

New skills and jobs in Europe: Pathways towards full employment



EUROPEAN COMMISSION

Directorate-General for Research and Innovation
Directorate B — European Research Area
Unit B.5 — Social Sciences and Humanities

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Cataloguing data can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2012

ISBN 978-92-79-25973-9

doi:10.2777/10431

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Printed in France

PRINTED ON ELEMENTAL CHLORINE-FREE BLEACHED PAPER (ECF)

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Foreword

The economic crisis is fuelling a stream of bad news about jobs in Europe. People around us are losing their jobs and striving to acquire new skills to maintain their standard of living. The young face increasing difficulties in entering the labour market. We read every week about major lay-offs and worry about the competitiveness of our industrial sectors. We fear we will become more vulnerable.

Citizens may wonder what the European Union is actually doing to fight unemployment and a deterioration in working conditions. European policies contribute to regulating labour law in order to encourage employment, the protection of essential rights and worker mobility. EU programmes provide direct employment opportunities, for instance through the Structural Funds. The European framework programme for research and technological development also funds research projects which bring innovative solutions to industry and services and thus help develop new activities, new skills and more employment. The Europe 2020 strategy and in particular the 'Agenda for new skills and jobs' will support the new quality jobs of tomorrow.

But because of its unique position at the heart of Europe, the European Commission can also provide sound advice on employment policies to national governments. In times of budget austerity across the European Union, policy learning is now key in the fight against precarity and unemployment. We simply cannot afford not to assess all options when making decisions which affect hundreds or thousands of workers. We cannot ignore the lessons learnt in other European countries when these have led to policies that have saved jobs, improved workers' skills, maintained employment conditions or increased youth employment.

This is exactly what this report is all about. On the basis of 17 comparative research projects at European level, it provides evidence on the employment record of Europe and a critical assessment of existing policies. But it also tells us that there is room for more and better jobs if governments learn from mutual experience. This report argues that the way forward is a more open employment dialogue at European level, based on innovative comparative evidence compiled by first-class research. In my opinion, this report is already a solid contribution to the European employment dialogue.

Robert-Jan Smits
Director-General for Research and Innovation
European Commission



Introduction: setting the scene

Europe needs more people in employment. About 24 million people are still unemployed (9,9%), long-term unemployment is deteriorating, levels of job creation are too low and many of the newly created jobs are of low quality. The labour market for young people remains depressed with a level of 5.5 million unemployed (22.1%) ⁽¹⁾. Why is it that our policies do not work? Why is it that even when unemployment improves, it happens at the cost of increasing inequality and labour market segmentation? Are new skills, as the Europe 2020 flagship initiative ‘An agenda for new skills and jobs’ ⁽²⁾ suggests, the solution?

Skills do indeed matter. They ensure the right application of knowledge in jobs in order to complete tasks and solve problems. Old and new jobs will not be sustainable without the continuous evolution of skills. Without the creation of new job opportunities, skills and individual life plans will be wasted. Improving people’s skills and better utilising their skill potentials ‘is a real “win, win” for all — for the economy, for society, for employers and, of course, for individuals themselves’ ⁽³⁾. It is obvious to policymakers that unemployment is closely related to low skills and employment and labour market participation to high skills. But despite progress in recent years, ‘Europe is still not sufficiently skilled. Nearly one third of Europe’s population aged 25–64 — around 77 million people — have no, or low, formal qualifications and only one quarter have high-level qualifications. Those with low qualifications are much less likely to upgrade their skills and follow lifelong learning.’ ⁽⁴⁾

This report documents what research says about jobs and skills in Europe.

- (1) In particular, research convincingly shows that education systems characterised by more equal access to education and continuous vocational training are associated with lower levels of unemployment and higher levels of employment.
- (2) Research shows that ambitious labour market policies that support a high variability of employment contracts over the life course, and that allow a high level of external as well as internal job-to-job transitions through active securities (making transitions pay), tend to be associated with higher levels of job creation.
- (3) Research reveals the importance of work organisation for skill formation, skill maintenance and skill utilisation, and emphasises that it is not enough to make people fit for the market (through raising their individual skills) but

(1) EU Labour Market Fact Sheet, February 2012.

(2) European Commission (2010), ‘An agenda for new skills and jobs: A European contribution towards full employment’, COM(2010) 682 final. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0682:FIN:EN:PDF>

(3) Expert Group on New Skills for New Jobs (2010), p. 4.

(4) Ibid.

that it is also of high importance to adjust workplaces reasonably in order to enhance people's capabilities and to compensate restricted work capacities through, for example, technical assistance, carefully targeted in-work benefits or wage cost subsidies (making the market fit for workers).

- (4) Research suggests the increasing importance of transversal skills, which means skills that cross the borders of disciplines or occupations and emphasise (not necessarily 'higher' but 'new') skills like abilities of communication, learning and problem solving, as well as languages and competences in information and communication technologies.
- (5) Finally, only the good governance of skills (including workplace democracy, negotiated flexicurity, and fair risk sharing of skill investments) ensures the mutual enforcement of skill evolution and job creation under conditions of increasing economic uncertainty.

This report, based on an extensive review of 17 research projects ⁽⁵⁾ financed by the Research and Innovation Directorate-General for under the sixth and seventh framework programmes, accompanies the Europe 2020 flagship initiative 'An agenda for new skills and jobs' from a scientific point of view. These 17 projects have investigated the determinants of skill formation and job creation designed to promote economic and social cohesion, as well as the specific objectives of the Europe 2020 ⁽⁶⁾ strategy for EU Member States (MS). The report presents the main findings from their final reports, working papers and policy briefs, as well as from books and academic articles from the projects themselves. In addition it draws on related work from other institutions (especially the European Centre for the Development of Vocational Training (Cedefop), the European Foundation for the Improvement of Living and Working Conditions (Eurofound), the European Commission and the OECD) and academics in the area.

The report starts with a brief summary of the 'flagship' (Chapter 1) and structures the findings of the review around the four main priorities set out by this initiative: better-functioning labour markets (Chapter 2); a more skilled workforce (Chapter 3); better job quality and working conditions (Chapter 4); and stronger policies to promote job creation and demand for labour (Chapter 5). The final chapters are devoted to specific target groups that are far behind the full employment goal (Chapter 6) and to the role that Europe can or should take over to ensure that the agenda objectives are reached (Chapter 7).

(5) See Annex 7.2 listing the projects and their website access. Occasionally, the report also refers to publications from TML.net (<http://www.siswo.uva.nl/tlm>) supported by the Research and Innovation DG under the fifth framework programme.

(6) European Commission (2010), 'Europe 2020 — A European strategy for smart, sustainable and inclusive growth', COM(2010) 2020 final.



1. The 'Agenda for new skills and jobs' in brief

In the introduction to its 'flagship initiative', the European Commission concisely formulates the main challenges and policy suggestions in the following way:

'Bridging the gap to the target will be no easy task. The crisis has brought the employment rate down to 69%, and the unemployment rate up to 10%; assuming the labour market stabilises in 2010–2011, achieving an employment rate of 75% by 2020 will require an average employment growth slightly above 1% per annum. With declining fertility rates, the EU working age population (15–64) will start shrinking as early as 2012; even with continuing immigrant flows. A skilled workforce is an essential asset to develop a competitive, sustainable and innovative economy in line with Europe 2020 goals. In times of budgetary constraints and unprecedented global competitive pressures, EU employment and skills policies that help shape the transition to a green, smart and innovative economy must be a matter of priority.'

The European Commission emphasises that the EU can meet all these challenges and raise employment rates substantially (particularly for women and young and older workers) only with resolute action focusing on four key priorities:

- better-functioning labour markets;
- a more skilled workforce;
- better job quality and working conditions;
- stronger policies to promote job creation and demand for labour.

The European Commission identifies 13 key actions at European level that should help to ensure these objectives. It also highlights the potential role of EU financial instruments: the European Social Fund (ESF), the European Regional Development Fund (ERDF), the European Agricultural Rural Development Fund (EARDF) and the lifelong learning programme (LLP).

The agenda is complemented by two other EU flagship initiatives under Europe 2020, aiming to address the concerns of specific groups:

- 'Youth on the move' which aims to assist young people with gaining the knowledge, skills and experience they need to make their first job a reality, and to improve the quality and attractiveness of education and training in Europe;
- the 'European platform against poverty and social exclusion', which aims to bolster work at all levels to reach the agreed EU headline target of lifting at least 20 million people out of poverty and exclusion by 2020.

The agenda for new skills and jobs rightly states that many of its policy areas, such as job creation, depend on — and are only part of — the integrated approach of the Europe 2020 strategy. The European Commission also intends to advance, at least selectively, the international dimension of this agenda ⁽⁷⁾.

(7) Interestingly, although South Africa is mentioned as a strategic partner in this regards, the agenda does not refer to the whole African continent as such (see also Section 6.3 below).



2. Reducing labour market segmentation by supporting transitions: towards a new momentum for flexicurity

A new momentum of flexicurity is required to improve the functioning of labour markets. Apart from the failure to create more and better jobs at full employment levels ⁽⁸⁾ in most MS, overall unemployment is not only at an unacceptable level but remains unequally distributed. Such structural, chronically high unemployment rates represent a huge and unjustified waste of human capital in the EU: they discourage workers and lead to premature withdrawal from the labour market and to social exclusion. The Europe 2020 strategy still considers flexicurity policies as the best instrument to modernise labour markets but, at the same time, acknowledges the need for revisions and adaption to the post-crisis context.

In this perspective, this report makes a stock-taking of the Lisbon employment strategy and then analyses how the EU should:

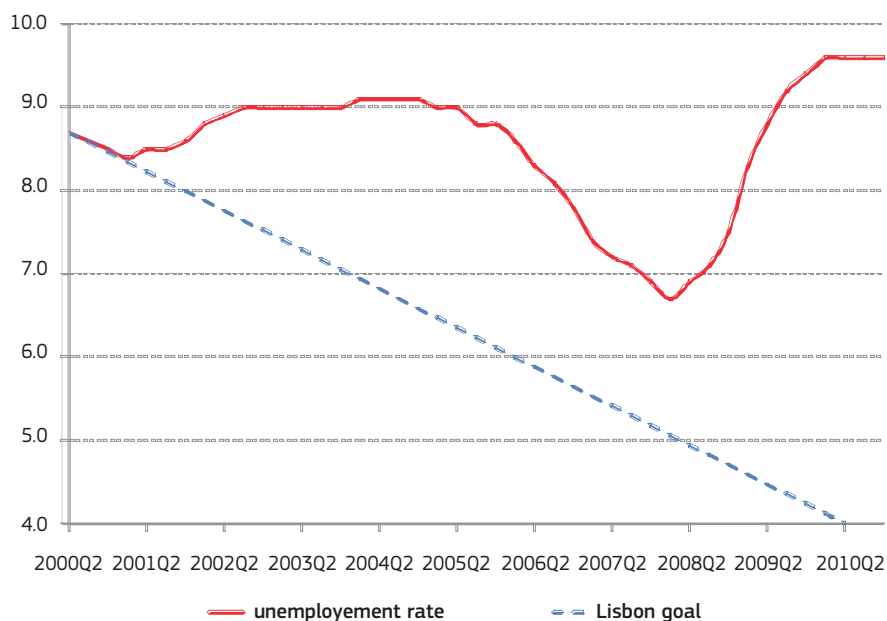
- first, better balance flexibility related to rising non-standard employment (in particular part-time work for women) with new securities;
- second, better utilise the possibilities of internal flexibility in ensuring employment security;
- third, make transitions pay through ‘active securities’ in order to enhance efficient job matching and increased labour mobility.

2.1. Successes and failures of first-generation flexicurity policies

The former Lisbon strategy target of 4% unemployment has never been in sight (Figure 1).

(8) The former Lisbon target (EU 2010) was a 70% employment rate of the working-age population (aged 16–64); the new Lisbon target (EU 2020) is a 75% employment rate of the adjusted working-age population (aged 20–64).

Figure 1: Unemployment rates EU-27, 2000–10



Source: Berkhout et al. (2010: IV, Figure 20); data: European Labour Force Survey.

During the period of economic growth before 2008, the European labour market had managed to adapt to new circumstances through internal as well as external job-to-job transitions (internal and external flexibility). Although many MS succeeded in substantially reducing unemployment in the pre-crisis period (2005–08), in some countries (including Germany) the long-term unemployed and the weak labour market groups (low-skilled young, migrants and older workers) did not profit much from this development. Actually, between 2009 and 2010, the share of long-term unemployed increased again in almost all MS, in particular Denmark (Table 1).

Table 1: Long-time unemployment shares (unemployed > 12 months as percentage of total unemployed, age 20–64) in EU Member States, 2000, 2005, 2008, 2010, 2011

	2000	2005	2008	2009	2010	2011
Austria	26.1	25.5	25.0	19.8	27.5	28.1
Belgium	58.9	53.2	53.7	48.9	52.4	49.5
Bulgaria	59.8	61.2	51.2	45.5	43.8	57.2
Cyprus	26.4	27.8	12.2	8.1	18.4	17.3
Czech Republic	51.6	54.3	52.0	29.0	42.1	40.0
Denmark	21.6	27.9	19.2	7.5	21.6	30.9
Estonia	49.3	57.5	35.1	23.1	46.7	57.3
Finland	31.0	27.9	20.3	16.1	25.2	23.7
France	40.9	44.6	41.1	36.2	41.6	42.7
Germany	52.5	55.1	54.8	46.6	49.7	50.0
Greece	57.8	54.6	50.1	41.8	45.7	49.5
Hungary	48.7	44.7	48.4	41.4	49.8	50.1
Ireland	41.9	36.7	30.7	24.9	48.2	59.4
Italy	62.7	53.2	48.1	45.7	49.5	54.0
Latvia	58.4	52.1	28.3	24.8	42.9	56.2
Lithuania	50.9	54.6	17.0	21.3	40.8	51.9
Luxembourg	21.3	27.0	40.0	28.6	32.5	36.6
Malta	62.6	52.5	48.6	50.4	50.0	47.9
Netherlands	47.4	45.3	42.2	28.2	30.6	38.8
Poland	45.5	59.1	35.9	29.6	31.0	37.8
Portugal	46.8	50.3	49.3	44.5	54.0	52.2
Romania	52.2	57.7	43.1	37.6	35.7	42.6
Slovakia	57.5	72.7	73.1	52.2	64.1	69.9
Slovenia	65.4	51.6	46.3	30.4	45.4	45.7
Spain	43.8	26.1	18.7	21.8	36.5	41.7
Sweden	32.0	18.7	15.5	13.7	20.6	21.0
United Kingdom	31.3	24.6	27.9	23.8	36.0	36.3
EU-27	48.1	49.0	40.5	33.4	41.2	44.5

NB: Data for second quarters; EU-27 and France 2000: annual data 2000; Sweden 2005: data for first quarter 2001.

Source: Eurostat online database: Labour Force Survey data (downloaded 12.2.2011, for 2011: downloaded 8.4.2012)

Curbing unemployment has thus proved a daunting task for national governments in the EU even in times of economic growth. The Recwowe European research project, for instance, reports some success in increasing the transitions from inactivity into employment in the time span between 1997 and 2007 without reducing the odds of transiting from unemployment into employment (Table 2) ⁽⁹⁾.

Table 2: Transition rates from unemployment and inactivity to employment % of those unemployed and inactive at t-1 making the transition to employment at t)

	Year (t)	% unemployed at t-1 making transition to employment	% inactive at t-1 making transition to employment
Belgium	1997	17	3
	2007	20	8
Czech Republic	1998 (*)	46	14
	2007	34	11
Denmark	1997	36	29
	2007	44	27
France	1997	32	8
	2007	35	10
Germany (**)	1997	(24)	(14)
	2007	(31)	(21)
Hungary	1997	30	6
	2007	31	6
Italy	1997	26	6
	2007	31	6
Spain	1997	32	9
	2007	44	11
UK	1997	40	16
	2007	50	16

(*) Key variable for this analysis missing for Czech Republic for 1997, so 1998 data are used.

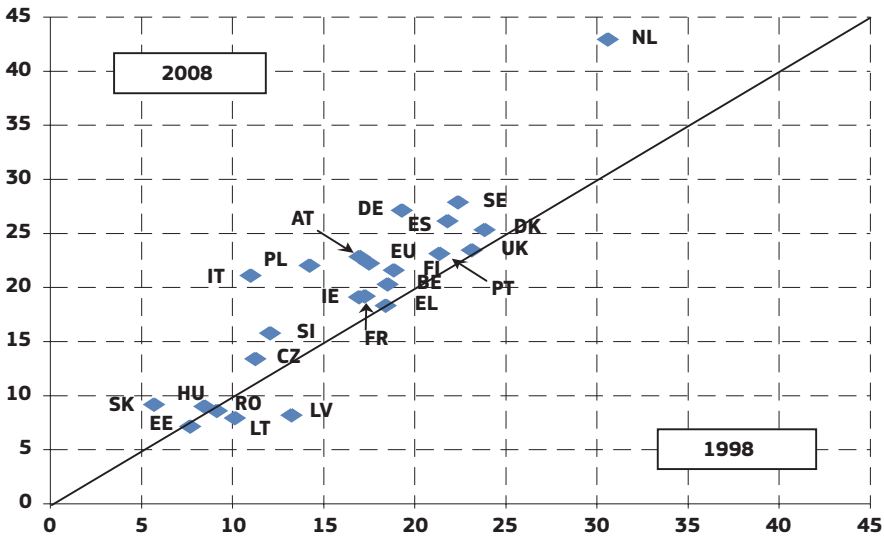
(**) The German transition rates were not computed on the basis of ELFS data, but were calculated analogously with data from the German Socio-Economic Panel (GSOEP). Due to methodological differences (panel data instead of a retrospective question), the German results are not comparable to the rest of the sample. Data Source: ELFS data, weighted.

Source: Eichhorst et al. (2010: 11) (<http://ftp.iza.org/dp5285.pdf>, downloaded 12.2.2011).

(9) W. Eichhorst et al. (2010), 'Quantity over quality? A European comparison of the changing nature of transitions between non-employment and employment', Bonn, IZA DP No 5285.

But Recwowe also shows that this improvement of labour market dynamics took place at the expense of job security in many countries, with an increase in part-time work and temporary work (fixed-term contracts and temp agency work) and often precarious self-employment. Taken together, these non-standard forms of employment have substantially risen in almost all MS (Figure 2).

Figure 2: Aggregate non-standard employment rates in Europe, 1998 and 2008



Source: Schmid in Berkhout et al. (2010: 121); Eurostat, Labour Force Survey; own calculations. 'Non-standard employment' includes part-time work, fixed-term employment (including temp agency work) and self-employment (only own account work) controlling for overlaps (e.g. part-time self-employed or temporary part-time workers). The 'aggregate' non-standard employment rate is the number of people in non-standard employment as a percentage of the working-age population (15–64). For example, the aggregate non-standard employment rate of the Netherlands increased from 31% (1998) to 43% (2008); the EU average (about 22% in 2008) excludes Bulgaria, Malta and Cyprus; the new MS display very low and even declining levels.

2.2. Increasing risks of income and social insecurity related to new jobs

On the basis of pooled data from the EU SILC set (2004–007), the European Commission's *Employment in Europe 2010* report provides useful information on the determinants of transitions from (1) non-employment to employment, (2) temporary to permanent work, and (3) low pay to higher pay⁽¹⁰⁾. The results are similar to those

(10) See European Commission (2010:142–146); unfortunately, the analysis does not distinguish between full-time and part-time, or between dependent work or self-employment.

obtained by other research using the European Community Household Panel (ECHP) (1995–2001) but contain interesting additional information in combination with some labour market variables (policy, regulation, household situation and aggregate labour market situation).

- (1) Men (compared to women), young (compared to old) and highly skilled/educated people (compared to low-skilled/educated people) usually do better in all three dimensions of the transition dynamic.
- (2) Nevertheless, for many Europeans, temporary employment may become a trap: still holding a temporary contract after two years, research shows, constitutes a severe handicap for moving out of low pay.

The European project Lower presents additional information from the analysis of the ECHP data base (1995–2001). As Table 3 shows, there is comparatively little difference between the countries in the extent to which employees remain in low-paid jobs.

Table 3: Annual transition chances into and out of low-pay (*) and better-pay (**) states, 1995–2001

	AT	BE	DK	FI	FR	DE	EL	IE	IT	NL	PT	ES	UK	US
<i>Low pay t-1</i>														
Remaining in low pay	0.60	0.50	0.49	0.38	0.49	0.60	0.54	0.54	0.47	0.62	0.59	0.41	0.58	0.53
Escaping to better pay	0.26	0.34	0.29	0.34	0.34	0.26	0.29	0.28	0.37	0.25	0.30	0.36	0.28	0.41
Leaving to non-employment	0.14	0.17	0.23	0.31	0.17	0.15	0.18	0.18	0.17	0.14	0.12	0.24	0.15	0.08
<i>Better pay t-1</i>														
Remaining in better pay	0.89	0.87	0.89	0.86	0.87	0.90	0.85	0.87	0.87	0.90	0.89	0.84	0.87	0.87
Falling to low pay	0.03	0.05	0.03	0.04	0.05	0.04	0.05	0.05	0.03	0.04	0.03	0.05	0.06	0.08
Leaving to non-employment	0.07	0.08	0.08	0.11	0.08	0.07	0.10	0.08	0.09	0.06	0.08	0.11	0.07	0.05

(*) Low pay is defined as below two thirds of median gross hourly earnings excluding payroll taxes and employer contributions.

(**) Better pay is any pay above the low-pay threshold.

NB: AT = Austria; BE = Belgium; DK = Denmark; FI = Finland; FR = France; DE = Germany; EL = Greece; IE = Ireland; IT = Italy; NL = Netherlands; PT = Portugal; ES = Spain; UK = United Kingdom; US = United States of America.

Source: Salverda and Mayhew (2009), Table 8; rounding from three to two digits.

People are least likely to stay in low-paid jobs in Spain and Finland (at around 40%). In other countries the likelihood ranges from 47–49% (Italy, Denmark and France) to 60–62% (Netherlands, Germany and Austria). However, the chances of moving up the earnings ladder show much more variation. For instance, they reach 41% in the United States (with a high aggregate incidence of low pay) but remain at only 29% in Denmark (with a low aggregate incidence of low pay), while, unsurprisingly, dropping out to non-employment is relatively unusual in the United States (8%) compared to Denmark (23%), Finland (31%) or Spain (24%). The likelihood of remaining in a better-paying job is high and again shows little difference across countries (85–90%). Transitions from better pay to non-employment are within a narrow band, with the Netherlands and the United States at the lowest level, and, unsurprisingly, they are always below those of the low paid.

Lower also gives evidence of the clear negative impact of transitions from full-time work to part-time work which mainly affects women. The problem is less that such transitions occur because some working time reduction is necessary for young parents with children to make work compatible with childcare obligations. It is rather the blatantly unequal burden of this obligation on women and the one-way direction of this type of transition. Only a few women succeed in returning to full-time work, and if they return at all, this is often with a huge wage punishment.

Lower gives an urgent message to policymakers: ‘It is very important to consider the mutual, reinforcing linkages between female employment, part-time employment, low-wage and low-quality employment, and to no longer advocate the stimulus of part-time jobs regardless of their characteristics and effects.’⁽¹¹⁾ It recommends establishing the individual right to reduced working hours in the same job without a negative effect on pay, which may help to increase the number of part-time jobs (especially in new MS where part-time employment is still very low) and thus ultimately reduce the effects of occupational segregation that keep women prisoners of low-wage jobs.

This recommendation finds a parallel in the European research project Workcare, which focuses upon how work and care are integrated across different policy and gender regimes in Europe. The project concludes that flexicurity policies often provide flexibility and security for men but only flexibility for women. There has been a clear growth in the proportion of women changing their labour market status across the three life course stages (before child is born, preschool-age child, youngest child at school) associated with an increase in part-time transitions and a fall in the number of those who have never worked. As Workcare documents, the preferences of women with children often remain unfulfilled. In 2002, the gap between preferences and actual behaviours was mostly accounted for by women with children who were working full-time when their reported preference was to work part-time or (less frequently) not to be working (Table 4)⁽¹²⁾. This has a negative impact on women’s

(11) Lower (2010), ‘The insecure perspectives of the low skilled in the knowledge society’, Final report, p. 7.

(12) Unfortunately, the table is silent about the preferred volume of part-time work.

access to employment, opportunities for support in re-entry to the labour market and economic and employment security across the life course.

Table 4: Preferences of women up to age 50 with work history information for corresponding life course stage in 2002

	Before child is born				Preschool-age child				Youngest child at school			
	FT	PT	NW	(n)	FT	PT	NW	(n)	FT	PT	NW	(n)
Austria	96	4	0	291	8	62	29	194	9	76	15	233
Bulgaria	88	7	5	184	18	43	39	166	28	54	18	166
Czech Republic	89	8	3	223	16	57	27	155	20	66	14	210
Germany (E)	99	2		68	16	79	6	70	35	62	3	69
Germany (W)	95	5		131	6	70	24	81	9	81	9	86
Hungary	96	2	2	217	10	54	36	141	31	53	16	175
Ireland	91	6	3	164	16	65	19	112	27	64	9	132
Netherlands	92	8	1	181	15	74	11	117	17	82	1	157
Northern Ireland	96	4	1	201	8	68	24	132	19	68	13	180
Norway	96	4		256	18	68	15	240	34	61	5	209
Poland	86	8	7	186	26	29	45	137	46	36	18	199
Slovenia	87	10	2	183	27	53	20	192	46	45	9	185
Spain	80	18	2	349	25	51	24	292	40	53	7	354
Sweden	94	6		155	14	73	12	154	26	72	2	118
United Kingdom	95	4	1	324	10	61	29	201	14	81	5	260

NB: FT = full-time, PT = part-time, NW = not working; D (W) = west Germany (former FRG); D (E) = east Germany (former GDR); n = number of respondents.

Source: Final report from WP7 (Workcare) on 'Labour market transitions and household's capabilities around time, care and employment' (September 2009: Table 6)

In all MS, women clearly prefer — before their child is born — a full-time job. With children of preschool-age, the preference changes to part-time, ranging from 29% in Poland to 79% in the former east Germany. This preference does not change much when the youngest child is at school, ranging from 36% in Poland to 82% in the Netherlands. Only a few women prefer not to be active in the labour market at this stage of their life course. Yet, echoing Lower's main conclusion, Workcare warns that the consequence of the long-term penalties associated with part-time work in terms of the gender pay gap, career progression and ultimately pension entitlement have not yet been properly taken into account by policymakers.

As the variability of employment contracts and the number of job-to-job transitions increase, the need for better monitoring of job transitions for women in terms of both individual careers over the life course and job quality becomes obvious. The respective information infrastructure, however, is underdeveloped at national and EU levels,

which gives reasons to recommend a renewed initiative of the European Commission to improve this infrastructure as a prerequisite to successfully manage job-to-job transitions.

2.3. Smarter management of employment security through internal flexibility

The recent economic crisis has clearly demonstrated a certain disregard for internal flexibility in first-generation flexicurity policies: i.e. in time of economic difficulties, firms should be able to take advantage of working time flexibility, be it in the form of variations in overtime or in the form of building up and melting down working time accounts. A prominent additional possibility is risk sharing through short-time working (in some countries also labelled 'partial unemployment'), notably in the form used in Germany during the last recession (Box 1) ⁽¹³⁾.

Box 1: Eligibility criteria for short-time working allowance ('Kurzarbeitergeld') in Germany:

- Events: (1) Economic reasons ('*konjunkturelle Kurzarbeit*', the main form)
 (2) Seasonal or weather reasons ('*saisonale Kurzarbeit*', especially construction)
 (3) Definitive loss of employment ('*strukturelle Kurzarbeit*', recently introduced)
- Employers: All employers for whom at least one third of all employees have experienced a wage cut due to reduced working time of more than 10% of their monthly gross wage (during the crisis this criterion was not applied)
- Employees: All workers subject to social security contributions affected by a substantial loss of income (see above)
- Working time: Any reduction up to 100% is possible
- Income support: Up to 67% of the net wage loss (like unemployment benefit)
 Up to a monthly wage of EUR 5 500 (west Germany), EUR 4 650 (east Germany)
 Up to 12 months (24 months in exceptional cases and during crisis)
- Social security: Calculation basis for contributions/benefits: 80% of the normal wages; coverage by employer (also employees' contributions); during the crisis, PES reimburses 50% of employers' expenses (100% from the seventh month onwards if training is provided); contribution to unemployment insurance is fully covered by PES; short-time working period is considered as if the worker had worked the regularly contracted (mostly full) time in case of unemployment
- Training: Full reimbursement of employers' expenses for social security contributions if training that fosters workers' general employability is provided at least 50% of the non-worked hours; coverage of training costs: up to 100% of the training costs can be subsidised

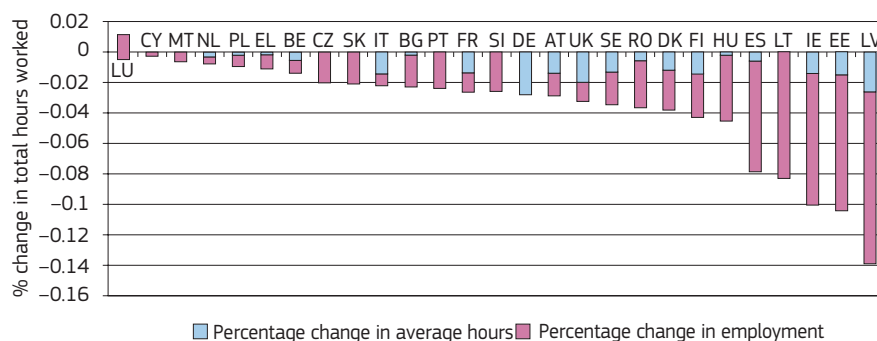
(13) For an excellent review of short-time working schemes in 10 MS (Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Poland, Slovenia, Wales (UK)) see Eurofound (2010a).

Social partners: Agreement of employees or works councils required; the works councils also being involved in the design of short-time working measures. In addition to the legal regulations, there are sectoral collective agreements on working time arrangements, including short-time working; some of them provide for supplements to the public short-time working allowances to be paid by the employer

Source: Eurofound (2010a) adapted.

The adjustment of working hours to a given decrease in production by working hours, however, depends on labour productivity. When labour productivity is high, fewer hours need be reduced, while in sectors or countries where labour productivity is low, the impact on total hours worked will be appreciably higher. This is probably a major reason why, for example, the decrease in total hours worked in German manufacturing was so limited compared with the very significant decrease in production. However, institutional and policy factors also explain why in each MS the reduction in total hours was realised either through a decrease in average hours worked or through a reduction in the numbers of employees (Figure 3).

Figure 3: Relative change in total hours, broken down into average hours and head-count changes, 2007–09



Source: Eurofound (2010a: 36, Figure 9, based on EUKLEMS2003 dataset).

Total working hours have decreased for all countries except Luxembourg. In Germany, a reduction of 2.7% in the number of average working hours has been recorded; this is the highest value observed in the EU. Other countries showing a considerable reduction in average hours worked are Belgium, Italy, France, the UK and Sweden. This contrasts with the Czech Republic, Slovakia, Bulgaria, Portugal, Slovenia, Hungary, Spain and Lithuania, where nearly all the net adjustment was due to a decline in employment levels.

Short-time work has many advantages as an adjustment instrument in an economic crisis. It maintains jobs and the skilled workers on these jobs for when demand increases again after the crisis, avoiding thereby the painful costs of dismissals and — even more important — of new recruitment of skilled labour. Of course,

the instrument has to be carefully designed for it may otherwise preserve industrial structures which in the long run are not competitive ⁽¹⁴⁾. Another disadvantage of this kind of employment security is an extended period of jobless growth during the recovery and the likely development of insecure jobs (especially temporary work).

Some clear policy recommendations come out of this review:

- (1) One very prominent feature of successful short-time working schemes is the high level of consensual involvement of social partners.
- (2) These schemes provide a strikingly good example of how the costs of labour market adjustment can be shared by employers, workers and the state. Such tripartite cooperation provides a very solid foundation for the further development of these schemes in line with the broad aims of European employment policy.
- (3) A stronger recourse to short-time work or partial unemployment requires the adoption of a much more active orientation. Eurofound (2010a: 5) correctly observes: 'In order to view these schemes as flexicurity instruments, they cannot simply consist of passive support to employees or firms. Just as the last two decades saw a reorientation from passive to active labour market policy, so should a flexicurity-aligned system of short-time working [...] adopt a more active component than is typically the case. This facilitates the internal restructuring of the firm during the downturn and is a useful means of inducing a more countercyclical slant to training. It also provides some enhancement of employability on the external labour market should dismissals eventually become necessary.'

2.4. Making transitions pay to enhance efficient job matching and labour mobility

Textbooks and mainstream strategies tend to put too much emphasis on controlling moral hazard ⁽¹⁵⁾ and to neglect social protection as an incentive to take over risks.

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- (14) In Germany, risk sharing is devised in such a way that only competitive employers can afford to utilise short-time working. For the employer, short-time working does not reduce labour costs proportionally with working hours; some of the fixed costs of labour remain, estimated between 24% and 46% per reduced working hour, depending on the size of state subsidies and on collective agreements topping up short-time allowances.
 - (15) According to Wikipedia, 'moral hazard arises because an individual or institution does not take the full consequences and responsibilities of its actions, and therefore has a tendency to act less carefully than it otherwise would, leaving another party to hold some responsibility for the consequences of those actions. For example, a person with insurance against automobile theft may be less cautious about locking his or her car, because the negative consequences of vehicle theft are (partially) the responsibility of the insurance company'. See http://en.wikipedia.org/wiki/Moral_hazard

However, the modern view of labour market functioning, while taking information asymmetries and information deficits seriously, rather stresses the positive function of job search for unemployed people, supported by short-term generous unemployment benefits plus individualised placement services ⁽¹⁶⁾. Such 'active social securities', especially if combined with education and training for new skills, enhance the job search potential of unemployed people.

In this vein, the European research projects Capright, Quality, SPReW and especially Recwowe ⁽¹⁷⁾ provide critical views of 'activation' from various analytical, empirical and comparative perspectives. Their results reject the view that any job (offer) is better than no job and emphasise in particular the danger of it leading into a low pay-low skill trap. From the individuals' career perspectives as well as from the economy's employability perspective, the risk of remaining stuck in low wage and low productivity jobs is too high when accepting any job. The strategic conclusion for employment services, therefore, has to be: 'work first plus training'.

'Activation' is a contested term. It has at least two different meanings.

- (1) The first one is related to what psychologists like to call 'tough love', which means a combination of empathy and challenging. Empathy requires that employment officers in employment services try to understand the situation of people in search of jobs, to accept their idiosyncrasies and to offer them individually adjusted support; challenging requires the same employment officers to ask their 'clients' to try harder, take clear decisions and take over responsibilities. The growing number of young people who are just finishing school but still lack basic skills are in particular need of employment services governed by 'tough love'. The British 'New deal for young people' with its 'gateway approach' has earned a reputation as an example of good practice. Other countries also successfully support this target group through the organisation of internships. The aim is twofold: first to reduce the risks for employers in testing trainability and employability; second to help these young and disadvantaged people to gain work experiences and to improve their formal skills. Virtual firms are also tested good practice to offer young people valuable work experiences ⁽¹⁸⁾.

Such 'tough love', of course, requires employment services with a professional staff able to provide this kind of demanding case management. Research, in the meantime, provides plenty of evidence that investing more in higher or

(16) It is probably not an accident that the recent Nobel Prize for economics (2010) was awarded to Peter Diamond, Dale Mortensen and Christopher Pissarides, who stressed the investment function of job search and the rationality of some of these search costs being taken over by public employment services (PES).

(17) See the highly informative selection of studies from various countries (Germany, France, Switzerland, Netherlands, Denmark, Sweden, UK and USA in Eichhorst et al. (2008), in particular the synoptic review by R. Konle-Seidl and W. Eichhorst 'Does activation work?', pp. 415–44.

(18) For the case of transition economies (new MS) see de Koning (2007): 133–149 (TLM.net).

new skills ⁽¹⁹⁾ and recruiting more professional placement officers is absolutely necessary to help high-risk people back into sustainable job careers. Whether these employment services are publicly or privately provided does not matter much. Yet evidence in Europe suggests a trend towards ‘centralised decentralisation’, i.e. while the central state keeps control of funding and regulation, implementation is delegated to regional or local agencies, especially to municipalities ⁽²⁰⁾.

Finally, the use of the new information technologies to increase the productivity of employment services still seems much underexploited. For instance, individual employment histories and competence profiles could be, to some extent, standardised through e-profiling. Systems to anticipate skills needs could also be established through learning regions that combine analytical forecasting with interactive networks of key players at regional level (see also Section 3 below). Such productivity gains would also help to concentrate scarce personnel resources for intensive counselling services on the most vulnerable people in the labour market.

- (2) The second meaning of ‘activation’ is to encourage people to take over risky transitions. This aspect of unemployment insurance and labour market policy is still much neglected ⁽²¹⁾. Research provides plenty of evidence that generous unemployment benefits, at least for the first six to nine months, are to be considered as ‘active securities’. They actually enable unemployed people to search for a new job without anxiety about falling into the poverty trap. Furthermore, in combination with effective employment services, moral hazard can be controlled and the spectre of unemployment trap might disappear, too ⁽²²⁾.

Activation can also mean to encourage job-to-job transitions, or the unfamiliar transition from unemployment to self-employment. In financial terms, activation means ‘making transitions pay’ ⁽²³⁾ through the combination of unemployment benefit entitlements and additional counselling until transition succeeds. There are many more possibilities to make transitions pay, for instance through wage insurance which enables people to try out jobs with lower pay and to use such jobs as a short-term step towards better jobs. Like short-time work, the insurance of wages (instead of only unemployment) might be a promising pathway to stabilise not jobs but employment careers.

(19) Notice again that ‘new skills’ are not necessarily ‘higher’ skills, especially related to ‘soft’ and/or transversal skills.

(20) See various contributions in Larsen and van Berkel (2009).

(21) For an elaboration of the argument for extending unemployment insurance towards employment insurance see Schmid (2008) (TLM.net).

(22) See, among others, various contributions in the Recwowe book by D. Clegg and J. Clasen (eds) (2011 forthcoming), *Regulating the risk of unemployment — National adaptations to post-industrial labour market in Europe*, Oxford University Press, and Howell and Rehm (2009).

(23) The term has been coined by Bernard Gazier, see for example Auer and Gazier (2006) (TLM.net).

A clear policy recommendation emerges. Promoting upwards careers, for instance by supporting continuous vocational education and training for all categories of workers, should become an essential ingredient of modern active labour market policy. Employment services also have to care not only for a quick placement but also for sustainable placements with high productivity potential and the prospect of more stable careers. The potential for increasing productivity in employment services, especially in career guidance, through information and communication technologies (e.g. e-profiling based on competencies) is still underexploited.



3. Toward a more skilled workforce: increasing knowledge and developing learning capacities

A more skilled workforce, capable of contributing and adjusting to technological change and new patterns of work organisation, is required. This is a considerable challenge given the need for rapidly changing skills and the persistent and probably rising skills mismatches in the EU labour market. Investment in education and training systems, anticipation of skills needs and matching and guidance services are thus fundamental in order to raise productivity, competitiveness, economic growth and ultimately employment. The EU flagship initiative 'Agenda for new skills and jobs' actually endorses the commitment in favour of improving education levels by reducing school drop-outs to 10% or less and raising the completion of tertiary or equivalent education to at least 40% in 2020. It also suggests the potential of intra-EU mobility and of third-country migrant inflows not being fully utilised and insufficiently targeted to meet labour market needs. But which skills are needed in the labour market of the EU?

3.1. Measuring skills

Forecasting skills need is a complex matter. Employers' and employees' representatives often differ widely on this question ⁽²⁴⁾, as do scientific experts. Although the overall expectation of a future skill shortage is now almost common sense, its size and especially its structure remain much contested and uncertain. One of the basic reasons for this uncertainty is that the current information systems such as ISCO and ISCED provide only proxies for skills and competences (see Box 2). The International Standard Classification for Occupations (ISCO) structures the tasks of jobs along the line of occupations, whereas the International Standard Classification for Education (ISCED) structures the abilities or knowledge capacities of people along the line of acquired education. These long-established information systems have blatant deficits in terms of comparability, which calls for further steps of harmonisation at the European (and worldwide) level.

(24) Interestingly, there is a 'political economy' patterned difference in these expectations: employers' representatives usually expect large skill mismatches due to lack or shortage of skilled people while employees' representatives usually expect no or low skill mismatches.

Box 2: Defining and measuring skills or qualification

Following the Expert Group (2010: 4) and the Meadow Guidelines (2008: 31, 189), the term 'skill' subsumes knowledge and competence where 'skills' means the ability to apply knowledge and use know-how to complete tasks and solve problems and 'competence' means the proven ability to use knowledge, skills and personal, social and/or methodological abilities, in work or study situations and in professional and personal development. 'Education' (or 'qualification'), in contrast, refers to acknowledged (certified) levels of formal education or (vocational) training, whereby — according to the International Standard Classification of Education (ISCED 1997) — 'low education' (ISCED 0–2) refers to pre-primary education, primary education or the first stage of basic education, lower secondary education or the second stage of basic education; 'medium education' (ISCED 3–4) to upper secondary education and post-secondary non-tertiary education; 'high education' (ISCED 5–6) to the first stage of tertiary education (not leading directly to an advanced research qualification) and the second stage of tertiary education (leading to an advanced research qualification).

Source: Cedefop 2010a: 109–110.

A tremendous step forward has been made by the European research project EurOccupations. It provides a freely available web-based database with the 1 500–2 000 most frequent occupations in eight MS that can be used for comparative, multi-country data collection using ISCO. It also tested 150 occupations regarding the similarity of job content, required skill level and competency profiles across these MS. One of the main findings is that skill levels converge to a lesser extent than task descriptions, which points to the important fact that skills needs are related to organisational contexts.

ISCED's deficits in comparability are also big but have not yet been tackled directly at the European level. The European Social Survey could be of some use ⁽²⁵⁾. The European Qualification Framework could become a most attractive classification instrument once it takes a more definite form ⁽²⁶⁾.

According to Cedefop (2010a: 77), formal education as a proxy for skills should be complemented — not necessarily replaced — by information on the outcomes of education and training programmes as well as on the skills employers expect when recruiting people. The new initiative by the Employment and Education and Culture DGs and Cedefop to complement traditional classification systems of occupations and education with related competences expressed in a common language should help to improve the European information infrastructure, thereby contributing to a better match of supply and demand at national and European levels ⁽²⁷⁾.

(25) Schneider has undertaken detailed evaluations proposing a variant of ISCED in S. Schneider (2007), 'Measuring educational attainment in cross-national surveys: the case of the European Social Survey', Paper presented at the EDUC Research Group Workshop of the Equalsoc network in Dijon, France, 22 to 24 November 2007.

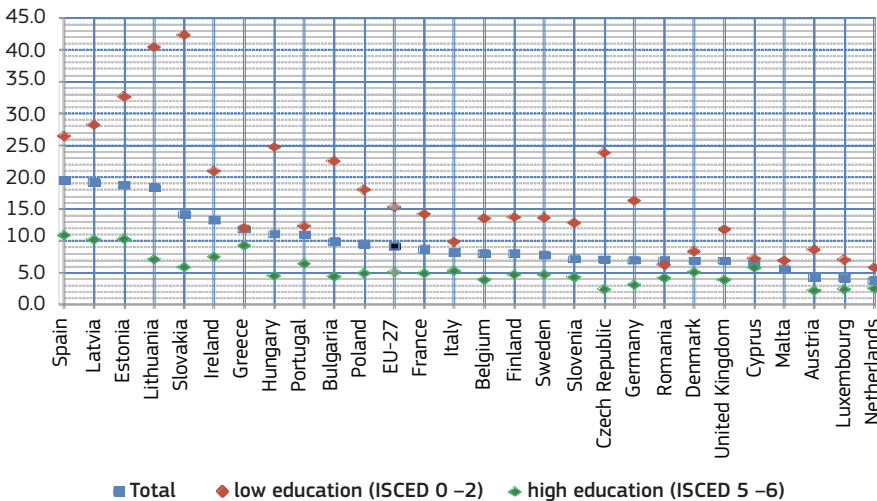
(26) Meadow (2010), 'Measuring the dynamics of organisations at work', Final Activity Report.

(27) Cedefop (2010a: 21) considers the following elements as preconditions for a world class information infrastructure related to skills: (a) building on existing strengths, networks and capacity by identifying and helping to fill gaps and deal with problems in basic data; (b) improving model building and technical capability; (c) developing capacity and capability across Europe;

3.2. Skills challenges

The current labour market clearly reflects the tremendously unequal impact of the unemployment risk by qualifications and the huge differences in employment participation by education. In many MS, the difference in unemployment rates between low- and high-educated people is three to fourfold. People with advanced qualifications often face unemployment risks that correspond to the common full employment definition, i.e. around 3–4%, a gap, however, which differs markedly between MS (Figure 4).

Figure 4: Unemployment rates of EU Member States by education level, 2010 and ranked according to 'total' (age 20–64)



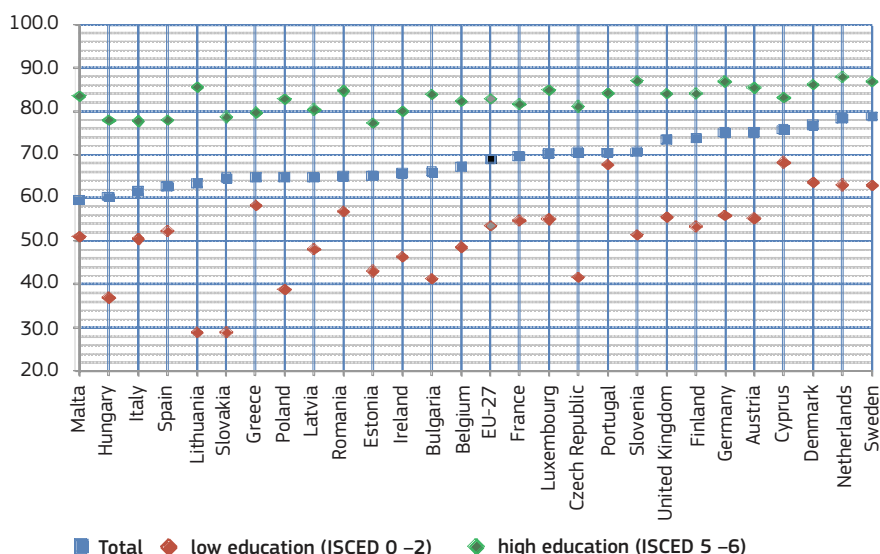
NB: Data for second quarter 2010.

Source: European Labour Force Survey database lfsq_urgaed, downloaded 12.3.2011.

The differences in employment rates between low- and high-educated people are no less striking (Figure 5). Whereas the employment rates of high-educated people range between 78% and 88%, those of low-educated people vary between 29% (Lithuania, Slovakia) and 68% (Cyprus, Portugal). The difference in employment rates between low- (53%) and high-educated (83%) people in the EU-27 is 30 percentage points. And, more alarmingly, these gaps seem to be growing.

(d) strengthening and developing networks; and (e) improving strategic thinking and policymaking relating to skills at European level. European standards for e-profiling of competences and European certificates ('Euro passport') would be additional elements of such an infrastructure.

Figure 5: Employment rates of EU Member States by education level, 2010 (age 20–64)



NB: Data for second quarter 2010.

Source: European Labour Force Survey database lfsq_ergaed, downloaded 17.3.2011.

The second challenge is supply driven. The working age population will start to decline from 2013 onwards despite increasing numbers of students in higher education ⁽²⁸⁾. Between 2010 and 2020, only the older cohorts (aged 50–54 and especially 55–64) will grow, whereas the younger cohorts (especially 15–24) will decline. An older workforce means a growing risk of skill obsolescence. Strong lifelong learning (LLL) policies will be crucial in order to keep people employable, allow them to work longer and facilitate career-oriented transitions.

The third skills challenge is demand driven. Globalisation increases competition. In a situation of comparatively high wage levels and technological change, the acquisition of higher and new skills would be the proper response to remain competitive. However, the European research project Meadow, the OECD (2010) and Cedefop (2011) point to the following evolution: as work organisations become more complex, the structure of skills becomes polarised between upskilling on the one hand and deskilling on the other hand, thus leading to rising income inequalities.

(28) According to Cedefop (2010a, Table 3, 88/89), the labour force (15+) of the EU-27 with high qualifications will grow from 2010 to 2020 by 3.6 million people fewer than in the period 2000 to 2010. Nevertheless, the total number of high-skilled will grow by about 15 million (from 64.6 million to 79.3 million). On the other hand, despite a declining share, the forecast still expects 38.5 million people with low qualifications in 2020 (compared to 53.4 million in 2010).

The fact that Europe is not ready to cope effectively with all three challenges explained above is probably best reflected in its poor productivity records. The European research project EUKLEMS2003 has developed a harmonised data base for comparing productivity in order to explain the decline of EU productivity growth during the last two decades (especially in relation to the United States): i.e. a decline from 2.5% (1980–95) to 1.5% (1995–2005). EUKLEMS2003 also shows that there are wide variations in productivity growth rates between MS. Most of the new MS are catching up with old MS. Among old MS, the fastest productivity growth rates were recorded in Finland and Sweden and the lowest in large EU-countries like Italy and Spain. Multifactor productivity, in particular, has declined, especially in market services and personal services (Table 5).

Table 5: Labour productivity growth and input contributions by industry in the EU-25

	LP (1) = (2) + (3) + (6)	LC (2)	K (3) = (4) + (5)	KIT (4)	KNIT (5)	MFP (6)
1980–95						
MARKET ECONOMY	2.5	0.3	1.2	0.4	0.8	1.0
Electrical machinery, post and communication	4.9	0.3	2.0	1.0	1.0	2.7
Manufacturing, excluding electrical	3.2	0.3	1.3	0.2	1.0	1.6
Other goods-producing industries	3.5	0.2	1.5	0.2	1.3	1.8
Market services	1.4	0.3	1.0	0.5	0.5	0.1
Distribution services	2.5	0.2	0.8	0.3	0.5	1.5
Finance and business services	0.3	0.4	1.1	0.7	0.4	–1.2
Personal and social services	–0.5	0.3	0.4	0.2	0.2	–1.2
1995–2005						
MARKET ECONOMY	1.5	0.2	1.0	0.5	0.4	0.3
Electrical machinery, post and communication	6.5	0.2	2.1	1.3	0.8	4.2
Manufacturing, excluding electrical	2.0	0.3	0.9	0.3	0.6	0.8
Other goods-producing industries	1.6	0.2	0.9	0.2	0.7	0.5
Market services	1.0	0.2	1.0	0.7	0.4	–0.2
Distribution services	1.7	0.1	1.0	0.4	0.6	0.6
Finance and business services	0.3	0.3	1.1	1.0	0.1	–1.1
Personal and social services	–0.4	0.1	0.5	0.2	0.2	–0.9

NB: This table gives for each industry a decomposition of labour productivity growth into the contributions of inputs and MFP. LP = labour productivity per hour worked; LC = contribution of labour composition; K = contribution of capital input growth; KIT = contribution of ICT capital; KNIT = contribution of non-ICT capital; MFP = contribution of multifactor productivity growth.

Source: EUKLEMS2003 (2008) Productivity Report — Final, Table 3, p. 12.

EUKLEMS2003 finds in particular that the lack of ICT diffusion explains these poor productivity records ⁽²⁹⁾. The policy recommendation is thus very clear: ‘for now, a productive use of larger input from skilled employment and the exploitation of ICT investments in service industries appear the most successful policy avenues for a European productivity revival.’ ⁽³⁰⁾ What are the proper responses to this challenge? Improving the capacities for the anticipation of skill needs is obviously the most immediate and practical answer.

3.3 Improving the capacities for anticipating skills needs: from forecasting to learning

The methodology for comparative forecasts of skills demand has improved tremendously during the last decade under the leadership of Cedefop. At the aggregate level, Cedefop (2010a: 70) expects an increasing demand, especially for high-skilled non-manual occupations but also for elementary occupations (labourers). Conversely, demand for skilled non-manual occupations (such as clerks, service/sale workers) is expected to rise only slightly and demand for skilled manual occupations (such as skilled agricultural, craft and trade workers, machine operators) is expected to decline substantially. This confirms to some extent the job polarisation thesis which has also played a prominent role in recent studies of the US labour market ⁽³¹⁾.

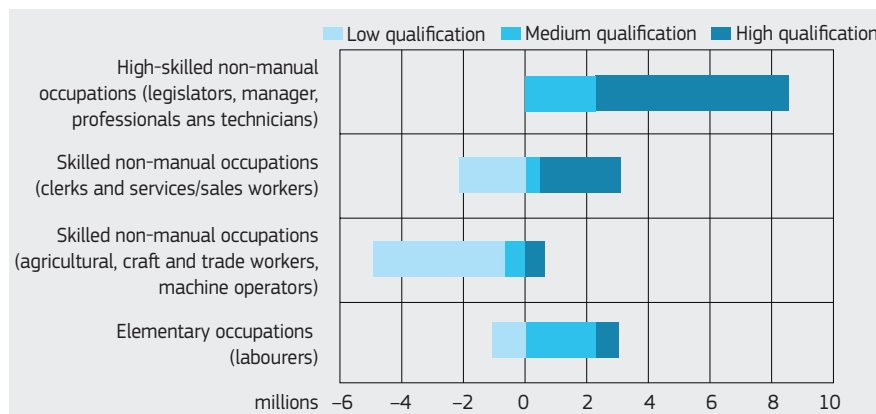
Although the risk of job polarisation may not be as high for Europe as a whole, it could be more pronounced in those MS still in transition from industry (or even agriculture) to service-based economies, since traditional manufacturing will be moved abroad and technology will replace many routine jobs. However, within all these occupational groups — including elementary occupations — there is a clear trend towards increasing requirements for high-educated people, and a decrease for those with low education (Figure 6).

(29) B. van Ark, M. O'Mahony and M. Timmer (2008), ‘The productivity gap between Europe and the US: Trends and Causes’, *Journal of Economic Perspectives*, Vol. 22 (1), pp. 25–44.

(30) EUKLEMS2003 (2008), Productivity Report — Overview of Results, Final, p. 6.

(31) D. Autor, (2010), ‘The polarization of job opportunities in the US labour market — Implications for employment and earnings’, Washington, The Hamilton Project at the Brookings Institution. According to this study, the US economy is being ‘hollowed out’: new no routine jobs are increasing at the bottom of the economic pyramid, routine jobs in the middle are being lost to automation and outsourcing, and now even job growth at the top is slowing because of automation (e.g., through ‘e-discovery technologies’ screening documents, a task being formerly done by highly educated people). Figure 6 of this study (p. 18) shows that polarisation in the EU is at least as pronounced as in the US, being an important driver of income inequality.

Figure 6: Net employment change by occupation and qualification, 2010–20, EU-27+



NB: EU-27+ = EU-27 plus Norway.

Source: Cedefop (2010: 70, Figure 30) (http://www.cedefop.europa.eu/en/Files/3052_en.pdf, downloaded 13.3.2011).

Such highly aggregated figures need to be analysed further to clarify a range of interesting questions related in particular to: (1) new skills not (yet) captured by traditional occupational classifications; (2) the issue of overskilling or overqualification; (3) the recruitment criteria employers use; (4) skills mismatch and the related behavioural consequences of prospective employers and employees; and last but not least (5) the respective policy interventions.

The priority at the European level is to improve the information infrastructure that combines the demand and supply sides of labour markets. For instance, the European research project Meadow has developed a survey which links the interview of an employer with the interviews of his or her employees in order to measure organisational change and its social and economic impacts. The Meadow Guidelines provide an excellent analytical framework and a list of carefully selected indicators to be considered in such a linked employer and employee survey. The adoption of such a harmonised survey of organisational change at the European level, focusing (among other areas) on new skills and jobs is recommended (see Box 3) ⁽³²⁾.

(32) Various avenues for realising this ambition are currently explored, including national funding for full-scale surveys and European level funding through the European Commission's eighth framework programme. Two key initiatives in progress are the full-scale pilot surveys in Sweden and Denmark; see Meadow (2010), 'Measuring the dynamics of organisations at work', Final Activity Report 028336.

Box 3: Questions that can be analysed with a linked employer and employee survey

How do work organisational practices and HR policy influence job characteristics (especially skills) and the performance of employees (especially productivity)?

Does innovation at the organisational level have an impact on employees' well-being?

How are changes in work organisation communicated and made visible to employees?

How do employees react to and cope with different types of changes (especially through education and training activities)?

How do employers react to and cope with different types of changes (especially through education and training activities)?

What is the effect of trade unions on employee awareness of changes?

What is the indirect effect of trade unions on employer and employee change-related outcomes?

Source: Meadow Guidelines (2010: 36); complemented by the author with skills-related items.

Another way to improve the knowledge capacities for new skills and jobs is qualitative research in the black box of work organisations and their adjustment to global competition and new technologies. The European research project WORKS studies changes in value chains and thus provides not only a deeper insight into skills changes but also into the factors really driving these changes. Its results strongly support the thesis of the 'hollowing out' of medium skills, the lengthening of value chains, the increasing wage pressure and outsourcing of jobs at the end of the value chain. In particular, the codification of original tacit knowledge at the medium level of operations through IT tools may be the starting point of outsourcing and deskilling. At the same time, the respective requirements for 'new skills' may be connected with ambivalent effects — improved IT skills on the one hand of course, but also higher work intensity on the other hand (see Box 4). Innovation in work organisations may therefore have ambiguous effects on jobs and work quality.

Box 4: Upskilling or deskilling through changing value chains

A general finding is that outsourcing brings about new tasks and specific new work roles needed not only for coordinating workflows across organisations, but also for contract negotiations, monitoring of service levels, renegotiation of terms of reference, etc. Thus, with externalisation, new tasks are being introduced, some of which are bundled to create new functions. [...] Workers also need more skills in order to be able to respond to the speed-up of business and to collaborate across the boundaries of their organisation, with workers of other firms, from other sites around the globe and with customers. These new skills do not necessarily involve core professional skills, but concern social and communication skills, the ability to work fast and combine information from many different sources and the flexibility to deal with different kinds of customers. Such upskilling is very closely related to work intensification. [...] This means that neither the upskilling nor the importance of new skills necessarily result in a strengthening of the professional competences either in a strict sense or in straightforward improvement of job quality. These new skill requirements may, on the contrary, even jeopardise the development and use of the core professional skills in some cases. Furthermore, increased performance monitoring and control systems (such as scripts and procedures) accompanying new value

chain structures, supported by ICT, may further limit the opportunities employees get to use and develop their professional skills.

Source: M. Ramioul, 'Knowledge in restructuring processes and the impact on skills', WORKS European Policy Brief, mimeo, (published in Italian translation in Quaderni Rassegna Sindacale, Ediesse, Rome, 2009–3, pp. 29–52).

Another important way to cope effectively with the uncertain link between (new) skills and jobs is the institutionalisation of 'learning organisations'. All European research projects dealing with this question (in particular Meadow, WORKS, LLL2010) indicate that high performance work systems (HPWS) are a good example of best practice of learning organisations at a company level, although the impact on employees' satisfaction is still much debated (see Box 5) ⁽³³⁾.

Box 5: What are high performance work systems?

High performance work systems (HPWS) are characterised by a holistic organisation featuring flat hierarchical structures, job rotation, self-responsible teams, multitasking, a greater involvement of lower-level employees in decision-making and the replacement of vertical by horizontal communication channels. HPWS emphasise the importance of decentralisation of problem-solving and decision-making. This requires three basic components: (1) the opportunity for substantive participation in decisions; (2) appropriate incentives; and (3) training and selection policies that guarantee an appropriately skilled workforce. Autonomous teams and quality improvement teams contribute to improve the organisational performance, as well as communication with actors outside the employees' own work group. The employees in HPWS thus have substantial autonomy in their work, and they are also able to call on resources when needed. However, while evidence for organisational benefits continues to accumulate, the evidence for employee outcomes is increasingly polarised, varying from higher intrinsic rewards to work-home spillover and work stress.

Source: Meadow Guidelines (2010: 113).

This ambition could also be applied at regional level ('learning cities', 'learning regions'). Key actors at local or regional levels overcome uncertainty (here related to skills) by mutual agreements which are continuously adapted to new insights by monitoring the results of joint decisions, hence the label 'learning by monitoring' ⁽³⁴⁾. In an overview of 13 EU countries, the European research project LLL2010 identifies Flanders and Ireland as promising cases for such learning regions. In both regions, LLL2010 finds a proper balance between human capital and social policy aspects of adult learning as well as a functioning network of key actors capable of identifying individual skills potential and coordinating them with the actual skills demand in

(33) The best reference study related to HPWS is E. Appelbaum, T. Bailey, P. Berg and A. Kalleberg (2000), *Manufacturing advantage: Why high performance work systems pay off*, Ithaca and London, ILR Press.

(34) C. F. Sabel (1994), 'Learning by monitoring: the institutions of economic development', in L. Rodwin and D. A. Schön (eds), *Rethinking the development experience: Essays provoked by the work of Albert O. Hirschman*, Washington DC and Cambridge MA, pp. 231–74.

the region ⁽³⁵⁾. However, little systematic empirical evidence on this important issue is yet available. This leads to a clear policy recommendation: more systematic (comparative) research on the governance of lifelong learning, especially related to learning organisations at the regional level, is urgently needed.

3.4. Solving skill mismatches through active mobility policies

Job-related mobility has gained increasing attention as a solution for short-term and medium-term skill shortages. However, job mobility in Europe is not without problems. First, although recurrent mobility (i.e. regular commuting of at least two hours a day or weekend commuting) has increased, this type of job-related mobility is especially prone to high social costs (re-enforcing traditional role models, health effects etc.). Second, although residential mobility (i.e. changing residence and moving into another region for job reasons) implies lower social costs in the long run, a majority of people in Europe are unwilling to move their residence (especially across regions, not to speak of countries).

The European research project JobMobFam provides both an excellent theoretical and analytical framework for studying mobility as well as interesting results on spatial mobility for five MS and Switzerland (Table 6). Generally, there has been an increase in job-related spatial mobility over the last two decades (without significant differences between countries). Some 16% of working people are currently mobile; another 32% have experienced mobility in the past. Migration (relocating across a national border) is rare, involving only about 2% of all mobile people. Recurrent mobility is more common (72%); the most frequent form is daily long-distance commuting (two hours or more), representing 41% of all mobile people; another 29% of mobile Europeans spend at least 60 nights a year away from home. In total, 20% of mobile persons move their residence, and 8% have experienced both recurring and residential mobility. Although spatial mobility is required to some extent in all vocations and in very different positions, it is more frequent in knowledge-based jobs than in the industrial sector. Mobility can be found more often among (young) men, with or without children, and childless women, whereas mothers are rarely mobile.

(35) LLL2010 (2007), 'Lifelong learning: Patterns of policy in 13 European countries — A review of lifelong learning policy and practices in Austria, Bulgaria, the Czech Republic, England, Estonia, Flanders, Hungary, Ireland, Lithuania, Norway, Russia, Scotland, Slovenia', Tallinn, Working Paper 16; see also LLL2010, Final Integrated Report, April 15, 2011.

Table 6: Extent and pattern of spatial mobility as percent of gainfully employed (age 25–54) in five EU Member States plus Switzerland

	FR	DE	ES	PL	CH	BE	Total
Total mobility experience	51	49	52	37	51	42	48
Currently mobile	15	19	14	15	13	17	16
Formerly mobile	36	30	38	21	38	25	32
Mobility pattern total	100	100	100	100	100	100	100
Recurringly mobile	65	69	83	76	73	87	72
Residentially mobile	27	22	12	12	18	11	20
Mobile in both ways	8	9	6	12	9	2	8

NB: FR = France; DE = Germany; ES = Spain; PL = Poland; CH= Switzerland; BE = Belgium.

Source: JobMobFam, European Policy Brief December 2008. Residential mobility means changing one's main residence once (or a few times) mainly for job-related reasons; recurring mobility occurs repeatedly between two or more places, such as home, the (main) workplace, and various customers.

Europeans who are not currently mobile for job-related reasons express more reluctance than willingness to become mobile in the future. From this perspective, a significant increase in mobility during the coming decades is unlikely.

JobMobFam clearly reports that Europeans expect financial support, mobility incentives, better transport, more affordable and available services and (from the employers) greater flexibility of work organisation and possibilities to work at home. Several solutions could be envisaged, such as, for instance, improving the housing market and providing relocation subsidies, developing the certification of competences, through e-profiling or ensuring a better transportability of firm-related social security entitlements.

3.5. Improving the links between education and labour market systems

For the next 10 years, the number of people with qualifications will be largely determined by demography and past educational decisions. For the medium and long term, however, skill challenges will require a closer link between education and labour market systems and an emphasis on early investments in education ⁽³⁶⁾. The reasons are manifold: the uncertainty of long-term skills needs, the economic logic of investment in education (long investment times and postponed returns), the cognitive logic of learning (learning begets learning), the need for more knowledge at work, the

(36) Prominent advocates of this argument are J. J. Heckman and D. V. Masterov (2007), 'The productivity argument for investing in young children' (http://jenni.uchicago.edu/human-inequality/papers/Heckman_final_all_wp_2007-03-22c_jsb.pdf).

ageing of society (increasing the likelihood of skills obsolescence) and the rising need for transversal skills point to improving education at the earliest possible stage.

In order to answer this challenge, the Europe 2020 'Youth on the move' flagship proposes two solutions: cutting the number of school drop-outs and enlarging the number of university graduates and postgraduates. The first target of reducing early school drop-outs to 10% is welcome and actually corroborated by practically all relevant research. The second target of raising the average proportion of people aged 30–34 possessing a higher education degree or equivalent to at least 40% is more contested ⁽³⁷⁾.

Why? It is now widely accepted that 'soft' skills like creativity and entrepreneurship for innovation, or other 'soft' skills (such as interpersonal relations) are just as important for the expanding employment sectors like personal and social services. For many observers, soft skills mainly depend on personality characteristics which are shaped at an early age and it is less clear whether higher education at tertiary level can teach or develop these soft skills. Higher education certainly offers specialised functional skills important for product innovation, yet not necessarily the 'soft skills' for process innovation and large-scale diffusion of IT technologies which are especially important to small and medium-sized firms trying to close the productivity gap.

It is true that people with higher qualifications have a higher chance of securing employment than those without (see Figures 4 and 5). However, it is not always clear whether this is because the specialised skills these qualifications provide are really in demand, or whether it is because it is assumed that those who have completed the course are likely to have other skills that cannot be taught, such as these 'soft' skills. This is a fundamental issue for modern higher education. If higher education qualifications are used to signal skills that are not necessarily learnt in higher education programmes, then why invest more in higher education? Given that higher education involves additional costs to course fees and foregone revenues for students, pushing for high proportions of university graduates may not always represent good value for money or the guarantee that soft skills will spread across the more qualified population.

A study by Cedefop (2011b: 44) on the polarisation of the labour market actually emphasises that the crucial point is not the level of formal qualification but the increasing demand for 'soft' skills and 'emotional labour'. This holds especially true in the growing sector of personal services, in which these new skills cannot be transformed into routines and eventually outsourced or automated. Many services such as social care — but also frontline services, call centres, beauty therapy, etc. — often involve communication and problem-solving skills, as well as developing empathetic relationships between the service provider and the customer. As a consequence, vocational education and training (including on-the-job and mid-career training) should be considered as a more cost-effective way than higher education to provide soft skills and to keep workers up to date with fast-changing requirements that characterise their occupations.

(37) The following two paragraphs are based on Theodoropoulou (2010).



4. Toward better job quality and working conditions: increasing productivity and work-related well-being

There is no contradiction between quality and quantity of employment: high levels of job quality in the EU are associated with equally high labour productivity and employment participation.

4.1. The elusive definition of ‘quality’ of jobs

Job quality has different dimensions. From a narrow economic point of view, the wage level was and still is the central quality dimension; from a sociological and industrial relations point of view, working conditions (especially containment of health risks) are crucial. Recent developments in economics and socio-economic research propose additional dimensions, such as training opportunities, transition options between various employment relationships over the life course, job satisfaction and so on (Davoine et al. 2008).

Quality also has a life-course dimension. The European research project SPReW finds systematic differences in work orientations among the three current generations at work: the baby boomers (born before 1960) are especially interested in acknowledgment of work experiences and improved working conditions, while the so-called generation X (born between 1960 and 1980) cares especially about reconciling family and work and lifelong learning and the so-called generation Y (born after 1980) asks for more social protection, individual autonomy and higher income. What is needed, therefore, is a systematic ‘management of generations at work’, taking into account such differences. Intergenerational relations are becoming a key issue for social cohesion, for the integration of all generations in the workplace but also, for employers and employees, to take advantage of age diversity ⁽³⁸⁾.

The key issue is thus to define what quality at work is. Depending on the definition, the measurement and conclusions for policy interventions might differ a lot. For instance, in 2010, a joint UNECE/ILO/WIEGO/Eurostat taskforce delivered and tested a list of seven dimensions and 50 indicators that should be used by MS (and worldwide) to monitor job quality (Box 6) ⁽³⁹⁾.

(38) SPReW, ‘Generational approach to the social patterns of relation to work — Final synthesis report’, September 2008.

(39) UNECE (United Nations Economic Commission for Europe) (2010), ‘Measuring quality of employment — Country pilot reports’, Geneva, United Nations Publications (<http://live.unece.org/stats/archive/01.02.e.html>).

Box 6: Seven dimensions of job quality

1. Safety and ethics of employment
2. Income and benefits from employment
3. Working hours and balancing work and non-working life
4. Security of employment and social protection
5. Social dialogue
6. Skills development and training
7. Workplace relationships and work motivation

Source: UNECE (2010).

Erhel and Guergoat-Larivière (2010, 2011) also propose a synthetic index of 13 indicators supposed to be representative for all quality dimensions and find a positive trend of job quality in the EU-15 from 1995 to 2006, whereby the 'positive' is mainly driven by increased further training and reduced gender employment gaps. In this study, in 2006, Denmark and (surprisingly) the UK scored highest on this composite index and Spain and Italy lowest. Most continental countries and new MS stand in an intermediary position; Germany (again, surprisingly) and France are characterised by moderate job quality standards.

Such studies with composite indices suffer from unresolved weighting problems related to single characteristics in a bundle of sometimes up to 30 or 50 indicators. A way to deal with the multidimensionality of job quality is the construction of 'job quality regimes' showing that there is no country loading high on all quality items. Yet even these studies eventually come up with familiar country clusters, with the exception of UK and Ireland joining the 'continental' cluster (Box 7).

Box 7: Job quality clusters among EU Member States

The **Nordic countries** (Denmark, Sweden and Finland) are characterised by high performance in terms of education and training but also in terms of transitions out of inactivity supported by the availability of childcare structures. However, the Nordic countries are also grouped together because workers experience relatively high intensity of work, reflected, for instance, in high sickness absence rates. These countries constitute a model based on a good handling of mobility and a strong integration of women in the labour market through powerful public policies.

The **continental** (Netherlands, Belgium, France, Austria and Germany) and **liberal countries** (UK, Ireland) are grouped in the same cluster since they are characterised by rather good working conditions, good wage levels and high satisfaction at work, and high levels of voluntary part-time work.

The **southern countries** (Italy, Spain and Portugal) are characterised by rather negative features according to several dimensions of job quality: initial education levels are very low and not compensated by further training, women are not well integrated on the labour market and employment gaps are significant. However, pay gaps are not that high, since it can be assumed that mainly high-skilled women enter the labour market.

The **new Member States** (Slovenia, Czech Republic, Bulgaria, Hungary, Latvia, Slovakia, Lithuania and Estonia) constitute a cluster mainly due to bad working conditions (measured by both objective and subjective variables) and low wage levels; they also share high gender segregation as well as low levels of training.

Greece and Romania constitute a separate cluster with poor working conditions and low work satisfaction, involuntary part-time work and unfavourable working time patterns (long working days, working more than five days a week and problems in combining work and family life).

Source: Erhel and Guergoat-Larivière (2010, 2011).

The fact that even MS with overall high job quality are faced with increasing work intensification (dangerous not only for health but also for work–family compatibility) has led the European research project Quality to strongly recommend that policy directives regarding working hours, such as the EU working time directive, should not encourage work intensification. In particular, temptations to use the current economic crisis to increase work intensification and to neglect responsibilities for caring for employees should be resisted. The related management of change is more effective if workers are involved in and encouraged to participate in decision-making, and firms should themselves establish monitoring systems of job quality such as the ‘social quality instrument’ developed by Quality ⁽⁴⁰⁾.

Quality also finds that the level of life satisfaction varies significantly across countries, with a higher quality of life in more affluent societies. Given the large differences in job quality already noted above, it is no surprise that the impact of working conditions on life satisfaction is stronger in south and east European countries. Quality suggests that the issue of security, i.e. security of employment and pay, is the key element that affects people’s quality of life. Insecure employment, in particular, is accompanied by problematic ‘social and family’ situations ⁽⁴¹⁾. Other working conditions, such as autonomy at work, good career prospects and an interesting job, seem to translate into high job satisfaction, which in turn increases life satisfaction indirectly.

4.2. Is any job better than no job?

Is any job better than no job? Many studies answer in the affirmative, yet with some important qualifications. The bulk of research evidence suggests that even low-quality jobs are preferable to unemployment, although they may raise life satisfaction less than high-quality jobs. This positive effect continues to persist in the second year of reemployment, and no particular sign of ‘negative adaptation’ is found. Nevertheless, there are important subjective measures of job quality that counter the positive effect of re-employment, like low job satisfaction or a perceived worsening in several job dimensions when compared to the previous job. Such discrepancies between subjective and objective job quality may lead to the rejection of job offers, even though these jobs might eventually make people more content. It seems that most

(40) Quality, Final Report, ‘Quality of life in a changing Europe’, July 2009, pp. 9, 30, 32–4.

(41) See S. Drobnič, B. Beham and P. Präg (2010), ‘Good job, good life? Working conditions and quality of life in Europe’, *Social Indicators Research*, 99 (2), pp. 205–25; S. Scherer (2010), ‘The social consequences of insecure jobs’, *Social Indicators Research*, 99 (2), pp. 527–47.

people simply do not anticipate the gain in life satisfaction provided even by a low-quality job and reject a 'bad' job, hoping for a better offer that might increase their life satisfaction even more ⁽⁴²⁾.

As the European research project Recwowe stresses, work does not only create income but also various social rewards (especially recognition). Subjective quality appreciations (income security, life satisfaction drawn from work, career-oriented as well as life course-oriented transitions options) play an increasing role in the understanding of job quality ⁽⁴³⁾.

Therefore 'work first' strategies may be better for individuals than unemployment if they are combined with skill-enhancing measures to regain and maintain employability. Pure 'work first' strategies are detrimental to the overall economy as they send other negative signals to employers and employees regarding employability and workplace organisation.

4.3. Job quality in growing job sectors

As already shown (Figure 2 above), new jobs are increasingly related to 'non-standard' forms of employment (part-time, temporary, own-account work) that bear higher risks of income and social insecurity than 'standard' jobs (see Section 2.2). European research currently studies the impact of new jobs on job quality. The European research project Walqing has developed an aggregated measure based on the average of 38 indicators that reflect key characteristics of five main dimensions of job quality: work organisation, wages and payment system, security and flexibility, skills and development, and engagement and representation. Each measure is weighted according to the unique percentage of variance that it explains in three aspects of employee well-being (physical well-being, psychological well-being and job satisfaction). This weighted job quality measure therefore represents the extent to which a job has a combination of factors that are likely to promote employee well-being.

Focusing on job quality in growing and declining sectors of the economy between 2000 and 2007, this still ongoing research by Walqing displays some interesting trends. First, the growing sectors (NACE two-digit) of the EU economy with higher-than-average levels of job quality (average 53.9) are real estate (60.2), education and health (60.4), public administration (62.3) and financial intermediation (67.7). Second, in contrast, those growing sectors of the economy with lower-than-average job quality are retail (53.5), construction (52.1) and hotels and restaurants (48.8).

(42) See C. Grün, W. Hauser and T. Rhein (2010), 'Is any job better than no job? Life satisfaction and re-employment', *Journal of Labour Research*, 31, pp. 285–306.

(43) B. Palier (ed.) (2010), *A long goodbye to Bismarck? The politics of welfare reform in continental Europe*, Amsterdam University Press (Recwowe); O. Bruttel. and E. Sol (2006), 'Work first as a European model? Evidence from Germany and the Netherlands', *Policy and Politics*, 34 (1), pp. 69–89 (TLM.net); Schmid (2008: pp. 235–9) (TLM.net).

The growth of IT and business activities is in line with expectations, with very little differentiation between countries. These sectors also have above-average job quality, although in business activities there are pockets of problematic conditions ⁽⁴⁴⁾.

These results confirm that European employment growth has not been exclusively shaped by knowledge intensity and skills upgrading and that employment growth does not automatically generate 'better jobs' with satisfactory wages, autonomy, learning opportunities, secure careers and participation in the workplace.

4.4 The impact of job quality on job quantity

In theory, a positive link between job quality and quantity may operate through several channels.

Improved education, especially in the form of cognitive skills, fosters economic growth and thereby employment ⁽⁴⁵⁾. Investment in education and training yields increasing returns and generates positive externalities. A higher level of education not only raises individual productivity, but also the productivity of co-workers and co-partners in the market network (supply chains). Recent evidence suggests that 50 additional PISA points induce 0.6% higher economic growth per year ⁽⁴⁶⁾.

There are also links between workers' security and economic growth. Job protection, safe working conditions, fair wages and access to social protection foster cooperation and acceptance of working-time flexibility, job rotation and continuous education and training. All these components of security in work may increase productivity and labour market participation. In addition, many security mechanisms work as automatic stabilisers, which are particularly helpful during economic downturns (see Section 2.3). Thus, several dimensions of job quality can increase workers' productivity and positively influence job creation.

Empirical research results tend to validate this view. The correlation between employment rates and job quality is positive and significant when longitudinal European data are used. In particular, the employment rate is correlated with participation in education and training through the life course and a low gender gap in employment. The job quality index is also negatively related to long-term unemployment and the natural rate of unemployment (Erhel and Guergoat-Larivière 2010: 7–9; Leschke and Watt 2008).

(44) Walqing, European Policy Brief, 'Work and life quality in new and growing jobs', November 2010.

(45) The best recent overview is provided by E. A. Hanushek and L. Woessmann (2008), 'The role of cognitive skills in economic development', *Journal of Economic Literature*, 46 (3), pp. 607–668.

(46) PISA is the OECD Programme for International Student Assessment. See E. A. Hanushek and L. Wößmann (2010), 'The high cost of low educational performance: The long-run economic impact of improving PISA outcomes', Paris, OECD, and Eric A. Hanushek & Ludger Woessmann (2011) 'How much do educational outcomes matter in OECD countries?', *Economic Policy*, CEPR & CES & MSH, vol. 26(67), pages 427–491, 07.

Empirical evidence seems to indicate that job growth based excessively on non-standard employment does not lead to increased productivity. Rather the opposite is true. From 2000 to 2007, at the aggregate (country) level the relationship between employment growth (head count) and labour productivity (GDP per employed worker) is slightly negative. With the exception perhaps of Sweden, there is no EU Member State obtaining simultaneously high employment and productivity growth (European Commission 2008: 37–9). Based on EUKLEMS2003 data, van Bart et al. (2009) explain the Swedish exception basically by productivity gains in services where Germany, for instance, has productivity deficits. Sweden has thus made large investments in ‘immaterial capital’, i.e. high investments in economic competences and innovation potential, in areas such as research and development and information systems.

The tiny number of studies available at the micro level (e.g. in the Netherlands and Germany) confirms this evidence related to temporary work. Firms using excessively fixed-term contracts are less productive or innovative. Related to part-time work, however, the impact might be positive: firms in client-oriented services can allocate part-timers according to opening hours and part-timers might work more intensively than full-time workers.

The conclusion from the preliminary evidence and translated into the flexicurity concept can only be this: with slowing productivity, the capacity for redistribution (and with it the possibility to compensate the losers in a highly dynamic economy) is weakened instead of strengthened. In other words, supporting higher income security through redistribution (an essential element of the Danish flexicurity model) in exchange for flexible jobs (either in the form of non-standard employment or in the form of high job turnover) becomes a void option if flexicurity undermines not only equity but also efficiency⁽⁴⁷⁾. One can only be struck by the coincidence between rising forms of temporary work and the decrease of job quality and productivity problems in the EU. Flexicurity and its implementation should be more closely monitored in order to pay out on all their promises.

4.5. Smart work organisations: making the market fit for workers

If the concept of ‘smart’ work organisation has any reasonable meaning, it means the ability to cope with ambiguities and uncertainties in the working environment. Work organisations have to manage the myriads of personal ‘idiosyncrasies’ of their individual employees to be efficient and equitable. The general strategy for extending employment opportunities, therefore, cannot only be to ‘make workers fit for the market’ but also to ‘make the market fit for workers’⁽⁴⁸⁾.

(47) G. Schmid (2010), ‘The future of employment relations: Goodbye “flexicurity” — Welcome back transitional labour markets?’, AIAS Working Paper 106, University of Amsterdam (http://www.uva-aias.net/uploaded_files/publications/WP106-Schmid.pdf).

(48) This slogan has been devised and explained by Auer and Gazier (2006: 179–186) (TLM.net).

Adjusting work organisations to the abilities of workers means in particular taking account of various possible restrictions on individual work capacities, for instance caring for family members and physical or mental capacities. Coping with these restrictions requires institutional capacity building through social and civil dialogue, as the European research project Capright emphasises. Law may provide new social rights going beyond employment (Supiot 2001), yet social partners and civic actors are required to manage uncertainty resulting from increasing interdependencies and to negotiate the required compromises within the daily life of organisations ⁽⁴⁹⁾.

The European research project Workcare has produced rich materials on adapting work organisations to family life and gender equality, especially on issues like care support and working time flexibility ⁽⁵⁰⁾. Capright also draws attention to the issue of disability, referring for instance to the UK's Disability Discrimination Act 1995 as good practice. The act does not regard the differences between disabled people and others as irrelevant. It does not expect each to be treated in the same way. It expects reasonable adjustments to be made to cater for the special needs of each disabled person and entails therefore necessarily an element of more favourable treatment ⁽⁵¹⁾. Reasonable adjustment might include the right of the disabled against their employer to an employment which enables them to utilise and to develop further their abilities and knowledge, to privileged access to training, and to equipping the work place with the technical facilities required.

It is evident that these kinds of adjustments to the working environment and organisations require fair procedural rules for implementation, for instance negotiation through collective agreements, social pacts or covenants between firms and other key actors in the local or regional labour market. Concerning restructuring, good practices are (to take just one example) the Swedish career transition agreements in case of redundancies, especially when older workers and people with a low level of education are concerned. These agreements help workers who become redundant to find new jobs through counseling, guidance, career reorientation, education and training and through helping them to set up their own businesses. In certain circumstances, the agreements also provide financial compensation for the part of the salary that exceeds the unemployment benefit ceiling. Compensation may also be paid for a limited period to employees who find a job with a lower salary. The scheme is financed by payment or a percentage of the wage bill of the affiliated enterprises, and the transition process is conducted by employment security councils ⁽⁵²⁾.

(49) J. de Munck, C. Didry, I. Ferreras, and A. Jobert (eds) (2012 forthcoming), 'A new path towards democratic deliberation: Social and civil dialogue in Europe, London and Brussels, Peter Lang (Capright).

(50) See in particular the final report of Work Package 3 ('Labour market and social policies'), and J. Lewis (2009), *Work — Family balance, gender and policy*, Edward Elgar (Workcare).

(51) S. Deakin, in S. Deakin and A. Supiot (eds) (2009), *Capacitas: Contract law and the institutional preconditions of a market economy*, Oxford and Portland, pp. 27–28.

(52) European Commission (2007), 'Towards common principles of flexicurity: More and better jobs through flexibility and security', Luxembourg, Office for Official Publications of the European Communities.



5. Toward more and better jobs: reducing barriers and enhancing the capacities of labour demand

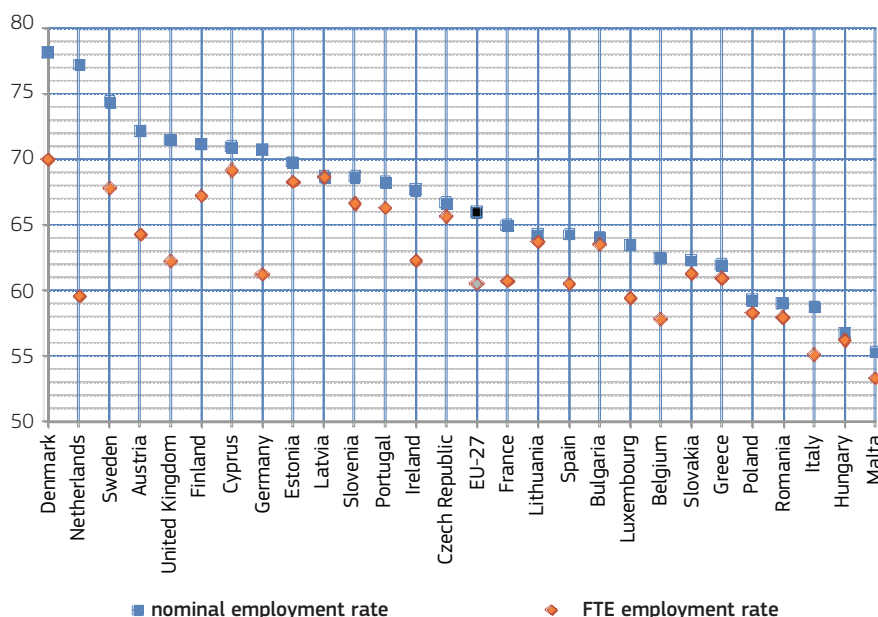
It is not enough to ensure that people remain active and acquire the right skills to get a job: the recovery must be based on job-intensive growth. The right conditions to create more jobs must be put in place, including in companies operating with high skills and R & D-intensive business models. The 'Agenda for new skills and jobs' flagship considers the selective reductions of non-wage labour costs or well-targeted employment subsidies as effective incentives for employers to recruit the long-term unemployed and other workers having difficulties re-entering the labour market. Policies to exploit key sources of job creation and to promote entrepreneurship and self-employment are also essential to raise employment. Recent research corroborates these views and provides additional clues for enhancing labour demand.

5.1. How fast, how much and where are the new jobs growing?

The gains in employment rates were modest in the last decade, even when counted per head, and they concerned women whereas employment rates of men on average stagnated. Counted in full-time equivalents, the gains were even more limited. An interesting (and not yet fully acknowledged) pattern emerges: the gap between nominal (head count) employment rates and full-time equivalent rates (a raw indicator for effective employment rates) increases — apart from notable exceptions (Finland and the Baltic states) — with rising employment (Figure 7) ⁽⁵³⁾.

(53) The gap (not shown here) is especially related to women's high share of part-time work. The real gap between nominal and effective employment rates would be larger if one could properly take account of all leave schemes such as parental leave, care leave, career leave or education and training leave, plus absenteeism rates due to sickness. Monitoring such figures is recommended.

Figure 7: Nominal employment rates and full time-equivalent employment rates 2008, (age 15–64)



Source: *Employment in Europe 2010* (http://ec.europa.eu/employment_social/eie/statistical_annex_key_employment_indicators_en.html).

The gap between nominal and effective employment rates certainly reflects the wish of many people (currently especially women) to change their employment relationship over the life course (e.g. transition between part-time and full-time, educational or training periods). But a large part of this gap also has negative characteristics such as involuntary part-time work or absenteeism due to job dissatisfaction. It is thus necessary to look at how and in which sectors of the economy new jobs are created. What are the jobs of the future? In what sectors will there be further job growth, and what will be the characteristics of these jobs?

The European research project Walqing addresses these questions by developing a new method for the measurement of job growth. Conventional concepts are based on only one of two measurement methods: either absolute levels (the number of additional jobs) or relative levels (the growth rate of the number of jobs). However, in order to understand employment growth better, both trends matter, especially when employment growth is to be broken down by sector and country. In order to take into account both aspects of employment growth, Walqing advocates giving more weight to relative growth for large sectors and more weight to absolute growth for small sectors.

The result is a structural growth index called BART, i.e. Balanced Absolute and Relative Trend. Taking 15 sectors at the top and the 15 sectors at the bottom of a list of 60 sectors (Table 7), Walqing shows the likely job trends in the medium

term. Between 2000 and 2007, jobs were created in sectors like construction, other business activities, health and social work, computer and related activities, education and sectors not necessarily requiring high education levels such as hotels and restaurants, trade, travel agencies and private household activities, as well as sectors such as motor vehicles and metal products. The shrinking or stagnating sectors are, unsurprisingly, agriculture and some traditional manufacturing (like textiles, machinery, communication equipment, paper), as well as sectors with increasing automation or under high cost pressure such as telecommunications and transport.

Table 7: The structural employment growth index (BART) (*) for subsectors, 2000-07

Rank	Sector	BART
1	Construction	2.45%
2	Other business activities	2.38%
3	Health and social work	1.30%
4	Computer and related activities	0.51%
5	Education	0.44%
6	Wholesale and commission trade, except of motor vehicles and motorcycles	0.38%
7	Activities of households as employers of domestic staff	0.36%
8	Hotels and restaurants	0.34%
9	Supporting and auxiliary transport activities; activities of travel agencies	0.31%
10	Real estate activities	0.30%
11	Recreational, cultural and sporting activities	0.28%
12	Manufacture of fabricated metal products, except machinery and equipment	0.20%
13	Manufacture of motor vehicles, trailers and semi-trailers	0.17%
14	Activities auxiliary to financial intermediation	0.16%
15	Public administration and defence; compulsory social security	0.14%
46	Manufacture of pulp, paper and paper products	-0.18%
47	Mining of coal and lignite; extraction of peat	-0.19%
48	Manufacture of radio, television and communication equipment and apparatus	-0.20%
49	Land transport; transport via pipelines	-0.20%
50	Manufacture of furniture; manufacturing not elsewhere classified	-0.23%
51	Insurance and pension funding, except compulsory social security	-0.23%
52	Manufacture of machinery and equipment not elsewhere classified	-0.26%
53	Electricity, gas, steam and hot water supply	-0.27%
54	Tanning and dressing of leather; manufacture of luggage, handbags, footwear	-0.34%
55	Manufacture of basic metals	-0.35%

Rank	Sector	BART
56	Post and telecommunications	-0.35%
57	Manufacture of textiles	-0.53%
58	Manufacture of wearing apparel; dressing and dyeing of fur	-0.58%
59	Manufacture of food products and beverages	-0.98%
60	Agriculture, hunting and related services	-3.33%

(*) BART = Balanced Absolute and Relative Trend index

Source: S. Vandekerckhove, B. Capéau and M. Ramioul (2010), 'Structural growth of employment in Europe — Balancing absolute and relative trends', Walqing Working Paper 2010.1, Table 6, Appendix.

As Walqing warns, one has to be careful in extrapolating these trends of the recent past into the future. In particular, mean values always hide national variations. Some growing sectors are concentrated in a few countries and may even be declining in other countries. Education and construction, for instance, are clear examples of this scenario; other sectors, such as IT and travel, manage to evolve steadily in most countries. The BART index thus allows a precise reading per sector and per country and gives indications about where jobs are more likely to be created. Nevertheless, such an instrument of prediction, although useful, is still underdeveloped and would require more systematic support.

5.2. The role of employment policy as a support to job creation

With few exceptions ⁽⁵⁴⁾, labour market policy evaluation underestimates the role of governance, although the implementation of policy intervention matters a lot. The role of the public employment services (PES) is limited in helping disadvantaged groups (e.g. low-skill workers) but the privatisation of such services has not proved to be a better solution either. Recent research by the European research project Recwowe points to information asymmetries as an important reason for this limitation and suggests shifting the role of PES from direct job brokering and related work tests ('activation') to job search assistance and targeted wage subsidies. According to Recwowe, although PES potentially reduce search costs, both employers and employees are reluctant to use them. The reason is that employers try to avoid the 'worst' employees and employees try to avoid the 'worst' employers. As a consequence, PES should try to help disadvantaged workers to retrain, use the informal channels of recruitment and access job information through nationwide online databases. Giving employers wage subsidies for a limited period if they hire a person from a disadvantaged group would be another useful tool, allowing both

(54) See the contributions in de Koning (2007) (TLM.net) and Schmid (2008: 242–280) (TLM.net).

employers and workers to take a longer ‘test drive’. These programmes potentially create informal networks, which have proved effective ⁽⁵⁵⁾.

There is also a need for more systematic and improved evaluations of measures taken so far. In fact, some policies seem to be working better in the longer term. A meta-evaluation of 199 studies found systematic differences of impact coefficients related to the time horizon: studies assessing long-term impacts usually come up with more positive results than studies measuring only short-term effects; this holds especially true for training programmes ⁽⁵⁶⁾.

The public authority as a direct employer plays a very different role among MS. Public sector employment measured as share of the working population ranges from around 10% in Austria and Germany, at the lower end, up to 22% (France), 23% (Denmark) or 28% (Sweden) at the upper end. Whereas core public employment did not change much in the recent decade, changes took place in the public health and education sectors in particular. The majority of countries managed to contain personnel expenditure, yet policymakers tend to reduce public employment as a response to fiscal constraints ⁽⁵⁷⁾. Since many MS have run into large public deficits in recent times, it cannot be expected that the public sector will serve as a job creation machinery in the near future (as it did, for instance in the UK, before the crisis).

Self-employment is sometimes seen as an important neglected source of job creation in the EU. Increasing employment participation, however, is not generally related with increasing shares of self-employment. In some countries, the largest share of self-employment is still related to agriculture or to work in small retail or handicrafts or at home. According to most studies, these forms of self-employment will further decline. In some countries, however, self-employment is related to the growing sector of the ‘creative economy’, such as freelancing in the media industry, information technology and so on. This is why some countries have also helped unemployed people to develop their own business. Such programmes can be quite successful and they may in particular help women re-enter the labour market and older people gradually retire. Nevertheless, such strategies are still risky. It actually seems that modern self-employment is increasingly combined with regular part-time wage work, thus reducing income uncertainty associated with self-employment. Levels and dynamics of self-employment vary, therefore, considerably in MS (Berkhout et al. 2010: 131–40) but remain difficult to predict.

(55) C. A. Larsen and P. Vesan (2011), ‘Public employment services — Employers and the failure of placement of low-skill workers in six European countries’, REC-WP 02/2011 (Recwowe).

(56) D. Card, J. Kluve and A. Weber (2009), ‘Active labor market policy evaluations: A meta-analysis’, Bonn, IZA Discussion Paper No. 4002. In the short term (impact after one year), 38% of the coefficients are significantly positive and 28% negative; measures of medium-term effects (impact after two years) are 50% positive and 10% negative. The relationship for long-term effects is even more favourable, yet not significant due to the limited number of studies.

(57) M. Tepe (2009), ‘Public administration employment in 17 OECD nations from 1995 to 2005’, REC-WP 12/2009 (Recwowe Publication).

Finally, the European research project GUSTO investigates the links between employment and sustained consumption and private investment by household debt. In the Anglo-American economic model, the rise in private debt has enabled a far wider range of the population than formerly envisaged to increase their consumption, their relatively static and often insecure incomes being reinforced by loans. Setting apart the possible consumption excess of such debts ⁽⁵⁸⁾, an interesting question remains. Is it, for example, a coincidence that the two European countries with the highest private debt levels, Denmark and the Netherlands, are considered to have gone furthest in deregulating their labour markets and establishing flexicurity? Their success in achieving high levels of employment with reduced formal labour security is usually attributed to the existence of complementary extensive welfare state safeguards. But has household debt also played a part in the employment success? One of the conclusions might be that using microfinance schemes for low-income groups (preferably based on some saving in advance) to support entrepreneurship (and not only consumption) could strengthen the investment character of such individual debt strategies. This would require totally new policy tools for the public monitoring of private debts.

5.3. Supporting innovative investments in ‘green jobs’

‘An agenda for new skills and jobs’ highlights job creation in the ‘green sector’, thereby echoing and complementing the other Europe 2020 flagship initiative on ‘Building a competitive, low carbon, resource efficient economy’. As Europe has to manage the socio-ecological transition, focusing on ‘green jobs’ makes a lot of sense ⁽⁵⁹⁾. Cedefop (2010b: 6) refers, for instance, to a study in the US estimating that money invested in energy efficiency and renewable energy produces between two and a half and four times as many jobs as the same dollar invested in producing energy from oil.

The transition towards a ‘green economy’ will thus deeply affect European labour markets: new jobs will be created, while others will be transformed or even disappear. It is estimated that more than 20 million European jobs (about 9% of total employment) are already linked to the environment in some way. At the same time, researchers observe that the measurement of ‘green jobs’ and the comparison of the data over time are not straightforward. ‘Green’ is a relative and dynamic concept. Virtually every new product is more energy efficient than the model it replaces — a fact particularly noticeable in relation to vehicles. Thus the dividing line between ‘green’ and ‘environmentally inefficient’ jobs is not always easy to draw. Moreover, the dividing line may shift over time in response to progress in technology, work organisation, workers’ skills and training and education. The policy debate should

(58) Through, for example, ‘housing bubbles’ made possible by blatant failures in regulating financial markets as in the United States, Spain, Greece or Ireland.

(59) The following relies heavily on Cedefop (2010b), a synthesis study based on research reports from Denmark, Germany, Estonia, Spain, France and the UK.

therefore look, first, at the potential impact of the greening of the economy on the characteristics of jobs and their qualities and, second, at the need for and (likely) job effect of related policy interventions.

At the macro level, a new European research project started in 2011, called Neujobs, will give ample comparative data on creation of 'green jobs' in Europe. Another European research project, called WIOD, also promises highly relevant information on the employment impact of environmental investments by taking into account the globally complex trade interrelationships in terms of input and output. At the micro level, other European research projects such as LLL2010, EurOccupations, Meadow and WORKS have already provided valuable insights. Taken together, these results, although preliminary, already point to some clear strategic directions (Box 8).

Box 8: Supporting job creation in the transition towards a 'green economy'

- The potential for green job creation is great, yet the transition to a 'green economy' requires enormous efforts in skills adjustment that industry and workers cannot shoulder alone.
- Europe's policymakers, therefore, need to ensure support for skills and training that match their strategies for promoting investment in green innovation and infrastructure.
- The weaknesses in the EU's fundamental skills base impact more on green growth than shortages in specialist 'green-tech' know-how.
- Regions have to take the lead in both identifying skills needs associated with a low-carbon economy and providing skills development responses. Learning regions, where the government, industry and educational bodies work together to identify gaps and provide solutions, are emerging in several MS and provide examples of best practice.
- Skills development responses need to focus on strengthening existing competences and putting emphasis on core skills in STEM (science, technology, engineering and mathematics). Targeted support and promotion of STEM in compulsory level education are needed. Early promotion of STEM careers is also necessary, as are incentives for the take-up of STEM subjects at university

Source: Cedefop (2010b) adapted.

Policy intervention is crucial to support 'green' job creation. First, the uncertainty of the size of future markets can partly be solved through 'forward regulation', i.e. through setting standards for product and service quality. Second, market failures like information asymmetries, externalities and entry barriers can impede the development of new green technologies. Government subsidies for research and early stage deployment can accelerate innovation and provide a signal of certainty to industry. Funding innovation is a particularly acute challenge for small and medium-sized enterprises (SMEs) as they have greater problems accessing finance (even more so now in times of crisis). SMEs also face barriers in accessing affordable training to upgrade skills and take advantage of new market opportunities.



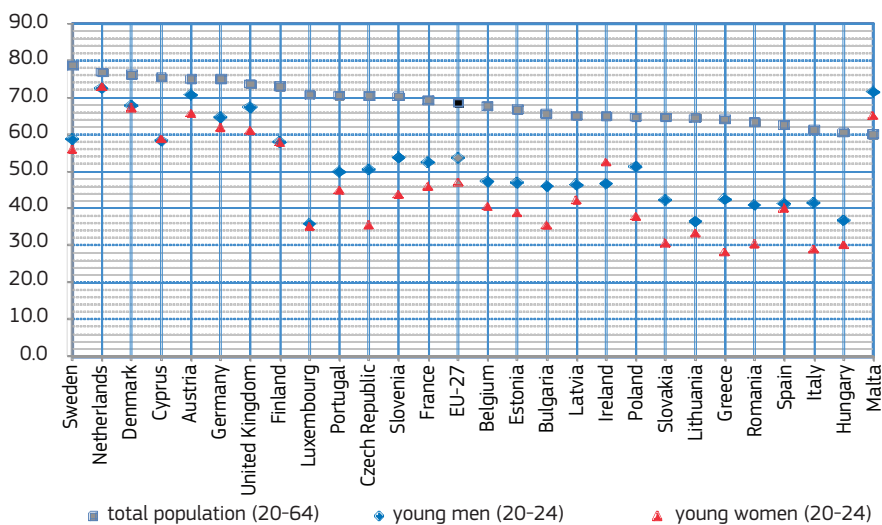
6. Target groups for new skills and jobs

The relationship between skills and jobs has to be considered in the light of target groups for at least two reasons. First, the goal of full employment cannot be applied to all socio-economic groups in the same way and therefore policies have to reflect the specific needs of these target groups in order to have any substantial and sustainable impact. Second, for all target groups, gender, age and ethnic background are important dividing lines in determining employment chances. Three target groups are therefore selected for closer scrutiny: youth, older workers and migrants.

6.1. Helping youth to move into employment

Youth employment rates in most MS are below the 'full employment' benchmark (Figure 8). Of course employment rates of young people vary a lot from one MS to the other, reflecting differences in education systems across the EU. What is clear and politically important is that youth unemployment in Europe remains very high ⁽⁶⁰⁾.

Figure 8: Employment rates in Europe, 2010 total population (20–64), young men (20–24) and young women (20–24)



NB: Annual averages 2010.

Source: European Labour Force Survey database lfsa_ergan, downloaded 20.4.2011.

(60) It goes without saying that the NEET rate (not in employment, education or training) is the far better indicator for comparing the employment chances of youth (see OECD (2009) 'Education at a glance', Paris, especially Table C3.1a). Figure 8 is only intended to show the (sometimes large) gaps between youth employment rates and the official 'full employment' benchmark of 75%, which in many cases reflect high youth unemployment rates (e.g. in France and Spain).

It is remarkable that the employment rates of young women, on average, do not differ much from those of young men. They are almost identical in the Nordic countries and the Netherlands; the largest differences are found in Mediterranean and eastern new MS. Nevertheless, as research shows, gender segregation and gendered wage gaps are already inherent in the transition phase from school to work. Currently, more boys leave school early (against the Europe 2020 benchmark of 10%) while young women record higher educational attainment than men in almost all MS. In 2009, 35.7% of women and 28.9% men aged 30–34 had successfully completed tertiary-level education (against the Europe 2020 target of 40%). In total, 60% of new university graduates are women. Nevertheless, women are concentrated in sectors that are often lower-paid (health and care services, education etc.). Consequently, segregation in professional occupations is still high ⁽⁶¹⁾. Since these early forms of gender segmentation or discrimination continue to determine employment chances over the whole life course in an unfavourable or even aggravating way, governments should place much more of their attention on the enforcement of anti-discrimination laws or affirmative action measures in favour of young women.

Comparative European research also clearly shows that the young generation shoulder most of the increasing risks related to new non-standard jobs: part-time, temporary or casual and self-employed. Whereas on average 10% of all jobs are temporary (EU-27), the share among young aged 15–24 is 40% (Berkhout et al. 2010: Figure 40, 104); men and women are almost equally affected in this respect. The recent *Employment in Europe* report (2010: 117) finds high penalties related to such jobs in terms of low pay, job volatility, (repeated) unemployment and reduced chances to get further education or training. However, these penalties are not an unavoidable characteristic of such jobs. With proper policy support, they can function as both an increased opportunity set for employment and as bridges or stepping-stones into promising employment careers. Temporary jobs can and should serve not only as a screening device for employers to identify the most productive workers, but also as a screening device for young people to test their abilities and their evolving preferences and the suitable (non-discriminating) employers who take care of their workforce. In order to discriminate between positive and negative functions of temporary work and thus improve the employment prospects of young people, it is of utmost importance that governments improve their monitoring infrastructure in terms of transition sequences.

Again, a fine-grained analysis at national, regional or local level is necessary. The European research project GUSTO shows that temporary employment acts to a varying degree as a stepping-stone to permanent employment in the Nordic countries (Table 8, first part) ⁽⁶²⁾. For instance, in Denmark and Norway, between 43 and 50% of people in temporary employment move into permanent employment within a year after they start

(61) Belgian Presidency Report (2010), 'The gender pay gap in the Member States of the European Union — Quantitative and qualitative indicators'; European Commission (2011), 'Report on progress on equality between women and men in 2010 — The gender balance in business leadership', Luxembourg, Publications Office of the European Union, p. 10.

(62) Per K. Madsen (2010), 'Young workers facing uncertainty in the Nordic welfare states', WP for Work Package 3 (GUSTO) *'Individual pathways to flexibility and sustainability in Europe'*,

working. But in Sweden and Finland this share is only between 25 and 30% ⁽⁶³⁾. The same lesson applies to the transition from temporary employment to permanent employment, which in these Nordic countries is not necessarily related with age (Table 8, second part).

Table 8: Transitions from temporary employment to other statuses in the Nordic countries ⁽¹⁾

Part 1	Denmark	Finland	Norway	Sweden
To temporary employment	32.5	48.9	28.3	46.6
To permanent employment	42.5	24.5	49.8	30.0
To self-employment	1.4	1.2	1.7	1.3
To unemployment	10.1	10.4	5.2	7.6
To other inactivity	8.7	9.3	7.4	6.4
To student	4.8	5.7	7.6	8.1
Total	100.0	100.0	100.0	100.0
Total in employment	76.4	74.6	79.8	77.9
N	5 303	13 182	4 189	12 601
Part 2				
Gender (reference men)				
Women with children	0.99	0.71 (**)	0.99	1.05
Women without children	0.74 (*)	0.76 (**)	0.89	0.90
Age (reference 45–54)				
16–24	0.65 (**)	1.50	0.82	1.02
25–34	0.91	1.25 (*)	0.87	1.26 (*)
35–44	1.00	1.23 (*)	0.83	1.12
55–63	0.81	0.72 (*)	0.96	0.58 (**)
Education (reference tertiary)				
Primary	0.78 (*)	0.92	1.01	0.91
Secondary	1.00	0.94	1.10	1.08
National origin (reference native)				
Other Nordic	0.88	0.98	1.07	1.09
Other European/North America	0.66 (*)	0.95	0.92	1.10
Other	1.08	0.93	1.10	0.92

(¹) **Part 1:** Transitions from temporary employment at t to other statuses at t+1 for individuals aged 16–63, in percent.

Part 2: Effects of various factors on transitions from temporary employment to permanent employment; separate models for each country; binomial logistic regression; odds ratios for transition from temporary employment to permanent employment vs still in temporary employment.

(*) p<0.05; (**) p<0.01.

Source: Berglund et al. (2010), 'Labour market mobility in Nordic welfare states', Copenhagen (Nordic Council of Ministers), Table 6.3 (p. 117) and extract from Table 6.5 (p. 124).

CARMA, Aalborg, Denmark; Berglund et al. (2010), 'Labour market mobility in Nordic welfare states', Copenhagen (Nordic Council of Ministers).

(63) An ideal type model of monitoring would follow up transitions over at least five years to check the sustainability of positions reached in single transitions.

What makes transitions into stable job careers more likely, especially for disadvantaged youth? According to the *Employment in Europe* report, in-work subsidies seem to work best for young people (especially for the disadvantaged ones) because they gain work experiences (2010: 90). Therefore, getting a first job is crucial. But young people often do not have the social networks that help them get access to one. This is why they cannot accumulate income insurance entitlements and often fall out of the range of regular active labour market policies for unemployed. The study of the organisational networks and associations dealing with unemployment and youth has therefore high priority. The European research project Younex has analysed social networks for unemployed people in six European cities (Geneva, Cologne, Kielce, Lyon, Turin and Karlstad). It has identified two ways in which civil society organisations can help include youth in danger of being excluded. First, 'inclusive' organisations can foster citizens' participation, provide a range of opportunities for an immediate local engagement of young persons and organise political campaigns, rallies, protest events and other actions in favour of young people. Second, 'service-oriented' organisations can focus on increasing young people's skills, improving their employability and activating them via training activities, education, and internships. Even if these organisations are often far from the post-modern organisational model based on professional managerial techniques and business-oriented activities, they may be (just for this reason) more effective in helping young unemployed people because they focus on local service delivery, local participation opportunities and decision-making procedures that are 'open' and 'inclusive'. The preliminary results of Younex clearly justify the recommendation to pay more attention to civil society organisations and to include them more explicitly and in advance into the planning and implementation of large-scale projects geared to preventing long-term youth unemployment (Box 9).

Box 9: Utilising better the potential role of civil society organisations

Policymakers could better utilise the potential role of civil society organisations through:

- first, addressing the issue of youth unemployment from a perspective that takes into account both unemployment regulations and labour market regulations;
- second, valuing the practical expertise of civil society organisations in the field of unemployment for both policy design and implementation;
- third, adopting a multilevel approach to youth unemployment; some issues can only be addressed locally in order to respond to specific problems, while others need coordination within or across countries. Finding the right level of intervention should be among the first steps of the policy process;
- fourth, integrating civil society organisations in consultations relating to the European employment strategy and the European Union.

Source: Younex newsletter, October 2010.

6.2. Keeping older people in employment

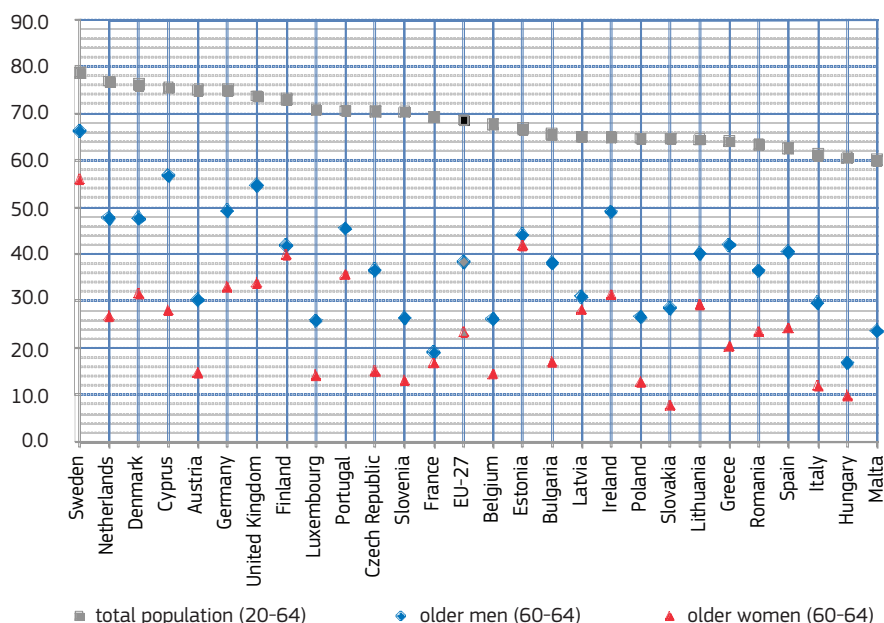
In 2009, only 11 of the 27 MS reached the 'full-employment' target for senior people (aged 55–64), underlining that this target was set at 50% only under the Lisbon strategy. However, it has to be acknowledged that many countries succeeded

in raising the employment rate in the last decade (2000–09), sometimes to a considerable extent. For instance, Germany increased it by about 18 percentage points, the Netherlands by 17 percentage points and Finland by about 14 percentage points. Impressive increases were also recorded in some of the new MS such as Bulgaria (about 25), Slovakia (about 18) and Latvia (about 17) percentage points. The Europe 2020 ‘full-employment’ target of 75% does not differentiate by age, yet the Barcelona target of increasing the average retirement age from 60 to 65 still holds, and the ‘Agenda for new skills and jobs’ flagship is quite clear that a further increase of the retirement age should be envisaged as a response to the demographic challenge. Therefore, ‘active ageing’ has become an accepted strategy, reflected for instance in the fact that between 2000 and the latest available data, retirement ages have been increasing by about 1.5 years on average ⁽⁶⁴⁾.

Comparing the employment rates of people aged 60–64 with the new full-employment target reveals large differences between MS. In particular, women in this age group are far away from this target, even in the Nordic countries and in the Netherlands, with noticeable exceptions in Finland, Estonia and France where older women and men are on equal terms (Figure 9). It is evident that varieties in pension schemes and in labour markets situations account for these large-scale country differences. Both factors have been the subject of extensive research, summarised among others by the OECD (2006). Therefore only some specific aspects, as developed by specific European research, deserve to be underlined in this report.

(64) See M. Hartlapp. and G. Schmid (2008), ‘Labour market policy for ‘active ageing’ in Europe: Expanding the options for retirement transitions’, *Journal of Social Policy*, 37 (3), pp. 409–431 (TLM.net), and W. Eichhorst (2011), ‘The transition from work to retirement’, Bonn, IZA Discussion Paper No. 5490 (Recwowe).

Figure 9: Employment rates in Europe, 2010 total population (20–64), older men (60–64) and elder women (60–64)



NB: Annual averages 2010.

Source: European Labour Force Survey database Ifsa_ergan, downloaded 20.4.2011.

Increasing the employment of older people represents one of the top challenges for the Europe 2020 employment strategy. From recent research, three pathways appear to be the most promising in leading to a sustainable improvement of employment for senior people: (1) adjusting workplaces and workplace environments to the physical and mental capacities of older workers; (2) continuous education and targeted training; (3) adjusting social security systems to set the right incentives for working longer without unduly restricting individual autonomy and choice.

- (1) As the European research project SPReW has shown, age is in itself a social construction. The first step to overcome exclusionary tendencies (e.g. unsustainable economic incentives for early retirement on the one hand and irresponsible acceptance of long-term unemployment among older people on the other hand) is to consider working life not as a biological life cycle consisting in a linear sequence of 'growing old', often combined with the perception of 'naturally' declining individual productivity, but as a life course consisting of careers with conscious yet reversible choices, possibly combined with productivity-enhancing stages beyond employment (e.g. education and training, care leave).

Consequently, the adjustment of workplaces or of the working environment should, on the one hand, enable long-term career perspectives combined with

leave options and, on the other hand, be organised in a way that enables a two-way exchange between generations through an explicit management of age diversity. In practice, the current management practices only focus on matters of knowledge transmission from old to young workers and not on the idea of age diversity as a resource for reciprocal skills recognition. This two-way approach is all the more necessary now that the importance of ‘experience’ in modern economies is decreasing whereas the importance of ‘innovation’ is increasing and with it the competencies of the young generation (the ‘new skills’, e.g. IT literacy, languages) ⁽⁶⁵⁾. SPReW also recommends introducing ergonomics and humanisation of the working conditions, especially shorter hours, lighter workloads and improvement in the workplace environment for older workers ⁽⁶⁶⁾. This policy should obviously apply first of all to old workers with disabilities, as noted by Deakin (2009) and Sen ⁽⁶⁷⁾.

- (2) Older workers participate less in training than younger workers and early retirement institutions do indeed matter (Fouarge and Schils, 2009). Generous early retirement schemes discourage older workers from taking part in training, whereas flexible early retirement schemes encourage such training. Research results suggest that, in most European countries, training can keep older workers longer in the labour market. Older workers who do not receive training on the job have a higher probability of retiring than those who received training. Even more importantly, the effect of training on labour market participation is higher for older workers with low education.
- (3) Pension regimes are a third important barrier to increasing senior employment. Adult workers (especially women) wishing to reduce their working time in favour of unpaid care work (for children, ill relatives or old parents) are often punished in terms of social security entitlements. They are therefore interested in working longer but incentives for gradual retirement or extending the working life beyond 65 are still underdeveloped in most MS. Creating flexicurity arrangements in the middle of working life makes flexicurity arrangements at the end of the working life much easier as employers have already adjusted their work organisation to some extent.

(65) P. Ventramin (ed.) (2008), ‘Changing social patterns of relation to work — Final synthesis report’, SPReW Deliverable 11, FTU-Namur.

(66) Such duties can be derived from the principle of ‘justice as agency’, called ‘responsibility of effective power’ by A. Sen (2009: 270 ff), or from the principle of ‘individual solidarity’ (Schmid 2008: 226 ff).

(67) Sen (2009: 258–60) draws attention to the fact that for people with disabilities, the impairment of income-earning capacity is often severely aggravated by a conversion handicap. He cites a study for the UK showing that poverty jumps drastically, by 20 percentage points, for families with a disabled member if conversion handicaps are taken into account, of which a quarter can be attributed to income handicap and three quarters to conversion handicap (the central issue that distinguishes the capability perspective from the perspective of incomes and resources).

A recent study by the European research project Recwowe sheds some light on this important issue ⁽⁶⁸⁾. It shows that the Nordic countries and the Netherlands are in a relatively good position to meet demands posed by flexible labour market careers. Their individualised insurance systems contain comparatively generous elements of minimum insurance provision available irrespective of labour market career. However, pension systems strictly based on equivalence (i.e. pension entitlements strictly linked to earned income), as encountered in continental countries, are less well suited to meet the insurance risks of flexibly employed workers.

Efforts to adapt social security systems to flexible career patterns have resulted in a series of special arrangements such as taking career breaks into account in the calculation of contribution periods, upgrading of contributions from periods spent in part-time work, or — in the case of unemployment insurance — the upgrading of unemployment benefits for particular groups of part-time workers. In some MS, these arrangements lack transparency and, although they have indeed contributed to improvements in certain areas, they are inadequate to redress major inequalities in access to pensions, such as those between men and women. This and other studies (e.g. OECD, 2006) suggest some clear policy recommendations (Box 10).

Box 10: Adjusting pension regimes to flexible jobs, in particular for gradual retirement

First pillar: Establishing individual (and not means tested) basic pensions irrespective of employment status.

Second pillar: Requiring companies to offer actuarial or occupational pension provisions irrespective of contractual status. Short-term breaks in employment could be bridged, as under the first pillar, while at the same time the portability of occupational pensions requires substantial improvement. At present, pension coverage not only increases with full-time work experience over the life course but, as the gender differences indicate, also seems to be highly influenced by sector, firm size and position and this calls for additional action.

Third pillar: Making additional individual saving schemes more of an obligation, thereby supporting low-earners with children.

Restricting derived benefits and tax advantages for married couples would be one way to release resources that could then be channeled into social security systems with more redistributive capacities, thus contributing to better social insurance provision for high-risk 'flexible' jobs such as temporary work, self-employment and part-time work.

Developing and speeding up childcare for nursery and school-age children so as to offer parents a free choice between full-time and part-time employment and the length of career breaks.

Enhancing incentives for men to become more involved in household and care tasks, for instance, fathers' months, which exist in Sweden, Iceland and Germany.

Sources: Leschke (2011), Schmid (2008: 109–118, 305–312), Thaler and Sunstein (2009: 151–163).

(68) J. Leschke (2011), 'Flexible working lives and pension coverage in Europe with a focus on women: Lessons to be learned by Germany', Recwowe Working Paper 01/2011.

6.3. Using migrants' skills better

Europe looks likely to rely increasingly on immigration from third countries to help fill vacant jobs, and more generally to fuel economic growth. Well-managed immigration, therefore, could play an important role in alleviating the effects of population ageing and helping European societies deal with labour and skill shortages. However, research shows that, in many MS, the labour market situation for third-country migrants is substantially worse than that for non-migrants. In particular, migrants have lower employment rates, higher unemployment rates and jobs of lower quality or for which they are overqualified (European Commission 2008: 43). Furthermore, according to the European research project GUSTO, immigrants were the group hit hardest by the last recession (especially in Spain and the UK, where migrant workers are concentrated in the construction sector) ⁽⁶⁹⁾.

Two facts are of particular relevance for the flagship 'New skills and jobs': first, the comparatively low inflow of high-skilled foreigners from 'third countries' and, second, the greater difficulties faced by migrants in making effective use of their human capital, or at least in having qualifications recognised by potential employers. This underutilisation of skills is especially pronounced among immigrant women. In several countries and for the EU overall, the employment rate gaps between high-skilled recent migrants and the same high-skilled EU-born people significantly exceed the employment rate gap between the latter and the EU-born low-skilled workers. Interestingly enough, in several MS and for the EU as a whole, recent low-skilled non-EU migrants have employment rates which are similar to or even better (in the Czech Republic, Cyprus, Greece, Italy, Portugal and Spain) than those of the low-skilled EU-born workers (European Commission 2008: 84).

The conclusion to be drawn from this analysis is that a proactive migration policy which attracts skilled migrants from 'third countries' in professions deserted by EU workers and which provides an institutional framework that better utilises their skills and competences, promises a win-win-game for both migrants and European labour markets in areas where there are serious skill bottlenecks. The European Commission identifies five potential positive impacts of such a proactive migration policy:

- First, it would solve labour market shortages in specific areas, especially in service sectors such as households, hotels and restaurants, construction in health and long-term care, nursing, childcare and care of the elderly, as well as in sectors characterised by strong seasonality, such as agriculture.
- Second, immigration can contribute to entrepreneurship, diversity and innovation.
- Third, labour market efficiency may also increase with immigration since immigrants are very responsive to regional differences in economic opportunities and have greater occupational mobility compared with native-born workers.

(69) See GUSTO's European Policy Brief 'Uncertainty, migration and union regulation in construction — The cases of the UK and Spain'.

- Fourth, immigration can also be beneficial to the extent that it increases labour market flexibility since employment and unemployment rates fluctuate more strongly for migrants than for non-migrants. However, in light of the flexicurity concept, the higher risks related to this higher flexibility potential must be fairly compensated by higher securities, especially in terms of income compensation and job promotion measures.
- Fifth, existing evidence suggests that the skills of migrants in MS are usually complementary to those of native-born workers, leading to positive overall effects on economic activity in the host countries. Fears of EU workers losing their jobs to immigrants may thus be justified in some cases but certainly not in general (European Commission 2008: 51–54).

The European research project Femipol has explored the impact of integration policies on migrant women in 11 EU countries (Cyprus, France, Germany, Greece, Italy, Poland, Portugal, Slovenia, Spain, Sweden and the UK). It has produced several interesting research results that deserve public attention. First, there is a need to develop and generalise policies for the regularisation of undocumented migrants who have already been living and working for a long time in European countries. South European countries, in particular, should improve their policies concerning residence and work permit renewal. Second, reintegration policies for the unemployed including vocational training and counselling should be strengthened. Third, the public provision of care facilities for all and particularly for migrant women should be improved in order to alleviate the difficulties migrant mothers experience in labour market participation and other forms of social and economic integration. Fourth, the procedures for the recognition of foreign certification and professional qualifications should be improved ⁽⁷⁰⁾.

These conclusions are corroborated by the European research project GUSTO in its analysis of horizontal and vertical labour market mobility of immigrant workers in Spain compared with the UK and Canada (see Box 11).

Box 11: Towards an effective and equitable migration policy

Identify barriers to upward mobility of migrant workers such as inadequate recognition of professional credentials.

Promote upward mobility of migrants workers with high qualifications, as part of integration policy.

Retrain unemployed immigrants with low skills.

Promote recruitment of migrants workers with higher qualifications.

Promote stable high-quality employment.

Source: GUSTO European Policy Brief, 'Mobility of migrant workers – The Spanish case in comparative perspective with Canada and United Kingdom'.

There is also a debate in Europe on temporary and circular migration policies, i.e. policies that would allow the entry into the EU of immigrants for work purposes

(70) Femipol, Final Report, September 2009.

and for a limited period only. The argument in favour of such a policy is mainly demographic, i.e. most migrants entering via temporary and circular migration channels would return home at the end of their employment contract and would not then eventually become part of Europe's ageing societies themselves. However, it is clear that the short-term insertion of immigrant workers into the workforce would not suit all sectors of the labour market. Temporary and circular migrants could possibly fill low- and medium-skilled job vacancies in defined sectors that experience difficulties in finding workers to meet cyclical demand, be it the seasonal sector or non-seasonal sectors. But employers would be less keen to recruit highly skilled migrants on a temporary basis if needs are longer-term and cannot be met by the local workforce. Besides, a growing political debate about temporary and circular migration could reawaken memories of the guest worker policies of the post-war period which, at their heart, assumed that migrants would eventually return to their countries of origin and therefore did not favour any ambitious goal of integration, with the well-known problems that occur today in several MS like France, Germany and the UK. The challenges associated with designing contemporary policies to regulate temporary and repeated stays by migrant workers in Europe, therefore, have to be carefully discussed so as to avoid the errors of past temporary migrant worker policies ⁽⁷¹⁾.

(71) S. McLoughlin and R. Münz (2011), 'Temporary and circular migration: opportunities and challenges', EPC Working Paper No 35, Brussels.



7. Europe's role for new skills and high-quality jobs

In its flagship 'Agenda for new skills and jobs', the European Commission correctly emphasises that the main responsibility for and instruments to achieve its objectives rest with the MS, in conformity with the Treaty and the subsidiarity principle. However, the ambitious EU target for 'full employment' of 75% for both women and men in 2020 will only be achieved if all MS coordinate their efforts. The following sections summarise the main recommendations stemming from EU-wide research.

7.1. A new momentum for flexicurity

The greatest challenge for the new EU employment strategy probably lies in preventing or at least in mitigating the segmentation of new labour markets through the development of non-standard jobs, in particular temporary and marginal part-time work. This segmentation affects mainly the vulnerable low-skilled young, migrants and women with care responsibilities and increases inequalities. The burden of risks related to flexible jobs is shifted entirely to these individuals while, unlike in past welfare states, there is no institution to enhance solidarity and security. In other words, it is urgent to rethink flexibility and security together, or else flexicurity is likely to equal flexibility without security for European citizens.

Recent European research suggests correcting the previous flexicurity principles in the following directions:

- (1) The fact that female employment, part-time employment and low-wage and low-quality employment are mutually reinforcing calls for much caution in advocating and supporting part-time jobs regardless of their characteristics and effects. The European Commission should establish the individual right of reducing working hours in the same job (and returning to a comparable job) without a negative effect on pay. This may help to spread part-time jobs (especially in new MS where part-time is still very low) across job levels and the economy without creating negative effects of occupational segregation that, in particular, keep women and highly skilled migrants prisoners of low-wage jobs.
- (2) The recent fiscal and economic crisis has clearly demonstrated the potential of internal flexibility in some labour markets (whereas flexicurity has traditionally favoured external flexibility). In order to achieve such internal flexibility, a high level of consensual involvement of social partners and effective employment services is essential because only negotiated and sufficiently protective internal flexicurity ensures a fair and transparent share of the costs and benefits of labour market adjustment between employers, workers and the state. Such tripartite cooperation provides a very solid foundation for continuous vocational training and education of the workforce; it facilitates

internal restructuring of firms during adverse economic conditions and allows a more anticyclical application of investments in human capital. It would also enhance employability in the external labour market should dismissals eventually become necessary.

- (3) Flexicurity frameworks have usually emphasised workfare (i.e. enforcing take-up of available job opportunities) instead of active securities (encouraging labour market transitions). Whereas workfare is mainly concerned with controlling 'moral hazard' related to social security, 'active securities' are mainly concerned with stimulating risk taking related to individuals' investments in employability or job-to-job transitions. The European Commission should emphasise much more the potential of securities for individual risk taking (i.e. flexibility) through making transitions pay. In this light, generous short-term unemployment benefits are not 'passive' but 'active' measures allowing productive job search. 'Work first' measures should be combined with career-oriented supports like opportunities for on-the-job-training, carefully targeted in-work subsidies and wage insurance.
- (4) European research has already demonstrated the great potential of a modern data infrastructure that allows individual transitions to be followed up over the life course as well as the assessment of the impact of labour market institutions and policy measures on long-term employment, taking into account context conditions. However, in most MS, such infrastructure does not exist or is still largely underdeveloped. The European Commission could play an important supportive role in developing such an infrastructure, in particular in terms of employer–employee-linked data sets. It should also encourage MS to build monitoring systems based on transitions and transition sequences in order to identify as quickly as possible new risks related to (new) securities and work out proper balances between flexibility and security. Furthermore, each policy recommendation should contain a 'gender impact analysis' (GIA) to strengthen the security balance for women.

7.2. A more skilled labour force

For most MS, the unemployment target of 4% is far out of reach and the same holds true for the new 'full employment' target of 75% for people aged 20–64. Both failures are closely related to people with low skills, whereas unemployment and employment for high-skilled people are close to or even exceed the benchmarks set by the Europe 2020 employment strategy. Despite progress in recent years, Europe is clearly still not sufficiently skilled but at the same time it has to be stressed that those with low qualifications are much less likely to follow lifelong learning and upgrade their skills. Here the EU is confronted with a huge problem. Indeed, comparative European research demonstrates clearly that it is educational institutions which reinforce skills inequalities; schools preselect children into low-skill tracks, institutions

for continuous vocational training and education remain weak or non-existent and minimum standards of education are underdeveloped or not enforced.

The EU has thus a key role to play to improve skills and remedy educational inequalities:

- (1) The Europe 2020 target of reducing early drop-outs to 10% is realistic and is corroborated by practically all relevant research. At the same time, the benchmark of raising the average proportion of people aged 30–34 in the EU who possess a higher education degree or equivalent to at least 40% is contested. European research stresses that the EU should put more emphasis on minimum standards of education at an early age and on vocational education, rather than at a later age in higher education. Early education provides the basis for the development not only of future competences but also of the capacity to learn, specialise and develop further. Middle-level education geared towards broad (and malleable) categories of occupation and profession provides a closer link between education and work. Moreover, 'soft' skills, such as creativity and entrepreneurship, depend on personality characteristics which are shaped at an early age and during workplace experiences rather than later by educational systems.
- (2) Conversely, it is less clear that a higher education at tertiary level can ensure such learning capacities. It certainly offers specialised functional skills important for new technologies and product innovation, and it may also widen the autonomy of individuals choosing among a wide spectrum of work activities. All these advantages are good reasons to support a higher level of tertiary education. However, high formal education does not necessarily foster process innovation or large-scale and quick diffusion of IT technologies, especially in small and medium-sized firms. Often, higher education qualifications are only used to signal skills that are not necessarily learnt in higher education programmes. This may trigger doubt as to whether investment in higher education, in particular given the concern for efficient public spending, is always necessarily the best option for developing modern skills. The recommendation is to create more possibilities for low- and middle-level skilled people to move up to higher skill levels during their life course. The European Commission could develop criteria to assess education systems in this regard. Improving horizontal as well as vertical mobility between educational systems would also prevent or mitigate the tendency towards skills and job polarisation.
- (3) European research convincingly shows that providing more skills is not necessarily related to investments in new skills by educational systems but rather to smarter work organisation in firms and services, i.e. organisations which better use existing skill capacities and provide a stimulating environment for learning and new combinations between different skill levels. In this respect, high performance work systems (HPWS), characterised by flat hierarchical structures, job rotation, self-responsible teams, multitasking, a greater involvement of

lower-level employees in decision-making and the replacement of vertical by horizontal communication channels, should be developed. Through the open method of coordination, the European Commission could play a stronger role in identifying best practices and even in providing financial incentives from the Structural Funds and the framework programme for research and development to SMEs to improve their work organisation.

- (4) The methodology for forecasting skills demand has improved tremendously during the last decade. However, there is still a need to improve 'soft' institutional forms of anticipating skills at firm and regional levels through learning organisations that combine analytical forecasting with interactive networks of key players. Whereas HPWS are already a form of such skills anticipation, a corresponding concept could be applied at regional level. This review has drawn attention to the promising concept of 'learning by monitoring', i.e. through mutual agreements ('covenants') between key actors (communities, firms, social partners, development and financial agencies) which often require the initiative of representative regional governments.
- (5) Compared to the US labour market, spatial mobility is still low, especially for EU workers with middle-level qualifications. European research has identified clear demands by workers for greater financial support, mobility incentives, better transport and more affordable and available services, and (directed to the employers) higher flexibility of work organisation and more opportunities to work at home. It has also analysed other barriers to spatial mobility (or job-to-job transitions) such as the lack of certified competences (related to outcome-oriented learning) and the non-transportability of social security entitlements related to job tenure. In its future communication to MS as well in further amendments of directives regarding job-related security entitlements, the European Commission should state how it can overcome barriers to spatial mobility of workers in Europe.

7.3. Better job quality

An increasing number of jobs created in the last decade were of low quality (low wages, work intensification increasing health risks, high unemployment risk, restricted or no coverage of social security, etc.). European research overwhelmingly shows that low-quality jobs are not sustainable. They reduce job satisfaction, diminish motivation and loyalty and impair long-term competitiveness. High labour turnover or excessive use of temporary work, in particular, weakens innovation and productivity and undermines in the long term the redistributive capacities necessary for compensating individual risk taking in flexible labour markets, for example through generous unemployment benefits and extensive active labour market policy (the Danish model of flexicurity). Thus, the creation of good-quality jobs is not only a matter of social but also of economic concern.

Improving job quality is thus an important objective in all MS and should be sustained by appropriate policies at the European level:

- (1) In the current economic crisis, temptations to increase work intensification and decrease securities for employees should be resisted. Changes in work organisation are more effectively managed if workers are involved in and encouraged to participate in decision-making, and if firms establish systems for monitoring job quality (for which the European Commission could set standards and demonstrate good practice). Directives regarding working hours, such as the EU working time directive, need to pay more attention to workload demands by discouraging work intensification.
- (2) European research suggests giving to the notion of 'smart' work organisations a clear operational meaning on the basis of the capability approach. By linking the 'capability' approach explicitly to labour and social law, employers' and employees' capability to adjust becomes a matter of institutional capacity building, including also social partners and civic actors. Capacity building through negotiation would help 'make the market fit for workers', in particular for workers with limited working capacities because of either care obligations or physical or mental restrictions. Rather than always requiring the individual worker to be 'adaptable' to changing market conditions, standard employment contracts could require that employment practices are also adapted to the circumstances of the individual workers. The European Commission should encourage capacity building by amending social policy guidelines or directives and diffusing good practices that make the market fit for workers.
- (3) Research on workplaces as sources of innovation and productivity is still very limited and tools for evaluating workplace quality are not sophisticated enough. Existing labour market indicators provide little information about what people are doing at work or about the quality of their work. There is a need to monitor and benchmark working practices and workplace innovation across MS and to create guidelines for sustainable work systems. Measures of productivity applicable to knowledge-based production and high-skilled professional work should also be developed. An important task for the European Commission is thus to improve knowledge on and evaluation tools for workplaces and to create and support transnational learning for all stakeholders ⁽⁷²⁾.

(72) This paragraph reflects the summary of the 'Berlin Declaration 2010' produced by the Work-In-Net network (supported by the European Commission under the sixth research framework programme), whose outputs can be downloaded at <http://www.workinnet.org>; further activities in this direction backed up by rigorous comparative analytical frameworks would be welcome.

7.4. More and better jobs

Even though many jobs were created in the last decade, the overall employment dynamic was still not satisfactory, especially if taking into account the quality of jobs in terms of wages, working time and contract security. The recent financial and economic crisis has severely affected Europe, clearly showing that its labour markets have structural weaknesses. The Europe 2020 initiative is thus right to support such measures as the selective reductions of non-wage labour costs or well-targeted employment subsidies as effective incentives for employers to recruit the long-term unemployed as well as the promotion of entrepreneurship and self-employment. Recent European research presents some additional results which could help to enhance the capacities of demand for good-quality jobs, especially in the area of the so-called 'green jobs' and 'human services'.

The following recommendations for an active role by the EU can be highlighted:

- (1) The still widespread neoliberal belief that it is employment protection regulation which slows down employment dynamics is not confirmed by recent research, especially with regard to good and decent jobs. Product market regulation in combination with low investment in research and development, as well as reduced public investment in education and training, are the main barriers to the creation of more and better jobs. Identification of unreasonable (and protective) regulation of product markets and a coordinated macroeconomic policy (at least at the level of the euro area) should help to reduce these barriers.
- (2) Active labour market policies supported by effective employment services clearly help unemployed people to make faster transitions back into sustainable and productive jobs. Furthermore, policy measures maintaining jobs for skilled workers in economic downturns combined with training and other employability measures avoid ineffective labour turnover and uphold the specific skills necessary at firm level. Other possibilities to apply labour market policies (including the management of unemployment benefits) in an anticyclical manner should be much better exploited. The EU is urged to reflect these experiences better in the further development of its flexicurity guidelines.
- (3) Although the promotion of entrepreneurship makes much sense, self-employment is not a magic solution for creating jobs. Nevertheless, options to transit between dependent wage work and self-employment as well as support measures to combine both forms of employment relationships seem to be underexploited.
- (4) Many disadvantaged people, especially those with limited working capacities, are channelled into de facto statuses of 'inactivity' (such as disability schemes). More EU-wide comparative research is needed to assess the policies and good practices for people with restricted working capacities (through in-work benefits and semi-protected workplaces and possibilities to adjust workplaces).

- (5) 'Human services' are supposed to be an important source of new jobs in Europe although information on how they actually develop is still limited. The European Commission should better assess the possible range of publicly financed jobs (especially at community level) related to 'human services' (social services, cultural and sport activities, education and care work) which often require only low formal skills but also specific competences in communication and personal attention.
- (6) Recent research suggests that government intervention is crucial to support 'green' job creation by: first, reducing the uncertainty of the size of future markets by 'forward regulation' (setting standards for product and service quality); second, compensating market failures like information asymmetries and externalities through cooperation or co-financing; and, third, stimulating respective training and education activities especially related to SMEs. The European Commission should define a set of measures that could be taken at European level to encourage the orderly development of green jobs.

7.5. Improving employment chances for the young, older people and migrants

The new 'full employment' target of the Europe 2020 strategy should be particularly directed to those categories of citizens most struck by unemployment or discrimination in employment, i.e. the young, older people and migrants. Across these three socio-economic groups, women are even more disadvantaged.

The following policy recommendations are relevant for the EU:

- In relation to young people, more attention has to be paid to civil society organisations. These organisations should include young people more explicitly and in advance within the planning and implementation of large-scale projects aiming in particular at preventing long-term youth unemployment. As a consequence, a better integration of civil society organisations into EU consultations on measures to combat youth unemployment is required.
- In relation to older workers, the most important challenge is to adjust social security schemes to the requirements of flexible life courses, for instance through the establishment of individual (and not means-tested) basic pensions irrespective of employment status and the requirement for companies to offer occupational pension provisions irrespective of occupational status, by making occupational pension entitlements portable and additional individual saving schemes more of an obligation.
- In relation to migrants, the EU should develop a common and coordinated policy for economic migrants in areas where Europe lacks sufficient or adapted skills. It is high time to develop and apply clear flexicurity guidelines for the increasing inflow of migrants to Europe, which is in principle both welcome and beneficial for the EU economy.



Conclusion

Europe needs more people in employment. Why? Apart from the familiar economic arguments related to demographic challenges and employment as an evident precondition for prosperity, the creation of more jobs is also a moral obligation. The 2008 winner of the Nobel Prize for economics, Paul Krugman, once expressed this view in a short and lucid way: 'A merchant may sell many things, but a worker usually has only one job, which supplies not only his livelihood but often much of his sense of identity. An unsold commodity is a nuisance, an unemployed worker a tragedy.' ⁽⁷³⁾ This statement, holding of course equally true for men and women, and in particular for young adults trying to start an independent life, reflects clearly the spirit of the Declaration of Philadelphia (10 May 1944), noting that 'labour is not a commodity' and recognising the 'solemn obligation of the International Labour Organisation to further [...] full employment'. The subsequent Universal Declaration of Human Rights, adopted by the United Nations in Philadelphia in 1948, also declared in Article 23 that 'everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment'. This principle has been restated, for instance, in the ILO Social Justice Declaration for a Fair Globalisation of 2008, yet a corresponding strong institutional commitment is still missing in the European regulatory framework.

Nevertheless, the Europe 2020 employment strategy, and in particular its flagship initiative 'An agenda for new skills and jobs', has rightly and boldly taken up the generally formulated 'full employment' goal in the Treaty of Lisbon (Article 3(3)). Yet, in reality, Europe is far away from this target, independent of how 'full employment' may be measured. As this report clearly shows, neither the Lisbon 2010 target of 4% unemployment nor the 'full employment' target of a 70% employment rate have come anywhere near being achieved during the last decade. Although partly effective, the Lisbon employment strategy did not deliver what it had envisaged, in part because of unexpected external shocks. Without additional efforts, the same disappointment may be repeated with the new 'full employment' targets set by Europe 2020 strategy, particularly as economic conditions worsened further with the most recent crisis.

This report offers new insights from a comprehensive review of recent European research on new skills and jobs sponsored by the Research and Innovation DG under the sixth and seventh framework programmes. With regard to the importance of 'new skills', the essence of this review can be summarised in five points:

- Equal access to education (especially at an early stage of life) and continuous vocational training for all are the first priorities for bringing unemployment down and employment up in a sustainable way.
- This strategy must be complemented by active securities through labour market policy supporting a high variability of employment contracts that allows

(73) P. Krugman (1999), *The accidental theorist*, London, Penguin Books, p. 15.

job-to-job transitions within and between firms according to market needs and individual life course conditions (making transitions pay).

- It is not enough to make people fit for the market by raising their individual skills; it is as important to make the market fit for workers. Reasonable adjustment of workplaces is also important to enhance people's capabilities and to compensate for their restricted work capacities
- Transversal skills, such as skills that cross the borders of disciplines or occupations, are gaining significance and skills like abilities of communication, learning and problem solving, as well as languages and competences in information and communication technologies, are becoming more and more important. Hence there is a need to identify how educational systems can further such skills.
- Finally, good governance of skills (including workplace democracy, negotiated flexicurity and fair risk sharing of skill investments) has to ensure the mutual enforcement of skill evolution and job creation in an era of increasing uncertainty.

The European flagship 'An agenda for new skills and jobs' intends to continue the flexicurity strategy and yet acknowledges the need for adjusting this strategy to new and changing situations. This is welcome and this review aims at supporting this process. It comes up with the following main conclusions:

- First of all, it is urgent to rethink flexibility and security together, or else flexicurity is likely to equal flexibility without security for too many European citizen workers.
- Part-time work has become an essential feature of modern labour markets. However it often leads to precarious working conditions. The European Commission should thus establish the individual right of reducing working hours in the same job (and returning to a comparable job) without a negative effect on pay. This measure would, in particular, help women on the labour market.
- Whereas flexicurity has traditionally favoured external flexibility, the recent fiscal and economic crisis has clearly demonstrated the potential of internal flexibility in some labour markets. This report therefore recommends paying much more attention to this potential, to explore the conditions of successful internal flexibility, in particular the important role of social partners in implementing fair risk sharing (negotiated flexicurity), and to diffuse these insights through the open method of coordination.
- The heavy emphasis on workfare measure, so far, is not justified. The European Commission should emphasise much more the potential of active securities for individual risk taking (flexibility) through making transitions pay. In this light, even generous short-term unemployment benefits are not 'passive' but 'active' measures allowing free and productive job search; a developed infrastructure of employment services based on modern information and

communication technologies would be another important element of such active securities.

- European research has demonstrated the great potential of a modern data infrastructure that allows individual transitions to be followed up over the life course and the assessment of the impact of labour market institutions and policy measures on long-term employment, taking into account context conditions. The European Commission should strongly support the development of such an infrastructure (e.g. a Europe-wide employer–employee panel), not least in order to enable international comparison and reasonable benchmarking.

As the full employment goal cannot be applied to all socio-economic groups in the same way, policies have to reflect the specific needs of target groups in order to have any substantial and sustainable impact. This report identified — in particular — youth, migrants and senior workers as such target groups, and provided additional policy recommendations on the basis of corresponding European research. Last, but not least, flexicurity strategies naturally emphasise supply side conditions of functioning labour markets. Yet, without the support of sound macroeconomic demand strategies (monetary, fiscal, wages policies), effectively coordinated at the European level, flexicurity ‘pathways towards full employment’ will not work as expected.



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List of European project titles and websites relevant to new skills and jobs (sixth and seventh research framework programmes)

Capright — ‘Resources, rights and capabilities; in search of social foundations for Europe’ (<http://www.capright.eu>)

EUKLEMS2003 — ‘Productivity in the European Union: a comparative industry approach’ (<http://euklems.net/>)

EurOccupations — ‘EurOccupations’ (<http://www.wageindicator.org/main/occupation-data-base/researchlab>)

Femipol — ‘Integration of female immigrants in labour market and society’ (<http://www.femipol.uni-frankfurt.de/index.html>)

GUSTO — ‘Governance of uncertainty and sustainability: tensions and opportunities’ (<http://www.gusto-project.eu>)

JobMobFam — ‘Job mobilities and family lives in Europe’ (<http://www.jobmob-and-famlives.eu>)

LLL2010 — ‘Towards a lifelong learning society in Europe: the contribution of the education system’ (<http://lll2010.tlu.ee>)

Lower — ‘European low-wage employment research network’ (<http://www.uva-aiaa.net/lower>)

Meadow — ‘MEAsuring the dynamics of organisation and work’ (<http://www.meadow-project.eu>)

Quality — ‘Quality of life in a changing Europe’ (<http://www.projectquality.org>)

Recwowe — ‘Research network capable of overcoming the fragmentation of existing research on questions of work and welfare in Europe’ (<http://www.recwowe.eu>)

SPReW — ‘Generational approach to the social patterns of relation to work’ (<http://www.ftu-namur.org/sprew>)

Walqing — ‘Work and life quality in new and growing jobs’ (<http://www.walqing.eu>)

WIOD — ‘World input-output database: Construction and applications’ (<http://www.wiod.org/index.htm>)

Workcare — ‘Social quality and the changing relationship between work, care and welfare in Europe’ (<http://www.workcaresynergies.eu/>)

WORKS — ‘Work organisation and restructuring in the knowledge society’ (<http://worksproject.be>)

Younex — ‘Integration and exclusion of young adults’ (<http://www.younex.unige.ch/index.html>)

Acknowledgements

This report was written by Günther Schmid, Director of the Labour Market Policy and Employment Research Unit at the Social Science Research Centre Berlin (WZB) from October 1989 to March 2008 and Professor Emeritus of Political Economy at the Free University of Berlin. In order to complete his work, he analysed the final reports, working papers and published articles from 17 research projects funded by the Directorate-General for Research and Innovation under the sixth and seventh framework programmes.

Philippe Keraudren, Deputy Head of Unit at the Directorate-General for Research and Innovation's Unit B5 'Social Sciences and the Humanities', supervised the work.

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EUR 25270 – New skills and jobs in Europe: Pathways towards full employment

Luxembourg: Publications Office of the European Union

2012 — 87 pp. — 17.6 x 25.0 cm

ISBN 978-92-79-25973-9

doi:10.2777/10431

The Europe 2020 employment strategy, and in particular its initiative 'An agenda for new skills and jobs', aims to support the full employment goal of the Lisbon Treaty. In a context of growing challenges for employment policies in Europe, this report questions current approaches and calls for increased policy learning amongst EU Member States. The report argues that there is room for improvement in employment in Europe and emphasizes the importance of improving access to education, developing more transversal skills and balancing job security and flexibility.

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Publications Office

ISBN 978-92-79-25973-9



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doi:10.2777/10431