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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE  
EUROPEAN PARLIAMENT, THE ECONOMIC AND SOCIAL COMMITTEE AND  
THE COMMITTEE OF THE REGIONS**

**TAKING STOCK OF FIVE YEARS OF THE EUROPEAN EMPLOYMENT  
STRATEGY**

## **EXECUTIVE SUMMARY**

The European Employment Strategy (EES) was launched at the Luxembourg Jobs Summit (1997) against a background of high levels of unemployment. The Lisbon European Council of 2000 updated the Strategy - adopting the goal of full employment; setting medium term employment targets and integrating the Strategy into a wider framework of policy co-ordination.

The European Social Agenda - endorsed at the Nice European Council – called for an in-depth review of the first five years of the EES in 2002. The recent Barcelona European Council called for a reinforced Employment Strategy and provided directions for the future of the EES.

This Communication reviews the experience of five years of the EES on the basis of an overall EU labour market performance assessment and an evaluation of the policies implemented by the Member States under the "Luxembourg" process. It also reviews the main issues, which will have to be addressed when re-designing the Strategy for the future.

In recent years, the EU labour market performance has visibly improved, with more than 10 million new jobs created since 1997 (6 million of which were taken up by women) and 4 million less unemployed, while the active population continued to grow by 5 million people. The evaluation confirms the structural character of these improvements, through reductions in levels of structural unemployment, a more employment-intensive pattern of economic growth and a more rapid labour market response to economic and social changes.

It is obviously difficult to establish how much of the overall improvement in employment performance in the Union during the past five years can be attributed to the introduction of the EES and how much to the economic improvement. However, there have been significant changes in national employment policies, with a clear convergence towards the common EU objectives set out in the EES policy guidelines.

A number of specific policy changes have taken place. Employment policies and the role of public employment services have been reshaped to support an active and preventive approach. In some Member States tax-benefit systems have been adapted in line with the principles of activation. Labour taxation started to become more employment friendly. Education and training systems increasingly adapted to labour market needs. Progress in modernising work organisation has occurred, notably in terms of working time arrangements and more flexible work contracts. Gender mainstreaming has become generalised, with various initiatives taken to tackle the gender gaps, including the provision of childcare facilities to improve the reconciliation of work and family life. And new common paradigms such as lifelong learning and quality at work were recognised as policy priorities, with convergence in these areas starting to take place.

Beyond this general process of policy convergence, the open method of co-ordination of the Luxembourg process has demonstrated its added value in fostering partnerships and new working methods, both at national and EU level. Overall, the Strategy has brought a shift in national policy formulation and focus – away from managing unemployment, towards managing employment growth.

Despite progress, there remain serious employment challenges – not least in terms of responding to demographic trends, the emergence of bottlenecks, regional differences in performance, and the ongoing economic and social restructuring, globalisation and enlargement.

In order to cope effectively with these challenges, the Luxembourg process has to be refocused on its main priorities : creating more and better jobs, and promoting an inclusive labour market. To this end, the Communication identifies four main issues for the EES reform: (a) the need to set clear objectives in response to the policy challenges, (b) the need to simplify the policy guidelines without undermining their effectiveness, (c) the need to improve governance and partnership in the execution of the strategy and (d) the need to ensure greater consistency and complementarity with respect to other relevant EU processes, notably the Broad Economic Policy Guidelines.

The Communication is intended as an input to the debate on the future of the Strategy, which will lead to a proposal from the Commission for Employment Guidelines for 2003.

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## 1. INTRODUCTION

### 1.1 Need for a review

When the Luxembourg Jobs Summit launched the European Employment Strategy (EES) at the end of 1997, the ambition was to achieve decisive progress within five years, in particular in the field of long-term and youth unemployment. A Mid-Term Review was conducted in 2000, which credited the EES for political progress, while noting that the period of three years was too short to assess its impact on jobs. Therefore the need for a fully fledged review of the EES was reflected in the European Social Agenda, as endorsed by the Nice European Council, "to complete the review and the impact assessment of the strategy in 2002 with a view to contributing to the further development of the strategy".

This Communication reviews, in section 2, the experience of five years of the EES on the basis of an impact assessment, both in terms of the process and of the policies implemented. Section 3 deals with the main issues which will have to be considered when re-designing the EES for the future, taking into account the various policy inputs from the EU institutions (notably the Barcelona European Council conclusions) as well as the conclusions from the evaluation.

This Communication is intended as a basis for debate at all levels. EU institutions - the Council, European Parliament, Economic and Social Committee and Committee of the Regions – are invited to give their views on the Commission analysis, as well as the Employment Committee, the Social Partners, civil society and other interested parties. Taking into account the views expressed, the Commission will submit proposals for the next generation of Employment Guidelines with a view to their adoption by the Council in 2003.

### 1.2 The European Employment Strategy : origin and developments

In the '90s, political consensus developed around the structural nature of Europe's employment problem and on the need to increase the employment intensity of growth<sup>1</sup>. Both the monetary stabilisation policy, followed to prepare for EMU, and the common nature of the employment and unemployment challenge, called for a more co-ordinated employment oriented policy response at European level.

The debate, begun during the negotiation of the Maastricht Treaty (1992), which strengthened the social dimension of the European model through a social protocol, led to the agreement at the *Amsterdam European Council* (June 1997) on new employment provisions in the Treaty. While confirming national competence for employment policy, employment was declared in Art. 126 a matter of common concern and Member States were called on to develop a co-ordinated employment strategy at EU level. Largely inspired by the Treaty provisions on economic policy co-ordination<sup>2</sup> and by the co-ordination of employment policies launched at the Essen European Council of 1994, the new Art. 128 instituted a framework for developing national employment policies on the basis of shared European priorities and interests. Under this new framework, policy co-ordination would be fostered by a "management by objectives" approach. Accordingly : *European Employment Guidelines are decided each year by the Council following a proposal from the Commission ; these Guidelines have to be taken into*

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<sup>1</sup> Cf. the Delors White Book on Growth, Competitiveness and Employment, 1993

<sup>2</sup> Art. 98 and 99 TEU

account in national action plans (NAPs), which are assessed through the Joint Employment Report from the Commission and the Council, with a view to set the next annual guidelines. Since 2000, the Council, following a proposal from the Commission, issues specific recommendations to Member States, in order to complement the Employment Guidelines. The "management by objectives" approach is also supported by the setting of measurable targets at EU or national level in a number of areas, as well as by the progressive development of statistical indicators – agreed between the Commission and Member States - to measure progress.

The implementation of the Strategy allowed a diversity of approaches and called for the involvement of all relevant *actors*, in accordance with the wide diversity in national institutional set-up and social dialogue practices. This *openness of the co-ordination process* led, inter alia, to calls on the social partners, both at national and EU level, to develop specific actions, and to initiatives to develop regional and local involvement. Since the entry into force of the new treaty in 1999, the European Parliament, other Community institutions and the Employment Committee have also played an active part in the development of the Employment Guidelines through consultation.

The *Luxembourg "Jobs" Summit* (November 1997), against the background of high levels of unemployment and in anticipation of the entry into force of the Amsterdam Treaty, launched the implementation of the new open method of co-ordination embedded in art. 128, endorsing the first set of Employment Guidelines. These were presented under four integrated strands of action, the so-called pillars of the *Employment Guidelines* : employability, entrepreneurship, adaptability, and equal opportunities. These actions constitute a comprehensive response to the employment challenge, integrating essential supply and demand oriented policies. By contributing to labour market reforms in a way that is consistent with, and complementary to, the Broad Economic Policy Guidelines, the EES helps to enhance the growth potential of the EU.

The *Lisbon European Council* (March 2000), while continuing to call for greater efforts to reduce the still high numbers of unemployed people, set full employment as an overarching long-term goal for the new European economy in the form of ambitious targets for employment rates for 2010 (70 % overall and 60 % for women). The Summit also recommended new or strengthened priorities (for example skills and mobility, lifelong learning), which were reflected in the Employment Guidelines for 2001 through new horizontal objectives. Subsequent adaptations to the Employment Guidelines were mainly triggered by the Stockholm Summit conclusions<sup>3</sup>.

The *Nice European Council* of December 2000 introduced the issue of quality as the guiding thread of the Social Policy Agenda, and in particular quality in work as an important objective of the EES. It stressed the multidimensional character of the *quality* issue, concerning both job characteristics and the wider labour market context, and stated that it should be promoted through actions across all the pillars.

The *Barcelona European Council* in March 2002 identified "Active policies towards full employment: more and better jobs" amongst the three areas requiring specific impetus. It underlined that full employment in the EU is at the core of the Lisbon strategy and constitutes

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<sup>3</sup> The Stockholm European Council complemented the Lisbon targets with intermediate targets for the employment rate to be reached in 2005: 67 % overall and 57 % for women. In addition, a new employment rate target of 50% was set for older persons (for 2010).

the essential goal of economic and social policies. In light of the above, the European Council called for a reinforced Employment Strategy and provided directions for the future of the EES.

## **2 MAIN CONCLUSIONS FROM THE IMPACT EVALUATION OF THE EUROPEAN EMPLOYMENT STRATEGY**

To underpin the review of the EES, the Commission and the Member States agreed in 2001, within the Employment Committee, on a joint work programme. The Commission would co-ordinate an impact evaluation, based on national policy impact evaluation studies following a common thematic breakdown, and carry out an EU-wide employment performance assessment. The results of this evaluation exercise, which were discussed with the Member States within the Employment Committee, are summarised below. In spite of the aforementioned inputs, the technical difficulties of a precise impact evaluation should not be under-estimated, considering the interaction between different policies, the simultaneous improvement of the economic situation and the relatively short period under review as compared to the long term nature of certain structural reforms (see methodological [Annex 1](#)).

The evaluation of the past five years points to clear structural improvements in the EU labour market. Despite marked differences between Member States and the difficulty of establishing clear causal relationships between overall performance and specific policies, over the same period a significant degree of convergence of national employment policies towards the objectives and the guidelines defined under the EES can be discerned. The open method of co-ordination itself has demonstrated its value in fostering partnerships and new working methods, albeit with marked differences between Member States.

### **2.1 Structural employment improvements have taken place in the EU**

Recent years have been characterised by impressive job creation and a substantial decline in unemployment, against a background of strong GDP growth. In the five-year timespan between 1997 and 2001 :

- the total number of jobs grew by slightly more than 10 million (+ 6.5%), of which 6 million were taken up by women,
- unemployment declined by more than 4 million (- 25%),
- while labour force participation grew by nearly 5 million<sup>4</sup>, driven largely by women.

In view of the difficulty to disentangle the influence of structural reforms and cyclical effects on the labour market, the Commission services have assessed the longer-term sustainability of some structural changes in relation to key objectives of the EES<sup>5</sup>. Inter alia the following major changes could be established<sup>6</sup> :

- during the second half of the 1990s, structural unemployment declined for the Union as a whole (coinciding with the rate of decline in long-term unemployment). Since 1997 (the

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<sup>4</sup> Employment grew from 157.5 (1997) to 167,8 million (2001); unemployment went down from 17.0 (1997) to 12.9 million (2001); the labour force increased from 166.2 (1997) to 171.1 million (2001).

<sup>5</sup> Notably the reduction of unemployment (Luxembourg Summit), the Lisbon and Stockholm targets for employment rates, and labour market adaptability (art. 125 TEU)

<sup>6</sup> See *Employment in Europe 2001*, chapter 3 and the 2002 edition.

period covered by the Luxembourg strategy), the decline in structural unemployment has accelerated further, amounting to 1,4%. This is all the more remarkable given the increasing trend in labour market participation, which occurred at the same time.

- economic growth translated into stronger employment growth in the 1990s than in the previous two decades. The relationship between GDP growth and employment growth in the 1970s, the 1980s and the 1990s shows that the job content of economic growth has increased.
- the increased job content of economic growth since the second half of the 1990s also results from a change in the growth pattern : growth in productivity per hour and in employment were more positively correlated than in previous periods when rising capital-labour substitution tended to lead to higher unemployment. Productivity improvements in EU regions and sectors are closely related to a better educated and higher skilled working-age population and there is evidence of a positive link between quality in work and productivity.
- there is also evidence that the responsiveness of employment and participation to improvements in the economy increased in the 1990s<sup>7</sup>. When the economy picked up, employment responded in the 1990s much more strongly than in the 1980s thereby allowing for unemployment to decline more markedly. In periods of high capacity utilisation in the 1990s more people entered the labour market, labour force participation went up, allowing employment to increase more than in the 1980s. Increases in the share of contracts of limited duration provide evidence of a more rapid and stronger responsiveness of employment to cyclical variations.

While many factors may explain job rich growth and the rising responsiveness of employment, wage moderation is considered as one key factor. With EMU providing a macro-economic framework in which nominal wage restraint became meaningful, the social partners pursued employment-friendly wage agreements over a long period thereby contributing to the improved employment performance.

Notwithstanding these positive outcomes, which illustrate the success of a mix of employment policies and stability oriented economic policies, considerable *structural problems and challenges* persist :

- almost 13 million people (2001) are still unemployed (of which 42% are long-term unemployed) ; further reduction of unemployment is a condition for achieving an inclusive labour market;
- sustained efforts will be needed in order to achieve the Lisbon employment rate targets of 70 % overall in 2010, and in particular the 50 % target for older workers. The Joint Report<sup>8</sup> on increasing labour force participation prepared for the Barcelona European Council estimated the necessary increases in employment between 2002 and 2010 at 15,4 million, of which 9,6 for women and 7,4 for older workers;

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<sup>7</sup> This is also the conclusion of a recent study by the IMF with respect to the employment response. IMF (2001) *Selected Euro-Area Countries : Rules-Based Fiscal Policy and Job-Rich growth in France, Germany, Italy and Spain - Report with supplementary information, November 2001, Country Report n° 01/203.*

<sup>8</sup> Increasing labour force participation and promoting active ageing" Council doc. N° 6707 of 8 March 2002, adopted on the basis of COM(2002) 9 final of 24.01.2002

- differences in productivity between the US and the EU are still increasing slightly; whereas the gap in productivity per worker was 17,3 % in 1996, it increased to 19,5 % in 2001; the positive link between job quality and productivity will have to be exploited to bridge this gap;
- regional differences, notably in terms of unemployment, remain a problem in several Member States<sup>9</sup>.

## **2.2 National employment policies converge towards the agreed objectives and guidelines**

While a few Member States were already implementing policies largely in line with the key principles of activation and prevention before the launch of the EES, clear convergence can be noted for other Member States - albeit at different paces. The influence of the EES spread from the employability pillar to the other pillars of the strategy. Changes take time, however, and much remains to be done under each pillar, especially to move towards longer term and more comprehensive approaches.

### *2.2.1 A positive impact on policy overall*

The comprehensive approach of the EES generally strengthened national employment *policy coherence* and framework. Policies under each pillar were progressively adjusted and employment priorities were mainstreamed into other policy areas like taxation and social security. In addition, the Strategy has brought about a gradual change in priority from managing unemployment to managing employment growth, and has become gradually embedded in national policy formulation.

Beyond the clear *convergence* towards the active labour market principles of the EES in the earlier years of the strategy, the evaluation shows that other policies were also significantly influenced by the EES (notably gender equality and social inclusion policies). A detailed review of national measures in key areas can be found in Annex 2. This may be related to the emphasis the Guidelines put on maintaining a proper policy mix based on the four pillars.

Member States' *political commitment* was reflected in the NAPs and the practice of setting targets was taken over by a significant number of Member States, first through targets to reduce unemployment, and, following the Lisbon Summit, through long-term employment targets. Over the years, the EES has added momentum to longer term structural reforms in labour markets, not least through the use of recommendations, addressed to individual Member States, adopted by the Council on a proposal from the Commission.

The EES also fostered political agreement on *new common paradigms*, such as lifelong learning and quality in work. The need for *lifelong learning*, and the complementarity between education and training systems has become generally accepted and Member States are all in the process of re-designing their education and training policies in a more integrated way<sup>10</sup>. *Quality in work* appeared as a new priority in the Employment Guidelines for 2000. On the basis of a Commission Communication<sup>11</sup>, work started to monitor this issue through

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<sup>9</sup> Regional differences are inter alia illustrated in the Joint Employment Report 2001.

<sup>10</sup> The building blocks for coherent and comprehensive lifelong learning strategies have been presented in the Communication "Making a European Area of Lifelong Learning a Reality" from the Commission COM(2001)678 final

<sup>11</sup> "Employment and social policies: a framework for investing in quality" – COM(2001)313 of 20.6.2001

common indicators reflecting the different dimension of quality. A first list of indicators was endorsed by the Council in December 2001 and will support the monitoring process.

However, policy changes take time and further progress towards fully balanced and comprehensive policies are needed. Member States' policy mixes are still unevenly specified across the different pillars and their approaches towards some key issues (e.g. active ageing) seem piecemeal. Moreover, the credibility of their commitment to the Strategy is limited by the still widespread reluctance to set targets (e.g. on investment in human resources) and the continuing lack of visibility of a budgetary dimension (in particular the ESF contribution).

### *2.2.2 Employability : now accepted as a life time concept*

Whereas, at the launch of the EES, employability was mainly seen as the cure for the unemployed, the concept was progressively widened to cover the whole life cycle, covering the prevention of early school leaving, prevention of unemployment, increasing access to an inclusive labour market, enhancing the capacity of workers to remain active and promoting the continued updating of skills.

#### ***Long-term unemployment was successfully reduced, but the search for greater effectiveness of measures appears necessary***

*Prevention and activation* were the cornerstones of the approach to reduce long-term unemployment. They aimed at preventing inflows into long-term unemployment and to speed up the outflows through an increased use of active measures such as training, work experience and subsidised employment for the unemployed.

Targets for prevention and activation were specified in the Employment Guidelines. The majority of Member States have made considerable efforts to improve the coverage of the unemployed by the preventive approach, both for youth and adults, but the approach has not yet reached all persons at risk in each of the Member States. On the other hand, the share of active measures in labour market expenditure followed an overall upward trend. The target set in the Employment Guidelines to offer active measures such as training and subsidised employment to 20% of the unemployed was generally reached and the benchmark of the three most advanced Member States even increased from 20% to about 50% in recent years. Beyond the convergence effect, the focus on quantitative targets has also been effective in promoting a modernisation of public employment services and in reorienting their placement and reintegration activities.

In this context, the share of long term unemployed in total unemployment was reduced from 50% to 42%, and long-term unemployment declined from 5% of the labour force in 1997 to 3.2 % in 2001. Although the success of prevention and activation depends on many contextual and individual factors, some general conclusions can be drawn as to the effectiveness of typical measures : training measures prove to be effective for particular target groups (e.g. women re-entering the labour market, educated immigrants) ; the results with subsidised employment are mixed (subsidised employment in the private sector being more effective than job creation in the public sector) ; self employment grants show positive results, although the scope for wide application of such formula may be limited ; job-search assistance as a basic measure seems generally effective ; the experience shows that the effects of large scale non-personalised programmes (such as for youth) are less convincing, reflecting the fact that larger programmes may suffer from inadequate targeting.

The questions of the sustainable integration of the unemployed in the labour market, the follow-up of beneficiaries and the cost-effectiveness of active measures deserve more attention. This implies a better identification of persons at risk at an early stage, and both preventive and active measures tailored to personal needs, in order to make "the right offer to the right person at the right time". The experience from the past also suggests that, in order to improve the monitoring and evaluation of ALMP measures, further efforts to improve definitions, statistics and indicators are necessary.

### ***Tax-benefit systems have undergone reforms but disincentives remain***

The EES has stimulated governments to introduce or *pursue employment friendly social security and taxation reforms* in accordance with national specificities. Incentives to take up a job or to work longer have been introduced by most Member States in the tax-benefit systems over the years, often in combination with active measures. However, in a number of Member States, further restrictions or conditions on benefits bear the risk of creating adverse social effects of poverty or undeclared work, which calls for improved interaction between tax and benefit systems.

Member States have become more alert to unemployment, poverty and retirement traps, and some examples have emerged of successful removal of such traps through employment-oriented reforms in the social benefit or early retirement systems.

### ***The promotion of active ageing requires increased emphasis***

The longer-term thinking reflected in the Lisbon and Stockholm targets also led to greater awareness of the issue of *active ageing*. At the beginning of the EES, this issue was mainly covered under the tax-benefit agenda, but it became a separate guideline in 2000 with a broader focus. According to the impact evaluation, early retirement systems have not been sufficiently addressed in most Member States. This confirms the conclusions of the Joint report<sup>12</sup> on raising labour market participation, presented to the Barcelona European Council, that life cycle comprehensive approach is needed to promote adaptability and active ageing and discourage early retirement.

### ***Despite efforts, risk of increasing gaps in education and training***

The EES has given an important boost to lifelong learning policies and has played a role in making lifelong learning a top political priority. Education and training have increasingly been used as preventive and active labour market tools to promote employability, adaptability and competitiveness. The emergence of bottlenecks and skills gaps<sup>13</sup> has underlined the importance of competence development throughout the whole life cycle.

This has helped to consolidate the positive long-term trend in participation *in education and training* and attainment levels<sup>14</sup>. Nevertheless, lifelong learning is far from being a reality for all, as illustrated by the continuing very low level of participation of older workers<sup>15</sup>, SME

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<sup>12</sup> "Increasing labour force participation and promoting active ageing" Council doc. N° 6707 of 8 March 2002, adopted on the basis of COM(2002) 9 final of 24.01.2002

<sup>13</sup> See also COM(2002)72 of 13.2.2002 Commission's Action Plan for skills and mobility.

<sup>14</sup> The overall participation rate of the 25-64 population in education or training increased from 5,7 % in 1995 to 8,4 % in 2000 and those with at least an upper secondary qualification rose from 52 % to 60,3 % over the same period.

<sup>15</sup> Those aged between 55-64 are five times less likely to take part in education or training than those aged 25-34. The participation rate for those with low skills is 6 and a half times lower than that of those with high

employees and those on flexible work contracts. More worryingly, there are some signs of a widening gap in access to training between those with low skills and the higher educated. Furthermore, despite successes in some Member States, school dropout rates remain high at over 19%, often a factor behind youth unemployment.

The evaluation points, in particular, to the need to increase the participation of critical groups such as older workers and the low skilled. The importance of continuing training is acknowledged by all as a key factor in promoting an adaptable, competitive and productive workforce and shared responsibility for financing labour force training seems to have been accepted in principle, however, in practice investment rates for each actor (governments and social partners, enterprises and individual workers) remain generally low. Several Member States are testing financial incentive schemes aimed at individuals as well as enterprises but these are mainly still in the development phase and stable conditions for financing continuing training are generally lacking.

### ***More comprehensive action needed for an inclusive labour market***

Active measures were prominent in Member States' policies to improve access of *disadvantaged people* (i.a. people with disabilities, ethnic minorities, immigrants) to the labour market. Other initiatives included legislative reforms to combat discrimination, in particular in the context of the transposition of Article 13 directives, and increased co-operation between institutions involved in the re-integration of disadvantaged persons.

However, the employment position of disadvantaged people remains weak, as reflected in the stable gap in employment rates compared to the population in general. It would seem that active measures have prevented a widening of the gap, especially in the recent period of strong employment creation which has created a favourable context for integrating the more employable workers in the labour market. Experience from some Member States provided convincing evidence of the success of such measures.

In order to achieve greater effectiveness, the evaluation points to the need for better tailored active and preventive measures, comprehensive approaches involving both the supply and the demand side (awareness of employers, enforcement of anti-discrimination), as well as a close link with the wider policies for social inclusion. The need to improve the statistical basis for developing such measures and for their assessment is also stressed.

#### ***2.2.3 Entrepreneurship : key to job creation***

The entrepreneurship pillar focuses on the improvement of the business environment, on the development of the services sector as a source of employment, and on labour taxation.

### ***Indications of positive employment effects of a better business environment***

Member States have responded with numerous specific measures to the requirement in the Employment Guidelines for administrative simplification (for example through impact assessment of new legislation, reducing obstacles for start-ups, simpler and on-line procedures for company registration, incentives for hiring additional staff etc.) and increased the fight against undeclared work (a strengthened priority since 2001). The progress which

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skills and 4 times lower than those with medium skills. The gap in participation rates between those with low education and those with high education rose from 9,4 % in 1995 to 13,3 % in 2000.

has been made could be improved through further efforts, by the Member States, to reduce administrative burdens thus nurturing a better European business environment.

In recent years, 90% of the new jobs were created in the services sector. ALMP programmes have helped the unemployed to create and take up jobs, mainly in the services sector, and a considerable share of these jobs proved to be sustainable. The time needed to start up a business has been reduced, but surveys of SME's, show that administrative burdens are still considered as a major constraint for business performance.

With the exception of tax reductions for small companies, positive effects of measures to improve the climate for entrepreneurship and job creation can only be presumed owing to the lack of reliable indicators and evaluation. The development of statistics and indicators to monitor the impact of measures in the field of entrepreneurship on employment should be considered as a priority.

### ***Employment effect of taxation measures can still be increased***

The *rising trend in the overall tax burden on labour has been reversed*, with a reduction at EU level of about 2%<sup>16</sup> between 1997 and 2001. The reduction was even more visible for the low-paid, with 3% on average, achieved mainly through reduced social security contributions. This points to a trend to make tax systems more employment friendly. The evaluation confirmed distinct job creation effects of taxation measures: particularly effective are reductions in payroll taxes and employers' Social Security Contributions (SSC) targeted at low paid workers, who experience the highest benefit dependency; other effective measures include reductions of personal income taxes and employee SSC, tax deductions for childcare or education expenses targeted at sensitive groups.

The practice confirms that benefit reforms and labour taxation in general are increasingly seen as mutually complementary employment policy instruments by the Member States. The *mix of benefit and taxation measures could however be improved* with a view to maximising the impact on labour market participation or to preventing early withdrawal.

#### *2.2.4 Adaptability : complex relationship between flexibility, security and job quality*

Actions under the adaptability pillar deal with the modernisation of work organisation and the regulatory framework, the introduction of new forms of work and workers' skills, with the aim of improving the adaptability of enterprises ; such actions call for joint responsibility of governments, the social partners and enterprises.

The EES has helped to focus the attention of public authorities, social partners and enterprises on important aspects of adaptability and competitiveness. The main policy developments in the area of adaptability over the past five years were related to more *flexible types of employment relationships*<sup>17</sup>, and more flexible *working time* arrangements, in particular through annual reference periods of working time, thereby reducing overtime.

Member States, often in close consultation and concertation with social partners through tripartite dialogue, have provided a legal framework facilitating these developments. Within the scope provided by the respective national institutional settings, social partners at lower

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<sup>16</sup> Provisionally based on the implicit tax rate.

<sup>17</sup> Several countries have adopted legislation on part time work e.g. See annex 2.

levels have taken up the new opportunities provided for them and have made them more concrete in their bilateral agreements.

Beyond working time arrangements, the *broader scope of work organisation* has not yet received sufficient attention. A wider approach to modernising work organisation is still lacking, although some progress, notably in the field of lifelong learning, has to be acknowledged<sup>18</sup>.

Working time arrangements are seen less and less as a means of redistributing work and increasing the available number of jobs, and rather as a way to increase *adaptability* to economic activity and thus the long-term sustainability of employment. On the other hand, net job creation in some countries is partially due to the increase in flexible work (fixed term, temporary and part time). Groups particularly concerned by flexible work include young people and women returners.

The Employment Guidelines call for a *balance between flexibility and security*. The most visible developments in terms of security concerned health and safety. However, there is evidence of continuing disadvantages for the workers concerned : holders of jobs of short duration and of jobs providing low earnings and/or no access to training are more likely to experience inactivity and unemployment. People who experience frequent spells of unemployment and inactivity are more likely to drop out of the labour market for long periods. Surveys show that employees' perception of flexible work remains largely negative, contrary to that of employers<sup>19</sup> : only 28 % of employees with a fixed term contract declared to have chosen this status voluntarily, compared to 72 % in the case of people with part time contracts.

#### 2.2.5 *Equal opportunities between women and men : greater awareness but insufficient evaluation*

The "equal opportunities" pillar aims to enable women and men to work with equal opportunity and equal responsibility. The guidelines advocate a gender mainstreaming approach, the tackling of gender gaps and the reconciliation of work and family life.

Gender equality has received an important impetus through the EES. This is confirmed both by the national evaluations and by a qualitative survey carried out for the Commission. An important element in this respect was the requirement for *gender mainstreaming* across the pillars of the Employment Guidelines from 1999. The gender gaps in employment, unemployment, pay and representation have become areas of specific action for Member States. Reconciliation of work and family life became a policy priority in all Member States, and many Member States began to focus on increasing the availability of childcare provision.

Over the period 1997-2001, women benefited from the majority of the new jobs created and their employment rate increased from 50.6 % to 54.9 %. The gender gap in employment rate has been reduced from 20 % to 18 % since 1997 whereas the gap in unemployment declined

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<sup>18</sup> A framework for actions for the lifelong development of competencies and qualifications was adopted by the European social partners in February 2002, as a follow up of the joint declaration of social partners on Lifelong learning presented to the Laeken European Council. Also the recent agreement on telework is relevant in this context.

<sup>19</sup> In this context, the Commission services carried out an ad hoc Eurobarometer Flash survey (N° 120) on flexible work.

from 12 % to 9 %. *However, gender gaps* (including pay gaps of 16 %<sup>20</sup> on average) are still considerable and need to be tackled in order to meet the Lisbon and Stockholm objectives.

The evaluation shows that too often governments tend to see the reduction of the gender gap in employment and unemployment as a result of economic growth and improved framework conditions for women's participation in the labour market, and do not sufficiently monitor the impact of their measures as required by the Guidelines. Further progress towards women's employment targets should be more closely monitored, policies strengthened and impact evaluated more systematically. The reduction of gender gaps requires the active involvement of social partners, particularly in the area of pay and parental leave. Childcare provision, which involves the direct responsibility of public authorities emerges as a priority area for direct government action, and new targets<sup>21</sup> were set by the Barcelona Summit for 2010.

### **2.3 The Luxembourg process proved effective in fostering policy co-operation**

The "open method of co-ordination" of the Luxembourg process has proven its worth and was considered by the Lisbon Summit in 2000 as a model to be transposed into other policy fields (such as social inclusion).

#### ***A framework for active co-operation of different actors***

The EES has fostered a recognition of the key role played by the *social partners* in a wide range of areas related to employment. While the initial guidelines only referred to the social partners in relation to the specific area of adaptability, the wider role and recognition of the social partners was acknowledged after the Lisbon Summit. A *horizontal objective* now calls on Member States to develop a comprehensive partnership with the social partners, and invites the social partners at European level to define their own contribution to the process.

The *involvement of social partners* in the preparation of the NAPs at national level has improved steadily, although the visibility of their contribution to the implementation of the guidelines could be greater. The invitation made to the social partners to set up their own process of implementation<sup>22</sup> has not yet materialised, but there have been encouraging initiatives pointing to a progressively more active role of the social partners in the guidelines. Potential synergies between the national and European levels could be further exploited.

The EES has supported *the development of a territorial dimension to employment policies*, as demonstrated by the emergence, in recent years, of regional or local action plans (RAPs and LAPs). Local and regional authorities, whether as social services providers or local employers, have increasingly become partners in the implementation of employment policies, not least through the use of the European Social Fund, the priorities of which were aligned to the EES in 2000.

#### ***New working methods to support co-operation***

A recognised strength of the Luxembourg process is the *multilateral surveillance*. Based on annual reporting and on agreed and comparable indicators, it has stimulated a "stress of convergence" towards the best performers in the EU. The definition of indicators and targets

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<sup>20</sup> Figures for 1998 in the private sector, ranging from 7 % to 24 % between Member States.

<sup>21</sup> Improvement of the provision of childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age, and at least 33% of children under 3 years of age.

<sup>22</sup> Horizontal objective D and guideline 13

at EU level had a particularly stimulating effect. However, Member States have often resisted setting national targets of their own.

The annual reporting and monitoring has led to increased and more thorough *exchanges of information* between Member States, and the peer review process set up to evaluate the transferability of good practices<sup>23</sup> has allowed for more in-depth evaluations. Many Member States have intensified their bilateral contacts and found inspiration in other Member States' approaches. The establishment of the Employment Committee, bringing together, at regular intervals, the top national officials in charge of designing and implementing national employment policies, has facilitated such intensified exchanges.

*Institutional co-operation was intensified at EU level* between different Council formations (notably EcoFin and Employment/Social Affairs ministers) and their corresponding committees<sup>24</sup>, as well as between Commission services in charge of designing and monitoring various employment related policy processes (e.g. in the fields of education/training, economic policy, taxation or entrepreneurship). Co-operation between the Commission and the Council, notably via the Employment Committee, has been strengthened. The *European Parliament* was closely involved in the annual review process and thereby contributed to the development of the strategy, while the other institutions also made valuable contributions. The emphasis on employment rather than labour market policies has meant that the annual preparation of the National Action Plans (NAPs) *at national level* has stimulated closer co-operation between ministerial departments. Public employment services, represented in an active EU level network, have been strongly mobilised around EU priorities.

While the main characteristics of the open method of co-ordination need to be preserved, in view of the above mentioned advantages, some risks have emerged that should be tackled in order to maintain the impetus behind the EES. The emergence of a number of "*open co-ordination processes*" in related areas (notably social inclusion, education and training and pensions) calls for close co-ordination and synergy. There is also a need to address the *perceived complexity* of the process. More efforts at *dissemination of the EES* would be needed, at EU, national, regional and local levels.

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<sup>23</sup> See <http://peerreview.almp.org>

<sup>24</sup> E.g. the Employment Committee, the Economic Policy Committee and the Social Protection Committee

### 3. ISSUES FOR THE DEBATE ON THE FUTURE OF THE EUROPEAN EMPLOYMENT STRATEGY

The results of the evaluation described above confirm that the main priorities set by the Employment Guidelines remain broadly valid for the future and that further policy reforms are required. The evaluation and various contributions made to the debate so far on the future of the EES, in particular the conclusions of the Barcelona European Council, have enabled the Commission to identify the four main issues for the reform of the EES that need to be further examined.

#### 3.1 Responding to medium-term challenges

The *context* of the EES is changing. While the scale of unemployment constituted the dominant challenge for the EU labour market at the launch of the Luxembourg process, recent years have witnessed increasing recruitment difficulties in certain regions and sectors of the EU. The *coexistence of continuing relatively high levels of unemployment with bottlenecks* could well characterise the period to come. The *demographic trends* will lead to an ageing workforce and even a declining population of working age, raising serious concerns also for the sustainability of social protection systems. Globalisation, technological change and the move towards a knowledge and information society are all further accelerating the pace of economic and social restructuring. There is a need to promote wider participation in, and uptake of, the information society. Working life is also becoming more complex as working patterns become more irregular and a number of *transitions* need to be accounted for, including between jobs, between different working status, and between work and training, career breaks and care periods. Anticipation, adaptability and the promotion of change are essential for higher productivity and competitiveness, as well as to retain people longer in work and prevent social exclusion. The notion of investment itself is changing, with human capital assuming a crucial role for growth, employment and social cohesion. Migration from third countries into the EU is a reality today which cannot be ignored. While migration cannot provide the answer to the demographic decline or skills gaps in the EU<sup>25</sup>, well-designed economic migration<sup>26</sup> can make a contribution to solving future labour shortages, increasing employment and economic growth.

The *enlargement of the EU* is imminent and will eventually lead to a 30 % increase in the size of the EU labour market<sup>27</sup> as well as bring more diversity. While challenges in the labour markets of the candidate countries are not fundamentally different in nature from those of the current Member States, they are often more acute<sup>28</sup> and major restructuring still needs to take place. The candidate countries and the Commission have bilaterally established joint assessments of the employment situation and challenges of each country with reference to the

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<sup>25</sup> See report on the Social Situation in the European Union in 2002.

<sup>26</sup> In its proposal for a Council Directive on the conditions of entry and residence of third-country nationals for the purpose of paid employment and self-employed economic activities (COM(2001)386 of 11.7.2001) the Commission has already proposed a transparent common legal frame for economic migration.

<sup>27</sup> 71 million persons of working age could be added to the 248 million of the Fifteen (data for the 12 candidate countries, year 2000).

<sup>28</sup> The accession countries are facing slow employment growth, with an average employment rate of about 58 % in 2001 (EU : 63.9 %) ; high unemployment levels (some 13% on average in 2001 compared to 7.4 % in the EU), in particular for youth ; low skills levels ; ageing of the working population and regional disparities. However, with respect to gender gaps in employment, the performances of candidate countries are similar to those of the EU for historical reasons.

EES priorities. Progress reports on these joint assessments are being submitted and will be reviewed by the Commission before the end of 2002.

The *overall objectives* of the EES should be seen, inter alia, in the above context. Raising *employment rates* to reach the Lisbon and Stockholm targets is a central objective of the Lisbon strategy. Increasingly this will become a condition - not only for reducing unemployment - but also for economic growth and for ensuring the sustainability of our social model. But economic growth will also depend on the *productivity* of labour. The challenge for the EES - if it is to support the emergence of the EU as the most competitive economy by 2010 - will be to promote more and better jobs which are also more productive. The promotion of *quality at work*<sup>29</sup>, which supports employment - by making jobs more attractive and by making work a real option - , inclusive labour markets and productivity should be seen as a way to exploit the potential of the European social model as a productive factor, building on the synergies between more and better jobs. The reduction of remaining *disparities* in access to the labour market, both in socio-economic and regional terms, is a matter both of equity and of efficiency. On the basis of these considerations, the Commission has identified three main *challenges* for the future guidelines:

- raising employment and participation rates in accordance with the Lisbon and Stockholm targets, thus also helping to reduce unemployment
- improving quality at work and promoting productive jobs
- promoting an inclusive labour market, by reducing disparities at social (including gender) and territorial levels.

Investment in human capital, skills development and lifelong learning are key to responding to these challenges.

The debate on the future of the EES can thus focus on the way the future guidelines will support the ambitions and objectives of the Lisbon strategy. The alignment of the time frame of the next Guidelines with the deadline of 2010, as requested by the Barcelona conclusions, will support overall coherence with the Lisbon agenda.

The *EES* must take full account of the solid experience and achievements of the past five years. Experience has demonstrated the need for continuity and perseverance before policies can be implemented and can produce their full impact on the labour market. In the changing context, more than ever, the EES is proving its worth as *a strategy for promoting and managing change* in order to facilitate and accompany the deep economic and social transformations in the new as well as the existing Member States. The European Social Fund has a role to play in supporting such transformations as the financial arm of the EES. The particularly high level of unemployment in the candidate countries will further strengthen the relevance of *active measures and preventive approaches*, calling for effective and efficient *employment services*. The promotion of a favourable business environment for employment creation is a priority, as is the *balance between flexibility and security* on the labour market. In particular the conditions enabling the transition between paid and independent work, while safeguarding job quality, merit increased attention. In accordance with the Joint Report (see footnote 12) the EES should support a comprehensive life-cycle approach to raising *labour force participation* and promoting *active ageing*, based on the availability and attractiveness

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<sup>29</sup> See "Employment and social policies : a framework for investing in quality" – COM(2001)313 of 20.6.2001

of jobs, on making work pay and on a highly qualified workforce as well as on measures to make work a real option for all and an inclusive labour market a reality. This would require, inter alia, tackling undeclared work in a more determined way. Corporate social responsibility can make a valuable contribution in a number of priority areas for the EES.

In order to enable effective monitoring of progress towards the objectives of the EES, continued policy priority will have to be given to the development of adequate and comparable *statistics and indicators*.

### **3.2 Simplifying the guidelines without undermining their effectiveness**

The current Employment Guidelines are widely perceived as complex. The first guidelines (for 1998) included 19 specific actions under the four pillars. The 2002 Guidelines include 18 actions under the same four pillars. However most of these action points are now divided into a number of sub-headings. In addition, six "horizontal objectives" have been added in the last two years. As a result of these modifications, related to the annual review process, the hierarchy of priorities in the Employment Guidelines has become blurred, and the pillars have lost part of their intrinsic coherence.

Simpler guidelines would clarify the priorities, facilitate communication with all the stakeholders and enable more effective monitoring. Simplification could come mainly through:

- a clearer definition of the overall improvements sought in the EU labour market via the EES, as a contribution to the Lisbon strategy
- concentration on priorities
- increased emphasis on the results to be achieved
- a focus on implementation, rather than on the annual elaboration of the guidelines, in line with the Barcelona conclusions.

A number of conditions, however, need to be met in order to preserve the effectiveness of the guidelines.

First, the Guidelines must keep their *wide policy scope* reflecting the range of policies contributing to the employment objectives and the integrated nature of the EES. The strategy can only be conceived in close articulation with macro-economic policies and structural policies, which are favourable to growth and competitiveness, as well as policies promoting social inclusion. Synergy with other relevant policy processes should be exploited to the full.

Secondly, there is a need for greater *stability of the guidelines* to underpin a result-oriented approach. Experience has shown that important labour market measures often take time to design, adopt and implement, and even longer to demonstrate their impact on the labour market (for example: modernisation of employment services, reform of the tax systems etc...). Regular addition of new priorities or objectives in the guidelines on the occasion of annual reviews does not improve effectiveness. While a margin of manoeuvre has to be kept, changes should be avoided until 2006, when an intermediate evaluation will be undertaken in accordance with the Barcelona European Council conclusions.

Thirdly, the principle of *annual reporting* by Member States on the progress achieved with the implementation of the guidelines, provided by the Treaty, should be respected, in line with

the Barcelona request to streamline the processes and to focus more on implementation. This forms the basis of the multilateral surveillance which has proven to be of considerable added value in the Luxembourg process and is a key tool for monitoring the response by Member States to the individual recommendations addressed to them by the Council. Whilst stability in the guidelines would standardise and ease the burden of annual reporting, the scope for further simplification should be examined, notably by focusing on new policy developments and on the follow up to recommendations. The focus on implementation should also be reflected in the *annual Joint Employment Report*. While a single set of Guidelines will address all Member States in an increasingly diversified EU labour market, country specific Employment Recommendations will allow for justified differentiation between Member States according to their respective challenges and characteristics.

### **3.3 Improving governance and partnership**

The evaluation of the EES has confirmed the benefits of a partnership approach for the development and the implementation of the EES and has underlined the potential for further improvements in this respect.

#### *Co-operation with, and between, social partner organisations*

Progress on key matters for the EES such as life-long learning, active ageing, gender equality or the modernisation of work organisation, depends crucially on the active support of the *social partners*. The Barcelona European Council urged the Social Partners to place their strategies in the various territorial and sectoral spheres at the service of the Lisbon strategy and called for a reinforcement of the role and responsibility of social partners in implementing and monitoring the Employment Guidelines. The declaration made by the Social Partners before the Laeken Summit of December 2001 provides a strong basis to redefine the role of Social partners in the EES. The Social Partners will be able to contribute to the broad policy orientations covering the whole Lisbon agenda in the framework of the proposed Tripartite Social Summit for Growth and Employment, and they will be consulted by the Commission in the phase of preparation of the next Guidelines. The broader responsibility of the Social Partners and their contribution to the implementation of the guidelines needs to be recognised in full respect of their autonomy. The Social Partners at European level can integrate priority aspects of the EES in their annual work programme, currently under preparation. In addition, the Commission has encouraged EU level organisations of the social partners to explore the potential of the "open method of co-ordination" to develop relationships with their national counterparts.

Moreover, and as a complement to the social partners, a more effective involvement of *civil society organisations* has also been identified as an essential tool by several Member States and should be reinforced.

#### *Co-operation at different territorial levels*

The mobilisation of actors at *all relevant territorial levels* is also important for an efficient delivery of the EES. In most Member States competences for different aspects of employment policies are shared between different territorial levels. The regional and local levels are often particularly important in matters such as training, employment services or in relation to inclusive labour market policies. While fully respecting the principle of subsidiarity, the future EES should promote and encourage the role of actors at all territorial levels to support the national and EU employment strategy and dissemination of good practice. Both "vertical" co-operation (between national and sub-national levels) and "horizontal" co-operation

(between relevant actors at the same territorial level) could be encouraged in this respect. In addition, initiatives building on the local potential for employment creation should continue to be encouraged, especially in view of the wide regional disparities existing in the EU in terms of employment and unemployment.

#### *Inter-departmental co-operation*

Co-operation between different departments of both EU and national administrations should be further encouraged, reflecting the integrated nature of the EES and the need for good interaction with other EU-level processes such as social inclusion, education and training and pensions. This is particularly relevant between employment departments and those dealing with financial affairs, training and education, gender opportunities, social security, justice and home affairs and information society affairs.

The major role played by *employment services* in the successful delivery of employment policies - in the first line in relation to the prevention and the activation strategy, but importantly in other fields as well, such as equal opportunities, non discrimination, social inclusion or lifelong learning – justifies a close involvement in the EES.

Despite the alignment of the ESF priorities to the EES in 2000, the link between policies and their funding remains unclear. More transparency is needed to give a full picture of how the *European Structural Funds* support the Employment Strategy. There will be a need to examine how the ESF mainstream programmes and the EQUAL initiative can continue to put their full thrust behind the strategy, not least in order to accompany the reforms needed in the accession countries. The mid-term review of the ESF in 2003 will provide a first opportunity to evaluate and re-examine this issue. There is also a need to examine how the contribution of the ESF and other structural funds to the objectives of the EES can be made more visible in the NAPs.

### **3.4 Improving consistency and complementarity between relevant EU processes**

Since Lisbon, the political guidance for implementing the economic and social agenda is given by the Spring European Council. The implementation is done through various processes of different nature, including the EES and the economic co-ordination process as foreseen in the Treaty, as well as the Cardiff process on structural policies and the open method of co-ordination in the fields of Social Inclusion, education and training, and pensions, in line with the political guidance given by the Spring European Council. The Barcelona European Council called for a streamlining of the relevant processes, and more specifically for a synchronisation of the Broad Economic Policy Guidelines (BEPGs) and the Employment Package as soon as feasible.

Such synchronisation, the details of which will be covered by a separate Communication, will strengthen the overall process of implementation of the Lisbon agenda. The Employment package will thus benefit from being more directly related to the overall policy approach. While there is a strong interaction and interdependence between economic and employment objectives, the aim should be to improve the complementarity and mutually supportive character of the two sets of instruments. Synchronisation should lead to a better co-ordination of the policy messages given via the two instruments, which would retain their autonomy.

## ANNEXES

### Annex 1 : Evaluation methodology

#### EU-wide performance assessment

The purpose of the Commission's EU-wide performance assessment was to look at the sustainability of improvements in EU labour markets, by analysing the evolution of employment, participation and unemployment rates over long periods. The assessment is mostly based on time series analysis comparing trends in the 1980s and in the 1990s, in some cases, the second half of 1990s. As NAIRU<sup>30</sup> is the only broadly available concept for measuring structural changes in the labour market, the Commission estimates for NAIRU are used and linked to employment and participation trends suggesting that progress in EU labour markets in recent years is of structural nature. The work also reviews the limited evidence in terms of Beveridge curves which supports the overall conclusions. Extended Okun's Law models detected an increase in the cyclical responsiveness of employment and unemployment and, in particular, that labour markets have become more responsive in periods of economic recovery. This methodology is adapted to assess the role of contracts of limited duration. Using cyclically adjusted series of employment, participation and growth, an increase in the job content of economic growth is identified.

Elements of the analysis can be found in *Employment in Europe 2002*.

#### National impact evaluation studies

The national studies had to follow a standardised structure, with a range of thematic questions covering policy reforms, performance and impact. Issues only recently included in the Employment Guidelines (such as bottlenecks in the labour market) were left outside the scope of the studies. In most cases, the reports distinguish the different themes but do not follow the agreed list of questions. The national reports and a technical synthesis from the Commission services can be consulted on the Europa website<sup>31</sup>.

#### Surveys

In the context of the evaluation, the Commission organised three special surveys : two Eurobarometer "flash" surveys (N° 96 on the impact of preventive and active measures for the unemployed ; N° 120 on atypical work) and a qualitative survey on gender equality through the "OPTEM" network. (details also available from DG Press and Communication on the Europa website).

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<sup>30</sup> "Non Accelerating Inflation Rate of Unemployment". The analysis of Beveridge curves, which show the year-by-year evolution of unemployment and vacancies and allow frictions and mismatches in the labour market to be detected, is less conclusive and limited by available data.

<sup>31</sup> See [http://europa.eu.int/comm/employment\\_social/empl&esf/ees](http://europa.eu.int/comm/employment_social/empl&esf/ees)

## **Annex 2 : Review of key policy changes in relation to the EES in the areas of active labour market policy, modernisation of work organisation and equal opportunities**

### BELGIUM

- A further shift from curative to preventive policy as of 1999 with the integration pathways, the Rosetta plan, and the reduction of unemployment traps.
- Gender mainstreaming policies have been strengthened (new intergovernmental permanent Committee for equal opportunities). In 2001 (under the Belgian EU Presidency), greater emphasis was given to quality of employment, equal pay and reconciliation of family and working life.

### DENMARK

- 1999 : last phase in labour market policy reform. In parallel, social policies have become more active in orientation and have been adapted to complement labour market policies directed towards the insured labour force.
- The equal opportunities acts have been changed several times since 1997, often to comply with EU recommendations (Equal Wages Act 2001). Gender mainstreaming has been established in legislation (2000).

### GERMANY

- The new Job-Aktiv-Law (2002) is a direct response to the EES
- The tripartite social dialogue within the Jobs Alliance, revived in 1998, is the platform for modernising work organisation.
- Gender mainstreaming new statutory regulations (public sector), agreement between the Federal Government and the central industry associations (private sector).

### GREECE

- PES reform was decided in 1998 but implementation will not be accomplished until 2003-2005.
- Labour legislation was modernised in 1998 with the introduction of part-time work and parental leave.
- In the field of equal opportunities, policies became more ambitious in 2001 (National Action plan for equality 2001-2006, Interministerial Commission for equality promotion) and targets on gender gap were adopted.

### SPAIN

- The role of the PES, which had become more autonomous in 1994, was brought in line with the preventive strategy of the EES from late 1997. ALMP expenditure increased by nearly 50%.

- Labour market reforms were accelerated through the introduction of new contracts ("permanent employment-development" contract, part-time).
- The EES had a particularly strong impact on equal opportunities (Equality Observatory set up in '99 by the Institute for Women), new labour legislation and ALMP programmes which introduced priority access for women.

### FRANCE

- The preventive approach was introduced with the "New Start" and "New services jobs for youth" programmes (1998).
- The working time legislation of 1998 sought to increase the involvement of social partners in the search for a higher employment intensity of growth.

### IRELAND

- Implementation of the preventive strategy as of 1998, accompanied by PES reform.
- New gender equality legislation (tax individualisation).

### ITALY

- Law 196 of 1997 started the PES reform; comprehensive reform of active measures is envisaged in White Paper of September 2001.
- Introduction of part time legislation.
- Regulation on parental leave.

### NETHERLANDS

- The comprehensive approach for young unemployed people (in existence since 1992) was widened to adults.
- High participation in part time work, existing since early 90s.
- Equal opportunities policy strengthened through 65% target for female employment

### AUSTRIA

- As of 1998, reforms of labour market policies (e.g. individual pathways).
- Social dialogue strengthened around the NAP (introduction "bonus malus" system for maintaining older workers at work).
- Measures to prevent female unemployment as a result of childcare duties (i.a. improvement of care facilities).

### LUXEMBOURG

- PES reform as of 1998 in line with the preventive and active approach

## PORTUGAL

- Initiatives "Interjovem" (for young long-term unemployed) and "Reage" (for employment creation), reflecting the spirit of EES
- Introduction of legislation for part time work (1999).
- Specific measures to promote the integration of women (benefit reforms, ambitious programme "Crèche 2000").

## FINLAND

- An overhaul of active labour market policy was undertaken in 1998, based on the principles of the EES.
- Gender mainstreaming became a part of government policy, largely as a result of the EES.

## SWEDEN

- ALMP policies advocated by the Guidelines existed already in Sweden in 1997, but qualitative reforms have since been carried out (e.g. the "activity guarantee scheme" , 2000).

## UNITED KINGDOM

- The New Labour government programme coincided with main principles of the EES (New Deal programmes, Welfare to Work etc.).
- Setting up of the "Partnership at Work Fund" in 1998 aimed at supporting flexible work organisation.
- National Childcare Strategy to help individuals balance work and family life.