authorities to ensure that pupils have access to the 14-19 diplomas (work-related qualifications). The removal of this requirement, while not eliminating the diploma route completely, will have the effect of relegating them in most schools and so effectively cutting off a valuable path to qualifications for some disaffected young people (especially boys). The act also reaffirms the plans of the previous government to require all children to stay in education or training until age 17 in 2013 and 18 in 2015. However, the sanctions available for those (and their parents/guardians) that transgress have been softened somewhat, which may have the effect of reducing compliance.

## 5.2 Aligning skills supply and demand

### 5.2.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In terms of strengthening the link between the education offer and labour market demand, recent reforms to the higher education system in **Poland** now mean that universities are obliged to track the destination of graduates. The intention is to ensure the education offer matches labour market demand and to provide prospective students with information on the study route chosen by students and their transition to the labour market.

The **Slovakian** Ministry of Education, in cooperation with the Social Insurance Agency, has ranked tertiary schools according to the average earnings of their graduates. The intention is to strengthen the links between education and employment and provide information on student education choices and student destination within the labour market.

A long-term forecast of the demand for labour in **Finland** until 2020 was made with a new forecast model in 2009 (published in 2010) by the Government Institute of Economic research (VATT). The main finding was that Finland is becoming a service society, with a huge demand for social and health services. This need for care services, and the need to restructure and reinvent care provision, constitutes one of the most important challenges in Finland. In response to this forecast, adjustments to educational intake and emphasis have been made and in August the Ministry of Education and Culture suggested increases in social and health education, and reductions in cultural, technical, natural sciences and some others. In addition, other measures are needed to respond to labour market needs, especially reforms in public services in relation to social and health challenges.

### 5.2.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

#### 5.2.2.1 EU-27 countries

In August 2011 the **Slovakian** government approved a programme called 'Minerva 2', based on the notion that restructuring the economy towards knowledge-based sectors and innovation is essential. The programme identifies areas in need of improvement including education, research and development and innovation. Minerva 2 is expected to become the umbrella strategy for the country's economic policy and the basis for future NRPs, although it is reported that this requires sustained political backing in the years to follow.





#### 5.2.2.2 Candidate and potential candidate countries

The **Croatian** Agency for VET and lifelong learning has continued work on several IPA projects which are working towards the objective set out in Employment Guideline 8<sup>7</sup>, particularly within the project 'Strengthening institutional capacity for the development of occupational standards, qualifications and curricula'. In the third quarter of 2011 a series of events was held to disseminate the findings of work on the project to a wide audience ranging from social partners, various ministries and the chambers of commerce and crafts. The focus of these events was the methodology which had been developed to understand better the supply and demand for skills which are generated in the 13 VET sectors.

There has been a general interest in the results and the project will now generate new skills profiles for each of the 13 skills sectors, as well as their sector strategies. Additionally, 26 occupational standards have been developed which were based both on the sector profiles and the sector strategies. It is expected that these occupational standards will lead to education outcomes which will be more in line with labour market needs. In addition, attempts have been made to streamline this work with the work on the Croatian Qualifications Framework, in particular to use the methodology and further develop it to include not only VET but also higher education skill sectors.

### 5.3 Encouraging participation in learning opportunities and increasing skills levels

#### 5.3.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In **Estonia**, from 1 January 2012, payments made by employers for work-related studies undertaken by their employees, will no longer be subject to a fringe benefit tax. This should encourage investment in raising employees' qualifications and contribute to higher labour productivity and overall competitiveness. According to the forecast of the Ministry of Finance, this change will reduce tax income by about EUR 5 million per year, from 2012 onwards.

Also in **Estonia**, a programme entitled 'Start-up Estonia' was approved in the Ministry of Economic Affairs and Communications in October 2010. The aim of the programme is to strengthen the commercialisation of students' and researchers' business ideas. The total budget of the programme is EUR 3.7 million and it will be implemented during 2011-2013. The programme has several objectives: development of entrepreneurial attitudes among university students and scientists, development of commercial output opportunities for R&D activities, development of high potential business ideas, supporting international competences for the implementation of successful commercial processes, and strengthening the international development ambitions of start-ups.

The main measure in place in **France** to stimulate access to lifelong learning is supported (i.e. subsidised) contracts. Although at the end of 2010 it was decided to cut the number of supported contracts (from 520 000 in 2010 to 390 000 in 2011), in February 2011 the president announced an extension of 50 000, growing to 440 000. The impact of the measure will be evident during the second semester but the unemployment increase at the end of the summer (August and September) will certainly mask its effects.

In **Malta**, considerable efforts are being made to increase education among the whole population. For example, the Ministry of Education offered more than 200 different adult courses in the new academic year. In September 2011, the Rector of the University of Malta called for a serious evaluation of the education system to ensure that students further their studies beyond compulsory education. In particular, he stressed the need to examine why there are towns and villages from which there are rarely any graduates. A concerted effort is required to increase the overall level of lifelong learning in Malta which is much lower than the EU average.

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[http://europa.eu/legislation\\_summaries/employment\\_and\\_social\\_policy/community\\_employment\\_policies/em0040\\_en.htm](http://europa.eu/legislation_summaries/employment_and_social_policy/community_employment_policies/em0040_en.htm)





In August 2011, work started on building the new College of Arts, Science and Technology (MCAST) campus, which, according to the government is the largest educational project in terms of infrastructure since the building of the University of **Malta**. Apart from improving the physical infrastructure of the educational system, the government is also increasing the availability of ICT tools within primary and secondary schools. For instance, the 'Virtual school' platform was recently unveiled. The project, financed by the European Regional Development Fund (ERDF), provides a personalised learning environment where educational information is stored in one central space, which can be accessed anywhere.

An initiative to prevent school drop-out called 'Youth coaching' will be implemented from 2012 in two **Austrian** provinces and across the country from 2013. 'Youth coaching' targets young people who are at risk of dropping out of school or those who are not in education, employment or training (NEET). Close cooperation between schools and the youth coaching agencies encourages schools to install an early warning system to identify pupils at risk of dropping out of school who are in turn contacted by youth coaching agents. The principle of early coaching intervention has already shown good results in the so-called 'clearing projects' for young people with disabilities.

In addition, the Minister for Education, Arts and Culture in **Austria** has introduced an initiative to enable people who have not completed compulsory school education to obtain a compulsory education degree or attend basic education courses free of charge. This will be available for approximately 12 500 people between 2012 and 2014 at an estimated cost of EUR 54.8 million covered by the Federal state and the provinces.

### 5.3.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

#### 5.3.2.3 EU-27 countries

In **Bulgaria**, new grant schemes will be opened by the end of 2011, consisting mainly of measures to improve the professional and geographical mobility of the workforce, and labour market flexibility. A scheme 'Promotion of Projects for the Development of Independent Economic Activity' has been launched, providing training for the unemployed to gain entrepreneurial, management and business skills to start their own business. Another forthcoming grant scheme is the 'Training and Adaptation' programme which aims at providing professional qualifications for marginalised groups of the population.

In **Denmark**, plans are in place to invest in research and education. The targets are for 95 % of young people to have at least an upper secondary education and for 60 % of young people to achieve a higher education award by 2020. In addition more young people should participate in vocational education, providing them with potential opportunities to progress to higher education. Providing educational opportunities for unskilled workers is also considered necessary.

In **Lithuania**, a free distance training course, designed for persons intending to start their own business, has been developed by the Labour Exchange. In addition, the Ministry of Economy has extended a cooperation agreement with Lithuanian Junior Achievement to organise and implement entrepreneurship training projects. The Ministry of Economy supports the target of inserting entrepreneurship training modules into pre-school, elementary, basic, general and higher education curricula.

The extended model of further training leave (Bildungskarenz) offered in **Austria** will be continued and not end in 2011 as originally planned. This means that employees can take training leave of between 2 and 12 months. The government's decision is based on an (unpublished) evaluation of the further training leave which concluded that facilitating access to this measure has produced positive results.

A temporary measure to attract adults into vocationally-oriented upper secondary and vocational higher education has been proposed in **Sweden**. Plans to provide additional places in folk high schools and agree a one-year extension to the higher study grant for young people participating in the job guarantee schemes and returning to compulsory or upper secondary level education have been outlined.



#### 5.3.2.4 Candidate and potential candidate countries

In **Iceland**, a special employment effort entitled 'education is a winning way' (Nám er vinnandi vegur) was launched in March 2011. The first part of the effort, which was completed in autumn 2011, aimed at providing all those younger than 25 with the chance to attend secondary school. In September 2011, a total of 27 700 students enrolled in secondary school, representing an increase of 1 530 from the previous year. Of these, 1 140 were admitted in accordance with the programme. In addition, the programme called for the creation of up to 1 000 new educational opportunities at secondary and tertiary level in 2011, and in 2012 and 2013. The Directorate of Labour (DoL) has accordingly signed 960 education contracts with individuals who had been registered unemployed and with another 82 individuals taking part without a formal contract. Those receiving unemployment benefits will continue doing so until the end of 2011 and will thereafter either be eligible for student loans or other kinds of measures for the rest of the school year. In October 2011, public grants for vocational training were for the first time awarded to firms and official bodies offering traineeships, with 170 individuals taking advantage of this opportunity. The government intends to set up a special traineeship fund next year and allocate ISK 450 million (EUR 2.85 million) to the fund in the years 2012-14. Following the crisis, it has proved more difficult for individuals attending vocational school to find traineeship openings and thus complete their studies.

## 5.4 Summary

Educational system reforms – which may help to address issues such as the responsiveness of training systems, early school leaving and the number of people acquiring higher level qualifications – were a common type of measure in relation to this heading. They were referred to in the quarterly reports for nine countries (Cyprus, Germany, Greece, Luxembourg, Hungary, Austria, Slovakia, Sweden and the UK). The same number of countries was taking measures to either encourage participation in learning opportunities or to increase skills levels among their populations, with a wide degree of variation in the approaches taken to addressing these aims.

A smaller number of countries (four – Poland, Slovakia, Finland and Croatia) are focusing on ensuring that people have the right mix of skills and competences to meet the demands of the labour market (e.g. Finland, Poland and Croatia). Only in two countries were recent measures described to specifically tackle early school leaving, either through preventive measures (Austria) or second-chance opportunities for those who have already dropped out (Austria again and Iceland).

## 6 Balance security and flexibility

This section presents those developments in national labour market policies, which aim to balance security and flexibility and which are described in the October quarterly reports.

The AGS identifies two actions MS could take in this area. These are to introduce more open-ended contracts to replace existing temporary or precarious contracts, in order to improve employment perspectives for new recruits, and to simplify regimes for the recognition of professional qualifications to facilitate the free circulation of citizens, workers and researchers. The measures taken in individual countries are described in turn below.

### 6.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In **Ireland**, measures were announced in July to reform the Registered Employment Agreements (REAs) or Employment Regulation Orders (EROs), which specify wage setting mechanisms for those in low-pay occupations. These reforms will radically overhaul the system in order to make it fairer, more competitive and more flexible, with the intention of increasing job creation. The Government has indicated that it will present a draft Bill to the Parliament (Dail) before the end of the year.

The **Greek** government has introduced a number of legislative changes, impacting on minimum salaries, mass lay-off limits, collective bargaining arbitration and severance pay



cuts. 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 to white-collar workers.

Following the recent wage cuts in the public sector, further measures were taken to limit wages in the private sector in **Greece**. In this frame, a decision was taken to suspend the mandatory extension of sector-level collective agreements to the firm level. This measure was taken hoping that a reduction in labour costs, along the lines of public salary cuts, will make the prices of products and services more competitive with those of other countries.

Another measure which has been taken in **France** to reduce labour market segmentation is the creation of the possibility to leave a company by a 'conventional rupture' (an agreement between the employer and the employee to end the contract), introduced in 2008 in the labour code to give more flexibility in work relationships between employees and employers in the context of permanent contracts. The measure has had some success: in December 2008, 11 000 employees used the 'conventional rupture' route while two years after, in December 2010, 24 000 employees used it. Nevertheless, it is notable that the measure is used in particular to facilitate early retirement or to avoid the legislation linked to economic lay-offs.

The **Italian** government was required to further clarify its intentions about budgetary policy and structural reforms, following growing pressure from Eurozone countries at the European Council of 23 October 2011. In relation to the labour market, the commitments include a new regulation of dismissals for economic reasons for workers holding open-ended contracts, more stringent conditions in the use of the so-called 'contratti para-subordinati' (used to identify freelance workers who are formally self-employed but in practice are dependent on a single employer) and reforms aimed at reducing the existing dualism of the labour market. The European Council has also recommended that Italy liberalises professional 'orders' (by abolishing the minimum tariffs of professional services), favours the access of younger workers in the labour market and revises, by May 2012, the unemployment benefit system.

In **Lithuania**, a working group composed of representatives of social partners and public authorities was set up in September 2011 to elaborate proposals to reform the Labour Code and liberalise the regulation of employment relations (covering aspects such as working hours, the use of leave, part-time and fixed-term contracts). In addition, creating more flexible employment relations is expected to be one of the objectives of the National Agreement being drafted by the Lithuanian government and social partners. Some measures envisaged by the draft Agreement relate to the creation of more flexible and diverse forms of employment, simplified conditions for terminating employment contracts and more flexible opportunities for applying fixed-term employment contracts. As measures foreseen only focus on increasing flexibility (with little attention paid to security), the content of the draft National Agreement has been criticised by trade unions.

In **Hungary**, a law aiming at creating a new Labour Code has been submitted to Parliament and has generated considerable debate. The main changes proposed include the possibility to introduce further flexibility in employment arrangements. In addition, the eligibility period for unemployment insurance was shortened radically, to three months, from 1 September 2011. Together with the fact that unemployment benefit has been abolished for all unemployed except those with only five years before they reach retirement age, this could seriously endanger successful job search among the unemployed.

In **Portugal**, a new government came into office after elections in June 2011. Its employment policy strategy is focused on the implementation of the section on the labour market of the Memorandum of Understanding between Portugal and the IMF, the European Central Bank (ECB) and the European Commission. The Portuguese government's effort to implement the Memorandum has the Euro Plus Pact's third and fourth aims ('Contribute further to the sustainability of public finances' and 'Reinforce financial stability') as top priorities. In the case of Portugal, these efforts imply drastic austerity measures with a strong negative impact on employment, thus contradicting (at least in a short term perspective) the Pact's second



aim to 'Foster employment'. Furthermore, instead of labour market reforms promoting 'flexicurity' (as demanded by the Pact) the new labour legislation puts the impetus on deregulation.

In particular, the Memorandum requires that legislation be passed implying a considerable reduction of employment protection by drastically reducing severance payments for new recruits and by implementing a fund that bears half of the costs of severance pay. Legislation will also be required to align severance payment entitlements for current employees in line with the reform for new recruits and to align the level of severance payments to that prevailing on average in the EU. Moreover, legislation for more flexible working time arrangements has to be submitted to Parliament, facilitating short time working schemes during a crisis and drastically reducing the cost of overtime. By the fourth quarter of 2011 the government will have to present an action plan for the negotiation of flexible working time arrangements (in particular working time accounts) at the plant level. In relation to wage setting, the Memorandum puts tight restrictions on any increase of the statutory minimum wage and imposes a re-regulation of collective bargaining.

In terms of progress with the implementation of these measures, under the general title 'Compromise for Growth, Competitiveness and Employment', the Standing Commission for Social Concertation (CPCS) is currently discussing several projects regarding employment and labour legislation. More specifically, on 8 September 2011, Law 49/2011 was approved by Parliament, allowing an extraordinary taxation of salaries in 2011. Part of the Christmas allowance (on average about 50 % of it) paid in November 2011 will be directly drawn by the fiscal authorities. The government's project for the budget 2012, submitted on 13 October 2011 to the Parliament, stipulates the increase of the weekly maximum working time from 40 to 42.5 hours and the reduction of the number of bank holidays.

The amended version of the **Romanian** labour code also extends the maximum duration for which determined duration (fixed term) contracts can be concluded (from 24 to 36 months, leaving scope for further extension if parties agree and if the specific activity undertaken requires), as well as increasing the number of consecutive determined duration contracts which parties can conclude (from a maximum of two to a maximum of three). In the meantime however, provisions of Article 12 of the Code, which make determined duration contracts the exception and 'non/un-determined duration' ones the rule, remain.

The amended Labour Code in **Romania** already provides for a decoupling between the private and public sector with respect to the minimum salary. As such, the link that was allowing for the public sector, where productivity is hard if not impossible to measure properly, to influence the private sector, has been completely severed.

## 6.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

### 6.2.1 EU-27 countries

**Spain** has undergone several reforms of labour contracts over the last 30 years. The labour market reform of 2010, aimed mainly at reducing segmentation in the labour market, involved the reduction of firing costs for open-ended contracts and limited the duration of fixed-term contracts to three years. However, in light of the extremely high youth unemployment rate after that reform, the government has approved the Royal-Decree Law 10/2011 of 30 August 2011. Its main purpose is to fight high unemployment, especially among low-skilled young people. Firstly, it eases fixed-term hiring. During the next two years, the rule that stated that two subsequent fixed-term contracts (with duration over 24 months within 30 months) should be compulsorily converted into an open-ended contract is abolished. Secondly, it extends the duration of incentives, which have been in place to encourage a shift from temporary to permanent contracts, to at least the end of 2012. Thirdly, the main measure taken is the reform of the training contract. The 2010 Labour Market Reform extended provisionally the maximum age for this contract from 21 to 25 years of age. The latest modifications extend the minimum age from 25 to 30 years for young people without qualifications. In addition, the possibilities to extend the contract from two to three years are widened.



The Cherpion Act in **France** contains several key elements which will contribute towards the implementation of the NRP. The first is the promotion of part-time contracts. The government has set an objective to create 800 000 part-time contracts by 2015 (600 000 as apprenticeship contracts). In August 2011, the number of contracts registered was 522 000 (378 000 apprenticeship contracts), which is an increase of 2.8 % compared to last year but still far from the target. With the Cherpion Act, continuing efforts will be maintained to promote part-time contracts. In addition, some flexible procedures have been introduced as part of the law, for instance it is possible for a young person to begin his/her apprenticeship contract even if he/she has not found a host company. A bonus-malus system has also been introduced, which means that from 2012, companies with over 250 employees have to recruit 4 % of their annual staff on part-time contracts. Companies that do not meet the requirement will be taxed between 0.05 % and 0.2 % of total wages paid. Furthermore, some support services will be developed to reach the target of 800 000 contracts: for instance, a free service created from the internet site [www.contrats-alternance.gouv.fr](http://www.contrats-alternance.gouv.fr) to make it easier to give young people placements in companies and remove formalities linked to employment and remuneration of people in part time contracts.

The second key element of the Cherpion act is the creation of the 'professional securing contract' (contrat de sécurisation professionnelle), which is a merger of the 'Contrat de transition Professionnelle' (CTP) implemented in 2007 and the 'Convention de Reclassement Personnalisé' (CRP). The aim is to simplify policy in the field of job security. It is notable that the number of individuals concerned is quite small in comparison to the total number of people unemployed: in August 2011, 70 000 people had a CRP contract and 12 000 people had a CTP contract.

Two other key elements of the Act include the introduction of more flexibility for employers grouping together to create employment and the development of 'staff loans' between companies. Currently there are around 5 100 employers taking part in a 'group' in France, with such 'groups' accounting for 35 500 employees and a turnover of around EUR 650 million. The practice of staff loans was previously allowed only in the 'competitiveness zones' launched in mid-2000 and extended with the crisis. With the Cherpion Act, a staff loan can now be used by companies as a means of tackling cyclical difficulties. This new option is likely to reduce the number of redundancies in the future, if companies facing difficulties find other companies to take on some of their own staff on a temporary basis.

A pilot project in Vienna and Styria (**Austria**) called 'Focus 1' which commenced in 2011 and will continue until the end of 2012 is targeted towards new self-employed, freelance contractors (Freier DienstnehmerInnen) and sole trader businesses. These groups are regarded as facing particular challenges in terms of customer dependence, fluctuating income and social protection. As such, Focus 1 offers support to help them strengthen their entrepreneurial skills, stabilise their employment situation and minimise economic risk.

The new **Romanian** Labour Code has brought a considerable increase in flexibility in terms of labour relations, with more room for manoeuvre for enterprises in hiring and firing, as well as in making use of various forms of determined duration contracts, including with the purpose of implementing projects benefiting from EU financing. Also stemming from the newly enacted Labour Code are provisions that strengthen sanctions and penalties for undeclared work. Entrepreneurs with more than five undeclared workers on one site might face criminal charges, with the employees also being liable. A new system of registration of labour contracts, which asks for the registration of individual labour contracts at least one day before the actual start of the contract and which is entirely electronic, also allows for a better monitoring of employee hiring and firing as well for a comprehensive registration of all labour contracts, practically in real-time.

The new social dialogue code (Law 63/2011) in **Romania** also provides for more flexible collective agreements, with the emphasis being now moved to the level of the enterprise, thus allowing wage-setting to link better with productivity. The adoption of the new law at the beginning of May eliminated the compulsory character of the collective national negotiation. At least now wages negotiated will be entirely based on productivity and not on productivity at sector level, where differences between firms might be significant enough but, on productivity at firm level.





### 6.2.2 Candidate and potential candidate countries

In **Turkey**, the Unions Law (no. 2821) and Collective Bargaining, Strikes and Lockouts Law (no. 2822) need to be upgraded to conform to EU and ILO regulations. Technical committees have been working on the issue for the past several years. Furthermore, the Minister of Labour and Social Security convened the tri-partite advisory council, consisting of employer organisations, government and worker unions, immediately after his appointment, in a demonstration of willingness to tackle the problems by consulting with social partners.

The proposed regulation that disqualified unemployed persons in **Turkey** from being included in the recently proposed severance pay system has been shelved. In the current regulations (enacted as law in 1936), the stipulated severance pay levels are very high on paper, so they are largely evaded through various means. However, the issue of severance pay regulations lies at the heart of the informal employment problem in Turkey, together with the low skill level of the labour force and is therefore an important issue to tackle.

## 6.3 Summary

No measures were mentioned in the quarterly reports to simplify regimes for the recognition of professional qualifications. Furthermore, while the AGS calls upon MS to improve security, by introducing more open-ended contracts to replace existing temporary or precarious contracts, it appears from the quarterly reports that the focus of measures in most countries is on improving flexibility, which in some countries is to the detriment of security for the individual. In particular, austerity measures which many countries (e.g. Greece, Italy, Cyprus, Portugal, Spain) are taking, such as reducing salaries and jobs in the public sector, combined with other labour market liberalisation measures, seem to be having a negative impact on employment and reducing security in the labour market.

# 7 Reform of pension systems

This section presents developments in national labour market policies, which take forward reforms of pension systems, and which are described in the October quarterly reports.

The AGS states that fiscal consolidation in the EU should be supported by reforms of pension systems to make them sustainable. These reforms should include increasing the retirement age and linking it with life expectancy (where this has not already been done); reducing early retirement schemes and using targeted incentives to employ older workers and promote lifelong learning; supporting the development of complementary private savings to enhance retirement incomes; and avoiding the adoption of measures relating to pension systems which undermine the long term sustainability and adequacy of the public finances of the country in question.

## 7.1 Measures in line with the country-specific recommendations (CSRs) and Euro Plus Pact Commitments

In the **Czech Republic**, the so-called 'small' pension reform is already partly in effect and will come into full effect in 2012. People who are currently 30 years-old will have to retire at age 66 or above and new-borns will retire at age 73 (in 2084). In contrast, the so-called 'large' pension reform, which introduces the second voluntary capital pillar, is being currently considered in Parliament. The final detailed set-up of the second pillar, reached as a political compromise, is strongly opposed not only by the opposition parties, but also by most economic experts including the government's National Economic Council. In particular, this reform does not sufficiently address the issue of hidden unsustainable commitments and, given the voluntary form of the opt-out, will again advantage the higher-income groups while those on a low income will continue to be under-prepared for their retirement in terms of their savings.

In **Cyprus**, two recent measures tie in with efforts to make the pension system more viable, namely removing new entrants into the broader public sector from the current pension plan for that sector and, in the Budget, reducing their pay scales by 10 %. However this will not bring significant savings, because hiring into the public sector will be very limited for a





number of years, with the intent to reduce the number of employees by about 1 000 people annually for five years.

In **Malta**, while the government is faced with an increasingly unsustainable pension system, it has stressed on several occasions that it will not introduce a mandatory private pension scheme in 2011. The government is presently evaluating the latest report from the Pensions Working Group. The group is suggesting other options which complement savings beyond the first and second pension schemes, such as 'locking' matured life insurance monies and home equity release. According to the Malta Institute of Management, despite the sustainability problems of the pension system, the government should not seek to further increase the pension age. If workers wish to retire at a later age, this should be a voluntary choice. The Institute suggests that the government should introduce incentives, such as tax exemptions for employers and employees to contribute to voluntary pension schemes. Besides, the Institute recommends that such schemes should be strictly regulated and monitored by the authorities. This idea is shared by other organisations, such as the influential Malta Chamber of Commerce, Enterprise and Industry (MCCEI) which supports the introduction of voluntary pension schemes as a way of supplementing the existing system. The chamber believes that the government should enhance its economic growth policies as a means of sustaining the pension system. Towards this end, the Chamber not only supports increased female participation in the labour market but also argues in favour of a selective immigration policy aimed at filling important gaps in high value added sectors.

The **Dutch** government confirmed a new pension agreement in June 2011, which aims to raise the retirement age from 65 to 66 by 2020 and eventually to 67 by 2025. However, several trade unions expressed their dissatisfaction with the agreement. Furthermore, youth organisations (i.e. youth political organisations and youth trade unions) object to the agreement because they fear current pension benefits are too generous, while by the time today's young people will be eligible for old-age benefits, they will be left with far less generous pensions. Various political parties have also expressed their concerns with some aspects of the agreement and have asked the Minister of Social Affairs and Employment for clarification. Thus, so far, a definitive pension agreement has not been reached.

Pension reforms are underway in **Slovakia**, following concerns about the weak performance of pension funds. The main objective of recent amendments is to stabilise the fully-funded pension pillar and to enable savers to invest and attain higher returns. In addition, changes have been proposed to the public PAYG pillar as part of legislative changes under the tax and benefit reform. The proposed changes are reported to be in line with the AGS priorities, the CSR and the Euro Plus Pact commitments in the area of sustainable public finances. If approved, they are expected to stabilise the public pension system, although there are concerns that the proposals will not receive sufficient support in the current economic climate.

## 7.2 Other measures, including measures adopted following the 2011 National Reform Programmes (NRPs)

### 7.2.1 EU-27 countries

In **Belgium**, several measures have been taken to promote the employment of older workers and to discourage the take-up of early retirement schemes. The Government will strive to keep older workers in employment and, in parallel, to stimulate the supply of jobs for this age group.

- Through negotiation with the social partners, companies will be required to draw up an Employment Plan for older workers, setting specific objectives for hiring and retaining workers over the age of 50 and arrangements concerning their working conditions and training.
- A company's social audit will have to present a breakdown of data by age of worker, to improve monitoring of the measures being taken by companies to support workers over 55.
- Companies carrying out collective redundancies will have to take account of their internal age structure in the process.



Moreover, the impact of the measures taken to discourage take-up of the early retirement scheme will be examined in line with the timetable set out in the Intergenerational Solidarity Pact. This will be done after negotiations with the social partners, and following an assessment by the Superior Employment Council. Corrective action will be taken if these measures turn out to be insufficient: the number of working years required to be eligible for the long-career early retirement scheme will be increased from 38 to 40. Also, the minimum eligible age derogation for companies undergoing restructuring will be increased to 55, from the current 50 to 52. To discourage take-up of this scheme, the Government will increase employer contribution rates for early retirement benefits, rendering them still more steeply digressive in line with the age of the beneficiary.

With regards to retirement reform in **Denmark**, aspects of the Welfare Agreement from 2006 will now be brought forward by five years. This means that the age for entering the voluntary early retirement pension scheme (VERP) will be increased by half a year each year from 2014 to 2017, instead of from 2019 as originally planned. The duration of the VERP is therefore to be shortened progressively from five to three years from 2018 to 2023. Also the deduction made for private pension assets will be larger, thus de facto reserving the VERP for persons with small private pensions. The pensionable age for the old-age pension is also to be gradually increased by half a year each year from 2019 to 2022. Other aspects of the pension reform include the introduction of an 'opt-out' option for those who have already contributed to the scheme. This option means that the money paid into the scheme can be withdrawn without paying taxes, despite the fact that the contribution was tax-deductible. Additional minor adjustments mean that an indexation of the retirement age to life expectancy is maintained, incentives for recipients of old-age pensions to participate in part-time work will be provided, and a new early retirement scheme called 'senior disability pension' for persons who are less than five years from retirement age will be introduced.

The decision to change the retirement age in **Estonia** was taken by the parliament in spring 2010. During the third quarter of 2011, this has been followed by some changes in the pension system to support the creation of employer-financed pension schemes. In August 2011, a change to the Income Tax Act was adopted concerning employer contributions to the funded pensions of their employees' accounts from 2012. The provision exempts the income tax from the fringe benefits (the social tax still has to be paid from the fringe benefit). The limits of EUR 6 000 and 15 % per year are valid for employer and employee payments together.

The employer payments to pension accounts can be of different amounts and employer contributions are not mandatory. The potential impact of these changes will depend on how readily employers will start making payments to the pension schemes of their employees. Most probably, this will concern persons in higher occupational positions.

Another important measure regarding pensions in **Estonia** is the implementation of the parental pension system. The discussions were initiated in September 2011, although discussions in the government office and parliament will take place later in the year. The goal of the parental pension system is to compensate for the period of parental leave in terms of pension insurance payments. Thus, taking parental leave will not leave a gap in the pension insurance scheme as has been the case until now. According to the initial draft plan, one parent of the child will receive payments equivalent to 4 % of the national average wage, until the child is three years old.

In **Spain**, Congress approved the reform of the pension system in July 2011, within the law to update, adapt and modernise the social security system. The purpose of the reform is to guarantee the financial sustainability of the system in the long-term (30 years), considering the demographic perspective of an ageing population. Thus, between 2013 and 2027, the law will gradually increase the retirement age up to 67 years. After that, the retirement age will be reviewed every five years according to the evolution of life expectancy. Moreover, the reform gradually increases the period taken into account to calculate the earnings base, from the last 15 years of the career to the last 25 years of the worker's career, and establishes that in order to receive the full retirement pension, 37 years must have been worked (compared to 35 years previously). This change will be fully implemented in 2022 and is expected to reduce the average amount of pensions. Other points of the reform relate to promoting employment among older workers with special regard to those occupations that



require stronger physical effort (one key point is to promote gradual retirement in order to avoid the incapacitation of older workers), to reduce early retirement, to simplify the different regimes, and to reduce the bureaucratic and administrative costs of the system.

The **Spanish** pension reform law changes the contractual and social security regime for employees within households, mainly women (*régimen especial de empleadas del hogar*). Thus, these workers now have more guarantees of benefiting from a pension in their old age and new incentives to reduce undeclared work. The new contractual regime reduces temporality, and increases severance pay from 7 to 12 days of salary per year worked. However, these workers will still not have the right to receive unemployment benefit, although the reform states that in 2012 an expert group will consider this issue.

In addition, the **Spanish** Council of Ministers approved in October 2011 a Royal-Decree that enables workers under training contracts to enter the social security system. This measure was considered within the pension reform and enhances the sustainability of the social security system through an increase in the number of workers insured and aims to improve the rights of the young that work under these contracts. Also, persons who have worked under a training contract during the past two years will be allowed to pay social insurance contributions in order to extend their worked years towards their future retirement. Nevertheless, the reform does not entitle these workers to receive unemployment benefit.

The **French** Retirement Act of 2010 has given a definition of early retirement linked to individual criteria but has returned responsibility for preventive measures to the branches. In most cases, employers are opposed to this idea but trade unions are under pressure to negotiate collective agreements on early retirement. For instance, the French union of the petroleum industry recently signed an agreement which concerns nearly 100 000 employees: retirement four years early for employees who have undertaken 36 years of shift work.

In **Hungary**, a review of early retirement schemes was carried out in 2011. A legislative proposal submitted to the Parliament now aims to transform all early retirement eligibilities into social benefits. In addition, a structural reform of the pension system is planned for 2012. While the reform of the pension system is much needed, the proposal relating to early retirement has generated considerable debate, especially in the case of jobs where early retirement is considered to be a part of the compensation package.

In the **Netherlands**, the proposed 'Vitality scheme' is a merger of the current life course arrangement (*Levensloopregeling*) and savings scheme (*Spaarloonregeling*) which will come into force on 1 January 2013. It restricts the options for people saving for early retirement via the life course arrangement. These arrangements allow employees to save part of their wages in a tax-friendly manner. The vitality arrangement may be used to pay for (child) care, to follow education, to become self-employed, to finance demotion or part-time pension.

In **Poland** a measure has been introduced to regulate the Demographic Reserve Fund to cover the pension fund deficit. This means PLN 4 billion will be transferred from the Demographic Reserve Fund to the Social Insurance Fund (FUS) to ensure pension payments are made.

### 7.3 Summary

In line with the recommendations outlined in the AGS, several countries have taken or are taking steps to reduce early retirement (five countries - Belgium, Denmark, France, Hungary, Finland) or to encourage people to stay in employment for longer (two countries - Belgium and Finland). Other countries are increasing the retirement age (four countries – Denmark, Italy, the Netherlands and Czech Republic) or taking measures to try to ensure the sustainability and viability of their pension systems (four countries – Estonia, Spain, Cyprus, Poland and Slovakia).



## 8 Conclusions

Countries seem to have taken a range of different approaches to *making work more attractive*. A small number are following the recommendations outlined in the AGS to enable second earners to participate in the workforce and to tackle undeclared work. Other countries are taking a variety of other measures including increasing the labour supply, promoting self-employment, and improving job quality. Amongst the non-EU MS, only FYROM has taken action in relation to this heading, by taking steps to tackle undeclared work.

In relation to *getting the unemployed back to work*, countries seemed to focus on reforms to the structures, organisations and services in place to support the unemployed, on ALMPs and training, internships and subsidised work placements for people out of work. ALMPs, training, internships and subsidies were also the focus of measures in three of the candidate / potential candidate countries: Croatia, FYROM and Turkey.

Measures identified in the quarterly reports which relate to *combating poverty and social exclusion* included changes to unemployment and/or social assistance benefit systems and the implementation of minimum wages. Targeted measures to tackle exclusion appeared to be more common, with young people being a target group of particular concern. Two of the candidate and potential candidate countries took steps in relation to this heading: in Iceland the entitlement period for unemployment benefits was extended and a measure targeted at women has been 'resurrected', offering loans to female entrepreneurs; in FYROM steps have been taken to separate entitlement to health insurance from unemployment benefits and a project to support young people, the long-term unemployed and women to improve their employability has commenced.

In terms of *investing in education and training*, educational system reforms and measures to either encourage participation in learning opportunities or to increase skills levels among their populations, were referred to most commonly in the quarterly reports, although there is a wide degree of variation in the approaches taken to addressing these issues. A smaller number of countries are focusing on ensuring that people have the right mix of skills and competences to meet the demands of the labour market and on tackling early school leaving. Two of the non-EU-27 countries were taking action in the area of education and training – a project is being taken forward in Croatia to understand better the supply and demand for skills in the VET sector and in Iceland, a special employment effort entitled 'education is a winning way' (Nám er vinnandi vegur) was launched in March 2011.

Although the Spring European Council Conclusions called for countries to *balance security and flexibility*, it appears from the quarterly reports that the focus of measures in most countries is on improving flexibility, which can be to the detriment of security for the individual. Austerity measures in certain countries, combined with other labour market liberalisation measures, seem to be having a negative impact on employment and are reducing security in the labour market.

Several countries are taking steps to address the recommendations outlined in the AGS with regard to *the reform of pension systems*, including reducing early retirement, encouraging people to stay in employment for longer, increasing the retirement age and taking measures to try to ensure the sustainability and viability of their pension systems. No measures were referred to in the candidate and potential candidate countries in relation to this issue.