

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 6,9,2000
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Recommendation for a

COUNCIL RECOMMENDATION

ON THE IMPLEMENTATION OF MEMBER STATES' EMPLOYMENT POLICIES

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(presented by the Commission)

EXPLANATORY MEMORANDUM

In February 2000, the Council adopted the first set of recommendations on the implementation of Member States' employment policies, in accordance with Article 128§4. The purpose was to focus policy action on priority areas and provide Member States with support and guidance in implementing the Employment Guidelines.

The National Action Plans, submitted by Member States in May, give a clear picture of how this first set of recommendations has been put into practice. This year's experience shows that the recommendations have played a useful role in focusing Member States' efforts on those aspects of the labour market where performance was acknowledged as being below the level achieved elsewhere in the Union.

This recommendation draws on the findings from the Commission's examination of the National Action Plans. It is part of a package including both the draft Joint Employment Report for 2000, which sets out the Commission's findings in detail, and the proposal for a Council decision on the Employment Guidelines for 2001. The Commission has been careful to ensure the coherence of these employment recommendations with those of the Broad Economic Policy Guidelines.

The recommendation identifies the key labour market challenges facing each Member State, and recommends appropriate lines of action to assist Member States in addressing those challenges as effectively as possible, in the framework of the European Employment Strategy.

This year's recommendations differ from last years in a number of respects, to reflect:

- first, the extent to which individual Member States have responded to recommendations, in the light of their particular labour market conditions;

- second, the development of the Luxembourg process, particularly in the light of the conclusions of the Lisbon and Feira European Councils, which emphasised the role of an active employment policy in establishing a knowledge-based economy.

The Member States' response to the recommendations was generally positive, albeit somewhat uneven, reflecting different stages of implementation and compliance with the Employment Guidelines. Such differences were given careful consideration when the individual recommendations were reviewed. The Commission has to decide between three course of action:

(1) The recommendation should be maintained because the measures taken by the Member State to address it are clearly insufficient.

(2) The recommendation should be amended to take account of progress made by the Member State, with a call to pursue efforts or to monitor further progress and assess impact. This is the appropriate response where measures taken by the Member State only partly address the recommendation and more effort is needed, or where a comprehensive plan has been laid down, but results will be visible only in the medium-to-long term.

(3) The recommendation should be dropped, because the steps undertaken by the country are sufficient.

Most of the 52 existing recommendations have been kept either in their entirety or in an amended form, since their implementation exceeds the timeframe of a single year and requires progress monitoring and impact assessment over the medium and long term. Eight recommendations were dropped because the initiatives taken by Member States and the evidence in the National Action Plans for Employment provided an adequate response, and clear progress was achieved. This concerned the recommendations on:

- the service sector and its job creation potential for Belgium, Germany, Ireland and Italy;
- the need to reduce the administrative burden on companies in Spain;
- the development of the statistical monitoring system in Germany and the United Kingdom;
- the promotion of social partnership in France.

Moreover, new recommendations were included to address two issues which deserve increasing policy attention given the current context of social and economic change and the increasingly clear impact of the emerging knowledge society:

- The strategic approach to the pillars. Despite considerable efforts to put the employment guidelines into practice, some Member States still lack a comprehensive approach to developing and implementing the Employment Strategy. This is reflected in the uneven treatment given to the four pillars of the employment guidelines in the National Action Plans. Therefore, some Member States are encouraged to take a more strategic approach to framing their NAPs and to consider explicitly how they might improve their policy mix in order to achieve maximum impact.

    - Lifelong learning. Whereas lifelong learning plays an important role in employment policies, as highlighted by the conclusions of the Lisbon Summit, policy action by Member States has remained quite modest. Most still lack a comprehensive policy framework for lifelong learning, supported by appropriate targets called for by the new guideline, introduced in 1999 to address the challenges of the knowledge-based society. The Commission felt it therefore necessary to follow up progress. Recommendations in this area should help Member States to address skills gaps and bring education and training systems into line with the needs of the labour market.

- Other emerging labour market issues could be covered by the present recommendation. One example is the widening regional disparities in employment which have been witnessed in some Member States. While this issue has been considered in the Joint Employment Report of 2000 and in the revised employment guidelines for 2001, its inclusion in the recommendations on employment policy will be considered in the future.

Annex 1

Comparison of Council recommendations in 1999 and 2000

	Number of Council recommendations:					
	Adopted in 1999	Proposed in 2000	Maintained in 2000	Modified in 2000	Dropped in 2000	Newly adopted in 2000
Belgium	4	5	0	3	1	2
Denmark	2	3	0	2 (one 1999 recommendation has been split into two)	0	0
Germany	5	5	1	2	2	2
Greece	6	6	1	5 (2 merged into one)	0	1
Spain	4	5	0	3 (merged into two recommendations)	1	3
France	4	5	0	3	1	2
Ireland	3	2	0	2	1	0
Italy	5	5	0	4 (two merged into one)	1	2
Luxembourg	2	3	0	2 (merged into one recommendation)	0	2
The Netherlands	2	2	0	2	0	0
Austria	3	3	0	3	0	0
Portugal	3	4	0	3	0	1
Finland	3	3	0	3	0	0
Sweden	2	3	0	2	0	1
United Kingdom	4	4	0	3 (two 1999 recommendations are merged into one)	1	2
Total	52	58	2	42	8	18

Annex 2

List of dropped recommendations

Belgium

Adopt and implement coherent strategies, encompassing regulatory, fiscal and labour market measures, to exploit more fully the job creation potential of the services sector.

Germany

Adopt and implement a coherent strategy to exploit the employment potential of the services sector, encompassing regulatory, fiscal and other measures to reduce the burden for setting up new undertakings;

Take appropriate measures to improve and adapt its statistical system so as to provide data compatible with the common policy indicators by 2000. Germany should consider introducing a quarterly Labour Force Survey in the light of the Council Regulation (EC) No 577/98.

Spain

Adopt and implement coherent strategies, encompassing regulatory, fiscal and other measures, designed to reduce the administrative burden on companies, in order to stimulate entrepreneurship and exploit the potential for more and stable employment in the service sector.

France

Strengthen social partnership with a view to developing a comprehensive approach to modernising work organisation.

Ireland

Pursue recently implemented policies, encompassing regulatory, educational and fiscal measures, in order to further exploit the potential for job growth in the service sector.

Italy

Pursue particularly in the South efforts to alleviate the administrative burden on companies and exploit the job creation potential of the service sector.

United Kingdom

Upgrade the statistical monitoring system, so that policy indicators on prevention and activation will be provided by 2000 in accordance with agreed definitions and methods.

Recommendation for a

COUNCIL RECOMMENDATION

ON THE IMPLEMENTATION OF MEMBER STATES' EMPLOYMENT POLICIES

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular to Article 128(4) thereof,

Having regard to the 15 implementation reports for 2000 received from the Member States, comprising the implementation of the 1999 National Employment Action Plans and describing the adjustments made to the National Employment Action Plans to take account of the changes introduced by the 2000 guidelines,

Having regard to the Council recommendation of 14 February 2000 on the implementation of Member States' employment policies.

Having regard to the recommendation made by the Commission on 6 September 2000,

Having regard to the opinion of the Economic Policy Committee of 4 October 2000 on this recommendation,

Having regard to the opinion of the Employment Committee of 5 October 2000 on this recommendation.

Whereas:

(1) The Council adopted the employment guidelines for 1998, 1999 and 2000, by the Council Resolution of 15 December 1997 and 22 February 1999, and by the Council decision of 13 March 2000.[1]

(2) The Lisbon European Council on 23 and 24 March 2000 agreed on a comprehensive strategy towards employment, economic reform and social cohesion as part of the knowledge-based society, made a commitment to creating the conditions for full employment and stressed the importance of lifelong learning;

(3) The Feira European Council on 19 and 20 June 2000 highlighted the prominent role social partners are called to play in modernising work organisation, promoting lifelong learning and increasing the employment rate, particularly amongst women;

(4) The Council adopted the recommendation on the Broad Economic Guidelines on 19 June 2000, and European Council of 17 June 1997 agreed on a Resolution on a Stability and Growth Pact setting commitments by Member States;

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[1] OJ L 72,21.3.2000, p. 15.

(5) The 2000 Joint Employment Report, prepared jointly with the Commission, describes the employment situation in the Community and examines the action taken by the Member States in implementing their employment policy in line with the guidelines,

(6) The Council considers it appropriate, in the light of the examination of the implementation of the Member States' employment policies, to make recommendations ; they should be used sparingly, should concentrate on priority issues and should be based on sound and accurate analysis;

(7) In complementing action undertaken by the Member States with a view to contributing towards the achievement of full employment, the competences of the Member States should be respected;

(8) The Council acknowledges the significant efforts already undertaken by Member States with a view to implementing the Employment Guidelines and the Council Recommendation of 14 February 2000[2]; in the assessment of the impact of these policies, the multi-annual perspective of the Employment Guidelines should be taken into account;

(9) In addressing the employment guidelines, an overall strategic approach to the development and implementation of the employment policies in the Member States is called for;

(10) The development and implementation of lifelong learning is key to the development of a competitive and dynamic knowledge-based society and requires action from public authorities, enterprises and social partners;

(11) To tackle youth unemployment, which is a long-standing problem in most European Union countries, all young people should have the opportunity to gain entry to the world of work before they have been unemployed for six months;

(12) To prevent adult long-term unemployment, which affects roughly half of the unemployed in the European Union, all the adult unemployed should be offered a new start before they have been unemployed for twelve months;

(13) It is important to reduce disincentives to employment embodied in the tax or benefit systems in order to ensure higher participation rates amongst women and older workers;

(14) Improvements of the business environment and a better equipment of individuals for taking up entrepreneurial activities are needed to stimulate job creation by more and more dynamic enterprises;

(15) Framework conditions need to be developed to tap the potential for employment growth in the services sector;

(16) Sustained job creation calls for more employment-friendly taxation systems in which the currently high burden on labour is shifted to alternative sources of fiscal revenue, such as energy and the environment;

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2 OJ C […],[…], p. […]

(17) Local action for employment significantly contributes to the achievement of the objectives of the European Employment Strategy;

(18) The establishment of partnerships at all appropriate levels is key for the modernisation of the organisation of work and the promotion of the adaptability of undertakings and their employees;

(19) Gender gaps in the labour market, particularly affecting employment, unemployment and pay, as well as gender segregation across sectors and occupations, require comprehensive mainstreaming strategies and measures to reconcile work and family life better;

Hereby Makes to the individual Member States the recommandations set out in the Annex.

Done at Brussels,

For the Council
The President

ANNEX

I. BELGIUM

Problems in employment performance

The Belgian labour market improved in 1999 with a particularly strong increase in the employment rate and a fall in the unemployment rate to below the EU average. However, employment growth slowed down and was below the EU average and long-standing challenges are only gradually being met.

– Inflows into long-term unemployment are high, as are stocks of long-term unemployed people, who accounted for 5.0% of the labour force in 1999.

– Participation in employment is low amongst older people (12 points below EU average) particularly those over 55, whose employment rate (24.7%) is still the lowest in the Union.

– The average tax burden on labour remains one of the highest in the EU.

– Labour and skills shortages are emerging while regional disparities in unemployment remain considerable.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: implementation of a preventive policy; revision of the tax-benefit system; better co-operation between labour market authorities; reduction of the tax burden on labour and the development of lifelong learning.

Belgium should therefore:

(1) intensify its efforts to implement the new individual approach towards all unemployed young people, which aims to reach them before they have been unemployed for 6 months; take decisive steps to design, and start implementing, an appropriate early-intervention system for unemployed adults;

(2) continue to examine disincentives to labour market participation within the tax and benefit system, particularly those affecting older workers. Belgium should, in particular, closely monitor measures aiming at preventing the early withdrawal of workers from work and consider strengthening disincentive measures in that field.

(3) continue efforts to reinforce co-operation between the different labour market authorities in order to integrate and ensure co-ordination between multiple active measures.

(4) pursue further and closely monitor measures to reduce the tax burden on labour so as to encourage employees to take up a job and employers to recruit, and closely monitor the impact of the reduction of social security contributions;

(5) develop and implement a comprehensive lifelong learning strategy to prevent skills shortages and build a more solid foundation for the knowledge-based economy and society.

II. DENMARK

Problems in employment performance

The labour market situation remains very favourable with the highest employment rates in the EU, both for men and women and one of the lowest unemployment rates. The key challenges for Denmark still lie in the need:

– to expand the current labour force, notably by encouraging employees to remain active members of the workforce for longer and by reducing the number of people of working age on social benefits.

– to achieve a greater balance between women and men across occupations.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: reduction of the tax-burden on labour; encouragement for employees to remain active members of the work force for longer; integration of unemployed women and lessening the degree of gender segregation.

Denmark should therefore:

(1) pursue further and closely monitor implementation of on-going reforms to reduce the overall fiscal pressure on labour, in particular, the tax burden on low incomes;

(2) increase incentives to take up or remain in employment and continue to closely monitor reform of early retirement and leave schemes in the light of the need to increase labour supply.

(3) continue efforts to develop a more substantial mainstreaming approach and a comprehensive strategy for reducing the current levels of occupational gender segregation in the labour market.

III. GERMANY

Problems in employment performance

As the German economy continues to recover, the reversal in employment trends is becoming clearer, and unemployment has fallen further as the consequences of German unification continue to feed through. Amongst the key challenges still facing Germany's labour market are:

– slow absorption of the job losses registered throughout most of the nineties (-1.2 percentage points per year from 1991 to 1998); and large regional differences in unemployment rates, the new Länder being particularly badly affected;

– persistently high long-term unemployment, accounting for 4.4% of the labour force;

– despite recent reforms, one of the highest overall tax burdens on labour in the EU;

– the low proportion of people between 50 and 64 still in employment (about 37%), which points to an additional unused employment potential, and the need for a more vigorous comprehensive lifelong learning policy to boost the employability of the labour force.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: the tax burden on labour; preventive policies; the tax/benefit system, in particular for older workers; lifelong learning and equal opportunities.

Germany should therefore:

1. pursue further and closely monitor efforts to continue the reduction of the fiscal pressure on labour, by reducing taxes and social security contributions. In particular, labour costs should be reduced further at the lowest end of the wage scale, while respecting the need for fiscal consolidation;

2. push ahead with full implementation of a preventative approach, focused on early action to meet individual needs and prevent people from becoming long-term unemployed. Progress towards common and national targets should be closely monitored.

3. continue with a more detailed examination of obstacles and disincentives liable to discourage labour market participation amongst all groups, especially older workers. Changes in labour market participation rates amongst older workers should be monitored, and further measures adopted to improve the employability of this group;

4. tackle skills gaps in the labour market, through further improvements in arrangements for continuous training in partnership with the social partners, and through quantitative targets for lifelong learning. In this context, modern job profiles for apprenticeship training must be developed, and measures are needed in schools to ensure a better transition into modern jobs in the workplace.

5. pursue and strengthen the double-pronged approach coupling gender mainstreaming and specific measures for equal opportunities, paying particular attention to the impact of the tax and benefit system on women's employment, and taking action to reduce the gender pay gap.

IV. GREECE

Problems in employment performance

Greece has one of the lowest employment rates (55.5%) in the EU. Despite good employment performance recently, unemployment has increased in the last few years largely as a result of the growing labour force (women and immigrants) and it is still above the EU average. Long-term unemployment has also increased. This situation illustrates the structural problems in the labour market.

– Youth, female and long-term unemployment rates remain high, above the EU average.

– There is a wide gender gap both in employment and unemployment.

– Educational reforms include steps to develop lifelong learning, but there is no clear overall strategy, while the quality of education and vocational training needs further improvement.

– High administrative burdens hinder business growth, particularly in start-up phase, and employment in services is still low, despite improvements in certain areas.

– Limited use of new technologies and delays in the modernisation of work organisation, which hold back productivity growth, continue to be a matter for concern.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the overall policy approach; prevention and activation; gender mainstreaming and increased female participation; education and training; the reduction of the administrative burden and the modernisation of work organisation.

<u>Greece should therefore:</u>

1. develop a strategic framework and a set of well structured policies for the implementation of the employment guidelines across the four pillars; 2. take decisive and coherent action to prevent young and adult unemployed people from drifting into long-term unemployment, in compliance with guidelines 1 and 2, through swift reform of public employment services; the statistical system must be upgraded, so that policy indicators on prevention and activation are available in good time and progress can be effectively monitored;3. examine in greater detail disincentives within the tax and benefit system liable to discourage labour market participation, particularly amongst women, with a view to progressively raising employment rates amongst women and reinforcing gender mainstreaming;

4. adopt a comprehensive strategy on lifelong learning, including the setting of targets, and further improve the quality of education and vocational training in order to enhance the skills of the labour force; and give more support for continuous training, in particular by involving social partners more actively;

5. adopt and implement a coherent strategy aimed at significantly reducing the administrative burden involved in setting up a new business, in order to stimulate entrepreneurship and fully exploit the job creation potential of the service sector;

6. encourage a partnership approach and promote concrete commitments by the social partners at all appropriate levels on the modernisation of work organisation, with the aim of making undertakings more productive and competitive while achieving the required balance between flexibility and security.

V. SPAIN

Problems in employment performance

Spain has been experiencing positive economic and employment growth over recent years, but serious challenges remain.

– the employment rate, though on the rise, is among the lowest in Europe. Unemployment is still high at 15.9% despite a significant decline since 1996. Long-term unemployment has also declined but women and older workers remain particularly badly affected by unemployment.

– The percentage of temporary employment is high; most of these temporary jobs are of short duration and tend to be done predominantly by women and young people.

– Regional disparities are wide, while geographical mobility is very low.

– Although the female employment rate has been increasing, it is still the lowest in Europe (37.6%). At 30.3%, the employment gender gap is the widest in Europe. Unemployment amongst women is running at 23.1%.

– Less than 35% of the population aged 25-64 have completed upper-secondary level education. Early school-leaving is widespread and participation in education and training during adulthood is particularly low. There is no comprehensive approach to lifelong learning.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: prevention and activation policies; improvement of the statistical monitoring system; gender mainstreaming; lifelong learning; adaptability and tax and benefit systems.

Spain should therefore:

1. continue with modernisation of the Public Employment Services to improve its efficiency, and step up implementation of the preventative approach so as to cover all potential beneficiaries. Such efforts should include the completion of the statistical monitoring system by early 2001;

2. do more to support mainstreaming of equal opportunities in order to push the female employment rate up towards the EU average, in a timeframe that adequately reflects the urgency of such measures;

3. develop and implement a coherent strategy on lifelong learning which includes targets and encompasses initial and continuing education and training so as to increase the levels of educational attainment and participation of adults in education and training activities. Special attention should be given to the problem of early school leavers;

4. pursue efforts, in partnership with the social partners, to adapt employment relations, including labour regulations, and to develop new forms of work organisation, by

ensuring an appropriate balance between flexibility and security for the whole labour force;

5. examine the incentives/disincentives emerging from the tax and benefit systems with a view to increase participation in the labour market and stable employment.

VI. FRANCE

Problems in employment performance

The employment situation continues to improve. However, major structural problems remain.

– Participation amongst the 55-64 age group remains well below the EU average (28.3% against 35.9%) and 1999 saw no change in the downward trend.

– The fall in unemployment was modest and, at 11.3%, the unemployment rate is still above the EU average of 10.8%.

– Taxes on labour are high.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: older workers in active life; the reduction of fiscal pressure on labour; prevention and lifelong learning.

France should therefore:

(1) strengthen efforts to curb older workers' early withdrawal from working life by developing a more comprehensive approach involving the social partners.

(2) pursue and evaluate policy measures designed to reduce the fiscal pressure on labour, particularly measures with an effect on unskilled and low-paid workers;

(3) continue with implementation of individualised and early intervention schemes for the unemployed, and make greater use of such schemes to prevent both youth and adult unemployment;

(4) pursue efforts to modernise work organisation and monitor closely the net effects of the implementation of the 35-hour week legislation; take steps to increase the efficiency of the continuous training system and to promote a comprehensive lifelong learning strategy;

(5) pursue the implementation of coherent strategies, encompassing regulatory, fiscal and other measures, designed to reduce the administrative burden on companies, and evaluate the impact of on-going efforts to create new job opportunities for young people.

VII. IRELAND

Problems in employment performance

Ireland's economic and employment performance has been exceptional. In 1999, the employment rate overtook the European Union average. Furthermore, the unemployment rate has continued to fall for all groups. These developments indicate a further tightening of the labour market. Some structural problems still exist however.

– As is the case for some other Member States, avoiding labour market shortages and associated wage inflation pressures is a core problem for Ireland.

– The participation rate for women remains low and the employment gender gap has only slightly improved between 1998 and 1999.

– As a result of the growing labour market shortages it is important for Ireland to invest in education and training for the unemployed and employed alike. It is one of the few countries which saw an increase in the percentage of unemployed people taking part in training. At the same time, the number of employed in training remains one of the lowest in the Union.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the participation of women in the labour market and the development of a strategy in relation to in-company training and lifelong learning.

Ireland should therefore:

(1) push ahead with its comprehensive strategy aimed at increasing the proportion of women in employment, removing tax barriers and increasing child care places; and take action to reduce the gender pay gap;

(2) pursue and strengthen efforts to sustain productivity growth and upgrade skills and qualifications in the workforce, through increased emphasis on in-company training and the further development of lifelong learning, including the setting of targets.

VIII. ITALY

Problems in employment performance

Employment increased during 1999, principally due to the adoption of fiscal incentives and flexible working arrangements. However, these improvements leave the structural problems of the Italian labour market virtually untackled.

– The low employment rate of 52.5% is some 10 percentage points below the EU average. The employment rate for older people is particularly low at 27.5%.

– The female employment rate rose more sharply than the male rate, but, at 38.1 %, it is among the lowest in the EU.

– Unemployment fell to 11.3% but remains 2 percentage points above the EU average. At 12.4% the unemployment rate amongst 15-24 year-olds was almost 4 percentage points higher than the EU average. Long-term unemployment improved only marginally from 7.1% of the labour force in 1998 to 6.9% in 1999, but has increased as a proportion of total unemployment.

– Wide gender gaps are characteristic of the labour market – roughly 30 percentage points – and female unemployment, at 15.6%, is almost double the male unemployment rate of 8.7%.

– Regional disparities remain significant with an unemployment rate of about 6.5% in the Centre-North and 22% in the South.

– 43.2% of the workforce has completed upper secondary level education, compared with the EU average of 42.5%, but only 6.1% of adults were involved in education or training, compared to an EU average of 8.7%.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: the policy mix across the four pillars; taxand benefit systems; activation and prevention; gender mainstreaming and gender gaps and lifelong learning.

<u>Italy should therefore:</u>

1. address the imbalance in the policy mix across the four pillars, by effectively implementing employability policies, pursuing the modernisation of work organisation, including the regulatory framework and developing a comprehensive strategy for equal opportunities;

2. continue the implementation of the reform of pension and other benefit systems in order to reduce the outflow from the labour market into pensions and other schemes; and pursue efforts to reduce the tax burden, especially on low-paid workers.

3. take effective action to prevent young and adult unemployed people from drifting into long-term unemployment: full implementation of the PES reform across the country and of the Employment Information System should be speeded up to avoid

further delays; and efforts to upgrade the statistical monitoring system should be continued, so that policy and output indicators are available in good time.

4. pursue efforts to provide women with more and better employment opportunities, so as to narrow the wide gender gaps in employment and unemployment. Gender mainstreaming should continue.

5. adopt and implement a coherent strategy on lifelong learning, including national targets; social partners should be mobilised to provide more training opportunities for the work force.

IX. LUXEMBOURG

Problems in employment performance

Luxembourg enjoyed good labour market conditions in 1999, supported by strong economic growth and the highest rise in the employment rate in the EU (4.8 percentage points). The unemployment rate continued to fall and remains the lowest in the EU (2.3%). Some structural problems can be identified though.

– The overall national employment rate is very low despite a very good employment situation with a large number of cross-border workers. The rates are especially low for workers over 55 (26.3%) and for women (48.5%), although both figures have risen since 1998;

– The employment gender gap is one of the widest in the EU, at 25.9 percentage points;

– The domestic supply of qualified people is insufficient;

– The proportion of the adult working population taking part in continuous education and training is still low (5.3%).

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the social dialogue, participation of older workers and women in the labour market and life long learning.

Luxembourg should therefore:

1. encourage the social partners to foster a constructive dialogue, as this is indispensable for the success of the employment policies outlined in the National Action Plan;

2. pursue efforts and implement measures aimed at increasing labour-market participation rates amongst older workers and women, including a review of tax and benefit systems; and take action to promote gender mainstreaming;

3. continue with implementation of the framework law on continuous vocational training and work on policy development and implementation, including the setting of targets, so as to increase the participation rates in education and training.

X. THE NETHERLANDS

Problems in employment performance

The Netherlands enjoyed healthy employment growth in 1999 and employment rates are clearly above the EU average. The unemployment rate continued to fall in 1999, to 3.3%, below the EU average. There are still some structural problems however.

– Although long-term unemployment is falling, there are persistent problems with specific groups, especially low-skilled workers, older workers and ethnic minorities.

– Large numbers of working-age people are kept out of the labour market by disability and other welfare benefits.

Labour market shortages and associated wage inflation pressures are emerging. After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the tax and benefit systems and the statistical monitoring system.

The Netherlands should therefore:

(1) continue to co-operate with the social partners, to reduce disincentives in the benefit system liable to discourage people from participating in the open labour market, in particular people receiving disability benefits, and generate poverty traps;

(2) continue to upgrade the statistical system so that policy and output indicators are available early enough to be used for monitoring and evaluating on-going implementation of the preventive approach.

XI. AUSTRIA

Problems in employment performance

The Austrian labour market's performance improved last year, when the overall employment rate reached 68.2% (59.7% for women). That figure is close to the 70% target established by the Lisbon European Council and above the EU average. Unemployment was reduced to 3.7% in 1999, with youth and long-term unemployment among the lowest in the EU. Despite the overall good performance, structural problems remain in the labour market.

– The overall tax burden is above average and fiscal pressure on labour increased in the period from 1994 to 1998. The forecast reduction in non-wage labour costs of around 0.4 percentage points of GDP by 2003 is only a modest step forward.

– There is still a significant gender gap in both employment and unemployment, despite the fact that the employment rate for women is higher than the EU average.

– The employment rate for older workers is below the EU average figure, Unemployment amongst the over-50s remains high, at double the average rate.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: older workers' employability, gender mainstreaming and taxation on labour.

Austria should therefore:

1. pursue efforts to meet its commitment to reforming early retirement schemes and other measures for older people to stay in work longer so as to achieve a significant rise in the employment rate of older workers;

2. pursue a comprehensive strategy to narrow the still significant gender gap in employment, for instance through measures that help reduce the pay gap and facilitate the reconciliation of work and family life;

3. do more to significantly reduce the heavy tax burden on labour, in particular by focusing on groups who face problems in the labour market.

XII. PORTUGAL

Problems in employment performance

The employment situation further improved in 1999, confirming the previous year's positive trend. Unemployment is among the lowest in the EU, and long-term unemployment has fallen fast. However, the labour market suffers from structural weaknesses which require action:

– The average skill level in the work force is low. Only 21.2% have completed at least upper-secondary education compared to the EU average of around 60%. At 3.6%, participation in education and training is also below the EU average of 8.7% and 45% of young people aged 18-24 left school early.

– The potential for creating jobs in services is considerable, as can be seen from the service-sector employment rate of 36,2%, but no coherent strategy has been developed to foster entrepreneurship.

– A strong input from the social partners is needed to address the main challenges facing the Portuguese labour market, in particular the low skill level, the modernisation of work organisation and employment relations.

– Gender segregation increased from 1997, and is one of the highest in terms of sectors.

After due analysis, it appears that more efforts are required in response to the employment guidelines and recommendations concerning: education and training; reduction of the administrative burden on companies; the partnership approach; gender segregation and access to childcare.

<u>Portugal should therefore:</u>

1. develop and implement a comprehensive lifelong learning strategy which also addresses the problems of early school leaving, sets clear objectives and devises appropriate means. Particular attention should be devoted to the quality of education and training in order to avoid skill shortages;

2. pursue efforts to reduce the administrative burden on companies, to exploit the job creation potential of the service sector and to promote the creation of medium and highly skilled jobs in the services sector;

3. pursue efforts to implement a partnership approach and promote concrete commitments from social partners, in particular in the areas of modernisation of work organisation, adaptation of employment relations, including labour regulations and continuous training.

4. pursue efforts to reconcile family and working life by extending childcare facilities, and examine ways to tackle sectoral gender segregation.

XIII. FINLAND

Problems in employment performance

While Finland has maintained strong economic growth over the past five years some major structural problems remain.

– The overall unemployment rate is still high at 10.2%, being predominantly structural. Youth unemployment and long-term unemployment for those over 50 years old remain a major concern.

– Through recent initiatives, Finland has made progress in lightening the tax burden on labour. However it remains heavier than the EU-average.

– Finland faces skills shortages in several sectors (both in high and low-skilled jobs) and there is a general need to mobilise the labour force by focusing on quality active labour market policies;

– Regional disparities in employment remain considerable.

After due analysis, it appears further efforts are required in response to the employment guidelines and recommendations concerning: tax and benefit schemes, the tax burden on labour and occupational and sectoral segregation in the labour market.

Finland should therefore:

1. continue to review existing tax and benefit schemes, in order to increase incentives to work and to recruit workers, and focus life long learning policies on older people, to retain them as active members of the workforce for longer.

2. pursue further recent policy initiatives aimed at reducing the tax burden on labour, with due consideration for prevailing economic and employment conditions in Finland.

3. monitor and assess, in the context of a gender mainstreaming approach, the current levels of occupational and sectoral segregation in the labour market.

XIV. SWEDEN

Problems in employment performance

Sweden has one of the highest employment rates in the EU. It has recently improved its job creation performance, reducing unemployment to 7.2% in 1999. However, a number of structural problems remain in the labour market.

– The tax burden on labour is still very heavy, especially for the relatively unskilled and low paid. Sweden continues to have the highest tax rates on employed labour in the EU – 52.7% in 1998 compared to the EU average of 39.2%.

– A large number of working age people are dependant on benefits.

– Skill shortages, particularly at regional level, have become a major factor hampering economic growth and regional development.

– The current level of occupational and sectoral segregation between men and women remains an issue of concern, despite well developed equal opportunity policies.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: the tax burden on labour, and gender mainstreaming.

Sweden should therefore:

1. do more, including the setting of a national target, to reduce significantly the high tax burden on labour, in particular for those with a low take-home pay from work.

2. pursue further policy initiatives to further adapt the benefit and assistance schemes, so as to provide adequate incentives to take up jobs.

3. monitor and assess current levels of occupational and sectoral segregation in the labour market, as part of the gender mainstreaming reforms begun in 1999.

XV. UNITED KINGDOM

Problems in employment performance

The UK enjoyed healthy employment growth in 1999 and the employment rates for men and women are clearly above the EU average. The unemployment rate continued to fall in 1999, to 6.1%, below the EU average. Yet, important structural problems persist:

– Inflows into long term unemployment amongst young people and adults (17% and 11% respectively) still exceed those of the best performing Member States.

– Although long-term unemployment is falling, there are still persistent problems concentrated in specific groups, especially within households with no-one in work, amongst disadvantaged groups, and in a number of geographical areas. Inactivity among lone parents is still a problem.

– Some sectors, particularly information technology, suffer from a skills gap. The low level of basic skills is a generalised problem in the UK.

– Though diminishing, the gender pay gap remains high compared to the EU average. The gender gap in employment attributable to the impact of parenthood is also the highest in the EU, suggesting a need for sufficient and affordable childcare.

– The current levels of occupational and sectoral segregation between men and women are higher than the EU average.

After due analysis, it appears that further efforts are required in response to the employment guidelines and recommendations concerning: adaptability, the gender pay gap, childcare provision, a preventive strategy for the unemployed and lifelong learning.

The United Kingdom should therefore:

(1) improve the balance of policy implementation of the Guidelines, so as to strengthen and make more visible efforts to modernise work organisation, in particular by fostering social partnership at all appropriate levels.

(2) pursue efforts to reduce the gender pay gap and take action to improve childcare provision, with a view to making it easier for men and women with parental responsibilities to take employment. Special attention should be given to the needs of lone parents.

(3) reinforce active labour market policies for the adult unemployed before the 12 month point so as to increase the number of people benefiting from active measures, and supplement the support provided by the Jobseekers' Allowance Regime.

(4) intensify efforts to implement initiatives on life long learning, particularly those aimed at increasing the general level of basic skills, demonstrating how access will be ensured for those groups traditionally reluctant to take up the opportunity, or unable to find suitable provision.