Contents

List of Figures and Tables 9

Preface 15

Introducing Innovative Employment Initiatives
Overview and Outlook 21
Bernd Marin

Market Governance and Macroeconomic Management in Employment Policies 89

Substitutabilities vs. Complementarities between Structural and Macroeconomic Policies 91
Jean-Paul Fitoussi

Employment Generation and Unemployment Strategies in Europe and the United States 113

The Divergence in Employment and Income Distribution in the EU and the U.S. 115
Richard B. Freeman

Cutting Welfare While Expanding Work Subsidies:
The Odd Twist in American Welfare Reform 143
Barry L. Friedman / Martin Rein
ADVANCED AND TRANSITIONAL
EUROPEAN POLITICAL ECONOMIES

The Political Economy of a Consensus Society.
Experience from behind the Dykes
Frederick van der Ploeg

Generating Employment in Economies of Transition.
The Case of Slovenia
Jože Mencinger

REORGANIZING FLEXIBLE LABOUR MARKETS

Innovative Employment Initiatives: Some Thoughts
on the Flexibility of the Wage Bargaining Process
Wolfgang Franz

Transitional Labour Markets. A New European Employment Strategy
Günther Schmid

REDUCING UNEMPLOYMENT BY INCREASING EMPLOYABILITY –
OR BY REDUCING WORKING TIME?

Clues to Overcoming Unemployment
Richard Layard

The Reduction of Working Time, Pay and Employment
Gerhard Bosch

The Policy of Employment Creation and Working Time Reduction
of the New French Government
Dominique Taddei
DESIGNING MARKET INCENTIVES VS. DISTRIBUTING BENEFITS IN CREATING NEW EMPLOYMENT OPPORTUNITIES 315

Creating Employment Incentives 317
Dennis J. Snower

GENDERED JOB GENERATION AND UNEQUAL OPPORTUNITIES 347

Innovative Employment Initiatives and Equal Opportunities 349
Danièle Meuldres

DEMOGRAPHIC CHANGES AND EMPLOYMENT OPPORTUNITIES 369

Demographic Shifts, Fiscal Pressures and Long-term Employment Opportunities 371
Richard Rose

ANNEXES 409

ANNEX I: BENCHMARKING 411

Benchmarks: Employment Indicators for Policy-Makers. A Very First Proposal to be Further Developed 411
Bernd Marin

ANNEX II: COPING WITH YOUTH UNEMPLOYMENT 439

Youth Unemployment – Recent Innovative Initiatives in Selected European Union Countries 441
Peter Melvyn

Best Practice of Youth (Un)Employment Into or Out of Crisis? Some Facts and Figures on the Apprenticeship System in Austria 451
Peter Czermak / Bernd Marin / Peter Melvyn
# Annex III: Rural Employment Promotion

Employment in Rural Areas

*Laurent van Depoele*

Page 487

# Annex IV: UN World Social Summit Related Perspectives

Notes on Macroeconomic Policy

*John Langmore*

Page 529

The Social Summit and the Search for Democratic Market Economies

*Jacques Baudot*

Page 537

# Annex V: International Expert Meeting on Innovative Employment Initiatives

Agenda and Timetable of the Meeting

Page 543

Agenda and Timetable in Overview

Page 552

List of Contributors

Page 553
List of Figures and Tables

List of Figures

Introducing Innovative Employment Initiatives. Overview and Outlook

Figure 1: Tort Costs in Advanced Economies (Costs of Legal Litigation as Percentage of Gross Domestic Product, 1990s) 26

Substitutabilities vs. Complementarities between Structural and Macroeconomic Policies

Figure 1: Unemployment Rate EU / USA / Japan 100
Figure 2: Unemployment Rate France / Germany / Italy / UK 100

The Divergence in Employment and Income Distribution in the EU and the U.S.

Figure 1: Output per Capita and per Hour Worked Relative to United States 118
Figure 2: Comparisons of Real Earnings in Manufacturing, United States and Germany, 1980-1995 125
Figure 3: Real Hourly Earnings of Low Decile Men 132

Generating Employment in Economies in Transition

Figure 1: Employment Patterns in Transition 198
Figure 2: Early Retirement During Transition / Unemployment and Early Retirement 205
Figure 3: Shifts of the Okun’s and Beveridge’s Curve 207

The Flexibility of the Wage Bargaining Process

Figure 1: Theoretical Reference Model 214

Transitional Labour Markets

Figure 1: Labour Market Policy as a Strategy of Transitional Labour Markets 232
Clues to Overcoming Unemployment

Figure 1: Long-term Benefits and Long-term Unemployment (1989-1994) 258
Figure 2: Percentage Change in the Labour Force and in Employment, 1960-1995 260

The Reduction of Working Time, Pay and Employment

Figure 1a-b: Distribution of Usual Weekly Working Hours in Germany, Employees 1987 – 1990 – 1995, Men & Women 301
Figure 2a-b: Distribution of Usual Weekly Working Hours in France, Employees 1987 – 1990 – 1995, Men & Women 302
Figure 3a-b: Distribution of Usual Weekly Working Hours in the UK, Employees 1987 – 1990 – 1995, Men & Women 303

Demographic Shifts, Fiscal Pressures and Long-term Employment Opportunities

Figure 1.1: Total Population in Europe, 1960-2030 373
Figure 1.2: Below Working Age Population Contracting, 1960-2030 375
Figure 1.3: Retirement Age Population Increasing, 1960-2030 376
Figure 1.4: Working Age Population to Contract, 1960-2030 377
Figure 1.5: Dependency Ratio to Rise, 1960-2030 378
Figure 2.1: Alternative Sources, Economic Activity and Income 379
Figure 2.2: Changing Labour Force Participation by Gender, 1975-1996 381
Figure 2.3: Shortening Duration of the Working Life, 1983 and 1995 384
Figure 2.4: Gender Differences in Employment Sectors 387
Figure 3.1: Increased Expenditure on Social Policy, 1980-1993 389
Figure 3.2: Major Components in Public Expenditure on Social Policy 390
Figure 3.3: Growth of Employment in Health Services, 1970-1990 392
Figure 3.4: Baseline Public Expenditure Growth Pensions/Health, 1995-2030 393
Figure 4.1: Impact of Longevity on Years in Pensionable Retirement, 1960-2030 395
Figure 4.2: Fiscal Impact of Changing Pension Entitlements, 1995-2030 397
Figure 4.3: Long-term Trends in Health Expenditure, 1960-2030 401

Annex I: Benchmarks. Employment Indicators for Policy-Makers

Figure 1: Activity Rates of Working Age Populations, 1970-1995 418
Figure 2: Activity Rates of Working Age Populations, 1970-1995 419
Figure 3: Ratio of Inactive and Active People of Working Age Population (1996 or latest year available) 420
Figure 4: Activity Rates of Resident Populations, 1974-1994 421
Figure 5: Employment Rates of Working Age Populations, 1970-1996 422
Figure 6: Employment Rates of Resident Populations, 1970-1995 423
List of Figures and Tables

Figure 7: Employment Rates of Working Age Populations, 1970-1995 424
Figure 8: Employment Rates of Working Age Populations in Full-time Equivalents, 1992-1996 425
Figure 9: Employment Rates of Working Age Populations; Annual Rates of Change, 1991-1995 426
Figure 10: Male Unemployment Rates, 1974-1996 427
Figure 11: Female Unemployment Rates, 1974-1996 428
Figure 12: Male Unemployment Rates, 1974-1996 429
Figure 13: Female Unemployment Rates, 1974-1996 429
Figure 14: Youth (15-24) Unemployment Rates, 1974-1996 430
Figure 15: Youth Unemployment Rates, 1974-1996 431
Figure 16: Young People (20-24) by Status in the European Union, 1995 432
Figure 17: Young People in the European Union, 1986-1996 433
Figure 18: Long-term Unemployment Rates in % of Total Unemployment, 1983-1996 434
Figure 19: Unemployment Rates of Working Age Populations; Annual Rates of Change, 1991-1995 435
Figure 20: Average Annual Household/Family Working Time (Two Persons of Working Age), 1987-1996 436
Figure 21: Average Annual Household/Family Working Time (Two Persons of Working Age), 1987-1996 437

Annex II: Best Practice of Youth (Un-)Employment Into or Out of Crisis? The Apprenticeship System in Austria

Figure 1: Youth Unemployment and Youth Employment in OECD Countries, 1992 (Order by Employment) 458
Figure 1: Youth Unemployment and Youth Employment in OECD Countries, 1992 (Order by Unemployment) 459
Figure 3: Rising Unemployment Rates for Apprenticeship Beginners in Austria, 1991-1996 461
Figure 4: Youth Unemployment in Austria, 1983-1996; Youth' Share of Unemployment 462
Figure 5: Youth Unemployment in Austria, 1990-1996; Unemployment Rate by Age Groups 463
Figure 6: 15-Year-Old Youth in Austria 1970-1997: Attending School / Apprentices / Without Vocational Training 464
Figure 7: Development in the Number of Apprentices and Youth 1963 – 1997 – 2010 465
Figure 8: Long-term Supply and Demand of Apprentices in Austria 1980-1996 (1998) 470
Figure 9: Apprenticeship Market in Austria 1980-1996 471
Figure 10: Short-term Fluctuations in Demand for and Supply of Apprentices, 1990-1998 472
Figure 11: Youth Looking for an Apprenticeship and Vacant Apprenticeships by Provinces (End of December 1996) 473
Figure 12: Apprenticeship Market by Frequently Chosen Vocations
Requiring an Apprenticeship in Austria 1996 474
Figure 13: Apprentice Rates in Austria by Provinces 1996 475
Figure 14: Apprenticeship Market: Regional Imbalance in Austria, 12/1996 476
Figure 15: Earnings of Apprentices in the First Year
of Apprenticeship in Austria 478
Figure 16: Earnings of Apprentices in the Last Year
of Apprenticeship in Austria 479
Figure 17: Remuneration of Apprentices, Consumer Prices
and Contractual Wages in Austria, 1990-1996 480
Figure 18: Activity Status of Apprentices: Time Distribution for Education
and Work by Years of Apprenticeship in Austria 1995 481
Figure 19: Labour Market Service/AMS Advancements for Youth 1996-1997 482
Figure 20: The International Youth Skills Competition for World Class Skills
Standards – International Vocational Training Organization (IVTO) 483

List of Tables

Introducing Innovative Employment Initiatives. Overview and Outlook

Table 1: Income Rises by Professional Experience: The Costs of Career
Breaks in Terms of Return on Human Capital 71

Substitutabilities vs. Complementarities between Structural
and Macroeconomic Polices

Table 1: The Evolution of Unemployment until 2005 99

The Divergence in Employment and Income Distribution in the EU and the U.S.

Table 1: Employment/Population Ratios in the U.S., OECD-Europe,
and Germany, 1973-1995 120
Table 2: The Contribution of Vacation/Holidays and Weekly Hours
to Differences in Annual Hours Worked per Full-time
Employees in Manufacturing 122
Table 3: Percentage Changes in Earnings, by Skill Group, 1979-1995 127
Table 4: Hourly Earnings Differentials for Men, Sweden vs. U.S., 1989/91 129
Table 5: Levels and Changes in Earnings Inequality among Advanced
OECD Countries, Measured by 90th to 10th Decile
Male Earnings, 1979 to 1995 131
Table 6: Mean Annual Hours Worked, by Wage Decile,
Male Workers, 1970-1990 134
List of Figures and Tables

Table 7: The Incarceration Problem 134
Table 8: Percentile Distribution of Test Scores, U.S. vs. Germany 136
Table 9: Literacy Skill Level (Average of Prose, Document and Quantitative Skills), U.S. vs. Germany 136

Generating Employment in Economies in Transition

Table 1: Types of Labour Markets as Determined by a Simple Employment Function 195
Table 2: Employment Patterns in Transition 197
Table 3: Average Rates of Change of Basic Relevant Aggregates 201
Table 4: Annual Exit from the Workforce (in 1,000 from Dec. to Dec.) 203
Table 5: The Social Burden of Transition 204

Transitional Labour Markets

Table 1: Labour Force Participation of Men Aged 55-64 in % 239
Table 2: Already Realized and Possible Additional Employment in Transitional Labour Markets 240
Table 3: Scenario of Combined Labour Market Effects through Macro-Economic Policy and Transitional Labour Markets in EU 15 241

Clues to Overcoming Unemployment

Table 1: Average Unemployment Rate: 1990s 258

The Reduction of Working Time, Pay and Employment

Table 1: The Evolution of Working Time, Productivity per Hour Worked and Gross National Product per Capita in % (1870-1992) 289
Table 2: Average Annual Rates of Change in Working Time, Gross National Product and Productivity in % 289
Table 3: Contribution of Part-time Working to Recent Changes in Average Annual Hours of Employees (Average Change in Hours from Year to Year) 290
Table 4: Productivity Growth, Real Wage Gains and Changes in Annual Hours Worked 291
Table 5: Levels and Changes in Earnings Inequality among Advanced OECD Countries (Measured by the Ratio of 90th to 10th Decile, Male Earnings, 1979-1995) 292
Table 6: Preferences and Actual Hours European Union, 1985 and 1994 293
Table 7: Actual Hours Worked per Year, Full-time Employees, 1983/1987/1992, Manufacturing and Services 294
Table 8: Company Surveys on the Employment Effects of Collective Working-time Reductions 295
Table 9: Employment Effects of Collective Reductions of Working Hours in the Netherlands 1983-1987 (x 1,000) 296
Table 10: Unit Wage Costs in National Currencies, 1980-1991 (1980=100) 296
Table 11: Working Time, Operating Hours and Number of Shift Crews in European and Japanese Automobile Factories (1990) 297
Table 12: Vocational Training in Great Britain, France and Germany (Distribution of Vocational Qualifications in the Economically Active Population, %) 298
Table 13: Participation Rates of Older and Younger Workers 299
Table 14: Share of Part-time Employees in All Employees in %, 1973-1996, National Definitions of Part-time Work 300
Table 15: Family Income Distribution: Per cent of the Median, Mid-1980s 300

Innovative Employment Initiatives and Equal Opportunities

Table 1: Unemployment Rates by Gender and Educational Level – Labour Force Survey 1995 – Age Group 25-59 355
Table 2: Ranking of the Unemployment Rates by Gender, Age Group 25-59 356
Table 3: Ranking the Unemployment Rates by Gender, Age Group 25-59 356
Table 4: Conditions on Working Hours and Pay in Order to Be Included in the Unemployment System, 1996 362

Demographic Shifts, Fiscal Pressures and Long-term Employment Opportunities

Table 2.1: Gender Equalization and Overhang in OECD Countries 382
Table 2.2: Non-Employment far Higher than Unemployment in Europe 386
Table 4.1: Financing a Long-term Increase in Terminal Health Care 403

Annex II: Best Practice of Youth (Un-)Employment Into or Out of Crisis?
The Apprenticeship System in Austria

Table 1: Unemployment Rates for Apprenticeship Beginners in Austria, 1991-1996 460
Table 2: Demand for Apprentices in Austria 1970-1996, Forecast for the Years 1997 and 1998 466
Table 3: Beginning of Apprenticeships and Apprentice Rates in Austria 1970 – 1997 – 2010 468
Table 4: Why Firms Demand Apprentices: Attitudes towards Training of Apprentices in Austria and Germany 477
Table 5: Training of Apprentices “at Small Scale”: Firms by Number of Apprentices 477