

UNEMPLOYMENT EARLY WARNING SYSTEM

EU Case Studies

by Steve Barker and Leena Sukhram, EUCSS

Introduction

EU labour market policy is focused on achieving employment targets across the EU as a whole, with no specific focus on keeping the EU unemployment rate at or below a specific target.

Within this context, rather than knowing how many and what types of occupations/skills will potentially be out of work in the future, the EU strategy tries to assess which occupations/skills may be needed in the short and medium terms and how these match with (future) labour supply.

Despite the different focus of policy contexts, examples of EU practise are still relevant to the Chinese development of the UE early warning system. In particular, the EU's choice of analysis indicators, method of data collection and standardised definitions across all 27 member states may prove particularly useful here. There are also country specific examples of UE early warning systems provided for Germany, Sweden, UK, Denmark, Austria, Poland, and France.

This note reports on: the EU current experience of unemployment; the practice of collecting, monitoring, and standardising data on the unemployed; and specific case studies on how selected countries use early warning systems for UE.

Contents:

SECTION ONE:

Main employment challenges facing the EU and current policy

1. Rather than look at the causes and factors affecting unemployment, the EU's approach is to look at the areas where employment can be improved and policy levers available to make this happen. The European Employment Strategy therefore focuses overall employment and economic policies to raise the employment rate to as close to 70% as possible, to increase the employment rate for women to more than 60%, and raise the average EU employment rate for older men and women (aged 55–64) to 50% by 2010.
2. An integrated guidelines package was adopted in 2005, which lays out a comprehensive strategy of macro-economic, micro-economic and employment policies to redress Europe's weak growth performance and insufficient job creation.
3. A set of employment guidelines for the period 2005–2008 was created to reflect the EU's overall goal of achieving full employment, quality and productivity at work, social and territorial cohesion, and advocate a life-cycle approach to work that tackles the problems faced by all age groups. The eight employment guidelines¹ fall under three broad areas for action, namely to:
 - Attract and retain more people in employment, increase labour supply and modernise social protection systems;
 - Improve adaptability of workers and enterprises;
 - Increase investment in human capital through better education and skills.
4. It can be noted that each of these employment guidelines is designed to promote employment in a sustainable way to reduce the numbers of those falling into unemployment.
5. Since the initiation of these guidelines, unemployment in the EU declined to 16 million persons in the first quarter of 2008, down by 4.7 million since the beginning of 2005. The unemployment rate has fallen to single digit

¹ The eight employment guidelines are:

1. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.
2. Promote a lifecycle approach to work
3. Ensure inclusive labour markets for job-seekers and disadvantaged people
4. Improve matching of labour market needs
5. Promote flexibility combined with employment security and reduce labour market segmentation
6. Ensure employment-friendly wage and other labour cost developments
7. Expand and improve investment in human capital.
8. Adapt education and training systems in response to new competence requirements

levels in all member states. The EU average decreased to 6.7% in the first quarter of 2008 down from 6.9% in the previous quarter and 7.4% in the same quarter of the previous year. The decline mainly reflects continuing strong falls in the unemployment rates in Poland, Germany and France².

6. Youth unemployment (aged 15-24) is high in the EU and continues to be a severe problem in many member states. In 2006, young people (15-24) were more than twice as likely to be unemployed compared to the overall workforce, however since its peak (18.5% in 2004), youth UE has declined to 14.6% by quarter one of 2008.
7. Young people frequently face problems in making a smooth and rapid transition from education to work. A small but significant part of youth remains trapped in temporary, often low-pay jobs from which they find it difficult to exit. Another group at risk are those young people who experience longer spells outside employment, education or training.
8. Despite an increase in employment in all Member States, large variations persist across countries. In 2006, employment rates ranged from as low as around 55% in Poland to more than 77% in Denmark. At the same time, employment rates for women remain substantially below those for men in most of the EU- 27. There is also a substantial variation between Member States with respect to employment rates for older people aged 55–64.

SECTION TWO:

EU data collection and processing of statistics

Collection

9. The European Union Labour Force Survey (EU LFS) is conducted in the 27 Member States of the European Union and 2 countries of the European Free Trade Association (EFTA). The EU LFS is a large household rotating random sample survey of approximately 1.5 million individuals. It provides quarterly results on labour participation of people aged 15 and over as well as on persons outside the labour force. All industries and occupations are covered.
10. Organised into thirteen modules, it covers demographic background, labour status, employment characteristics of the main job, hours worked, employment characteristics of the second job, time-related

² The reduction of UE rate in Poland, which has halved over the last two years results partially from a shrinkage of the labour force, due to emigration and the growing number of students, and partially from healthy economic growth and the associated strong expansion in employment.

underemployment, search for employment, education and training, previous work experience of persons not in employment, situation one year before the survey, main labour status, income and technical items relating to the interview.

11. The main statistical objectives of the Labour Force Survey is to divide the population of working age (15 years and above) into three mutually exclusive and exhaustive groups - persons in employment, unemployed persons and inactive persons - and to provide descriptive and explanatory data on each of these categories. Respondents are assigned to one of these groups on the basis of information obtained through the survey questionnaire, which relates to their actual activity within a particular reference week.
12. The data is acquired by interviewing the sampled individuals directly. In most countries at least the first wave interview is conducted in person while subsequent follow-up interviews can be conducted via telephone. Part of the data can be supplied by equivalent information from alternative sources, including administrative registers, provided the data obtained are of equivalent quality. Typically, the Nordic countries supply the demographic information directly from the population registers.
13. All definitions apply to persons aged 15 years and over, living in private households. Persons carrying out obligatory military service are not included. In all of the countries providing quarterly data the quarterly sample is spread uniformly over all weeks of the quarter.
14. The Labour Force Surveys are conducted by the National Statistical Institutes across Europe and are centrally processed by Eurostat³:
 - a) Using standard concepts and definitions
 - b) Following the International Labour Organisations guidelines
 - c) Using common classifications
 - d) Recording the same set of characteristics in each country

Processing

15. Quarterly and monthly figures received from all EU countries are processed and validated before updating Eurostat's reference database.

³ The national statistical institutes are responsible for selecting the sample, preparing the questionnaires, conducting the direct interviews among households, and forwarding the results to Eurostat in accordance with the common coding scheme.

16. Every month new figures from the public employment offices' administrative registers or from the national LFS are added into the process and new estimates are calculated. This might cause a slight revision in the past figures due to the re-execution of the seasonal adjustment procedure. Whenever the new LFS data become available, a potentially larger revision takes place from the months of that particular quarter onwards.

17. Below demonstrates how the EU LFS record UE information on a monthly basis from different Member States:

Germany, Finland and Sweden

Monthly estimates are available directly from the LFS. For Germany and Sweden, the time series is too short for seasonal adjustment. Additional information from registered unemployment is used for this purpose.

The Netherlands, United Kingdom and Norway

Three month moving averages are available directly from the LFS, and are published as monthly figures under the middle month. For The Netherlands, the most recent month is a provisional estimate, based on a State Space Model combining the three month moving averages with underlying monthly figures.

Portugal

Quarterly LFS is combined with monthly registered unemployment using a temporal disaggregation model of Chow Lin.

Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, Ireland, Spain, France, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia

Benchmarking to the LFS and linear extrapolation of registered unemployment.

Cyprus, Malta and Austria

Benchmarking to moving annual averages of LFS and linear extrapolation of registered unemployment.

Luxembourg

Benchmarking to annual LFS and linear extrapolation of registered unemployment.

Croatia

Benchmarking to semi-annual LFS and linear extrapolation of registered unemployment.

Greece, Italy, Romania and Turkey

For the moment only quarterly LFS figures are published for individual months of the quarter.

18. First results from the Labour Force Survey are available 90 days after the end of the reference period for most Member States. Monthly unemployment and employment series are calculated first at the level of four categories for each Member State (males and females 15-24 years, males and females 25-74 years). These series are then seasonally adjusted and all the national and European aggregates are calculated. Before the aggregation, missing national data are estimated using the most recent trends of the series.

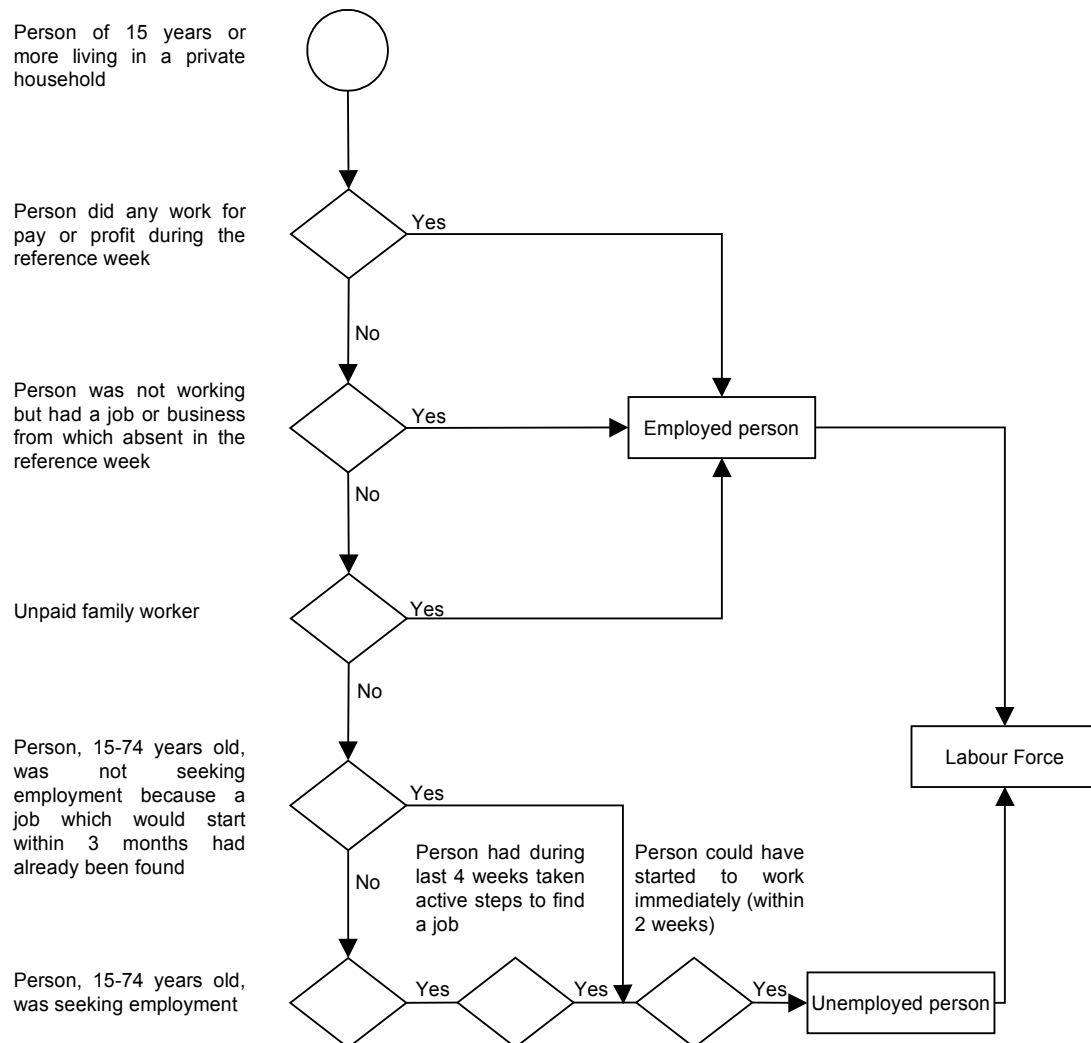
SECTION THREE:

Statistics used to reflect UE

19. The numbers of unemployed and the monthly unemployment rate are estimates based on results of the EU-LFS. These results are converted to monthly data using national survey data and national monthly series on registered unemployment as highlighted in the previous section.
20. Eurostat calculates harmonised unemployment rates for Member States. Harmonised means that the national micro data concerning individuals and households are treated by Eurostat to allow comparability between the Member States.
21. The Eurostat definition of unemployed people conforms to the recommendations of the International Labour Organisation (ILO) definition:
22. **Unemployed persons** are all persons 15 to 74 years of age who were not employed during the reference week, had actively sought work during the past four weeks and were ready to begin working immediately or within two weeks.
23. The following activities are considered as actively seeking work:
 - having been in contact with a public employment office to find work, whoever took the initiative (renewing registration for administrative reasons only is not an active step),

- having been in contact with a private agency (temporary work agency, firm specialising in recruitment, etc.) to find work,
 - applying to employers directly,
 - asking among friends, relatives, unions, etc., to find work,
 - placing or answering job advertisements,
 - studying job advertisements,
 - taking a recruitment test or examination or being interviewed,
 - looking for land, premises or equipment,
 - applying for permits, licences or financial resources.
24. The **unemployment rate** is the share of unemployed persons in the total number of active persons in the labour market. (See diagram one for explanation of who participates in the labour market). Active persons are those who are either employed or unemployed. Unemployment expressed in a rate of the total active population (labour force).
25. The **long-term unemployment rate** (Structural indicator) is the share of unemployed persons since 12 months or more in the total number of active persons in the labour market.
26. **Registered unemployed data** are national administrative data compiled on a purely national basis and for national purposes. There are no European-wide rules on definition and coverage. Therefore these national registered unemployment rates cannot be compared from one Member State to another.
27. National legislation on the definition of unemployment and therefore its calculation can change in individual states. The conditions to receive unemployment benefits and assistance vary from one country to another. This affects the willingness of people to register themselves and, hence, the published unemployment rates.

Diagram One: labour force



How is analysis conducted?

28. There is ongoing analytical work to continuously assess and monitor labour market developments in the European Union. The bulk of analysis is from the monitoring of a set of well defined indicators. Results from the study of these indicators are published in several reports and provides detailed insight into labour and unemployment trends.

Monitoring and design of indicators:

29. To help assess the EU progress towards implementing the Employment Guidelines, indicators are monitored and publicly reported.
30. The indicators are agreed in an Employment Committee (EMCO) on an annual basis. There is an Employment Committee's working group on Indicators which is set up to assist the EMCO on the selection and

development of indicators required to monitor the Employment Guidelines. The main task of the group includes developing, revising and improving the set of indicators in light of statistical developments and new policy priorities.

31. Indicators are divided into analysis indicators and monitoring indicators. Work is continuously going on within the group to improve the comparability, reliability and timeliness of data bases in these fields.
32. Among the list of indicators, there are Principal European Economic Indicators (PEEIs), which have been identified by key users as of prime importance for the conduction of economic and monetary policies for the Euro zone. These include indicators on the unemployment rate, labour cost index, and employment rate⁴.
33. Analysis on the indicators are used to assess the performance and efforts by Member States on employment and underpins the analysis of *National Reform Programmes (NRP)*. Every Member State draws up a NRP which describes how the Employment Guidelines are put into practice at the national level. They present the progress achieved in the Member State over the last 12 months and the measures planned for the coming 12 months: they are both reporting and planning documents.
34. Using the EuroStat and indicator information, an annual Employment in Europe report is produced. This provides the basic analytical and statistical background to the European Employment Strategy and is the kind of analytical material on which Europe's successful employment policies have been built.
35. Both the NRP and Employment in Europe reports are used to produce, a Joint Employment Report. This contains country-specific information as well as a comparison and synthesis of developments from a European point of view.
36. Based on analysis undertaken, the EU is able to assess which countries

⁴ The full list of PEEIs include: GDP in volume, Private final consumption in volume, investments in volume, external trade balance, current account, inflation, unemployment rate (total, below age 24, above age 24), labour cost index, employment, industrial producer prices, industrial production, industrial new orders, private final consumption, industrial consumption, construction production, retail trade deflated turnover, government surplus/deficit, general Government gross debt, Economic sentiment indicator, 3 month interest rate, long term government bond yields, euro dollar exchange rate.

Data source is mostly Eurostat, with the exception of:

Indicator	Source
Current account	European Central Bank (ECB) for euro area only
3 months Interest rate	ECB
Long term government bond yields	ECB
Euro-dollar exchange rate	ECB
Economic Sentiment Indicator	Directorate General for Economic and Financial Affairs

are on target to achieving the desired outcomes. Following this, the Council may decide, by qualified majority, to issue country-specific Recommendations upon a proposal by the Commission. Findings from these reports also help the development of strategies and policies for the future.

SECTION FOUR: EU Case studies

37. This section draws on specific countries experiences of UE early warning systems.

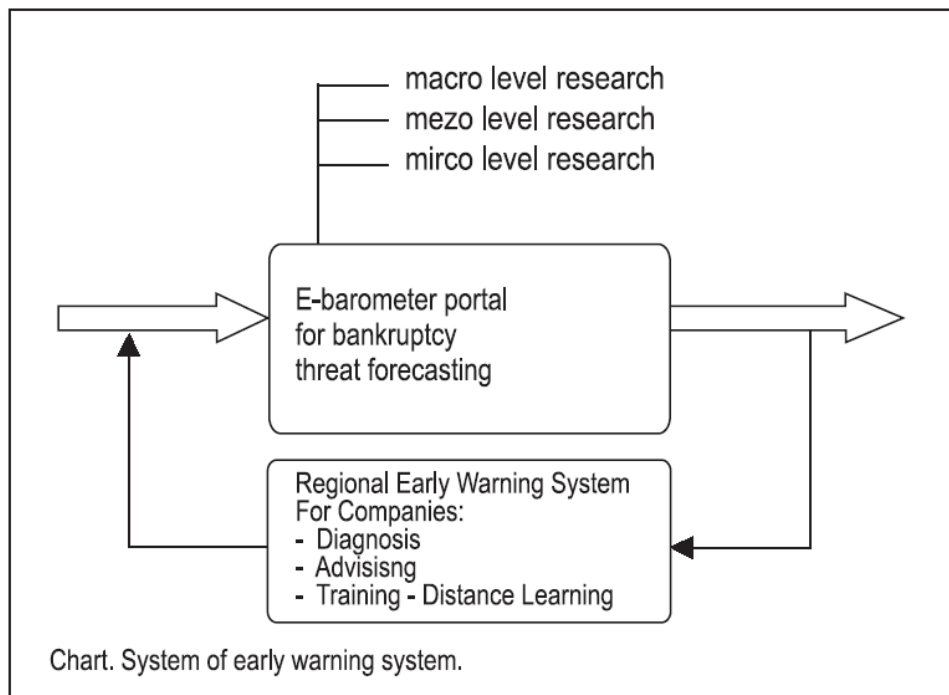
Countries in focus: Poland, France, Austria, Germany, Sweden, UK, Denmark,

Poland

38. EQUAL is part of the European Union's strategy for more and better jobs and for ensuring that no-one is denied access to them and is funded by the European Social Fund. A project was set up, by EQUAL, in two regions in Poland to implement an 'Unemployment prevention system in underdeveloped areas'. This was brought in to support national policy of preventing unemployment in the small medium enterprise (SME) sector.
39. The areas in focus, has an economy dominated by traditional and declining branches of industry and there is a limited presence of foreign investors. There had been ongoing large scale redundancies, with 26 thousand redundancies of the 50+ group between 2001 to 2003. The majority (56.4%) live in rural areas. SMEs make up 99% of the companies operating in the region.
40. The aim of the project was the prevent unemployment growth by safeguarding the existing workplaces within SMEs and increasing their competitiveness. An early warning system was created, to help identify the economic pressures threatening companies at the earliest possible stage. Support was also provided to identify where SMEs need learning and guidance.
41. The first stage of the project involved extensive research and analysis of the economic situation at regional and national level. Macroeconomic analysis assessed many indicators including: GDP and population income; industrial production, building and assembly production, trade reports, transport, finances or companies; currency exchange rate;

inflation; monetary policy; budget; balance of payments; world economy description; raw material prices on world markets. This was coupled with analysis at regional level, carried out in the five economic sectors most exposed to restructuring: industry, building, trade, services and households.

42. Data is also gathered from household interviews which have been conducted every quarter since 2001. Each interview surveys 680 firms and 700 households in both regions. The survey has 2 parts: diagnosis and forecast. For diagnosis, firms are asked questions dealing with financial situations, volume of production, inventories and number of employees, while consumer questions deal with financial situations, expenditure on consumer goods, savings, and opinion about economic condition of the region and its labour market in the last quarter.
43. Forecast questions relate to the same indicators in the quarter to come.
44. From this quarterly survey the project hopes to gain an understanding of current economic activity and to compare it to the results of the previous period. The aim of these regular surveys is to get a clear picture of the economic situation of SMEs in the regions and to draw a possible “change forecast” for the upcoming months.
45. From the surveys, an ‘economic sentiment index’ was created. Here, the average mean of balances between positive and negative answers given to every single question is applied. The index runs from -100 to 100, where values below zero indicate a pessimistic economic sentiment prevails, whereas values above zero show optimistic trends.
46. Using this extensive research, the project has developed an electronic tool called the ‘ebarometer’. This was especially conceived and designed to help and support SMEs in the two selected regions. Through the portal, the project provides information on changes in macroeconomic and regional business trends so as to help entrepreneurs anticipate and adapt to restructuring. For example, SMEs have access to forecasts concerning the main macroeconomic development indicators (like GDP, CPI, exchange rates, import, export, main credit rates, incomes *etc*), as well as to information on the crucial risks affecting SMEs.
47. Also, entrepreneurs have access to forecasts of main indicators of regional development as well as to results of economic research provided in both regions.



48. Through the portal, companies can also undertake a self-assessment exercise which enables them to compare the financial indicators of their firm to the average financial indicators of all companies of the same sector in the region (these are data on financial and economic condition, balance sheet and profit and loss account). This benchmarking system is very precise and effective tool for entrepreneurs as it is developed upon data provided by the regional statistical offices. These indicators are average values of financial and economic condition and other most crucial items.
49. A combination of this information gathered into an econometric model, provides a forecast of financial and economic conditions of firms. The condition of the firm is said to be negative, when three indicators show: gross loss, sales decline, decline in employment.

$$Y_t = f(Z_{t-1}, X_{t-1}, M_{t-1}, \epsilon_t)$$

- **Y_t** – dummy dependent variable assuming 0 value if financial and economic condition of firm is negative and 1 value if financial and economic condition of firm is positive in the year t.
- **Z_t** – idiosyncratic variables describing financial and economic situation of firm in the year t-1
- **X_t** – vector of independent mezo-economic variables describing social and economic situation in region, including the economic sentiment index, in the year t-1.
- **M_t** – vector of independent macroeconomic variables describing social

and economic situation in Poland in the year t-1.

50. Another effective approach of the project has been the establishment of regular and direct contact with every enterprise, via a team of consultants providing advice and guidance in the workplace. These consultants provide complex diagnostic analysis with the help of a special questionnaire and assess crucial weaknesses and training needs for every company. After this assessment phase, they propose special training programmes tailored to the needs of the company managers and employees. The training is then provided usually in the workplace (within an enterprise), so that both the employers and employees (when weak skills assessed) can actively participate. The most common subjects of such training are: organisation management, HR management, marketing and ICT.
51. The *Unemployment Prevention System in Underdeveloped Areas* project, has already shown great results. It has already provided consultancy services and training courses to 50 SMEs (with the final aim being to work with 210). One of the strengths of this project lies within its partnership: in addition to the managing organisation, the project is composed of experienced consultants, a considerable number of local social partners, and several employment agencies across the two regions. The input of these actors has been essential in gaining the confidence of the companies to join the project and responding effectively and strategically to the needs of SMEs within Poland's changing regions.

France

52. In France, three channels to detect early warning systems are particularly worth mentioning:

1. Observatoire

53. This organisation which is a subsidiary body of the National Employment Agency has contact with all Enterprises in France. Enterprises must inform the observatoire about current and future plans for workers and redundancies. This information is then reported on and analysis carried out.

2. National Institute for statistics and economic studies

54. Approximately every 2 months information on 12,000 enterprises are collected and used by the INSEE. They identify and monitor on a monthly basis 59 different indicators on different aspects of UE. From this, a very

good picture of the likelihood of future unemployment can be built up. Analysis is conducted and attention is drawn to potential areas where unemployment may be at risk of rising.

Some of the indicators include analysis on:

- Part time and weekly hours of work – France and EU
- Employment rates of workers aged 55-64, aged 15-24
- Unemployment rates per region, per branch, per age, per gender
- Unemployment rates according to education, age, gender
- Estimates of salaried employment per location and type of work
- Estimates of activity rates of migrants per gender per age
- Working active population per age, gender and type of employment
- Part time working persons per number of weekly working hours
- Under-employment rates per sector and professional category (qualification)
- Breakdown of unemployed according to ways of looking for employment opportunities,
- Etc.

55. Government can then act accordingly to address the identified problem.

56. There is no trigger point on the indicators (no mechanism whereby if indicators fall below a certain level, or drop consistently for a period of time, action will be taken). What matters is the trend in a variety of indicators, and the interpretation to be given to this evolution. The analysis of the various indicators is in fact aggregated by INSEE in quarterly Notes called “Employment and Labour market Analysis”. Early warning is part of this systematic analysis.

57. This is the most comprehensive contribution to the early warning system.

3. Enterprise reporting on future redundancies

58. If an employer is thinking he may dismiss 10 or more employees, they must report this to the Local Employment Agency at least 90 days before. Companies must fully justify their decision about why they do not need the workers, when they may re-hire them. They must also work on solutions with the labour agencies to suggest suitable

Further indicators:

Rate of activity of employment agencies

59. Here there is no trigger point for action, it is the trend which matters – and how various categories of unemployed and job seekers are affected.
60. The opinion of enterprises on their future intentions in terms of recruitment-dismissals is also systematically reviewed by INSEE on a quarterly basis.

Monthly index of household satisfaction and anticipation on the future

61. This is a survey carried out to see whether people are worried about the future and keeping their jobs. Results can be used with Local Authorities to uncover the real reasons behind concerns raised. An aggregated indicator on households' anticipations is constructed, and its evolution is analysed by INSEE on a monthly basis. For example, in June 2008, households' rating of their situation was worse than in May 2008 by 4 points (- 46 against - 42). Households plan less to make personal investments in the near future – and have increased worries about their future financial situation, both being elements that may negatively affect employment levels.

Austria

62. The Austrian early warning system is part of the framework of preventive pro-active employment policy, and is activated in cases of staff reductions.
63. The regulatory system was introduced in Austria in 1976, which aimed to set up preventive measures to avoid long periods of unemployment or to provide support for rapid and sensitive retraining for the unemployed. This arose from the effects of the first 'oil shock' which imposed long-term adaptation to new demand conditions and led to the restructuring of industrial locations, and production. From 1 August 1993 the early warning system additionally focused on the situation of older workers.
64. The aim of this regulation is to provide the Employment Office with time to examine possible solutions and to look for the best way to respond to the needs both of the wage-earners affected and of the economy as a whole.

Implementation

65. Official notification of impending job losses is compulsory only where they surpass a certain threshold, and are required from employers only for employment policy-related job losses (thus excluding retirement, resignations and the like). Failure to comply with the early warning

mechanism entails the annulment of redundancies as laid down in the labour legislation.

66. Compulsory participation of employers and workers is intended to ensure that redundancies will be kept to a minimum as a result of an analysis of their social consequences, and that all possible and imaginable measures will be taken to protect jobs, in partnership and in agreement with the Employment Service and the relevant political decision-makers.
67. The early warning system at regional office level (the Employment Service is comprised of one authority at federal level, nine at provincial level, 96 at regional level and 14 branch offices) simplifies administrative and technical procedures with regard to seasonal enterprises.
68. The early warning system is usually brought into action in the following sequence:
 69. the firm contacts the regional office by telephone or in writing prior to issuing the formal notification. The office then provides information and advice on the notification and proposes alternative ways forward;
 - a) the firm submits the formal written notification;
 - b) the office proceeds to formal examination of the notification to ensure that all the information required by law has been provided;
 - c) having received the notification, the regional office chief must decide on the basis of employment promotion policy on the advisability of talks to avoid redundancies or on limiting their number. If the result of this decision is positive, the office then contacts the interested parties;
 - d) special examination is undertaken in cases where an employment contract is terminated prematurely without the thirty day legal warning period;
 - e) the procedure initiated by the Employment Service is designed to protect the continuity of employment, and it therefore proposes appropriate measures in each case (training, partial layoffs, time-sharing);
70. If no way is found of protecting the jobs threatened, services must be recommended to enable the redundant workers to return immediately to the labour market. The Agency then offers:
 - a) the usual Employment Service services;
 - b) a set of insertion measures;
 - c) information provided to groups of workers;
 - d) guidance provided to groups of workers;
 - e) group activities - outplacements - with financial support from the

- employers;
- f) business start-up guidance.

71. The early warning system makes use of computerized aids. Certain information must, as stated by legislation, be inputted into the system. The information is then used to support the compilation of essential information for decision-making and planning and concern the individual enterprise: location, number of employees, type and method of production, number of jobs threatened, the knowledge and skills possessed by the employees, their occupational experience, their labour law and social law situation, as well as social and demographic information. Other parties to negotiations among social partners are similarly profiled. Every employee of the Service has the necessary computer equipment and the Employment Service's own internal network allows permanent real-time information exchange throughout the country.
72. The financial provision for employment promotion policy enables the Service to respond to needs as they arise, and, among other things, allows an extension of unemployment insurance payments beyond the standard period, as provided for in the Unemployment Insurance Law.

Impact of the measures

73. As yet no scientific evaluation has been undertaken of the effect of the early warning system.
74. The coordination among social partners and the Employment Service have led those involved to the conclusion that the mechanism provides several opportunities:
- a) timely collection of information on the enterprises concerned;
 - b) the assembly, on the basis of that information, of a basis on which all those involved, including local communities and other bodies, can develop concrete measures to overcome the problems presented;
 - c) the timely introduction of preventive measures for the benefit of employees affected so as to avoid redundancy (viz. short-time work, reorganization of working time);
 - d) to envisage measures which will ease the workers affected into new jobs or training (insertion foundations, regional integration measures or a concerted job placement effort).
75. The Unemployment Insurance Fund has also been able to save money thanks to the speed with which redundant workers find a new job. Evaluation expenses are covered by the general operating budget.

Germany

76. Germany has experienced a positive economic situation during 2006/07 which has led to a decrease in unemployment. Nevertheless the future unemployment will be affected by factors such as:
- Critical developments at several international financial centres
 - Raising of energy prices, causing the increase of production costs linked with wage and price spirals
 - Results of current German labour market reforms and wage policy.
77. The German Federal Agency for Employment (BA) is responsible for all matters relating to unemployment insurance. There is a hierarchical structure comprising head quarter, regional and local agencies. Many other additional institutions form part of the BA, including an Institute for Employment Research (IAB).
78. The IAB, as the name suggests, investigates special problems and delivers the theoretical basis for scientific discussions aiding future decisions.
79. The Federal Employment Agency is according to law in charge of the UE statistics. Both the BA (with its different agencies) and the IAB use the same databases for information. The main indicator reflecting UE is the unemployment rate, however there are numerous statistics regularly processed by BA. The key indicators recorded include:
- Number of unemployed and job seekers
 - Number of people employed and people employed in jobs covered by social security
 - Reported vacancies
 - Unemployment Benefit recipients
 - Number of people requiring financial assistance who are fit for work
 - Number of people requiring financial assistance who are unfit for work
 - Number of participants in selected programmes for active labour market policy
80. Data is recorded at a local level. On the basis of these statistical indicators, the BA's opinions and analysis of current events in the labour markets is reported and discussed in several publications and media. A labour market report is published monthly with the same structure so that the monthly results and interpretations are comparable. The local and

regional labour agencies similarly publish their relevant reports monthly. Alongside this, regional and socio-demographic information are published on the internet.

Forecasting

81. Germany's Institute of Employment Research (IAB) uses 3 types of forecasting methodologies:

1. Econometric methods

82. Use a regression approach to provide quantitative statements about how endogenous variables such as employment respond to changes in exogenous variables, such as the overall demand. The information then needs to be extrapolated to the future.

2. Indicator models

83. Build on a stable connection between an early indicator (for example the economic climate index which is undertaken by ifo-Institute each year) and predictable variables such as GNP. The change of the indicator allows conclusions regarding the forecast value of GNP.

3. Iterative-analytical procedures

84. Build on separately predicted components (for example employment which is subject to social insurance contributions as a part of the overall labour demand). The forecast is based on the above mentioned methods. Following that, the separately predicted components are being iteratively adjusted with each other which results in a consistent view on the labour market development. This view is said to be the most realistic one. Anyhow, experts advise against too high expectations in the plausibility of the forecasts.

85. Most forecasting methods are based on a theoretical imagination and empirical information on economic activity in the past. Forecasts rely on the assumption that correlations from the past will hold steady in the future. Unfortunately, this is often not the case. Thus, those methods promise better success in which framework conditions need to be inserted – even if it is a subjective assumption, for example the assumption that mild weather conditions will lead to lower-than-usual unemployment rates in winter.

86. Iterative-analytical forecasts provide this opportunity. They always result in

conditional forecasts, i.e. “if...then” statements. Most forecasts cannot avoid assumptions of exogenous variables like the development of the world economy, the oil price, etc. In order to use them properly, professional knowledge as well as many team discussions and also intuition are required.

87. In order to assess the labour market balance, IAB projections use the iterative-analytical method and are calculated within the framework of the labour market balance. This framework includes:
 - labour demand,
 - labour supply, and
 - under-employment
88. In order to predict these elements, IAB uses econometric methods as well as experience-based indicators, “naive forecasts” (i.e. no-change or same-change predictions) as well as intuition.
89. Forecast errors mainly depend on three problems:
 - Lack of transferability of correlations and behaviour patterns from the past into the future,
 - Incorrect assumptions around explanatory variables, and
 - Preliminary data which lead to wrong diagnoses of the current situation and require data revisions at a later stage.
90. As a consequence of imponderabilities regarding assumptions and data, the accuracy of forecasts has not significantly improved during the last 30 years although methods have been improved, empirical data are of higher quality and modern computer-based procession facilitates the work.
91. Yet, compared to other forecast models introduced by other Economic Survey Institutes, the IAB forecasts show the lowest degree of errors.

How the forecasts are used:

92. Applying the current methods and methodologies two years ahead the IAB is able to estimate the number of unemployed and the number of employed covered by social security at both a regional and local labour agency level. These regional labour market prognoses are published and taken into consideration.
93. The BA, who have the responsibility of administering the unemployment insurance funds, have set up a special controlling system in the last few years.

94. Based on

- a) the IAB prognosis,
- b) the current specific tendencies in the regions and local agencies and
- c) the expected budget for the coming year,

a planning procedure with many steps is finished with mutually agreed targeted objectives on each hierarchical level. Very precise indicators are used such as duration of unemployment, avoiding unemployment by job to job integration, number of filled vacancies and some others are under continuous control.

95. The local agencies are subdivided in 12 types of agencies (created as well by the IAB on the basis of regression- and cluster analysis) in order to use a benchmark system making them according their different economic and other conditions better comparable and so being able to optimize the distribution of the unemployment insurance funds.

96. In other words: In the above mentioned planning procedure different quota for the already mentioned objectives for different types of labour agencies are used, in order to reflect the realistic environment and to find the realistic targets for each type of labour agencies.

97. With the help of this controlling system the BA knows exactly how much of the planned budget is spent and is able to steer very precisely in light of unexpected emerging problems. This means, if there is a three month in row change in the three mentioned (later on) seasonal adjusted indicators showing an unemployment increase the BA will react by relevant steering the financial means for each type of local agencies so that the available total amount of the annual budget will not be overdrawn.

98. Increases of the unemployment rate during the year are common due to seasonal trends. It is preferable therefore to focus on the seasonally adjusted declines and increases in unemployment. Even changes in the seasonally adjusted monthly must be carefully interpreted because it can't exclude the fluttering on the edges of the actual series of seasonally adjusted unemployment rates.

99. Therefore unemployment rates must be analysed together with other key labour market indicators. Generally the number of registered unemployed and the number of vacancies and the number of employees covered by social security (as the biggest part of the labour force) are analysed as well. (The Germans are traditionally using the number of employees covered by social security, because this (biggest) part of labour force is contributing to unemployment insurance. Nevertheless and this was

described in point 1 answered by the BA due to the ILO approach there exist an unemployment rate based on the whole labour force.). If all three indicators worsen three months in a row then it is recognized that a significant change or trend has formed.

100. Labour market policy will change depending on the type of assistance needed. For example, if the decline of the long term unemployed slows and stops, more active labour market measures are needed to make those unemployed more suitable for the labour market and so to increase demand for them in labour market. There are structural differences between the demand of skilled workers and the supply of unemployed persons and each economic downwards trend will enlarge those differences.

United Kingdom

101. The UK has two reported measures of unemployment. The first is in line with the internationally agreed ILO definition. The second is the claimant account – the number of people claiming unemployment benefit.
102. The Office for National statistics (ONS) is a Government agency responsible for compiling, analysing and disseminating many of the UK's economic, social and demographic statistics. Publications are free from any political interference.
103. Every month, the ONS releases statistics on the number of people unemployed in the UK for the latest available 3 month rolling period, alongside other labour market statistics (including data on those in jobs and those who neither have jobs nor seek work, and those claiming UE related benefits).
104. The Department for Work and Pensions utilises and publishes this information collected and processed (by the ONS), on the labour market alongside its own analysis. These measures highlighted below act as a gauge to determine whether the Government policies are working.
- How many people are in employment compared to last month/quarter/year
 - Employment rate
 - Unemployment rate, now and compared to last month/quarter/year
 - ILO unemployment,
 - The number of people claiming Jobseeker's Allowance (unemployment benefit)
 - Number of vacancies, and redundancies

- Claimant unemployment and vacancy count.
- Number of people claiming key out-of-work-benefits
- Economic Inactivity
- Earnings growth

When change in unemployment is significant

105. The information gathered on the unemployed comes from the UK Labour Force Survey. As with the other countries, this is based on a random sample throughout the UK, conducted every 3 months using around 53,000 households. As the information on UE is sample based, it means that when interpreting how UE has changed sampling variability needs to be considered.
106. Any sample survey will have sampling variability. This occurs as in theory, for the same period, unemployment may 'vary' depending on the sample of random people drawn. The spread of the results from choosing different samples is known as the sampling variability. Once this is known, Government statisticians calculate a range of values around the sample estimate that represents the expected variation with a given level of assurance. This is the confidence level.
107. For a 95% confidence interval we expect that in 95% of the samples the confidence interval will contain the true value of unemployment that would have been obtained by surveying the entire population. For example, for May to July 2007, we can be 95% confident that the true level of unemployment was within 62,000 of the estimate of 1,649,000 (ie, within the range 1,587,000 to 1,711,000).
108. When considering changes in the unemployment over time, we must also consider the sampling variability. However, changes in unemployment levels between 3 month periods are not usually greater than the sampling variability.
109. Unemployment in the United Kingdom is estimated to have fallen by 28,000 between February to April 2007 to May to July 2007 (seasonally adjusted). Using the confidence interval stated above, we can be 95% confident that the true change lies in the range between a fall of 91,000 and an increase of 35,000.
110. Changes over time should be examined using the unemployment rate as it places changes over time into a wider context. However, the unemployment rate is still subject to sampling variability. The best estimate of the change in the unemployment rate between February to

April 2007 and May to July 2007 was a fall of 0.1 percentage points (seasonally adjusted). We can be 95% confident that the true change in the unemployment rate lies within the range of a fall of 0.3 percentage points and an increase of 0.1 percentage points.

111. Unemployment, as measured by the LFS described here, has high sampling variability for areas below regional level. Changes in estimates of unemployment are therefore difficult to interpret for smaller local areas.

112. The alternative measure, the claimant account, is however accurate down to very small geographical areas and is unaffected by sampling variability since it is a 100% count. This means it can be used as an indicator of those without work down to small areas.

Forecasting Unemployment

113. The UK Government does not forecast unemployment. Instead, the HM Treasury produces a comparison of monthly forecasts on the economy, including unemployment, which is based on comparisons of what other independent institutions have said/predicted.

114. ‘Forecasts for the UK economy’ is therefore a summary of published material reflecting the views of the forecasting organisations and does not provide information on the Treasury’s own views. Forecasts are therefore explicitly stated to be independent of Government analysis and thought, and can therefore be seen purely as provision of information to the public on independent firms’ view of the economy.

115. A range of indicators for the economy are forecasted to the year end and this information is presented in the monthly forecast. Examples include: fixed investment, change in inventories, domestic demand, total imports and exports, employment growth, claimant UE, manufacturing output, average earnings and other macro variables.

Rapid Response Service

116. Where a company anticipates redundancies of 20 or more they are legally obliged to notify the Insolvency Service of this. The Insolvency Service requires a notice period of 30 days for redundancies of 20-99 employees and 90 days for redundancies of 100 plus. There may be certain circumstances where it is not reasonably practicable for the employer to meet the requirements of the minimum notification periods.

117. This information is forwarded from the Insolvency Service to the

nominated Rapid Response Service contact in each Jobcentre Plus Region. Each of the 50 Jobcentre Plus Districts have a nominated RRS Manager.

118. Rapid Response Service is a fund of money administered by the UK employment agency (Jobcentre Plus) available to individuals made redundant where no other help exists or is insufficient to get them back into work.
119. This Service is designed as a response to redundancies, which have been given Large Scale Redundancy status and have a significant impact on the local labour market. RRS funds may be provided in addition to the help already being offered by their employer, local partnerships and Jobcentre Plus provision. It must not replace help from other sources. RRS supports the Government's strategy to reduce poverty by ensuring individuals return to employment as quickly as possible.

Support provided by RRS includes:

- **Skills Transfer Analysis (STA)** - to help identify an individuals transferable skills and training needs relevant to the local labour market
- **Job Focussed Training (JFT)** - to assist individuals with appropriate training and certification linked to employment or self-employment linked to the needs of the local labour market
- **Action Fund** - to provide assistance to overcome an individual's barrier to taking up a specific job offer, self-employment or help to access JFT

120. The RSS funds therefore assist individuals made redundant or under formal notice of redundancy where a Large Scale Redundancy has been declared. RRS Funds cannot be accessed without an application being made and authorised and funding cannot be given retrospectively.

Sources:

<http://www.hm-treasury.gov.uk/media/A/2/200809forcomp.pdf>

http://www.hm-treasury.gov.uk/media/7/3/bud08_chapterc.pdf

http://www.hm-treasury.gov.uk/media/0/B/bud07_chapterb_369.pdf

<http://www.hm->

[treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm)

Sweden

121. In Sweden, the major flow into unemployment comes from people not

in the labour force. This explains why youth have a higher unemployment level than adults and why immigrants have a higher unemployment level than people born in Sweden. For many of these people unemployment will not be a serious problem because the duration in unemployment will be short. Some however will face difficulties to find permanent employment in the labour market, particularly those with shorter educational backgrounds.

122. A smaller group leave employment to become unemployed. Some may lose their jobs due to structural changing, or when the business cycle is in a downturn, the unemployment level will increase as it becomes more difficult to enter employment and more people will lose their jobs.

123. People who have a weak position in the Swedish labour market and are therefore more likely to enter unemployment are

- the youth with a weak educational background,
- people born outside Sweden (specially with short educational background) and
- older people.

124. Sweden has two main measures of unemployment.

1. From the Labour Force Survey, which asks more than 21 000 people in the population (aged 15-74 monthly), whether they join the labour force by employment or unemployment. This is the official unemployment measure in Sweden and is collected monthly.

The survey also:

- maps activities by people not in the labour force.
- follows international definitions and standards and is therefore a useful tool to compare countries concerning unemployment level.

2. The second measure is people unemployed and registered at the Public Employment Service. Statistics from PES is collected daily but figures are only produced weekly.

125. To assess whether an increase in unemployment is significant, the LFS is used. For example the unemployment was 5.2% august 2008. Comparing with 2007 the unemployment level must increase or decrease with more than 0.5 percent unit to be significant.

126. Sweden uses a lot of figures to predict unemployment. For example inflow of vacancies, the inflow of new orders to companies etc. Indicators are used to monitor the development of the economy and to obtain a quick

impression of the trend. For example whether the business climate or the labour market is expanding or contracting. Important areas here are the development of employment and unemployment and also identification of which groups are finding it easy to find jobs and which are having difficulty in finding a solution to their labour market problems.

127. Indicators are also used to assess the immediate future, for example whether employment or unemployment is rising or falling. There are a large number of indicators, both simple and more complex ones. Sweden have produced a comprehensive paper on the indicators used to monitor the labour market including clear definitions. This is summarised here but the full report is also available upon request.

128. There are indicators that are often used in the labour market both to describe the current situation and to assess future developments. Indicators are also used to identify a number of problems in the labour market that it may be possible to solve by labour market policy measures.

129. **Demand for labour**

There are a number of indicators that may be used to describe employment, i.e. demand on the labour market. Some are highlighted here:

- **Inflow of vacancies**

Definition: Number of newly announced job openings during a certain period, preferably a month.

Purpose: Shows the unmet demand for labour.

Statistics: Inflow of vacancies notified to the Public Employment Service.

Remarks: An increase in the number of inflow of vacancies indicates that employment will rise after a certain time lag and the contrary trend is expected if the number of inflow of vacancies decreases. This indicator can be used for the labour market in total but also for individual industries and occupational categories and for different regions and the local labour market. The indicator may be classed as a leading economic indicator. This indicator is simple but very useful. However it has qualitative weaknesses. It shows only the job openings notified to the Employment Service. This means that there are many openings that are not picked up, but the main drawback is that the Employment Service's share of the market varies over time. In addition there are classic registration problems, for example whether coding is correct and how deregistration of job openings that are filled functions. The indicator is nevertheless very useful with regard to picking up

changes.

- Questions about number of employed

Definition: Change in the number employed.

Purpose: This method is used to report both what has happened and what is expected to happen with regard to the number employed.

Statistics: Labour market survey, register statistics or poll. The latter is a question to companies on whether the number of employees has risen, remained unchanged or fallen. The corresponding question is asked with regard to the immediate future.

Remarks: This indicator is relatively simple. Net figures are usually used when the results are reported, i.e. the proportion of companies answering “risen” minus the number of companies replying “fallen”.

- Confidence indicators for different industries

Definition: Confidence indicators for different industries.

Purpose: Shows position of different industries in the business cycle.

Statistics: These indicators are refined by several other indicators.

Remarks: These indicators are used in addition to trend analyses to show whether changes in the number of persons employed are to be expected. This indicator must then be used together with other indicators, for example the companies’ plans regarding number of persons employed for the next few months.

Further indicators recorded for labour demand include:

- Unemployment
- Number of employed
- Incoming orders⁵
- Measurement of total number of vacancies
- Newly announced job openings plus number employed
- Remaining vacancies at the end of the month
- Turnover
- Unused staff capacity
- Notice of dismissal
- Average hours worked per week
- Changes in hours worked/hours of overtime

⁵ Incoming orders is what is known as a leading economic indicator. An increase in incoming orders to industry or to building and construction indicates that the demand for labour will rise, first in the form of more job openings, and that with a certain time lag employment will rise. A reduction in incoming orders naturally leads to the converse trend.

- Absence from work

130. **Supply of labour**

There are a number of indicators that describe the development of the labour force, i.e. the supply on the labour market.

- Demographic indicators
- Relative labour force participation rate
- Employed
- Unemployed
- The number of persons who will leave the education system during the coming year.
- Net immigration (national)
- Net migration (regions) Definition: Immigration minus emigration.

131. **Unemployment**

A number of indicators describing unemployment specifically are monitored:

- Newly announced job openings and vacancies.
- Number of persons unemployed.
- Number of persons subject to notices of dismissal during a certain period.
- Number in the labour force, i.e. number unemployed plus number employed.
- How the number of employees has developed and plans regarding the number of employees in the immediate future.

132. **Labour market problems**

There are a number of indicators that focus on specific problems in the labour market.

- Number of persons unemployed.
- Number and proportion of long-term unemployed.
- Proportion of employers who have experienced shortage of labour during, for example, the last six months or the last month.
- Assessment of whether there is a surplus or a shortage of labour in particular occupations.
- Tightness (labour market tightness), the ratio of number of job openings to the number of jobseekers (unemployed). Shows how easy or how difficult it is for a jobseeker to find work.
- Proportion of registered jobseekers who leave the Employment Service to go to work.
- New persons unemployed at the Employment Service (including re-

- registrations).
- Persons unemployed and job openings, known as the U/V ratio, which is related either to the population or to the labour force.
133. Sweden conducts analysis monthly on all the indicators collected. In addition, they undertake macro economic analysis and mapping of the development of the global wide economic development. This information is also used as a predication of future unemployment.
134. The basic information comes from interviews with 12 000 working places. The Central Ministry creates the questionnaire which the employment offices use to conduct the interviews. All municipalities are interviewed with this special questionnaire
135. A stratified random sample is used. The sample is stratified by industry, size of the working places and county (Sweden is divided into 21 counties). Industry is divided into six activities:
1. construction,
 2. manufacturing,
 3. wholesales and retail,
 4. transporting,
 5. companies selling service to companies
 - a) for example business and management consultancy, computer related activities, legal activities, and
 6. public services handled in the private sector (public sector by this activities from private companies) in the area of education, child care, older care, health care etc.

Working places is stratified by 1-4 employees, 5-19 employees, 20-49 employees and 50-99 employees. We try to cover all working places with more than 100 employees.

136. The indicators used to predict employment and unemployment are combined with macro economic analysis including mapping a prediction of the global economy. Results from the questionnaire also plays an extremely important role when predicting employment and unemployment.
137. From these sources, the Ministry tries to get a logical prediction from all sources and also use their experience and intuition to make a forecast. The government use the forecast results as a tool the plan the labour market policy for the coming years.

138. The course of action taken depends on the Government and DG of the Public Employment Service. However, the Ministry will always try to influence the planning process over labour market policy given the results from the analysis.

Denmark

139. Currently, there is very low unemployment in Denmark (DK). Whilst it is therefore difficult to assess the main contributing factors, traditionally macroeconomic recessions and structural imbalances have been the main reason for high UE numbers in DK.

Statistics used to reflect UE

140. The main statistic is "registered unemployment" which follows the ILO definition: People without jobs who are capable of taking up employment with short notice.

141. The other important number is the overall number receiving unemployment benefits and social benefits. This is a higher number, as many of the social benefits claimants are not deemed available for the labour market. Participants in active labor market schemes are not counted in the registered unemployed.

142. Therefore, the registered unemployment statistic is a measure of the labour readily available to the labour market. It is not a measure of the number of people not working. At present there are 44,000 unemployed, whereas more than 900,000 people between the ages of 16 and 64 remain outside the labor market, most of them on early retirement and extended sick leave.

143. The statistics are generated from IT case management systems in job centers and unemployment insurance funds. Statistics Denmark (*online publisher of detailed statistical information on Danish society*) collects and publishes the statistics. The monthly numbers are generally adjusted for seasonal variation, though both the raw and adjusted versions are available.

144. The stats provided in "Statistikbanken" the Statistics Bank, are gathered and process by Statistics DK, who design and provide the data to the public. It is politically independent and doesn't give any comments about data to the government. Various ministries process and comment on the data received. Analysis is conducted on these figures monthly.

145. An example of the indicators monitored and reported on publicly on the labour market are provided below:

- Employment indicators at full-time equivalent employees (ATP statistics)
- Indicator for employment of immigrants
- Indicators for aggregate payroll costs based on labour market contributions
- Labour market attachment of immigrants and their descendants
- Register - based labour force statistics
- Statistics on absence
- Unemployment (monthly and yearly)
- Work stoppages
- Earnings
- Bankruptcies

146. These indicators will reflect the economic situation at the moment in Denmark. In addition, it is possible to make various statistical forecasts about the likely changes and directions on labour market with use of these indicators.

147. There is no official significance level whereby if an indicator changes by a certain percentage it is said to be significant. The statistics are based on the total population, not on sampling. Anything can be commented upon.

Forecasting (prediction) methods and techniques in use

148. The Finance Ministry makes projections of economic listing every quarter using the Annual Danish Aggregate Model (ADAM) model. ADAM is a macroeconomic model, developed by Modelgruppen to Statistics Denmark.

149. The model provides a simplified mathematical description of the Danish economy in operation and is used to predict economic trends and calculate the effects of economic policy interventions. Moreover, studies of the demand of labour are conducted every half year to oversee and monitor the labour market development within the regions. The studies are based on the statistics of the unemployed and interviews with employers.

150. The studies are a standard process, with the information on the labour market published two times a year.

151. The purpose of interviews consists of study of ability of leaders and firms to recruit employees. A questionnaire will be sent to randomly selected companies twice a year. The random sample size covers 1/3 share of employment firms in Denmark. The questionnaire includes following issues:

- Has the company within the last two month trying to recruit new staff?
- Specification of people which the company has unsuccessfully tried to recruit in the last two months.
- If the unsuccessful recruitment meant that company has halt orders or activities in the two months.
- How many people the company had employed last year.
- How many people are working in the company today?
- Does the company expect that it has the same number of employees in a year as today?
- In which of the following staff categories does company expect that it will increase or reduce the number of employees.

Spain

152. The key to Spain's early detection of unemployment changes is the good functioning of an Employment Observatory, at national and regional level. This is the Spanish Employment Agency responsible for helping in activities for developing national employment policy, protecting and enhancing employment, and preventing unemployment.

153. In a typical Observatory team, there are economists, sociologists, statistics, IT experts and labour specialists all represented. They collect data from different economic sectors and regions (as well as local level), process it monthly, and publish regular reports (newsletter, web site, studies and analysis, etc) on a monthly and quarterly basis.

154. Information is collected on a range of indicators, including employment and unemployment, by economic sector, region/municipality, gender, educational level, experience and training level. Other factors such as imports, exports, and demand for employees are also monitored.

155. All this information serves to anticipate economic trends. Information is analysed largely via monthly trend analysis with results disseminated and published. The Observatory also forms close working relationships with local authorities, chambers of commerce, trade unions, industrial areas, harbours and distribution channels. Regular communication with these organizations play an important role in understanding the current and future condition of the labor market and unemployment.

156. In addition, is also responsible for compiling, analysing, interpreting and publishing labour market data on a local and national basis to follow up labour force requirements in order to determine labour force supply and demand, and to have them analysed.
157. A labour market information system is established covering information both based on census/survey results and official registration data about employment, unemployment at the national, regional and provincial level.
158. The branch offices have more analytic power to perform local labour market monitoring. The National and Provincial Labour Market Observatory collects, handles and analyses available information about job and economy trends, required skills, evolution of employment by provinces and cities, target group evolution, etc. In addition, they disseminate results and address concerned institutions so that they can react to findings and results from surveys provided by the observatory.
159. The Employment Agency promotes its labour market policies, human resource strategy plans, forecasting needs at local levels with the participation of universities, training institutions, local agents and social partners.
160. Specifically lines of work include:
- Collection, treatment and regular dissemination of key figures from the Employment Offices
 - Monthly, quarterly, municipal, etc..
 - Dealing with outside requests for specific information and reports.
 - Studies on specific aspects of interest:
 - E.g. Study on employment and youth training needs of the immigrant population, list of occupations with low female representation.
 - Identifying trends and training needs to guide the planning of the training supply
 - Maintaining and updating the website
 - Ensuring users know about the services provided by the Observatory in order to improve the quality and relevance of the information.
 - Study of detection of user needs

- Progressive establishment of a suite of key indicators to monitor the training and employment programs
- Projects to disseminate the work of the observatory and work closely with the community interested in the study of the labour market
 - Participation in forums, Observatory Network, Center for Occupational Hazard

There are two main models in the Observatory

Passive Observatory Model

- Data Collection
- Description of the main variables
- Regular dissemination of information

Model for monitoring Assets

- Linking data and converting them into useful information
- Detection and analysis of trends
- Development of proposals for action

An example of the products and outputs of one regional observatory in Spain:

- Quarterly Reports on the Job Market
- Monthly figures on the job market
- Annual report on the job market for employment municipal reports
- Report of integration on immigration and employment data
- Study the needs and trends of the business of training in the region
- Study of the status of labour study of youth
- Identify training needs of the immigrant population

Regional and Local Development Agencies

161. In addition to the Observatory, there are Local Development Agencies which are very closely linked to the community. These Agencies visit local people and local company's forming close relationships. In this way they are able to gather reliable and local information about how employers/individuals are feeling in the current economic climate, and any anticipated change or concerns for the future. Both the Observatory and Local Agencies can make use of this information when analysing the current labour market situation.

162. Agencies, funded by the Municipalities, offer services to those they interact with. For example, they could increase awareness of benefits a

company could receive and take advantage of - such as a training course or a subsidy.

163. By working closely with the Observatory, the Local Agency in theory is able to use the information on trends to pinpoint specific groups of people or industry within their local area which are at risk of becoming unemployed. They are able to then go to the relevant industries and offer information, guidance and services to help prevent the event occurring.

SECTION FIVE:

Key Issues and suggestions to be considered for China

In developing the UE early warning system the following points are relevant suggestions to be considered for China as a result of EU best practice.

1. Development of clear, precise, standardised definitions for all statistics collected by provinces in China. Using common classifications and recording the same set of characteristics in each Province. This includes precise definitions of what constitutes as unemployed.
2. Standardised method of collecting data across provinces, in terms of coverage and who is interviewed.
3. Conduction of private household survey to gather information, or to adapt current data collection methods to draw out needed information in line with points 1 and 2 above.
4. Development of a suite of indicators relating to unemployment that are measurable to feed into the early warning system. For example, the number of contracts ending in the next 2 or 3 months, plans for future layoffs as a result of energy saving policy, or macroeconomic factors such as exchange rate and balance of trade.
5. Monthly assessment of indicators in warning system indicating where unemployment may be a threat in the future, and following this potential preventative policy measures to counter this threat.
6. Whilst EU country specific case studies show a variety of approaches to

predicting future unemployment, all have a common approach of regularly collecting and monitoring micro information and indicators in the economy. Emphasis is on regular public communication of this information.

References and Contacts for the case study countries:

Papers (on the G drive) for Spain, UK, Sweden, Denmark, Poland, Germany, and on EU stats can be found here:

www.eucss.org.cn

Poland

Internet Sources:

<http://www.equal-pentapoint.net/workgroups/385/> (power point)

<https://webgate.ec.europa.eu/equal/jsp/dpComplete.jsp?cip=PL&national=116>

http://ec.europa.eu/employment_social/equal/data/document/esf-isr-restructuring_en.pdf

<http://www.sais->

[jhu.edu/cmtoolkit/approaches/conflictprevention/indicatorsandsigns.html#anchor1](http://www.sais-jhu.edu/cmtoolkit/approaches/conflictprevention/indicatorsandsigns.html#anchor1)

France

Jean Victor Gruat jvgruat@brennilis.com

http://www.insee.fr/en/themes/theme.asp?theme=3&sous_theme=3&nivgeo=0&type=2

Austria

<http://www.ilo.org/public/english/dialogue/ifpdial/la/gp/austria.htm>

Germany

Michael Van der Cammen Michael.Van-der-Cammen@arbeitsagentur.de

Gabriele Dietrich gabrieledietrich@web.de

United Kingdom

Neil Murray NEIL.MURRAY@JIU.GSI.GOV.UK

Heather Rawcliffe HEATHER.RAWCLIFFE@JOBCENTREPLUS.GSI.GOV.UK

http://www.statistics.gov.uk/downloads/theme_labour/unemployment.pdf.

<http://www.dwp.gov.uk/mediacentre/pressreleases/2008/sep/stat-170908.asp>: <http://www.hm-treasury.gov.uk/media/A/2/200809forcomp.pdf>

Sweden

Tord Strannefors tord.strannefors@arbetsformedlingen.se

Stefan Tjarnback stefan.tjarnback@arbetsformedlingen.se

Denmark

Marie Cecilie Hertz Marie.Hertz@r-m.com

Karin Attström karin.attstroem@r-m.com

Anders Kragh Bingen Anders.Kragh.Bingen@r-m.com

Julia Reenberg jre@ams.dk

Henrik Bech heb@ams.dk

(Head of the department "analysis and monitoring of the labour market")

Spain

Alberto Cerda Mico acm.frame@gmail.com

Daniel Martin josed.martin@carm.es