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Delegations will find attached the Labour Market Report transmitted by the Employment Committee, in view of the EPSCO Council on 19 June 2014.

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# **EMCO LABOUR MARKET REPORT:**

*Taking stock of Structural Reforms during the crisis*

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## Section 1 - Introduction

Based on Article 148 of the Treaty on the Functioning of the European Union (TFEU), the European Employment Strategy (EES) provides a framework (through the "open method of coordination") for EU countries to share information, discuss and coordinate their employment policies with a view to establish conditions for more and better jobs throughout the EU. By aiming to develop a common understanding of shared challenges, rigorous monitoring of countries' progress on the implementation of recommendations, increased peer pressure, and a genuine multilateral analysis of the thematic priorities agreed in Council, the EES has now provided 16 years of experience in the coordination of employment policies across the EU.

**In 2010, the Europe 2020 Strategy designed a comprehensive approach towards achieving smart, sustainable and inclusive growth** and set several targets, including raising the employment rate of men and women to 75%, reducing the number of people in or at risk of poverty or social exclusion by at least 20 million and tackling the problem of early school leavers (by reducing the dropout rate to 10%) as well as raising the share of the population having completed tertiary education to at least 40%.

Since 2010 the European Employment Strategy has become an integral part of the European Semester process of policy coordination<sup>1</sup>, helping to reinforce the integration of the economic, employment and social policies. This system of economic governance was further strengthened through the implementation of the so-called Six and Two-Pack legislation<sup>2</sup> helping the European Union to manage the current crisis and make progress on achieving the Europe 2020 objectives.

The **Employment Committee** plays a key role in the framework of the European Employment Strategy on several fronts, particularly through the annual Joint Employment Report, the Employment Guidelines and in the monitoring of Member States' employment policies, which in recent years was strongly reinforced through **a rigorous set of multilateral reviews of the progress Member States are making in implementing the Country-Specific Recommendations as issued by the Council and the labour market commitments made by Member States operating under a Memorandum of understanding. This report is primarily based on the evidence generated from three years' worth of such reviews.** In this context, EMCO has also intensified its cooperation with other groups and bodies e.g. from the education and training side. Furthermore, as the Europe 2020 strategy reaches its mid-term point, and work begins on a review of the Strategy, including the EES Employment Guidelines, this report aims to contribute to this work through a stock-take review of the major reforms that have taken place since 2010.

**The time period coinciding with the establishment of the European Semester has been one of fundamental change in Europe's labour markets;** after the employment gains seen over the first decade of the EES, the economic crisis has profoundly altered the make-up of the labour market.

As this report aims to illustrate, far-reaching labour market reforms have been implemented, perhaps on a scale of ambition not seen before in the EU. Member States are striving to improve the performance of education and training systems, which is expected to prevent or avert problems on the labour market due to low skills and skills mismatches. It is also apparent that, particularly for reforms of this nature, their benefit will, in most of the cases, only be manifested fully over the medium to long-term. Therefore, this paper can only provide a stock-taking examination of progress and EMCO will be following up this report with further deliberations in the context of the mid-term review of Europe 2020. However, after three cycles of the policy coordination within the European Semester, a preliminary

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<sup>1</sup> cf. Council Regulation 1175/2011

<sup>2</sup> OJ L306, 23 November 2011; OJ L140, 27 May 2013

analysis considering of the direction, scope and scale of reform seems merited, in particular with a view to forthcoming review of the EU-2020 strategy in 2014.

The report is structured around seven thematic policy areas:

1. Employment Protection Legislation
2. Active Labour Market Policies and Public Employment Services
3. Social Security Systems
4. Work-life balance and gender equality
5. Education and training systems in the context of labour market policy
6. Labour Taxation,
7. Wage Setting Mechanisms.

In order to provide as full a picture as possible the report draws inspiration from a number of documents; in particular the Employment Performance Monitor (EPM)<sup>3</sup>, the joint Commission-EMCO biannual report used to succinctly present the key EU wide and Member State specific labour market challenges – the "key employment challenges", the country-specific recommendations (CSRs) themselves, the Memorandum of Understandings from those relevant Member States, the work of the European Employment Policy Observatory (EEPO experts, previously SYSDM)<sup>4</sup>, and the findings and experiences of the Mutual Learning Programme (MLP)<sup>5</sup>. However, its primary source of inspiration is the work EMCO has conducted over this time period to conduct Multilateral Surveillance Reviews on the implementation of the recommendations addressed to Member States<sup>6</sup>.

## Section 2 - Challenges and policy reforms 2011-2013

### 2.1 The effects of the crisis

Between the time of the period from the start of the EES, and when the financial crisis broke in late 2007, European labour markets had performed relatively well. On the back of sustained strong economic performance the labour market underwent a prolonged period of growth. By 2007 the employment rate had reached about 65% of the workforce (20-64 age group), still insufficient, but approaching the (then) Lisbon target of 70%. The preceding years had seen significant increases in employment, most particularly amongst women and older workers. Unemployment had declined to a rate of about 7%, despite the substantial increase in the labour force.

In direct contrast labour markets have since been living with the legacy of the crisis, the most severe recession since the Great Depression. This has had a profound impact on Europe's labour markets, leading to a sudden reversal of employment growth, sweeping away gains made prior to 2008. By end 2012 employment in the EU had contracted by 4.4 million, the rate of employment slipping back to 68.4% and unemployment rose strongly. Employment fell substantially in the construction (-4.5%), agriculture (-1.5%) and manufacturing (-1.2%) sectors.

Between 2008 and 2012 the unemployment rate for the EU27 increased from 7.1% to 11% by the second quarter of 2013<sup>7</sup>, with the Euro-area figure reaching 12.1%.<sup>8</sup> In all Member States with the

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<sup>3</sup> EPM 2012, 16061/12, EPM 2013 10373/1/13

<sup>4</sup> EEPO, Review Core Team Synthesis: Labour Market reforms 2011-2013.

<sup>5</sup> cf. annex

<sup>6</sup> EMCO/10/06062012/EN, EMCO/29/300513\_Rev2/EN; in accordance with EMCO working methods this report takes into account not only MS that have received a CSR but also MS under a Memorandum of Understanding as well as Croatia that has accessed the European Union in July 2013, cf. overview of country fiches in the annex.

<sup>7</sup> In % of active population, cf. EU Employment and Social Situation Quarterly Review October 2013

<sup>8</sup> cf. EU Employment and Social Situation Quarterly Review October 2013

exception of DE, AT and MT, unemployment rates in 2012 were above pre-crisis levels. BG, CY, EL, IT, ES, and PT all seeing increases above the EU average. This has also translated into a substantive widening of the dispersion of unemployment rates across the EU and particularly in the Euro area (cf. Annex).

At the micro-level the crisis has intensified labour market disadvantage. Groups at risk of becoming labour market outsiders, such as the low-skilled, have been hit hard. Young people have received much political attention as a result of their worsening labour market position. In addition to the unacceptably high unemployment, the percentage of young people Not in Employment, Education or Training (NEET) has been rising drastically, reaching 13.2% by the end of 2012. The highest increases were recorded in EL (+8.6 pps), HR (+6.6pps), CY (+6.3pps) and RO (+5.2pps).

In this section, the overall employment challenge will be **examined along seven policy areas:**

## **2.2 Simplifying Employment Protection Legislation and combatting segmentation**

### ***The crisis has exacerbated employment challenges for particular groups across Europe...***

Long-term unemployment has almost doubled in the EU between 2008 and 2012 (from 2.6% to 4.7% of the active population) and has become a structural problem in some Member States. At the same time companies reactions to economic uncertainty have had a noticeable impact on temporary workers - mainly the young and the low-skilled. Whereas in some Member States the share of temporary workers on total employment has severely dropped from very high levels, in others the use of fixed-term as well as part-time contracts has markedly increased.

### ***..Driving a modernisation and simplification of employment protection legislation to improve labour market resilience.***

In this context, ensuring balanced employment protection legislation (EPL) has emerged as a priority in the reform agenda. Addressing institutional rigidities has become necessary to improve the resilience of labour markets, favour broader employment participation, and foster workers' mobility to more dynamic sectors and jobs. The crisis has also emphasised the size of undeclared work as another relevant dis-functioning that needs tackling. For ten countries EMCO outlines combatting labour market segmentation as a particular key challenge, owing to the combination of above-average levels of temporary work and low transition rates towards permanent contracts.

### ***Widespread structural reforms have been adopted in eleven Member States since the crisis...***

The reviews conducted by EMCO illustrated that legislation in these countries was comprehensively reviewed regarding the reduction of costs and simplification of procedures for individual and collective dismissals, and in some cases the lengthening of trial periods. While in some cases constraints on the use of temporary contracts were loosened, those Member States coping with the challenge of segmentation endeavoured to narrow the gap in levels of employment protection for temporary workers compared with those on permanent contracts, and to curb abuses of atypical work, for instance through increased social charges on fixed-term contracts and better regulation of particular forms of atypical work such as bogus self-employment. In several other countries, selective features of employment protection were adjusted; partially as a consequence of the transposition of EC labour law directives notably that on temporary agency work.

### ***..with a significant majority of Member States having promoted instruments of internal flexibility.***

Supporting internal flexibility has helped to allow companies to keep valuable labour instead of resorting to redundancies during dips in demand for labour. This was particularly apparent in the early

stages of the crisis when, during 2009-2010, short-time work schemes were either created or temporarily extended. In more recent years, a number of countries provided further financial support to short-time work schemes or adopted permanent changes in legislation.

## **2.3 Enhancing labour Market resilience and matching capabilities**

Whilst the crisis brought a halt to overall employment growth, the contraction particularly affected low-skilled individuals and young people. Between 2008 and 2012 the employment rate of the low-skilled fell from 56.5 to 52.1% and for young people from 65.6 to 60.1%. With this in mind, the EPM outlines key employment challenges for 17 Member States to invest in adequate and efficient active labour market policies (ALMPs), including better functioning public employment services, in order to support a rapid (re)insertion into the job market of the most disadvantaged groups.

### ***Active labour market policies are being redesigned..***

Many approaches to ALMPs have been refocused to better tailor them towards individual needs particularly through effective profiling. More prominent focus has been given to disadvantaged groups, such as the young unemployed, older workers, the disabled, immigrant workers, and the long-term unemployed. Measures in this regard cover a wide range of issues including: improvements in training delivery by better linking education schemes to the world of work, specific youth unemployment measures (particularly to put in place a Youth Guarantee), fiscal and employment incentives designed around a reduction in social security contributions or subsidies to lower employment costs for hiring target groups, internal flexibility incentives for short-term working arrangements to prevent lay-offs, job rotation and sharing schemes, and direct job creation for disadvantaged groups.

### ***...with the emergence of a youth Guarantee to support young people.***

The Employment Committee's multilateral surveillance review of the implementation of the CSRs related to youth unemployment illustrated the importance of a timely implementation of the Youth Guarantee and the high political visibility of this issue. The review showed the importance of comprehensive and coordinated approaches involving a wide range of actors at national, regional and local level. This requires a balance of short-term measures to help the young, combined with longer-term structural reforms. Member States are making progress towards putting in place their Youth Guarantee and addressing the considerable challenges faced in implementing such an approach, in terms of reaching all of the young not in education, training or employment, and addressing capacity constraints at all levels.

### ***Efficient Public Employment Services' (PES) are essential for delivering effective ALMP measures...***

Reforms to PES during 2011-2013 have been identified in at least 18 countries. They have included measures aimed at creating closer links with target groups via improving local delivery, or extending the reach to long-term unemployed and marginalised youth, improving the matching processes via increased personalisation of services and statistical profiling. Measures also aimed to increasing resources to improve the effectiveness and efficiency of PES, in terms of staffing ratios and staff training, and in linking staff performance/remuneration to the effectiveness of PES offices. Specific actions have been taken to modernise and improve the accessibility of services, for example introducing electronic registration and application procedures as well as improving joint agency working to create an effective system to support the activation of the unemployed. The participation of private agencies in placement activities is an important development in a number of countries, as is the increased involvement of social partners. At the European level, the Council Decision on enhanced cooperation between Public Employment Services should further facilitate cooperation and the spread of good practice.

***But such reforms of ALMPs and the PES have been somewhat incremental in nature.***

Given the scale of remaining challenges in terms of long-term unemployment, labour market mismatches and youth unemployment, efforts will need to continue in particular through more attention to market needs according to local conditions, the attention to appropriate and trained staff to provide the needed quality of service in terms of profiling and customised job search guidance and developing complementarities with private employment services.

## **2.4 Modernising social security systems**

***The social consequences of this crisis placed particular demands on social security systems.***

Member States have been faced with the twin challenge of balancing the need to ensure adequate levels and coverage of income support for individuals losing their job in order to prevent them moving into poverty, whilst taking consideration also of the need to review benefit systems to provide incentives for labour market participation and avoid unemployment traps.

***Unemployment benefits (UB) have been reformed in nine Member States...***

Benefit reform has tended to focus particularly on tightening eligibility requirements, reducing the amount of benefits received, introducing means testing and conditionality linked to active job search, and establishing duration-dependent unemployment benefits. Social assistance has been streamlined in several countries, including those in which it had performed a stabilisation role, focusing on cash benefit systems, combating benefit dependency and benefit fraud, while reforms in this area are anticipated for some Member States during 2014.

***...whilst some reforms also aimed to strengthen social protection for atypical employment arrangements.***

As a means to encourage entrepreneurship, notably the self-employed have benefited from the establishment of mandatory and special funds in several countries to provide parental leave, long-term illness, special assistance benefits and interest-free postponement of social security contributions, including for entrepreneurs in small businesses, as well as extended unemployment insurance coverage. A number of Member States have encouraged the unemployed to become self-employed by allowing them to continue to receive benefits during the start-up phase.

***Pension reforms are contributing to the retention and activation of older workers as well as ensuring sustainable pension systems...***

These reforms have often focused on reducing disincentives for early retirement, increasing the pension age, and increasing incentives to work beyond retirement age. Approaches to active ageing have also received considerable focus including through stimulating older workers to continue working beyond retirement age, inter alia by easing their employment protection, taking due account of possible displacement effects. Disability pension reforms linked to activating those able to work has been pursued in several Member States with the aim to reduce the inflows into disability benefits and increasing activation via rehabilitation programmes.

***And a number of countries have undertaken significant reforms to modernise social security systems.***

A key drive of reforms has been strengthening their activation component, by improving on the one hand coverage and on the other reducing dependence. While ensuring implementation and monitoring of adopted reforms, Member States will need to continue their efforts in better targeting existing social support schemes with the view to improving their effectiveness and outreach while fine-tuning them with activation measures.



## **2.5 Reinforcing gender equality and work-life balance**

*The crisis has affected the labour market position of women and men differently...<sup>9</sup>*

The gap in unemployment rates between men and women has broadly disappeared since the start of the crisis (the EU rate for men stood at 6.6% in 2007 compared with 7.5% for women but by 2012 these rates stood at 10.4% and 10.5%<sup>10</sup>). However, a large part of the reductions in various gender gaps stems from a more drastic worsening of the labour market situation of men, not an improvement in the position of women.<sup>11</sup> Moreover, the on-going process of fiscal consolidation, and its impact particularly on the public sector, is having a lasting impact on female labour market participation.

*..with the gender employment gap widening across the lifecycle.*

In 2012, the employment rate for older workers ranged from 31.9% to 73% across Europe, with the EU-27 average at 48.9%.<sup>12</sup> The gender employment gap is widening through the life cycle: the gap is around 8.3 percentage points for the young cohort (20-29), 12.4 percentage points for the middle age cohort (30-54) and reaches 14.5 percentage points for the older cohort (55-64).

*Labour market issues related to gender remain a sizable challenge across the EU...*

Given continued challenges related to female participation, a significant number of Member States have had a key challenge on this area within the period 2011-13. These have translated into a number of recommendations given to Member States related to female employment within four main categories: 1) increasing the provision/affordability of childcare and/or elderly care facilities or social services<sup>13</sup>; 2) abolishing the fiscal disincentives for second earners (mostly women); 3) reducing the gender pay gap; 4) gender pension gap and harmonising the statutory retirement age between men and women.

*But the scale of action varies.*

The actions taken by Member States to tackle these challenges differ in extent and design across the EU, with variable progress having been achieved in addressing the challenge. Efforts to increase the number of childcare places are a relatively common approach to enhance female labour market participation. Several Member States introduced changes to maternity, paternity or parental leave. In some cases the efforts were also geared at improving work-life-balance through the development of flexible working time arrangements. Initiatives with regard to reducing the gender pay gap have been reported in several countries ranging from voluntary initiatives (such as tools to identify the gender pay gap in companies) to legislative provisions and compulsory collective bargaining on gender equality issues. Given the magnitude of the challenges in the area of gender equality and work-life balance, also linked with the demographic development, Member States will need to strengthen their efforts to increase the labour market participation of women.<sup>14</sup>

## **2.6 Equipping Europeans with suitable training and providing education systems responsive to the needs of the labour market**

*Skills shortages and mismatches: a long-standing EU wide challenge..*

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<sup>9</sup> The impact of the economic crisis on the situation of women and men and gender equality policies, European Commission 2012

<sup>10</sup> Eurostat, age group 20-64

<sup>11</sup> Employment and Social Developments in Europe 2013, European Commission, 2014

<sup>12</sup> European Commission, 2013

<sup>13</sup> In one Member State this context refers also to the promotion of flexible working arrangements

<sup>14</sup> In this context see also Council Conclusions 7477/14

The existence of mismatches between qualifications and job requirements had been a long-standing challenge before the crisis hit. However, the crisis has intensified the speed of restructuring and further impacted on skill mismatches and gaps. The low-skilled are suffering particularly hard from the impact of restructuring with the need for life-long learning perhaps more clearly illustrated than ever. The majority of Member States received a CSR related to the area of education and training in 2011-2013.

***..which Member States are battling to address.***

Europe 2020 has seen a broad set of measures introduced related to education, training and lifelong learning reform, in particular in relation to transitions from education and training into work. In a significant number of Member States vocational education and training (VET) was at the centre of reforms, most aiming to create a closer link between educational outcomes and offers and labour market needs. Some measures also foresee linking education with the labour market in the framework of a dual system. In some cases mechanisms to improve skill needs forecasting have been set up.

***There has been a significant drive to support transitions from training and education to the labour market in the European Semester period...***

However, in some countries (at the time of finalizing the report) the implementation/adoption of policy reforms touching upon education and training has been delayed. Member States will need to continue their efforts with regard to challenges such as improving the links between education and the labour market and enhancing inclusiveness by widening access to education and training to priority groups.

***..with recent years having seen more of a focus on apprenticeships and VET..***

Efforts have also been made to increase the quality and numbers of apprenticeships, or enhance take-up and the attractiveness of VET, with further initiatives aimed at improving the working conditions of apprentices. In other Member States new training opportunities for the unemployed and priority groups such as young people have been registered, whilst other measures attached a particular focus on training measures for people already in work, including low-skilled.

***..And in reducing the numbers of pupils who leave school early.***

Policy-efforts to combat early school-leaving have been pursued over the last years in several countries. As the unemployment rate among school drop-outs amounts to 40%, these reforms should have a lasting impact on labour market performance. Reforms have been identified in relation to both primary and secondary education. Low achievements remain a challenge: a key objective remains to reduce the share of students showing very low performance in basic skills as this is a serious limitation to their employability once they enter the labour market.

***A major concern is the high share of adults showing low proficiency in basic skills.***

New evidence confirms that, in particular, the low-skilled tend not to take part in life-long learning activities and, in consequence, risk being locked in "low-skills-trap".<sup>15</sup> And the challenge shows that a number of the EU working age population have problems such as low levels of literacy (20%) and numeracy (24%) and the low employment rates among them (55%, respectively 52%).

Member States therefore need to continue their efforts in the field of re-skilling and up-skilling of adults, in particular of the least skilled, and to make life-long learning a reality.

***Reforms of higher education take time and face challenges in terms of ensuring sustainable funding.***

Higher Education reforms have tended to focus on efforts to improve the labour market relevance of higher education qualifications, thereby trying to help address skill mismatches. This requires close cooperation between education, business and labour market actors like social partners. The EMCO

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<sup>15</sup> Survey of Adult Skills (PIAAC), OECD 2013

review on higher education illustrated the importance of ensuring that funding remains sustainable to achieve these objectives. In a number of Member States, lessons learnt on from efforts to make higher education accessible for disadvantaged groups suggest a preventative approach, addressing the problem at an early stage before higher education is most effective.

## **2.7 Addressing the cost of labour by lowering labour taxation**

*There remains scope to switch the taxation focus away from labour.*

The drop in the employment rate of low-skilled workers in the EU from 56.5% in 2008 to 52.1% in 2012 has dissipated the remarkable gains achieved during the pre-crisis years. High levels of labour taxation especially on low-wage earners hamper labour demand and have detrimental effects on employment opportunities for the low-skilled and second-earners. A challenge has been identified in countries where the tax wedge on low-wage earners lies significantly above 40%. Reducing the tax wedge on labour and eliminating distortions in the tax system constitute crucial measures for Member States to stimulate labour demand, foster employment participation, and favour the competitiveness of European companies.

*There is a range of policies focuses towards labour taxation..*

A host of countries has taken some steps towards reducing social security charges through structural, albeit limited reductions in social contribution rates on pensions, health and unemployment insurance, and equivalent measures in the form of corporate tax credit on companies' gross payroll. Other Member States opted for targeted tax incentives to hire specific groups at disadvantage, such as young, low-skilled or older workers, women, long-term unemployed and low-wage earners, while also stimulating employers in micro firms hiring staff, de-taxing the productivity-linked component of wages, and switching to a flat-rate personal income tax coupled with a family tax allowance. In other countries, employment incentives have been created through increasing the ceiling for non-taxable earnings and reduced personal income tax rates, and counterbalanced mainly with raises in consumption taxes but also, more innovatively, through taxing environmental 'bads'. A final group of Member States devoted efforts at tackling distortions within existing tax systems, including the elimination of exemptions for certain segments and the narrowing of the gap between taxation of dependent and self-employment work and agreement contracts.

*But the overall impact is not yet clear*

Overall, some steps were taken in several Member States to reduce the tax wedge on labour, mainly through shifting taxation towards more growth-friendly consumption and environmental taxes. The actual impact of policy changes on overall job creation effects, particularly for low-wage workers and second-earners, as well as on the complexity of the tax/benefit system will need to be monitored and, in some cases, new policy action may need to be undertaken. However, the need to broaden the tax-base and increase revenues for fiscal consolidation purposes has led other Member States to raise income tax rates and social insurance charges for certain groups, though also as a means to discourage excessive use of temporary work, and reduce tax-free allowances, including on low earnings. Therefore, these countries have rather recorded further increases in labour taxes.

## **2.8 Make wages setting adapt to the competitiveness challenge**

*Wage moderation and wage-setting reforms: an important lever to regain competitiveness..*

The cumulative wage growth unrelated to productivity in the run-up to the crisis and some inertia in the first years of the crisis resulted in losses of competitiveness, notably in the Euro Area, that needed to be addressed. In fourteen Member States, wage moderation or adjustments in the wage-setting systems has become an essential lever to correct internal imbalances and regain international competitiveness through favouring a stronger responsiveness of compensations to economic fluctuation, supporting

labour productivity and job creation. However, bargaining partners in different national wage-setting systems have faced the challenge of appropriately balancing these concerns with the essential role of wages in support to aggregate demand, more even income distribution across economic sectors, and avoidance of in-work poverty.<sup>16</sup>

***...with those countries showing large imbalances having implemented far-reaching reforms in their wage-bargaining systems:*** to allow for greater flexibility in wage adjustment at company level. This was implemented in some cases through waiving the previous dominance of centralised collective agreements and establishing the precedence of firm-level wage standards, while in others through easing the conditions for companies to opt out higher-level agreements on economic, technical and organisational grounds, reducing the 'after-effect' of expired collective agreements and reviewing the conditions for the representativeness of unions in negotiating agreements. The adjustment of automatic wage indexation mechanisms to ensure tighter responsiveness to price dynamics and productivity has been a further lever to wage moderation.

***Relevant measures have also affected public sector wages...***

In order to support the competitiveness efforts and provide a signal to the private sector and to contribute to fiscal consolidation processes there has been sizable wage moderation in the public sector. Freezes and reductions to public employees' compensations and social entitlements were implemented, to different extents, in a majority of Member States, but also more drastic breakthrough in wage-setting mechanisms for the public sector were adopted through the cancellation of a basic collective agreement covering selected sectors, and the implementation of wage cuts, productivity premiums and opt-out possibilities.

***And a number of Member States have adapted minimum wages.***

In order to balance the objectives of preventing in-work poverty and supporting competitiveness and job creation a number of Member States have adapted or plan to introduce minimum wages. Whereas in some countries freezes in the level and changes in the governance of minimum-wage setting have produced effects on the decrease of real minimum wages, other Member States have recently implemented some upward revisions, either across-the-board or targeted to specific groups, such as young workers, or low-wage industries, or through modernising the indexation index to better reflect the economic conditions of minimum wage-earners.

***Overall the extensive reforms in wage-setting systems have contributed to the clear rebalancing***

This can be seen in terms of unit labour costs observed over the last three years. While rebalancing has often occurred through reductions in nominal workers' compensations, substantial labour productivity increases have instead driven wage developments in some Member States. Increasing labour productivity and strengthening the linkage with wage developments remains a challenge, where the social partners and public authorities may act in line with the respective competences, but further progress and closer monitoring of the employment impact of minimum wage revisions will be needed.

## **Section 3 – Conclusions and some remarks on the challenges ahead**

This report endeavours to take stock of recent reforms with a mind towards up-and-coming efforts to look to the future, and particularly the mid-term review of the Europe 2020 Strategy. The complex and inter-related nature of labour market reforms over the 2008-2013 period make a complete assessment of reform direction impossible, particularly in terms of impact. However, drawing upon the three years of

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<sup>16</sup> EMCO contribution to the Macro-Economic Dialogue (MED), Autumn 2013.

EMCO multilateral surveillance reviews, the report tries to provide a picture of how labour markets have been reformed and education and training systems have been revised over this period and the state of implementation in addressing Europe 2020's Country-Specific Recommendations.

### **The extent and pace of reform has increased since 2008:**

Member States of the EU have implemented a number of fundamental reforms over the period 2008-2013 to address structural weaknesses and restore competitiveness. In a number of cases these reforms were to address long-standing structural issues that pre-date the crisis, or where the crisis itself exacerbated the issue and made reform essential. The pace and depth of reform has therefore certainly accelerated as the economic crisis hit Europe's labour markets progressively hard. Within the framework of the reinforced coordination provided for by European Semester, the scale and pace of reform has been substantial, but has also clearly varied according to theme and across Member States.

### **Labour market and educational reforms take time to show results:**

Labour market reforms take time to enact and for their benefit to be fully realised. Large scale education reform or changes to labour law will only impact on the labour market in the medium term. The picture is only just becoming available on the impact of rather widespread reforms, complicated further by the fact that the effects of the crisis undoubtedly conceal the likely benefits of such reform or inversely, the detrimental effect of a lack of reforms. This report, looking at three cycles of policy coordination under the European Semester, can therefore only take stock of the areas where we have seen most progress in terms of addressing structural issues and would have to be followed up by further in-depth impact analysis.

### **Sequencing and coordination with product market reform:**

One persistent barrier to reaping the full benefit of reforms has been the lack of demand for labour. Labour market reforms will need to be complemented by decisive action in support of labour demand. This calls for appropriate macro-economic and fiscal policies. Moreover, the Employment Committee has stressed on a number of occasions the importance of accompanying labour market with product market reforms. Product market reforms can act to reduce prices through better competition, thus mitigating the adverse impact of labour market reforms on real wages and domestic demand, allow more optimal allocation of skills, and – in combination with the completion of financial-sector reforms to restore lending to companies - promote opportunities for entrepreneurship and self-employment. Product reforms can therefore help to bring about the full benefit from the broad labour market reforms seen in many Member States over the last years.

### **The importance of ownership:**

In introducing reforms, Member States had to face a number of **economic and institutional constraints** which, in some cases, have hampered the scope of reforms or lowered the immediate macro-economic outcomes, and in some cases jeopardising relationships with social partners. Full ownership of the reform process at national level as well as the involvement of Social Partners and other stakeholders is a key with a view to the implementation of reforms.<sup>17</sup>

**Since the onset of the crisis, the pace and scope of reform to employment protection legislation has been substantial.** Many Member States has under-taken difficult reforms with expected benefits likely to materialise and provide for better functioning labour markets through faster labour reallocation, higher productivity, and reduced segmentation. In many areas reforms undertaken by Member States are quite recent and will need time to fully materialize.

Whilst during the 2008-2009 recession **social security systems** played a significant role in sustaining household incomes in most EU countries,<sup>18</sup> as from 2010, their stabilising effect weakened. This would

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<sup>17</sup> EPSCO Council Conclusions, 7477/14

<sup>18</sup> European Commission (2012) Employment and social developments in Europe 2012

seem to have occurred as some benefit entitlements expired or were phased out and as result of fiscal consolidation measures that reduced the level and/or duration of benefits or excluded some beneficiaries from schemes through tighter eligibility rules.

**The crisis has reinforced the urgency to address labour market mismatches** that have grown over the last three years.<sup>19</sup> With the increase to about 11.6 million in 2012(q4), long-term unemployment has become a structural challenge for the EU requiring determined action. Youth unemployment has been constantly increasing particularly in countries most hit by the crisis (and has now reached 23.5% in the EU and 24.4% in the euro area). Particularly the low-skilled are suffering from higher unemployment levels.<sup>20</sup> At the same time, research also relegates to the fact that older workers with higher educational attainment tend to exit the labour market later.<sup>21</sup>

**EMCOs review of the implementation of the CSRs related to youth unemployment** illustrated the importance of a timely implementation of the Youth Guarantee and the importance of comprehensive and coordinated approaches involving a wide range of actors at national, regional and local level.

**Higher labour market participation amongst women is an essential source for enhancing the Union's growth potential and to meet the demographic challenges.** Although the crisis seems to have reduced the political attention for a more gender-balanced labour market, women still represent the biggest potential pool of labour force, and increasing the female labour market participation continues to be a challenge.

**In the area of education and training the European Semester period has been marked by a broad set of reforms.** There has been a particular drive to improve the performance of education and training systems and make them more responsive to developments on the labour market. Another priority was to foster transitions from education and training into work. The action taken in bringing down early school-leaving can make a contribution to prevent problems on the labour market. However, there is a considerable mix in terms of progress made. Major challenges remain e.g. with a view to structurally improving the school-to-work transition, durably strengthening the link between labour market needs and education outcomes and up-skilling the entire workforce in light of new job opportunities. Education and training need to make a stronger contribution to preventing youth unemployment.

**Progress is less evident in terms of reducing the tax wedge on labour and shifting taxation towards more growth-friendly consumption and environmental taxes.** This is pertinent both for a general shift away from taxes on labour, and also in terms of the role of taxation reform in helping alleviate the labour market position of certain groups (for example women and older workers). In part budgetary constraints have limited the room of manoeuvre for Member States engaged in fiscal consolidation efforts. However, review points to both the potential for further measures in this regard to encourage job creation, as well as conversely, to the need for social security systems to continue providing a valuable role in terms of income support and guaranteeing access to services.

**Notable progress was finally achieved as regards to reviewing wage-setting systems with a view to favouring economic adjustment, competitiveness and job creation.** Extensive reforms in wage-setting mechanisms have contributed to the clear rebalancing in terms of unit labour costs observed over the last three years. While rebalancing has often occurred through reductions in nominal workers' compensations, in some countries wage developments have instead been driven by substantial labour productivity increases. However, in a number of Member States increasing labour productivity and strengthening the linkage with wage developments, the review of wage indexation system, and the

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<sup>19</sup> Beveridge curves in many countries of the EU show a counterintuitive relationship between job vacancy rates and unemployment rates in recent years, meaning that despite high-levels of unemployment also job vacancy rates are high and therefore underlining big labour market mismatches often due to skills or mobility mismatches. A Beveridge curve typically has vacancies on the vertical axis and unemployment on the horizontal.

<sup>20</sup> LMD ECFIN 2013

<sup>21</sup> Employment trends and policies for older workers in the recession, Eurofound.



monitoring of the impact of statutory minimum wages on the employment of the low-skilled and the youth remain crucial challenges in a number of Member States.

### **A look to the future:**

Substantive and ambitious labour market reform has been carried out across the EU in response to the economic crisis. After struggling to tackle the consequences of the crisis the priority becomes one of getting the recovery on track. In this context, to promote a job-rich recovery and ensure the EU improves the functioning of the labour market in the long term, labour market reforms need to continue, particularly given the fact that many of previous "long-term- challenges" such as global competitiveness, demographic change, climate change and the knowledge economy have become immediate now.

In domains where progress has been important but uneven, Member States that have been less ambitious are faced with the challenge of pushing forward with further vigorous reform, and in domains where collectively less progress has been made a new impetus will be required – while acknowledging that not all results of the reforms that were undertaken are already visible.

There are a number of lessons that need to be drawn from the crisis. A new drive for labour market reforms requires both the recognition of the essential role labour market policies play in the broader economic and social policy context, and the need for macro-economic, product market and social policies to take labour market needs more strongly into account. Careful attention to the sequencing of labour and product market reforms can deliver enhanced benefits. Moreover, to be successful reforms require buy-in and close interaction with social partners and other stakeholders, in line with national traditions, and respecting their autonomy.

In the immediate context Member States will have to continue exploring new approaches to job creation (including through the encouragement of entrepreneurship), harnessing the potential of job-rich sectors and devising appropriate measures for that purpose. Looking further beyond, the pace of change related to globalisation and technological innovation will demand steadfast response to the increasing polarisation of labour markets. The drive towards a smart, sustainable and inclusive economy will open new avenues of economic development in all sectors and –if decisively pursued- has the potential to reshape entire value chains.

Labour market policies must be able to adapt in order to fully benefit from this potential. Skills policies, encompassing investment in research, education and training together with reforms of the education systems and a drive towards an integration of the world of education with the world of work, a renewed focus on life-long learning including through the anticipation of required skills, will be a crucial.

More than ever, the EU cannot afford the loss of human capital and the impact on social exclusion of insufficiently functioning labour markets. Reforms need to improve the ability of education and training systems to provide high-quality educational outcomes. There is a strong need to make sure quality work is accessible for all, through improving the resilience of the labour market, introducing more internal and external flexibility, implementing comprehensive strategies aimed at preventing and combating long term unemployment and ensuring a shift from passive to active benefits. The structural improvement of the school-to-work transition including through a youth guarantee must be completed, and the principles of active ageing<sup>22</sup> in the world of work should be implemented.

Europe's post crisis labour markets require the involvement of all groups throughout their lifecycle. This reinforces the drive toward more diverse work and more varied career paths. It will require new approaches to developing labour market policies, and challenges the public employment services (often

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<sup>22</sup> Guiding Principles for Active Ageing and Solidarity between Generations, jointly agreed by the Social Protection Committee and the Employment Committee, cf. 17468/12

in conjunction with private sector providers) to put in place a system of efficient and highly adaptable matching of supply and demand; systems that can deliver smooth, quick and secured employment transitions, meeting the needs of job seekers or workers and the demands of employers. Encouraging mobility and innovation and facilitating safe transitions between jobs without unjustified barriers or penalties will require setting the right incentives through tax/benefit systems and labour law frameworks, with due consideration paid to the need to combat undeclared work.

However, tax systems and wage setting are about more than providing incentives. A substantial shift of the fiscal burden away from labour will only be possible in the context of a wider debate on different tax bases, taking into account the financial sustainability of the European social model. Wage setting policies should continue to respect the role of the social partners and reconcile the provision of adequate incomes with the need to maintain competitiveness and reflect productivity developments.

## **European economic governance and Europe2020**

The over-arching strategic priorities of the Europe 2020 strategy, to deliver smart, sustainable and inclusive growth remain as valid today as in 2010. The economic crisis has if anything intensified the need to focus in on these priorities and on the structural reforms to achieve them. The five interrelated headline targets for the EU to achieve by 2020 in the areas of employment, research and development (R&D), climate change and energy, education, and the fight against poverty and social exclusion also remain important. Although the experience has shown that they cannot be interpreted on their own, these targets have facilitated a focus on priorities and have allowed for a benchmarking of performance.

The European semester has shown to be an effective framework for policy coordination in challenging circumstances. It has proven its worth and does not require large-scale change. However, important and profound changes have taken place in the European economic governance set-up during the first half of Europe 2020 as part of an on-going effort to tackle macro-economic disequilibria and to protect the single currency. This has resulted in a certain predominance of fiscal and macro-economic concerns, at the detriment of employment and social policies. Moreover, the interdependence and sequencing of policies has received less attention than would have been desirable.

This being said, and without prejudice to the midterm review of the Europe 2020-strategy and the employment guidelines for 2015, addressing this should be feasible within the existing governance structures. No new processes are required. Existing tools and governance methodologies need to be used better.

### **The role of the Employment Guidelines within the integrated guidelines**

In the context of the European Semester, the European Employment Strategy, based on the employment guidelines and benefiting from more than 15 years of experience, has proven to provide a strong framework for coordinating policies of Member States through multilateral surveillance. The governance of employment policy has been continually enhanced, with a common understanding reached on shared challenges, rigorous monitoring of countries' progress on the implementation of recommendations, increased peer pressure, a reinforced analytical base and multilateral analysis of the thematic priorities agreed in Council.

It is the strong view of EMCO that new processes are not required. Article 148 of the Treaty should be used to its full potential in order to further balance existing governance arrangements within the European Semester. It allows for the EPSCO Council to fully affirm its added value in the economic governance process, based on its detailed knowledge of the functioning of the EU's labour markets and its preferential relations with the social partners. It also provides a strong basis for the EPSCO Council to enhance its cooperation with other Council formations and their Committees.

**The mid-term review of Europe 2020 could therefore be used as an opportunity to update the Employment Guidelines, to reconfirm their over-arching nature and make them, more transparent**



and user-friendly. Policy guidance inspired by best performance and benchmarking can help spread good practice and focus efforts for tackling challenges for the EU as a whole.

Coupled with this more efficient and deeper multilateral surveillance on the basis of grounded analysis, peer pressure, and exchange of relevant best practices should be better used as a major instrument to foster reform. Within the EPSCO remit, some of the existing instruments need to be further refined and streamlined. EMCO commits itself to such an exercise in the wake of the in-depth review.

EMCO strongly believes that the assessment of both the challenges faced the economies of the EU Member States, and the progress achieved by in addressing them should be based on the substantive competence of Council formations and their preparatory committees, and not the legal base of the instruments. There should be a clearer framework for interaction between the different Council formations and preparatory bodies based on this principle.

Finally, comprehensive social partner involvement is essential, building on existing arrangements to ensure legitimacy and ownership at both national and European level, in particular through a better dialogue with Social Partners in developing National Reform Programmes according to national practice.

# ANNEX

## Annex I:

### CSRs per policy field and countries

Country-Specific Recommendations on EPL, 2011-2013

		B E	B G	C Z	D K	D E	E E	EI	E L	E S	F R	I T	C Y	L V	L T	L U	H U	M T	N L	A T	P L	P T	R O	S E	S I	S K	F I	U K
Overall	2011									X	X	X			X										X			
	2012					X				X	X	X			X					X		X			X			
	2013					X		N/A	N/A		X	X	N/A		X					X		N/A			X			
Segmentation	2011										X	X													X			
	2012										X	X									X				X			
	2013					X		N/A	N/A		X		N/A								X		N/A		X			
Flexibility	2011									X					X													
	2012									X	X	X			X					X					X			
	2013							N/A	N/A			X	N/A		X					X		N/A						

Source: EC 2013

Country-Specific Recommendations on ALMP+PES, 2011-2013

		B E	B G	C Z	D K	D E	E E	EI	E L	E S	F R	I T	C Y	L V	L T	L U	H U	M T	N L	A T	P L	P T	R O	S E	S I	S K	F I	U K
Overall	2011	X	X	X	X	X	X			X	X						X		X						X	X	X	
	2012	X	X	X	X	X	X			X	X			X	X		X		X					X	X	X		
	2013	X	X	X	X	X	X	N/A	N/A	X	X	X	N/A	X	X	X	X		X			N/A	X	X	X	X		
Quality Effectiveness	2011	X			X		X			X	X						X		X						X	X	X	
	2012	X		X						X	X			X	X		X							X	X	X		
	2013						X			X	X	X		X	X	X	X						X	X	X	X		
Performance PES	2011		X	X							X						X									X		
	2012		X	X						X	X						X									X		
	2013		X	X						X	X	X					X						X			X		
Better Targeting	2011																											
	2012	X			X	X	X			X				X	X		X		X					X		X		
	2013	X			X	X	X			X	X	X		X	X	X			X					X	X	X		
Strengthen activation	2011																											
	2012			X		X					X						X									X		
	2013	X	X			X				X	X	X					X						X		X	X		

Source: EC 2013

Country-Specific Recommendations on Social Security System, 2011-2013

		B E	B G	C Z	D K	D E	E E	EI	E L	E S	F R	I T	C Y	L V	L T	L U	H U	M T	N L	A T	P L	P T	R O	S E	S I	S K	F I	U K
Adequacy	2011																											
	2012						X						X															
	2013						X	N/A	N/A	X		X	N/A	X	X		X					N/A	X					X
Access to Quality social service	2011																											
	2012		X				X																					
	2013		X				X	N/A	N/A				N/A									N/A						X
Efficiency social assistance	2011																											
	2012		X				X							X	X													
	2013		X			X			N/A	N/A	X		N/A	X	X				X		X	N/A	X			X		X

Source: EC 2013

Table 1: Country-Specific Recommendations on Gender Equality and work-life balance, 2011-2013

		B E	B G	C Z	D K	D E	E E	EI	E L	E S	F R	I T	C Y	L V	L T	L U	H U	M T	N L	A T	P L	P T	R O	S E	S I	S K	F I	U K
Overall	2011			X		X						X					X		X	X	X							X



Review Wage Indexation	2011							X	X	X		
	2012	X						X	X	X		
	2013	X							X			
Minimum Wages	2011	X										
	2012					X					X	
	2013					X					X	
Align wage growth and productivity	2011		X									
	2012			X			X					X
	2013						X					X

Source: EC 2013

## **Annex II: Country portraits provide by the Member States: Reforms during European Semesters 2011-2013**

### **Austria Most representative reform measures**

**Title of the measure:**

**Challenge and CSR tackled:**

**Key objectives:**

**Key content of measure:**

**Budget allocated (incl. amount contribution from ESF, if present)**

**State of implementation:**

**Monitored Effects:**

**Title of the measure:**

**Challenge and CSR tackled:**

**Key objectives:**

**Key content of measure:**

**Budget allocated (incl. amount contribution from ESF, if present)**

**State of implementation:**

**Monitored Effects:**

**Title of the measure:**

**Challenge and CSR tackled:**

**Key objectives:**

**Key content of measure:**

**Budget allocated (incl. amount contribution from ESF, if present)**

**State of implementation:**

**Monitored Effects:**

## **BELGIUM: Most representative reform measures**

### **Measure 1: Reform of the unemployment benefit system**

**Challenge and CSR tackled:** Belgium was recommended to make sure “the level of unemployment benefits decreases gradually with the duration of unemployment” in 2011. After an initial set of reforms was put in place in 2013 a similar recommendation was issued to “further reduce disincentives to work by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed.”

**Key objectives:** The reform aims to strengthen the incentives to work, to strengthen the monitoring of search efforts and to improve assistance for jobseekers.

**Key content of measure:** The general unemployment benefit scheme has been reformed in order to reinforce the incentives to work through increased degressivity of the allowances. The specific scheme for school-leavers (“waiting allowance”) has undergone an even more thorough reform: the allowance has become conditional on proving active job search, search efforts will be continuously monitored and a time limit has been put in place. Both reforms have been topped up by a new cooperation agreement between the federal government and the regional authorities, streamlining benefits, search effort monitoring and active labour market policies. The deadline for submitting an individual action plan to the jobseekers by the regions has been brought forward, as have the federal follow-up interviews. Moreover, the target group of the agreement has been broadened.

**Scope of the measure** (budget, target group with estimated coverage etc.): All unemployed are subject to this new approach.

**State of implementation:** The reforms have been fully implemented. However, the effects only kick in after some time, due to the different qualifying periods.

### **Measure 2: Wage moderation and labour tax reduction**

**Challenge and CSR tackled:** After receiving similar recommendations in 2011 and 2012, in 2013 Belgium was asked to “pursue the on-going efforts to reform the wage setting system, including wage indexation (...) to ensure that wage setting is responsive to productivity developments, reflects subregional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.” On the tax level the Council asked to “shift taxes from labour to less growth-distortive tax bases”.

**Key objectives:** Foster employment creation and competitiveness through keeping labour cost evolution in line with productivity while maintaining net wage purchasing power.

**Key content of measure:** After a period of moderate wage growth in 2011-2012, a real wage freeze for 2013-2014 has been imposed by the government. Moreover, the government has decided that the wage cost gap Belgium has accumulated since 1996 with respect to the neighbouring countries will be closed in a six year time frame. This has been complemented by adaptations to the price index used in the automatic indexation system, in order to reduce its impact. Finally, the policy of using budgetary margins to reduce labour costs, both in targeted and non-targeted measures, has been continued. In this context, supplementary measures have been taken to reduce social security and fiscal pressure on wages.

**Scope of the measure** (budget, target group with estimated coverage etc.): -

**State of implementation:** All measures have been implemented.

**Monitored Effects:** For 2013 and 2014, nominal ULC in the private sector is expected to increase but more slowly (1.8 in 2013 and 0.6 in 2014) (NBB projections).

### **Measure 3: Encourage active ageing**

**Challenge and CSR tackled:** After similar recommendations in 2011 and 2012, Belgium was in 2013 additionally asked to “step up efforts to close the gap between the effective and statutory retirement age, including by pursuing the on-going reforms to reduce the early-exit possibilities.”

**Key objectives:** Increasing the effective retirement age

**Key content of measure:** The admission age for the early exit route through unemployment allowances with company bonus has been raised from 58 to 60 years. The required seniority was raised to 40 years. This has been realized in several steps and will be fully operational by 2015. Equally, other early exits through the unemployment benefits have been made more restrictive.

Early exits via early legal retirement have been rendered increasingly difficult as well. In general, the admission age for early retirement will gradually be raised by 2016 to 62 years after a professional career of 40 years. Moreover, the treatment of assimilated qualifying periods in the wage earner pension system has been changed, to reinforce the link between work (and contribution payment) and pensions. Finally, from 2013 onwards the unemployed have to be passively available for the labour market until the age of 60, and the regions have reinforced the follow-up of older jobseekers to different degrees.

**Scope of the measure** (budget, target group with estimated coverage etc.): These measures concern the whole private sector.

**State of implementation:** All measures are being implemented according to the time-path that was foreseen and as indicated in the description.

**Monitored Effects:** The employment rate of older people (55-64) has gradually increased from 34.5% in 2008 to 39.5% 2012.

## **BULGARIA: Most representative reform measures**

### **Measure 1: National Initiative "Employment for Youth in Bulgaria"**

**Challenge and CSR tackled:** 2011 CSR "...focusing support on young people with low skills"

**Key objectives:** To reduce youth unemployment through combined efforts of all stakeholders.

**Key content of measure:** In the period 2012-2013 a package of measures, programmes and services were implemented, aimed at activation, consultation, training and employment (incl. apprenticeship and traineeship) of young people up to the age of 29. Two new schemes were launched in the second half of 2012, namely "First job" and "New work place". Three new measures aimed at the employment promotion of unemployed young people under the age of 29 were introduced in the national legislation (Employment Promotion Act) in August 2013. One of the measures is for the part-time employment of long term unemployed young people. The other two measures are aimed at the facilitation of school to work transition. One of them supports creation of first jobs for young people who have graduated from higher and upper secondary education, the other one supports the creation of apprenticeship places for young school drop outs. For provision of specialised services to unemployed young people psychologists and case managers were employed in labour offices.

In pursuance of the initiative a National agreement "First job" was signed in June 2012 between the government and social partners with a purpose to support the inclusion of young people into the labour market by providing them opportunities to gain first professional experience.

With a view to provide timely support for young people an Agreement for exchange of information was signed in July 2012 between the Ministry of Education and Science (MES) and the Ministry of Labour and Social Policy (MLSP). According to the Agreement MES provides to MLSP information for young people who have dropped out of school or have graduated secondary and higher education. MLSP provides information to MES regarding employment services, employment and training programmes and measures. The agreement between the MLSP and MES served as a basis for the adoption of legislative changes that regulate the exchange of personal data between the two institutions. The legislative regulation of the exchange of personal data between the MLSP and MES will be used in the process of activation of young people, which is part of the National Implementation Plan for European Youth Guarantee.

**Scope of the measure** (budget, target group with estimated coverage etc.): The youth employment measures, programmes and schemes implemented in the frameworks of the initiative are funded both by the state budget and ESF.

**State of implementation:** The implementation of the initiative completed at the end of 2013

**Monitored Effects:** In 2012 and 2013, 70 000 young people up to the age of 29 found non-subsidized jobs and other 25 600 young people were involved in training and employment, funded by the state budget. For the same period with the financial support of ESF 37 000 young people were enrolled in training and 20 000 started work.

**Measure 2: Scheme "Improving the quality of services provided by the Employment Agency to citizens and business with a focus on the vulnerable groups on the labour market"** implemented by the Employment Agency



**Challenge and CSR tackled:** 2011 CSR: “...to enhance administrative capacity in key government functions and regulatory authorities, in order to make public services more effective in responding to the needs of citizens and businesses; ...”, “...combating poverty and promoting social inclusion, especially for vulnerable groups....”

**Key objectives:** The main objective of the scheme is to improve the quality and effectiveness of the services provided by the Employment Agency through capacity development for provision of individualized approach in the job search services targeted to vulnerable groups on the labour market. Furthermore the project aims to increase the effectiveness of the services provided to business through organisation of labour exchanges for better matching of demand and supply of labour.

**Key content of measure:** The duration of the project is 2011-2014. The main activities include recruitment and training of 450 new job search mediators for provision of job search services targeted to vulnerable groups, as 100 of them will work with Roma people and 100 of them with young unemployed people; recruitment of 11 labour consultants at Regional Employment Services and the Employment Agency; training of 1200 job search mediators from labour offices for acquiring of knowledge and skills to implement individualised approach in the work with vulnerable groups taking into consideration their specific needs; organisation of regional labour exchanges and labour exchanges targeted to different target groups – people with disabilities, Roma people, unemployed young people, etc.

**Scope of the measure:** The budget of the project is 5 521 950 EUR and it is funded by the European Social Fund under the Human Resource Development Operational Programme 2007-2013.

**State of implementation:** The project is going to be implemented until the end of 2014.

**Monitored Effects:** For the period since the beginning of the project until the end of March 2014 about 461 new job search mediators were hired at labour offices, 109 regional labour exchanges and labour exchanges for vulnerable groups were organized, 1505 job search mediators were trained to work with vulnerable groups.

## **CROATIA: Most representative reform measures**

### **Measure 1: Amendments to the Labour Act (2013)**

**Challenge tackled:** To reduce labour legislation rigidity by reducing EPL Index (starting from 2.61 to 2.34)

**Key objectives:** To improve employment on flexible employment contracts, to reduce operating costs of the employers operating in seasonal activities, to reduce costs for employers' restructuring by reducing dismissal costs.

**Key content of measure:** The Amendments to the Labour Act opened up the possibility for employers to hire on fixed term contracts for a period longer than three years, and to prevent abuses in the usage of successive fixed-term contracts. The objective reasons, as well as the limitation of the total duration of fixed-term employment contracts to three years, refer only to successive fixed-term employment contracts, and not to the first fixed-term employment contract. In this way, employers are enabled to employ employees for a fixed-term period longer than three years, and at the same time an employee would have additional security, since in this period there will be no new successive fixed-term employment contracts concluded for a shorter period of time. The Amendments to the Labour Act also reduce operating costs of the employers operating in seasonal activities through flexible organization of working time. With the amendments the minimum number of continuous hours of rest allowed by the Act is reduced from ten to eight hours for adult employees doing seasonal works, which are performed on two occasions during a working day. A problem has occurred especially in the activities of agriculture, tourism and hotel industry, in relation to organization of the work, which requires the employee to work on two occasions during the day. Due to the prescribed shortest duration of rest prescribed by the Act of ten hours, the work could not be organized on two occasions during the day. The Amendments to the Labour Act also reduce the costs of firing workers by simplifying and shortening procedures of collective redundancy procedures and through the simplification of the procedure for the termination of the employment contract during the probation period.

**Scope of the measure** (budget, target group with estimated coverage etc.): Target groups are employers operating in seasonal activities, employees employed on fixed-term contracts and in a period of probation.

**State of implementation:** Act has been in force since June 2013.

**Monitored Effects:** Longer period of employment for workers on fixed-term contracts, while reducing a number of fixed-term contracts with short duration. Shorter period of collective redundancies procedure, having as a consequence a shorter period of time for the restructuring of companies. A reduced number of abuses of the Labour Act provisions by allowing flexible organization of working time for the employers operating in seasonal activities.

### **Measure 2: Development and expansion of traineeship scheme (occupational training without commencing employment)**

**Challenge tackled:** ... to improve the effectiveness of active labour market policy measures, while matching skills demand and supply.

**Key objectives:** To improve labour market integration of youth through enabling young persons to gain their first professionally relevant work experience, an opportunity to acquire skills and competences in their profession and/or to take professional/state/chamber licence exam needed for future employment in their profession. The objective meets the commitments by improving access to and conditions of traineeship for young unemployed people.

**Key content of measure:** The scheme originating in late 2010 was meant as an instrument for those

young people with an obligation to take professional/state exam, while receiving public financial support. However, its scope and aim were considerably broadened through the 2012 Employment Incentives Act, as it became a part of a reform process, enabling private sector employers to use workplace training and to provide youth in general with better opportunities to gain their first work experience. The access to the scheme was improved again in 2013 with the introduction of travel expenses and subsidies for subsequent employment.

**Scope of the measure** (budget, target group with estimated coverage etc.): Persons with less than one year of tenure in the vocation they were trained for. Duration: one year (in special cases up to 3). Monthly expenditure per person/year: about €122 in social security contributions, €250 for compensation, on average €65 for travel expenses. Total expenditure: €29.8 mil in 2013. Participation: 19,322 persons in 2013, out of whom 14,446 new entrants (about 30% of generation).

**State of implementation:** Full roll-out achieved in 2013.

**Monitored Effects:** Change in youth unemployment, employment outcomes post-intervention

### Measure 3: The „One Stop Shop“ – OSS

**Challenge tackled:** ... There is scope to improve the effectiveness of the social welfare system. ... there is little systematic monitoring of social assistance and benefits at national and local level. The attribution of different social benefits is scattered among services which hinders the exchange of information and opens the way to abuse.

**Key objectives:** Creating a single administrative point for the communication between citizens and the state in the area of granting the rights to benefits, for the administration of a large number of different benefits within the network of state administration offices.

**Key content of measure:** Based on the agreement of competent ministries to join the project "One Stop Shop", in April 2013, the Ministry of Social Policy and Youth appointed a working group for concept development, which, together with the representatives of competent bodies discussed the feasibility of transferring authority for the payment of the four stated benefits (N4) to a new single administrative body. The result is a new concept based on the existing legal and infrastructural preconditions.

**Scope of the measure** (budget, target group with estimated coverage etc.): The measure will provide for financial and material savings as well as for better efficiency in managing human resources. At the state level, there are currently four benefits (maintenance benefit, unemployment benefit, maternity benefit and child's allowance) administrated in over 400 different local offices in the Republic of Croatia within the jurisdiction of the Croatian Health Insurance Fund, the Croatian Pension Insurance Institute, the Croatian Employment Service and social welfare centres (in the area of social benefits in the Republic of Croatia a total of 70 different benefits are currently administrated under the competence of 8 ministries and 4 institutions). The concept of "One Stop Shop" is implemented as a pilot project in the area of social benefits. If we add the social programmes of the local government units amounting to HRK 1.5 billion annually, the total amount of all measures reaches 10 billion HRK annually. The estimated amount of savings after full implementation (2016) is about HRK 6 million.

**State of implementation:** The completion of process is in 2016.

**Monitored Effects:** The number of reduction of 400 state offices to 126 OSS centres; change in the number of administrated benefit: Guaranteed Minimum Benefit, child's benefit, maternity and parental supports, unemployment benefit; saving effects.

## CYPRUS: Most representative reform measures

### Measure 1: Job placement and training of young unemployed tertiary education graduates

**Challenge and CSR tackled:** CSR 5

**Key objectives:** Facilitate the transition from school to work.

**Key content of measure:** The Scheme aims at strengthening the management capacity of enterprises by giving incentives to enterprises to provide employment, practical training and work experience to young university and other tertiary education graduates.

**Scope of the measure (budget, target group with estimated coverage etc.):**

In 2013, the Human Resource Development Authority (HRDA) completed an evaluation study regarding the impact on the participants of the Scheme to whom a subsidy was granted during the period 2009-2012. According to the results of the telephone interviews conducted with the participants, 81,9% of them were employed after completion of the programmes. Actual participants 2013: 713 persons. The measure runs since 1983. Actual expenditure 2013: € 5.612.108

**State of implementation:** Ongoing

**Monitored Effects:** In 2014, a second evaluation study will be carried out.

### Measure 2: Stimulate business innovation through the development of innovative products/services.

**Challenge and CSR tackled:** CSR 5 (Promote Employment and create new jobs)

**Key objectives:** The Scheme aims at promoting employment and creation of new and viable businesses.

**Key content of measure:** The scheme promotes the development of innovative products and services by SMEs. The Scheme of Youth Entrepreneurship was launched in Feb 2008 for the first time, and was implemented until Dec 2013 time at which a fourth and last call was launched. During that period, MECID received more than 1500 applications from young people that wanted to create their own businesses.

**Scope of the measure (budget, target group with estimated coverage etc.):** By the end of Dec 2013, 339 applicants have signed contracts with the Ministry and is expected that more than 500 applicants will sign in 2014. The budget for the period 2007-2013 is about 13 million euros. The amount paid by 31/12/2013 was 3.1 million euros. Payments will continue and finish by the end of 2015.

**State of implementation:** Completion of the evaluation process of the received applications of the 3<sup>rd</sup> call, signing contracts and payments of subsidies to the applicants.

**Monitored Effects:** ERDF operational program «sustainable development and competitiveness» Action «Know-ledge society and Innovation». Ministry of Energy, Commerce, Industry and Tourism.

### Measure 3: Scheme providing incentives for employment of the unemployed

**Challenge and CSR tackled:** CSR 5 (Emphasis on work placements in companies)

**Key objectives:** Aim of this scheme was to alleviate the effects that the financial crisis has induced on the labour market.

**Key content of measure:** This scheme was about providing incentives for hiring unemployed individuals in the private sector. Financial aid of 60% of the yearly wage cost with maximum amount of €7.200 per person per semester is provided. The subsidy was granted only for the first 6 months of employment.

**Scope of the measure (budget, target group with estimated coverage etc.):** Approved budget: €6.000.000. 1984 unemployed applied to benefit from this Scheme. Under the evaluation approved only 1318 unemployed. The Scheme is co-financed by the European Social Fund and the Republic of Cyprus within the

framework of the Operational Programme “Employment, Human Capital and Social Cohesion” 2007-2013.

**State of implementation:** Implementation period: from 27/11/2009 until 30/06/2011.

**Monitored Effects:** Not applicable. There were not implemented relevant measures to monitor the beneficiaries after the period of implementation.

## **CZECH REPUBLIC: Most representative reform measures**

### **Measure 1: Traineeships in companies – education through practice**

**Challenge and CSR tackled:** Low employment rate of the low-skilled, relatively low ALMP spending activation

**Key objectives:** The main aim is to develop an innovative system of further education through traineeships and to increase employability of job-seekers. The project should contribute also to introducing traineeships as a form of further education into the national legislation.

**Key content of measure:** Insufficient work practice is one of the key obstacles faced by graduates. The project addresses this challenge: graduates can take up traineeships and thus improve their labour market position. Companies participating in the projects have a unique opportunity to train their future experts. Duration of the traineeships is between 1 and 6 months.

**Scope of the measure:** Traineeships in companies are targeted at persons with limited work experience (e.g. graduates, unemployed, parents after parental leave). The project budget is approx. 800 mill. CZK.

**State of implementation:** The project runs from June 2012 - October 2014 and is co-funded by the ESF.

**Monitored effects:** In February 2014, more than 33,000 applicants and more than 9,000 providers of traineeships were registered in the project. Since the start of the project, some 5,400 traineeships have been launched, of which 4,000 have been already finished. Nearly 40% of trainees have been offered a permanent employment or external cooperation after the traineeship.

### **Measure 2: Methodology of Comprehensive and Individualized Counselling services to clients of the Labour Office (MIKOP)**

**Challenge and CSR tackled:** Strengthening the efficiency and effectiveness of the public employment service.

**Key objectives:** The project focuses on mapping current practice in the employment section of the Labour Office and on introduction of a systematic set-up of procedures in relation to clients. The purpose of the measure is to strengthen advisory and consultancy activities, to ensure standardized services at all workplaces of the Labour Office so that they are able to provide comprehensive advisory and consultancy services.

**Key content of measure:** The objectives of the project will be achieved by: - strengthening capacity of employment sections of the Labour Office by 253 employees; - training of employees participating in the project in the field of legislation and presentation and communication skills; - development of a new methodology for work with clients.

**Scope of the measure:** The project budget is approximately 320 mill. CZK and it is co-funded by the ESF.

**State of implementation:** The project runs from January 2013 until June 2015.

**Monitored effects:** Within the project, situation in provision of services of the Labour Office will be analysed and methodologies for counselling and job assistance, labour market services and the ESF will be developed. The project will cover 3,427 employees from the labour offices, 1,826 persons will be trained.

### **Measure 3: Professional experience for the young up to 30**

**Challenge and CSR tackled:** Low employment rate of the low-skilled, relatively low ALMP spending and activation

**Key objectives:** The project focuses on increasing employability of young people up to 30 years of age through targeted measures of the Labour Office.

**Key content of measure:** The main aim is to help young people gain professional experience with a concrete employer. The project also promotes deepening of qualifications and skills required by employers with a view to prepare job-seekers for a concrete occupation and/or to bring their skills closer to the current and future needs of the labour market. The measure is based on creation of subsidised jobs for young graduates. The duration of the subsidy is 6-12 months.

**Scope of the measure:** The target group are young people up to 30 years, who are unemployed for a longer period and have limited work experience, irrespective of their educational attainment. The Labour Office identifies potential participants from the register of unemployed. The project budget is approx. 1 bill. CZK, the project is co-funded from the ESF.

**State of implementation:** The project runs from July 2013 until August 2015.

**Monitored effects:** By January 2014, regional branches of the Labour Office concluded 1,620 agreements on employment subsidy, and 600 agreements on subsidy for mentors. In total, 4,586 job-seekers and 4,140 companies (offering 5,912 jobs) showed interest in participation.

## DENMARK: Most representative reform measures

### Measure 1: Cash Benefit Reform ('Kontanthjælpsreform')

**Challenge and CSR tackled:** Take further steps to enhance long-term labour supply by reforming the disability pension, better targeting subsidised employment schemes (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background (2012).

**Key objectives:** The Cash Benefit Reform ('Kontanthjælpsreformen') focuses on getting young people in education or employment. At the core of the reform is also the aim that if people are able to, they must work for their maintenance allowance until they are in regular employment. Correspondingly, people who need help to get closer to a job or an education must receive better assistance than previously. Key to the reform is that young persons under the age of 30 years should complete an education and that persons over the age of 30 years return to the workforce. It is expected that the reform will contribute to provide jobs and formal competences for amongst others people with a migrant background.

**Key content of measure:** E.g. young people below the age of 30 without an education are eligible to educational grants equivalent to the level of state education support (SU) and an extra activity allowance for those who cannot start an education right away. Furthermore, young people have a duty to begin an education as soon as possible, and people with complex issues will receive a holistic effort.

**Scope of the measure (budget, target group with estimated coverage etc.):** The target group is all persons receiving cash benefits ('kontanthjælp'). It will largely affect the non-western immigrants and descendants as they make up about 20 pct. of the persons receiving cash benefits ('kontanthjælp').

**State of implementation:** The reform entered into force on January 1 2014.

**Monitored Effects:** Currently a monitor system is under development, which measures the progress in implementing the reform. It is expected to commence at in June 2014.

### Measure 2: Reform of disability pension and flexi-jobs scheme

**Challenge and CSR tackled:** Phase out as planned the voluntary early retirement pension (VERP) scheme, reform the disability pension, and better target subsidised employment schemes (the "flexjob" system) towards the most vulnerable groups (2011).

**Key objectives:** The reform is intended to include even more individuals in the labour market and enable people to support themselves, so as few as possible end up in continuous passive income support and as many as possible are employed. The reform of the flexi-job scheme is targeted at people with the smallest working capacity, and the way subsidies are given is restructured. The purpose is to enable persons with a small working capacity to enter the scheme as well as ensuring that those in the highest income groups do not receive the highest grants.

**Key content of measure:** The reform is intended to ensure further emphasis on the resources of the individual, as well as on the development of the working capacity of the individual. Several initiatives are launched to ensure a successful implementation of the reform of the flexi-job scheme.

**Scope of the measure (budget, target group with estimated coverage etc.):** The flexi-job scheme is targeted at people with the smallest working capacity, and the way subsidies are given is restructured in the reform. The purpose is to enable persons with a small working capacity to enter the scheme as well as ensuring that those in the highest income groups do not receive the highest grants.

**State of implementation:** Was adopted by Parliament in December 2012 and entered into force 1 January 2013.

**Monitored Effects:** Implementation of the reform is closely monitored. The reform is expected to reduce public spending by 1.9 billion DKK (approx. 253 million EUR) in 2020 in total from the integrated reforms of disability pension and the flexi-job scheme. The number of people who are granted a disability pension has



been halved from 2012 to 2013. This effect is in accordance with the aim of the reform, which is to encourage alternatives to passive public income support.

### **Measure 3: Sickness benefits reform**

**Challenge and CSR tackled:** Take further steps to enhance long-term labour supply by reforming the disability pension, better targeting subsidised employment schemes (the 'flex-job' system) towards people with reduced work capacity, and improving the employability of people with a migrant background (2012).

**Key objectives:** The government wishes to abolish the limited duration of sickness benefits, in order to ensure that no one on sick leave risks finding themselves without maintenance. At the same time, those on sick leave must be met with a swifter and better effort than is the case today.

**Key content of measure:** Abolition of the limited duration of sickness benefits, a new possibility of extension of sickness benefit for seriously ill persons and the possibility of refusing to receive treatment without losing the right to sickness benefit will be put into force on 1 July 2014. A number of elements in order to improve the effort for sick and involve the employers in the effort will be put into force on 1 January 2015.

**Scope of the measure** (budget, target group with estimated coverage etc.): Expected reduction of public expenditure of 107 million DKK in 2020, rising to a reduction of 385 million DKK in 2032.

**State of implementation:** The political agreement was reached on December 2013. The law proposal is under preparation.

**Monitored Effects:** Since the reform is not implemented yet, no effects have been monitored. However, it is expected that the reform will initially lead to a slightly negative impact on employment and to increased expenses. In the long run, from 2016, the reform is expected to have a positive impact on employment and expenses will thereby be decreased. The reform is expected to be fully implemented in 2031, and the expected cuts in expenses are of about DKK 380 million, at this point.

## GERMANY: Most representative reform measures

### Measure 1: Act to Improve Chances for Labour Market Integration

**Challenge and CSR tackled:** Enhance participation in the labour market by improving equitable access to education and training systems and by taking further steps to reduce the high tax wedge in a budgetary neutral way and improve work incentives for persons with low income perspectives.

**Key objectives:** Labour market instruments are designed to further improve the support for persons seeking training or employment by making available measures that are best suited to their needs. The instruments were simplified and their number was reduced.

**Key content of measure:** Objectives for a successful use of instruments by employment agencies and job centres: - More decentralization: Decision-making competence but also responsibility at local level are strengthened; - Greater flexibility: Labour market instruments can be flexibly used and tailored to individual support needs; - Greater individuality: More personalised counselling and support; - Higher quality: Quality assurance is implemented through certification of providers and measures. - More transparency: Client orientation is improved by means of a well-structured and clearly arranged set of instruments.

**Scope of the measure** (budget, target group with estimated coverage etc.): Target group: all jobseekers (objective: individually tailored measures)

**State of implementation:** The essential provisions entered into force on 1 April 2012.

**Monitored Effects:** Individual labour market instruments are continually evaluated (as stipulated by the legislation). Results are not yet available.

### Measure 2: Consolidating support in the transition from school to work

**Challenge and CSR tackled:** Enhance participation in the labour market by improving equitable access to education and training systems.

**Key objectives:** The measures aim at a sustainable integration of young people into vocational training.

**Key content of measure:** A coach provides individual support for pupils with a low performance; the measures start in the last but one grade of general secondary or special needs schools and continue for a period of up to six months after the start of vocational training. If a seamless transition is not achieved, support is provided during the transitional period for a maximum of up to six months after the end of school.

Scope of the measure (budget, target group with estimated coverage etc.): Support in the transition from school to work was tested at about 1,000 pilot schools since 2009 and legally consolidated with effect from 1 April 2012 - with a co-financing requirement by third parties in the amount of 50 per cent of the total costs (section 49 of Book Three of the Social Code). The Federal Government will use ESF funds for this purpose as from 2014. It has made sure that in the interim period (school-year cohorts 2012/2013 and 2013/2014) co-financing at the pilot schools is covered from national funds as from February 2013. For the transitional financing of the Federal Government (continued financing of the measures up until 2017) total costs in the amount of roughly 206m EUR (including co-financing share) have been estimated. In 2013, about 22,100 participants enrolled in the programme under section 49 of Book Three of the Social Code according to preliminary data, largely in the framework of the transitional financing of the Federal Government.

**State of implementation:** In 2012 the measures were consolidated in Book III of the Social Code.

**Monitored Effects:** Improved transitions from general schools to vocational training

**Measure 3: Expanding childcare provision for children 0-3 years**

**Challenge and CSR tackled:** Enhance (especially female) participation in the labour market and gender equality by expanding childcare provision

**Key objectives:** improving access to childcare facilities and thus the compatibility of family and work

**Key content of measure:** Legislation enacted in December 2008, the “Kinderförderungsgesetz” (KiFöG), included the provision of a subjective right to a place in centre- or home-based Early Childhood Education Center for children aged 1 and 2 years. It thus extended the legal entitlement, which already existed for children from 3 years to school age. After a transitional phase the entitlement entered into force on 1<sup>st</sup> of August, 2013. The law offered a remarkable financial support for the expansion of places to the federal states. With the “Kinderzuschutzförderungsgesetz” (KiZuFöG), entered into force in February 2013, the Federal Government gave another financial support to the Federal States for 30.000 additional places. These legal measures triggered a significant expansion of ECEC services.

Scope of the measure (budget, target group with estimated coverage etc.): The Federal Government spend 5,4 billion EUR until 2014 for the expansion of ECEC for children under age 3. From 2014 onwards it will contribute 845 million EUR per annum to the operational costs of ECEC services. Between 2008 and 2013 the rate of children 0-3 years enrolled in ECEC increased from 12.1 to 24.2 per cent in West Germany and from 41.9 to 49.8 per cent in East Germany.

**State of implementation:** on-going

**Monitored Effects:** Expansion of ECEC provision for children 0-3 has been monitored by the yearly reports of the Federal Government submitted to the German Bundestag.

## **Estonia Most representative reform measures**

### **Measure 1: Employment Programme 2012-2013**

Challenge and CSR tackled: CSR 2. Increase the participation of the young and the long-term unemployed in the labour market.

**Key objectives:** The aim of the programme was to prevent unemployment, reduce the duration of unemployment, and to provide help in finding work to people for whom finding work is difficult due to long-term unemployment or other special impediments.

**Key content of measure:** The Employment programme 2012–2013 established following services: mediation of career information; job-seeking counselling; business support; individual engagement in employment; counselling for elimination of impediments to employment; supporting readiness for work; supporting the acquisition of qualifications. Several services were provided under more favourable conditions: job mediation; labour market training; coaching for working life; wage subsidy; adaptation of work premises and equipment; working with a support person.

Scope of the measure (budget, target group with estimated coverage etc.): 55,5 mln euros

**State of implementation:** finalized

**Monitored Effects:** Inflow to Employment Programme measures in 2012 was 90 283. 2013 data about inflow will be available in May 2014.

### Measure 2:

Higher education reform

**Challenge and CSR tackled:** CSR 3: Link training and education more effectively to the needs of the labour market, and enhance cooperation between businesses and academia. Foster prioritisation and internationalisation of the research and innovation systems.

**Key objectives:** To increase capacity of a higher education institutions to respond to labour market needs and widen access and increase the effectiveness of higher education, change higher education funding system and introduce performance contracts to set goals and support institutions of higher education in strengthening their areas of responsibility, internationalisation, entrepreneurship training, PhD studies, development of practical training systems etc.

**Key content of measure:** Providing free higher education: all students who fulfil the requirements of their curricula can study for free in Estonian-medium curricula. Reform of study allowances system: allowances are more needs-based and support students from financially disadvantaged backgrounds. Also, a new type of scholarships is introduced to motivate students to study in STEM areas (e.g. smart specialisation). Reformed higher education institutions funding system provides more autonomy to higher education institutions and allows state to address shortages in certain areas by establishing performance contracts. Adjusted funding system facilitates supporting nationally important areas of development.

**Scope of the measure:** added budget to higher education institutions: € 6.1 million in 2013, € 18.8 million in 2014 and € 33.0 million in 2015. Needs-based study allowance will double the budget of allowances by 2016 ( increase by € 8,8 million).

State of implementation: continues

Expected outcomes: Needs-based study allowances and free study possibilities have increased the access to higher education. The new financing system facilitates state's capacity to specify the

functions and areas of activity of the institutions of higher education, reduce duplication, and provide support for nationally important areas of development.

### Measure 3:

Title of the measure: **Amendment Parental Benefit Act**

**Challenge and CSR tackled:** CSR2: Improve incentives to work by streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection. Improve delivery of social services, while better targeting family and parental benefits and removing distortionary income tax exemptions related to children.

**Key objectives:** Favour parental benefit receivers who want to return to work on the period of parental leave.

Key content of measure: Parental benefit is paid to a parent raising a child up to 18 months of age. A parent can take up employment when receiving the benefit, however, the benefit is recalculated in this case. The recalculation formula was changed and came into force 01.01.2014. Amendment of the act facilitates working or earning income during the period of receiving parental benefit. If the income earned exceeds the rate of the benefit, the amount of the benefit for the month in question is reduced, but with a more favorable formula than before. If the income earned is less than the 320 € per month (base rate of the benefit), the amount of the benefit is not changed. If more than 320 € is earned in a month, the amount of the benefit is changed as follows: new benefit amount = benefit – (income – benefit base rate) / 2. Still, the benefit may not be reduced more than 50 per cent of originally granted amount. It is also prohibited to reduce the amount of the benefit under the limit of the benefit base rate.

**State of implementation:** on going.

**Monitored Effects:** Impact assessment will be conducted in 2015.

## IRELAND: Most representative reform measures

### Measure 1: Pathways to Work

**Challenge and Memorandum of Understanding commitment tackled:** reforms to strengthen the labour market activation system and its link to unemployment supports in the fight against long-term unemployment.

**Key objectives:** 50 point plan to tackle long-term unemployment

**Key content of measure:** Integration of employment and income support services with an intensified work activation focus. More activation places and opportunities for those on the live register; Removing disincentives to the take-up of opportunities by unemployed people; Incentivising employers to provide more jobs for those who are unemployed; Reforming institutions to deliver better services.

**Scope of the measure (budget, target, group with estimated coverage etc.):** Fill additional scheme places. Open 60 “one stop shop” offices. Enable access to courses for long term unemployed. By end 2015 - Move 75,000 long-term unemployed at start of 2012 into employment; Increase the exit rate of people on the live register for two years or more by 50% (to 40%); Reduce the persistence rate to 25%; Increase the % of vacancies filled by employment services to 15%; Provide group information sessions/engagement sessions and interviews to jobseekers.

**State of implementation:** The Pathways to Work strategy was launched in 2011. In 2012 and 2013 most milestones/targets were either met or ahead of schedule. Over 26,000 of long-term unemployed at end-2011 had secured work by 2013 (over 6,000 ahead of the 20,000 target for 2013). The Pathways to Work approach will be rolled out across the country by end 2014.

**Monitored Effects:** A quarterly report on the performance Pathways to Work is published. Unemployment down 41,000 year on year to 253,000; Unemployment rate down from 12.7% to 12.1% in last quarter 2013; Long term unemployment down from 8.2% to 7.2% year on year; Youth unemployment down from 27.2% to 24.2% year on year; Employment up 61,000 year on year; Employment up 14,600 quarter on quarter.

### Measure 2: Reform of the Further Education and Training Sector

**Challenge and Memorandum of Understanding commitment tackled:** The establishment of SOLAS, the new Further Education and Training Authority, and of regional Education and Training Boards in order to enhance their relevance for activation purposes.

**Key objectives:** To ensure that Ireland has a Further Education and Training sector that is aligned to local and regional skills demand and responsive to the needs of both learners and the business sector.

**Key content of measure:** SOLAS will bring a strategic direction to the sector and enable the new Education and Training Boards to deliver an integrated further education and training sector.

**Scope of the measure (budget, target group with estimated coverage etc.):** In addition to the FET Strategy, SOLAS is also developing an integrated FET Services Plan for 2014. This plan will present a detailed picture of how the Irish State’s investment in 2014 is being applied by ETBs and SOLAS against current policy objectives

**State of implementation:** The Education and Training Boards Act 2013 was passed in May 2013. The Further Education and Training Act 2013 was signed into law in July 2013. Arising from the commencement of the Education and Training Boards Act, the 16 Education and Training Boards (ETBs) were established on 1st July 2013. SOLAS was established on 27<sup>th</sup> October 2013, bringing about the dissolution of FÁS. Report of the Review of the Apprenticeship System in Ireland submitted in January 2014.

**Monitored effects:** A strategic review of FET was completed for the Troika in 2013. SOLAS, with assistance of the Economic and Social Research Institute (ESRI) is engaged in a comprehensive consultation process as part

of the development of a five year strategy for the FET Sector. It is expected that a proposed FET Strategy will be available for consideration towards the end of March 2014.

### **Measure 3: Reform of Sectoral Wage Setting mechanisms**

**Challenge and Memorandum of Understanding commitment tackled:** The EU/IMF/ECB Support Programme required an independent review to be undertaken to consider the continued relevance, fairness and efficiency of two distinct types of statutory wage fixing mechanisms and the implementation of a time-bound follow-up comprehensive action plan.

**Key objectives:** Introduction of statutory rules governing the establishment and operation of the wage fixing mechanisms so as to make them more fair and more responsive to changing economic circumstances and labour market conditions.

**Key content of measure:**

- Minimum Wage Fixing Machinery (EROs) in certain low paid sectors: Only a single basic adult rate and two supplementary minimum rates may be fixed; Unemployment levels, competitiveness and wage trends must be taken into account in fixing new rates; Enterprises may seek derogations in cases of financial difficulty.
- Extension procedures applicable to sector level collective agreements (REAs): Opening clauses may be inserted allowing companies to seek derogations in cases of financial difficulty; Legally extended agreements may be cancelled if either the worker or employer parties ceases to be substantially representative of workers or employers concerned

**Scope of the measure** (*budget, target group with estimated coverage etc.*): In 2011, between 170,000 and 300,000 workers were estimated to be covered by either Employment Regulation Orders (EROs) or Regulated Employment Agreements (REAs)

**State of implementation:** As Court decisions have already resulted in the elimination of both sectoral wage setting mechanisms on constitutional grounds, Government reforms are aimed at reinstating a more robust system in conformity with the reform objectives agreed with the Troika. The Industrial Relations (Amendment) Act 2012 implemented reforms and reduced the number of sectors in which the wage fixing machinery may be established from 13 to 8.

**Monitored Effects:** Evaluation of the effect of the reforms must await the re-instatement of the sectoral wage setting mechanisms.

## GREECE: Most representative reform measures

### Measure 1: Voucher for integration into the labour market for youngsters up to the age of 29.

**Challenge tackled:** This measure addresses the challenge of youth unemployment which has reached 55,5% (age group 15-24) in December 2013 in Greece. It aims to protect young people from becoming inactive and long term unemployed due to their lack of previous working experience.

**Key objectives:** The program is aiming to provide 45.000 young unemployed people up to the age of 29 with a pathway to the labour market. The beneficiaries can benefit from vocational training, on the job training and subsidization of social security contributions in case the employer wants to hire them after the end of the training phase.

**Key content of measure:** The young unemployed receive certain training in order to find a job. Afterwards, private sector businesses are subsidized in order to hire the beneficiaries of that training. The total duration of the training is 80 hours while the subsidies of the businesses concern six months.

**Scope of the measure:** The measure is included in the comprehensive Action Plan for the youth and is co-funded by the European Social Fund. The budget reaches 174.900.000 €. The target group concerns young unemployed up to 29 years from all educational levels. The eligible geographical areas are eight (8) regions from the Pure Convergence Objective and three (3) phasing-out regions.

**State of implementation:** The first phase of the measure, concerning the training of young unemployed beneficiaries, has been completed. Enterprises are now invited to enroll in the second phase that concerns the subsidies for the private sector to hire those beneficiaries.

**Monitored Effects:** The places offered through the programme are registered in the ERGANI information system which monitors on a monthly basis the incoming/ outgoing flows in the labour market. Moreover, this measure will be evaluated from an external contractor in terms of effectiveness efficiency and impact of its implementation. So far, according to the available data 35.000 young unemployed have participated in training programs until October 2013. The program will also be evaluated by the Action Plan Monitoring and Steering Committee.

### Measure 2: Reforming the system of collective bargaining

**Challenge tackled:** This measure addresses the high unemployment rates in Greece, which had reached 27,5% in December 2013. It aims to ensure the rapid adjustment of the labour market and strengthen labour market institutions.

**Key objectives:** The key objective of the measure is to reduce unemployment and make it easier and less costly for the employers to hire more staff.

**Key content of measure:** By Law 2024/2011, the legislature gives the opportunity to have business contracts that supersede the terms of the sectoral collective labour agreements. The Cabinet Decision 6/28.2.2012 decreased the prevailed wage thresholds by 22%, while by 32% for young people up to 24 year old. Also, until unemployment rate falls below 10%, the provisions for salary increases due to working experience are suspended. By Law 4093/2012, a new wage setting mechanism is set out for the private sector, by which the national general collective labour agreements will no longer determine wage working conditions. At the same time, Law 4046/2012 determines the minimum statutory wage.

**Scope of the measure:** The measure concerns legislative reform with no economic burden. All employers, employees, unions and collective labour organisations are affected and could be considered as stakeholders of that policy. However, the target group of that measure are the employers of the private sector.

**State of implementation:** The new measures are already in force.



**Monitored Effects:** In 2011, there were 170 business contracts, 38 national sectoral contracts and 7 local sectoral contracts. In 2012, there were 976 business contracts, 23 national sectoral contracts and 6 local sectoral contracts. In 2013, there were 409 business contracts, 14 national sectoral contracts and 10 local sectoral contracts.

## Spain: Most representative reform measures

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### 1. 2012 Labor market reform and developments

Challenge and CSR tackled: The Labor reform and its developments face the main traditional problems of the Spanish labor market regulation that explain a high structural unemployment, an excessive volatility of employment to business cycle, the lack of flexibility in HR management and duality. Besides, they favour active ageing in response to the gradual ageing population that generates a risk to long term sustainability of the Social Security and complementing the profound pension system reform enacted in recent years. 2011-2013 CSRs on labour market regulation and active ageing are comprehensively addressed through this set of reforms.

**Key objectives:** Among its specific objectives are the following:

- Favor internal flexibility within firms as an alternative to job destruction and so as to improve HR management.
- Modernize collective bargaining to bring it into line with the specific needs of firms and workers and ease a more fluid dialogue.
- Rationalize external flexibility measures to foster permanent contracts.
- Improve workers' employability through more effective activation policies.
- To foster active ageing and avoid age discrimination in collective dismissals.
- Fostering permanent contracts, fighting duality and accelerating employment creation.

**Key content of measure:** The 2012 Labor market reform is a major regulatory reform that widely affects internal flexibility measures, collective bargaining, labor contracts regulation, individual and collective dismissals and activation policies. It includes both short term and structural measures:

The reform enhances internal flexibility to allow a more efficient HR management and to foster permanent contracts. It lowers unfair dismissals severance payments and clarifies when a dismissal should be considered fair. It also gives total freedom to reach firm level collective agreements, eases opt-out decisions and puts an end to unlimited "ultractividad" of the agreements. It includes important measures to improve activation policies in both training and matching services. It reforms part-time jobs, training contracts and introduces a new permanent contract with one year probatory period for SME that is linked to hiring subsidies. Finally, it regulates the right to continuous training of the workforce and regulates teleworking.

The reform was launched on February 2012. In autumn several legal developments were published and all the specific measures were finished by the end of that year, including training contracts and collective dismissals more specific regulation. In August 2013 the Government published a report on the impact of the labor reform that was followed by new fine tuning measures. In December 2013 OECD published an independent report on the impact of the reform that was followed by a major reform of part-time jobs. In March 2014 a temporary flat tax rate for new permanent contracts was introduced. New permanent contracts will only cost 100€/month in social security contributions during

two years if employment is maintained at least three years and total permanent workforce is maintained to avoid substitution effect.

Besides, additional measures in labour market regulation promoted active ageing, thus complementing the important measures undertaken through the pension reforms. These include: to forbid compulsory retirement at a determined age in collective bargaining agreements; to penalize those firms that include in collective dismissals a share of older than 50 years old workers that is larger than that of the workforce; rationalization of non-contributory unemployment benefits targeted at older workers.

Budget allocated (incl. amount contribution from ESF, if present)

State of implementation: fully implemented.

**Monitored Effects:** In August 2013 the Spanish Government presented a comprehensive report on the impact of the labor reform that is available online: “Report evaluating the impact of the labour reform”. In December that year the OECD published an additional analysis: “The 2012 Labour market reform”. Both reports find clear improvements in the functioning of the Spanish labor market thanks to the reform. Besides, effective and legal retirement age are approaching quickly, while activity rates of older workers grow steadily. The effectiveness and cost of the flat rate introduced in March 2014 is being closely monitored.

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## 2. Activation policies regulation and modernization of the Public Employment Services

**Challenge and CSR tackled:** The modernization of the Spanish public employment services and a better regulation of the different tools to foster activation have been traditional recommendations that have been included in 2011-2013 Council CSRs. It is a long term deep institutional reform that has been advancing steadily and that will continue to be one of the priorities in this area in the following years.

**Key objectives:** This set of measures aims at modernizing public employment services and developing tools to enhance activation. It includes a better programming and coordination of the strategies followed by the central and regional labor authorities, a result oriented focus, the development of private-public collaborations, enhanced management tools and a better use of new technologies.

**Key content of measure:** The strategy to modernize public employment services and supply better tools to foster activation includes a wide variety of measures that have been developed and put in place in 2011-2013. The process continues as there are many initiatives in the pipeline and further regulatory developments are expected. The main initiatives are the following:

- A new coordination and programming framework through multi annual strategies (Spanish Activation Strategy) and Annual employment plans in which funding of the regions depends on past results measured through a set of indicators. There are many initiatives included in this area such as the development of common concepts and monitoring indicators, the sharing and spreading of best practices, IT developments, and so on.
- A whole new legal framework in training for the employment based on transparency, monitoring and selection of suppliers through open competition.

- New possibilities in matching services through a common framework of public-private collaboration and a new National employment webpage that includes information about vacancies and candidates.
- The rationalization of hiring subsidies that included a large reduction in the use of this tools and a new design of new measures, more suitable to avoid deadweight and substitution effects.
- A new national Strategy for the development of vocational in job training.
- The development of links between active and passive labor policies and a better adaptation of transfers to the real needs of the unemployed.

**State of implementation:** some measures have already been fully implemented such as the 2012 and 2013 Annual Employment Plans or the PREPARA non contributory unemployment benefit reform. Others have been developing for months and continue to be implemented, such as the public-private collaboration in matching services. In other cases, important advances have been done but there is further reform on track, such as training for the employment. In the first semester 2013 initiatives such as the National employment webpage or the 2014-2016 Activation Strategy will be launched.

**Monitored Effects:** The August 2013 Report on the impact of the labor reform included monitoring of some specific measures included in this set of reform. Annual Employment Plans include monitoring indicators that are already conditioning funding of the regions.

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### 3. Strategy for Entrepreneurship and Youth Employment 2013-2016 including the Youth Guarantee.

Challenge and CSR tackled: Promote access of the youth to the labour market, including through entrepreneurship. CSRs in 2011-2013 focused on young people: improve employment opportunities for young people (2011); Implement the Youth Action Plan (2012); Implement and monitor closely the effectiveness of the measures to fight youth unemployment set out in the Youth Entrepreneurship and Employment Strategy 2013- 2016, for example through a Youth Guarantee (2013).

**Key objectives:** Promote measures to reduce unemployment among young people, either through opportunities in the job market or through self-employment and entrepreneurship. The Strategy aims essentially at reducing the rate of youth unemployment and dealing with the structural causes that make it higher than that for the rest of the population. The YG will strengthen partnerships with all stakeholders involved in the early intervention aimed and preventing and reducing unemployment spells and inactivity among young people under 25 years of age.

**Key content of measure:** The actions covered by the Strategy address young people in general under the age of 30, and especially those who are unemployed. The 100 measures of the Strategy have been drawn up to address the challenges identified, focusing on the integration of young people in the labour market, promotion of entrepreneurship and improved employability. They include:

- Early-impact or emergency measures expected to have an effect in the short term. Among others: temporary flat rate of about 50 euros in social contributions for young self-employed workers registering for the first time; elimination of the Social Security contribution for open-ended employment of young people by micro-enterprises and self-employed workers; temporary contract conditional only on lack of experience of the worker newly hired; incentives

for part-time employment including training of young people under 30 with no work experience in certain conditions; compatibility of unemployment benefits with the start of self-employed activity; greater possibilities of capitalisation to a lump sum of 100% of unemployment benefit; second opportunity allowing workers to once again receive unemployment benefit after carrying out self-employed activity if they quit; creation of specialised offices in the Public Employment Services for advice and support for new entrepreneurs.

- Measures whose impact can be expected in the medium to long term addressing the structural problems that affect youth employment. They include: actions aiming to improve the employability of young people through education, training, better foreign language skills and the use of information and communication technologies; initiatives to promote entrepreneurship and self-employment; incentives for hiring workers and for enhancing flexibility and equal opportunities; measures to improve the management and efficiency of PES and actions aiming to promote public-private collaboration in order to improve job searching and mediation.
- Measures to address the situation of NEETs, later developed by the National Implementation Plan for the Youth Guarantee, which sets out the basic lines for the gradual rolling out of the YG system in Spain, based on a common set of core elements, such as an on-line registration site, a profiling tool, a common set of offers and monitoring and evaluation.

Budget allocated (incl. amount contribution from ESF, if present) Resources amounting to 3.485 million Euros were earmarked to the Strategy. Of this amount, just over 1.1 billion from the European Social Fund. The emergency measures were estimated to have an economic impact over the 4 years of implementation of the Strategy of over 1.75 billion, of which 40% aim to promote hiring, 38% for measures to promote self-employment and entrepreneurship, and 22% for training and improved mediation. There was also a budgetary provision of 1.7 billion additional Euros for other measures to be adopted over the four years of implementation of the Strategy, of which at least 50% will be for actions in the field of Training and Education.

In addition, the budget assigned to Spain for the Youth Employment Initiative (YEI) is a total of 943,5 million Euros. In compliance with the regulations governing the YEI, Spain should match that figure with additional funding from the ESF. In the view of the restrictions for the use of the YEI, an amount larger than the compulsory minimum required will be allocated, totalling 2,358 million Euros between 2016 and 2020. The national budget will provide for paying in advance almost all the funds from the YEI and the ESF to fund the Youth Guarantee Scheme.

State of implementation: All short term impact measures implemented. Implemented 64% of the envisaged measures. Plan for the YG presented in December 2013. Gradually being implemented since the beginning of 2014.

Monitored Effects: Up to the end of March 2014, 140.000 young people had benefit of the measures included in the Strategy. The Strategy foresees a monitoring report over the first full year of data after its entry into force. The Plan for the YG foresees close monitoring in accordance with criteria and regulation at EU level.

## FINLAND: Most representative reform measures

### Measure 1: Youth Guarantee

**Challenge and CSR tackled:** to implement and monitor closely the impact of on-going measures to improve the labour market position of young people and the long-term unemployed, with a particular focus on the development of job-relevant skills.

**Key objectives:** The objectives of the Youth Guarantee are to support young people in gaining a job or education place, to prevent prolonged youth unemployment and to offer support at an early stage to avoid social exclusion.

**Key content of measure:** All major action contributing to education, employment and social policies for young people are coordinated under the comprehensive Youth Guarantee programme. The Youth Guarantee offers each young person under 25 and recently graduated under 30 a job, a traineeship, on-the-job training, a study place, or a period in a workshop or rehabilitation within 3 months of becoming unemployed. In addition, every school-leaver will be guaranteed a place in upper secondary school, in vocational education and training, in apprenticeship training, in a youth workshop, in rehabilitation or by other means. The Skills Programme for young adults provides people without an upper secondary level qualification the opportunity to complete a vocational qualification.

**Scope of the measure (budget, target group with estimated coverage etc.):** All persons under the age of 25 who lack employment or vocational training, and to those aged 25–29 who have recently (12 months) graduated. The skills programme for young adults is targeted to 20–29-year-olds without vocational training. The number of registered unemployed young were 37 500 registered young unemployed job seekers in 2013. There are approximately 120 000 young people aged 20–29 who do not have a post-basic qualification. The number of socially excluded young people under 30 without an upper secondary education qualification is approximately 40 000. Of these, it is estimated that there are 25 000 young NEETs.

The additional annual finance for the Youth Guarantee for 2013-2016 includes: - strengthened public employment services, 28 million €, - education guarantee for all comprehensive school graduates, 24 million €, - youth outreach work and youth workshops, 9 million €, - Skills programme for young adults, 52 million €. The labour market situation of young people has deteriorated because of economic recession. Therefore the Government has appointed an additional 81 million € to develop apprenticeship training and on-the-job training during 2014 – 2017.

**State of implementation:** The implementation started guarantee started at the beginning of 2013.

**Monitored Effects:** 92.6 % of young job seekers completed an employment plan with PES-officer within 3 months in 2013. 74.4 % of young job seekers found a job, education place or started on active programme within three months in 2013. The activation rate of young unemployed was 32.9 % (26.8 % for all age groups) in 2013 which demonstrates that young job seekers are a priority in the PES.

### Measure 2: Reducing long-term unemployment and unemployment of those who are most difficult to get employed

**Challenge and CSR tackled:** CSR 3 (partial) (...) Implement and monitor closely the impact of on-going measures to improve the labour-market position of (...) the long-term unemployed, with a particular focus on the development of job-relevant skills.

**Key objectives:** Key objectives are to develop cooperation between state and municipalities and to develop network cooperation with the intermediate labour market.

**Key content of measure:** The Labour Force Service Centers (TYPs) bring together the services of TE offices, the municipalities and the Social Insurance Institution (Kela) with a view to improving the employability of the

long-term unemployed. The current network of 38 TYPs will be extended to cover the whole country as planned before. Experiences from the fix-term trial in 65 municipalities will be exploited in the preparation of the legislation. The fix-term trial piloting new services models continues until the end of 2015 as agreed earlier. Funding responsibility for the labour market support of the long-term unemployed (covering those received labour market support more than 300 days instead of the current 500 days) will partially be transferred to the municipalities (an estimated EUR 150 million transfer of funding responsibility). The functioning of the intermediate labour market is being developed in 2013-2014. The intermediate partner organization have been segmented in 2 groups depending on what kind of services they can provide for unemployed jobseekers: (1) actors that can offer transition work for unemployed with wage subsidy, and support him/her to find a job in the open labour market and (2) actors that can employ unemployed person with wage subsidy to improve his/her general working life and occupational skills with necessary advisory services and to help so jobseekers clarify their employment plan.

**Scope of the measure** (budget, target group with estimated coverage etc.): see above

**State of implementation:** The legislation concerned shall come into force on 1 January 2015. The legislation of social enterprises will be reformed by 2015.

**Monitored Effects:** -

### Measure 3: Moderate wage agreement by the Social Partners

**Challenge and CSR tackled:** CSR 5 (partial)... in the current low-growth environment, support the alignment of the real wage and productivity developments whilst fully respecting the role of social partners and in line with national practices.

**Key objectives:** The objectives is to increase employment, competitiveness and economic growth.

**Key content of measure:** The labour market organisations have concluded a three-year Pact for Employment and Growth in August 2013. According to the agreement, the first-year wage increase will be EUR 20 per month. In the second year, the increase will be 0.4 per cent. The size and timing of the increase for the third year of the agreement period will be agreed upon by the labour market organisations by 15 June 2015. The first contracts under the Pact for Employment and Growth entered into force in November 2013. The Pact for Employment and Growth is also associated with a number of measures pertaining to taxes and benefits as decided by the Government. The agreement is expected to increase nominal earnings by 1.3 per cent in 2014 and by 1.2 per cent in 2015 measured by the level-of-earnings index. This increase in wage level is notably slower than the average rate for the 2000s, as the contracting parties have taken into account the slow growth of the economy and productivity and the declining employment level.

**Scope of the measure** (budget, target group with estimated coverage etc.): The agreement covers 93 % of wage earners.

**State of implementation:** The agreement has entered into force in October 2013. The first phase of the agreement period will be 22-24 months depending of the collective agreement. The second phase of the agreement period will end between November 2016 – January 2017 depending on sector.

**Monitored Effects:** The effects of the agreement are monitored by the Information Committee on Cost and Income Developments.

## France Most representative reform measures

**Title of the measure:**

**Challenge and CSR tackled:**

**Key objectives:**

**Key content of measure:**

**Budget allocated (incl. amount contribution from ESF, if present)**

**State of implementation:**

**Monitored Effects:**

**Title of the measure:**

**Challenge and CSR tackled:**

**Key objectives:**

**Key content of measure:**

**Budget allocated (incl. amount contribution from ESF, if present)**

**State of implementation:**

**Monitored Effects:**

**Title of the measure:**

**Challenge and CSR tackled:**

**Key objectives:**

**Key content of measure:**

**Budget allocated (incl. amount contribution from ESF, if present)**

**State of implementation:**

**Monitored Effects:**



## ITALY: Most representative reform measures

### Measure 1: Labour Market Reform (Law 92/2012)

**Challenge and CSR tackled:** - CSR 2 (2011): “Take measures to combat segmentation in the labour market, by reviewing selected aspects of employment protection legislation and reforming in a comprehensive manner the currently fragmented unemployment benefit system. Step up efforts to fight undeclared work. In addition, take steps to promote greater participation of women in the labour market, by increasing the availability of care facilities throughout the country and providing financial incentives to second earners to take up work in a budgetary neutral way. - CSR 4 (2012): “Adopt the labour market reform as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme. Take further action to incentivise labour market participation of women, in particular through the provision of child and elderly care”.

**Key objectives:** The July 2012 labour market reform main goals are: a) making labour market more inclusive and dynamic by tackling labour market segmentation and restoring equity in the level of employment protection by reviewing individual dismissal rules according to changing labour market and b) making social protection and active policies more efficient, fair and consistent both with economic background and with the changing labour market structure and protection legislation.

**Key content of measure:** Law 92/2012 is a comprehensive package of interventions that encompassed a review of many labour contracts, a revision of individual and collective dismissal rules and procedures, the design of a new social security system including a unemployment benefit scheme, the reshaping of active policies and life-long learning system and the introduction of several measures devoted to promote the inclusion and the employment of young people, women and older workers. The review of existing labour contract – which aims at increasing the incidence of typical contracts among workforce thus also allowing for a more uniform employment protection legislation – is based on: a) the promotion of apprenticeship through a solid social contribution exemption, increasing the number of apprentices employers can hire and the introduction of a minimum contract duration; b) a more flexible use of fixed-term contract through the abolition of the justification clause for the first 12 months; c) revising administrative procedures concerning job-on-call to prevent it being used to conceal undeclared work; d) limiting the scope of project work to high skilled occupations thus to prevent concealing subordinate employment relationships; e) introducing a new regulatory framework concerning internship including the provision of a minimum compensation to be defined by each Region. Labour market reform established that individual dismissal on redundancy ground were justified, without any monetary compensation requirement. To cope with possible disputes, measures were introduced to reduce time and uncertainty on the outcome of possible legal proceedings, thus cutting down indirect costs stemming from layoffs contests..

**Scope of the measure** (budget, target group with estimated coverage etc.): The reform has a potential impact on the vast majority of private sector employee (around 15,000 thousands people) and unemployed (around 2,000 thousands in 2012). Projected costs of the reform were been calculated in 1,719 million of Euros for 2013, 2,219 for 2014, 2,501 for 2015, 2,482 for 2016.

**State of implementation:** Enacted.

**Monitored Effects:** The proportion of hiring through fixed-term contracts increased replacing in particular job-on-call contracts and project work. Unemployment benefit recipients increased, though business cycle effect should be taken into consideration. Individual dismissals figures did not showed significant deviations from the past, while voluntary dismissals have slightly decreased.

## **Measure 2: Pacchetto Giovani (“Youth Package) (Law 99/2013)**

**Challenge and CSR tackled:** - “Take further action to foster labour market participation, especially of women and young people, for example through a Youth Guarantee.”

- “Strengthen general and vocational education to better match young people’s skills with labour demand, in particular for people with migrant background. Reinforce efforts to increase the participation rate of older workers, including by improving Their employability through lifelong learning.”

- “Step up efforts to reduce youth unemployment by improving the design and monitoring of active labour market policies.”

Key objectives: To increase labour content of economic recovery, reduce inactivity rate, enhance employability of young persons and combat poverty – especially in the southern regions.

**Key content of measure:** The policy measure rests on several interventions aiming at a) boosting job creation both on a permanent and temporary basis, especially for young persons and unemployed; b) prepare the ground for an immediate start of Youth Guarantee, thus allowing for new job and training opportunities for young persons, preventing inactivity and combating unemployment; c) reducing poverty and social exclusion.

a) Employers are exempted from paying an amount of social contribution equal to 30% of gross salary - up to a maximum of 650 monthly Euros - for each newly engaged young person (aged between 18 and 29 years) who is eligible according to EC Regulation 800/2008. Measure applies only if engagements increase firm size. For permanent contracts social contribution relief extends up to 18 months, whilst for transformation from fixed term to permanent contracts the benefit is limited to 12 months. In order to ensure greater uniformity among regional regulations of apprenticeship contracts and to enhance on-the-job training, new Guidelines have been issued concerning the procedures concerning vocational content certification of apprenticeships contracts. In particular: i) a national standard for acquired qualification certification was defined; ii) certification is now required only for job-specific training; c) companies with branches in different regions should follow the Apprenticeships regulation of the Region where the headquarter is located. Law 99/2013 allocates around 13.6 million Euros to promote internships in public sector, cultural services, Universities and private companies. Further 168 million Euros (reprogrammed ESF) are allocated to incentive internships in Southern Regions for NEET. Overall ESF 180 million Euros were reprogrammed to incentive self-entrepreneurship and to fund the implementation of social projects promoted by young and disadvantaged persons in Southern Regions.

b) A steering committee (Struttura di Missione) was appointed with the aim of defining a set of Guidelines for the implementation of Youth Guarantee at national and regional level. Struttura di Missione – supported by ISFOL and Italia Lavoro - will moreover monitor the implementation of Youth Guarantee, gathering data and relevant information from PES. A national dataset on active and passive labour market policies will be implemented, gathering information at individual level on benefit allowances and participation in active policy measures. Struttura di Missione – supported by Italia Lavoro and ISFOL – will moreover undertake a monitoring activity on vocational training activities carried out at regional level, particularly focussing on assessing the outcomes of training programmes in terms of employability.

c) 168 million Euros are allocated to further extend Social Card in Southern Regions

**Scope of the measure** (budget, target group with estimated coverage etc.): The reform has potentially a broad impact. Incentives are intended to create 100 thousands jobs for young people in three years. State of implementation: Enacted.

**Monitored Effects:** As of December 2013, around 10 thousands contracts were stipulated benefiting from social contribution partial exemption.

### **Measure 3: Stability Law 2014**

**Challenge and CSR tackled:** High Unit Labour Cost. “Shift the tax burden from labour and capital to consumption, property and the environment in a budgetary neutral manner.”

**Key objectives:** Reducing labour cost

**Key content of measure:** An overall amount of 14.6 billion Euros are allocated to reduce tax burden on labour income and labour cost for the period 2014-2016. In particular the Stability Law 2014 increases tax deductions for employees whose labour income ranges between 8,001 and 32,000 Euros (1.5 billion Euros for 2014); allocates 3.7 billion Euros to reduce non-pensions employers’ social contribution for 2014-2016. (1 billion in 2014, 1.1 in 2015, 1.2 in 2016); recognises to employers hiring workers on permanent basis for the next three years a maximum 15,000 € per-year and per-worker deduction from Regional Tax on Business Activities (IRAP). Measure applies only if engagements increase firm size and is suspended if the number of employees decreases; increases reimbursements to employers in case of transformation from fixed-term to permanent contract; cancels the extra surcharge of 1.4 % on social contribution for fixed-term contacts introduced by Law 92/2012.

**Scope of the measure** (budget, target group with estimated coverage etc.): 14.6 billion Euros for the period 2104-2016.

**State of implementation:** Enacted

**Monitored Effects:** Not yet monitored.

## LATVIA: Most representative reform measures

### Measure 1: ALMPS and PES reforms

**Challenge and CSR tackled:** (CSR 3, 2013) (...) Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people [...]

**Key objectives:** to improve effectiveness and efficiency of ALMPS with impact on better coverage for those in need of support.

**Key content of measure:** 1. Profiling system and enhanced job search support, including a clear definition of a suitable job offer; 2. Evidenced-based policy approach, including the study “Latvia: Who is Unemployed, Inactive or Needy?” (World Bank); 3. Implementation of a training voucher system to ensure a demand led training; 4. Youth guarantee.

**Scope of the measure (budget, target group with estimated coverage etc.):** 1. EUR 54 000 were allocated for profiling system concept (ESF- 28 000), for administrative costs and IT improvements EUR 26 000 (central budget). All registered unemployed – 93 000 at the end of 2013; 2. EUR 284 576, government, ministries, society and other experts, registered unemployed, people, receiving social benefits and other; 3. No additional costs applied – changes in existing regulation were introduced, all registered unemployed; 4. EUR 66 000 000 in 2014-2020, 40 000 young people not in employment or training (NEETs).

**State of implementation:** 1, 3,4 - continuing, 2, 5 – finalized.

**Monitored Effects:** labour market outcomes of ALMPs and PES support including training programmes.

### Measure 2: Social Safety Net

**Challenge tackled:** Memorandum of Understanding between the European Community and the Republic of Latvia (...) by end-August 2011, submit to international lenders proposals for the reform of scope and financing of a comprehensive and targeted social safety net program [...]

**Key objectives:** to protect vulnerable groups with emergency safety net support during a severe economic crisis, to mitigate the social costs of fiscal consolidation, and to support important structural reforms in social sector programs.

**Key content of measure:** health co-payments for the poor (including compensations for medicine), homecare services, additional transportation for schoolchildren, provision of pre-school education to children, implementation of the measure Workplaces with Stipend Emergency Public Works Programme for registered long-term unemployed, co-financing for municipal social assistance programmes and other.

**Scope of the measure:** (budget, target group with estimated coverage etc.): Euro 418 500 952, more than 200 thousand persons received support during 2009-2012; 123 thousand unemployed participated in WWS measure, 82 thousand temporary workplaces were created in municipalities

**State of implementation:** finalized (31.12.2012.)

**Monitored Effects:** number of beneficiaries, coverage, results in evaluation:

<http://siteresources.worldbank.org/EXTHDOFFICE/Resources/5485726-1288802844934/LatviaE2P.pdf>

**Measure 3: Decision on increase in the statutory retirement age and preparations for the development of a comprehensive Active Ageing Strategy**

**Challenge and CSR tackled:** (MoU, 2011) [...] improve management and performance of human resources [...]

**Key objectives:** 1.Reduce the risks to long-term budgetary sustainability of the state pension system from the impact of demographic changes; 2. Active Ageing Strategy - identify the main obstacles, incentives and disincentives for the elderly population to stay in the labour market including coverage of labour demand, employer attitudes and policies, family care obligations, to improve ALMPS impact on better coverage for those in need of support.

**Key content of measure:** 1. Latvia has started to gradually increase the retirement age for men and women (starting from 2014 with an increase by 3 months per year from 62 years reaching 65 years in 2025; 2. Develop a comprehensive strategy - examine the profile of the older population and identify major diversities, propose policy options.

**Scope of the measure:** 1. Projected savings: 2014 - 11 million EUR; 2015 - 24 million EUR, 2016 - 43 million EUR; 2. Active Ageing Strategy - EUR 287 916, government, ministries, society and other experts, registered unemployed, people, receiving social benefits and other.

**State of implementation:** continuing.

**Monitored Effects:** fiscal impacts, providing a strong evidence basis and policy options for the future active ageing strategy

## LITHUANIA: Most representative policy measures

### **Measure 1: New Model of Vocational training of the unemployed and employees of working age who have been given notice of dismissal**

**Challenge and CSR tackled:** (CSR 3) Tackle high unemployment amongst low-skilled and long-term while improving efficiency of active labour market policy measures; improve the employability of young people and address persistent skill mismatches.

**Key objectives:** The Law on Support for Employment has been changed in March 2012 – person is sent to trainings only in cases they are relevant to fulfil concrete workplace or start his/her own individual economic activities. The aim of the new vocational training model is to help unemployed and employees who have been given notice of dismissal to find employment, acquire or improve qualifications or develop necessary competences.

**Key content of measure:** Vocational training is being organized according two cases:

Case I. Vocational training is organized with regard to the needs of the labour market and a specific employer in order to help to be placed in vacancies, to retain employees who have been given notice of dismissal in their workplaces or to start a self-employment activity.

The above cases are related to the following agreements regarding the provision of vocational training organisation services: a tripartite vocational training and employment agreement or a vocational training and self-employment agreement.

Case II. Vocational training is organised with regard to the needs of the future labour market, based on the tendencies of job creation by economic sectors, identified in annual labour market forecasts conducted by the Lithuanian Labour Exchange, and the barometer of employability by occupations, in order to increase employability in future jobs by providing qualifications or competences that are in demand on the labour market, if the number of specialists planned to be trained by education institutions for these jobs is insufficient.

In this case, a vocational training agreement regarding the provision of vocational training organization services is concluded.

A local labour exchange office issues a training voucher to the unemployed person or employee who has been given notice of dismissal, who have been referred to vocational training. The training voucher serves as a commitment of the labour exchange to pay to the chosen vocational training provider for vocational training services rendered according to the specified vocational training programme.

Scope of the measure (budget, target group with estimated coverage etc.):

Socio-economic group targeted – persons motivated to participate in the labour market and meeting the requirements of a vocational training programme and the requirements of employers in the case of a tripartite vocational training and employment agreement are referred to training:

Unemployed persons, ready and motivated for the labour market with only minimum inadequacy of qualification or competence to a vacancy;

Unemployed persons, for whom the labour exchange cannot offer a suitable job within a period of three months and whose individual employment activity plan envisages vocational training;

Employees of working age who have been given notice of dismissal, who have presented their notice of dismissal and have registered with the labour exchange at the prescribed procedure.

6 million EUR were used for vocational training in 2012, 14.4 million EUR in 2013. It is planned that ~12.5 million EUR will be used for vocational training in 2014.

**State of implementation:** continuing

**Monitored Effects:** A total of 95 % percent became employed in 6 months after the measure, compared with 84% in 2012 and 52% in the same period of 2011. According to the preliminary research results on impact assessment of active labour market policy measures made by Ministry of Finance, vocational training was determined as the most effective active labour market policy measure (research results are still on a preparation).

## **Measure 2: Reform of the Cash Social Assistance System**

**Challenge and CSR tackled:** Implement concrete targeted measures to reduce poverty and social exclusion. Continue strengthening the links between the cash social assistance reform and activation measures.

**Key objectives:** Cash Social Assistance Reform was launched in 2012. The key objective of the reform was to increase work incentives, strengthen links between cash social assistance and activation measures, also to better target assistance to those in need.

**Key content of measure:** According to the reform, cash social assistance for poor residents was provided through implementation of two models: in 55 non-pilot municipalities in the form of state function (function assigned by the state to the municipalities), while in 5 pilot municipalities (Akmene, Panevezys, Radviliskis, Raseiniai and Silale) from 1 January 2012 to 31 December 2014 as an independent municipal function. Continuing the reform of the cash social assistance system, taking into consideration the good practice and outcomes of providing cash social assistance in 5 pilot municipalities, the amendments to the Law on Cash Social Assistance for Poor Residents and Law on Local Self-Government were prepared in 2013 and came into effect on the 1 January 2014. According to these amendments, the function to grant one of cash social assistance types, i.e. social benefit, was assigned also to the remaining 55 municipalities to implement as an independent municipal function. It should be noted that in order to increase motivation of working-age persons to integrate into the labour market, carry out active search for a job and reduce long-term dependence on social assistance system to social benefit recipients an additional social benefit is paid if a long-term unemployed social benefit recipient gets employed. Additional social benefit is paid for the period no longer than 6 months for every month related with work or service relations, which amounts to 50% of the average social benefit paid in the last 12 months prior to the employment. While reforming the Cash Social Assistance System Scheme a proportional reduction scheme was introduced which is applicable for long-term beneficiaries of a working age who do not work. This scheme is not applicable for the part of social benefit paid for children and when social benefit is paid only for children, also in certain cases stated in the of Law on Cash Social Assistance for Poor Residents, e. g. person is studying, nursing ill relative, woman is pregnant, etc.

**Scope of the measure** (budget, target group with estimated coverage etc.): Upon assigning social benefit provision to independent municipal function for the rest 55 non-pilot municipalities, the amount of LTL 575.4 million was assigned from the national budget to municipal budgets for 2014. In 2012, the funds amounting to LTL 312.3 thousand were spent to pay additional social benefit, while the funds spent in 2013 amounted to LTL 649.9 thousand, i.e. more than 2 times more.

**State of implementation:** Taking into consideration that a pilot project in 5 municipalities will end 31 December 2014, a unified model of provision of cash social assistance in all 60 municipalities from 1 January 2015 is planned to be adopted.

**Monitored Effects:** Monitoring of the reform of the cash social assistance system has been carried out. The scientists evaluated the reform in terms of adequacy, efficiency, outcomes and benefits in the term of 2012-2014 in 5 pilot municipalities. Aforementioned measures delivered impressive results in terms of saving expenditure and better targeting beneficiaries. The number of persons receiving social benefit in 5 pilot municipalities performing the independent municipal function since 1 January 2012 decreased by 18.7% in 2013 if compared with year 2012 (from 15.5 thousand down to 12.6 thousand people). Expenditure for social benefit decreased by 26.8% (from LTL 38.1 million down to LTL 27.9 million). The average social benefit amount per month per person in the above-mentioned 5 municipalities decreased by 9.5% in 2013, if compared with the 2012, i.e. from LTL 204.3 down to LTL 184.8. The saved funds were used for financing the social programs in municipalities and for providing additional social assistance for the most vulnerable groups.

In comparison, 55 non-pilot municipalities, which provided social benefit by performing the state function of the municipalities (assigned by the state to the municipalities) spent LTL 480.2 million to pay social benefit in 2013. If compared with the year 2012, the expenses for social benefit decreased by 14.5% (from LTL 561.4 million to LTL 480.2 million). In 2013, social benefit in the above-mentioned 55 municipalities was paid to 177.4 thousand persons. If compared with the year 2012, the number of persons receiving social benefit decreased by 14.1% (from 206.4 thousand to 177.4 thousand persons). The average social benefit amount per month per person in the above-mentioned 55 municipalities decreased by 0.5% in 2013, if compared with the year 2012, i.e. from LTL 226.7 down to LTL 225.6. As for the additionally paid social benefit, in 2012, additional social benefit was paid to 930 beneficiaries, while in 2013, it was paid to 2383 persons, i.e. about 2.6 times more.

### Measure 3: Pension reform

**Challenge and CSR tackled:** CSR Adopt and implement legislation on a comprehensive pension system reform. Align the statutory retirement age with life expectancy, restrict access to early retirement, establish clear rules for the indexation of pensions, and promote the use of complementary savings schemes while ensuring implementation of ongoing reforms. Underpin pension reform with measures that promote the employability of older workers.

**Key objectives:** improve future pension adequacy

**Key content of measure:** At the end of 2012, the Parliament adopted changes in the funded pension scheme. From 2014 the contributions to the Pension Funds for the new members will comprise of three sources: 2 percent of obligatory pension contribution, 1 percent paid by the member and 1 percent of the country average wage additionally paid by the State (so-called "2+2+2" formula). The members, already participating in the pension accumulation, will have to make a decision on the form of accumulation. From 1 April till 30 November, 2013 these members can write an agreement to pay additional contribution of 1 percent by themselves and have a grant of 1 percent of the country average wage by the State. Another two options are to accumulate only the obligatory pension contribution or to stop the transferring the contributions to the pension funds. When a person expresses the will to stop accumulation in the pension fund, the accumulated sum is left in the pension fund till the person acquires the right for the benefit from pension fund.

Contributions:

Year	Fraction of pension	Additional	Contribution paid by state (from average wage
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	contribution	contribution paid by member	in the state)
2014	2%	1%	1%
2016	2%	2%	2%
2020	3,5%	2%	2%

Also the fees were reduced by amendments. From 2013 the fee from accumulated assets, which is paid by member, is up to 0.65 percent of a members average annual assets held in conservative pension funds and up to 1 from assets held in other pension funds. From 2013 the fee from contribution is up to 2 percent and every year is reduced by 0.5 percent till it reaches 0 percent:

Contribution fee (maximum amount) is gradually decreased since 2013:

2013 – 2%

2014 – 1.5%

2015 – 1%

2016 –0.5%

Since 2017 – no contribution fee applied.

**Scope of the measure** (budget, target group with estimated coverage etc.): 409 thousand out of 1.1 million participants.

**State of implementation:** implemented

**Monitored Effects:** improved future pension adequacy.

## Luxemburg Most representative reform measures

**Measure 1:** Reform of the youth employment contracts.

**Challenge and CSR tackled: (CSR 4 from 2012)** *Continue efforts to reduce youth unemployment by reinforcing stakeholders' involvement, and by strengthening training and education measures, in particular for those with low education levels, with the aim of better matching young people's skills and qualifications to labour demand.*

**Key objectives:**

The law aims to reform the two main youth employment measures of the public employment service in order to ameliorate the practical training and professional integration of the young job seekers in the labour market. The two measures are the “employment initiation contract” (private sector) and the “employment support contract” (public sector).

These two types of youth employment contracts will also be a key element of the Youth Guarantee, mainly in the “employment path” of the guarantee, which is being implemented and will be launched in June 2014.

**Key content of measure:**

The youth employment contracts had been modified in 2009 in order to offer better chances for the young job seekers during the crisis. Following a study on these measures and the discussions with the stakeholders, the Government proposed modifications in December 2012 which have been adopted by parliament in February 2013. The purpose of the amendments is to improve the practical training and monitoring of young job seekers within the employment measures, increasing their chances of finding a job quickly while providing a stable legal framework.

At the same time the youth employment service of the public employment service has been reinforced to allow a better orientation and follow-up of the young job seekers, and to fully implement the Youth Guarantee.

**Budget allocated (incl. amount contribution from ESF, if present):** 21 million Euros for 2013 and for both type of contracts (national budget only).

**State of implementation:** The bill has been adopted in March 2013.

**Monitored Effects:** As the bill has been adopted in March 2013 and the duration of the contracts can be up to 18 months, so far no study could be carried out regarding the effectiveness of the new measures because it is too early.

However, the previous measures were evaluated by an external research and studies centre. For the “employment initiation contract”, 75% had an employment 6 months after the end of the contract. Without this contract they would be 50%. For the “employment support contract” 48% had an employment 6 months after the end of the contract against 42% without it.

It is expected that the new measures will attain better results for both type of contracts.

**Measure 2:** Reform of the secondary education system.

**Challenge and CSR tackled: (CSR 5 from 2013)** [...] *Strengthen general and vocational education to better match young people's skills with labour demand, in particular for people with migrant background. [...]*

**Key objectives:** This reform aims four main themes to assure a better integration and continuation of the youngsters through a more simple and flexible framework with clearly defined responsibilities and procedures which are specified in the organization of the schools themselves:

- students' progress through the school system;
- preparation of students for higher education;
- language teaching;
- development of school quality and autonomy of colleges.

The current draft reform provides a better framework, a more relevant orientation in the lower classes, a broad general culture, a progressive specialization with more choices in the upper classes, clearly defined responsibilities and procedures specified in the organization of schools.

**Key content of measure:**

This measure consists in the reform of the whole secondary education system. Many of the classes and education paths will be restructured to better match the requirements of an efficient education system. For the lower classes a mentoring system will be introduced to better support and guide the youngsters in the secondary education system. The personal work of the students will be better supervised, from the chosen methodology to the presentation of the personal work. This will develop their skills and give a better individual assessment.

The language teaching will become more flexible and for the higher classes the levels will be set accordingly to the European reference framework. Furthermore the system will be skill based as this has been done in the primary education system. The different levels that have to be attained will be determined for every discipline of the lower classes. Also orientation plays a crucial role in the new system and will be based on better assessments of the students' skills and performance in different fields. The colleges will become more autonomous and the quality follow-up of the education system will be developed.

**State of implementation:** A bill has been introduced in 2013 and is being discussed in the Parliamentary commission in charge of the bill.

**Monitored Effects:** As the bill has not been passed yet, no effect can be monitored.

**Measure 3:** Bill introducing a bundle of measures to promote an age policy in companies.

**Challenge and CSR tackled: (CSR 5 from 2013)** [...] *Reinforce efforts to increase the participation rate of older workers, including by improving their employability through lifelong learning.*

**Key objectives:**

This bill will introduce some key measures that will seek to increase the employment rate, provided the well-being, safety and health of older workers.

The idea is to support older workers to stay in employment and to facilitate the professional integration of the older job seekers.

**Key content of measure:**

This bill includes an obligation for employers with over 150 staff to draw up an age management plan that focuses on at least three of the following issues: recruiting older workers, anticipating career

changes, improving working conditions, providing access to life-long education (LLL) and passing on knowledge and skills to lesser experienced workers.

Financial initiatives are being included for the companies in this group, as well as for those companies not required to draw up plans but who voluntarily apply an age management plan. Companies with more than 150 employees that are already covered by such a plan through a collective bargaining agreement or an inter-professional accord are not constrained by this obligation if they already fulfil a certain number of conditions.

This bill will also introduce a short time internship of up to 6 weeks for job seekers over 50 years old who apply in firms. The aim is to increase the chances of the older job seekers by offering the employers the opportunity to assess the job seekers in a workplace.

**Budget allocated (incl. amount contribution from ESF, if present):** *no additional budget is needed.*

**State of implementation:** A bill has been introduced in April 2014 to the Parliament.

**Monitored Effects:** As the bill has not been passed yet, no effect can be monitored.

## HUNGARY: Most representative reform measures

### Measure 1: Introduction of a new vocational education and training system

**Challenge and CSR tackled:** 'Ensure that the education system provides all young people with labour-market-relevant skills, competences and qualifications. Support the transition between different stages of education and towards the labour market.' (2013 CSR)

**Key objectives:** - increase quality and relevance of the VET-system with regard to the labour market demand to improve employability of participants, - guarantee that students participating in vocational training find employment within a shorter period of time to reduce youth unemployment, - raise attractiveness of the VET-system among students, - develop partnership between VET schools and enterprises.

**Key content of measure:** Act CLXXXVII of 2011 on vocational training launched the mandatory introduction of the new type three-year dual vocational training on 1 September, 2013, - transformation (until 2017) of regional integrated vocational training centres in order to make the vocational training school system more transparent and more efficient, - reinforcement of social inclusion role of vocational school system. The key features of the system include: - the strengthening of elements of dual training, - better channelling economic demands with an increase in the role of the chambers of commerce, - the introduction of new professional and examination requirements (and that of the content of training courses) that follow labour market needs more closely

**Scope of the measure (budget, target group with estimated coverage etc.):** The required resources of the implementation in 2013 were HUF 25 billion. Costs were financed partly by the National Labour Market Fund, partly from ESF funds (SoROP Priority 2). The amount was used primarily for the production of new educational material, further training of teachers and instructors, on-going supervision of the system, etc.

**State of implementation:** On-going. The approval process of implementing legislation is still in progress.

**Monitored Effects:** Monitoring is currently in progress through ex post impact assessment of measures; research projects and inspections conducted by the Hungarian Chamber of Commerce and Industry.

### Measure 2: Job Protection Act

**Challenge and CSR tackled:** Relatively high tax wedge on labour and unfavourable labour market situation of certain disadvantaged groups. CSR: 'Enhance participation in the labour market by alleviating the impact of the tax reform on low earners in a budget-neutral manner' (2011); 'Make the taxation of labour more employment-friendly' (2012); 'Continue making taxation of labour more employment-friendly by alleviating the tax burden on low-wage earners' (2013).

**Key objectives:** Reduce tax wedge; support job creation and job retention, promote employment of low-skilled, the youth, older people, parents with young children and the long-term unemployed.

**Key content of measure:** The Job Protection Act reduces employment costs of certain disadvantaged groups facing difficulties on the labour market by granting substantial tax credits to employers. Employers of these employees are eligible for social security contribution (SSC) deductions (exemption or discount on the social contribution tax and the vocational training contribution amounting in total to

28.5% of the gross income of the employee) up to the income ceiling of HUF 100,000 per month. Besides, new, simpler and more advantageous tax forms are also available for SMEs.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): Budget of the measure is approx. HUF 300 billion, which is solely ensured by national budget. The focus is on groups that are in the worst labour market position and in respect of which Hungary's employment figures show the largest divergence in international comparison, such as: - low-skilled persons (working in elementary occupations not requiring qualification), - young people below the age of 25, - older workers above the age of 55, - long-term unemployed (registered as jobseekers for at least 6 months), - parents with young children.

**State of implementation:** On-going (since January 2013).

**Monitored Effects:** Monitoring by the national tax authority is continuous. In January 2014 the tax credits helped the employment of more than 790 thousand disadvantaged employees

### Measure 3: Youth employment package

**Challenge and CSR tackled:** 'Address youth unemployment for example through a Youth Guarantee. Support the transition between different stages of education and towards the labour market.' (2013 CSR)

**Key objectives:** Improve employability of young people.

**Key content of measure:** The Youth employment package consists of several interventions:

- Large-scale ALMP programmes aimed at improving employability have been increasingly focused on the young target group since 2013, with a budget increase of HUF 22 billion to support at least 37 thousand young people until 2015. These ALMPs implemented by PES, aim at enabling access to the labour market for disadvantaged people by means of comprehensive, tailor-made individual support comprising training, wage subsidies and labour market services.
- A programme to foster entrepreneurship of young people has been launched where young participants are provided training, start-up support, follow-up guidance and mentoring.
- An apprenticeship programme fostering the employment of young qualified career starters by fully or partially subsidizing their wages and social contributions for nine months is also underway since 2013.
- Within the framework of labour market programmes implemented by NGOs since the beginning of 2013, the objective of piloting new methods to promote the employability of young people and help them gain work experience is supported.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): Generally, in the framework of the programmes young people below 25 (30 in the case of career starters with tertiary education) are targeted. The entrepreneurship programme supports young people between 18-35. Total budget of the programmes is approx. HUF 140 billion (ALMP programme for all six target groups HUF 113 bill; Entrepreneurship programme HUF 6.94 bill; Apprenticeship programme HUF 8.5 bill; NGO programmes: HUF 12 bill)

**State of implementation:** Ongoing.

**Monitored Effects:** Programmes are still on-going. (Interim data: in the large-scale ALMP programmes, more than 36 000 young people have been involved until January

## Malta Most representative reform measures

### **Measure 1: Revision of Tax Bands**

Challenge and CSR tackled: *To address Growth Bottlenecks and Economic Imbalances*

Key objectives: *To stimulate growth*

Key content of measure: *As from January 2013, the maximum rate of income tax was reduced from 35 percent to 25 percent, for income below €60,000.*

*Therefore in the years 2013-2016, Government is widening the tax bands of single, joint computation and parents, so that income up to a maximum of €60,000 will be taxed as shown in the table below:*

	Single Computation	Joint Computation	Parent Computation
0%	0 - 8,500	0 - 11,900	0 - 9,300
15%	8,501 - 14,500	11,901 - 21,200	9,301 - 15,800
25%	14,501 - 19,500	21,201 - 28,700	15,801 - 21,200
32% (2013)	19,501 – 60,000	28,701 – 60,000	21,201 – 60,000
29% (2014)			
25% (2015)			
35%	60,001	60,001	60,001

*Persons whose income tax is computed on the single rate and whose only income throughout the year is the minimum wage and the statutory bonus, will not be taxable. This will come about through a specific adjustment whereby persons whose income derived solely from employment, including the bonus, did not exceed €8950 during 2013 would not be liable to income tax.*

*Scope of the measure (budget, target group with estimated coverage etc.): The revised tax bands aim to raise employment growth, support employment creation and make work pay.*

State of implementation: *Ongoing*

Monitored Effects:

### **Measure 2: Introduction of vocational subjects in secondary schools**

Challenge and CSR tackled: 2012 CSR - Take steps to reduce the high rate of early school leaving. Pursue policy efforts in the education system to match the skills required by the labour market.

Key objectives: Provision of vocational training in secondary schools with the aim of making education more relevant to the labour market.

Key content of measure: During 2010, the Ministry for Education and Employment (MEDE), signed a Memorandum of Understanding with Pearson Education Ltd. expressing the intention to collaborate on the provision of BTEC (Business and Technician Education Council) qualifications for the schools sector in Malta. The collaboration agreement covered the supply of qualifications and associated teaching

and learning resources, training of staff as appropriate to enable the delivery of the qualifications in Malta, training in quality assurance methodology and practice to ensure high quality standards in the delivery of all programmes, support for the promotion and marketing to parents and learners, and advice and guidance to support the establishment and implementation of the vocational and core programmes. Four vocational subject areas (Engineering, Health and Social Care, Hospitality, and Information Technology) were identified and scheduled to be piloted in six state colleges and 4 non-state schools from September 2011.

During scholastic year 2012-2013, the BTEC (Business and Technology Education Council qualification) vocational project started its second year of implementation.

A VET Unit was set up within the Office of the Permanent Secretary MEDE to oversee the completion of the BTEC Pilot, the piloting of the home-grown qualifications and the eventual implementation of the planned national roll-out of vocational education in secondary schools in Q3, 2015.

Scope of the measure (budget, target group with estimated coverage etc.): The long-term objective is to eventually develop a VET qualification delivery model suitable for Malta.

State of implementation: Ongoing.

### **Measure 3: Free Child Care**

Challenge and CSR tackled: CSR 2013 - Continue supporting the improving labour-market participation of women by promoting flexible working arrangements, in particular by enhancing the provision and affordability of child-care and out-of-school centres.

Key objectives: Increase the number of women in employment

Key content of measure: To improve the affordability of childcare services, as from April 2014, families with both parents in employment will benefit from free childcare. Free childcare will also be provided to parents who are in education or part-time employment. This initiative will be financed by Government through a public private partnership.

To this end, the Maltese Government has allocated a total of €3.8 million for free child care centres. Government will pay the childcare centre a uniform rate of €3.00 per hour per child availing of the free childcare scheme in 2014 and 2015. The rate will go up to €3.05 per hour in 2016. This is intended to shift competition between providers on the basis of quality instead of price thus improving the quality of service in general.

In April 2014, the Government will also be launching a Breakfast Club measure intended to provide care for children before the schools' official opening hours, from 7.00am till 8.30a.m. This initiative is open to every public school in Malta and Gozo. Parents will have the possibility to drop off their children at school before they go to work having the peace of mind that their children are being taken care of by teachers. This incentive will allow further flexibility to working parents and may also encourage more women to either return or enter into the labour market.

Scope of the measure (budget, target group with estimated coverage etc.): The free childcare initiative is expected to foster a substantial increase in employment especially by raising the percentage of female employment and older workers.

State of implementation: To start in April 2014



## Netherlands Most representative reform measures

### Measure 1: *Wet Werk en Zekerheid* (Law for Work and Security)

**Challenge and CSR tackled:** CSR4 2013: “(...)Foster labour market transitions and address labour market rigidities, including by reforming employment protection legislation and the unemployment benefit system.”

**Key objectives:** This legal reform aims to a) modernise EPL, b) strengthen flexworkers’ legal position, c) cap the maximum UB duration and amend the UB conditions.

**Key content of measure:** a) dismissal procedures will be simplified and severance pay will be capped. b) flexworkers’ rights position will be improved, for instance: employees with a fixed-term contract will *de facto* get a permanent position if their contract is extended more than three times or lasts for more than two years (in the current situation the threshold is three years). c) the maximum publicly funded duration of the UB scheme will be capped from 38 months to 24 months, the accrual of UB rights will be slowed down and the conditions for receiving UB will be modernised.

**Scope of the measure** (budget, target group with estimated coverage etc.): The measure is expected to improve the functioning of the labour market *inter alia* by increasing labour mobility and to structurally increase employment with 0.3 per cent (20 000 fte jobs). The reform of the UB scheme will generate a structural saving of 1,0 billion euro.

**State of implementation:** The Tweede Kamer (lower house) of the Dutch Parliament approved of this act in February 2014. The Eerste Kamer (upper house) is expected to approve of the law before the Summer of 2014. The legal provisions are expected to (gradually) come into effect as of 2015 respectively 2016.

**Monitored Effects:** The effects of the reforms will be closely monitored. The effects on the labour market were ex ante monitored by the Dutch Bureau for Economic Policy Analysis CPB.

### Measure 2: *Participatiewet* (Participation Act)

**Challenge and CSR tackled:** CSR4 2013: “Take further measures to enhance participation in the labour market, particularly of people at the margin of the labour market (...)”

**Key objectives:** The Participation Act will increase the labour participation of people who are able to work, but in need of support, for instance because they have a handicap.

**Key content of measure:** The measure will merge and reform three existing schemes (benefit for young handicapped, sheltered work places and social benefit scheme) and make municipalities responsible for the participation and re-integration of people with a handicap. Wage subsidies will be made available by the government for employers to cover the difference between the wage capacity of an employed person and the statutory minimum wage. Employers and the government as an employer have agreed (in the context of the Social Agreement that was agreed on 11 April 2013) to create 100.000 respectively 25.000 jobs for this target group gradually until 2026. A quote scheme will enter into force if these jobs will not be created.

**Scope of the measure** (budget, target group with estimated coverage etc.): This measure will generate a long-term structural saving of 1.8 billion euro. 125.000 jobs for people with a handicap are to be created.

**State of implementation:** The Tweede Kamer (lower house) of the Dutch Parliament approved of this act in March 2014. The Eerste Kamer (upper house) is expected to approve of the law before the Summer of 2014. The legal provisions are expected to come into effect as of 2015.

**Monitored Effects:** The law has yet to come into force. The effects will be closely monitored.

Measure 3: Wet verhoging AOW-leeftijd (Law for increasing statutory pension age)

**Challenge and CSR tackled:** CSR2 2012: “Take measures to increase the statutory retirement age, including linking it to life expectancy (...)”

**Key objectives:** To uphold the financial sustainability of the Dutch social (pension) system by increasing labour supply and linking the statutory pension age to life expectancy.

**Key content of measure:** As of 2013, the statutory pension age is increasing gradually up to the age of 67 in 2023. As of then it will be linked to life expectancy. A new legal proposal has been prepared to fasten the increase of the pension age to 67 in 2021 (and then linked to life expectancy). The measure is underpinned with policies to increase the employability of older workers. Parallel to the increase of the statutory pension age, a policy package is implemented to adjust the second pillar pension to the increasing statutory pension age. Pre-pension arrangements have been abolished.

**Scope of the measure** (budget, target group with estimated coverage etc.): The measures in this law improve the sustainability of the public finances with 1.1% of GDP.

**State of implementation:** The act for increasing the statutory pension age has been approved by Parliament in November 2012 and has come into force as of January 2013. The additional act to speed up this increase is expected to be dealt with by the Tweede Kamer (lower house) of the Dutch Parliament before the Summer of 2014.

**Monitored Effects:** The statutory pension age is increasing but the effective retirement age is also going up. Measures taken in the past to cut off early retirement possibilities have resulted in an average effective retirement age increasing up to 63.9 years in 2013 (in 2006, this was only 61 years). In 2013, the most common age to retire was 65 years old.

## POLAND: Most representative reform measures

### **Measure 1: Development of childcare facilities for children under the age of 3**

**Challenge and CSR tackled:** low female labour market participation, low availability of childcare facilities for children under the age of 3.

**Key objectives:** - improving the availability and quality of care for children under the age of 3, - enabling parents to take professional activity (in particular to facilitate women's return to the labour market after maternity leave), - promoting early childhood education, - ensuring equal opportunities for children, - facilitation the establishment of childcare institutions.

**Key content of measure:** As of the 4<sup>th</sup> of April 2011 The Act on the care for children under the age of 3 introduced a ground-breaking change to more efficient setting up and operation of different forms of care for the children under 3 years old. The Act sets out the following forms of care: nursery, children's club, daily carer and nanny. Since then, nurseries and children's clubs can be established by: gminas (municipality), as well as non-public entities, including private persons. In order to support gminas in the process of setting up nurseries, children's clubs and providing services by daily carers the government has launched a "Toddler" Programme. In July 2013, the Act on care for a child under the age of 3, was amended. The new law introduced a number of changes with a view to creating better conditions for the development different forms of care for children under 3 years and enabling parents to take professional activity: - the amount of gminas' own contribution was reduced from 50% to 20% when applying for funding from the state budget for the establishment and operation costs of care institutions, - the list of companies that can apply for funding from the state budget was expanded to individuals, legal persons and entities without legal personality, - the number of entities that may employ a daily carer (and obtain a targeted subsidy) was increased, - persons carrying out farming activity obtained a possibility to hire a nanny, for whom the social and health insurance contributions are paid from the state budget.

**Scope of the measure** (budget, target group with estimated coverage etc.): It is planned that in 2014 the measure will contribute to increasing the number of places in care institutions for young children up to 6.1%. State Budget: PLN 16.3 million in 2011, PLN 118 million in 2012, PLN 101 million in 2013. The budget planned for 2014 is PLN 101 million.

**State of implementation:** The measure is being implemented.

**Monitored Effects:** Since the entry into force of the Act on the care for children under the age of 3 (since 2011), the systematic increase in the number of childcare places has been observed. In 2011 nurseries, children's clubs and daily carers provided care for 3% children under the age of 3, in 2013, the enrolment rate increased to 5.6% (the accumulated increase of available places was 60% from 2011). To this figure should be added about 9.1 thousand nannies for whom the social insurance contributions up to the minimum wage are paid by the state.

### **Measure 2: The reform of pension system with a view to increasing the retirement age to 67 years**

**Challenge and CSR tackled:** low professional activity of older people, low effective retirement age, shrinking of the economically active population.

**Key objectives:** alleviating the decline in the working age population, which will be noticeable after 2020, extending the effective retirement age, mitigating the effects of aging society on the public finance, maintaining the GDP growth.

**Key content of measure:** Starting from 1 of January 2013, the statutory retirement age is being increased for both sexes in order to reach 67 years for men by 2020 and for women by 2040.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): The statutory retirement age for both sexes is being increased by one month every four months in a year. This measure also provide for restrictions for the use of early retirement schemes which have prevailed so far in the special pension systems for farmers, as well as for judges and prosecutors.

**State of implementation:** The measure is being implemented.

**Monitored Effects:** The review of the functioning of the regulations has to be done no later than by the 31<sup>st</sup> of December 2016.

## PORTUGAL: Most representative reform measures from the MoU

### Measure 1: Apprenticeship Courses (“Cursos de Aprendizagem”)

**Challenge tackled:** Youth unemployment – low level of education and training; high rate of early leavers from education and training; to cover an increasing number of young people in this type of vocational training.

**Key objectives:** Promote the initial vocational training of young people in order to increase their employability given the needs of the labour market, allowing education and career progression.

**Key content of measure:** Apprenticeship courses are courses of initial vocational training in alternation, for young people under 25 years of age who have successfully completed the 3<sup>rd</sup> cycle of basic education or who have attended upper secondary education without conclusion, focusing on their integration into the labour market and allowing further studies. They are governed by the following principles: Intervention with young people in transition to the labour force and with those who are already part of the labour market but without the complete secondary level of education, academic or vocational, to improve the levels of employability and social inclusion; Structuring of four training components for the various dimensions of knowledge considering the appropriate level of qualification, mainly vocational curriculum frameworks, and the various professional opportunities; Recognition of the training potential of the labour condition through a higher valuation of the assistance and training contribution from enterprises, taking them as true training spaces and learning progression boosters; An alternating system construed as the interaction between theory and practical training and the respective contexts, with practical training in enterprises distributed progressively along the course. Apprenticeship courses give priority to skills development within work context, being about 40% of the curricula of these courses accomplished in companies. This system of rotation between the training center and the enterprise aims to further increase the employability of young people by taking into account the needs of the business sector and promoting the development of combined knowledge and skills that lead to job profiles.

<b>Scope of the measure:</b>	2011	2012	2013
N. ° of trainees covered	23,737	32,844	40,246
Financial costs (Euros)	60,537,590.23	75,418,699.87	105,098,667.39

**State of implementation:** The reform of this type of vocational training was implemented in 2008 and has been consolidated since 2011 mainly in what concerns to the growth of the numbers of young people covered by apprenticeship courses.

**Monitored Effects:** There was an increasing number of young people in integrated apprenticeship courses from 2011 to 2013 (73%) which explains the proportional increase of the associated financial costs. These include technological areas demanded by the labour market and expected to increase until 2020. The average rate of young people coming out of training and becoming employed is around 42%.

### Measure 2: Employment Traineeships (“Estágios Emprego”)

**Challenge and CSR tackled:** Youth unemployment – transition from education to work

**Key objectives:** The measure supports the transition between the education system and the labour market, promoting the improvement of qualifications and the adaptation of the Portuguese economy to the challenges of a global economy. It seeks to: complement and improve the skills of the unemployed in order to facilitate their recruitment and integration into the labour market; and raise awareness among enterprises (particularly SME's) of new qualifications and competences available, and to promote employment in new areas.

**Key content of measure:** The measure is focused on the integration of young people, aged between 18 and 30 years, inclusive, and with a qualification at level 2, 3, 4, 5, 6, 7 or 8 of the National Qualifications Framework, as well as on the (re)integration of unemployed jobseekers belonging to disadvantaged groups (people with disabilities, lone parents, unemployed jobseekers whose spouses people are equally unemployed and victims of domestic violence) into the labour market by complementing their basic pre-existing qualifications with practical on-the-job experience in a company for a maximum period of 12 months. The traineeships allow young people to get a first contact with the labour market and, at the same time, help companies, particularly SMEs, increase their awareness of new knowledge and competences. The trainees are entitled to monthly subsidies that vary depending on the level of education.

**Scope of the measure:** Target Group 2013: 40.000 beneficiaries, Budget 2013: 161,433 million Euros

**State of implementation:** The measure is in place since 1997, having undergone successive changes, being that the most important occurred in February 2011 and, recently, in June 2013. Implementation in 2013: 43,922 beneficiaries (109.8% of the target) and total payments amounted to 156.959 million Euros (97.2% of total budget)

**Monitored Effects:** The programme led to an increase in the number of traineeships, high transition rates into employment, incorporation of highly qualified staff in the labour market, encouraging investment in career development and improving productivity and competitiveness. The results of evaluations reveal that: - Between 1997 and 2011 over 170 000 young unemployed individuals have benefitted from this measure. - Transition rates from the traineeship programme to employment have been consistently high (over 70%), with many young people staying in employment with the same company; transition rate represented 25% of the total annual inflow of highly qualified people into the employed population. - Company benefits: incorporation of highly qualified staff at reduced costs; helping fill the gap between universities and companies, generating a change in staffing cultures, encouraging investment in career development and improving productivity and competitiveness. - Trainee benefits: improved employability; smoother transition between academic environment and professional life. More recently, 2013 data reveals that from near 13.365 beneficiaries that finished the programme in 2012, 44.5% stayed in the enterprise/entity after finishing the programme and 23.9% became employed in other entity. In 2012 (full year) the share of those who became employed was 68.4%.

### Measure 3: Model of Intervention for Matching

**Challenge and CSR tackled:** increase the effectiveness and efficiency of public service employment (in the work with job seekers and employers)

**Key objectives:** - Maximizing the resources of Job Centers; - Optimizing internal organization; - Increasing the speed and appropriateness of responses; - Assuring the follow-up of the jobseekers

pathways, minimizing the inflow into long-term unemployment; - Increasing proactivity and responsibility of the unemployed jobseekers in their professional integration process; - Speeding up the interaction with the unemployed jobseekers and the employers; - Making sure that Job Centers are more accountable for handling job vacancies; - Increasing the uptake of job vacancies and their disclosure.

**Key content of the measure:** The model is based on a set of essential elements, namely:

- Profiling System: it categorizes the unemployed jobseekers in three types of profiles, differentiated according to the expected difficulty in their labor market integration at the time of registration for employment, and the consequent required efforts from Job Centers. Thus, based on the probability of becoming long-term unemployed, estimated by a specific model, the unemployed jobseekers will be segmented into three categories: (1) high-risk group, including unemployed jobseekers needing intensive support; (2) moderate risk group, including unemployed jobseekers needing counseling and vocational training; (3) low-risk group, including unemployed jobseekers whose profile is adequate to direct integration into the labor market and the unemployed needing counseling and activation.
- Online PPE: Integration Itinerary, autonomously designed by the unemployed jobseeker, at the time of online registration for employment (through [NetEmprego](#) );
- Career Manager: Role played by employment counsellors who are responsible for contracting the integration pathway of a number of unemployed jobseekers and for the respective close and regular follow-up, so as to ensure their timely integration into sustainable opportunities.
- Matching System: Matching tool that presupposes the action of a career manager or a job vacancy manager, which allows a pre-selection of unemployed jobseekers and / or the identification of adjustable job vacancies based on coded and open fields and different weights of the relevant variables.
- Levels of Job Vacancy Handling: differentiation of the degree of involvement and responsibility of the Job Centers in the mediation between employers and the unemployed jobseekers
- Job Vacancy Manager: Role also played by employment counsellors, who are responsible for handling the job vacancies assigned to them, thus contributing to the satisfaction of employers and to an effective matching between job offer and demand.

**Scope of the measure:** These procedures were adopted for the relationship between the Public Employment Service and unemployed jobseekers, on one hand, and with the employers, on the other hand.

**State of implementation:** It was implemented in December 2012 and it is now being evaluated.

**Monitored Effects:** Increase of 33% of registered job vacancies; Increase of 31% of job vacancies filled

## Romania Most representative reform measures

### Measure 1: Promoting internship for higher education graduates (adoption of Law no. 335/2013)

**Challenge and CSR tackled:** Ensuring the transition of university graduates from the education system to the labour market

**Key objectives:** - strengthening the professional skills and abilities to adapt to practical requirements and job demands; - achieving rapid integration into work, and also the acquisition of work experience and seniority, and, where appropriate, specialisation

**Key content of measure:** Internship reform entails, on the one hand, providing a quality job in the young graduate specialization with an appropriate level of social security, offering the possibility of strengthening the professional skills to adapt to practical requirements and job demands and the acquisition of work experience, and on the other, the possibility of funding from a wide range of sources, including the unemployment insurance budget and ESF. The duration of internship contract is 6 months.

**Scope of the measure** (budget, target group with estimated coverage etc.): Budget - 4,5 mil EURO ESF + 4,5 mil EURO YEI + 8,1 mil. RON from Unemployment insurance budget (UIB)+ 1,35 mil EUR national co-financing related to ESF and YEI/2014; Funding arrangements - ESF, YEI, UIB, state budget; Expected outcome - 6.800 young people aged 20 – 25 years in 2014.

**State of implementation:** implementation start date: Mar 2014 – end date: permanent.

**Monitored Effects:** monitoring is based on indicators included in NEA statistics, database of National Labour Inspectorate and monitoring reports of SOPHRD. Evaluation is based on monthly implementation reports submitted by the NEA and evaluation reports of SOPHRD. Methodologies for ex-ante and ex-post evaluation of employment policies impact will be developed in some projects funded from the state budget and enclosed in the R&D sectoral plan.

### Measure 2: Promoting apprenticeship at workplace (reform of Law no. 279/2005, republished)

**Challenge and CSR tackled:** Providing young people with the opportunity to obtain a qualification in adult vocational training system in order to obtain a job and further learning

**Key objectives:** - allowing employers to secure their skilled and quality workforce, depending on their requirements; - facilitating the social integration of the persons concerned, aged over 16 years, in accordance with the professional aspirations and labour market needs;- ensuring an appropriate level of social security, in order to reduce the labour market segmentation;- contributing to economic growth, create new jobs, social cohesion;- possibility of financing the apprenticeship schemes from other sources than unemployment insurance budget.

**Key content of measure:** Apprenticeship reform entails, on the one hand, providing quality training by authorized training providers and completion of training with nationally recognized qualification certificates, and on the other, the possibility of funding from other sources, including the ESF, not only the unemployment insurance budget. The duration of vocational training is in accordance with the level of qualification for the occupation for which the apprenticeship contract is concluded: one year for level 1 of qualification, two years for the level 2 and three years for level 3.

**Scope of the measure** (budget, target group with estimated coverage etc.): Budget - 9 mil EURO ESF + 9 mil EURO YEI + 3,6 mil. RON from Unemployment insurance budget (UIB)+ 2,7 mil EUR national co-



financing related to ESF and YEI/2014; Funding arrangements - ESF, YEI, UIB, state budget; Expected outcome - 3.500 young people aged 16 – 25 years in 2014.  
**State of implementation:** implementation start date: Nov 2013 – end date: permanent.  
**Monitored Effects:** monitoring is based on indicators included in National Training Plan, database of National Labour Inspectorate and monitoring reports of SOPHRD. Evaluation is based on monthly implementation reports submitted by the NEA and evaluation reports of SOPHRD. Methodologies for ex-ante and ex-post evaluation of employment policies impact will be developed in some projects funded from the state budget and enclosed in the R & D sectoral plan.

**Measure 3: Assessment and recognition of competences obtained in non-formal and informal contexts**

**Challenge and CSR tackled:** Increase employability of registered unemployed persons.

**Key objectives:** - facilitate reintegration into the labour market of those furthest away by giving them access to employment opportunities in sectors they have acquired skills/competences non-formally or informally but they don't have any certification for those skills/competences;- improve upward transitions and occupational mobility;-provide new opportunities to early school leavers and school dropouts;-tackle unemployment and boost productivity and competitiveness.

**Key content of measure:** Registered unemployed persons have access to services of assessment and recognition of competences obtained via non-formal or informal channels, free of charge. Through this measure the registered unemployed persons (including the long-term unemployed) may obtain a certificate of qualification recognized at national level and thus increasing their employment perspectives.

**Scope of the measure** (budget, target group with estimated coverage etc.): Budget - 0,68 mil. RON from UIB + 0,2 mil EURO ESF + 0,03 mil EUR national co-financing related to ESF; Funding arrangements -UIB, ESF and state budget (national co-financing related to ESF); Expected outcome - 1.340 persons in 2014 (340 persons funded from Unemployment insurance budget -UIB and 1.000 financed from ESF 2014-2020).

**State of implementation:** implementation start date: Jan 2014 – end date: permanent.

**Monitored Effects:** monitoring is based on indicators included in NEA statistics and monitoring reports of HCOP. Evaluation is based on monthly implementation reports submitted by the NEA and evaluation reports of Human Capital Operational Programme. Methodologies for ex-ante and ex-post evaluation of employment policies impact will be developed in some projects funded from the state budget and enclosed in the R & D sector plan of the Ministry of Labour.

## SLOVENIA: Most representative reform measures

### Measure 1: The Labour Market Regulation Act

**Challenge and CSR tackled:** segmentation in the labour market, efficiency of the public employment services, improving matching and efficiency of career guidance, increase the labour market participation of specific target groups (young, graduates, low skilled, older workers...)

**Key objectives:** Provision of adequate safety net along expansion of active labour market policy to wider target groups, reduction of administrative burdens, introduction of life-long career guidance as a general service, transitions from passive support to active inclusion for social assistance recipients.

**Key content of measure:** Higher flexibility in the labour market, making possible to accelerate activation and reduce the possibility of long-term unemployment, accompanied by a special program of active employment policy, aimed at promoting the transition from temporary work to regular employment. By enrolling into the unemployment records during the period of notice (termination for business reasons and for reasons of incapacity) dismissed workers will already be provided with technical assistance and possibility to engage in the Active employment measures in order to quickly find a new full-time job. Partial wage reimbursement to the employer for the time when the worker is actively enrolled as job seeker at the PES implies a certain relief to employer. Novelty includes: - elimination of administrative barriers with termination of the compulsory registration of free job posts to the ESS, - acquisition of data for assessment of unemployment benefit and by supplementing the selection process of outsourced activities of ALMP, - possibility of temporary or occasional work for pensioners, - right to unemployment benefit for younger than 30 years with unemployment insurance at least 6 months in the last 24 months, - decrease of unemployment benefit after 12 months of receiving to 50 % of the eligible basis and reducing the maximum amount of unemployment benefits, - Contribution to elimination of segmentation as subsidy to employers by employing on the basis on permanent contacts.

**Scope of the measure (budget, target group with estimated coverage etc.):** Better access and activation of all relevant target groups (wider scope of public works), reduction of unemployment trap.

**State of implementation:** 2013, amended in 2013.

**Monitored Effects:** Evaluation of the reform/legislative changes (see Measure 2).

### Measure 2: Labour Relations Act

**Challenge and CSR tackled:** Take steps, in consultation with the social partners and in accordance with national practices, to reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts, Adjust employment protection legislation as regards permanent contracts in order to reduce labour market segmentation, in consultation with social partners and in accordance with national practices, monitor closely the effects of the recent labour market reform and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation.

**Key objectives:** simplification of procedures for concluding and termination of employment contracts, including reducing administrative barriers; increasing flexibility on the labour market and internal flexibility; reducing costs for permanent employment contracts; diminishing interest for fixed-term contracts and employment through employment agencies and securing legal safety of the workers with the intention to reduce violations.

**Key content of measure:** The new labour legislation, that introduces the concept of flexicurity, reduces segmentation in the market and increases the effectiveness of the legal protection of workers. In the area of labour costs, the Employment Relationship Act allows for a different regulation of collective bargaining agreements in certain cases.

**Scope of the measure** (budget, target group with estimated coverage etc.): Improved adaptability of the labour market with the economy needs, higher attractiveness to employ, simplifying the procedures (also related to dismissals).

**State of implementation:** 2013.

**Monitored Effects:** The impact on segmentation in the labour market (the share of fixed-term contracts by age groups), flexibility (flows to and from unemployment, mobility between jobs) and on labour court proceedings has been monitored. A survey of employers and workers whose employment relationship has been terminated has been conducted. The findings serve as a basis for possible further amendments in the future.

### Measure 3: The pension reform

**Challenge and CSR tackled:** take steps to ensure the long-term sustainability of the pension system, while preserving the adequacy of pensions, strengthen the long-term sustainability of the pension system beyond 2020 by further adjusting all relevant parameters, including through linking the statutory retirement age to gains in life expectancy, while preserving the adequacy of pensions.

**Key objectives:** equalising the retirement age for men and women by determining the 'full' retirement age of 65 if the insured person fulfils a minimum 15-year contribution payment period; Restrictive deduction system (reducing pensions) in the case of early retirement – reducing pensions by 3.6% for each retirement year before the age of 65. At the same time, the retirement age for acquiring the right to early pension is raised to 60 years of age if an individual (man/woman) has accumulated the minimum 40 years of pensionable service; a new formula for pension indexation according (pensions indexed at 60% of average wage growth and 40% growth in consumer prices).

**Key content of measure:** In 2013, the new Pension and Disability Insurance entered into force. The change in the pension system in Slovenia was urgent for two reasons: financial sustainability of the pension fund and prevention of further reductions in pensions. By achieving these objectives, Slovenia established a fairer, more reliable and financially more efficient pension system, based on intergenerational solidarity. This means that active workers pay contributions from their income, thus ensuring pensions for retirees. The pension system remains fair to all generations, as well as to future pension recipients, who provide pensions to current pensioners by paying contributions. Thus pension payments and contributions must be as balanced as possible, and the financial burden distributed fairly between generations.

**Scope of the measure** (budget, target group with estimated coverage etc.): Improved fiscal sustainability and later exit from the labour market.

**State of implementation:** 2013.

**Monitored Effects:** Monitoring of effectiveness and potential revisions of the existing pension reform.

## Slovakia: Most representative reform measures

### Measure 1: Comprehensive Revision of Active Labour Market Policies

**Challenge and CSR tackled:** CSR 2012 – Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women.

**Key objectives:** Reduction of administrative burden of offices in order to improve the targeting of the design and assessment of active labour market policies and thus ensure more individualized employment services for disadvantaged job seekers; Reduction of unemployment among disadvantaged groups of individuals, the reduction of their labour market risk, and support for the job creation at the local and regional levels.

**Key content of measure:** Active labour market policies have gone through the significant reform in 2013. The system of active labour market measures was revised and simplified. The reform enhanced the focus of active labour market policies on disadvantaged jobseekers, in particular long-term unemployed, young people under 26, and older workers above 50 and job seekers with low or no qualifications. The emphasis on greater flexibility in the system of education, training and counselling was also increased. It was also created legislative framework to reduce the administrative burden on the labour offices and to personalize professional counselling services for disadvantaged job seekers.

**Scope of the measure (budget, target group with estimated coverage etc.):** In 2014 - 77 million € (61 million € of ESF and 16 million € from the state budget)

**State of implementation:** Act no. 96/2013 amending and supplementing Law no. 5/2004 Coll. on employment services and on amending and supplementing certain acts, as amended, and amending and supplementing certain laws came into force on 1 May 2013.

**Monitored Effects:** The amendment created preconditions for the reduction of the administrative burden of employers and job seekers by introducing the coordination of relevant institutions in providing data necessary for maintaining a register of job seekers and the provision of benefits. Projected to increase efficiency in the implementation of active labour market measures, increase efficiency and focus more targeted support for the creation and retention of jobs for job seekers, including people with disabilities.

### Measure 2: Adapting the benefit system

**Challenge and CSR tackled:** CSR 2013 – Take measures to (...) strengthen the link between activation measures and social assistance.

**Key objectives:** The aim of this measure is to ensure better targeting, the merit principle and remuneration of those who strive to find work even for low wages or who mobilize themselves and in connection with the active labour market policies to strengthen the effect of motivation for recipients of social benefits to get job.

**Key content of measure:** In order to reduce the long-term unemployment of people who remain passively dependent on material need benefit for a long period of time, new measure aimed at activation of these persons was introduced. Material need benefit is provided to person in the working-age, who will do at least 32 hours a month one of the activities defined in the law. It is

concerned a small municipal services, volunteer activities or work during the declaration of a state of emergency. It is necessary to emphasize that the basic precondition for the determination of this entitlement for benefit in material need is that this activity will be offered to these persons. Only if persons in working-age refuse to participate in these activities material need benefit will be reduced. This measure is particularly related to those persons in material need who do not take advantage of the possibility to actively participate in employment services programmes and remain passively dependent on material need benefit for a long period of time without demonstrating any effort to find job. In order to encourage people to apply in the labour market and to maintain them in low-paid jobs, group of people entitled to receive the activation contribution has been extended. Activation contribution is also provided to persons in material need, who are working and have an income at least at the level of minimum wage. A special contribution has been also introduced. Entitled persons include adults, who were long-term unemployed and recipients of assistance in material need before starting a job. Contribution is provided to persons whose income is at least at the level of the minimum wage and at most three times the minimum wage. This contribution is provided for up to six months.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): Introduction of new legislation, the Act on Assistance in Material Need anticipate demands on the general government budget in the amount of 283.099 thousand € in 2014.

**State of implementation:** New rules of assistance in material took effect from 1 January 2014.

**Monitored Effects:** Positively affected were mainly low-income households from employment, which currently are not in receipt of assistance in material need and households that are currently recipients of assistance in material need and try to actively participate in solving their material need. We expect that 2014 will go monthly average of about 8,000 recipients of activation allowance.

### Measure 3: Reduction of tax wedge

**Challenge and CSR tackled:** CSR 2013 – Reduce the tax wedge for low-paid workers (...).

**Key objectives:** The main objective of this measure is to support the employment of long-term unemployed in the form of employment (including those practicing in the public interest) or civil service relationship with their entry into the workforce.

**Key content of measure:** In order to promote employment of long-term unemployed was approved the measure on the introduction reduction of tax wage for long-term unemployed and their employers. Regards exemption from payment of social and health insurance for the employer and the employee for the period is up to the first 12 months. Employees must be before the adoption of long-term unemployed - register as jobseekers at least 12 months and belong to low-income groups.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): With an expected support of 15 thousand long-term unemployed the effect on public finances is estimated at the level of 1.2 million € in 2013; 7.9 million € in 2014; 7.7 million € in 2015 and in 2016 in the amount of 8.6 million €.

**State of implementation:** The efficacy of the amended Act no. 461/2003 Coll. on social insurance, as amended, and amending and supplementing certain acts in connection with this measure was 1 November 2013.

**Monitored Effects:** The number of persons in long-term unemployment who have been provided with temporary release from payment of premiums for social insurance was 312 in November 2013 and 687 in December 2013.

## SWEDEN: Most representative reform measures

### Measure 1: The Introduction Act

**Challenge and CSR tackled:** Increase newly arrived immigrants participation in the labour market. The measure is tackling CSR number 3 from 2012/13 and CSR 4 from 2013/14.

**Key objectives:** To speed up the introduction of newly arrived immigrants in working and community life.

**Key content of measure:** *Central government responsibility with the Swedish Public Employment Service as the coordinating agency:* To underline the importance of fast introduction into the labour market, the PES has been given a central role and primary responsibility. *Individual introduction plan:* An introduction dialogue between the PES and the newly arrived immigrant should lead to an introduction plan that is based on a mapping of the newly arrived immigrant's educational background, previous work experience and need for training and other initiatives. *Individualized benefit:* Newly arrived immigrants who take part in activities in an introduction plan, are entitled to a benefit. *Civic orientation:* Its aim is to foster a basic understanding of Swedish society and provide a foundation for continued knowledge acquisition. *Introduction guide:* Is an independent actor working on assignment for the PES to support newly arrived immigrants in their search for work.

**Scope of the measure (budget, target group with estimated coverage etc.):** The target group newly arrived immigrants are adult refugees and other protected persons, and their family members that arrive within two, or in some cases six years of the refugee. In 2010 the budget allocated almost 4.3 billion SEK (approx. 490 million EUR) to measures related to the Introduction Act (including compensation to municipalities for refugee reception). For 2014 the budget is almost 11.8 billion SEK (approx. 1.34 billion EUR). The increase is mainly due to the increasing inflow of refugees.

**State of implementation:** 1 December 2010

**Monitored Effects:** An evaluation of the reform will be presented in 2015.

### Measure 2: Support for vocational introduction employments

**Challenge and CSR tackled:** In spite of the generally good performance of the Swedish labour market, many young people have difficulty entering the labour market and unemployment in the group remains high. Some young people face difficulties in the transition from school to work and in getting a firm foothold in the labour market. One of many reasons is that the vocational training programmes within regular upper secondary education do not prepare young people sufficiently for work. High hiring costs may also lead to difficulties for young people entering the labour market. The measure is tackling, amongst others, CSR 4 from 2013.

**Key objectives:** Facilitate the transition from school to work, to stimulate development of new forms of work-based learning, ensure a long-term skills supply for employers and overall to combat youth unemployment.

**Key content of measure:** The support measure targets young people aged 15–24 who are unemployed or lacking relevant experience in the occupation. It is available for employers bound by collective agreements on vocational introduction who are hiring on vocational introduction contracts, which consist of mentoring and training for part of the working hours. The employment must last for a period of at least six months. The employer is offered a wage subsidy equivalent to the higher standard

employer's contribution (31.42 per cent), subject to a ceiling on a gross salary of 18 750 SEK per month (approx. 2100 EUR). This means that all salaries at and below 18 750 SEK, will be subsidized by 31.42 per cent. The wage subsidy is limited to 12 months. Further, the employer receives a financial compensation for the cost of the training component of 2 500 SEK (approx. 285 EUR) per employee and month during the vocational introduction employment. The training compensation is also limited to 12 months. The measure is administrated by the PES.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): For 2014 a total of 155 million SEK (17.5 million EUR) have been allocated for this purpose. The total volume of the measure is expected to reach around 7 000 in the short run (approximately after 3 years) and 30 000 in the long run. (See also above, "Key content of measure".)

**State of implementation:** The measure was proposed in the 2014 budget bill and the support came into force on the 15<sup>th</sup> of January 2014.

**Monitored Effects:** It is still too early to see any effects of the measure (see above).

### Measure 3: Lower VAT on restaurant and catering services

**Challenge and CSR tackled:** Simplify tax regulations for the companies in the restaurant business, as the VAT rate on food and hotel services is already 12 per cent. Increase labour demand for groups with high unemployment and a weak attachment to the labour market, such as young people. The measure is tackling CSR number 3 from 2011/12, CSR number 3 from 2012/13 and CSR 4 from 2013/14.

**Key objectives:** Higher permanent employment and simpler regulations. Work in the restaurant business gives many people their first contact with the labour market. This applies in particular to groups with high unemployment and a weak attachment to the labour market, such as young people. Many people find their first job in the restaurant business, giving them a gateway to the broader labour market. The measure will also considerably simplify tax regulations for the companies concerned, as the VAT rate on food and hotel services is already 12 per cent.

**Key content of measure:** That value added tax on restaurant and catering services (excluding alcohol) has been reduced from 25 per cent to 12 per cent from 1 January 2012.

**Scope of the measure** (*budget, target group with estimated coverage etc.*): Budget effect: 5.4 SEK billion 2012 (approx.. 615 million EUR)

**State of implementation:** That value added tax on restaurant and catering services (excluding alcohol) has been reduced from 25 per cent to 12 per cent from 1 January 2012.

**Monitored Effects:** The Swedish National institute of economic research (NIER) analysis shows that the reform so far has reduced restaurant prices, increased demand for restaurant services and increased employment in the catering industry. Their result shows that the increase in hours worked in the restaurant sector, due to the reform, correspond to 4 000 persons. The Swedish tax agency, which examines how the VAT reduction affects evasion and other tax gap, leaving a final report in January 2014. The report shows that tax evasion has decreased due to the reduction in VAT of around 0.7 billion SEK annually (approx. 80 million EUR).

## UNITED KINGDOM: Most representative reform measures

### Measure 1: The Youth Contract

**Challenge and CSR tackled:** CSR3 – Tackling youth unemployment

**Key objectives:** To provide additional support for unemployed young people, on top of substantial existing provision

**Key content of measure:** Wage incentives worth up to £2,275 each, for employers who recruit eligible 18-24 year-olds; An extra 250,000 work experience places; Extra adviser support through Jobcentre Plus for all 18-24 year olds (including a referral to a careers interview within the first 3 months of a Jobseeker's Allowance claim); An extra 20,000 apprenticeship incentive payments available in England, worth £1500 each. £126million to support the most disengaged 16 and 17 year olds who are not in education, employment and training in England into sustained learning, an apprenticeship or job with training.

**Scope of the measure** (budget, target group with estimated coverage etc.): Almost £1.2 billion over 3 years from April 2012 targeting unemployed 18-24 year olds plus 16 and 17 year old NEETs

State of implementation: Launched from April 2012.

**Monitored Effects:** 65,470 wage incentives job starts between April 2012 and December 2013; 141,000 starts to a work experience placement (including sector based work academies) between April 2012 and November 2013, 4,114 re-engagements of disengaged 16 and 17 year olds into education, training or employment with training September 2012 to the end of September 2013, 11,920 enrolments,

### Measure 2: Universal Credit

**Challenge and CSR tackled:** CSR 4 – Supporting low income households and reducing child poverty

**Key objectives:** Improving and clarifying work incentives through reform of the UK benefit system

**Key content of measure:** Universal Credit provides a new single system of means-tested support for working-age people who are in or out of work. It aims to reduce the number of workless households by reducing the financial and administrative barriers to work that exist in the current system of benefits and tax credits.

Scope of the measure (budget, target group with estimated coverage etc.): All working age people eligible for means tested in or out of work support (There are currently approximately 12 to 13 million claims to benefits and tax credits)

**State of implementation:** Universal Credit is currently being progressively rolled out for single people with no dependent children (approximately 3000 starts to October 2013). The service will be expanded during 2014, with claims from couples expected to begin in summer and families with children expected to begin in autumn. The majority of the legacy caseload is expected to be migrated during 2016 and 2017.

**Monitored Effects:** Early qualitative research found that the majority of claimants felt that compared to Jobseekers' Allowance, Universal Credit: Is easier to understand what is required for payments; Provides a better financial incentive to work; Gives a better reward for small amounts of work; Is easier to claim.



### **Measure 3: Apprenticeships Reform**

**Challenge and CSR tackled:** CSR 3 - increasing the quality and duration of apprenticeships, strengthening employer engagement

**Key objectives:** Reinforce Apprenticeships' role in raising skills in England by ensuring they become more rigorous and responsive to the needs of more employers. To become the norm for young people to go into an Apprenticeship or to university or in some cases both.

**Key content of measure:** Apprenticeships will be reformed so that standards will be designed by employers and will require a specified standard of English and Maths. Apprentices will undergo independent assessment.

Scope of the measure (budget, target group with estimated coverage etc.): Apprenticeships in England (skills policy is an issue for the Devolved Governments)

**State of implementation:** 'The Future of Apprenticeships in England: Implementation Plan' was published in October 2013. This announced a first phase of Trailblazers in eight sectors with immediate effect. Expanding the Trailblazer programme over time is intended to generate momentum for the reforms and provide a clear evidence base for full implementation. As the new standards are developed and agreed, funding for Apprenticeships under the current frameworks will cease.

**Monitored Effects:** Detailed evaluation of the reforms will be undertaken from the outset to learn lessons and refine implementation as it progresses. However, it is too early to see any measurable results from this programme yet.

## Annex III: Mutual Learning Programme

*To be added: list of MLP activities, hosting and participating countries and stakeholders, examples*

### **Policy field: Enhancing labour Market resilience and matching capabilities**

- Evaluations of **training programmes** strongly suggest that they are more likely to have positive effects for specific target groups, raising employment rates of beneficiaries with better labour market prospects (women re-entering the labour market, and educated people with migrant background). Training seems effective as long as it provides vocational skills that employers demand, and as long as the duration of the training is not too short. Training seems to offer more sustainable impacts on labour market outcomes in the medium run. Macroeconomic studies tend to find that training is the main category of ALMP that has a significant positive impact on aggregate labour market outcomes – *Source: EEO Review, Long-Term Unemployment for Mutual Learning Programme Review, 2012*

- **Direct job creation** (eg. through public works) is usually targeted at long-term unemployed, youth or groups facing problems of integration in to the regular labour market. Typically created in the public or the non-for profit sector and publically financed, direct job creation is less likely than training programmes to show a positive impact on post-programme outcomes. However, if accompanied by job search guidance and appropriate incentives to search for regular jobs, they can effectively help long term unemployed to re-enter the job market.

– *Source: EEO Review, Long-Term Unemployment for Mutual Learning Programme Review, 2012*

### **Policy field: Modernising social security systems**

In a number of countries systems have been introduced with the **objective to "make work pay"**. Those systems are aimed to replace existing systems of benefits (including unemployment benefits) with streamlined ones ensuring that work always pays and creating a disincentive to stay on unemployment benefit schemes. This is often accompanied by "means testing" in order to evaluate the claimant's individual circumstances such as disability, care commitments, housing conditions. The system could rely on the involvement of local authorities to reduce fraud and error with tougher penalties for the most serious offences. It can also be balanced by specific measures to address those who cannot work because of illness as well as those who are in special conditions in terms of housing or dependent children (in the latter case, by targeting firstly the needs of children).

– *Source EEO Review, Adapting unemployment benefit systems to the economic cycle, for MLP seminar 2011*

### **Policy field: Addressing the cost of labour by lowering labour taxation**

**Shifting the burden of taxation away from labour to environmental sources:** Innovative practices have emerged during the crisis to pursue fiscal consolidation by promoting energy and resource efficiency as well as employment in the green economy. By introducing taxes on environmental 'bads', such as excess emissions, non-renewable energy and other scarce resources, Member States can increase revenues to decrease labour taxes and finance investments on green economy sectors and occupations.

– *Source: EEO 2013, Promoting Green Jobs throughout the Crisis: a handbook of best practices in Europe.*

## Annex IV: The Governance of the European Employment Strategy

### The European Employment Strategy

Under the EU2020 strategy, the European employment strategy provides a framework (the "open method of coordination") for EU countries to share information, discuss and coordinate their employment policies.

It is based in the annual growth survey (AGS), which sets out the EU's priorities for the coming year to boost growth and job creation and opens the yearly European semester, which promotes closer coordination by national governments of their economic and fiscal policies.

Each year, this process (which is supported by the work of the Employment committee) involves the following steps:

- Setting Employment guidelines as common priorities and targets for employment policies. They are proposed by Commission, agreed by national governments, adopted by the EU Council.
- Adopting the Joint employment report (JER) – based on (a) assessment of employment situation in Europe (b) implementation of the Employment Guidelines (c) examination of draft National Reform Programmes by the Employment Committee. The JER proposed together with the AGS as a draft by the Commission is jointly adopted by the EU Council.
- National Reform Programmes (NRPs) are submitted by national governments, analysed by Commission for compliance with Europe 2020
- Country-specific recommendations are issued by Commission, based on assessment of the NRPs.

### The Employment Guidelines

The **Employment Guidelines** issued under article 148 of the TFEU, together with Broad Economic Policy Guidelines, form part of the Integrated Guidelines and are geared to increase **labour market participation of women and men**, reducing structural unemployment and promoting job quality (guideline 7), to develop a **skilled workforce** responding to labour market needs and promoting lifelong learning (guideline 8), to improve the **quality and performance of education and training system** at all levels and increase participation in tertiary or equivalent education (guideline 9) and **promote social inclusion and combating poverty** (guideline 10). The Guidelines were revised in 2010 to take account of the initial impact of the crisis and to align them with the Europe 2020 Strategy.

**The Employment Guidelines are made operational every year through the policy advice contained in the Annual Growth Survey, setting out the priorities for the EU in the coming year and launching the yearly policy cycle of the European Semester.** Member States are requested to submit yearly National Reform Programmes (NRPs) to identify the policy response to meet the Europe 2020 targets and the Country Specific Recommendations (CSRs) adopted by the Council. The process of the European Semester (Reg. 1175/2011) involves the implementation of the Employment Guidelines.

The 2011 Annual Growth Survey designed to chart Europe's pathway to recovery, put a strong emphasis on **mobilising labour markets and creating job opportunities by making work more attractive, reforming pension systems, getting the unemployed back to work and balancing security and flexibility.** The 2012 and 2013 AGS stressed the importance of tackling unemployment and the social consequences of the crisis. This Committee, in its joint conclusions with the Social Protection Committee on the 2013 AGS and the JER<sup>23</sup>, confirmed those priorities, stressing that avoiding a lasting

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<sup>23</sup> Reference to the Joint Employment Report 2014, to be completed.

legacy of structural unemployment and poverty poses a major challenge and is important to reach the Europe 2020 employment and poverty targets.<sup>24</sup>

### **The Multilateral Surveillance by EMCO under Europe 2020**

The term is used to explain the review process amongst peers (Member States and the European Commission) of major policy reforms, and, in EMCO's context, to address labour market challenges. The focus is on the monitoring of the implementation of the Europe 2020 strategy, through the country specific recommendations (CSRs). These reviews are both ex-post (backward looking) assessing implementation over the year, but also contain a strong ex-ante (forward looking) flavour because they usually examine policy announcements before implementation.

The multilateral surveillance work uses a broad range of tools to help EMCO deliver Peer Pressure through a common view on the progress in the implementation of the reforms to address the CSRs: the multilateral position. Together with EMCO's analytical instruments (see box: EMCO statistical tools), this position is then used in June to discuss the Commission's proposals for new CSRs

In the follow-up to the June 2011 negotiations on the CSRs EMCO and its chair recognised that the committee needed to change the bilateral discussion on the CSRs between Member States and the Commission to a multilateral decision making process. EMCO has since been able to evaluate the implementation of policies in order to meet the CSRs and to better collectively assess the proposals in June. This has led to significant progress in the past eighteen months.

All Council adopted CSRs addressed to Member States which cover labour market issues are reviewed. This is an ambitious objective given that in the 2014 European Semester EMCO will review progress on over 60 CSRs from 2013. Furthermore, Member States operating under a Memorandum of Understanding are also fully included in the process, in recognition of the scale of reform and wealth of experience they have to offer. Given the inter-linkages of policy areas examined EMCO has elaborated a close partnership with other committees such as the Social Protection Committees (SPC), the Education Committee and the Economic Policy Committee (EPC), that also manifests itself with jointly conducted peer reviews.

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<sup>24</sup> The Annual Growth Survey and the Joint Employment Report in the context of the European Semester: political guidance on employment and social policies, Draft Conclusions, Council Document 6200/13

### EMCO Statistical Tools

EMCO is using a range of tools in the multilateral surveillance procedure. The basis is the Joint Assessment Framework (JAF) and the Employment Performance Monitor (EPM) which also includes the Benchmark.

The JAF monitors labour market developments in the Member States, indicating good labour market outcomes and challenges. It is an analytical tool based on a set of indicators under 10 domains commonly agreed by Commission and Member States. These indicators are used to monitor progress in the Member States towards the headline target (the employment rate target) and the identification of main challenges under the Employment Guidelines through a quantitative assessment. The JAF is a Commission-EMCO-SPC joint tool.

The EPM is a joint Commission/EMCO report providing a summary of the assessment produced by the JAF and an overview of the key challenges emerging from this analysis. The EPM relies on the JAF to establish the quantitative justification for such challenges, but also contains a qualitative assessment to nuance this. The full version containing the update of the challenges and the statistical part is endorsed by the June EPSCO Council and the purely statistical update is endorsed by the December EPSCO Council. As such, the challenges outlined in the EPM should be issues on which the Commission may propose CSRs.

In the EPM graphs with progress towards the EU-27 employment rate headline target (see graph 1) or with progress towards the national targets for the individual Member State are shown. The main feature of this is to show the growth rates that would be necessary to either reach the EU headline target for the employment rate or the national targets for the employment rate.

In the Employment Package published by the Commission in April 2012 it was stated that a "benchmarking system with selected employment indicators" would be published. This system is published together with the EPM and has been agreed with the Commission and Member States. The benchmarking tool is providing a visual representation of performance against the EU average and identified best performers, in order to illustrate areas of lagging behind and provide some peer pressure through this comparison. The benchmarking tool is being endorsed twice a year, alongside the EPM, in the December and June EPSCO councils.

The benchmark is normalised in the following way: average of highest 5=100, average of lowest 5=0. The interpretation of the benchmark is that it for a given indicator, in this case the employment rate, and country gives the relative distance to the highest 5 performers by subtracting the benchmark for a given country and indicator from the benchmark of the highest 5 performers (that is the value 100). The actual levels of the indicators can be found in the key indicator tables for each country

$((\text{Value} - \text{average lowest 5}) / (\text{average highest 5} - \text{average lowest 5}) * 100)$ .

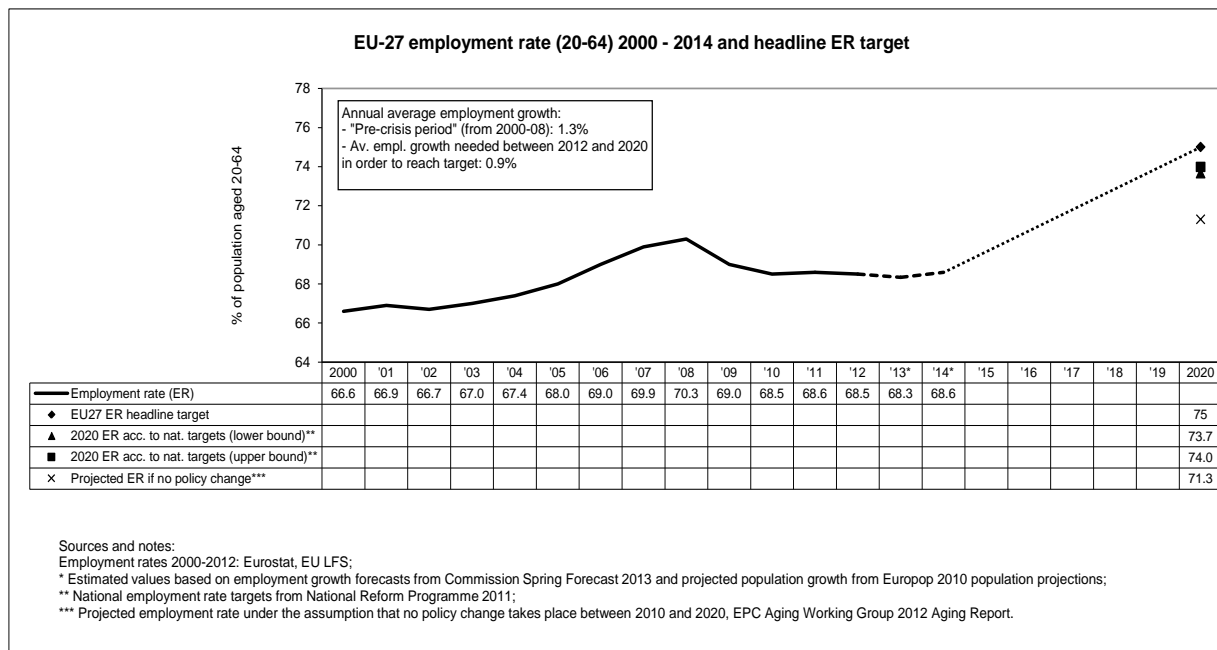
Due to this definition there will be countries above or below the average of the group with the highest 5 or the lowest 5. This means that amongst the highest 5 there will be values above 100 and amongst the lowest 5 there will be values below 0.

The benchmark has been calculated for the following indicators that together is giving an overall picture of the labour market:

Employment rate of women (20-64), employment rate of men (20-64), employment rate for older workers (55-64), employment rate of young (15-24), employment rate of low-skilled (20-64), employment rate of medium skilled (20-64), employment rate of high-skilled (20-64), newly employed, youth NEET rate (15-24), long-term unemployment rate, transition from unemployment to employment, employment growth 3 recent years, nominal unit labour cost growth 3 recent years and labour productivity growth 3 recent years.

## Annex V: Statistical Background

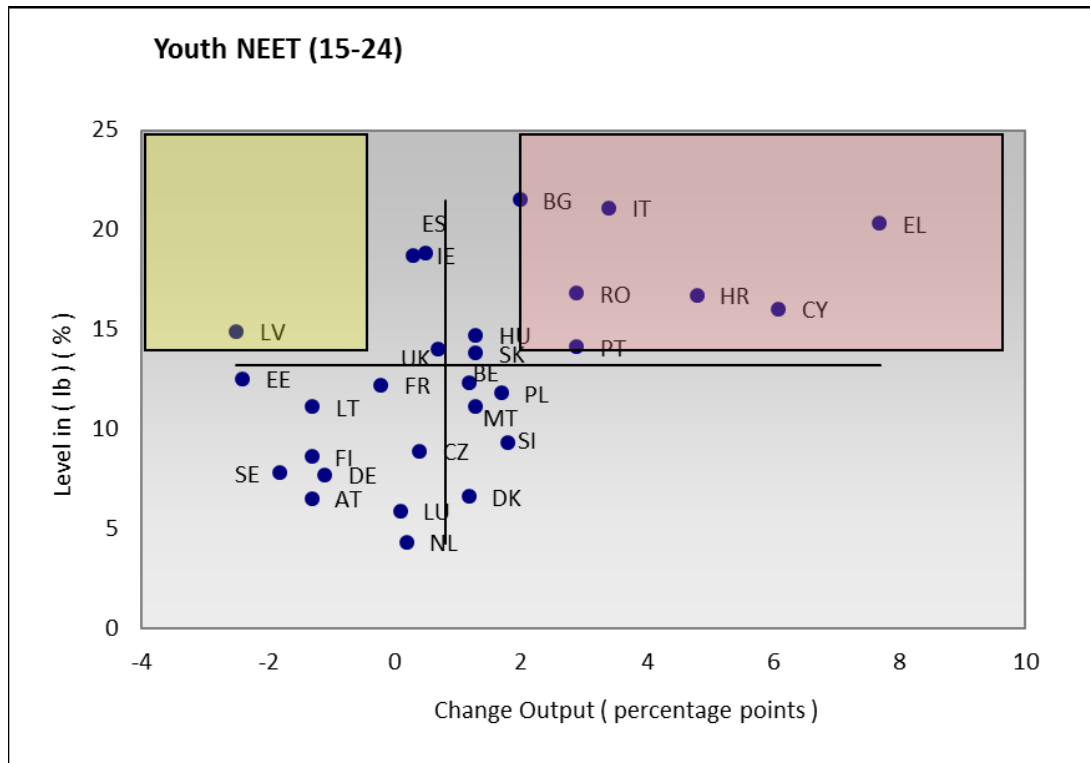
**Graph 1: Progress towards the EU-27 employment rate headline target<sup>25</sup>**



Source: Employment Performance Monitor December 2013

<sup>25</sup> EPM June 2013 will be updated.

**Graph 2: Scatter plots on the positioning of the development in the NEET (15-24)**



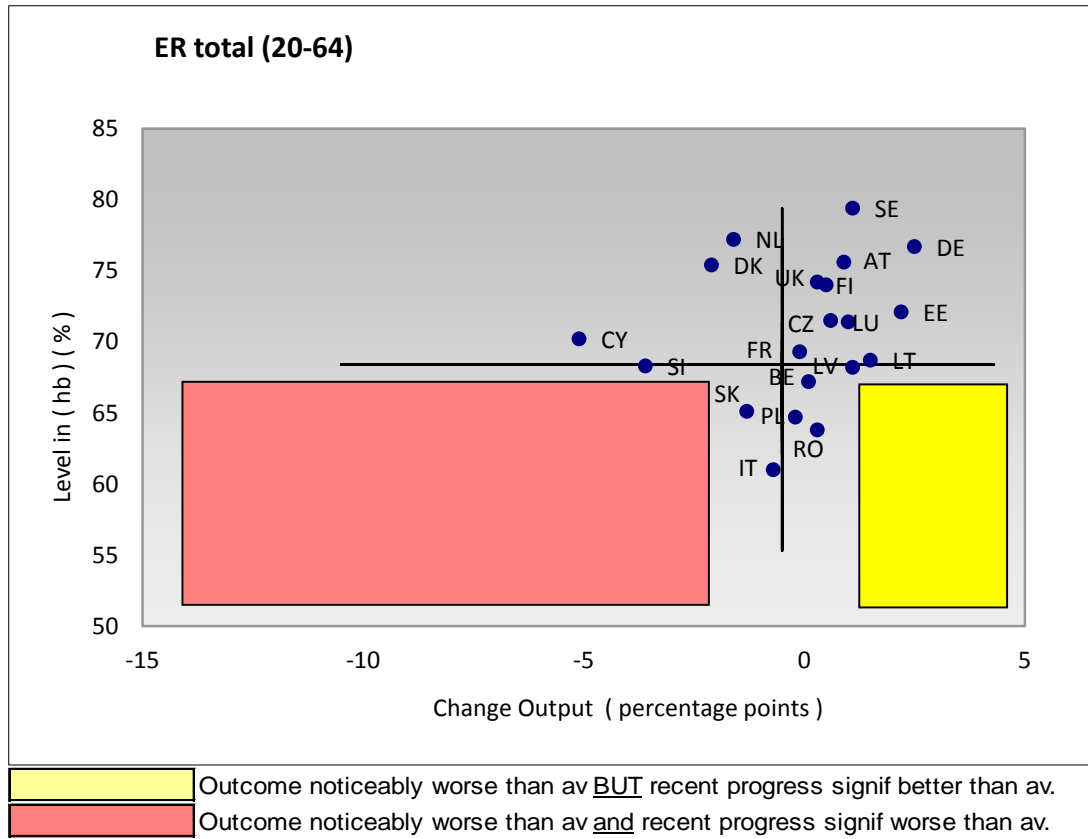
Outcome noticeably worse than av BUT recent progress signif better than av.

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Note: Changes relates to recent three years, 2009-2012

Source: JAF version December 2013

**Graph 3: Scatter plots on the positioning of the development in the ER (20-64)**



Source: JAF version December 2013



# Annex VI: Statistical background from EPM

Benchmark table from the EPM

Country	Benchmark for the main labour market indicators											
	Employment rate of women (20-64)						Employment rate of men (20-64)					
	2000	2008	2009	2010	2011	2012	2000	2008	2009	2010	2011	2012
Avg 5 High (level)	69.7	74.2	72.9	72.0	72.7	73.0	83.7	84.0	81.9	81.2	81.4	81.5
Avg 5 Low (level)	43.2	51.0	50.6	50.7	50.5	50.6	66.5	72.7	68.6	66.3	67.1	66.4
BE	48.3	44.6	46.6	51.2	49.7	49.7	52.1	17.4	35	48.4	41.5	42.0
BG	28.3	62.2	60.0	51.7	42.1	43.0	-36.9	29.8	39	18.8	-7.6	-3.7
CZ	70.7	49.7	48.4	47.9	50.6	53.3	79.4	82.1	87	89.4	89.8	91.7
DK	112.3	105.8	107.0	104.8	98.8	96.5	95.1	98.9	90	82.7	83.5	81.1
DE	66.9	72.6	81.0	88.8	93.0	93.4	57.9	65.2	83	92.7	100.3	102.3
EE	74.4	94.1	81.5	70.5	77.2	83.6	34.1	79.4	18	9.4	45.0	58.5
IE	55.5	56.6	50.6	44.6	40.3	39.4	94.5	67.9	29	18.8	7.8	11.5
EL	8.6	6.6	9.5	4.7	-8.4	-23.9	71.3	67.9	77	66.5	28.2	-7.0
ES	4.8	31.6	25.6	24.0	22.7	15.3	60.2	47.5	18	18.8	3.6	-12.3
FR	64.6	62.7	64.0	66.3	64.1	64.4	52.7	24.5	41	50.4	47.8	49.3
IT	-3.9	-1.6	-3.9	-5.6	-2.5	-0.3	36.4	23.6	39	43.7	38.7	34.7
CY	59.7	74.3	79.2	85.1	77.7	63.5	115.5	110.5	107	103.5	87.7	64.5
LV	60.8	91.1	72.5	66.7	66.8	70.7	9.7	61.7	-9	-8.1	2.9	25.4
LT	78.2	76.9	75.7	67.7	72.7	77.3	5.0	24.5	-13	-18.1	2.9	20.1
LU	40.0	39.4	48.8	53.1	51.5	60.4	82.3	39.5	78	86.7	77.2	80.4
HU	40.4	17.8	17.1	20.2	20.0	26.0	13.7	-33.2	-12	-2.0	-2.0	11.5
MT	-37.9	-50.3	-48.2	-43.2	-31.8	-16.8	83.5	48.4	64	78.0	82.8	83.7
NL	79.0	91.6	98.9	94.5	94.3	95.2	103.3	113.1	123	110.9	108.7	106.9
AT	72.2	76.0	84.2	88.8	86.2	88.0	81.7	79.4	87	93.4	96.1	96.3
PL	41.5	27.3	31.4	32.9	32.2	31.0	8.5	2.3	30	35.6	35.9	37.4
PT	82.8	69.1	69.4	70.0	64.6	55.9	91.6	59.0	60	61.2	44.3	23.4
RO	74.8	27.3	25.6	24.4	23.6	25.6	51.5	-10.1	16	30.2	19.7	33.4
SI	77.1	75.6	77.5	74.2	64.6	62.6	38.7	41.3	53	51.7	33.1	36.0
SK	52.9	40.3	34.1	31.5	32.2	30.1	20.1	41.3	45	37.6	39.4	42.6
FI	94.5	95.4	97.6	97.7	96.6	97.0	48.6	50.2	46	55.1	59.7	60.5
SE	121.3	113.1	112.3	114.2	117.3	117.0	78.8	95.4	93	99.5	105.2	102.9
UK	89.2	76.9	78.8	80.8	78.6	79.6	86.4	80.3	83	87.4	86.3	90.3
EU27	53.3	51.0	52.4	53.6	53.3	52.8	55.0	45.7	54	59.1	55.5	54.6

Sources: DG EMPL calculations on the basis of Eurostat database (labour market statistics, national accounts)

Note: the benchmark is normalised in the following way: average of highest 5=100, average of lowest 5=0. The interpretation of the benchmark is that it for a given indicator and country gives the relative distance to the highest 5 performers by subtracting the benchmark for a given country and indicator from the benchmark of the highest 5 performers (that is the value 100). The actual levels of the indicators can be found in the key indicator tables for each country ((Value-average lowest 5)/(average highest5-average lowest 5)\*100). Due to this definition there will be countries above or below the average of the group with the highest 5 or the lowest 5. This means that in the highest 5 there will be values above 100 and in the lowest 5 there will be values below 0.

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Sources: DG EMPL calculations on the basis of Eurostat database (labour market statistics, national accounts)

Note: the benchmark is normalised in the following way: average of highest 5=100, average of lowest 5=0. The interpretation of the benchmark is that it for a given indicator and country gives the relative distance to the highest 5 performers by subtracting the benchmark for a given country and indicator from the benchmark of the highest 5 performers (that is the value 100). The actual levels of the indicators can be found in the key indicator tables for each country ((Value-average lowest 5)/(average highest5-average lowest 5)\*100). Due to this definition there will be countries above or below the average of the group with the highest 5 or the lowest 5. This means that in the highest 5 there will be values above 100 and in the lowest 5 there will be values below 0.

Benchmark for the main labour market indicators																		
Youth NEET rate (15-24)							Long-term unemployment						transition from unemployment to employment					
	2000	2008	2009	2010	2011	2012	2000	2008	2009	2010	2011	2012	2000	2008	2009	2010	2011	2012
Avg 5 Highest (level)	5.5	5.4	6.1	5.9	5.8	6.2	0.9	0.8	0.8	1.3	0.8	1.5		49.6	45.8	45.2	40.6	
Avg 5 Highest	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Avg 5 Lowest	20.3	15.1	18.3	19.2	19.3	20.1	8.6	4.4	4.9	8.1	4.9	10.4		25.3	21.6	21.1	24.7	
Avg 5 Lowest (level)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BE	17.5	51.5	59.0	62.4	55.3	56.1	63.5	29.8	34.8	58.8	72.2	78.7		-20.7	-12.2	-2.7	-3.8	
BG		-24.3	-10.2	-19.8	-18.8	-10.2	-10.4	40.9	47.1	48.5	34.8	40.3		89.9	14.3	-8.5	-0.6	
CZ		86.7	80.4	78.3	81.2	80.5	55.7	60.2	71.6	74.9	82.9	83.3		68.8	16.0	27.7	50.9	
DK	105.4	111.6	105.9	99.4	96.0	97.1	99.7	107.2	105.9	96.8	94.9	93.4		83.3	143.3	57.2	130.7	
DE	85.1	69.1	77.9	82.1	87.1	89.2	58.3	10.5	34.8	69.0	81.6	88.9		-12.5	4.4	6.9		
EE	39.1	64.9	27.7	35.3	55.3	54.6	31.1	74.0	27.5	6.1	24.1	55.0		64.7	18.5	40.6	121.2	
IE		2.7	-1.2	-0.2	3.4	9.9	90.7	74.0	34.8	19.3	2.7	14.3						
EL	22.9	34.9	46.6	32.3	13.8	-1.6	31.1	21.5	25.0	35.4	1.3	-45.7		30.4	31.8	25.6		
ES	55.3	6.8	-0.3	8.9	5.6	9.2	47.9	65.7	15.2	12.0	-1.3	-8.4		42.4	23.1	39.3	22.6	
FR	68.2	50.4	48.3	51.1	53.8	56.8	66.1	40.9	37.3	61.7	65.5	70.8		35.4	30.5	47.2		
IT	8.0	-16.0	4.6	0.6	-4.0	-7.3	31.1	35.4	34.8	58.8	60.2	52.7		9.8	1.1	5.7	-33.9	
CY	68.9	55.6	68.9	56.4	34.5	29.4	95.9	107.2	105.9	99.7	97.6	76.5		151.3	134.6	107.5		
LV		38.0	7.1	10.4	24.1	37.3	9.1	63.0	0.5	-11.4	1.3	29.0		54.0	8.5	32.7	82.9	
LT	22.2	63.9	48.3	42.8	57.5	64.7	7.8	90.6	42.2	10.5	12.0	43.7		46.9	16.4	-1.4		
LU	103.4	91.9	102.6	106.2	107.9	102.2	104.9	76.8	91.2	99.7	100.3	99.1		98.5	35.9	76.3	72.2	
HU	33.0	36.9	40.0	51.1	44.1	38.8	72.5	21.5	17.6	38.3	49.5	61.8		65.1	66.2	58.9	79.1	
MT	-48.2	57.7	69.7	73.0	64.1	64.7	53.1	51.9	47.1	71.9	78.9	83.3		31.7	30.9	41.4	18.8	
NL	111.5	121.0	116.6	112.2	114.5	113.7	101.0	90.6	98.5	101.2	98.9	96.8		77.1	101.8	137.4		
AT	83.8	82.6	86.2	91.1	91.6	97.8	98.4	96.1	96.1	102.6	104.3	104.8		44.5	30.1	72.6	66.6	
PL		62.9	67.2	63.2	56.7	59.7	15.5	54.7	59.3	74.9	70.9	70.8		35.4	27.2	55.9		
PT	76.3	49.4	58.2	57.9	48.6	43.1	86.8	10.5	5.4	26.6	36.1	30.1		74.2	23.1	19.8	22.6	
RO	0.5	35.9	35.9	21.0	13.8	23.6	66.1	54.7	66.7	82.2	77.5	81.0		36.6	40.5	32.3		
SI		88.8	88.6	91.1	90.1	77.7	58.3	68.5	76.5	71.9	70.9	68.6		-7.1	-0.2	13.5		
SK		41.1	47.4	38.3	40.4	45.2	-22.0	-64.1	-38.7	-17.3	-4.0	10.9		35.8	24.7	26.8		
FI	71.6	75.3	68.9	76.8	80.4	82.7	75.1	87.8	86.3	89.5	96.3	99.1		32.1	6.9	10.2	19.5	
SE	94.6	75.3	71.3	86.6	87.1	88.5	93.3	98.9	93.6	95.3	98.9	100.2		69.6	54.1	106.2		
UK	63.5	30.7	40.9	41.3	36.7	43.8	93.3	82.3	74.0	82.2	82.9	85.5			28.0	60.5	86.1	
EU27	47.9	43.2	48.3	48.1	47.1	49.6	58.3	49.2	47.1	61.7	64.2	65.2		27.1	19.7	31.4		

Sources: DG EMPL calculations on the basis of Eurostat database (labour market statistics, national accounts)

Note: the benchmark is normalised in the following way: average of highest 5=100, average of lowest 5=0. The interpretation of the benchmark is that it for a given indicator and country gives the relative distance to the highest 5 performers by subtracting the benchmark for a given country and indicator from the benchmark of the highest 5 performers (that is the value 100). The actual levels of the indicators can be found in the key indicator tables for each country ((Value-average lowest 5)/(average highest 5-average lowest 5)\*100). Due to this definition there will be countries above or below the average of the group with the highest 5 or the lowest 5. This means that in the highest 5 there will be values above 100 and in the lowest 5 there will be values below 0.

At this page, it is defined that a good performance is low youth NEET and low long-term unemployment (that is the highest performers) and for transition from unemployment to employment the higher transition the better.

Benchmark for the main labour market indicators: Development indicators																				
Employment growth 3 recent years							Nom ULC growth 3 recent years							Labour productivity growth 3 recent years						
	2000	2008	2009	2010	2011	2012		2000	2008	2009	2010	2011	2012		2000	2008	2009	2010	2011	2012
Avg 5 Highest (level)	11.3	9.5	5.2	3.0	2.4	4.3		1.0	4.1	7.5	1.3	-9.1	-7.2		21.7	15.4	5.7	5.6	9.1	15.1
Avg 5 Highest	99	100	100	100	100	100		100	100	100	100	100	100		100	100	100	100	100	100
Avg 5 Lowest	-6.4	1.8	-6.3	-12.8	-13.5	-11.1		26.7	39.4	30.9	19.0	12.2	7.3		2.8	-0.4	-5.8	-5.6	-3.8	-0.9
Avg 5 Lowest (level)																				
BE	65.8	37.1	83.1	95.6	96.9	86.7		92.1	86.7	85.7	62.2	27.7	8.5		6.3	14.9	31.1	35.7	25.0	16.0
BG	-6.4	99.9	81.8	51.1	20.2	-4.9		-99.0	36.0	-32.5	-84.6	-48.9	-11.4		105.7	65.8	82.8	101.9	89.3	113.5
CZ	9.8	53.3	77.3	77.6	69.1	69.8		55.9	93.2	96.0	75.3	41.8	18.2		43.0	67.1	62.9	63.3	47.3	27.1
DK	52.2	63.7	72.4	62.2	54.0	52.1		80.0	73.1	56.3	45.2	35.2	50.6		14.3	-12.4	-8.9	32.1	44.3	39.0
DE	61.3	22.7	80.8	92.9	97.8	92.1		98.7	113.3	101.1	69.0	29.6	29.2		-1.8	31.3	16.3	32.4	28.0	35.3
EE	-6.7	59.9	-24.4	-8.1	33.1	98.4		58.2	-20.7	-22.7	56.0	86.5	66.4		126.2	43.6	27.8	41.7	68.9	75.3
IE	153.2	87.7	16.2	4.0	2.3	31.3		70.3	70.3	104.1	132.0	118.4	115.3		43.0	3.9	69.0	90.3	104.2	55.9
EL	57.7	37.3	72.5	68.5	30.9	-29.7		92.9	92.9	69.9	42.4	38.1	106.3		25.1	28.4	32.1	-6.5	-19.5	-6.5
ES	120.0	68.0	21.4	24.1	20.5	19.9		73.7	73.7	83.2	79.8	67.2	96.7		-13.6	17.6	89.9	104.6	85.5	52.8
FR	74.3	15.8	59.5	75.4	80.3	76.0		94.4	92.4	94.3	63.9	29.1	21.6		7.0	13.5	40.3	49.0	41.6	26.3
IT	59.3	22.8	53.4	67.7	72.2	67.5		104.5	88.1	87.0	59.4	34.3	29.9		2.1	6.7	26.8	44.3	30.6	15.2
CY	65.5	71.8	98.5	91.0	84.6	47.4		89.3	100.3	101.1	67.9	17.4	21.6		36.5	38.8	66.6	62.0	29.3	25.1
LV	6.9	103.2	-25.6	-23.9	-66.3	5.5		-113.3	-47.5	109.3	131.1	91.2	91.2		95.2	45.7	12.9	4.9	128.9	153.1
LT	-2.5	28.6	12.3	3.8	23.3	9.3		27.8	27.8	64.0	100.8	96.8	87.1		84.2	111.1	60.3	61.4	40.0	85.5
HU	66.9	-32.0	23.6	58.3	76.2	79.7		95.2	76.2	49.4	-1.2	-1.4	-6.6		28.1	-11.8	-23.0	-32.9	-11.3	-7.6
LU	32.1	56.7	95.4	106.4	112.1	115.3		-21.2	74.5	72.1	71.3	39.9	-0.4		18.0	38.2	29.8	40.0	9.0	5.7
MT	79.3	52.9	83.5	83.3	82.6	73.4		76.5	89.2	84.5	54.3	19.7	15.4		68.4	31.7	55.6	53.0	10.9	-2.1
NL	56.3	49.4	81.3	94.0	96.3	96.1		107.2	96.3	88.3	64.5	30.1	34.0		14.1	25.6	43.8	48.1	29.3	21.8
AT	132.8	132.5	111.1	111.1	96.9	71.1		107.2	94.3	88.3	57.1	29.6	20.9		28.2	30.3	43.3	39.8	32.4	18.9
PL	72.4	-11.1	35.6	57.9	50.1	25.8		63.3	85.6	77.2	43.5	38.1	29.2		88.6	43.2	91.4	103.5	92.1	72.6
PT	72.4	-11.1	35.6	57.9	50.1	25.8		63.3	95.8	97.7	78.1	52.6	90.5		21.9	21.3	64.6	73.1	54.4	35.7
RO	53.1	76.4	90.0	71.7	50.6	40.2		35.3	82.4	53.3	17.5	18.3	47.1		21.5	140.6	123.2	62.9	108	10.6
SI	8.7	75.5	83.5	78.9	74.2	74.0		29.0	92.6	85.3	54.3	36.7	58.8		40.9	57.8	31.4	31.6	22.3	35.2
SK	73.2	64.6	72.7	80.0	75.0	80.7		93.2	89.8	59.7	26.0	14.6	25.1		27.0	115.3	112.7	99.6	63.0	65.9
FI	72.3	41.6	60.9	77.2	89.9	98.1		88.2	92.1	80.2	78.1	50.3	52.6		22.9	23.6	2.7	5.5	19.0	34.8
SE	57.3	4.6	48.4	67.5	72.7	72.7		66.8	87.5	84.0	50.9	18.8	9.9		22.9	15.3	22.6	60.7	61.4	49.9
UK	60.3	35.1	63.2	73.1	73.1	68.8		66.8	87.5	84.0	50.9	18.8	9.9		23.9	21.2	40.6	29.0	25.9	13.9
EU27																				

Sources: DG EMPL calculations on the basis of Eurostat database (labour market statistics, national accounts)

Note: the benchmark is normalised in the following way: average of highest 5=100, average of lowest 5=0. The interpretation of the benchmark is that it for a given indicator and country gives the relative distance to the highest 5 performers by subtracting the benchmark for a given country and indicator from the benchmark (that is the value 100). The actual levels of the indicators can be found in the key indicator tables for each country ((Value-average lowest 5)/(average highest5-average lowest 5)\*100). Due to this definition there will be countries above or below the average of the group with the highest 5 or the lowest 5. This means that in the highest 5 there will be values above 100 and in the lowest 5 there will be values below 0. For the indicators at this page, the interpretation of the benchmark is on the growth rates. The good outcomes (thus the highest performers) are increasing employment growth and increasing labour productivity growth but decreasing or slow increase in unit labour cost.