

## **International Reform Monitor**



*Bertelsmann Foundation (ed.)*

## **International Reform Monitor**

Social Policy  
Labour Market Policy  
Industrial Relations

Issue 6  
April 2002

**Bertelsmann Foundation** Publishers  
Gütersloh 2002

Die Deutsche Bibliothek – CIP-Einheitsaufnahme

A data set for this publication is  
available at Die Deutsche Bibliothek.

© 2002 Bertelsmann Foundation Publishers, Gütersloh

Responsible: Eric Thode

Copy editor: Michael Kühlen

Production editor: Christiane Raffel

Cover design: werkzwei, Bielefeld

Cover photo: Mauritius/Tony Stone/PhotoDisc®

Typesetting: digitron GmbH, Bielefeld

Print: Hans Kock Buch- und Offsetdruck GmbH, Bielefeld

ISBN 3-89204-655-7

[www.bertelsmann-stiftung.de/verlag](http://www.bertelsmann-stiftung.de/verlag)

# Content

<b>Project Information</b> . . . . .	6
<b>Editorial</b> . . . . .	7
<b>1 Social Policy</b> . . . . .	9
Health Care . . . . .	9
Pensions and Social Security . . . . .	22
State Welfare and Social Assistance . . . . .	32
Family Issues . . . . .	34
<b>2 Labour Market Policy</b> . . . . .	43
<b>3 Industrial Relations</b> . . . . .	64
<b>4 General Important Developments</b> . . . . .	72
<b>Reform Tracker</b> . . . . .	75
<b>Currency Conversion</b> . . . . .	84

## Project Information

The “International Reform Monitor” is a project of the Bertelsmann Foundation. It is published semi-annually in German and English. Compact and up-to-date, it provides information from an international perspective on current reforms in the fields of social policy, labour market policy and industrial relations. Because reforms are reported on at the legislative stage and local government level as well, the reader has the opportunity to learn about international reforms, which have perhaps not been publicised in the respective countries.

An integral part of the Reform Monitor is an international network of competent and renowned research and policy advisory institutions from 15 countries (see cover). These partner institutions select reforms that can help to change the status quo in their own country, and which could also be of interest to other countries. Their reports are based on semi-standardised surveys that are carried out every six months. Prognos AG, Basle and Berlin, is responsible for organising and implementing the surveys. Prognos, in close co-operation with the Bertelsmann Foundation, also produces the summarised International Reform Monitor.

A detailed description of each reform as well as further information on countries and research results in the fields of social policy, labour market policy and industrial relations can be found on the Internet at [www.reformmonitor.org](http://www.reformmonitor.org). Both the detailed description and the brochure draw on the partner institutes’ reports and do not necessarily reflect the Bertelsmann Foundation’s point of view.

# Editorial

## **Federalism and reform work—a relationship often neglected**

There are developments that all industrialised countries have in common, such as demographic change. But the countries of the International Reform Monitor network also face problems of their own. In view of these country-specific contexts, it is thus almost impossible to directly translate solutions from abroad to the specific reform requirements of a given country.

But apart from existing differences between countries due to either varying adjustment speeds or diverse mentalities, there is a common issue that will increasingly affect reform work over the next years: the role of federalism in realising reforms.

A number of countries are already facing difficulties in adapting reforms on the various jurisdictional levels. The most obvious cases are the various labour market reforms in the UK and the new working-time regulation in Denmark, which are both adaptations of directives of the European Union.

Labour market policy in the UK is getting closer to the mainstream of EU countries, which conflicts with Britain's culture of having a highly flexible labour market. At the same time, EU legislation will lead to a national law in Denmark replacing collective agreements on part-time work that have so far been appreciated by all affected parties.

The legislation of a supra-national jurisdiction, however, does not entail difficulties for the implementation on the national level only. In Canada, for example, single provinces have traditionally played an important role in implementing reforms and serving as pilot schemes before reforms were adopted on the national level.

Consequently, there is concern, especially in the province of Québec, that the implementation of the substantial health care reform envisaged by the federal government will take too long to come into effect and that there should rather be provincial efforts to improve the health care system more quickly.

Another example is the long-term nursing reform in Scotland. Since 1997, Scotland has had the explicit right to pass laws on social issues which differ from those in the rest of the United Kingdom and to levy additional taxes to finance resulting expenditures. The recent decision to provide free long-term care for Scottish residents is expected to have important consequences on the United Kingdom as a whole, since it could lead elderly people to move to Scotland.

The lesson to be learned from these experiences is that relations between different jurisdictional levels have to be taken into account more closely if reforms are to be implemented effectively. Yet, while the federal dimension adds to the problems of reform work, it also creates new opportunities.

Implementing reforms on the provincial level first can serve as a means to assess and evaluate the outcome before adopting them nation-wide. Flaws and deficiencies can thus be identified at an early stage, and associated costs can be kept to a minimum. Different reforms in different provinces could even lead to some kind of institutional competition that leads would provide the most efficient solution for the whole country.

Thus, a more regional approach to reform initiatives can be regarded as a viable instrument in addition to looking abroad to find ways of progress on the national level.

*Eric Thode*  
*Andreas Esche*  
*Kai Gramke*

# 1 Social Policy

## Health Care

Whereas health care reforms in previous issues of the reform monitor usually concentrated on the cost side, this time a wider range of reforms can be observed. While Italy follows traditional reform steps by curbing health care expenditures through the promotion of generic drugs, postponing the elimination of the co-payment system, and by defining “essential” medical assistance, Japan also seeks to cut medical fees in an attempt to “share the pain” among various constituencies. Canada, meanwhile, moves to increase health care cost awareness by calling on the public to discuss four reform options for its health care system.

Germany is making use of new technology by introducing a medical chip-card containing data about the patient’s prescription drugs and other treatments. This is meant to increase co-ordination of treatment measures and to prevent inadvertent combinations of incompatible drugs. Denmark is also using new technology in an attempt to reduce hospital waiting periods. It guarantees treatment for life-threatening illnesses, life-prolonging or pain-relieving measures, within two weeks—otherwise patients are entitled to seek medical care abroad. As part of this effort, waiting lists for hospitals are published on the internet.

In a second Danish reform municipalities are increasing their

efforts to improve the nation's retirement homes by implementing a monitoring programme to restore people's trust in these care institutions. The United Kingdom reports that significant social policy differences between Scotland and the rest of the UK have emerged to the effect that Scotland started to provide free long-term nursing and social care.

Details of the reforms are available on the project website *www.reformmonitor.org*.

**Canada—**

Inquiry into Reform of the Health Care System

Innovation n. a.  
Impact n. a.  
Interest \*\*\*\*\*

An interim report of the Commission on the Future of Health Care in Canada has set out four basic paths to reform for the country's health care system. The Commission's next phase, public consultations, asks Canadians to present their views on these four approaches by addressing a set of basic questions concerning the key issues.

Responsibility for health care is shared between the federal and the provincial and territorial governments. The federal government provides funding to the provinces and territories based on their adherence to the Canada Health Act.<sup>1</sup> Canada operates a public health insurance system in which most doctors are private practitioners, and most hospitals are non-profit organisations not directly operated by provincial governments. While Canada is unusual in prohibiting any form of patient fee or user charge for publicly insured health services, a significant and growing part of its overall health care expenditures is for privately-paid services. These are financed to some extent via private insurance plans, such as employer-provided supplementary insurance, and out-of-pocket purchases for items including prescription drugs and home care that are not

1 The provinces and territories have primary responsibility for operating health care services in their jurisdiction. The Canada Health Act sets out five principles intended to create and sustain a national system (albeit allowing for some provincial variation): (1) public administration: administration of each regional health care insurance plan must be carried out on a non-profit basis by a public authority; (2) comprehensiveness: all medically necessary services provided by doctors and hospitals must be insured through the public system; (3) universality: all insured Canadians in each province or territory must be entitled to public health insurance coverage on uniform terms and conditions; (4) portability: coverage for insured services must be maintained when an insured person moves or travels within Canada or travels outside the country; and (5) accessibility: reasonable access to health care must be unimpeded by financial or other barriers.

universally included in the publicly insured system. Canada's public/private health care split is about 70/30.

Canada's health care system is seen by some to be in critical condition, though the nature and severity of its problems are subject to debate. Provincial governments complain that cuts in federal financial assistance have exacerbated other cost-driving factors (e.g., expensive new technologies, ageing population, increasing public expectations), making their health care systems "unsustainable". Measured as a percentage of overall provincial spending, health care costs are significant and increasing (varying between 30 and 44 percent of total expenditures, depending on the province or territory). The Canada Health Act has limitations and is seen by many to require reform. It covers only hospital and physician services, but generally not increasingly important areas such as preventive health programmes, home care, long-term care, dental care, and prescription drugs (unless provided in the hospital). There is disagreement on how to interpret the Act's broad principles, especially crucial terms such as "medically necessary" services and "accessibility". There are also significant differences from one province and territory to another in how the principles of the Canada Health Act are interpreted and applied. The federal government has sole responsibility for ensuring provincial adherence to the Canada Health Act, but its financial contribution to the provinces for health care has declined over the long term. The public has little influence over which health services should or should not be publicly funded, and there is widespread concern about long waiting lists and the shortage of health care personnel.

After the fact-finding phase, the Commission published an interim report outlining the four possible approaches:

- 1) More government investment: Add resources (doctors, nurses and other personnel, equipment) by increasing public spending drawn either from tax increases or by reallocating funds from other programmes;
- 2) Share costs and responsibilities: Add resources, but fund privately (e.g., through co-payments, user fees, taxable benefits, or private insurance premiums);
- 3) Increase personal choice: Allow growth of the private sector providing for-profit health services paid for by patients or private

insurance plans; supporters claim this approach would relieve pressure on the public sector and introduce market innovation and competitiveness to the delivery of services;

- 4) Reorganise service delivery: Carry out fundamental restructuring with the aim of integrating all services in a seamless manner; scrap the traditional and outmoded fee-for-service payment system for doctors; and promote community-based health facilities providing round-the-clock primary and other care.

The Commission's next phase, public consultations, asks Canadians to present their views on these approaches by addressing four key themes:

- 1) Values underlying the country's health care system: What are the fundamental values that should underpin the Canada Health Act? Are the Act's principles consistent, relevant, and appropriate for the challenges facing the health care system today? Can Canadians play a more active role in determining the scope of insured health services?
- 2) Funding and fiscal sustainability: What relative priority should governments give to health care in light of competing demands from other areas of public spending? Does the system require more money and, if so, from what sources should it come (taxes, user fees, private insurance)?
- 3) Quality and access: Should public targets be set for health system performance and for measuring outcomes? How can broader strategies for public health be balanced with rising demands and costs for emergency care?
- 4) Leadership, collaboration, and responsibility: What is the correct balance between national collaboration and standards, and provincial autonomy and experimentation? Are there better ways to share responsibility among federal, provincial, and territorial governments for the country's health system?

Some provinces say they cannot and will not wait for the Commission process and are going forward with specific health care system changes on their own. Québec, for example, traditionally opposes a federal role in health care provision. Experts regard this as a crucial area which has seen many reports over the years, but insuffi-

cient concrete action. They applaud the federal government for re-assuming leadership in this important area of public policy, but at this point believe it is too soon to pass judgement on the Commission. They support this federal leadership, but only if it is provided in a truly collaborative way with the provinces and other stakeholders.

The Danish government will invest € 200 million to support efforts to reduce waiting times for treatment in the country’s public hospitals. In Denmark the counties finance and administer the nation’s public hospitals, receiving block grant funding from the central government. In Denmark a patient must be referred to hospital treatment by a general practitioner, but the patient is then free to choose among all the country’s public hospitals. A guarantee for treatment of life-threatening illnesses was introduced in 1999 so that patients with, for example, breast cancer or the need of coronary by-pass operations will be guaranteed a preliminary medical examination within two weeks, treatment within another two weeks, and follow-up care within four weeks. If the county cannot honour this guarantee, the obligation is transferred to the National Board of Health. If the National Board of Health does not succeed in providing the patient with treatment within the guaranteed time-frame, the patient is entitled to seek medical care abroad or in a private hospital in Denmark. The patient’s county of residence pays for this treatment. Beginning on 1 September 2001 the treatment guarantee was extended to all types of life-threatening cancer and for treatments which can serve to prolong life or relieve pain. The treatment guarantee is applicable to a number of other circumstances as well, varying from between two and twelve months.

There have been public discussions about waiting times in hospitals for quite some time as the treatment guarantee for life-threatening illnesses has yet to be adequately satisfied. Very few people make use of the free choice of hospitals so that some hospitals have long waiting lists, while others are able to treat patients immediately.<sup>2</sup>

**Denmark—**

Attempt to Reduce  
Hospital Waiting Periods

Innovation	*****
Impact	***
Interest	*****

2 The Danish Ministry of the Interior and Health has a website with information about waiting times for 23 different kinds of treatment in all the nation’s hospitals. The website lists the waiting times (in weeks) for preliminary medical examinations and surgery.

The government has provided a centralised fund of € 200 million to be used to shorten hospital waiting lists. Each county will be given a certain share of the fund depending on demographic factors. The money will be disbursed in line with actual increases in surgical activity above a base-line so that those counties actually making extra efforts to bring down waiting lists will be rewarded accordingly. Furthermore, the existing free choice of public hospitals and guaranteed treatment is to be extended. The idea is that the funding should follow the patients—with the possibility of choosing a private hospital or being treated abroad. Private hospitals will establish guidelines with the counties to ensure certain quality levels and public health safeguards against negligence and failed treatment.

► Some have argued that there has been too much focus on shortening hospital waiting lists when for some situations, in fact, medical prudence would dictate against treatment being carried out as quickly as possible. Other arguments hold that as waiting lists are shortened, the number of people seeking treatment will increase. This is because general practitioners will begin to refer more patients to hospital treatment. It is also likely that such an arrangement will increase the use of private hospitals since treatment will remain free of charge. Some fear that the increased use of private hospitals will lower the quality of treatment in the public hospitals, and that this is a step on the way to privatisation of the Danish health care system. Privatisation of the Danish system could be a problem for those not able to afford high-quality treatment. Experts point to the fact that hospitals have suffered from spending cuts for some time, with the focus on efficiency rather than the quality of hospital treatment and service. One might argue, however, that € 200 million is not nearly enough to reduce the problems facing the Danish public hospital system. Furthermore, the new arrangement whereby funding follows the patient risks relying too much on the private hospitals. There are very few private hospitals in Denmark and these do not at present have sufficient capacity.

**Denmark—**  
Monitoring  
Retirement Homes

Municipalities in Denmark are increasing their efforts to improve the nation's retirement homes by implementing a monitoring programme to restore people's trust in these care institutions. Care for the coun-

try's senior citizens is generally provided and managed by the municipalities and during the past year there has been intense public debate about the treatment of Danish seniors in these facilities. The quality of care has been questioned and concerns have been raised about the lack of resources in terms of personal attention and qualified personnel. As a consequence, the municipalities are to formulate a joint plan regarding the quality of care for older persons in residential homes and other types of elderly housing which have access to public care services. As part of this effort, the municipalities will also set up councils for residents and their relatives, with the requirement that a designated representative of the municipality examine each institution annually. A written report must be submitted after each visit, one of which may not be announced in advance. The municipality must also report annually on the status of the joint effort towards senior citizens, and then make its findings available to the councils.

Innovation \*\*  
 Impact \*\*  
 Interest \*\*\*\*\*

To improve health care quality and to lower costs through better co-ordination of medical treatment, the German Federal Ministry of Health intends to introduce an electronic "health pass" for patients which contains their complete set of medical records. Germany has one of the most expensive health care systems in Europe, yet the quality of care provided is not perceived by Germans to be very good. The reduction of costs and the improvement of care quality are therefore on top of the agenda for the Health Minister. As insurance premiums for health care continue to rapidly increase, public pressure to initiate reforms is rising as well.

**Germany—**  
 "Health Pass"  
 Being Discussed

Innovation \*\*\*  
 Impact \*\*  
 Interest \*\*\*

The health pass was first intended as a "smart-card" with an embedded chip containing data regarding the individual cardholder's prescription drugs and other treatment factors. This information should help physicians and pharmacists prevent inadvertent combinations of incompatible drugs. However, it is now planned that the health pass will contain the patient's complete set of medical records as well. This could prevent double treatments and generally increase co-ordination of treatment measures. Either way, the basic idea behind the health pass is that medical treatment could be improved in terms of quality and costs if all treatment efforts (e.g., different physicians prescribing different drugs) were better co-ordinated. The

health pass will be introduced as a pilot project in 2002, with large-scale introduction on a mandatory basis planned for 2003. However, major obstacles concerning data security, software and hardware technology, project funding, and the lack of widespread political support must all be overcome first.

► The health pass is either criticised or directly attacked by the opposition parties, the Green Party (which is part of the governing coalition government), patient and physician organisations, and data protection advocates. Their main argument is that the health pass would lead to an “exposed patient” whose privacy is violated by the lack of protection for his or her medical records. Furthermore, the compulsory nature of the health pass is criticised. This means that patients cannot decide for themselves whether or not to provide all their medical records to their physician or pharmacist. Indeed, support for the health pass would be significantly greater if it were an optional measure. It is further argued that the health pass would be very expensive to introduce (estimated cost: € 500 million), but would not significantly lower the high costs of the German health care system. Physicians fear that the health pass could lead to a uniform system of medical reporting which would force them to adhere to standardised treatment routines, thus reducing their professional discretion. Experts view the health pass as an innovative instrument to co-ordinate medical treatment which could both raise the quality of care (e.g., by reducing the number of treatment errors), as well as reduce unnecessary health care expenses. They point out, however, that it only leads to improvements within the health care system while leaving its basic structure unchanged. Since the major problems of the health care sector are rooted at the system level (mainly lack of transparency caused by a strict budgetary separation of in-patient and out-patient care), they cannot be solved by the health pass. Consequently, the impact on the status quo and its importance for the German health care system will be small. A large question mark also remains in the area of cost savings due to the reduction of “unnecessary medical treatment”. It cannot be expected that a better flow of information will allow physicians and hospitals to significantly reduce the costs of their medical services as long as there are no penalties for unnecessary treatment. However, such a penalty

system—which would entail a rationing of medical care—would certainly be fiercely challenged by both physicians’ and patients’ organisations.

Italy initiated a health care reform with the aim of guaranteeing “essential” medical assistance; defining national standards; promoting regional financial accountability; rationalising resources; and establishing cost-consciousness within its health care system. The measures should result in savings of more than € 3 billion within three years. If local health care spending is not reduced, the regional authorities will reintroduce co-payments, or mandate tax increases or spending cuts.

Italy is currently having difficulties controlling regional health care spending, with the regional deficit amounting to € 2.75 billion in 2001. Furthermore, a recent study showed that almost 26 percent of in-patient admissions would most effectively be treated through the out-patient system. Hospital facilities are also inadequate because there are too many in-patient care beds for acute care, and not enough for long-term patient care at the national level (4.6 and 0.6 per 1,000 inhabitants, respectively). Compared to the national average, the south of Italy faces shortages of more than 6 percent and 33 percent, respectively, of acute and long-term in-patient care hospital beds.

The reform intends to limit public pharmaceutical expenditures to 13 percent of total health care outlays. This should be achieved by promoting generic drugs and by introducing new rules on drug reimbursements. Furthermore, the number of in-patient hospital beds for acute care will be reduced to 4 per 1,000 inhabitants, and the number of long-term in-patient beds will be increased to 1 per 1,000 inhabitants. At the same time, the elimination of the co-payment system for medical examinations (cf. Issue 4, p.12) is to be postponed by one year.

🔍 Opponents and critics argue that some regions might overspend their planned expenditures and consequently will be compelled to introduce a new system of co-payments. This could lead to significant regional differences in health care standards. Experts point out that the absence of an exemption system for low-income families

**Italy—**  
Expenditure Cuts and  
Decentralisation

Innovation	**
Impact	***
Interest	***

makes the co-payment mechanism inefficient and unfair. The mere reduction of in-patient care beds may have a negative effect on health care services, and could create more inequality between the country's regions.

**Japan—**

Health Care Reform  
Calling for Cuts in  
Medical Fees

Innovation   \*\*  
Impact       \*\*\*  
Interest     \*\*\*\*\*

Japan is currently debating a reform of its health care system with co-payment increases and, for the first time, cuts in medical fees for doctors. Previous reforms were criticised because cost increases were borne only by patients while doctors and pharmaceutical companies continued to profit from the rising costs. The new Koizumi government, however, has made a political commitment that any further reform would be implemented in a way that “the pain will be shared” by all parties involved: elderly and non-elderly patients, and the medical industry and insurers.

Japan's public health insurance system<sup>3</sup> is going through a financial crisis. The ageing of the country's population is leading to steadily rising health care costs for the elderly, while the total number of those contributing to the system has been decreasing as a result of the country's economic recession. To alleviate this problem, a special arrangement was created which splits the cost for health care for the elderly over age 70 between the government (from its general budget), the Health Insurance for Employees system, and the National Health Insurance system. It has become quite obvious that the overall system of public health insurance must be completely overhauled, and some have even suggested doing away with the above “arrangement” entirely. There is, however, no political consensus for such a drastic and sweeping reform at this time. The reforms up to now have therefore been marginal (e.g., in the form of co-payment increases).

The reform proposal includes a call for a reduction in physicians' fees for the first time in Japan's history. The reduction is rather small (a 1.3 or 2.7 percent cut, including a drop in drug prices), but it is a significant step considering how hard the country's medical industry

3 Japan's system of public health insurance is made up of two pillars: the Health Insurance for Employees system (*Kenko Hoken*), and the National Health Insurance system (*Kokumin Kenko Hoken*) covering the self-employed, students, farmers, and others.

association has fought against this measure. Furthermore, the co-payments for participants in the Health Insurance for Employees system under 69 years of age will be increased from 20 to 30 percent (subscribers to the National Health Insurance system already face a 30 percent co-payment amount). The monthly upper limit for co-payments has been raised as well. The salary deduction for insurance is now applied to the employee's "entire" annual income, including year-end bonuses. Previously, the rate was applied only to the employee's base salary, with a lower rate applied to any bonuses received. This created differences, however, between those receiving a higher share of their pay as a bonus, and those receiving their income mostly as a base monthly salary. On average the annual insurance premium will increase. For those above age 70 the previous co-payment rate was 10 percent, with a rather low monthly upper limit (€ 26). This meant that the actual co-payment rate was effectively well below 10 percent. After the reform the monthly upper limit will be raised substantially to a maximum of € 103 for middle-income elderly, and up to € 69 for low-income elderly. For upper-income elderly (with an annual income above € 54,000 for a couple) the co-payment rate will be 20 percent and the upper monthly limit € 345.

► Opponents and critics state that the co-payment increase is too great a burden given the country's current economic situation. The medical industry claims that the reductions in medical fees are going to cause many hospitals to close. Experts point out that the Koizumi government has managed to cut away at the medical fee schedule even though many political analysts termed this a "sacred and untouchable area". However, the 2.7 percent cut is viewed by many as insufficient to make a noticeable difference to consumers, while the co-payment rate for non-elderly citizens is already pushed to the limit.

While the Health and Social Care Act 2000 only provides free nursing care for long-term care patients, with long-term "residential" or "social" care being subject to means-tested charges, the "care" element of all long-term care is to be free of charge for people living and seeking support in Scotland beginning in April 2002.

**United Kingdom—**  
Free Long-Term Nursing  
and Social Care in  
Scotland

Innovation \*\*\*\*\*  
Impact \*\*\*\*\*  
Interest \*\*\*\*\*

Under the arrangements for “devolution”<sup>4</sup> established by New Labour after 1997, the Scottish Parliament may pass laws on social issues which differ from those in the rest of the United Kingdom. It may also levy additional taxes to finance them within certain limits. Subsequently, significant social policy differences between Scotland and the rest of the UK have emerged, starting with, for example, student grants for higher education and subsidised school meals. The current reform is mainly the result of a recommendation by the Royal Commission for Long-Term Care in 1999. It stated that the “care” element of long-term care should be funded from taxation and be free at the point of use, as the distinction between “nursing”, “social”, and “personal” care was tenuous. Due to this distinction, disputes have arisen in recent years between hospitals and local authorities about who was responsible for patients depending on the definition of their care needs. Furthermore, pressures on NHS beds have risen particularly in winter months due to patients (or their relatives) being reluctant to end the hospital stay after a short period. This was because in doing so they would become subject to charges for “social care”, while local authorities were reluctant about their admittance because they would become responsible for the costs of their care when budgets were stretched. Therefore, beginning in April 2002, the Scottish Executive and Parliament established the social right to free care at the point of use for people residing in Scotland. Those who require long-term nursing or social care in homes are to have care costs fully covered by the government, a move for which € 200 million has been allocated.

4 The “New Labour” government came to power in 1997 with a mandate to reform the constitutional structure of the United Kingdom. A major component of this “modernisation” of the Constitution was the transfer of devolved powers to Scotland, Northern Ireland, and Wales. Through the provisions outlined in three key pieces of legislation, The Scotland Act 1998, The Government of Wales Act 1998, and The Northern Ireland Act 1998, differing degrees of home-rule were defined for each region. As a result of these Acts, and many subsequent pieces of delegated legislation, Scotland and Northern Ireland now experience a traditional form of devolved government consisting of elected legislative and executive branches. Today the Scottish Executive is responsible for most of the issues of day-to-day concern to the people of Scotland, including those pertaining to health, education, justice, rural affairs, and transport.

► Critics and opponents claim that Scotland is already a big spender on health care, and they contend that the costs of reform have not been properly calculated. They believe that demand for services will substantially exceed supply and that the reform is a means of providing generous subsidies to private care providers. Furthermore, it is claimed that anomalies will emerge as Scots living in England and other parts of the UK will not be entitled to free care, and that the lack of entitlement of people living in border areas, particularly in England, will become an issue of contention. Experts believe that it is an interesting test of how devolution can lead to real policy differences between Scotland and the rest of the UK, both in policy and financial terms. Since this was a reform proposed by the Royal Commission for the whole of the United Kingdom, it will be interesting to see how far it adds to pressure to bring the rest of the UK into line with it.

### Changes and Results

Changes can be reported in France regarding the universal health care coverage system (*Couverture Maladie Universelle*, or CMU) introduced in January 2000 to provide coverage for people who have no other health care insurance (cf. Issue 1, p.15). The original law offers free access to health care services through the provision of free supplementary health insurance for means-tested low-income households. In 2002 the government introduced an additional insurance plan for families whose income is less than 10 percent above the income ceiling requirement of the CMU (currently € 540 per month) to partly reduce high implicit marginal tax rates when leaving the CMU. The insurance plan will assume parts of incurred health care costs—on average € 114.30 per year and person.

► The new allowance reduces implicit marginal tax rates for people leaving the CMU system, and it facilitates the two-phase reduction of CMU coverage for people whose income is just above the ceiling.

**France—**  
Supplementary  
Health Insurance for  
Low-Income Households

## Pensions and Social Security

Most pension reforms in this edition of the reform monitor concentrate on the typical issues of retirement age, system flexibility, and long-term stability. Finland is raising its retirement age to counter demographic trends and to introduce more flexibility into its pension system. Italy is also raising its retirement age while attempting to stimulate the development of supplementary pension funds.

Switzerland is discussing the first reform of its occupational pension system since 1985 in view of the need to ensure the system's long-term stability, and to cover non-standard jobs.

The USA introduces reform concepts which would substantially change its public pension system philosophy. It would do so by replacing collective defined-benefit pensions with investment earnings from individual retirement accounts.

The United Kingdom has started to implement changes to the social aspects of its immigration and asylum policy. The much criticised social security vouchers will be replaced by cash payments, and identity cards and accommodation centres will be introduced in order to crack down on illegal immigration. On the other hand, integration of foreigners will be improved by requiring language tests and citizenship ceremonies.

Details of the reforms are available on the project website *www.reformmonitor.org*.

### **Finland—**

Pension Reform Aims to  
Raise Retirement Age

Innovation   \*\*\*\*\*  
Impact       \*\*\*  
Interest     \*\*\*\*\*

Finnish labour and employer organisations, together with representatives of the pension funds, agreed in November 2001 on certain basic amendments to the country's occupational pension legislation. Their aim is to raise the retirement age, make the pension system more flexible, move up the beginning of the pension accumulation period, and gradually change the calculation of pensions to cover wages over the employee's entire working life. The government announced that this agreement corresponds to its goals of encouraging workers to have a longer working life, and of providing better jobs. It therefore intends to prepare occupational pension legislation on the basis of this agreement. The changes are to be implemented beginning in 2005, with some changes taking effect in 2003.

Occupational pensions in Finland are regulated by a number of different laws. The general principle has been that pensions are based on the duration of the employment relationships and the wages paid. There is separate legislation governing public sector pensions. There are also several different forms of early retirement pension schemes, with the effect that—in contrast to the retirement age of 65 stipulated by law—the average retirement age in 2000 was only 59. Finland faces the same demographic challenges as other OECD countries (low birth-rates, rising life expectancies, and consequently increasing financial pressure on pension systems).

Under the new agreement, eligibility for a pension will start to accumulate beginning at the age of 18. Currently the minimum age for pension eligibility is 23, although workers below this age are insured for disability and still must have a pension deduction taken from their wages (the employer also has to pay a pension premium). The retirement age will be made flexible—between ages 62 and 68. There will be an incentive mechanism to postpone retirement so that the average accrual rate of the pension, which is 1.5 percent of annual wages, will be gradually raised to 4.5 percent starting at the age of 63. The rate at which pension rights accrue for those retiring earlier than the official retirement age will be slowed. The individual early pension scheme will be abolished and the retirement age in the part-time pension scheme will be raised from 56 to 58 at the beginning of 2003. The accrual rate of part-time pensioners will be cut in half as to the earnings reduction between full-time and part-time work, making this option less attractive than at present. At the same time, the unemployment pension system will be abolished and certain measures to enhance rehabilitation and education within the labourer's working life will be implemented. These efforts should also help promote the postponement of retirement for many workers.

According to official estimates, the expected change in behaviour regarding postponing retirement, and the changes made in the early retirement systems will, over the long run (up to 2030), lead to a substantial reduction in pension system contributions by between 2 and 4 percentage points. The incentive scheme to raise the accrual rate from the age of 63 onwards should be conducive to postponing retirement so that after a decade the majority of employees will likely

still be working at the age of 62. The present government in its programme of 1999 stated the goal of raising the average retirement age by two to three years.

► Finland’s business and labour organisations still disagree, in public at least, on how to calculate pensions. The employers and the central organisation of trade unions representing blue-collar workers want the pension to be based on the employee’s entire working life. White-collar workers prefer to retain the present rule according to which pensions are based on average earnings during the last 10 working years of each employment relationship. There has been some criticism concerning the fact that time spent working at home and caring for small children is excluded from the calculation of pensions. Experts state that the reform is necessary for demographic reasons.

**United Kingdom—**  
Social Policy for  
Refugees and  
Asylum Seekers

Innovation   \*\*\*\*\*  
Impact       \*\*\*\*\*  
Interest     \*\*\*\*\*

The UK government introduced changes to the 1999 Immigration and Asylum Act and the way that refugees and asylum seekers are dealt with in UK social policy. This involves an end to the “voucher” system of social security payments and the community-based “dispersal” housing policy, new arrangements for dealing with labour market shortages, and a number of other associated changes. These include a further crackdown on illegal immigrants, and provision of language and citizenship lessons to those allowed to become permanent residents.

Immigration policy has been a controversial issue since the 1960s, and since the 1990s concerns have been raised about the country’s increased influx of refugees and asylum seekers, many of whom it is argued are entering the UK under false pretences. Apart from recent events, such as attacks on asylum applicants and riots by applicants, current social security support and housing policies are viewed as stigmatising and inadequate. The agency charged with supervising the housing and social security needs of these immigrants (National Asylum Support Scheme, or NASS) is criticised as inefficient. Furthermore, the current system—in place since 1999—has not deterred people from seeking asylum in the United Kingdom, nor has it accelerated the processing of applications.

The new approach intends to speed up application processing to ensure either “fast track” removal or the smooth integration of ap-

plicants. Legal rights to bail hearings for those detained will be repealed. Furthermore, the current system of dispersing immigrants to community housing throughout the country and out of London and the South East (e.g., away from the port areas to reduce pressure on particular localities) is replaced by the use of specially built “accommodation centres” housing around 750 residents of similar “language clusters”. The much criticised social security vouchers (exchangeable only for goods in shops) are to be replaced by cash payments of 70 percent of Social Assistance rates. To prevent fraud, the standard acknowledgement letter is replaced by identity cards containing the bearer’s photo, fingerprints, as well as age and nationality data. The reform also extends the entry programme for highly-skilled immigrants as well as the temporary agricultural workers scheme. Applicants for citizenship would have to pass language tests, participate in citizenship ceremonies, and swear an oath of allegiance to the Queen, democratic values, and human rights. Finally, prison sentences for smuggling people into the country are to be raised to up to 14 years.

► It is widely agreed that some change is necessary and that the current policy with regard to vouchers, dispersal, and lack of access to legitimate employment has lost credibility. Also acknowledged is that a wide-ranging reform across all major fronts is necessary. However, some have argued that on the whole the reform is not a balanced effort for systemic improvement but rather intends primarily to deter applicants. Others have welcomed the positive features of a managed and integrated system but have criticised or raised concerns about particular issues. Specifically, they point out that the smart-card ID system might increase harassment by police and other agencies; the accommodation centres may tend to exclude people from the wider community; and the abolition of bail rights for those refused admission will increase the number of unjust deportations. Doubts have also been raised about whether NASS, based on its past record, will be able to implement the reforms in a humane and effective way. Experts say that aspects of the approach are welcomed but do not go far enough, particularly by not allowing all applicants to work while they are awaiting a decision. A second aspect is the need for the health and welfare needs of immigrants to be addressed as a

matter of “social inclusion”. They share the concerns of critics that the smart-card and accommodation centres may operate in ways that adversely affect the rights and welfare needs of applicants.

**Italy—**

Improving Financial  
Sustainability of Public  
Social Security

Innovation   \*\*  
Impact       \*\*\*  
Interest     \*\*\*\*\*

Italy intends to improve the financial sustainability of the public pension system by increasing the country’s actual retirement age and by stimulating the development of supplementary pension funds. The participation rate of older workers is currently very low and the already low ratio of active workers per retiree is projected to decline further. Supplementary pension funds are not common in Italy and financial resources invested in them are marginal.

The enabling act modifies the incentives to retire later which were first introduced by the Budget Law of 2001. Workers eligible for a seniority pension (currently those 57 years of age with 35 years of contribution, or with 37 years of contribution regardless of age) may postpone their retirement for at least two years and be exempt from social security contributions, thus increasing—for the additional working period—their income. Employers also benefit due to the reduction of total labour costs. Similar incentives are planned for those who decide to continue working even after becoming eligible for their retirement pension (age 65 for men and 60 for women).

Employee severance pay flows<sup>5</sup> will be used to support private supplementary pension funds. Furthermore, additional tax reductions will be implemented for contributions made to the supplementary pension system. To compensate companies for the loss of the severance pay fund as a financing source, labour cost reductions will be granted and credit arrangements improved.

► Opponents claim that the reform could generate very high costs without achieving its goals. Experts agree and point out that for supplementary pension funds to be successful, it is vital to introduce more competition between funds and to stimulate the use of severance pay.

5 Employers set aside 6.91 percent of each employee’s gross annual salary. This amount will be paid to the employee after he or she resigns or is dismissed from the company. Severance pay funds play an important role as an alternative financing source for companies.

The first major reform of the country's occupational pension system since 1985 is currently being debated in the first chamber of the Swiss Federal Parliament. Switzerland intends to ensure the system's long-run financial stability, increase the retirement age of women in order to match the first pillar's retirement age, and to ensure better coverage of part-time and temporary workers. Furthermore, multi-employer pension funds are to be better regulated and information policies towards the insured are to be improved. Once having been passed by both chambers of the Federal Parliament, and if no national referendum takes place, the proposed changes would go into effect at the beginning of 2003.

In Switzerland the retirement system's second pillar is a compulsory and fully-funded occupational pension scheme. In combination with the first pillar (which is an unfunded public scheme), it aims to provide retirees with an adequate standard of living (i. e., 70 percent of pre-retirement earnings). The occupational pension scheme is financed by wage deductions and compulsory employer contributions. Since it works on funding principles, asset returns play an important role in assuring its financial health. Although compulsory, only workers earning more than the so-called co-ordination deduction (equal to approximately 40 percent of average earnings, which in the year 2001 were set at € 17,000) are eligible to participate in this system. Coverage is estimated to be about 74 percent of the labour force. Thus, several groups of workers are not adequately covered by this scheme: part-time workers; foreigners; low-skilled labourers; and women.

The long-run financial consolidation is to be achieved by raising the retirement age for women from 62 (where it has been since 1985) to 65 (by 2009). This increase in the retirement age has also been proposed for the public (and unfunded) pension scheme (cf. Issue 5, pp.18–20). Furthermore, the pension conversion rate<sup>6</sup> is to be reduced from 7.2 percent to 6.65 percent by 2016. To maintain pension levels despite lowering the conversion rate, the contribution rates will be increased and pensions will be adjusted for inflation.

**Switzerland—**  
Occupational  
Pension Reform

Innovation   \*\*  
Impact       \*\*\*\*\*  
Interest     \*\*\*\*\*

6 In defined-benefit plans, the size of a pension depends on the total amount of one's pension savings, and on the applicable conversion rate.

The increase in the contribution rate will lead to a cost increase of approximately € 250–400 million (in 2003), which will be financed primarily by employees and their employers. A maximum contribution into the second pillar is to be introduced to prevent (legal) tax evasion via this pillar since these contributions are tax-free. New supplementary pension arrangements, such as the widower's pension and an extension of the existing disability insurance plan will be introduced. To improve the management and administration of pension funds, changing the affiliation contract with multi-employer plans will be facilitated and the disclosure policy will be improved to ensure better information for the insured. Finally, although not part of the government's proposal, a commission of the Federal Parliament wants to reduce the above-mentioned co-ordination deduction in order to improve the coverage of part-time and low-income workers.

► Critics and opponents regard the current financial health of many pension funds as being threatened and they believe that the reduction of the conversion rate from 7.20 percent to 6.65 percent should take place immediately. The increase of the contribution rates (from 11 to 18 percent for men aged 45, for example) has been strongly criticised by insurers. They also argue that the reduction of insured income for top incomes is against the constitutional right to build old-age savings within the occupational pension system in order to guarantee an accustomed standard of living. According to them, it would endanger the solidarity within the three-pillar concept because wealthier people also make substantially higher contributions into the first pillar of the system. Experts believe that this revision is absolutely necessary, especially the measures to improve the insurance coverage of part-time workers. These are important because many people think that they are contributing to pension funds when in fact they are not. Also, tighter regulation of the large multi-employer pension plans is needed as many organisational aspects of these pension institutions—usually organised by banks and insurance companies—are not well regulated (e.g., for the protection of insured persons as well as small firms). Generally, better co-ordination between the first and the second pillar is not only advantageous to the insured, it also alleviates certain administrative hurdles.

The “President’s Commission to Strengthen Social Security” presented a report on potential approaches to long-term pension system reform. If the proposals are adopted, pensions under the collective defined-benefit system would be replaced in part by the investment earnings of individual retirement accounts (IRAs). This represents a substantial change in the philosophy of providing public pensions to the U.S. labour force.

Social Security old-age pensions are currently financed out of a single collective fund financed equally from contributions by workers and their employers. Benefits are calculated on the basis of a worker’s highest 35 years of earnings. They are progressive, that is they provide more generous pensions relative to past wages for the lowest income workers. There is a general concern about Social Security’s fiscal sustainability. The assets currently owned by the Social Security system (held in a trust fund) plus the expected tax revenues and investment income of the fund over the next 50 years will probably be insufficient to pay for currently promised benefits. The Social Security system may not have enough revenues to pay for promised benefits beyond 2040. Furthermore, the ratio of covered workers to beneficiaries has been declining and currently is 3.4 workers for every beneficiary; it will continue to decline in the future. There are also disadvantages for minorities. This is because they have a lower average life expectancy than the white majority, with many dying before receiving benefits or before their survivors and dependants become eligible to receive benefits on the worker’s behalf.

In addition to the changes to the existing Social Security system, the reform proposal intends to establish a voluntary personal account option for people retiring after around 2005 in which they can invest between 2 and 4 percent of their taxable wages. This provides participants with more control over their retirement benefits with accounts they can own and pass on to others in the form of inheritance. Traditional Social Security benefits will be offset by the worker’s personal account contributions, compounded at an annual interest rate between 2 and 3.5 percent above inflation. Consequently, the combined benefits under the revised (smaller) defined-benefit plan and the new defined-contribution plan will rise while the annual Social Security cash deficit will fall. This contributes to the fiscal

**USA—**  
Strengthening  
Social Security

Innovation	*****
Impact	****
Interest	****

sustainability of the Social Security programme, although temporary transfers from the general budget will still be needed to keep the Social Security trust fund solvent through 2063.

The reform proposal is based on the following objectives: (1) Social Security benefits for retirees or near-retirees should not change; (2) the entire Social Security budget surplus must be dedicated exclusively to Social Security spending; (3) the government must not be allowed to invest Social Security funds in the stock market; (4) the reform must preserve Social Security's disability and survivor insurance components; and (5) the current contribution rate for Social Security must not increase above its current rate (12.4 percent of covered wages, paid half by workers and half by employers).

► Critics and opponents claim that establishing personal accounts will take away some of the tax dollars available to pay guaranteed benefits. This means that the system's current fiscal problems will only grow worse. They also claim that the proposed reforms will not fully solve the problems of the system's future fiscal insolvency, and hence future cut-backs in benefits will be necessary. These cuts should be introduced sooner rather than later so that both near-term and long-term recipients will equally bear the burden of these benefit cuts. Some opponents are sceptical that low-income workers will receive favourable treatment under the proposed plan. The existing system provides greater than average returns to low-income contributors, contrary to the claims of the Commission. This is possible because the existing system redistributes income from high-income to low-income workers. If money is taken out of this system and placed instead into defined-contribution accounts from which high-income workers typically obtain better returns than do those with lower incomes, it appears doubtful to many that the reform will improve the relative circumstances of the low-income workforce. Experts agree that public pension system reform is needed, and that it is desirable to carry out the reforms sooner rather than later. However, it would be much more sensible to preserve the existing system with modest benefit reductions and contribution increases, rather than subtracting from the current revenues flowing into the system. Individual investment accounts for retirement are a good idea and one in which over half of the active U.S. workforce already participates. It

is therefore desirable to boost the percentage of workers participating in defined-contribution pension plans. This can be done, however, through subsidies of private plans outside of the public Social Security plan, as well as with funds in addition to those already flowing into the Social Security funding pool. They contend that the Commission's objective of drastically scaling back guaranteed public pensions to make funds available for individual retirement accounts does not make financial sense.

### Changes and Results

The Strategic Pension Council (*Conseil d'orientation des retraites*, or COR) created by the government in 2001 (cf. Issue 3, p.27) published its first report on the long-term prospects of the French pension system (cf. Issue 1, p.22; Issue 4, p.20). It gives an overview of financial projections and presents different reform scenarios. Taking as a central scenario a return to full employment in 2010, the report updates previous projections that were published in 1999 by the Planning Agency in its "Rapport Charpin". In 2040, given economic and demographic projections, the deficit of the country's pension schemes will range between 4 and 6.5 percent of GDP (depending on whether pensions are indexed on prices or on wages). The COR argues that this gap can be filled but suggests that other methods beyond simply adjusting parameters of the system should be used (such as the duration of the contribution necessary to have a full pension, the mode of indexing, or the calculation of the pension itself). In the central scenario, with the replacement rate of pensions projected to decrease from 78 percent today to 64 percent in 2040, and without new legislation, two options are left: either increase resources; or increase the average age of retirement (which is 58 today). If only the latter factor of retirement age were adjusted it would be necessary to raise it to 65 in 2040. On the other side, if the only option would be to find new funding sources, it would be necessary to increase the contribution rate by 4 percentage points in 2020 and by 9 percentage points in 2040.

The COR recommends increasing the participation rate of work-

**France—**  
Retirement Allowance  
Recommended

ers above the age of 55, mainly through increasing the incentives to delay retirement. The COR underlines, however, that no consensus has emerged concerning an increase in the legal age of retirement or an increase of the time-period for contributions necessary for full pension eligibility. Finally, the COR suggests standardising the contribution periods between public pension systems (37.5 years) and those managed privately (40 years). This should be accompanied by system improvements, such as more dynamic management and a new calculation method in the public scheme that would take bonuses into account.

► This report presents a precise and up-to-date description of trends affecting pension schemes in the long run. It does not, however, provide a single solution to their problems. What it does do is indicate areas of consensus and disagreement. It also highlights important issues, such as the costs of non-reform, and it lays out a clear case for the increase of participation rates of older workers. Moreover, it suggests increasing individual choice (with a more progressive retirement age structure), and making public and private pensions schemes more comparable.

### State Welfare and Social Assistance

Only one reform can be reported in this policy field. Several US states have started to provide housing assistance in the form of rent subsidies and home-ownership grants in order to meet the demand for housing among low-income families. Details of the reform are available on the project website *www.reformmonitor.org*.

**USA—**  
Housing Assistance  
for Needy Families

As of December 2001, nine states and three counties<sup>7</sup> are providing housing assistance in the form of subsidised rent and home-ownership grants and loans in order to meet the demand for housing among low-income families who have moved themselves out of wel-

<sup>7</sup> States: Connecticut; Kentucky; Maryland; Michigan; Minnesota; New Jersey; North Carolina; Pennsylvania; and Virginia. Counties: Denver (Colorado); San Mateo (California); and Los Angeles (California).

fare by taking jobs. This housing assistance<sup>8</sup> should help low-income families become more stable and self-sufficient, smooth the transition to work, reduce homelessness, and facilitate home-ownership among these families.

Innovation \*\*  
 Impact \*\*  
 Interest \*

The U.S. Department of Health and Human Services (HHS) oversees the administration of “Temporary Assistance for Needy Families” (TANF), a federal and state programme that provides cash public assistance benefits to indigent children and their parents. HHS is responsible for defining what types of assistance affect a family’s ability to receive up to 60 months of TANF benefits (the federally allowed maximum). Under HHS guidelines, a loan or grant for the purpose of purchasing a home does not affect a family’s 60 months of TANF eligibility since the loan or grant is a one-time payment. This makes housing grants an attractive way to help indigent families without endangering their continued eligibility for TANF cash assistance payments. With respect to rental subsidies, if the subsidy is funded by federal TANF funds, HHS guidelines allow a family to receive a rental subsidy for up to four months without affecting its 60 months of eligibility. However, if a state uses state “maintenance of effort” (MOE) funds<sup>9</sup> instead of federal TANF funds, a family’s 60 months of TANF eligibility are not affected at all. This is the case regardless of how long eligible families receive the subsidy.

States recognise that more families need housing assistance than can be served by federal housing programmes. For example, some families who have left welfare because of employment may still need help in paying for housing. Other needy families are homeless because they have debt and credit problems that make it difficult for them to own or rent a home. By meeting some of this excess demand

8 Housing assistance—either in the form of subsidised low-rent apartments in public housing projects or housing vouchers that can be redeemed as rent subsidies for privately-owned apartments—is not an entitlement in the U.S. Only about one-quarter to one-third of families eligible for housing subsidies receive them, and there are long waiting lists in many communities for access to public housing or housing vouchers.

9 “Maintenance of effort” refers to a provision in the 1996 federal law establishing the TANF programme requiring states to continue spending at least as much on TANF as they previously spent on the public assistance programme that preceded it. States which spend less than this minimum amount can lose part of the federal payment for TANF that is otherwise available to the state.

for housing assistance, state and local governments can smooth the transition from welfare to work and make housing more affordable for low-income families. The size of the rental subsidy varies among states and counties. For example, Denver's subsidy equals the difference between the family's rent and 30 percent of its adjusted gross income. Virginia's subsidy is more liberal, being equal to the full rent payment excluding any utility expenses. The length of the rental subsidy also differs among states and counties. Virginia allows all families to receive the subsidy for up to nine months, whereas Minnesota places no time limit on the subsidy for families who are TANF recipients. In general, home-ownership assistance loans and grants are considered a one-time payment. Michigan, for example, provides a € 11,000 down payment to purchase a home, and a maximum of € 5,500 to help a family keep its home.

► Opponents of this reform argue against the earmarking of assistance to low-income families in a particular form, in this case as a down-payment or rent. They argue that low-income families would be better off if they were given more flexibility in using the public assistance payments given to them.

### **Family Issues**

Australia has introduced a tax refund for new parents whose income falls when they stop working in order to care for their first child, while Japan's reform introduces child-care allowances for single mothers. France intends to strengthen the father's role after birth by extending paternity leave, and the Netherlands has introduced a more comprehensive reform with the new Work and Care Act. It combines new and existing parental leave arrangements into one law to provide employers and employees with more clarity about their rights and obligations.

Changes and results can be reported from the United Kingdom where Labour's "family-friendly" employment election manifesto led to the establishment of a "Work and Parents Taskforce". The taskforce has issued a report with recommendations for more flexible arrangements to combine work with parenthood, such as the right of

parents to request flexible work hours. The USA reports positive results from the state of Vermont where the so-called “civil union” extends the same legal rights and responsibilities of married couples to homosexual partners. Details of the reforms are available on the project website [www.reformmonitor.org](http://www.reformmonitor.org).

The Australian government has introduced the “First Child Tax Refund”, or “Baby Bonus”: an additional payment<sup>10</sup> designed to assist new parents whose income falls when they stop working in order to care for their first child. People with a new child who choose to remain home will get up to one-fifth of their previous year’s income tax payments refunded for each child up to age five.

The tax which can be claimed back is the tax payable from personal earnings (excluding investment income) in the year of, or the year prior to, the birth of the child. There is a maximum and minimum annual tax refund payment to ensure a degree of equity between those with high and low incomes. The maximum annual refund is € 1,500 (to apply to parents with incomes in the past year of € 31,500 or greater); the minimum annual refund is € 300. The “First Child Tax Refund” is to be available beginning on 1 July 2002 for five years, and will apply to a family’s first child born on or after 1 July 2001. The total cost of the reform is forecast to be € 300 million, with approximately 900,000 families expected to benefit from the reform.

Some opponents claim that the reform will only apply to 20 percent of families. Others criticise that the reform unfairly penalises working mothers who are not eligible for payments under the scheme. Furthermore, the “Baby Bonus” is not means-tested and is based on previous income. It therefore pays more to the more affluent parts of the country’s population, and less to those families

**Australia—**

First Child Tax Refund

Innovation	***
Impact	*
Interest	*****

10 Australia has two parts to its family support system: the “Family Tax Benefit” and the “Childcare Benefit”. The “Family Tax Benefit” itself is composed of two parts: the “Family Tax Benefit A”, which is means-tested with the level of benefit dependent on the number and age of dependants, and the “Family Tax Benefit B”, which targets assistance to single-income families and is also means-tested with the benefit amount dependent on the age of the youngest child. The “Childcare Benefit” is largely paid as a subsidy to child-care centres on behalf of claiming parents, and is also means-tested.

which are already less well-off. Experts support the general intention of the scheme because families with young children already bear too large a share of the cost of rearing the nation's next generation. However, they point to the fact that the existing "Family Tax Benefit B" already targets single-income families. Furthermore, they argue that the plan is not well designed for encouraging more women to stay at home above and beyond those who are already intending to do so any way.

**Netherlands—**  
Work and Care Act

Innovation   \*\*\*  
Impact       \*\*\*  
Interest     \*\*\*\*\*

The Netherlands has introduced new arrangements to facilitate the combination of work with family care responsibilities. The Work and Care Act combines existing and new leave arrangements into one law to provide employers and employees with more clarity about their rights and obligations. Most notably women are provided with more options to permanently participate in the labour market.

The Netherlands is a country with a comparatively high female participation rate in the labour market. However, a substantial part of this is in the form of part-time employment as a result of quite favourable conditions for it. The specific arrangements offered to enable the day-to-day combination of work and family care have not, however, sufficiently satisfied the wishes and needs of the country's population. In many cases it was more attractive for employees (most notably women) to seek (early) retirement instead of staying in the labour market. For example, in the case of pregnancy and childbirth, women often opted to exit the labour force instead of adapting their working hours. In the last few years there has been substantial attention paid to new forms of daily routines. A "Daily Routine" commission was set up by the Ministry of Social Affairs and has been conducting a number of experiments with new ways to combine work with family care responsibilities. Furthermore, the labour market has been tight for several years, calling for increased participation rates of women. Similarly, the costly social security system requires higher participation rates of all members of Dutch society.

The new Work and Care Act also entails a change to the existing maternity leave arrangement. Pregnant women have the right to at least 16 weeks of maternity leave, of which at least ten weeks must be taken after the birth of the child. In case the child is born after the

predicted date, this means the total duration of the maternity leave can be over 16 weeks. After maternity leave the mother is eligible for a parental leave period of up to thirteen times her average weekly working hours. This time can be taken during a maximum of three separate periods of at least one month until the child is 8 years old. The employer may challenge the split up of the leave in cases where it is severely detrimental to company interests. This parental leave arrangement is available to both parents. The arrangement is generally unpaid, though collective agreements may contain additional compensation provisions. In certain cases a person may apply for state-funded benefits. Moreover, the employer is offered a reduction of wage taxes and social insurance payments if he pays 70 percent or more of the employee's last earned wage. Finally, a leave period is available for cases of career interruption. This arrangement is basically unpaid but a government benefit may be applied for. In most cases the employer is obliged to hire replacement staff for the leave period of the employee. This replacement worker is required to be either a welfare benefit recipient, a person being re-integrated into the labour market, or a person with a disability. Further requirements entail the obligation for the employee to use the arrangement only in order to carry out family care responsibilities or to pursue educational studies.

A new element in the Act is the right of adoptive parents to four weeks of adoption leave. This is intended to enable both parents to establish a bond with the adopted child. Foster parents have the exact same right provided that the child will be permanently taken in by the family and will live at the same address as the foster parents.

Another new item offered is the so-called "Short-Term Care Leave", which is a more general arrangement for people with a sick (foster) child, a sick partner, or a sick parent. This short-term leave arrangement has a maximum duration of ten days during which the employee has the right to continued pay of 70 percent of normal wages. Again, this right is also granted to foster parents. The employer may challenge the exercise of this leave arrangement in cases where it gravely conflicts with legitimate company interests.

Also new in the Work and Care Act is a leave arrangement in case of a personal emergency. This arrangement provides employees with

the right to paid leave in case of exceptional personal circumstances, such as acute sickness of a child or parent, or the death of a family member. It is also applicable in cases when an employee is compelled to stay home or go home, such as for appointments with workmen doing emergency repairs. The duration of this leave arrangement is limited to only a few hours to up to several days. The employer generally must bear responsibility for paying the employee's full wages during the leave period. If the circumstances also qualify for the care leave arrangement mentioned above, the personal emergency leave ceases after a day and the care leave arrangement comes into effect. In addition to the more general personal emergency leave arrangement, a specific arrangement exists for the father of a newborn child to take two days of paid leave to care for his child and/or partner.

► Most people generally agree with the proposed changes, and the question of whether the Act should be implemented at all was never even raised. The parliamentary debate has hence focused only on details of the proposed legislation. Experts state that the new comprehensive law makes more leave arrangements available to employees, and clearly outlines all these available opportunities. However, they point out some potential problems, such as whether employers will actually find replacements with similar qualities and qualifications in the currently tight labour market. They also believe that legal measures are not the best means of promoting equal opportunities for men and women. The new law entails, among other things, a specific two-day leave arrangement for fathers of new-born children, and a general (usually unpaid) parental leave arrangement for both parents. Whether this will actually influence the existing gender bias in the distribution of paid and unpaid labour is doubtful. The specific leave period is only two days, which will not be effective in inducing a major shift in the distribution of care duties among men and women. In addition, it appears that the average wages of men are still higher than those of women. This means that additional parental leave will in most cases be taken up by the mother since the loss of family income will most likely be lower in this case. Granting men the same parental leave rights may lead to slightly increased equality in this respect but, as empirical evidence indicates, the continued

wage gap between men and women makes it economically more advantageous for families to let the mother stay home while the father continues to work.

In January 2002 France extended paternity leave at the birth of a child from 3 to 14 days (and to 21 days in the case of a multiple birth). This leave must be taken within the first four months following birth. The compensation is equivalent to the employee's net wage but cannot exceed the net social security ceiling (€ 1,858 per month). Employers may compensate for wages above the ceiling.

► The new paternity leave option is intended to support the presence of fathers with their new-born children. Some have argued, however, that as in Sweden (with the so-called "daddy days": cf. Issue 4, p. 32), this allowance will be not find wide usage.

To promote the self-sufficiency of single-mother households, Japan intends to introduce a "workfare" concept into its welfare system in August 2002 in the form of a "Child-Care Allowance" (*Jido Fuyo Teate*). The number of single-mother households in Japan is rather small compared to other OECD countries. As the number of divorces has rapidly increased in recent years, however, so too has the number of single-mother households. Most single mothers work (85 percent), but an increasing number of them (currently 38 percent) work only part-time. Their average annual income stands at € 20,000 (half of what single-father households earn), and in 1999 some 664,400 single mothers received the "Child Care Allowance". This allowance is monthly income assistance to single-mother households which are below a certain income threshold. The amount of the assistance payment depends on income, but it comes in only two categories: either full or partial assistance. To receive full assistance (€ 363 per month), the household's annual income must be below € 17,500 for a family of two (mother and one child). To receive partial assistance (€ 243 per month), the household's annual income must be below € 25,700. The reform removes the partial assistance threshold and introduces a new concept whereby the allowance will be levelled off near the income threshold so that the marginal income from work will be reduced.

**France—**

Paternity Leave  
Extended

Innovation \*\*\*\*\*  
Impact \*\*\*\*\*  
Interest \*\*\*

**Japan—**

Child-Care Allowances  
for Single Mothers

Innovation \*\*\*\*\*  
Impact \*\*\*\*\*  
Interest \*

The driving force behind the reform is the Ministry of Health, Labour and Welfare. While the number of single-mother households is indeed increasing, this group has not yet become a financial burden to the government. The issue of “welfare dependency” of single mothers has also not attracted a great deal public attention in Japan.

◉ Single mother advocates strongly oppose the plan because of how the proposed levelling off at the upper income ceiling effectively reduces the benefit amount of those close to the eligibility threshold. They claim that single-mother households are barely able to survive as it is with the wages they receive plus the current allowance. They therefore argue that any further reduction of the allowance would be extremely detrimental to these households. Experts support the general concept of levelling off the assistance towards the high end of the income threshold. However, the current level of the allowance is not enough to sustain an average standard of living for these households, and therefore most single mothers must work. The fact that many of them work only part-time is not because they fear losing the allowance but because they are forced to do so in order to take care of their children.

### Changes and Results

**United Kingdom—**  
New Family-Friendly  
Legislation Based on  
Taskforce Report

As reported elsewhere (cf. Issue 2, p.24; Issue 5, p.50), the Labour government has been caught between a commitment to “family-friendly” employment policies strongly backed by important sections of its own party and shown by opinion polls to be popular with the electorate, and its concern to prove itself “business-friendly” when British employer organisations resist greater employee rights. In its election manifesto the Labour party reaffirmed its support for more flexible arrangements to combine work with parenthood. In response to pressures from business interests, however, it has held back from promising a statutory right for parents to work reduced hours. Following the election in June 2001, the government proposed that parents should acquire the right to request flexible hours and that such requests should be “considered seriously” by the employer. To

advise on detailed arrangements it established a “Work and Parents Taskforce” which includes employer and union representatives.

The taskforce issued its report entitled “About Time: Flexible Working” on 20 November 2001. Its unanimous recommendation was that parents of children aged up to six years should be entitled to request specific changes in their working patterns. The employer must discuss the request and if unable or unwilling to make the proposed changes, would then be called upon to consider alternatives. An employer should be entitled to reject a request only on specific business grounds, and there should be an internal appeal procedure and provision for external mediation or arbitration where feasible. Complaints to an Employment Tribunal would be permitted only in cases where an employer has failed to follow the recommended procedures. Provisions to give the recommendations legal force were added to the Employment Bill currently before Parliament.

Both labour unions and employer organisations have welcomed the report as an acceptable compromise between the interests of working parents and those of employers. The report, and the legislation to be based on it, attempt to establish the difficult balance between legal prescription and flexibility. It remains to be seen to what extent workers make use of the new procedures and how far employers will be prepared to accommodate requests for flexible work hours.

Results can be reported from the U.S. state of Vermont regarding the Vermont Civil Union Act (cf. Issue 3, p.35). The Act extends the same legal rights and responsibilities of married couples to homosexual partners. Instead of legalising gay marriages, the legislature created a parallel institution called the “civil union”. The parties to a civil union are legally considered “next of kin” in Vermont, and thus entitled to the inheritance rights, family leave benefits, hospital visitation, and other privileges normally granted to married spouses. The legislation, however, does not affect federal laws, including the definition of marriage partners under Social Security or the federal income tax code. Private businesses in Vermont which extend health benefits and family leave to spouses will be required to offer these same benefits for same-sex civil unions.

**USA—**  
 Vermont Civil Union Act  
 a Success

According to the report of the Vermont Civil Union Commission from January 2002, the implementation of the civil union law has had a minimal impact on the operations of the Vermont state government. The Commission concluded that the implementation of the law by the state government has been “efficient and successful” with negligible impacts on proceedings in state courts, or on those in other states.

## 2 Labour Market Policy

As with previous reform monitor issues, labour market reforms cover a wide range of subjects. To improve its international competitiveness, Canada has released a public discussion paper for a new skills and learning strategy. Its aim is to promote the skills, knowledge, and education needed for its citizens to prevail in the global economy. Switzerland is moving in the same direction with its currently discussed new unified framework for vocational education and training.

Italy has followed the other EU countries and implemented the EU directive on fixed-term employment. The United Kingdom adopted the EU employment and race directive, covering—for the first time in UK history—sexual orientation, religion, and age.

Australian trade unions proposed a new regulation prohibiting employers from requiring their employees to work “unreasonable” hours. Austria has started to implement a new organisational structure for the regional offices of its federal job-placement agency. France has introduced a work-related tax allowance for low-income households to increase net wages for this group without increasing labour costs. Finally, Canada has made the first major legislative change to its immigration policy in more than 25 years.

Spain reports that the immediate “counter-reform” to its earlier immigration policy reform fails to curb illegal entry. Other changes and results can be reported from France where the working-time

reduction reform is slightly modified to take the interests of small companies into consideration. Denmark reports on its successful early retirement reform, and Germany reports the implementation of its “Job-Aktiv” Law and the extension of the pilot project for low-skilled workers. Details of the reforms are available on the project website [www.reformmonitor.org](http://www.reformmonitor.org).

**Australia—**

Reasonable Working  
Hours Regulation

Innovation   \*\*\*  
Impact       \*\*\*  
Interest     \*\*\*\*\*

The Australian Council of Trade Unions (ACTU) proposed a new regulation prohibiting employers from requiring their employees to work “unreasonable” hours. “Unreasonable” is a general and somewhat flexible term and is determined by several factors, including working conditions, hours worked over extended periods, hours worked during intense bursts, and impacts on employees’ family and community life. The proposal is currently under consideration by the Australian Industrial Relations Commission<sup>11</sup>.

The number of Australians working more than 48 hours per week has grown over the past decade. The Australian Bureau of Statistics estimates that 1.8 million people, or 31 percent of the labour force, work this many hours per week or more. More than half of these are non-managerial wage and salary earners. Many have linked this rise in working hours to social problems including: (1) the declining quality of working life; (2) increased stress, fatigue and isolation, giving rise to adverse health consequences; (3) a general deterioration in the quality of life outside work as a result of both the encroachment of work on family, community, and social life, and a decrease in common leisure time; and (4) an effective pay-cut as a result of the increasing discrepancies between hours worked and those actually remunerated.

The reform would establish for the first time in Australia a regulatory regime for dealing with unreasonable working hours. It would consist of a clause concerning excessive working hours inserted into the employment regulations (“awards”)<sup>12</sup> pertaining to all unionised

11 The Industrial Relations Commission facilitates agreements between employers and employees (or their organisations) about wages and conditions of employment.

12 “Awards” are sets of regulations applying to specific categories of employment which govern working conditions in unionised workplaces. Changes in these awards often become the de facto standard for non-unionised workplaces as well.

workplaces which specify the responsibilities of employers and the rights of workers. The clause is multifaceted and addresses many aspects of the problem. This open-ended approach is designed to allow for variations in terms and conditions of employment in different industries and workplaces. Specific industry unions, such as in the education and electrical trades sectors, have established bans on employers demanding excessive working hours. However, there has been no general policy on this issue to date.

► Employer organisations, such as the Australian Industry Group and the Australian Chamber of Commerce, argue that the imprecision of the “unreasonable” standard in the proposed clause makes it unworkable. They maintain instead that an industry-by-industry approach would be more appropriate. Research sponsored by industry-funded research groups focusing on five sectors—manufacturing, construction, temporary labour hire, call centres, and information technology—indicates that the reform will impose substantial extra costs on employers, and therefore may represent a disincentive to hiring. This study also claims that it would lower average incomes and increase the number of part-time employees. Experts point out that there is some evidence that it is employee preferences for greater income rather than employer directives which are driving the growth in the number of people working excessively long hours. A study based on labour force survey data even indicates a high degree of employee satisfaction with the number of hours worked. Furthermore, the increase in the proportion of Australians working long hours was largely confined to the period 1983 to 1994. Since then there have been only small fluctuations. The survey data show that the number of people working long hours and not being compensated with over-time payments has been gradually shrinking in recent years. Attempts to interfere with such preferences through regulation will thus, in most instances, either lead to workers feeling worse off, or fail to have any affect on worker behaviour.

Austria has started with the implementation of a new organisational model for the regional offices of its federal job-placement agency, “Labour Market Services” (AMS). The new system is to be based on a segmentation of its clientele allowing it to be better able to serve

**Austria—**  
Organisational Reform  
of Labour Market  
Services

Innovation \*\*  
Impact \*\*\*  
Interest \*\*

their needs and requirements. Ultimately, the new model should improve the effectiveness of the AMS advisory services and the placement into the various active labour market programmes. The implementation should be completed by the end of 2003.

Unemployment in Austria is low by international standards. However, the unemployment rate increased from 5 percent in 1989 to 7.2 percent in 1998, with significant regional variations. The AMS is the main actor with respect to job placement in Austria. It has a central headquarters, nine offices at the *Länder* level, and 96 regional offices with 14 attached auxiliary bureaus. The share of private job placement firms, on the other hand, is rather small in Austria. A management consulting firm was asked to analyse the organisation of tasks and activities in the advisory and placement services of the AMS. One conclusion of this analysis was the need for improvement and change in the organisational structure of the regional offices.

The new organisational model has been developed to improve the efficiency of the contact between employment service staff and job-seekers at the AMS regional offices. Its users have been divided into four sub-groups based on their needs for: information; service; support; and integration. Criteria for these groups also include the complexity of their problems and the time dimension involved (e.g., amount of time out of work or seeking employment). This classification scheme, the consideration of customer flows, and the assessment of client needs all finally led to the AMS' new organisation. It is based on a division into groups of services offered in three "zones": an "information zone", a "service zone", and an "advisory zone". Furthermore, it was found that many job-seekers need a "basic service package" consisting of information, job placement, and financial support. The "service zone" is now the primary place where this user group is supported with this set of services. Combining job placement and financial support for this group at one location, in both spatial and organisational terms, represents a major change.

► Experts believe that the new organisational model will improve the efficiency of the AMS with respect to meeting the user needs. However, they do not expect the reform to have a strong influence on the country's general labour market situation.

The Canadian government has begun to lay the groundwork for a new skills and learning strategy by releasing a public discussion paper in February 2002 entitled “Knowledge Matters: Skills and Learning for Canadians”. The discussion paper seeks to help develop national goals for such a strategy and to map out major policy areas and challenges. It intends to do this by using a multi-partner approach that will include various levels of government, labour, employers, educational institutions, social groups, and individual workers.

The Canadian government seeks to promote the skills, knowledge, and education needed for its citizens to prevail in the increasingly competitive global economy. Canada already faces serious skill shortages in certain occupations (e.g., construction, nursing, engineering, and management) that will be exacerbated by demographic pressures and social and economic problems (e.g., poor labour force prospects for lower-income and less-skilled workers, persons with disabilities, and aboriginal Canadians). Canada has always been and will remain heavily dependent on immigration to meet its labour force requirements, with immigration accounting for all net labour force growth by 2011. At the same time, however, the labour market prospects for immigrants are poor today and getting worse. Canada’s capacity to encourage and support life-long learning is severely lacking in several areas, including early childhood development, education, and family support services. A significant minority (12 percent) of students fail to graduate high school each year (41 percent of aboriginal Canadians), and 25 percent lack functional literacy skills needed to participate fully in the “knowledge economy”. The country’s university participation rate remains highly income-related, apprenticeships are an underdeveloped element of post-secondary education, and more than 40 percent of working-age Canadians lack basic literacy skills.

The initial phase of the discussion is intended to lay the groundwork for reform and engage key actors (governmental and non-governmental) in partnerships in the various aspects of a skills and learning strategy. The report discusses federal government programmes and activities, and lists a range of current and potential measures to be taken on the parts of all actors. This document is not intended to make either general or specific recommendations for

**Canada—**  
Skills and Learning  
Strategy

Innovation   \*\*\*\*\*  
Impact       \*\*\*\*\*  
Interest      \*\*\*\*\*

reform, but rather to launch the process by setting out four key national goals with their respective measurable milestones: (1) give children and youth the best possible start in life—milestones: Canada becomes one of the top three countries in math, science, and reading achievement; all young Canadians are computer and internet literate by the time they graduate from primary school; all high school graduates achieve a level of literacy sufficient to participate in the knowledge-based economy; and the proportion of high school students with a working knowledge of both official languages (French and English) doubles; (2) all qualified Canadians have access to high-quality post-secondary education—milestones: all high school graduates have the opportunity to participate in some form of post-secondary education; 50 percent of those aged 25–64 have a post-secondary credential; the number of apprentices completing certification programmes doubles; and the admission of Masters and PhD students at Canadian universities increases by an average of 5 percent per year; (3) ensure Canada’s current and emerging workforce is more highly-skilled and adaptable—milestones: the number of adult learners increases by a million women and men throughout all segments of society within five years; businesses increase their annual investment in training per employee by one-third within five years; and the number of adults with low literacy skills is reduced by 25 percent over the next decade; (4) ensure that Canada continues to attract the highly-skilled immigrants it needs and then helps them achieve their full potential in Canadian society and the labour market—milestones: by 2010, 65 percent (up from 58 percent in 2000) of adult immigrants have a post-secondary education; and the income gap between immigrants in the workforce and Canadian-born workers with comparable skills and education is reduced by 50 percent.

► Although it is too early to judge the reform, experts believe that it is an important step in the right direction in a crucial area of public policy. Success will depend on the ability to translate the generalities into action, and on federal leadership—an area where the present federal government lacks capacity. They also point out that the emphasis on “partnerships” is a two-edged sword: it could be an excuse for inaction, and on the other hand too much energy might have to be spent on maintaining the partnerships.

The first major legislative change to the Immigration and Refugee Protection Act since 1976 will come into force in June 2002. Its objectives are maintaining Canada's humanitarian tradition of providing a safe haven to people in need of protection; strengthening the integrity of the refugee determination system; speeding up family re-unifications; and expanding the admission into Canada of needed skilled workers.

Canada is a nation of immigrants and currently admits around 250,000 of them a year. This represents nearly one percent of the population, the highest rate of immigration in the developed world. Because of the low and declining rate of natural population increase in Canada, immigrants are expected to account for all the country's net labour force growth by 2011 and all its net population growth by 2031. Immigrants are encouraged to integrate into Canadian society quickly, with citizenship possible after only three years of legal residency. Nevertheless, immigration is a very political issue in Canada, with the refugee status issue receiving extensive coverage in the media. In 2000 the unemployment rate dropped to 6.8 percent in Canada, the lowest level in 25 years. The tight labour market has produced skill shortages, while their extent and permanency have been a matter of debate. Immigration of both temporary workers and permanent residents has been viewed as a means of relieving these shortages. A key background fact that underlies the immigration debate is that immigrants to Canada in the first half of the 1990s have been economically much less successful than earlier groups. Their weak economic and labour market performance appears to have been due to both their lower average skill levels, as well as to the generally less favourable economic climate of that period. According to the federal government, Canada's approach to recruiting foreign qualified workers was conceived in a different era and requires updating and modification to better suit current needs. In particular, immigration policy must acknowledge that the international market for highly-skilled workers is becoming increasingly competitive. Consequently, Canada must shift from a passive to a proactive approach in aggressively marketing Canada as a destination of choice for highly-skilled immigrants.

The key areas of the bill relevant to the labour market are in

**Canada—**

Immigration Policy  
Reform

Innovation	*****
Impact	*****
Interest	*****

modernising the selection system<sup>13</sup> for skilled workers and expanding the temporary worker programme. This will be done by moving away from an occupation-based model of selection to one focused on flexible and transferable skills; by assigning more weight to education as a selection criteria; by increasing the relative weight of having knowledge of one of the official languages; and by creating an “in-Canada landing class” for temporary workers (including recent graduates from Canadian schools) who have a permanent job offer and who have already been working in Canada. In terms of the second area of expanding the temporary worker programme, the bill facilitates the entry of temporary workers through a more service-oriented approach. It does this by pursuing agreements with individual sectors or firms to identify and meet short-term labour market needs, while respecting the terms of applicable federal and provincial agreements.

► Some observers argue that while the bill focuses attention on attracting the best and brightest, in reality priority continues to go to family-class sponsorships. This is occurring even though this group has been responsible for the fall in the average economic performance of immigrants in the 1990s. With the tougher standards for skilled immigrants and the expansion of the family-class immigrant group, it is argued that the imbalance between well and poorly qualified immigrants will increase. Some argue that the credentials of many highly educated immigrants are currently not recognised in Canada, with these persons consequently ending up in jobs for which they are overqualified. With the increased focus on education, some fear this situation will worsen. Some critics, such as the Canadian Chamber of Commerce (CCC), point out that the bill does not address a number of current weaknesses in Canada’s immigration system such as unacceptably long processing times and a backlog of some 400,000 applicants. A more fundamental criticism of Canada’s

13 Under the existing point system, economic immigrants are selected according to a grid in which points are awarded based on age, education, occupation (with more points awarded for occupations where shortages exist), training related to that occupation, a job offer in Canada, work experience, language skills in English and French, and family connections in Canada. The pass mark is 70 points out of a possible 110. The new point grid, on the other hand, no longer gives points for a specific occupation, and it puts more emphasis on the other criteria. It has also raised the pass mark to 80 out of 100 points.

immigration policy is that in the context of looming skill shortages, the country's first priority should be to focus on the full utilisation of its native-born human resources through education and training programmes, instead of relying on additional immigration. Experts argue that immigration policy is always a balancing act between a variety of interests, including those of workers who may be hurt by new immigrants, employers needing to fill labour shortages they cannot fill domestically, and immigrants who want to be reunited with their families. The new bill is quite successful in maintaining this balance as it does not unduly favour the interests of a single group, while continuing Canada's tradition of a liberal immigration policy. Other experts believe that the increased emphasis on education credentials in the immigrant selection process is justified because persons with high levels of education tend to be more adaptable, a desirable trait for a dynamic society. Canada must, however, deal with the serious problem of the inadequate recognition of foreign credentials.

The high number of low-skilled unemployed in France requires that any increase in the cost of low-skilled labour relative to the average cost of labour should be avoided. But any increase in the level of net wages without raising labour costs calls for the introduction of higher regressive levels of social insurance and tax contributions. Consequently, a work-related tax allowance (*prime pour l'emploi*, PPE) was introduced in September 2001. The PPE is administered by the Inland Revenue Administration and takes the form of an income tax deduction, or is paid out directly by the government treasury. It is intended that the PPE will be increased over three years in three equal increments.

The PPE allowance is paid to any working person with its value determined on the basis of income level and a set of eligibility criteria: at least one person in the household must be a wage-earner; and the annual income must be above 30 percent and below 140 percent of a full-time job equivalent (35 hours a week) paid at the minimum rate per hour (the 2002 gross minimum hourly wage in France is € 6.67). Part-time jobs and cases where employment starts during the course of a year are taken into account, and the total

<b>France—</b>	
Employment Allowance for Low-Income Households	
Innovation	*****
Impact	****
Interest	****

taxable income of the household must not exceed a certain amount depending on its size. The employment allowance equals a 6.56 percent reduction in social insurance and tax contributions for incomes between 30 and 100 percent of the minimum wage.

🕒 The PPE allowance is intended to increase the net wage rate without increasing labour costs, with its level increasing for full-time employment paid at a rate close to the minimum wage. However, the calculation of the allowance differs in that it is mainly done in reference to individual earnings even if the situation of the family is also taken into account. Other allowances in France are calculated on the basis of total family income. The PPE does not attempt to offset insufficient income due to the low number of hours worked over the year. The eligibility criterion of at least 30 percent of the annual average minimum income is intended to promote job-search activity while discouraging minimal hour part-time work.

### Italy—

Fixed-Term Contract  
Directive Implemented

Innovation   \*\*\*  
Impact       \*\*\*\*  
Interest     \*\*\*

Italy has implemented the EU directive on fixed-term employment in September 2001 to improve fixed-term job relationships, and to continue the liberalisation of its labour market. The new law defines the conditions under which companies may employ workers on a fixed-term contract basis, specifies the employee's statutory rights, and outlines the sanctioning system for non-compliance.

In Italy nearly 7 percent of all employment relations are based on fixed-term contracts. The Italian labour market is also characterised by a relatively high level of protection for those already employed, and by high unemployment among its youth. In the past regulation the fixed-term contract was considered as an exception to the general principle of the country's labour law because the normal contract in Italy was open-ended (i.e., permanent). Since 1987 fixed-term contracts were permitted in specific cases established by law and through collective bargaining. One of the most important policy targets is to increase employment levels, particularly among Italy's youth and in its services sector. An equally important policy target is to reduce the relative importance of the country's "underground" economy. Flexible labour contracts (and less strict regulations) are considered to be incentives for unemployed determined to enter the labour force and for informal sector firms to legalise their activities.

The main aspects of the EU directive calling for more detailed regulation to prevent abuses and discrimination are being implemented. A company may hire workers with a fixed-term contract only for technical or production-related reasons, or in response to organisational requirements. The non-discrimination principle gives the fixed-term employee the same rights that employees with open-ended contracts enjoy (e.g., regarding hourly pay, working hours, holidays, and vocational training). Collective bargaining defines the maximum percentage of fixed-term workers (of total company employees) that a company may hire. Consequently, this limit may differ between sectors, and there is no limit in the permitted contract duration. The extension of a contract for a new period is permitted once, and only if the previous contract was less than three years in duration.

► The reform should be regarded as a step towards a more flexible labour market in Italy. However, the law leaves room for interpretation regarding the exact circumstances under which fixed-term contracts may be used. This could prove to be a major obstacle to the use of this type of contract.

A new unified framework for vocational training and education is currently being discussed in Switzerland. It sets out to provide a flexible system for enabling vocational training and education (“VET”) programmes to adapt to the challenges of today’s “information age”. Vocational education and training is therefore to be made more attractive and open for a broad range of students at various levels of advancement. Implementation is planned for early 2004.

Switzerland has one of the highest relative shares of vocational education and training in Europe (about 73 percent of all upper secondary education is in this sector). It mainly follows the “dual approach” of combining school-based (theoretical) instruction with on-the-job practical training. Within the VET sector, apprenticeships are the leading pillar (67 percent of all programmes). These are currently centred on the industrial sector, combining vocational training with general education within a rigidly-structured framework. For example, 1 to 1.5 days of schooling per week are mandatory for

**Switzerland—**

New Law on  
Vocational Training

Innovation	***
Impact	*****
Interest	***

most forms of apprenticeship. These generally last for three years, regardless of the occupation. The VET system in Switzerland is, in contrast to those in Germany and other countries, formally three-tiered: less capable students receive only an “introductory” apprenticeship (*Anlehre*). The bulk of the students remain in the regular apprenticeship programmes which are all standardised to the equivalent of three years of training and education. For those at the upper end of the qualification scale, VET programmes may be combined with an A-level education (*Berufsmatura*) and have a higher share of theoretical instruction (*Berufsfachschule*).

The current law dates back to 1978 and focuses on the industrial sector. It does not lend itself easily to structural change due to the standard curricula it mandates, which cannot be easily adapted to the specific needs of an increasingly heterogeneous student body. Particularly bright students often feel unchallenged, while less capable ones have difficulty keeping up with the pace of the instruction. Furthermore, fewer companies are willing to provide apprenticeship training to students. With the new Swiss constitution of 1999, the federal government is now responsible for the entire VET sector outside of universities and colleges. The new law thus sets out to provide a unified framework for the entire VET sector as far as federal responsibility is concerned.

The reform intends to partially “modularise” the curricula, allowing students to opt to complete only part of the educational programme at a given time in a block-wise manner. In this context, a separation of formal education and qualification levels is envisaged: several educational paths can lead to the same qualification certificates. The differentiation in the VET system will also be enhanced. On the one side, less capable students will receive “practical instruction” (*berufspraktische Bildung*) with more emphasis on vocational elements than the traditional apprenticeship. This would replace the current “introductory” apprenticeship (*Anlehre*), although this particular option has met strong opposition and is likely to be reversed. On the other side of the qualification range, more competitive students have a chance to shift the focus of their programme towards more formal (i.e., theoretical) education in vocational schools (*Berufsfachschulen*). They will also receive a “vocational A-level” degree

(*Berufsmatura*) allowing them to enter the newly-formed vocational colleges (*Fachhochschulen*). Later, if they meet certain requirements, they may be eligible to attend regular universities as well. The new law also allows for a substantial degree of transferability among different qualification levels.

The entire financing structure for the VET programmes, currently based solely on expenditures, is to be reformed. It is envisaged to adopt more of a so-called “performance orientation” which will provide per capita school subsidies (or per apprenticeship contract). The federal government will increase its share of total public VET expenditures from currently below 17 percent (in 1996: € 353 million) to up to around 25 percent. This is partly due to the new competencies of the federal government in sectors which were the cantons’ responsibility prior to the country’s new constitution. Another part of additional federal funds, however, will be provided for special tasks such as the integration of socially disadvantaged groups. In addition, particularly innovative projects may also receive federal subsidies, and employer-based training funds may be declared legally mandatory. This would mean that companies which do not provide an adequate amount of training slots (particularly apprenticeships) may be forced to pay into special training funds managed by their particular trade association. Finally, an “innovation council” is envisaged to promote the development of the vocational education system. The council would enjoy the right to make proposals on which projects are deemed to be innovative enough to be eligible for the above-mentioned federal financial support.

► There is consensus that comprehensive reform is needed. Some have therefore criticised the reform for not being sufficiently innovative and far-reaching. It is furthermore feared that the new law is not flexible enough and thus does not meet the objective of providing an adaptable framework for the future. Labour unions are concerned that students receiving only “practical instruction” (*berufspraktische Bildung*) will end up in the low-skilled employment sector. The cantons have criticised that the new law will lead to substantially higher costs which will subsequently be borne by them and not the federal government (even though the latter is the main regulator of the VET sector). Employer associations, particularly in the retail sector, criti-

cise that the separation of education programmes and qualification certificates will hamper transparency and may lead to confusion. They thus call for a clearly outlined system of qualifications. The new financing scheme is also subject to major criticism. In particular, there is concern that the “output orientation” of the new system will negatively affect structurally weak regions, as well as professions which are chosen by only a very few students. Experts call the reform an improvement but point out that its “evolutionary approach” makes it less than innovative. In response to this criticism, changes of the government proposals in the parliamentary process are expected. Two changes are noteworthy: first, the option of declaring private VET funds universally obligatory for businesses may reduce some of the most obvious examples of “free riding” by companies which do not provide apprenticeship training themselves; and second, if the intended separation between formal education and qualification levels succeeds, Switzerland would have gone much further than other countries in this regard.

Deficits particularly remain in the area of programme evaluation. A comprehensive and standardised national system of quality control will not be established as it would interfere with the cantons’ authority. Yet, given the substantial flexibility of the new VET system, quality control is certainly needed. It is also doubtful whether the reinforcement of the three-tiered VET system, by which less capable students do not receive comprehensive apprenticeship training, complements efforts to tackle the skill shortages that Switzerland is currently facing. Although the VET financing reform is an improvement over the status quo, it is far from meeting the objective of “performance-oriented funding”. It would have been better to differentiate the per capita subsidies of the schools by certain criteria (e.g., share of successful students, level of instruction, etc.). However, this was deemed to collide with the smooth transition to the new system. On the other hand, the new system’s special federal funding, leading to some level of differentiation, may prove to be too bureaucratic.

### United Kingdom— Equality Legislation

The UK government intends to amend and extend existing anti-discrimination legislation in order to put into effect the EU employment and race directives, covering—for the first time in its history—

sexual orientation, religion, and age. The United Kingdom has had legislation on sex and race discrimination since the 1970s, while a Disability Discrimination Act (DDA) was adopted in 1999. Draft regulations will be issued in the second half of 2002, put before Parliament in 2003, and will take effect beginning in 2004.

Innovation \*\*  
 Impact \*\*\*  
 Interest \*\*\*\*

Like all EU member states, the United Kingdom is required to adopt legislation consistent with the EU employment and race directives of 2000. In general, existing national legislation meets the requirements of the directives in terms of race and disability discrimination, except that the DDA does not apply to firms with fewer than 15 employees. There is no current legislation prohibiting discrimination on the basis of religion<sup>14</sup>, age, or sexual orientation. Steps to extend the scope of anti-discrimination legislation had been demanded by many pressure groups prior to the EU directives being adopted. Moreover, the current government has proclaimed its support for more comprehensive workplace anti-discrimination measures on both equity and economic grounds. There are conflicting pressures on and within the government, from both those advocating strong legislation and those seeking to minimise potential costs for employers. Currently there are separate statutory bodies responsible for advice, research, and enforcement in the fields of sex, race, and disability discrimination. One issue is whether to create new bodies to deal with the new areas of legislation, or to consolidate other departments for this purpose. Likewise there is an issue of whether to adopt the same definitions of discrimination across all areas covered by the directives in as far as this is feasible.

The government is pursuing a gradualist approach involving extensive consultation among a variety of interest groups. In December 2001 it issued a detailed policy paper entitled “Towards Equality and Diversity” which sets out key issues and policy options. The first consultation period will end at the end of March 2002. Draft regulations will be issued in the second half of 2002, again with a three-month consultation period, and will be put before Parliament with any subsequent amendments in the first half of 2003. Detailed guid-

14 With respect to religion, as in many other fields of social and labour market policy, Northern Ireland has a distinctive legislative framework.

ance codes (which do not have the force of law but are taken into account by Employment Tribunals) will be issued, again with time for consultation.

Decisions on how to define direct and indirect discrimination, and harassment, will be taken only after consultation. The prohibition against discrimination on grounds of disability will be extended to small firms beginning in October 2004. On balance, the government favours consistent definitions across all areas of discrimination, but awaits the outcome of consultation. In the longer term the government is inclined to favour creating a single anti-discrimination agency.

► In general, trade unions and interest groups representing sections of the population vulnerable to discrimination favour a rigorous framework of legal protection. On the other side, many employer organisations argue that the reform will impose unacceptable costs on businesses as well as encourage lawsuits. Experts point out that all previous anti-discrimination legislation was highly contentious when first introduced, particularly regarding the expected costs for business and the risk of increased litigation. In practice, however, the controversy soon subsided. The existing legal framework is generally regarded as achieving some effect in reducing discrimination but it has certainly not eliminated it. It seems likely that the extension of the law will have a similar impact.

### Changes and Results

**Denmark—**  
Successful  
Voluntary Early  
Retirement Reform

In 1979 voluntary early retirement benefits (*efterløn*) were introduced in Denmark as a means of targeting both a labour market and a social policy objective. The labour market objective of the scheme was to combat unemployment by giving members of unemployment funds who are over age 60 the chance to retire before the normal pension age of 67. This was intended to thereby make room for younger people to enter the labour market in greater numbers. The social policy objective was to give older workers, many of whom had been working since leaving primary school, a dignified means of exiting the labour force earlier. Because of Denmark's growing labour shortages, the system's provisions were tightened in a reform

in 1999 which made early retirement less accessible to many workers (cf. Issue 2, pp. 16–17). Later that year an addition to this reform was made in the form of lowering the full pension age from 67 to 65. This provided an incentive to older workers to remain in the labour market to achieve a full national pension. Since the reform came into force newcomers to voluntary early retirement have all been over the age of 60. Some 21,226 people began to take advantage of the new flexible voluntary early retirement option between 1 July 1999 and 1 April 2001, compared to a total of 23,249 people who began to use the previous system between 1 July 1997 and 1 April 1999. This represents a drop of 9.5 percent.

► The reform goal—reduction of the use of this scheme—is considered to have been achieved. Some argue, however, that people who would like to retire sooner because they seek an earlier end to their years of toil no longer have an adequate opportunity to do so. Others argue for the need for a new reform of the scheme, or for abolishing it altogether.

More results can be reported from Spain’s immigration law reform in February 2000, and the immediate “counter-reform” in January 2001 after the conservative People’s Party won again, this time with an absolute majority (cf. Issue 3, pp. 48–49; Issue 4, p. 54; Issue 5, pp. 53–54). One year after the new and more restrictive law was approved, the results are ambivalent: up to January 2002 some 615,000 illegal immigrants applied for legal residency status, and between 330,000 and 400,000 applications (depending on the source of information) had been approved. This means that around 200,000 applicants were denied and therefore continue to have illegal status in the country. Furthermore, the law has failed to reduce illegal entry. In fact, the number of illegal immigrants rose to 280,000 in 2001. The law introduced a quota system for legal immigrants to compensate for labour shortages but the application of the quota system has proven to be difficult due to a complex reporting system for monitoring regional labour shortages and needs.

► The immigration law and its modification—considered as a whole—represent a significant change in Spanish immigration policy. However, the relatively high number of rejected legalisation applica-

**Spain—**  
New Immigration Law  
Fails to Curb  
Illegal Entry

tions means that many of these immigrants have been forced back into the “shadow” labour market (including prostitution). The rising number of new illegal immigrants is an indication that the control mechanisms are not working. At the same time, the procedures to determine the quotas for legal immigrants are regarded as being too rigid to respond to the real needs of the labour market. Consequently, illegal immigrants will be used to bridge the gaps.

**France—**  
Working Time Reduction  
with Consideration for  
Small Companies

Changes can be reported from France after the reduction of the work-week from 39 to 35 hours (cf. Issue 1, p.32; Issue 2, p.40; Issue 3, p.53; Issue 4, p.53). For companies with fewer than 20 employees, the number of extra hours paid at the normal rate will be increased to 180 hours in 2002, 170 hours in 2003, and to 130 hours in 2004. Hours worked above the 37th hour (a week) will be considered as over-time in 2002 (or the 1,690th hour when the working time is calculated on an annual basis), and then lowered to the 36th hour in 2003, and on down to the 35th hour in 2004 (the 1,645th and 1,600th hours, respectively, on an annual basis). This decision was made to take the special needs and requirements of small companies into account.

In a related incident, the employer associations MEDEF (the French Federation of Employers) and CGPME (Federation of Small and Medium-Sized Firms) have opted to leave the representative Social Security Council to protest the government’s policy of financing the cost of the reduction of the legal working hours partly with contributions coming from social insurance funds. Trade unions have also protested against the financing policy of the government but have nonetheless decided to remain in the Council. As a consequence, the UPA (the Federation of Artisans) is the only employer organisation still present in the Council.

**Germany—**  
“Job-Aktiv” Law  
Passed by Parliament

The “Job-Aktiv”<sup>15</sup> Law which aims to more quickly and efficiently bring the unemployed back to work was passed by the German Parliament and took effect in January 2002 (cf. Issue 5, pp.43–46). The reform emphasises the rights and obligations of both parties

15 A=activate, Q=qualify, T=train, I=invest, V=mediate.

involved, the unemployed and the job placement offices. It seeks to improve the efficiency of placement services, raise the qualifications of the unemployed, and increase the possibilities for combining work and family to prevent unemployment from arising in the first place.

The law includes most of the initial reform proposal, with some of the items of greatest public interest being:

- 1) “Profiling” and “integration contracts” between the unemployment office and the unemployed: These will result in an organisational reform of the placement offices because more job placement officers will be needed to ensure more efficient service provision. Wage subsidies are possible from the very beginning of an unemployment period and are no longer restricted to a “qualified” unemployment period. The period for which unemployment benefits are withheld due to an unemployed person’s lack of co-operative behaviour (e.g., missing a job interview, etc.) is extended to 12 weeks.
- 2) Improvements for stay-at-home parents: If parents interrupt their employment to care for a child, and thus cease making social insurance contributions, a child-rearing period of up to three years will be considered as a qualifying period for later potential unemployment benefits.
- 3) Simplifications with respect to temporary work: The period during which a temporary worker may work for one employer without interruption is extended from 12 to 24 months. However, from the thirteenth month onwards the temporary worker must enjoy the same conditions from the temporary employer as those provided by the temporary employment agency.

🔍 Employer organisations continue to criticise funding for the “secondary” labour market and argue for a more flexible overall labour market. Experts point out that involving private employment agencies earlier might help to increase the competition between public and private agencies.

Although the results of the special programmes to encourage the employment of low-skilled workers have been quite modest (cf. Issue 5, pp. 51–53), the Federal Ministry of Labour and Social Affairs has

**Germany—**  
Pilot Project for Low-Skilled Workers Extended

decided to extend the so-called “*Mainzer Modell*” (MZM). The MZM focuses mainly on the supply side of the labour market with low-income households. It is assumed that some of the labour market problems of low wages and low-income households are caused by financially burdensome social security contributions. The MZM also focuses on low-income families, in particular single parents, to make work for people on welfare worthwhile, and to increase the attractiveness of regular part-time employment. To achieve these goals, participants’ social security contributions are subsidised in relation to monthly income, the average social security contribution rate, and marital status.

So far around 650 employees have participated in the MZM system, making it—relatively speaking—the most successful wage subsidy programme in Germany. Since March 2002 the model is no longer restricted to pilot regions in the *Länder* of Rhineland-Palatinate and Brandenburg. Thus, the social security contributions of eligible low-income employees all over Germany (cf. Issue 4, p.38) can be subsidised, and the participants can receive an additional child allowance. In contrast to the pilot programmes, all funding for the extension of the programme is provided by the federal government; the *Länder* no longer provide co-funding. Furthermore, the bureaucratic obstacles associated with applying for money from the programme will be lowered, and it is expected that 20,000 to 30,000 additional jobs will be created. A total of € 43.5 million in funding is available for 2002.

► In general, the extension of the MZM system must be viewed against the background of the recession in the German economy and the upcoming elections in September 2002. The government is therefore under pressure to prove that it has taken concrete steps to reduce unemployment. One advantage of the extension is the strong focus on single mothers. As they are at a particularly high risk of being below the poverty line, it is important to bring them back to the workplace and then make it worthwhile for them to stay there. However, limiting the programme to a period of three years could cause problems if the recipients of the subsidy return to social assistance afterwards. Another issue emphasised by opponents of the reform is the fact that a substantial portion of the new jobs traced

back to the programme are occupied not by the formerly unemployed, but rather by people from the “hidden labour force”. They also argue that the reform will not significantly affect unemployment rates, at least in the short run. Although experts argue that an extension of the MZM system is primarily motivated by the coming election, they agree that reforms focusing especially on the low-skilled workforce are necessary. Most economists claim that much more substantial reforms are necessary, in particular the relaxation of labour market rigidities (such as protection against dismissal and the long eligibility period for unemployment benefits). This debate also shows the problem of combining the aim of more efficiency and effectiveness with respect to labour market aims on the one hand, with social policy goals on the other.

### 3 Industrial Relations

A number of quite different reforms can be reported in this final section of the reform monitor. Denmark has agreed to implement the EU working-time directive through legislation instead of through collective agreements as was done in the past—but only following intense pressure from EU bodies. In the United Kingdom a new employment bill is about to be adopted in order to implement the EU fixed-term employment directive, improve the previous minimalist implementation of the EU parental leave directive, and to introduce employment tribunal procedures.

Austria intends to reduce obstacles to worker mobility by reforming its severance pay system, while Canada reports on a Supreme Court ruling giving agricultural workers the right to unionise. The ruling may have a spill-over-effect on other sectors previously excluded from collective bargaining coverage.

Preliminary results can be reported from Spain where the new Commission for Continuing Training faces difficulties. Details of the reforms are available on the project website [www.reformmonitor.org](http://www.reformmonitor.org).

**Austria—**  
Severance Pay Reform

Austria intends to introduce a reform of its severance pay system to extend the entitlement to workers with shorter tenures, and to reduce obstacles to worker mobility. Eligibility for entitlements will begin from the first day of employment and will no longer depend on the manner in which the contract was terminated.

Austria's current employment legislation stipulates that severance pay must be paid to private sector employees in the event of termination of the employment contract by the employer, or on agreed terms as long as the employee has worked for the employer for at least the last three years. Payments begin at the monthly wage rate and increase with the duration of employment up to the level of an annual income after 25 years. Severance payments are recorded as regular wage increases within the firm's accounting system and employers must make provisions in their accounts for at least half the severance pay entitlements that could fall due. Reforming the system of severance pay in Austria has been a controversial issue for many years. The Austrian Trade Union Federation has been demanding the extension of severance pay entitlements to cover not only dismissals, but also voluntary resignations and seasonal lay-offs. In the coalition programme the federal government stated its intention to develop a three-pillar pension system in Austria in which the mandatory severance payment scheme should be transformed into a fully-funded third pension system pillar.

Innovation \*\*\*\*  
 Impact \*\*\*\*  
 Interest \*\*\*\*\*

According to the reform proposal under discussion, a dismissed employee may choose between receiving his or her severance payment from the central fund as a lump-sum, or applying this entitlement towards a future pension. The amount will not be paid out if the employee gives notice or if the employment period is shorter than three years. The accumulated severance pay amount, however, remains vested for the employee. Employers must contribute 1.5377 percent of monthly wages to a central fund beginning on the first day of employment and continuing until contract termination.

Whereas the maximum severance pay amount under the current system is reached after 25 years of employment with the same employer, severance pay under the new system will rise continuously and reach its former maximum after 37 years. Furthermore, severance pay contributions will be paid into a fund from which the money is to be invested in private capital markets.

► Critics doubt that the cost model underlying the reform is valid since they regard the estimated annual interest yield of 6 percent from the investment of the employers' severance payment contributions as unrealistically high. For their part, labour unions are strictly

against the transfer of the severance payment system into an obligatory pension pillar. Experts state that the reform considerably increases the number of employees eligible for severance payments. The idea of creating a third pillar of the pension system can be viewed favourably. However, it is not clear whether the system will be financially sustainable over the long term.

### Canada—

Right to Unionise for  
Farm Workers

Innovation \*\*\*\*  
Impact \*\*\*\*  
Interest \*\*\*\*

The Canadian Supreme Court ruled in December 2001 that agricultural workers have a constitutional right to unionise without fear of reprisals, reversing earlier legislation passed by the Ontario provincial government denying them this right. The new ruling will allow unions in Ontario and possibly Alberta, the only other province which excludes agricultural workers from the collective bargaining regime, to organise agricultural workers. There may also be a “spill-over effect” on employees in other sectors who were previously excluded from collective bargaining coverage in Ontario and other provinces.

Since the 1940s agricultural workers in Ontario have been denied the right to engage in collective bargaining. In 1994 a Social Democratic government in Ontario, the first in the province’s history, extended trade union and collective bargaining rights to farm workers. In 1995, with the defeat of the Social Democrats and election of a Conservative government, this legislation was reversed. The United Food and Commercial Workers union challenged in court the right of the Ontario government to take away these newly-won rights from farm workers. It took the fight all the way to the Supreme Court, Canada’s highest judicial body. Although the legal framework for industrial relations in Canada is largely under provincial jurisdiction, disputes between parties at the provincial level are resolved by the Supreme Court of Canada. In interpreting labour legislation it must take into account the Canadian Charter of Rights and Freedoms. The freedom of association is included in the Charter, a point trade unionists have sought to use to buttress their legal case. Court rulings up to the recent Supreme Court decision, however, have refused to allow unions to rely on the Charter for their defence.

The new ruling, however, will now allow unions in Ontario to organise the 100,000 agricultural workers in the province who were

previously excluded from collective bargaining coverage. In addition, other groups of workers who are currently excluded from collective bargaining, such as domestic workers, certain professionals, and some categories of civil servants, may now have a legal precedent if they wish to unionise. Participants in provincial workfare programmes, as well as school principals and vice-principals, are considered to be the most likely groups to take legal action based on the ruling. There will also be pressure to extend basic employment standards and health and safety provisions to all workers. As collective bargaining trends in Ontario have a demonstration effect on other jurisdictions, the implications of the ruling apply well beyond this province.

► The Ontario government opposes the ruling and argues that agriculture is a unique sector because of its seasonal nature. It maintains that collective bargaining legislation appropriate for other sectors is therefore not applicable. The government contends that the harvesting of crops must not be compromised by the possibility of strikes by unionised workers. The government also argues that the financial viability of the agricultural sector, particularly the family farm, would be jeopardised by the extension of the collective bargaining regime to agricultural workers. The Supreme Court rejected these arguments, countering that many other industries are under similarly severe competitive pressures. Experts state that the Supreme Court ruling is a very positive and important development in Canada's industrial relations system. Since the election to power of the Conservative government in Ontario in 1995, the collective bargaining rights of workers have been progressively eroded. This ruling redresses somewhat the balance of power away from employers and towards workers. Agricultural workers are particularly disadvantaged in the labour market and merit the right to collective action through unionisation as much as workers in any other sector.

The Danish business and labour organisations have agreed to implement the EU working time directive through subsidiary legislation instead of through collective agreements as was done in the past. The directive, which aims to eliminate discrimination against part-time workers and to improve the quality of part-time work, has already

**Denmark—**  
EU Working Time  
Directive Conflicts with  
Traditional Collective  
Agreements

Innovation \*\*\*\*\*  
Impact \*\*\*  
Interest \*\*\*\*

been implemented in most EU countries (cf. Issue 2, p.32; Issue 3, p.45; Issue 4, p.41). EU directives are binding on the member states as to the results to be achieved, but leave the means of achieving them to the discretion of the national authorities.<sup>16</sup> In Denmark it is a basic labour market principle that the general conditions of pay and employment are decided by collective agreements between the social partners, and not mandated by legislation. According to the European Commission, however, an implementation of the EU working time directive by collective agreements does not guarantee full implementation as intended. This is because 15 percent of Danish employees are not covered by any kind of collective agreement. The European Commission threatened to bring the case to the European Court of Justice, but by changing certain collective agreement procedures this has now been avoided for the time being.

► The rearrangement of the decision-making procedure is a fundamental challenge to traditional Danish bargaining principles and to the authority of the country's business and labour groups. The reaction of the Commission to the Danish bargaining model indicates that the Commission does not intend to compromise with the Danish model in the future, and that more challenges regarding directives may be ahead.

**United Kingdom—**  
New Employment Bill

A new Employment Bill was presented to Parliament in November 2001 which is likely to be adopted during the first half of 2002. The bill is a package of initiatives covering parental leave, fixed-term contracts, Employment Tribunal procedures, and other employment

16 There are a number of ways in which the European Union is able to change or influence legislation in member states, including through: (1) regulations that are binding in their entirety and directly applicable in all member states; (2) directives that are binding on the member states as to the result to be achieved, but leave the means of achieving this result to the discretion of the national authorities. Both regulations and directives are initiated by the Commission and adopted by the Council of Ministers, usually after having received an opinion from the European Parliament; (3) decisions by the Council or the Commission that are binding on the government, business, or individual to whom they are addressed; (4) recommendations and opinions that are not binding but state Commission or Council views; and (5) case law which results from decisions taken by the European Court of Justice.

issues. The new legislation follows the Labour government's approach of cautiously enhancing employee protection while minimising new obligations on the parts of employers. The Labour government elected in 1997 enacted a wide-ranging set of reforms in the Employment Relations Act of 1999. The new bill also includes a variety of measures, though its impact is likely to be less substantial. It addresses to some extent the "work and life balance" issue (cf. Issue 2, p.24). The improvements to parental leave in part reflect criticism of the previous minimalist implementation of the EU directive (cf. Issue 5, p. 50). The bill can be seen as a further development away from the United Kingdom's traditional "voluntary" system of industrial relations towards one more closely regulated by law.

Innovation	**
Impact	**
Interest	***

The legislation will increase paid maternity leave to 26 weeks, and increase statutory maternity pay from € 100 to € 160 a week. It will introduce adoption leave on the same basis, as well as the right to two weeks of paternity leave. All these changes will take effect in April 2003. Parents of young children will acquire the right to "request" flexible working arrangements. Detailed regulations are to be introduced to implement the EU fixed-term work directive (utilising the clause in the directive permitting delay beyond the July 2001 deadline in the case of "special difficulties"). Some revisions are to be made to Employment Tribunal procedures, including the introduction of an obligatory conciliation period before a case is heard. However, initial proposals to penalise employees deemed to have brought unfounded complaints have been moderated. Furthermore, formal questionnaires will be introduced in connection with equal pay claims and finally, rights to time-off for trade union "learning representatives" will be introduced.

➤ As in the case of many other areas of employment legislation, there has been a basic confrontation between trade unions and other interest groups favouring strong legislation, and employer organisations resisting this. In the case of Employment Tribunals, the bill moves back from previous government proposals in response to employer demands to make unsuccessful complainants liable to financial penalties. Experts point out that the bill follows the precedent of government policy since the Labour party was initially elected in 1997 by advocating enhanced employee rights in a number of specific

areas. In so doing they have been gradually bringing the United Kingdom closer to the European mainstream while still insisting on preserving a “flexible labour market”.

### Changes and Results

**Spain—**  
New Commission for  
Continuing Training  
Faces Difficulties

Preliminary results can be reported regarding the implementation of the third national agreement on continuing training in Spain (cf. Issue 5, pp.55–57). One of the main goals of the agreement was the simplification of the financial and administrative management of the continuing training system by allowing the government to play a more active and direct role. A tripartite “National Commission for Continuing Training” was set up to include representatives of the employer organisations, trade unions, and, for the first time, the government. In June 2001 the new Commission initiated the first call for applications for continuing training plans and subsidies to individual training programmes with a total budget of € 637 million. A second call for applications and subsidies was planned for the last quarter of 2001 but never carried out. A call for proposals within the European Social Fund framework<sup>17</sup>, which is also managed by the Commission, has not been carried out as well.

► At this time the results of the first call for applications and subsidies cannot be reasonably evaluated. However, the delays regarding the call for proposals within the European Social Fund framework, as well as the second call for applications and subsidies within the

17 The European Social Fund (ESF) is the main financial tool through which the European Union translates its strategic employment policy aims into action. The ESF channels its support into strategic long-term programmes which help regions across Europe, particularly those lagging behind, to upgrade and modernise workforce skills and to foster entrepreneurial initiative. This encourages domestic and foreign investment into the regions, helping them to achieve greater economic competitiveness and prosperity. Programmes are planned by member states together with the European Commission, and then implemented through a wide range of provider organisations both in the public and private sectors. These organisations include national, regional, and local authorities, educational and training institutions, voluntary organisations, and the business and labour organisations, i.e., trade unions and works councils, industry and professional associations, and individual companies.

continuing training system, are indications of management problems within the Commission. In any case, these delays seriously affect the country's continuing education system. As a result, many training centres have had to close or reduce their staff.

## 4 General Important Developments

**Denmark—**  
New Government to  
Restructure Welfare

After Denmark's general election on 20 November 2001, a new coalition government consisting of the Liberal and Conservative parties replaced that of the former Social Democratic party. The new government has already announced that it plans to restructure several major aspects of the Danish welfare system. The restructuring will include spending cuts in a number of areas which will help the government to live up to its campaign promise to put a cap on the tax burden in both the long and short terms.

Planned social policy changes regarding elder care include eliminating the municipalities' monopoly in this sector. The new government maintains that seniors should be given greater choice about where they want to live in their old age and who should help them. Plans in the area of family policies concern an introduction of a flexible maternity leave period of one year with full maternity benefits. This system should allow for a family to decide when this leave should be taken. Plans for a change in maternity leave stipulations were also developed by the previous government (cf. Issue 5, p.31). Furthermore, opportunities for part-time work are targeted for improvement.

Probably the most controversial element of the government's platform concerns immigration policies. On 17 January 2002 the government introduced a proposal for a new policy towards foreign citizens. Questions about immigrants, especially their position in the

Danish welfare system, have prompted on-going heated debate among the Danish public and politicians. The new proposal has attracted much attention in Denmark and abroad because it seeks to curb the number of people obtaining Danish citizenship, and generally makes it more difficult for immigrants to become eligible for social service benefits. The government explains the initiative as an attempt to reduce abuse of the Danish welfare system in the face of the large proportion of immigrants receiving some kind of social benefits. Critics point out that the government is pursuing this course because of its political dependency on the radical right-wing Danish Peoples Party.

The government also plans to implement labour market policy changes, and since coming to power has reorganised a number of ministerial functional areas to this end. The Ministry of Labour has been re-named the Ministry of Employment, and certain employment-related tasks formerly under the jurisdiction of the Ministry of Social Affairs have been transferred to this newly-named department. At the same time, adult vocational training programmes (cf. Issue 3, p.40) have been transferred from the new Ministry of Employment to the Ministry of Education. Furthermore, a cross-sectional public unemployment insurance fund is to be established in order to improve the chances of unemployed people outside their usual area of work, and closed-shop agreements (*eksklusivaftaler*) are to be prohibited. Closed-shop agreements are collective agreements obligating the employer to hire only unionised workers or workers who agree to join a particular union once they are employed. The government considers closed-shop agreements to be a violation of the citizen's right of free association. At the same time, private job placement activities will be encouraged through performance-based pay for workers in this field. Powers of the National Working Environment Authority (*arbejdstilsynet*) are to be restricted, and exemptions from provisions concerning rest periods and rest days in connection with telework will be allowed.

The new government also wants to improve the use of active labour market measures. The previous government established particular arrangements for the 20–25 year-old age group of unemployed (cf. Issue 1, p.36). Those in this group currently receive 50

percent of the normal benefit amount and have stronger obligations to work and participate in active measures than do other groups of unemployed. The current government wants to extend this arrangement to include those aged 25–29 as well. The young unemployed should be able to choose between public or private job offers at normal wage levels and an education during which they receive half of normal unemployment benefits (which is equivalent to what other students receive).

► All of these elements of the government's platform will naturally have to be negotiated prior to being implemented. However, the government has a good chance of prevailing with many of these issues because it can rely on a solid majority in Parliament.

# Reform Tracker

## Health Care

- Australia
  - Private Health Insurance Rebate, Issue 1, p. 13; Issue 2, p. 13; Issue 3, p. 13; Issue 4, p. 16
  - Health Care for Rural Regions, Issue 3, p. 10
- Austria
  - Hospital Financing, Issue 1, p. 13; Issue 4, p. 16
  - Flat Co-Payment for Outpatient Treatment in Hospitals, Issue 5, p. 9
- Canada
  - Health Care Inquiry Report, Issue 6, p. 10
- Denmark
  - Quality Indicators, Issue 1, p. 17, Issue 3, p. 14
  - Public Health Programme, Issue 3, p. 10; Issue 5, p. 13
  - Services and Welfare, Issue 3, p. 11
  - Cancer and Psychiatric Treatment, Issue 3, p. 11
  - Hospital Waiting Period Reduction, Issue 6, p. 13
  - Monitoring Retirement Homes, Issue 6, p. 14
- France
  - Universal Health Care Coverage, Issue 1, p. 15; Issue 6, p. 21
  - General Health Insurance Reform, Issue 2, p. 10
- Germany
  - Health Care Reform, Issue 1, p. 10, Issue 2, p. 13
  - Electronic Health Pass, Issue 6, p. 15

- Italy
  - Health Care Reform, Issue 1, p. 10; Issue 2, p. 14, Issue 3, p. 14
  - Abolition of Co-Payment System, Issue 4, p. 12
  - Expenditure Cuts and Decentralisation, Issue 6, p. 17
- Japan
  - Medical Insurance Reform, Issue 1, p. 11, Issue 3, p. 15; Issue 4, p. 17
  - Long-term Care insurance, Issue 1, p. 18, Issue 2, p. 15
  - Medical Fee Cuts and Co-Payment Increases, Issue 6, p. 18
- Netherlands
  - Health Care Organisation Reform, Issue 1, p. 12
  - Demand Directed Care System, Issue 1, p. 18
- Spain
  - Health Care Consolidation and Administration Reform, Issue 1, p. 12, Issue 3, p. 15; Issue 4, p. 18
  - Fees for Public Social Services, Issue 1, p. 19
- Sweden
  - Abolition of Health Care Fees for Families, Issue 1, p. 15
  - Sickness Insurance Inquiry, Issue 4, p. 13; Issue 5, p. 13
  - Profit Restrictions for Hospitals, Issue 4, p. 14
- Switzerland
  - Health Insurance Revision, Issue 1, p. 14
  - Hospital Financing, Issue 1, p. 14
- United Kingdom
  - NHS Plan, Issue 4, p. 9
  - Proposed Shift to Privatisation of Public Services, Issue 5, p. 11
  - Free Long-Term Nursing and Social Care in Scotland, Issue 6, p. 19
- USA
  - Subsidised Health Insurance for Children, Issue 1, p. 16
  - Health Insurance Coverage Expansion, Issue 2, p. 11
  - Medicare 2000 – Voluntary Prescription Drug Benefit, Issue 3, p. 12

## Pension and Social Security

- Australia – New Tax System, Issue 3, p. 17
- Austria – Social Security Coverage broadened, Issue 1, p.24
- Early Retirement Age Increase, Issue 3, p. 18
- Canada – Partial Funding, Issue 1, p.21, Issue 3, p.26
- Denmark – Reduction of Retirement Age, Issue 2, p. 16; Issue 3, p.27
- Disability Pension, Issue 3, p.20; Issue 4, p. 19
- Finland – Reduction of Retirement Age, Issue 2, p. 17
- Retirement Age Increase for Occupational Pensions, Issue 6, p.22
- France – Pension Reform, Issue 1, p.22; Issue 3, p.27; Issue 4, p.20; Issue 6, p.31
- Germany – Pension Reform, Issue 3, p.20; Issue 5, p.23
- Italy – Tax Incentives for Private Pension Funds, Issue 1, p.23; Issue 2, p.20
- Retirement Age Increase and Stimulation of Supplementary Pension Funds, Issue 6, p.26
- Japan – Pension Financing and Benefit Changes, Issue 1, p.21; Issue 2, p.20
- Occupational Pension Schemes, Issue 3, p.22; Issue 5, p.21
- Netherlands – Social Security Administration Reform, Issue 3, p.23
- Spain – Pension Reform, Issue 1, p.22; Issue 2, p.21; Issue 4, p.20; Issue 5, p.15
- Sweden – Basic and Supplementary Pension, Issue 1, p.20
- Reform of Early Retirement Benefits, Issue 5, p.24
- Right to Work up to Age 67, Issue 5, p.16
- Switzerland – Pension Fund Investment Flexibility, Issue 3, p.24
- Increase of Women’s Retirement Age, Issue 5, p.18
- Occupational Pension Reform, Issue 6, p.27

- United Kingdom
  - Pension Reform, Issue 2, p. 18
  - Social Policy for Refugees and Asylum Seekers, Issue 6, p. 24
- USA
  - Senior Citizens' Earnings Test, Issue 3, p. 25
  - Report on Potential Approaches to Long-Term Pension System Reform, Issue 6, p. 29

### State Welfare and Social Assistance

- Australia
  - Welfare Reform, Issue 4, p. 21
- Austria
  - Social Security System Assessment, Issue 4, p. 22
- Denmark
  - Social Activation, Issue 1, p. 25; Issue 3, p. 27
- France
  - Universal Dependency Benefit, Issue 5, p. 26
- Italy
  - Minimum Income Support, Issue 1, p. 26
  - Economic Indicator Introduction, Issue 1, p. 26
  - Integrated System of Social Support and Services, Issue 4, p. 24
- Japan
  - Choice of Welfare Service, Issue 1, p. 27
- Sweden
  - Social Assistance Benefits, Issue 1, p. 27
  - Assessment of Housing Allowances, Issue 1, p. 27
- USA
  - State Earned Income Credit, Issue 4, p. 25
  - Housing Assistance for Needy Families, Issue 6, p. 32

### Family Issues

- Australia
  - Family Benefits, Issue 2, p. 22
  - First Child Tax Refund, Issue 6, p. 35
- Austria
  - Joint Custody Law, Issue 4, p. 28
  - Extension of Child-Care Benefits Eligibility, Issue 5, p. 28
- Canada
  - Child Tax Benefit, Issue 1, p. 28; Issue 3, p. 36; Issue 4, p. 33

- Maternity Leave Extension, Issue 3, p.29
- Early Childhood Agreement, Issue 4, p.29
- Ontario Employment Standards Act, Issue 4, p.30
- Denmark – Maternity/Paternity Leave Extension Proposal, Issue 5, p.31
- Germany – Parental Leave and Benefit Reform, Issue 3, p.30
- France – Paternity Leave Extended, Issue 6, p.39
- Italy – Parental Leave Flexibility, Issue 3, p.33
- Japan – Maternity Leave Replacement Contracts, Issue 1, p.28
- Non-Parental Care Grant, Issue 2, p.26
- Child Benefit Extension, Issue 3, p.34; Issue 4, p.33
- Parental Leave Proposal, Issue 5, p.32
- Child Care Allowances for Single Mothers, Issue 6, p.39
- Netherlands – Tax Deductible Child Care for Firms, Issue 1, p.28
- Legal Right to Part-Time, Issue 2, p.28
- Work and Care Act, Issue 6, p.36
- Spain – Maternity Leave Replacement Contracts, Issue 1, p.28; Issue 2, p.28; Issue 4, p.34
- Parental Leave and Maternity Protection, Issue 2, p.23
- Child Benefit Increase, Issue 3, p.34
- Sweden – Non-Parental Child Day-Care Fees, Issue 2, p.27; Issue 4, p.34
- Parental Insurance, Issue 4, p.31
- United Kingdom – Family-Friendly Employment Policy, Issue 2, p.24; Issue 5, p.50; Issue 6, p.40
- Working Families Tax Credit, Issue 3, p.32
- USA – Parental Leave Benefits, Issue 2, p.25
- Homosexual Rights, Issue 3, p.35; Issue 6, p.41
- Extension of Child Tax Credit, Issue 5, p.29

### Labour Market Policy

- Australia
  - Labour Market Programme Decentralisation, Issue 1, p. 34; Issue 5, p. 49
  - “Work for Dole”, Issue 2, p. 30
  - Improving Transition to Work, Issue 5, p. 36
  - Reasonable Working Hours Regulation, Issue 6, p. 44
- Austria
  - Training for New Occupations, Issue 1, p. 40; Issue 4, p. 51
  - Gender Mainstreaming, Issue 3, p. 40
  - Organisational Reform of Labour Market Services, Issue 6, p. 45
- Canada
  - Poverty Reduction Initiative, Issue 1, p. 36
  - Penalties Removed for Repeat Users of Employment Insurance, Issue 5, p. 38
  - Skills and Learning Strategy, Issue 6, p. 47
  - Immigration Policy Reform, Issue 6, p. 49
- Denmark
  - Right and obligation to training and education, Issue 1, p. 36
  - Benefit Duration for Unemployed, Issue 2, p. 36; Issue 3, p. 52
  - Adult and Continuing Education, Issue 3, p. 40
  - Work-Service Jobs, Issue 3, p. 41
  - Successful Voluntary Early Retirement Reform, Issue 6, p. 58.
- Finland
  - Unemployment Service Improvement, Issue 1, p. 34
- France
  - Working Time Reduction, Issue 1, p. 32; Issue 2, p. 40; Issue 3, p. 53; Issue 4, p. 53; Issue 6, p. 60
  - Unemployment Insurance Reform, Issue 3, p. 42; Issue 4, p. 52
  - Employment Allowance for Low-Income Households, Issue 6, p. 51
- Germany
  - Employment Office 2000, Issue 2, p. 38
  - Pilot Projects to Encourage Employment of

- Low-Skilled and Long-Term Unemployed,  
Issue 4, p.38; Issue 5, p.51; Issue 6, p.61
- Part-Time and Temporary Employment Law,  
Issue 4, p.41
- New Attempt to Quicken Job Placement –  
“Job-Aktiv”, Issue 5, p.43; Issue 6, p.60
- Italy – Employment Services Decentralisation, Issue 1,  
p.35
- Part-Time Work, Issue 3, p.45
- Job Placement Guidelines, Issue 3, p.46
- Unemployment Benefit Increase, Issue 4, p.43
- New Contract Relationship in Cooperatives,  
Issue 5, p.46
- Fixed-Term Contract Directive Implemented,  
Issue 6, p.52
- Japan – Equal Employment, Issue 1, p.39; Issue 3, p.54
- Worker Dispatching Law, Issue 2, p.30
- Private Employment Services, Issue 2, p.39
- Company Divestiture Regulations, Issue 3, p.47
- Employment Promotion Measures, Issue 4, p.43
- Netherlands – Flexicurity – Flexibility and Deregulation,  
Issue 1, p.37
- Legal Right to Part-Time Work, Issue 2, p.32;  
Issue 4, p.45
- Tax Revision 2001, Issue 4, p.47
- Spain – Promotion of Indefinite Contracts, Issue 1,  
p.38; Issue 2, p.42
- Protection and Incentives for Part-Time Jobs,  
Issue 1, p.38; Issue 2, p.41
- Equal Pay for Temporary Agency Workers,  
Issue 2, p.31
- Immigrant Rights, Issue 3, p.48; Issue 4, p.54;  
Issue 5, p.53; Issue 6, p.59
- Working Time Reduction, Issue 1, p.33
- Labour Market Reforms Decreed after Social  
Partners Failed to Reach Consensus, Issue 5,  
p.40

- Sweden
  - Unemployment Insurance Reform, Issue 2, p. 37
  - Rehabilitation Guidelines, Issue 3, p. 49
- Switzerland
  - Incentives for Job Placements, Issue 3, p. 51
  - Referendum on Reduction of Annual Working Time, Issue 4, p. 49
  - Revision of Federal Unemployment Insurance, Issue 5, p. 47
  - Vocational Training Reform discussed, Issue 6, p. 53
- United Kingdom
  - New Deal, Issue 1, p. 33
  - Disability Payment Reform, Issue 2, p. 33
  - Part-Time Work, Issue 3, p. 44
  - Equality Legislation, Issue 6, p. 56
- USA
  - “Ticket to Work”, Issue 2, p. 34

### Industrial Relations

- Australia
  - Simplification of Award System, Issue 1, p. 42
- Austria
  - Distribution option, Issue 1, p. 42
  - “Tele.soft – jobfit for the future”, Educating Unemployed, Issue 2, p. 47
  - Employment Extension for Seasonal Workers, Issue 4, p. 62
  - Severance Pay Reform, Issue 6, p. 64
- Canada
  - Public Sector Pay Equity Settlement, Issue 2, p. 43
  - Labour Relations Amendment Act, Issue 4, p. 55
  - Ontario Employment Standards Act, Issue 4, p. 57
  - Right to Unionise for Farm Workers, Issue 6, p. 66
- Denmark
  - EU Working Time Directive Conflicts with Traditional Collective Agreements, Issue 6, p. 67
- Finland
  - Personnel Fund System Reform, Issue 2, p. 44
  - Employment Contract Law, Issue 4, p. 58

- Germany
  - Alliance for Jobs, Issue 1, p. 44
  - Specific Services Collective Agreement, Issue 2, p. 47
  - Works Constitution Act Draft, Issue 4, p. 60
  - Five Unions Merged into World’s Largest Union, Issue 5, p. 57
- Italy
  - Public Services Strike Regulation, Issue 3, p. 55
- Netherlands
  - Employability, Issue 1, p. 45
  - Framework for Individualising Terms of Employment, Issue 2, p. 45
  - Performance-Based Pay, Issue 3, p. 58
- Spain
  - Collective Bargaining Agreement, Issue 1, p. 43
  - Third Agreement on Continuing Training, Issue 5, p. 55; Issue 6, p. 70
- Sweden
  - Mediation Authority Reform, Issue 3, p. 57
- United Kingdom
  - National Minimum Wage, Issue 1, p. 43; Issue 3, p. 53
  - Employment Relations Act, Issue 2, p. 46; Issue 4, p. 64
  - Performance-Based Pay for Teachers, Issue 4, p. 63
  - New Employment Bill, Issue 6, p. 68

### **General Important Developments**

- Denmark
  - New Government to Restructure Welfare, Issue 6, p. 72
- United Kingdom
  - Restructuring Government Responsibilities, Issue 5, p. 59
- Japan
  - New Prime Minister Proposes Bold Reforms, Issue 5, p. 61

## Currency Conversion

All amounts expressed in national currencies have been converted into Euro to make comparisons easier. Some amounts are rounded to facilitate reading. Please refer to the project website [www.reformmonitor.org](http://www.reformmonitor.org) for exact amounts in national currencies.

1 €	=	USD	0.9118
	=	JPY	116.60
	=	DKK	7.4360
	=	SEK	9.3055
	=	GBP	0.62390
	=	CHF	1.4547
	=	CAD	1.4234
	=	AUD	1.6770

Source: European Central Bank, exchange rates as of 10 May 2002.