



Public Hearing on  
The Agenda for new skills and new jobs  
European Parliament, Brussels, 15 June 2011

Written input from the European Foundation for the Improvement of Living and Working Conditions (Eurofound)

## Introduction

The draft report on the Agenda for new skills and jobs prepared by the European Parliament's Committee on Employment and Social Affairs touches on a wide range of issues covered by Eurofound research. As not all of them can be dealt with during the public hearing on 15 June, this paper provides additional information in writing. It picks up the headings of the Communication and the Committee's draft report and presents research findings under the relevant headings used in these documents. It contains research findings on the topics of flexicurity; quality of work (with special emphasis on working conditions for older workers), undeclared work and inclusion of young people with disabilities in the labour market.

## Improving the functioning of the labour market

### *Flexicurity – How do short-time working schemes fit in?*

Never before have short-time working schemes been so prominent as in the last two years. Many Member States expanded their existing schemes and others introduced them for the first time. Such schemes have been widely seen as successful in mitigating the worst effects of this very serious recession. Short-time working schemes do provide **numerical flexibility** for the employer together with **job and income security for the employee**; in addition, they do comply with many of the '**common principles of flexicurity**' outlined by the European social partners.

Even if an upturn in the business cycle may subsequently reveal some negative aspects of short-time working schemes – for example, lower job transition rates – they do appear to have been a successful business-cycle instrument. The question is whether they can be something more, not least in terms of addressing some of the structural problems facing the European Union up to 2020.

## **Key findings of the ERM (European Restructuring Monitor) report 2010**

- Working time reduction was particularly prevalent in Germany, Belgium, Italy, France, the United Kingdom (UK) and Sweden. This contrasts with the Czech Republic, Slovakia, Bulgaria, Portugal, Slovenia, Hungary, Spain and Lithuania, where most of the net adjustment was due to job losses.
- The number of economic short-time workers (ESTW), not necessarily on publicly subsidised schemes, tripled to almost two million between 2008 and 2009.
- ESTW, as a percentage of all workers, are most prevalent highest in Italy, Germany, Netherlands, Slovenia and Belgium and least prevalent in Sweden, UK and Luxembourg.
- ESTW are mainly middle-aged men, but the Netherlands, Denmark and Sweden have a large proportion of young ESTW and in Slovenia, Estonia, Latvia, Romania, and Portugal, there are more older workers.
- Workers in manufacturing and with low levels of education, in blue-collar occupations are more likely to be ESTW; again, however, there is some variation between Member States.
- The 15 short-time working schemes studied in the report vary greatly in the extent of the maximum working time reduction. The schemes may cut working time by between 10% and 100%, and compensate for between 55% and 80% of the foregone pay.
- The compensation of lost social security entitlement rights is not widespread, though there are examples of this being done by the employer and the state.
- In principle, all parties agree that training should be provided and in some schemes training is mandatory. Despite this, the uptake is limited and there are quality concerns. Workers are not always motivated to take part; firms may have limited experience; and the capacity for training, particularly in small and medium-sized enterprises (SMEs) is very problematic, as is the fragmented nature of training systems in some countries.
- The uncertainty regarding when the employee may have to return to work, possibly at short notice, makes the planning of training difficult.
- There has been a recent tendency to provide more income compensation when the worker participates in training.
- While training costs are sometimes subsidised, this is generally not the case and financing is a major problem in many schemes.
- Administrative difficulties are common and the delay between application and reimbursement varies from 15 days to two months. Schemes that were up and running when the crisis hit and those with close social partnership have had fewer implementation problems.
- The often-cited problem of the schemes' only propping up ultimately unprofitable firms can be minimised through a proper allocation of costs and other sanctions and incentives; this can encourage the self-selection firms that are in only temporary difficulties and that have a viable economic future. The support should, however, be temporary.

## Policy pointers

- Short-time working schemes do provide numerical flexibility for the employer together with job and income security for the employee; in addition, they do comply with many of the ‘common principles of flexicurity’ outlined by the European social partners.
- It is, above all, the lack of training that hinders these schemes in addressing the challenges of modern labour markets and achieving closer integration with the goals of European Employment Strategy.
- These problems could be addressed by establishing a system of advisors, public support for training costs and better adjustment of training programmes to the situation and requirements of short-time workers.
- Training should not just be firm specific but also include more general skills. The training should be organised in modules to provide the flexibility required for workers on these schemes.
- If proper training cannot be provided, then some other meaningful use of the hours that are not worked could be encouraged.
- There is probably a role for these schemes even beyond the anti-crisis package context in which many were introduced.
- A tripartite approach facilitates policy implementation.
- There is little logic in limiting these schemes to certain sectors or types of workers.
- Wage compensation should be related to the level of the national unemployment benefit payment.
- If short-time working is conducted for longer periods, some form of compensation for loss of social security rights should be considered.

The **overarching policy conclusion** is that the consensual nature of these schemes provides a promising basis for further tripartite cooperation. 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 stance. This facilitates the internal restructuring of the firm during the downturn and is a useful means of inducing a more countercyclical emphasis to training. It also improves employability on the external labour market, should dismissals eventually become necessary.

Read more: *Extending flexicurity – The potential of short-time working schemes: ERM Report 2010*

<http://www.eurofound.europa.eu/publications/htmlfiles/efl071.htm>

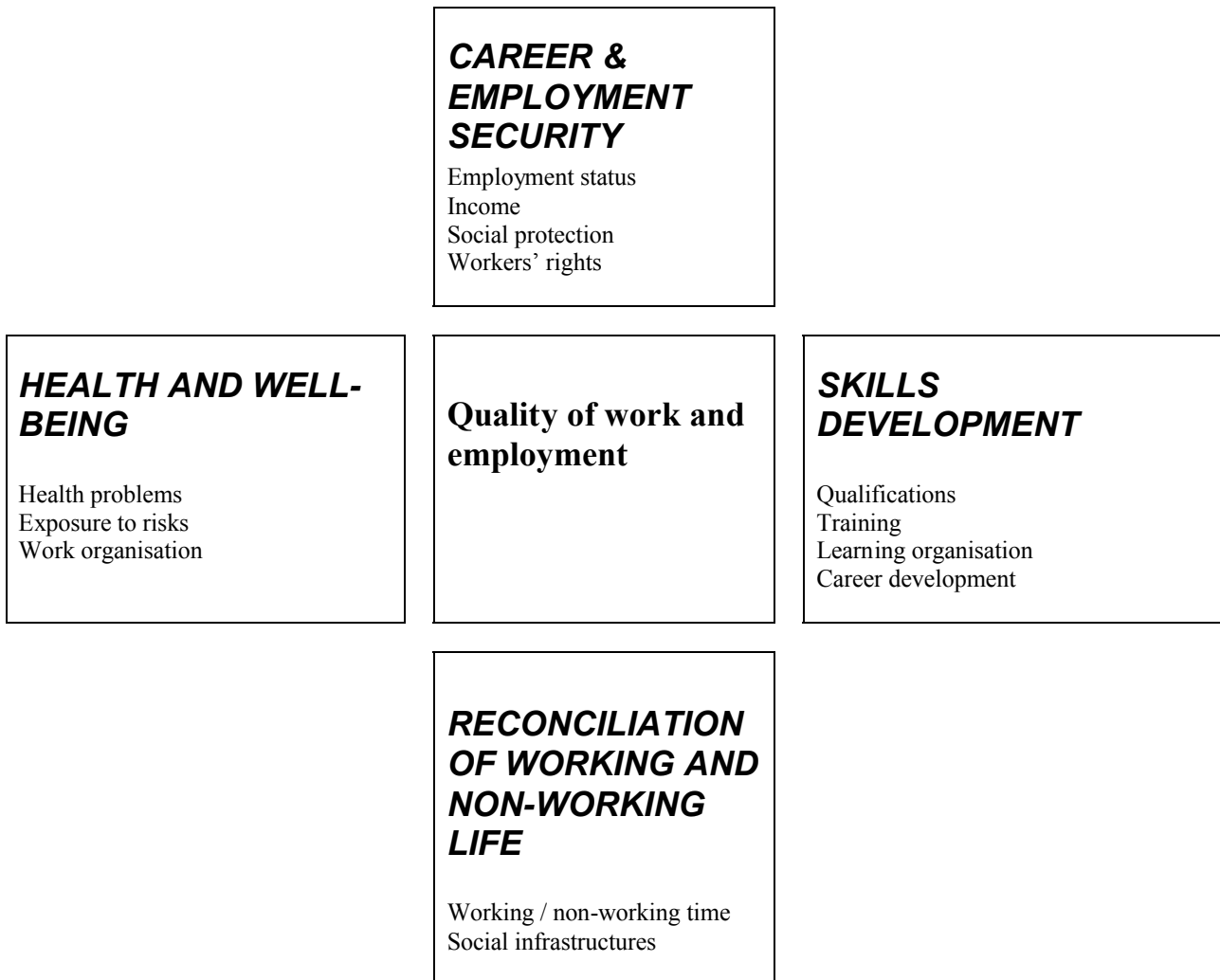
## Improving job quality and working conditions

### ***Quality of work and employment – the role of work organisation***

Since 2002, Eurofound has used the framework of quality of work and employment below, presenting four dimensions of quality of work. This framework guides the research on working conditions, in particular the European Working Conditions Survey

(EWCS) and - to a certain extent - the European Company Survey (ECS), which maps practices at establishment level (but does not measure quality of work as such)

**Quality of work and employment framework, developed by Eurofound**



In the context of achieving smart, sustainable and inclusive growth, the dimension of skills development has gained particular importance. **Work organisation** plays an important role here. Elements such as team work, multitasking, multiskilling, job rotation and job enrichments allow workers to update their skills and are likely to give them better perspectives for future employment possibilities as well as for doing their current job better.

It is assumed that quality of work is positively associated with new forms of work organisation, the so-called high performance work systems, including both lean production and discretionary learning. The assumption is that intrinsic rewards related to

team work, problem solving etc will lead to greater job satisfaction and commitment. However, other research claims that the performance gains associated with high performance work systems derive primarily from work intensification and the dominant effect for employees is a worsening of the working conditions and stress.

**Data from the EWCS** shows that results for workers differ depending on which work organisation model is chosen. The impact on quality of work is more positive for discretionary learning (learning organisation) than for lean production models. While there are learning dynamics in both forms of work organisation, work intensity is significantly higher in lean production models. The same is true for other indicators of quality of work, such as more exposure to physical risks, more non-standard working hours, more problems with work-life balance and higher levels of work-related health problems in lean production models compared to discretionary learning models. Furthermore, discretionary learning forms of work organisation are associated with higher perceived intrinsic rewards from work, better psychological working conditions and social integration at work and higher levels of employee satisfaction with working conditions.

The positive link between training, skills and employability and quality of work and performance is confirmed by **case study research** conducted by Eurofound in 2010 (21 case studies in four sectors (electromechanical engineering, food manufacturing, financial services and insurance activities, and wholesale and retail) in six countries: Austria, the Czech Republic, Germany, France, Spain and Sweden).

### ***Key findings of case study research***

- Case study research shows that most companies apply a bundle of measures to improve different dimensions of quality of work. Therefore it is difficult to single out how one specific measure affects performance. The report further shows that in some companies the chain of links from improvement of quality of work to increased performance is not fully recognised by themselves. Also, in a number of cases the positive relationship between quality of work and performance is anticipated, but not in any sense verified.
- Nevertheless, the case studies indicate that the clearest link between quality of work and performance relates to training, skills and employability. Training contributes to improved performance mostly through increased ability to use technology and to meet customer demands. Training is also used because the potential alternative, recruitment, is a less optimal investment. It is difficult and often expensive for the companies to recruit potential employees, and internal career development through training is a more beneficial solution, both for the company and the employees who benefit from increased employability.
- Career advancement plans and employment security contribute to improved performance by ensuring that there is a mutual understanding that medium to long-term career advancement is possible in the company. Thus, employees increase involvement, loyalty and ownership towards their work. This has many potential benefits: employees recommend the workplace to others seeking work, they act as ambassadors for the company, and they treat the success of the company as a personal

success. The case studies are only indicative in this context, but the researched companies perform well in combination with well-developed career possibilities and employment security, proving that the two elements are possible to combine.

- Health, safety and well-being, according to the findings, contribute to improved performance through decreasing sick absences and insurance payments. Additionally, they also increase employee satisfaction and decrease voluntary staff turnover. In some cases, in companies that have measured the impact on performance, the link is quite evident, where improved health, security and well-being have resulted in an up to 20% increase in labour productivity, in addition to a positive impact on sick absences.
- The case studies also confirm that well-developed company work–life balance policies can have a positive impact on performance. Not only is it easier to recruit, but the employees also have an increased tendency to devote high work effort to the company when it is most needed in return for the flexibility shown with regards to their needs. Moreover, employee satisfaction is also seen to increase. Thus, the flexibility benefits both parties.

Read more: *Links between quality of work and performance* (to be published on the Eurofound website in July 2011)

Lastly, the **European Company Survey** provides interesting insights with regard to the impact of high performance work practices as used in the above described work organisation models and performance. This analysis shows that good employee outcomes are associated with good organisational outcomes.

In particular, combinations of multiple high performance work practices (HPWP) appear to have positive links to both improved employee outcomes and improved organisational performance. Beneficial links were found between the number of workplace practices used and lower reported problems of staff absence, lower reported problems of low staff motivation, good quality relationships between managers and employees, higher than average productivity, improved productivity over the past three years, a good work climate, a good economic situation for the organisation, and no industrial action in the past year.

### **Practices that are associated with good employee performance outcomes**

Practices associated with reducing employee absence levels are:

- reviews of staff training needs, (extensive) profit-sharing, share ownership, autonomous teamworking, presence of flexible working and take up by at least a fifth of employees.

Practices with beneficial links to reducing employee motivation problems are:

- reviews of staff training needs, giving staff training for new tasks and time off for training, profit sharing, presence of teamworking and autonomous teamworking, take up of flexible working by at least a fifth of employees.

Practices with beneficial links to reducing employee retention problems are:

- autonomous teamworking and formal employee representation.

## **Practices that are associated with good organisational performance outcomes:**

Practices with beneficial links to **above average productivity** are:

- all training, performance pay and team working practices, all flexible working practices and ad hoc consultation where there is no formal employee representation.

Practices with beneficial links to **improved productivity over the past three years** are:

- training, team work and social dialogue practices, all flexible working practices, the presence of profit-sharing and the presence and coverage of individual incentive pay for at least 25% of employees.

Practices with beneficial links to a **good work climate** are:

- all training practices and all team work practices, ad hoc consultation where there is no formal employee representation.

Practices with beneficial links to a **good economic situation** of the firm are:

- all training practices, all pay practices and all team working practices, ad hoc consultation where there is no formal employee representation.

The results show that HPWPs may achieve their effects on organisational performance through improving employee performance, rather than simply acting directly on operational and organisational outcomes. They provide evidence to emphasise the contribution employees may make to organisational performance and add weight to the case for firms to invest in appropriate HPWPs. **Good employee outcomes** are associated with **good organisational outcomes**.

Read more: <i>ECS analysis - Management practices and sustainable organisational performance</i> (to be published on the Eurofound website in July 2011)
--

## ***Working longer requires better working***

Over the last decades many national and European policies have attempted to deal with the effects of an ageing society. Latest findings from the **European Working Conditions Survey** (EWCS 2010) show that the percentage of workers in the EU27 that think they will be able to do their current job at the age of 60 has risen marginally from 57% in 2000 to 59% in 2010.

There are, however, big differences between countries: over 70% of workers in the Netherlands and Germany feel able to do their job at 60, compared to only 26% of workers in Slovenia. This percentage of workers thinking they will be able to do their job at age 60 closely corresponds with the actual percentage of older workers in the respective workforce. Out of the ten Member States with the lowest percentage of workers expecting to be able to do their job at age 60, seven Member States are also in the bottom ten in terms of the proportion of workers aged 50 and older in the workforce.

Not only countries differ, so do types of occupation: whereas around 72% of high-skilled clerical workers and 61% of low-skilled clerical workers consider themselves able to do their current job at 60, this is the case for only 49% of high-skilled manual workers and 44% of low-skilled manual workers. Making jobs and work in general more sustainable requires ‘high quality working condition’, such as a good work–life balance, lifelong

learning, employment security, job autonomy, and working conditions that safeguard health. These are, however, not common to all jobs, particularly not to those jobs involving manual labour.

**Figure 1:** Percentage of workers expecting to be able to carry out their job at age 60, by level of ergonomic risk exposure and type of work organisation – 5<sup>th</sup> EWCS 2010

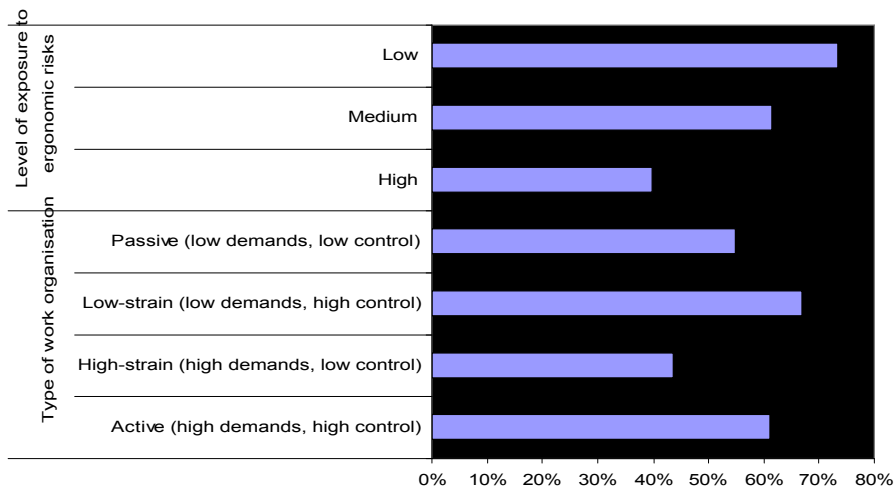


Figure 1 shows the relevance of these ‘high quality working conditions’. The more workers are exposed to ergonomic risks (such as vibrations from machinery, working in painful positions, lifting people or other heavy loads and repetitive movements), the less likely they are to expect to be able to do their job at 60. Furthermore, workers exposed to high levels of psychosocial risk – those in high-strain jobs who have limited autonomy to deal with high levels of demands – are much less likely to expect to be able to do their job at a later age, than those in less demanding jobs (passive and low-strain) or those in demanding jobs that do enjoy an adequate level of autonomy to deal with the pressures they are faced with. Again, workers’ expected ability to do a job at age 60 corresponds closely with the percentage of older workers in that type of jobs.

### ***Physical work takes its toll***

The higher the level of ergonomic risk exposure, the lower is the proportion of older workers doing that particular job. The same correspondence is found for the different types of work organisation, except for workers in the ‘active’ type of work organisation, whose optimism about doing their job at 60 is not reflected in the relatively low proportion of older workers in this type of jobs.

This association between the physical and psychological demands different types of jobs put on people and the proportion of older workers in these jobs indicates that those who are no longer able to do their job, are forced to either move into jobs they are still capable of doing or exit the workforce altogether. To some extent this could be avoided, as exposure to physical and psychosocial risks depends on the way work is organised, and could be reduced by changing work practices in companies. However, some jobs are



inherently physically or psychologically demanding, and require a stamina that many older workers no longer have, requiring them to move on to less demanding positions.

### ***Training helps with change***

For those workers faced with having to change their job later in their career, it is a great asset when they have regularly received training and skills upgrading right throughout their career. However, the 5th EWCS shows that although the gap between older and younger workers has been decreasing, only 30% of those aged over 50 years received training paid for by their employer, compared with 36% of workers aged between 30 and 49 years. Another issue that requires attention is age discrimination, which is often targeted at older workers. Although the survey does not capture age discrimination in the recruitment process, substantially more older workers (4.3%) reported having recently been subjected to discrimination in their work because of their age, than workers under 50 (2.8%).

To keep workers in the workforce longer, it is not only important to adapt the workplace to the possibilities and needs of older workers. Just as much attention will need to be paid to creating working conditions that prevent workers from being forced to change their job or even leave the workforce and, where career changes cannot be avoided, to creating the conditions — for instance, in terms of lifelong learning — facilitating such a change. Taking both traditional physical risks and newly emerging risks, such as psychosocial risks, into consideration, a combined strategy would allow workers to keep working until a more advanced age. Given the encompassing nature of such an approach, governments, social partners and individual companies will all have to collaborate to promote the sustainability of work and the well-being of workers.

Read more: *Foundation Focus: Health and work – a difficult relationship*

<http://www.eurofound.europa.eu/pubdocs/2011/17/en/1/EF1117EN.pdf>

## **Promoting demand for labour and job creation**

### ***Measures to tackle undeclared work in the European Union (2009 report)***

Across the 27 Member States of the European Union (EU27) and Norway, considerable effort is being invested in developing and testing policy measures that aim to tackle undeclared work. Although a number of previous attempts have been made to describe the array of measures used in different countries, one feature found to be lacking is a ‘knowledge bank’ that specifically identifies measures which have been proven to be most effective. In an attempt to bridge this knowledge gap, the European Foundation for the Improvement of Living and Working Condition (Eurofound) embarked on a project to develop such a resource by commissioning research which would review the effectiveness of policy measures, as well as assess as the transferability of such measures.

## **Key findings**

- Up until now, informed discussion about how to tackle undeclared work both in the EU27, as well as in individual countries, has been severely hampered by a lack of understanding of the nature of undeclared work. The study has revealed that undeclared work is not the same everywhere – for instance, in terms of the type of undeclared work, its sectoral distribution and the motives for engaging in such work. Therefore, a policy measure which is important in one country or region for tackling undeclared work may be less effective in another. Thus, a ‘one size fits all’ approach is not appropriate for tackling undeclared work; instead, policy approaches and measures will need to be tailored to fit the particular circumstances that prevail in different countries or regions.
- In order to understand the range of practices currently employed in individual countries, a typology of the potential policy approaches and measures available has been used. This distinguishes between two broad policy approaches: a deterrence approach that seeks to detect and punish non-compliance and an approach focused on positively encouraging compliant behaviour. The key finding is that across the countries surveyed, the deterrence approach has traditionally been adopted in an effort to increase the actual or perceived likelihood of detection and penalties. However, in more recent years, particularly since Employment Policy Guideline No. 9 was published in 2003, there has been a noticeable increase in the use of a more enabling approach, with measures seeking to facilitate formalisation rather than punish informal employment. These include: preventive measures to stop non-compliance from the start; incentives encouraging undeclared workers to transfer to the declared realm; and measures encouraging an allegiance to tax morality. Notwithstanding these measures, the take-up of initiatives to engender commitment to ‘tax morality’ has been relatively slow to date.
- An evaluation of the wide array of policy approaches and measures being pursued across the EU27 and Norway gives an insight into best practice and presents some practical examples in this field. The initiatives adopted span deterrence measures, prevention measures, ‘curative’ measures seeking to legitimise undeclared work, and measures aiming to change attitudes and engender commitment to the payment of tax. A key finding is that good practice is not simply about choosing the individual policy measures that are effective at tackling undeclared work, but also about considering the most effective way of putting these policy measures together in various combinations and sequences. Thus, evaluating which combinations and sequences of measures are effective and transferable should be an integral part of the review process.

## **Policy pointers**

- The evaluations of specific measures provide a solid evidence base for countries to decide whether to test an initiative in their own country.
- More research is needed on the effectiveness of specific policy measures at tackling undeclared work as well as their transferability.
- Greater understanding is required of what combinations and sequences of policy measures are most effective and appropriate in various contexts.

- The study shows that it has been more the exception than the rule for countries to learn from the experiences of other nations before implementing policy measures. Therefore, attempts to actively share experiences and learn from others need to be encouraged to implement a cross-country, interregional approach.
- There is also a need to broaden the knowledge on policy measures by gathering data from a wider array of countries, including countries in Australasia, North America and the global ‘South’.
- Wider use of awareness-raising initiatives is needed to change attitudes, in particular with a view to encouraging greater tax morality.

Read more: *Tackling undeclared work in the European Union*  
<http://www.eurofound.europa.eu/areas/labourmarket/tackling/search.php>

## Promoting inclusive labour markets

### ***Active inclusion of young people with disabilities and health problems***

According to the latest figures, EU governments have been spending twice as much on illness and disability benefits as on unemployment benefits. Despite various schemes aiming to reduce work incapacity rates, some Member States have reported an increase in the inflow rates to disability benefits among young people – many of whom have mental health problems.

In some Member States, young people are the fastest growing age group of disability benefit recipients. The challenge to integrate young people with health problems into employment is likely to become more difficult in the currently unfavourable economic climate.

In effect, young people with health problems face a dual disadvantage. Firstly, because they are young, they face the same challenges as their non-disabled peers leaving compulsory education and seeking access to the labour market. Secondly, they must overcome the personal, health and environmental challenges associated with having a health problem or disability.

Active inclusion is an important strategy in combating the labour market exclusion of young people with disabilities; however, current policies and approaches tend to focus either on youth unemployment or on promoting the employment of people with disabilities. It is as difficult to find references to disability in the European Youth Pact as it is to find references to young people in the European Disability Strategy.

Nevertheless, the personal, social and economic costs of not intervening are unsustainable. For the individual, it can result in a lifetime of poverty, economic inactivity and social exclusion. Equally, people who enter the benefit systems at an early age represent a significant cost to society in terms of lost productivity and the increased burden on social protection systems. This can hamper governments needing to invest in job creation and foster trade by diverting resources into transfer payments; ultimately, it

can result in an increasing social security and tax burden for employers and workers alike and raise the costs of employment.

### ***The need for a revised and targeted strategy***

A new approach is required to respond to the needs of young people with disabilities or health problems leaving full-time education. Instead of viewing them as vulnerable people in need of continuing care and focusing on their limitations in functioning, the focus should be changed towards the possibilities for them to function as adults in society and as productive members of the labour market. The goal of active inclusion policies is that people with disabilities are not excluded from society but are encouraged and empowered to participate as fully as possible in economic and social life, and in particular to engage in gainful employment.

Of course, income security, good care and treatment are absolutely necessary for those who need them. However, social and economic integration must be an essential element of the response of employment and social protection systems. Regular work, work in sheltered environments, social and day activities can all play a role in this. Access to high-quality vocational education and training, customised employment guidance and counselling and incentives for both employers and young jobseekers are crucial.

Participation in work has many positive effects for society and the individual. It is a good use of human capital and has many consequences for the individual, including higher self-esteem, less dependency, better health outcomes, longer life expectancy and more satisfying social relationships.

For the agencies involved in labour market policy, employment services and social protection, this requires an important change of perspective. Instead of looking at what people cannot do – which is often a consequence of assessing people on the basis of eligibility for disability pensions – they need to focus on what people can do, and create ways to make these possibilities available. In many cases, this includes changing the attitudes of social partners regarding young workers with disabilities, removing barriers in public life and infrastructure, and creating adapted conditions in workplaces. It also carries implications for services and agencies to cooperate in terms of ensuring a smooth handover between systems, for example from school to the labour market. In addition, these agencies must work together in relation to dealing with young people with disabilities of working age.

Employment is a life stage in the progression to adulthood. After leaving the educational system, one of the biggest steps concerns entry into employment. Change is never easy and switching from one systemic approach to another often raises resistance from those working within the existing systems. As a result, these are important targets for attitude change and the updating of skills. Policymakers developing new and innovative elements and systems must acknowledge that it is not sufficient to change the way in which social security systems operate but that it is also important to take into account the prior life stages of the young jobseeker with health problems and to address the social, educational and psychological barriers that can result from participation in earlier systems. Moreover, they should recognise that the services and supports available to people in one system need to move with them into the next stage of development; this requires continuity in provision and effective communication between education and employment services

Transition to work is easier to achieve when it is well connected to the steps taken before. A problem is that during all stages different actors are involved, which leads to a breakdown in service provision and communication and a consequent loss of opportunities.

A model for good practice in active inclusion should involve the following elements:

- a move must be made from recipient status on the part of the young person with a health problem to participant status;
- the strategic approach must be transformed from passive maintenance to active support;
- the criteria for actions must be independence rather than dependence;
- assessment must change from a labelling process of eligibility for pension to the identification of work skills and strengths;
- the system must remove disincentives and introduce incentives to seek employment and opportunities for voluntary work;
- sufficient employment supports and opportunity to develop skills and experience must be made accessible and available;
- there must be a move away from inflexible and restricted benefits and services to flexible and portable benefits and services;
- a multi-agency insular approach to services and support must be replaced by integrated, coordinated responses which are continuous over time and particularly at points of transition in the young person's lifespan.

Thus, the major challenge is not a lack of ideas or strategies but a lack of insight into the complex and multi-dimensional challenges faced by young people with health problems in getting and keeping a job. Clearly, further research is required into the causes of increased benefits dependency among young people and the barriers to economic and social participation that they face. It is important to establish the extent of the problem and to identify examples of good practice in overcoming the challenges; the situation of young disabled people should be systematically and accurately documented.

Moreover, the extent to which mental health problems are implicated in the increasing number of younger people claiming disability benefits needs to be documented and understood. The compound problems associated with finding employment for younger people with disabilities are magnified when the cause of the disability has a mental health component.

Read more: Active inclusion of young people with disabilities and health problems  
<http://www.eurofound.europa.eu/pubdocs/2010/13/en/1/EF1013EN.pdf>