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## **PART IV: LOOKING AHEAD**

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## FULL EMPLOYMENT: EUROPE'S CHALLENGE

**10.1** The Lisbon Council placed employment at the heart of the European agenda. EU leaders aspired to a Europe which would, by 2010, be 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'. Well-functioning labour markets and appropriate incentive structures provide the basis for strong job creation and the high levels of productivity which can raise living standards and guard against social exclusion. Full employment is not just a quantitative objective, but a choice of society.<sup>1</sup>

**10.2** Successful labour market policies are as many and varied as labour markets themselves. The EU Member States with the highest employment rates – Denmark, the Netherlands, Sweden, the UK, Austria and Portugal – all have very different institutions, welfare systems, industrial structures, education systems, employment patterns, levels of taxation and voter preferences and have therefore evolved very different labour markets. Each differs from (and in some ways outperforms) the high-employment US; each shares one or more labour market characteristics with a low-employment EU neighbour. As a recent TUC report noted with respect to the high growth OECD economies of the 1990s, 'what is striking about these countries is their diversity'.<sup>2</sup>

**10.3** Lisbon envisaged a new labour market approach; different not only from its predecessor, but also from its US counterpart, and tailored to the needs and aspirations of a diverse and changing Europe.

**10.4** For EU Member States, the construction of this new framework is both motivated and complicated by a context of widespread change:

- the **nature of work** is changing in terms of the skills required, the technologies used, and the sectors which make most use of both;
- the **workforce** is changing in its gender and age mix;
- **society** is changing in its views of 'traditional' households, breadwinners and career structures; in its expectation that goods and services will be available for consumption around the clock; and in its estimation of the quality of life, where work fits into this equation, and just what constitutes 'work'; and
- **Europe** itself is changing, as it enlarges and as its population ages.

**10.5** A new, distinctively European, labour market framework must be equipped to tackle some very long established weaknesses. Notwithstanding recent progress, the challenges remain immense.

## THE GAPS TO BE BRIDGED

**10.6** From the perspective of men aged 25-54, Europe's assorted labour market models have performed well. Employment and unemployment rates for this group have been comparable to (and in some cases better than) those in the US, though the EU's track record on productivity performance is less impressive.

<sup>1</sup> *Plein Emploi*, Conseil D'Analyse Économique, December 2000.

<sup>2</sup> *Globalisation: Myths and Realities*, Trades Union Congress, May 2002.

**10.7** The largest single source of the EU's jobs 'gap' *vis-à-vis* the US is its lower employment of women. This difference is particularly marked in higher paid jobs; a phenomenon which, given rising educational attainment, does not appear to reflect simply a shortage in the supply of skilled women.

**10.8** Long-term unemployment remains a particularly acute social as well as economic problem in Europe. It represents an enormous cost not only to the skills base and the economy, but also in financial and emotional terms for the individual and his or her dependents. Children in households with no income earner are at particular risk of poverty and social exclusion, with the consequences often carried over into adult life and transferred, in turn, to the next generation.

**Much has been achieved...**

**10.9** In the five years since the European Employment Strategy was launched, and in the two years since Lisbon, much has been achieved in terms of the EU's labour market performance.

**10.10** On the positive side of the balance sheet<sup>3</sup>:

- between 1997 and 2001, over 10 million net new jobs were created, and unemployment fell by more than 4 million. The remaining jobs were therefore taken by people not previously in the labour market; a higher take-up rate by the inactive than earlier in the decade. While this increase in participation reflected in part a tightening labour market, it also suggested that proactive policies intended to raise skill levels and encourage active job search, were having some effect;
- in 2000 and 2001 alone, 5 million net jobs were created;
- the EU overall employment rate rose from 60.5 per cent in 1997 to 63.2 per cent in 2000, and 64.0 per cent in 2001;
- the employment rate for women rose from 50.6 per cent in 1997 to 54.0 per cent in 2000, and 54.9 per cent in 2001. The male employment rate simultaneously rose from 70.3 per cent in 1997 to 72.5 per cent in 2000, and 73.0 per cent in 2001, meaning that the 'gender gap' in employment rates narrowed from 19.7 percentage points in 1997 to 18.1 in 2001;
- the employment rate for older workers rose from 36.3 per cent in 1997 to 37.8 per cent in 2000 and 38.6 per cent in 2001;
- employment became more responsive to economic growth in the 1990s than in previous decades, perhaps due partly to the growth in atypical work contracts, but also to wage moderation;
- the unemployment rate declined from 10.1 per cent in 1997 to 7.9 per cent in 2000, and 7.4 per cent in 2001; and
- long-term unemployment declined from 50 per cent of total unemployment in 1997 to 42 per cent in 2001.

<sup>3</sup> All data Eurostat.

**...but much still to be done** **10.11** While much has been achieved, however, the room for improvement remains substantial:

- declining long term unemployment notwithstanding, over a third of Europe's unemployed at the end of 2001 had been without a job for more than a year. The differences between Member States in this regard remain substantial;
- 77 million people in the EU remain inactive. The EU will not meet its employment targets without enabling and encouraging the inactive to rejoin the labour force;
- while employment rates for older workers (55-64) have risen, the rate of increase remains well below that necessary to reach a 50 per cent employment rate by 2010;
- access to life-long learning remains extremely uneven, especially at lower skills levels;
- the extent to which rising female participation and employment has reflected structural change, or economic growth, is unclear. Data on the gender pay gap are only available with a considerable lag. Between 1994 and 1998, women's pay fluctuated within the range of 83-85 per cent of men's gross hourly earnings; and
- the trade-off between growth and inflation (the Phillips curve) has not yet seen an improvement in the EU as a whole comparable to that in the US or UK.

**10.12** Labour market reform has, to date, been erratic and often only partial. Tighter rules on benefit conditionality (e.g. in Spain) need to be accompanied by increased investment in active labour market policies; tax incentives to persuade firms to 'regularise' their activities (e.g. in Italy) should be reinforced by steps tackling whatever it is that makes the 'formal' sector less attractive, e.g. high non-wage labour costs or inflexibility stemming from inappropriate regulation or slow administrative procedures.

**Prerequisites for success** **10.13** Bridging the gap between aspirations and reality requires a range of labour market policies in a combination tailored to the needs and preferences of the individual Member State, and we shall consider the options in more detail below. Comparative analysis of the type undertaken in this paper suggests that, whatever the policy mix, successful labour market strategies share three key characteristics.

**10.14** First, a background of **macroeconomic stability**: microeconomic reform to enhance the performance of EU labour markets must be built on stable macroeconomic foundations. In the 1980s and early 1990s, for example, the UK had relatively high unemployment despite a number of economic reforms, because of poor macro-economic policy and outcomes.<sup>4</sup> Stability is important at both a Member State and EU level; economic problems and perceptions of economic problems do not always recognise national borders.

**10.15** Second, a recognition that the economic context is **dynamic**, not static: bringing more people into employment can raise trend growth; changes in technology boost output and create demand, raising productivity and real incomes.

<sup>4</sup> *What have two decades of British economic reform delivered?* D.Card, R.Freeman, NBER Working Paper 8801.

**10.16** Third, **policy consistency**: labour market policies take time and require determination, and must not only be mutually consistent, but also consistent with policy on product and capital markets. Wage moderation was, for example, key to the success of post-1982 labour market policy in the Netherlands. In order for such moderation to be sustained, however, it had to be backed up by policies to increase the effective labour supply and change the bargaining positions of unions and employers; and to improve the broader functioning of the labour market, it had to be accompanied by social security reform and active labour market policies, and be pursued in a context of fiscal consolidation, exchange rate stability and increased competition.<sup>5</sup> The Netherlands shook off its ‘Dutch disease’ label not because of any particular reform, but because of an entire package of complementary reforms pursued concurrently.

## THE DIVISION OF LABOUR; EU-LEVEL AND MEMBER STATES

**10.17** Although Member States may share common labour market objectives (principally the 70 per cent employment rate for the EU by 2010), this does not imply that they should approach these objectives in an identical manner. Common ends do not necessarily point towards common means for a number of reasons:

- there is no ‘standard’ EU labour market model. Different institutional, economic and social contexts mean that appropriate policy responses will also differ;
- not only do EU-wide labour market problems manifest themselves to varying degrees in Member States, but similar problems may have different underlying causes. Policy should be tailored to the cause, not just the symptom;
- national labour market policies must be shaped by national labour market circumstances, and can be assessed only in their national context;
- the traditional means of pursuing single solutions at EU level, legislation, can be a blunt instrument. While an essential underpinning of the Single Market, it is not always appropriate in a context demanding a more subtle and tailored approach;
- the responsiveness of labour market policy is central to its success; national governments are better placed to recognise and react to local changing circumstances than are EU level policy makers; and
- the key tools of labour market policy (tax, benefits, education) remain the responsibility of Member States.

**10.18** Such considerations mean that careful attention must be given to the appropriate level and form of intervention in each particular instance.

**10.19** The EU has an important part to play not only in facilitating the spread of best practice through the European Employment Strategy, but also in realising the full potential of the Single Market and the free movement of people; in applying appropriate standards of health and safety; in ensuring the consistent application of competition policy – vital to business growth and confidence; and in maintaining the macro-economic stability which is the precondition of economic success.

<sup>5</sup> *Labour Market Reform in the UK, Denmark, New Zealand and the Netherlands*, R.Barrell, V.Genre, NIESR, May 1999.

**10.20** Drawing on the comparative analysis of the preceding chapters and the lessons of EU and US experience, we outline in our final sections what appear to be the key elements of successful labour market policy; first, at the level of Member States (though the way in which these elements are combined will differ according to national circumstances), and then at EU-level.

## POLICIES AT A MEMBER STATE LEVEL

**10.21** There is no single blueprint for what Member State labour market policy should look like, and this will be even more the case in an enlarged EU. The successful labour market policy mix will vary according to a Member State's needs, structures and institutions. But EU (and US) experience makes it possible to identify a number of key elements which would need to feature in an effective national employment strategy. The central strategy for the EU Governments could be seen as adapting these elements to fit their own national policy context. The following can be seen as key elements:

- tax-benefit reform;
- active labour market policies;
- promoting equal opportunities;
- effective employment protection legislation to ensure decent minimum standards in the workplace, without creating disincentives for job creation;
- education and training; and
- fostering entrepreneurship.

**10.22** The individual policy mix pursued by the member states will, of course, vary according to the specific nature of the challenges they face.

## POLICIES TO ENHANCE INCLUSION

**Tax-benefit reform** **10.23** The tax-benefit system plays a central role in providing incentives to enter the labour force, to remain in it for longer, to gain skills and experience, and to provide training and employment. Member States should:

- tackle unemployment and poverty traps;
- aim to reduce the tax rates on low wage earners; and
- review and reform the duration, coverage, conditionality and level of unemployment benefits, so as to encourage active job search. Benefits play an important economic and social role in the event of job loss. They facilitate careful job search, encourage risk-taking and improve matching in the labour market. If inappropriately low they may constrain the capacity for job search and hinder mobility; if inappropriately high, they may reduce the incentive for job search, increase the average duration of unemployment and put upward pressure on wages.

**Active labour market policies** **10.24** As the name suggests, active labour market policies (ALMPs) entail active job search by participants. They help improve the functioning of the labour market and hence the trade-off between growth and unemployment (i.e. they reduce the NAIRU) in three ways: by increasing competition in the labour market through the improved employability of job-seekers and a reduced incidence of long term unemployment; by promoting more effective job-search; and by reducing mismatch and alleviating skills gaps. The UK's approach to welfare to work has,

combined with stable macroeconomic conditions and ‘making work pay’ policies, successfully increased employment by 1.5 million since 1997. As the underlying causes of unemployment will vary between Member States, there can be no uniform guidelines for the appropriate design of ALMPs, which may comprise a number of elements:

- facilitate **job search**. Such measures have the strongest track record of ALMPs, with evaluations in several countries demonstrating positive effects from often relatively inexpensive schemes.<sup>6</sup> Improved job search reduces both the chances of an individual suffering long-term unemployment or taking unsuitable work, and the cost to the employer of a longstanding or inappropriately filled vacancy;
- target **training** on specific groups, with a strong on-the-job component. While the jury remains out on the efficacy of training schemes, there are suggestions that both of these factors can make it more effective;
- **subsidised private sector employment** has proved effective in many cases, but is sometimes subject to low take-up. The risk of deadweight (in the shape of recruitment which would have occurred anyway) is reduced by careful targeting of particularly disadvantaged job-seekers who might not have benefited from recruitment in the absence of such schemes; and
- there is little evidence that **direct job creation** in the public or voluntary sectors significantly raises the chances of the participant finding a regular job; so this should be avoided.

**Participation,  
employment and  
career  
progression  
among women**

**10.25** To improve participation, Member States should ensure that parents who want to work can do so; aim for affordable, accessible and high quality childcare provision, and facilitate the transition between different types of employment. Member states should further:

- facilitate and encourage re-entry into full-time or part-time employment after part-time or full-time childcare, so as to minimise the interruption to career progression and subsequent earnings;
- consider the extent to which school hours are a factor. ‘Half-day’ schooling in Germany and Austria, for example, is viewed by some as a constraint on working mothers;<sup>7</sup>
- encourage flexible work patterns; ensure that EPL does not close off employment opportunities for women (or men) caring for young children or elderly relatives;
- promote work-life balance with information and practical advice, and lead by example in the public sector. Countries with relatively well developed policies in this sphere tend to have higher employment rates among women in their early thirties than those without; and
- combat discrimination and promote equal opportunities.

<sup>6</sup> OECD *Employment Outlook*, 2001.

<sup>7</sup> *When it doesn't pay to be a mother*, Financial Times, 12 June 2002.

**Active ageing** **10.26** The Barcelona Spring Summit in March 2002, set out an aspiration to raise the effective average retirement age in the EU by five years. For this to be achieved, EU Member States will need to take steps to:

- reform early retirement systems and tax-benefits schemes to promote choice and eliminate work disincentives;
- encourage training of older workers, both by encouraging employers to supply training, and older workers to demand and make use of it;
- ensure that EPL does not close off employment opportunities for older workers;
- promote flexible working as an alternative to retirement (though care must be taken to ensure that such policies do not promote part-time work as the 'natural' alternative, beyond a certain age, to full-time, thereby inadvertently reducing the labour supply); and
- lead by example in the public sector and at an EU level.

**Disabled workers** **10.27** Disabled workers find it particularly difficult to enter or re-enter the labour market. In working towards a solution, there is a need to consider:

- ensuring that the tax-benefit system does not encourage either employees or employers to regard disability benefit as a preferable alternative to unemployment benefit (i.e. redundancy);
- reviewing the efforts of, and incentives facing, job-search agencies with respect to disabled workers; and
- enforcing anti-discrimination, leading by example in the public sector.

**Ethnic minorities** **10.28** Low participation and employment rates among some ethnic groups may reflect cultural factors. They may also reflect barriers stemming from a perceived lack of opportunity on the part of individuals, and a perceived lack of employability on the part of employers and job-search agencies. Priority areas for action include:

- targeted educational policies;
- enforcing anti-discrimination measures;
- raising public awareness of the importance of ethnic minority members as both employees and employers;
- encouraging entrepreneurship.

**Foreign workers** **10.29** The lower activity rate and under-utilisation of skills of non-EU nationals highlight the need for their more comprehensive integration into the EU labour market, e.g. by:

- promoting language training; and
- focusing on increasing the accessibility of workplaces, social, educational and health services.

**Undeclared and under-declared activity** **10.30** Reducing the number of irregular workers vulnerable to exploitation over pay, health and safety, job security, and benefits and training, requires tackling not only the problem of irregular activity, but also the problems to which such activity is the solution, for example by:

- changing the system insofar as it acts as a disincentive to regular activity; tax and social security contributions, labour market regulation, and administrative procedures affecting access to the formal economy.<sup>8</sup>

## POLICIES TO BOOST LABOUR MARKET PERFORMANCE

**Employment Protection Legislation (EPL)** **10.31** EPL and other policies reduce the incidence of arbitrary dismissal, cut contracting costs by setting general rules and standards, encourage training and can provide a signal to workers to engage in job search prior to employment being terminated. Overly rigid or badly designed EPL, however, raises the cost of shedding staff and may therefore reduce the number of hirings. This may result in increased working hours for existing staff, and distort employment patterns as businesses switch to employment contracts which circumvent the legislation. To avoid this, policy makers should:

- ensure that EPL facilitates different working practices without predetermining or distorting employee or employer choice;
- in formulating, communicating and implementing EPL, take account of the particular time and resource constraints affecting small and medium sized businesses; and
- review, in line with the Barcelona European Council conclusions, employment contract regulations and their costs, with a view to promoting more jobs.

**Diverse working practices** **10.32** Diverse working practices better allow employers to respond to changing market conditions, to retain and attract skilled staff, and to benefit from improved morale and lower absenteeism. These effects are strengthened by:

- ensuring that flexible working practices are of benefit to permanent staff (e.g. flexi-time, 'leave banks') as well as temporary staff; and
- promoting the availability of flexible working practices and diverse forms of employment in the labour market.

**Education and training** **10.33** Effective education and lifelong learning are fundamental to skills acquisition and employability throughout working life. Priorities include:

- improving the quality and effectiveness of the various education and training systems in the EU. It is particularly important to improve basic skills acquisition and validation in general and amongst disadvantaged groups;
- facilitating access to education and training systems by creating a culture of lifelong learning and making learning more attractive. Learning should be delivered in accessible ways, and appropriate information advice and guidance about learning opportunities should be made available to all; and

<sup>8</sup> *Undeclared labour in Europe; towards an integrated approach of combating undeclared labour*, Regioplan, October 2001.

- opening up education and training systems to the wider world, and particularly by promoting the transferability and recognition of qualifications and skills between different systems. Education provides the foundation for life-long learning and skills accumulation in later life.

**Mobility between areas** **10.34** While mobility is not necessarily an end in itself, it should be encouraged. At a policy level it may be economically and socially most beneficial to focus on enhanced short-distance mobility, whether within or between Member States by:

- tackling barriers to relocation stemming from e.g. transport, housing, childcare, inadequate information about employment opportunities elsewhere;
- ensuring that benefits systems do not inadvertently constrain mobility and job-search by forcing over-dependency on the family structure; and
- promoting mutual recognition of qualifications across Member States.

**Mobility between occupations** **10.35** Occupational mobility is also a key aspect of mobility. Individuals have a greater choice as to where they work or reside, if they are more adaptable in terms of the type of work they are able to do. Enhancing occupational mobility can include:

- ensuring that Active Labour Market Policies are complemented by policies which provide incentives to accumulate skills and move into, or progress within, work;
- encouraging the take-up and provision of training in transferable skills and across all age groups;
- promoting moves between academia and industry, and between the private and public sectors. Make greater use of fixed term contracts. Lead by example in the public sector. Explore ways to alleviate concerns stemming from interruptions to career progression by time spent ‘away’;
- providing adequate information about employment opportunities in other sectors; and
- where applicable, tackling such restrictive practices as ‘closed shops’ and occupational barriers to entry.

**Entrepreneurship** **10.36** Entrepreneurship and innovation are vital to a dynamic, high productivity and high employment society. In the late 1990s in the UK, only half as many people were involved in starting a business as in the US, while the rate of business creation in high unemployment communities was one sixth of that in prosperous areas.<sup>9</sup>

**10.37** Policies should therefore foster entrepreneurship and business start-ups, especially among women and ethnic minorities, or in particular regions. The particular barriers may be very different in different cases: e.g. access to start-up funding, discrimination, social expectations and pressures, a lack of management or financial advice, the absence of informal business networks, or a lack of interchange between the academic and business communities.

<sup>9</sup> *Labour has to be the real party of enterprise*, Gordon Brown, The Times, 8 March 2002

**Wage differentiation** **10.38** There is no ‘right’ model of wage bargaining. All have the potential to be flexible or inflexible; successful, or unsuccessful. Governments participate in the wage bargaining process directly as public sector employers and, in some cases, indirectly via tripartite agreements setting national pay guidelines, and can use their role to encourage wage setting systems that support employment and promote ease of adjustment and moderation, and are linked to local conditions.

**Legal migration** **10.39** Immigration is not a substitute for flexible labour markets; its benefits can be harnessed only if market institutions and policies provide the right framework for both migrants and the native population to look for and find work.<sup>10</sup> Given such a context, economic migration can help alleviate skill and labour shortages, speed up adjustment to changing conditions, soften the costs of structural change to the native population and deliver stronger economic growth.

## POLICY AT AN EU LEVEL

**10.40** It is not only labour market policy which impacts upon employment, unemployment and labour market performance. Other issues such as competition policy and macroeconomic stability interact with policies aimed at reforming labour markets and can lessen, increase or negate their effects.

**Competition policy** **10.41** Competition drives strong and efficient job-creating growth at the level of the overall economy and the individual firm.<sup>11</sup> An EU aspiring to a dynamic, open, full-employment economy must take particular care over competition policy and state aids.

**Macroeconomic stability** **10.42** Macroeconomic stability is key to strong, sustained employment growth. While the responsibility for this rests primarily with national authorities, the EU has an important role to play in promoting stability-enhancing reform via the Broad Economic Policy Guidelines (BEPGs) – non-binding recommendations coordinated by Ecofin.<sup>12</sup> The BEPGs draw widely on the contributions of the Commission, of other Councils concerned with particular policy areas (e.g. the Employment and Social Policy Council), and the priorities of the annual spring European Council. Member States and the Commission can, using a range of agreed performance indicators, monitor EU and national progress across numerous objectives.<sup>13</sup>

**10.43** Clearly labour market policies have the greatest and most direct impact on labour market performance. At an EU level, that means the European Employment Strategy, also known as the Luxembourg Process, an example of the open method of coordination.

**Luxembourg Process: the European Employment Strategy** **10.44** The Luxembourg Jobs Summit of November 1997 was the first European Council meeting devoted to employment. It agreed a limited package of measures to improve employability, support entrepreneurship, increase adaptability and strengthen equal opportunities. It launched the European Employment Strategy (EES), based on those four pillars.

<sup>10</sup> *Trends in immigration and economic consequences* J.Coppel, J.Dumont, I.Visco, OECD Working Paper No.284, February 2001.

<sup>11</sup> See *Competition and Corporate Performance*, S.Nickell, *Journal of Political Economy* 104(4), 1996; or *Dynamic count data models of technological innovation*, Blundell, Griffith, Van Reenen, *The Economic Journal* 105, March 1995.

<sup>12</sup> EU Economic and Finance Ministers Council.

<sup>13</sup> Growth and stability; fiscal consolidation; improved quality and sustainability of public finances; appropriate wage developments; a knowledge-driven economy; efficient product markets; broader and deeper capital markets; invigorated labour markets; and sustainable development. See *Realising Europe’s Potential; European Economic Reform*, HM Treasury, March 2002.

**10.45** The Luxembourg Process requires Member States to present annual National Action Plans (NAPs) on employment, based on Employment Guidelines issued by the Council of Ministers (on a proposal from the Commission). The Council, again on a proposal from the Commission, evaluates the implementation of the NAPs. The Council and Commission submit a joint annual report to the European Council on that state of EU employment and on the implementation of the Employment Guidelines. This Joint Report, along with the Employment Guidelines and country-specific Recommendations together make up the 'Employment Package'. A goal of 70 per cent total employment, by 2010, was agreed in March 2000 at Lisbon, and this objective has been reflected in subsequent Employment Guidelines, along with a longer term aspiration of full employment in the EU. That is, employment opportunity for all.

**10.46** The Luxembourg Process has encouraged Member States to focus on outcomes and deadlines. Its annual review and monitoring mechanism helps highlight weaknesses; its promotion of best practice helps suggest solutions; and its use of peer pressure helps ensure action is taken.

**10.47** Five years on from its launch, the European Employment Strategy is to be reviewed this year. The Commission will issue a Communication on its evaluation of the Luxembourg Process in July 2002, and the Council of Ministers will give its views in the autumn. The Barcelona Spring Council Conclusions set the tone for the review by asserting that the future EES must:

- incorporate the targets and goals agreed at Lisbon (focusing on raising the employment rate by promoting employability and by removing obstacles and disincentives to taking up or remaining in a job);
- be simplified (specifically, there should be fewer Guidelines) and aligned with the Lisbon timeframe of 2010; and
- reinforce the role and responsibility of the social partners for implementing and monitoring the guidelines

**Mobility 10.48** The Single Market applies not only to the movement of goods, services and capital, but also of people. The EU has a key role to realising the full potential of the Single Market by:

- promoting mutual recognition of qualifications;
- tackling discrimination, both in national legislation and in EU institutions;
- providing and promoting information on opportunities available in other Member States. The 'one-stop European job mobility information web-site' proposed in the Commission's action plan on skills and mobility is due to be launched in 2003; and
- introducing a health insurance card; announced at the 2002 spring council in Barcelona, and with a proposal from the Commission due before the spring council of 2003.

**Health and Safety** **10.49** There is an accepted need for Europe-wide standards and coordination to improve health and safety at work. Aside from Single Market considerations, there is a consensus that risks to health and safety must be managed effectively. There is now a comprehensive framework of EU legislation governing health and safety at work. The UK welcomed the recent Council Resolution on the Community Strategy for Health and Safety at work, and warmly endorses the goal of reducing occupational accidents and ill health, and the intention to do so by a prioritised action plan focusing on measurable objectives and high risk areas.<sup>14</sup>

## CONCLUSION

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**Employment matters** **10.50** Realising the Lisbon employment objectives will demand adaptability, imagination and ambition not only from employees and employers, but also from national and EU policy makers. Labour market reform directed towards common goals must, however, be tailored to national requirements, and reinforced by complementary policies in product and capital markets.

**10.51** Delivering employment opportunity for all is both a prerequisite of European success, and the yardstick by which that success will be judged. EU leaders must, over the coming eight years, make good the commitments agreed at Lisbon. Employment matters. A Europe which works – and only a Europe which works – will be a Europe which is working.

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<sup>14</sup> International comparisons of health and safety at work are complicated by differences of definition and collection methods, but adjusted data suggest wide variation across the EU with the lowest rates of workplace injury in the UK and Sweden (Eurostat).

## LIST OF ABBREVIATIONS

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CEC	Central European Countries
CEC10	The ten Central European candidate countries for EU membership: Bulgaria; Czech Republic; Estonia; Hungary; Latvia; Lithuania; Poland; Romania; Slovakia; and Slovenia.
CEEP	European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest
CEPR	Centre for Economic Policy Research
CGT	Confédération Générale du Travail (General Confederation of Labour, France)
Cipe	Comitato Interministeriale per la Programmazione Economica (Interministerial Committee for Economic Planning, Italy)
CISL	Confederazione Italiana Sindacati Lavoratori (Italian Confederation of Workers' Unions)
DILTI	Délégation Interministérielle à la lutte contre le travail illégal (Inter-Ministerial Delegation for the Fight against Undeclared Work, France)
ECB	European Central Bank
EIFs	European Industry Federations
EIRO	European Industrial Relations Observatory
EMF	European Metalworkers' Federation
EMU	Economic and Monetary Union
EPL	Employment Protection Legislation
ESRC	Economic and Social Research Council
ETUC	European Trade Union Confederation
EU	European Union
EU15	The fifteen European Union Member States: Austria; Belgium; Denmark; Finland; France; Germany; Greece; Ireland; Italy; Luxembourg; Netherlands; Portugal; Spain; Sweden; and the United Kingdom.
EUCOB@	The information network and reporting system for the collective bargaining committee of the European Metalworkers' Federation
Europol	European Police Office
Eurostat	Statistical Office of the European Commission
EZs	Employment Zones
FRBNY	Federal Reserve Bank of New York
G8	Group of eight (leading industrial nations): Canada; France; Germany; Italy; Japan; Russia; the United Kingdom; and the United States.
GDP	Gross Domestic Product
IDS	Incomes Data Services
IEA	Institute of Economic Affairs
ILO	International Labour Organisation
IMF	International Monetary Fund
Istat	Istituto nazionale di statistica (Italian National Statistics Institute)
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NBER	National Bureau of Economic Research
ND25+	New Deal for the over 25s (UK employment programme)
ND50+	New Deal for the over 50s (UK employment programme)
NDYP	New Deal for Young People (UK employment programme)
NES	New Earnings Survey
NIESR	National Institute of Economic and Social Research
NMW	National Minimum Wage

OECD	Organisation for Economic Cooperation and Development
PPF	Programme for Prosperity and Fairness (Ireland)
SCE	Standing Committee on Employment
SMEs	Small and Medium-sized Enterprises; companies with 250 or fewer employees
UEAPME	European Association of Craft and Small and Medium-sized Enterprises
UK	United Kingdom
UNICE	Union of Industrial and Employers' Confederations of Europe
US	United States (of America)
WR&B	Welfare Reform & Beyond (Brookings Institution Project)
WSI	Wirtschafts- und Sozialwissenschaftliches Institut (Institute of Economic and Social Research)

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