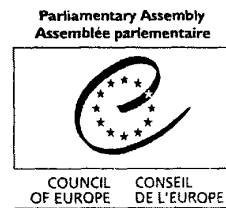


Parliamentary **Assembly**  
**Assemblée** parlementaire



Doc. 10359  
10 November 2004

## What solutions to Europe's unemployment?

Report

Committee on Economic Affairs and Development

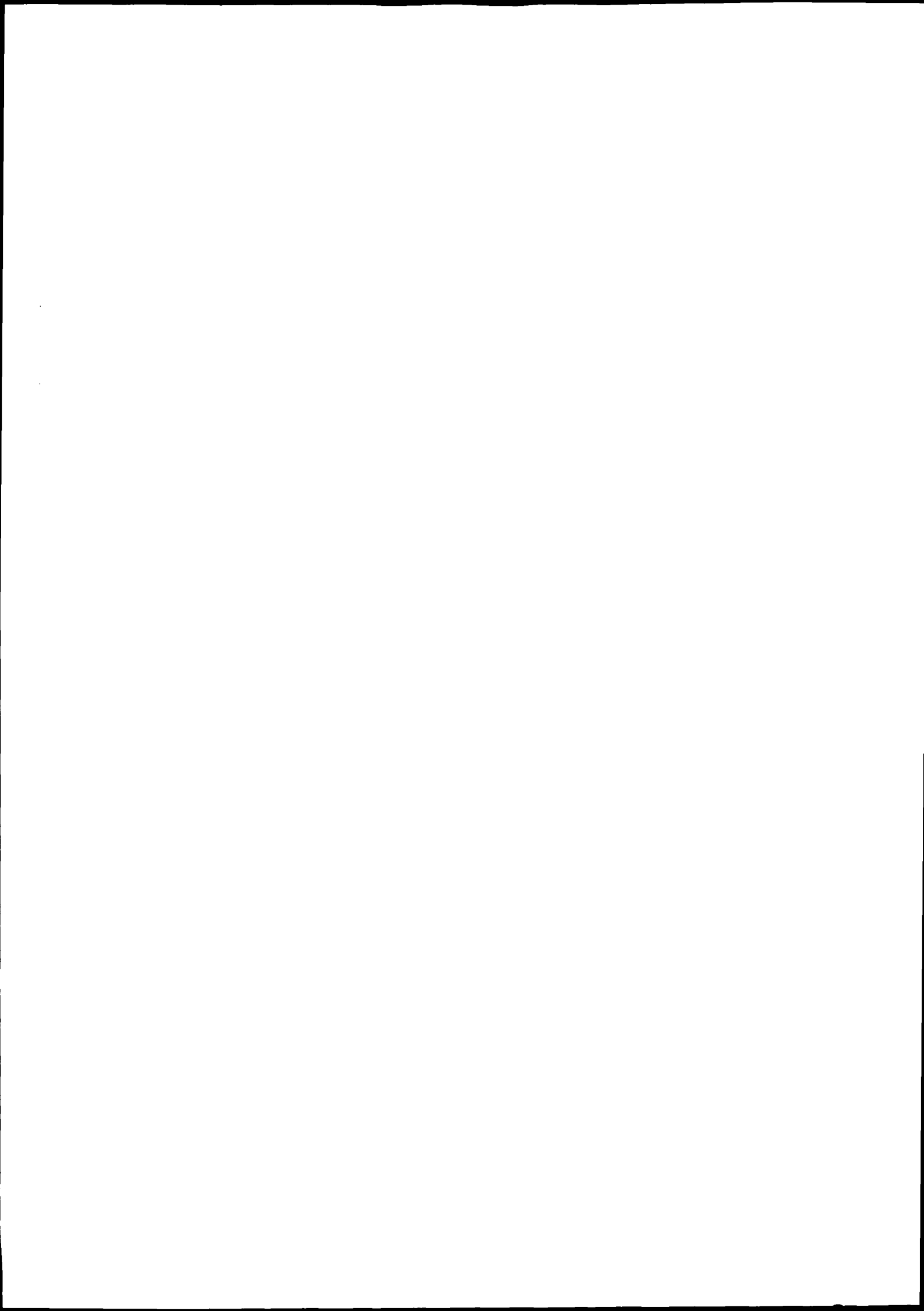
Rapporteur: Mr Anders G. Högmark, Sweden, Groupe of the European People's Party

### *Summary*

Unemployment is high and persistent in several Council of Europe member states. Not only does it bring with it a loss to society in terms of forgone achievement, lost tax income, added expenditure and slower economic growth, but, above and beyond all it causes individual suffering, a loss of personal dignity and material hardship on the part of the jobless and their families.

The report links unemployment both to the effects of ongoing globalisation – even as that process also gives rise to new employment – and to unsuccessful policies in certain countries. The fact that some European countries have a much lower unemployment than others – with some having overcome difficult situations in the past – shows that the problem can be overcome.

In examining various ways forward, the report pays considerable attention to the need for society to assist vulnerable groups in finding jobs and to engage employers actively in this process, also via legislation and day-to-day involvement in the labour market. This includes possibilities for women to reconcile professional and family life. Young people need work to feel part of society and commitment to its institutions and to believe in their own future. Life-long learning is essential to keep the over 50 year-olds longer in professional life, on which in turn the viability of our pension and social welfare systems depends. Innovation, education, research and development and new enterprises must be actively encouraged. Solving, or at least reducing the scope of the unemployment problem thus becomes a moral and societal one, going beyond the purely economy aspects.



make the most of this potential by promoting growth policies of the kind outlined above, by reforming its Common Agricultural Policy and other support programmes in line with requirements of new economic realities and by promoting the World Trade Organisation's system of open and rules bound multilateral trade.

8. It is of particular importance to overcome massive unemployment in several countries in central, eastern and south-eastern Europe, where material standards are considerably lower and social protection less extensive. The ten new EU member countries need to benefit as soon as possible from the totality of provisions guiding the Internal Market – especially the “four freedoms” of movement of goods, services, capital and labour – and the agreements with all other European countries must be applied with particular consideration for their often precarious economic situation. Conversely, all European countries must recognise that no lasting economic growth, and hence overcoming of unemployment can be reached unless corruption and economic crime can be overcome, as foreign investment will shun countries suffering from such ills and domestic funds will not be forthcoming.

9. Countries with lower unemployment also tend to have higher employment rates, i.e. a higher proportion of their labour force participating actively in economic life. The Assembly – aware that higher participation rates give rise to higher growth and tax income and reduce the pensions burden – therefore commends efforts by countries to prolong working life where feasible.

10. It also notes the recent tendency in certain highly developed European economies to return to longer working hours in order to preserve employment and believes that such arrangements should as far as possible be settled between employers and employees independently, as long as they do not lead to any deterioration in their economic and social condition and are compatible with various international agreements, such as the Council of Europe's European Social Charter. This is all the more important since the social and economic stress experienced by many employees in Europe today, including the fear of loss of employment, is becoming acute and may impair their productivity and commitment.

11. The Assembly believes that while certain social systems are in need of reform, existing social standards, as enshrined for example in the European Social Charter and the European Union's Charter on Fundamental Rights, must be upheld. Reforms should also take into account Europeans' current preferred balance between working and leisure time, as well as new demographic realities, such as the need for new services for the ageing. Reforms must also protect vulnerable groups in society, such as the elderly, migrant workers, the handicapped and the young and give them adequate opportunities. Employers should be strongly encouraged by corresponding legislation to hire from these groups. Parents, especially women, must benefit from better childcare facilities and other measures to facilitate family life – including care for the elderly in a rapidly ageing Europe - and young people should enjoy sufficient apprenticeship opportunities and maximum access to education.

12. Finally, the Assembly warns that high unemployment may over time lead to a disintegration of social ties and to social instability. Society, employers and employees therefore have to work together in a spirit of mutual compromise to ensure that reforms can be carried out in as humane a manner as possible.



## 1. INTRODUCTION

1. Unemployment is a serious problem in most member countries of the Council of Europe. It has therefore naturally enough formed the object also of several initiatives of the Parliamentary Assembly of the Council of Europe, and notably its Committee on Economic Affairs and Development. The Assembly's Resolution 1098 (1996) on "Unemployment in Europe: Causes and Remedies" (Doc. 7620; Rapporteur: Mr Bloetzer) examined the issue comprehensively and called for a series of policy measures to be undertaken by member states, both individually and jointly. Aspects of economic development in Europe and beyond related to unemployment have since been taken up regularly in such contexts as the Assembly's annual debates on the activities of the European Bank for Reconstruction and Development (EBRD) and the Enlarged Parliamentary Assembly's equally annual debates on "OECD and the World Economy".

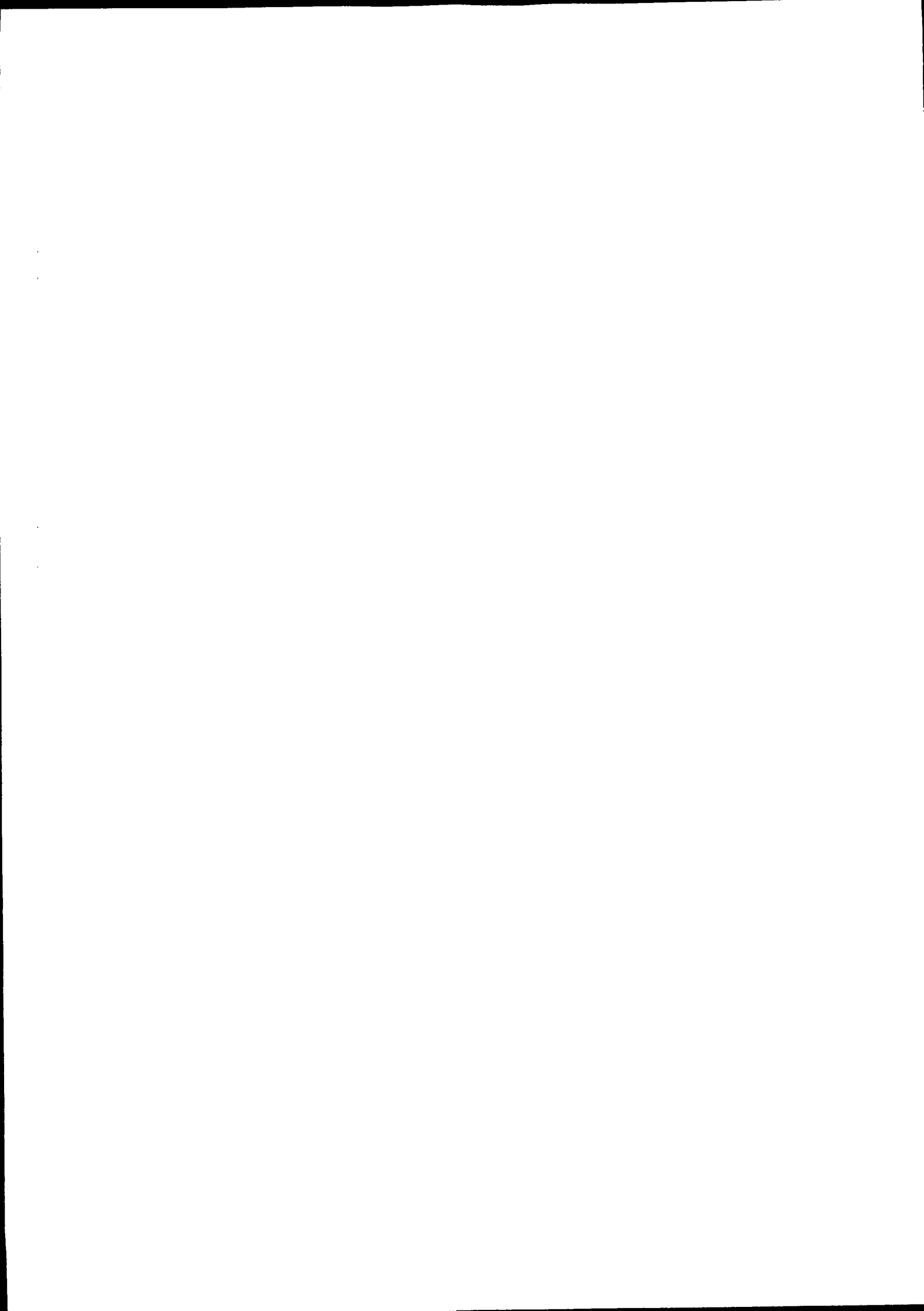
2. Feeling that the situation as regards unemployment has, if anything, worsened in Europe over the past few years, and believing that this development is in large measure due to policy shortcomings, your Rapporteur and over fifty other members of the Assembly in the autumn of 2003 presented a motion for a resolution on "The need to find lasting solutions to reducing unemployment in Europe" (Doc. 9975), pointing to the worrisome rise in unemployment as one of the major consequences of the current economic slowdown in Europe and calling for Council of Europe member countries to identify and address the fundamental reasons behind this trend. The Bureau of our Assembly referred the Motion to the Economic Committee for report.

3. The task of the present draft report will therefore be to describe the unemployment situation in Europe, examine some of the causes behind this region-wide affliction, and propose specific measures for lowering unemployment. The report will focus in particular on industrial relocation and offshore outsourcing, youth unemployment, and labour migration in the current European Union (EU) member states in Western Europe (hereafter referred to as the 'formerly EU-15' countries), the ten new EU member states<sup>1</sup> from central, eastern and southern Europe, and two candidate countries<sup>2</sup> (hereafter referred to as the 'new EU-10 plus accession countries' or '10+2' countries), but will also take up the situation in the other Council of Europe member states. Similarly, when only the new EU members from central and eastern Europe countries and the two accession countries of Bulgaria and Romania are referred to, they will be termed the 'new CEE EU-10 plus accession countries'.

4. The memorandum starts with a general overview of unemployment and employment trends in Europe, followed by a closer look at some of what it sees as the fundamental reasons behind current high unemployment. It draws on data, publications and reports from such bodies as the European Commission, especially Eurostat, the Directorate General for Employment and Social Affairs, and the Directorate General for Economic and Financial Affairs, as well as from international organisations such as the International Labour Office (ILO) and the OECD, and other sources of information, including media reports and research studies and surveys. Finally, the report draws on the separately published proceedings of the Hearing "What solutions to Europe's unemployment?" organised by the Assembly's Committee on Economic Affairs and Development and its Social, Health and Family Affairs Committee in March 2004.

## 2. OVERVIEW

5. The present section provides an overview of the general unemployment and employment situation and latest trends for, first, western Europe (EU-15) and then the new EU-10 plus accession countries and other member states of the Council of Europe (Western Balkans and the CIS). (The Rapporteur in this context draws attention to the fact that Croatia in this report appears under the heading Western Balkans, even though it has rightly been argued in the Economic Committee's discussions that it should be considered as sorting under the heading "The new EU-10 plus accession countries" after it was declared a formal EU candidate country in the autumn of 2004. The Rapporteur asks for the reader's understanding.)



9. Unemployment is particularly high in the four largest continental European economies, i.e., France, Germany, Italy and Spain, as well as in Finland and Greece. With the addition of Belgium, the same holds for long-term unemployment. The remaining formerly EU-15 countries have comparatively low unemployment rates. In fact, some<sup>5</sup> argue that unemployment is not a pan-European predicament and that a real and consistent unemployment problem exists only in the four largest continental European economies.

10. By and large, European countries with high unemployment rates also tend to have low employment and activity rates. As illustrated above, in 2002 the average employment rate in the formerly EU-15 amounted only to 65.9% of the total working-age population, ranging from 58.4% in Spain to 75.9% in Denmark. Similarly, the labour force participation rate averaged only 70.5%, ranging from 63.1% in Greece to 79.7% in Denmark.

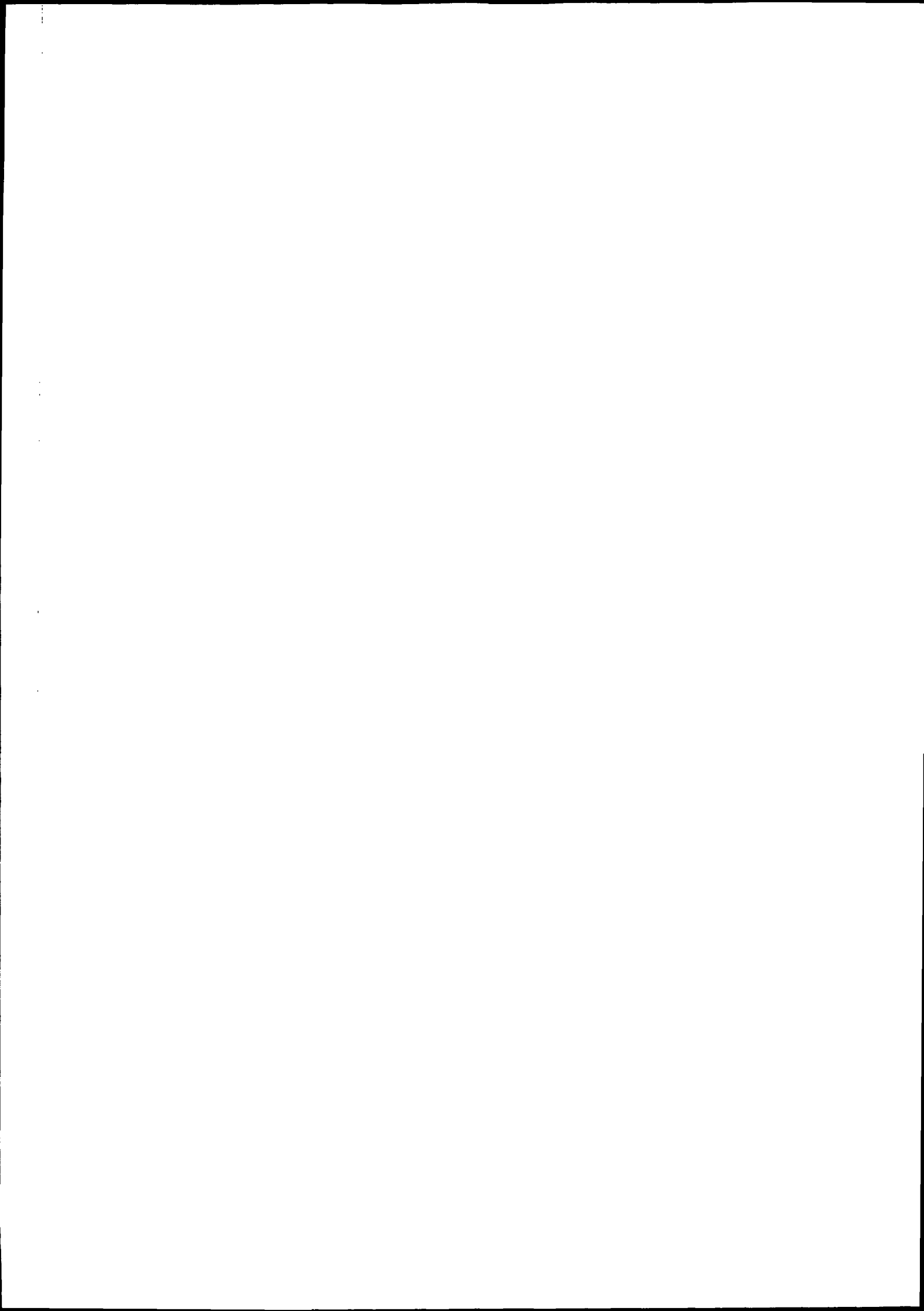
11. Despite the general increases in employment and labour force participation levels in most of the formerly EU-15 countries, a high proportion of the working-age population does not participate in the labour market. In this regard, employment and activity rates for older workers (aged 55-64) require our particular attention. In 2002, the employment rate for older workers (aged 55-64, both sexes) in the formerly EU-15 stood at only 40% and the average exit age from the labour force was only 59.9 years in 2001<sup>6</sup>. OECD figures show considerable differences between countries, or from slightly over 40 per cent in Germany, France, the Netherlands and the Czech Republic to over 70 per cent in Sweden and over 60 per cent in Denmark and the US. They have to do with work opportunities and overall unemployment levels, early retirement availability, culture and traditions and levels of taxes and pensions. The low employment rate among older workers and their low exit age coupled with increasing life expectancy and low fertility rates will negatively (and seriously) affect the formerly EU-15 countries' ability to finance pension and health care systems.

12. In terms of unemployment, certain groups of the population are affected more than others. Higher unemployment rates – exceeding 20% in some cases - and/or lower employment and labour force participation rates concern young people particularly (see further Section 4 below), women, low-skilled workers, migrants and minorities, and, as we have seen, older workers.

13. Europe is continuing to feel the impact of a prolonged economic slowdown, with real GDP growth for the EU as a whole amounting to a mere 0.8% in 2003. It is generally believed that growth of at least 2.5% is needed to keep unemployment constant, as companies shed workers as they learn to produce more with less manpower and as much production, especially manufacturing, but now increasingly also services, are 'outsourced' to countries and regions with lower labour costs as part of the globalisation process. That is, any growth lower than 2.5% will add to unemployment, while anything above will reduce it. Clearly then, an EU growth of just 0.8 % as in 2003 will cause unemployment to grow.

14. Structural unemployment<sup>7</sup> is also high in many countries. This kind of unemployment is caused by the structure of the economy rather than by changes in the economic cycle. Structural unemployment can be reduced only by reforming the economic structures causing it.

15. **Institutional and structural rigidities** (affecting both the demand and supply of labour) in the formerly EU-15 labour markets are often blamed to be the primary causes for the high rates of unemployment and low rates of employment (and labour force participation). Distorted incentives to work are also embedded in many formerly EU-15 countries' tax and benefit systems. There are therefore calls to "speed up reforms of tax and benefit systems in order to increase labour supply and reduce structural unemployment"<sup>8</sup>. One such study<sup>9</sup> concludes that lowering labour taxes can help reduce structural unemployment in continental Europe. It argues that labour taxes have had a significant impact on structural unemployment in the euro-zone and that the rise





21. The reasons behind low labour force participation rates vary not only across countries, but also across population groups. For example, inactivity among older men can mainly be attributed to the social security system (with generous incentives for early retirement, for example in Italy), while inactivity among middle-aged women can partly be explained by the structure of the tax system (namely, the marginal tax rates facing second-income households) and partly by the existence of barriers to part-time or temporary work<sup>16</sup>.

22. It would, however, be a mistake to blame Europe's high unemployment rates on institutional and structural rigidities alone<sup>17</sup>. Some of the unemployment is still cyclical and both **monetary and fiscal policies** can assist the economy and ease the burden of high unemployment and low employment. While both the lowering of interest rates and fiscal expansion could have a significant impact on aggregate demand and the economy during a cyclical downturn, both monetary and fiscal policies are tight in the countries of the Euro area. Strict adherence to the Stability and Growth Pact – while presumably good for overall economic growth in the longer term - may accentuate economic slowdowns in certain countries, with substantial effects on unemployment (especially in countries with relatively inflexible labour markets).

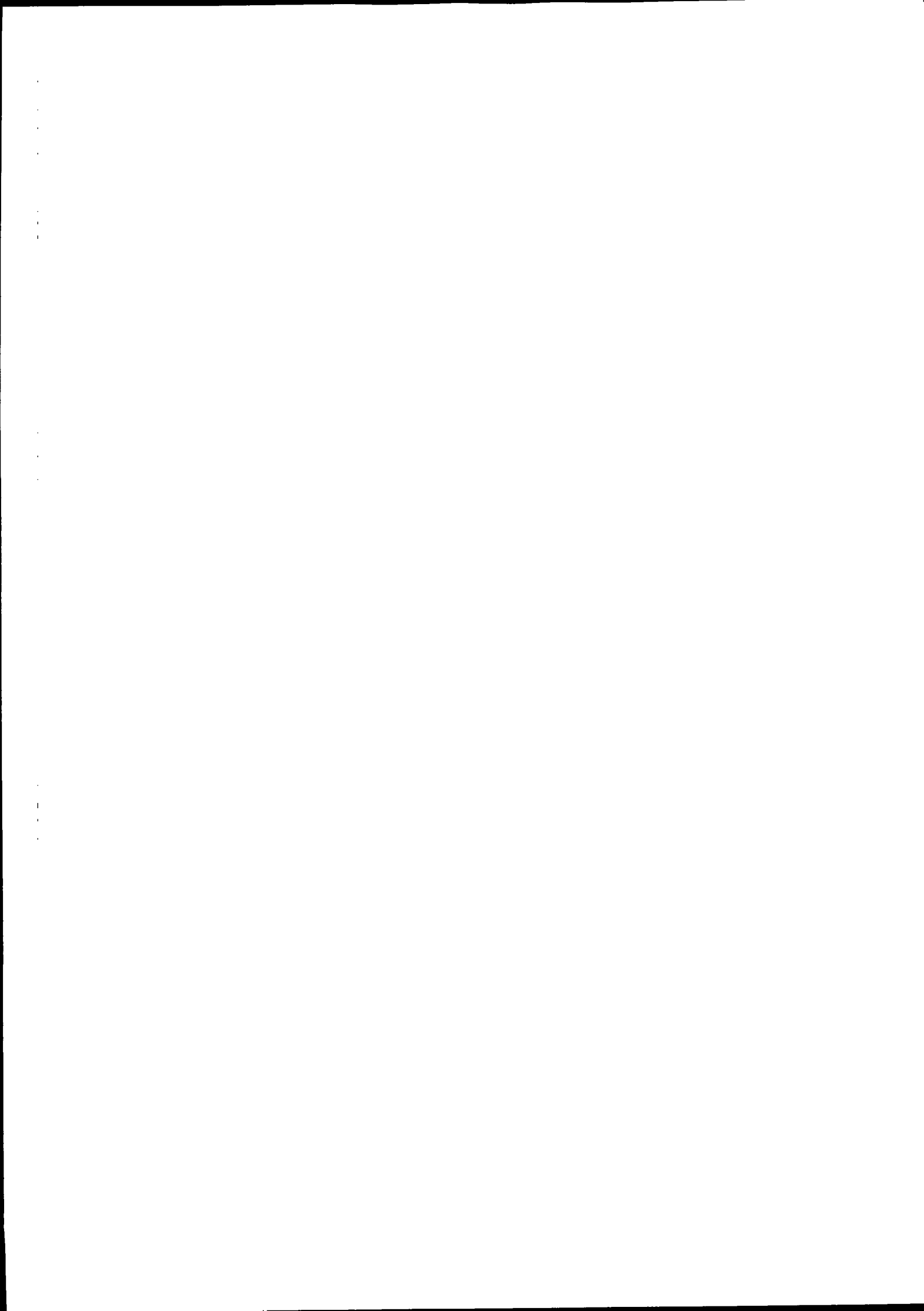
23. Although it is clear that at least part (if not most) of Europe's unemployment is due to structural rigidities, and although labour market reforms have been carried out in most formerly EU-15 countries to varying degrees since the mid- to late 1990s, progress is somewhat sluggish. While **greater flexibility** (in both hiring and firing), **lower taxes and lower benefits** may assist in **reducing unemployment** and rising employment, many fear that they would also **widen income inequalities and dismantle the welfare state**. As a result, the pace of change is fairly slow.

24. There is also concern that, as one periodical put it, "the way Europe is trying to cope with its rigidities is not to get rid of them, but to shrink the share of the market that is rigid"<sup>18</sup>. In many countries a **two-tiered job market** has in fact come about. On the one hand, there are the existing job markets that still contain many of the old benefits, privileges and protections. On the other hand, there are less-protected labour markets, which consist mostly of newly created part-time or temporary jobs (the share of part-time or temporary workers has increased from 21% to almost 30% over the past decade<sup>19</sup>).

25. Although the formerly EU-15 countries in practice have more or less independent labour markets and labour market policies are largely left to the individual member states, the EU is seeking to bring national labour policies closer together towards supporting job creation and improving the functioning of labour markets on a European level. To this end, the Luxembourg European Council launched the European Employment Strategy (EES) in 1997. Since then, it has been reinforced a number of times<sup>20</sup>. **The aims of the EES are to increase employment, promote quality and productivity, strengthen cohesion, and foster inclusive labour markets**. The objectives are ambitious - reaching the Lisbon employment target of 70% for an enlarged EU will require the creation of around 22 million jobs by 2010. The EES is based on the commitment from member states to establish a set of common objectives and targets for employment policy. It should be considered as the main tool or framework to provide direction for and ensure co-ordination of employment policy priorities, to which member states should subscribe at EU level.

**b. Central and eastern Europe, especially 'the 'new EU-10 plus accession countries'**

26. With the exception of Cyprus and Malta, the ten countries that joined the EU in 2004 and those to join in the following three or four years are all in central and eastern Europe (CEE). Although many of the arguments behind the unemployment and employment situation in the formerly EU-15 countries are valid also for the 'new EU-10 plus accession countries', the Rapporteur would like to draw particular attention to a number of special circumstances and differences.



31. The employment rates for older workers in the 'new CEE EU-10 plus accession countries' (30% on average) are generally lower than in the formerly EU-15 countries (40% on average). Disparities in the employment rates between high- and low-skilled older workers (56% and 19% respectively) are also stark<sup>22</sup>.

32. Parallel to the processes of rising unemployment and falling employment, the **welfare systems also collapsed**, with often tragic consequences for the most vulnerable populations (particularly the unskilled or low-skilled and disadvantaged groups). Most countries simply can not afford the generous social security schemes of Western Europe. Not only do the unemployment insurance systems in the 'new CEE EU-10 plus accession countries' lower benefits and limit the duration of entitlement more rigorously than in the EU-15 countries, but far fewer people draw unemployment benefits than could be expected from the high unemployment rates.

33. Another specific problem in the above group of countries is the relatively **low internal labour mobility**. Despite internal regional disparities in unemployment levels, most do not move to seek work. One of the main reasons for this is a lack of infrastructure and rapidly rising transport prices that prevent commuting. Another is an underdeveloped housing market following the privatisation of state-owned or cooperative houses and flats. Home ownership is strongly tied to locality.<sup>23</sup>

34. Although the 'new CEE EU-10 plus accession countries' have higher average levels of education attainment compared to many other countries at the same income level, the traditional and narrow specialisation in vocational education has left many of workers with obsolete skills. **Adult education is not sufficiently developed**, not only with regard to training for unemployed workers, but also for workers threatened by unemployment or those requiring skills upgrades.<sup>24</sup>

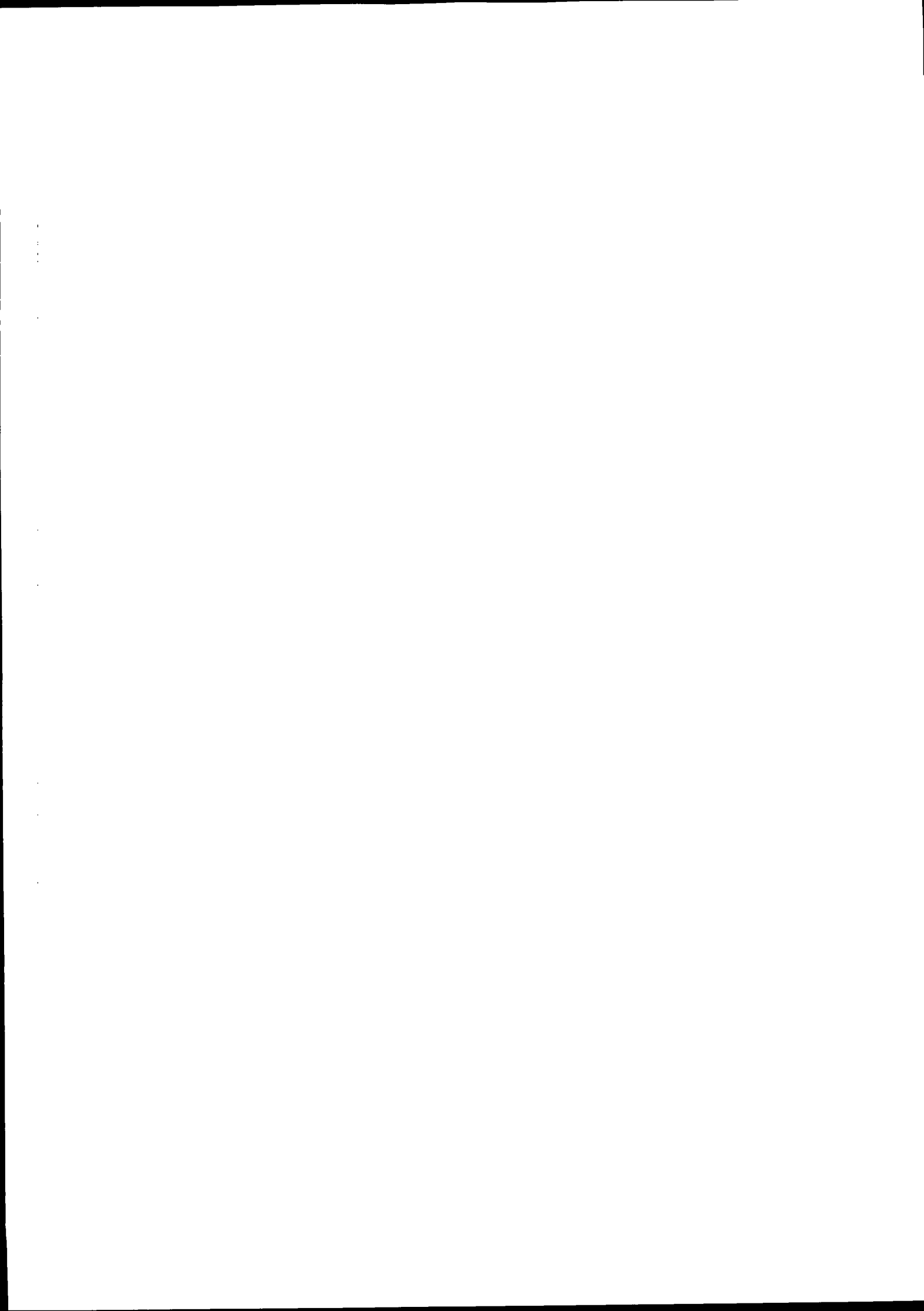
35. In their preparations for joining the EU, CEE countries adjusted their labour market institutions and policies to the EU's European Employment Strategy (EES). However, many of the EES prescribed actions might have little relevance for the 'new EU-10 plus accession countries' overall. On average, their **labour markets are already more "flexible"** (and unprotected) than those in the EU-15.

36. Nevertheless, with regard to specific aspects, some of the 'new CEE EU-10 plus accession countries' suffer from the some of same institutional problems as do the formerly EU-15 countries. For example, an ILO study reveals that, while great country differences exist, the transition countries on average are placed around the formerly EU-15 average with regard to the **strictness of employment protection legislation** and its effects on labour markets. However, the results demonstrate that strictness has had no impact on the overall level of unemployment (or on youth unemployment). Furthermore, it only has a weak effect on overall employment rates, although it seems to be related to an increase in the share of temporary jobs<sup>25</sup>.

37. **High labour taxes** also constitute a main institutional problem for many 'new CEE EU-10 plus accession countries'. Once income and indirect taxes are added, the difference between labour costs and take-home pay rises to more than 80% in Hungary and the Slovak Republic, compared to around 40 to 50% in the EU 15<sup>26</sup>.

c. **The countries of the Western Balkans<sup>27</sup> and the Commonwealth of Independent States (CIS)<sup>28</sup>**

38. The labour markets of the transition economies in the Western Balkans and the CIS have been undergoing profound changes owing in particular to their **transition** from centrally planned to market oriented economies. In the late 1980s and the 1990s many of these countries went from one economic crisis to another, whether or not caused by political instability or even unrest, and experienced vast **structural changes**. Those events led to a reduction of salaries, pensions and other parts of the welfare system and, above all, a sometimes **dramatic rise in unemployment**. Official figures have rarely provided a full picture. A substantial number of unemployed people remain unregistered. This is due mainly to two factors: firstly, registration



unemployment, (mainly due to high employment during the summer tourist season), but the jobless rate is still at an estimated 23.6% (March 2003).

46. Current estimates put unemployment in Albania anywhere between 18-40%. A phenomenon that is best illustrated by Albania but which applies to all SEE and CIS countries is the **high and increasing number of emigrants** (see appendix attached). Hundreds of thousands of Albanians were left unemployed in the early 1990s, as 90% of factories closed in the wake of the fall there of one of the strictest socialist regimes ever witnessed. Migration was seen as the only way out by many jobless Albanians facing enormous problems in meeting even the most basic material needs. Unofficial figures put the number of Albanian emigrants between 700 000 and one million.

47. Unemployment in Bosnia-Herzegovina is officially reported at close to 40%, with real figures probably even higher. Emigration is high. To a lesser extent emigration has also affected labour markets in Croatia, while emigration from Serbia and Montenegro since the 1990s is estimated at around 300,000.<sup>37</sup>

48. The following table gives an estimation of unemployment rates in Western Balkans countries<sup>38</sup>.

Country	Unemployment in % RANGES
Albania	17-30
Bosnia and Herzegovina	30-40
Croatia	18-22
"the former Yugoslav Republic of Macedonia"	20-25
Serbia and Montenegro	20-30

#### e. Community of Independent States

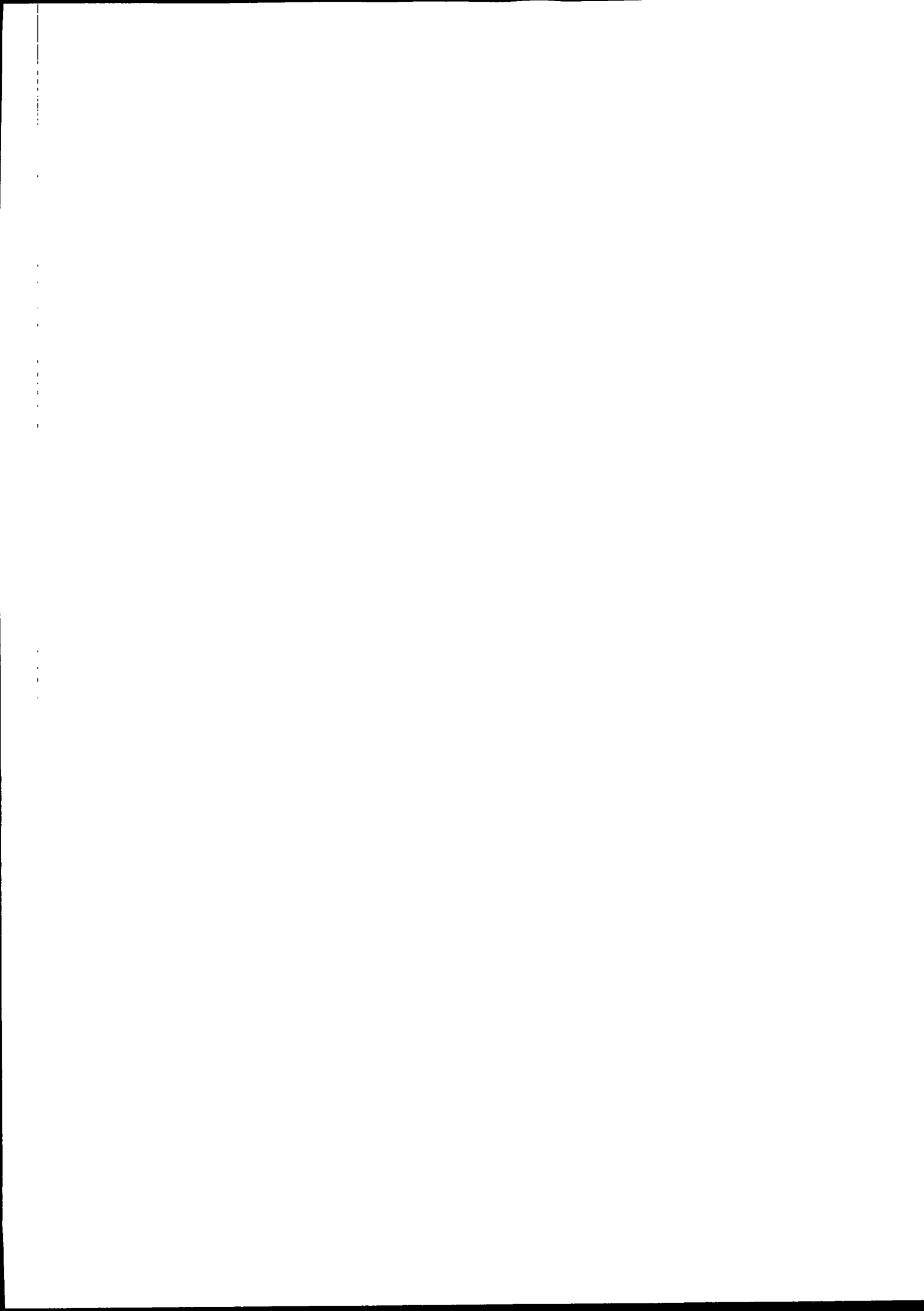
49. The **breakdown of the Soviet Union and the collapse of industrial and trade structures** between its formerly component republics led to increasing unemployment especially in the CIS countries. Between 1993 and 2003 officially reported unemployment rose from 3.6 to 7.2 %. The highest rate was in 1999-2000 in Armenia (11%), the smallest in Uzbekistan (0.4%).

50. In addition, the less wealthy CIS countries have seen an increase in the share of the so-called 'working poor'. The ILO Annual Jobs Report 2003 indicated that, although the rates of working poor in CIS were low compared to other world regions, they increased rapidly to over 10% in the 1990s.

51. One of the main characteristics of unemployment in the CIS is its **long-term nature**. People that belong to this category are often old and with low skills, lacking job mobility, in poor health and hardly receive any public help to find new employment. At the same time, employment in the **informal sector** of the economy is particularly high in the CIS countries.

52. An increasingly worrying trend for countries such as Russia and Ukraine is the **longer-term impact of HIV/AIDS**, whose incidence there is higher than anywhere else in the world.<sup>39</sup> A UNICEF Report on East European Youth of 2000 estimated the number of HIV-positive cases in that region at 360,000, with half of those affected being under 24 years old. The ILO report quoted earlier predicts that the spread of HIV will diminish Russia's economic output by half a percentage point annually by 2010 and by a full percentage point annually as from 2020.

53. **Declines in life expectancy** as a result of factors such as poor sanitary and health conditions, an increase in the use of drugs and alcohol, smoking, sedentary lifestyles and a rise in suicides, will negatively affect demographic trends in some of the CIS countries. Russia for



clustering is also apparent in some service sectors, such as financial services, media and tourism, although to a lesser extent<sup>47</sup>.

59. **Second**, in services where the proximity to customers is critical and in "knowledge" industries where local business and social networks are important, **operations will remain concentrated in or around larger urban centres** (or university towns in some cases)<sup>48</sup>. Similarly, industries where economies of scale, imperfect competition and product differentiation dominate (such as motor vehicles, electrical appliances, radio, TV and other communication equipment) tend to concentrate in large, central regions<sup>49</sup>.

60. **Third, for manufacturing industries and services that can be delivered from a distance, relative production costs tend to dominate location decisions.** Such industries (for examples textiles and wearing apparel, and shipbuilding and repairing) tend to concentrate in smaller, lower cost peripheral regions<sup>50</sup>. In this regard, the European periphery (such as Ireland and Portugal, but also CEE) are expected to gain relative to higher cost areas, as trade barriers and transport costs are reduced further (although competition from low cost areas outside Europe will also offer attractive alternatives)<sup>51</sup>.

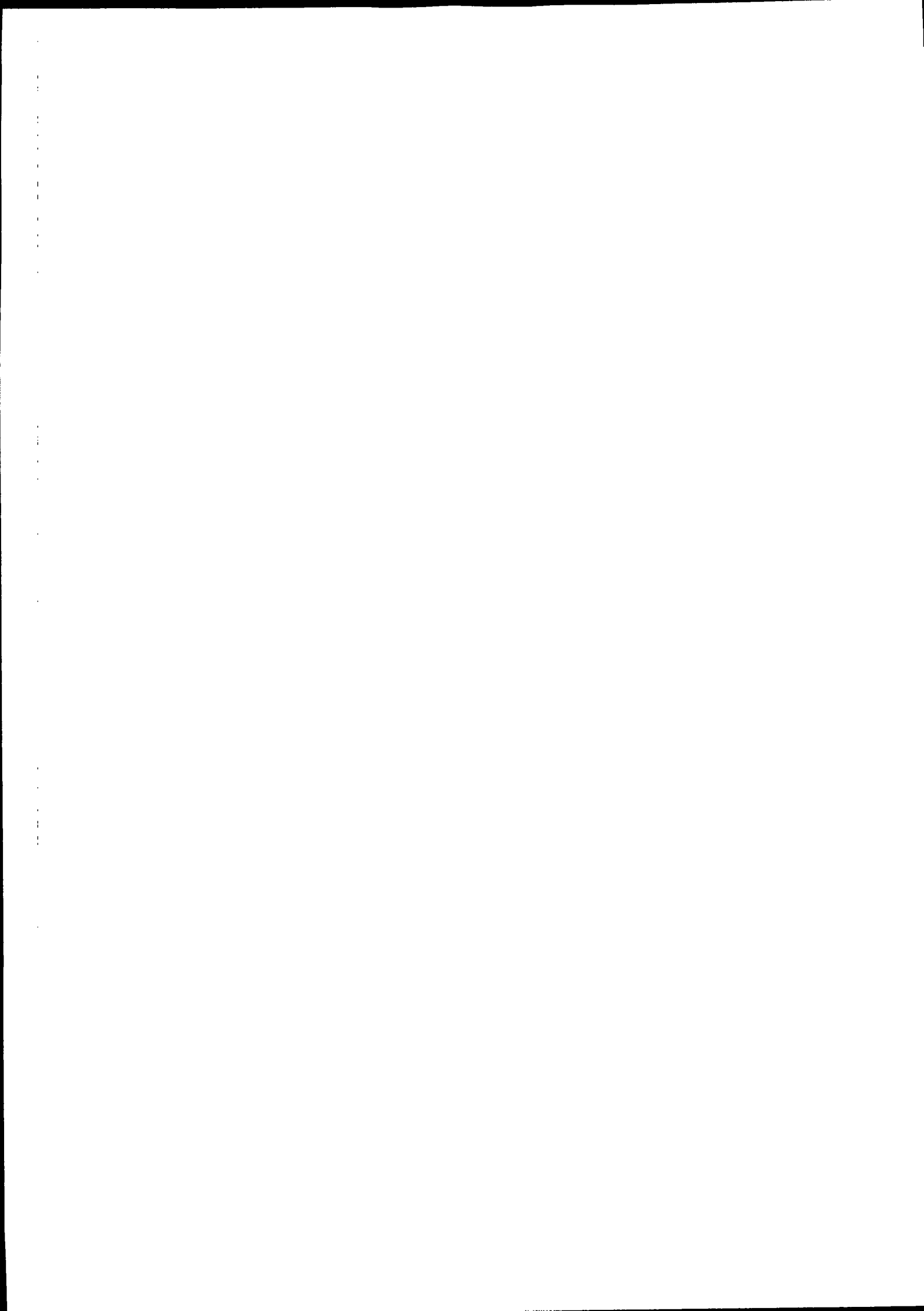
61. While the trend towards increasing regional specialisation and clustering within Europe can be expected to continue, it is not evident which countries or regions will emerge as preferred locations. In theory, location decisions are driven by (and industrial concentration patterns can be explained by) numerous considerations, such as market access, demand patterns, factor endowments (both physical and human), and production costs. In practice, it is, however, much harder to predict location patterns and trends because of lack of data and other uncertainties. Some<sup>52</sup> argue that demand concentration or the localisation of expenditure is generally the most important economic determinant. However, there is no single factor or process driving all industries in the same direction. For example, factor endowments (such as the presence of skilled workers and researchers) are becoming increasingly important in moving some industries into countries and regions well endowed with these kinds of workers<sup>53</sup>.

62. The European Market Potential Index (comparing 200 EU regions) developed by PricewaterhouseCoopers (an accounting and consulting firm) ranks markets around large urban agglomerations (especially in the heart of Europe) as those with the highest potential, while the weakest tend to be found in the periphery of the continent. On the whole, EU enlargement is expected to have a relatively limited impact on the distribution of operations within the current EU-15 countries, while it may draw activities in CEE westwards. It also points to a possible continuing trend for Western European companies to locate manufacturing companies in lower cost CEE locations, although these cost advantages will tend erode over time<sup>54</sup>.

63. While relocation of manufacturing industry has occurred for some decades now, a more recent, and growing, trend is that of the information technology (IT) and services sectors to outsource certain operations and activities offshore (either to subsidiaries and company-owned facilities or to outsourced partners).

64. As the emphasis of the IT industry may be shifting from innovation to execution and fabrication<sup>55</sup>, so many of its operations shift location by migrating offshore. Work being sent offshore is, however, no longer only in software development or simpler back-office IT services (such as call-centres). Nor is offshore outsourcing a valid alternative only for the IT industry. A growing number of companies (including financial services and telecommunications firms) are now outsourcing entire business processes offshore. Business process outsourcing (BPO) can include such 'back-office' business processes as the analysis of credit risks and the evaluation of insurance claims<sup>56</sup>.

65. Reliable, high-speed and cheap data connections and communication tools have made it cheaper and easier for geographically dispersed teams to collaborate. Similarly, with the emergence of skilled (and cheap) labour forces in many developing (and transition) countries, remote offshore services have become both feasible and real.





the end of the Second World War. The reason is again globalisation, in the form of increasingly fierce competition from countries in central, eastern and south eastern Europe with lower labour costs and, beyond, from emerging economies in the rest of the world with even lower labour costs and even less of a social safety net for employees.

72. Furthermore, in an effort to counter any major flow of jobs eastwards and provide incentives for companies tempted to move east not only by lower labour cost but also by tax incentives, some wealthier European economies are trying to reduce corporate taxes. Thus, Austria has reduced the corporate tax rate to 25 from 34 per cent, Ireland to 12.5 from 16 per cent. Dutch lawmakers are considering a cut from 34.5 to 29 percent.<sup>66</sup>

73. In the meantime, the new EU member states continue to provide fierce competition with regard to corporate taxes. Hungary has recently brought its rate down to 16 from 18 percent. Poland matched Slovakia in bringing its corporate tax down to 19 percent from 25 percent, while Estonia applies a zero percent corporate tax rate for reinvested profits<sup>67</sup>.

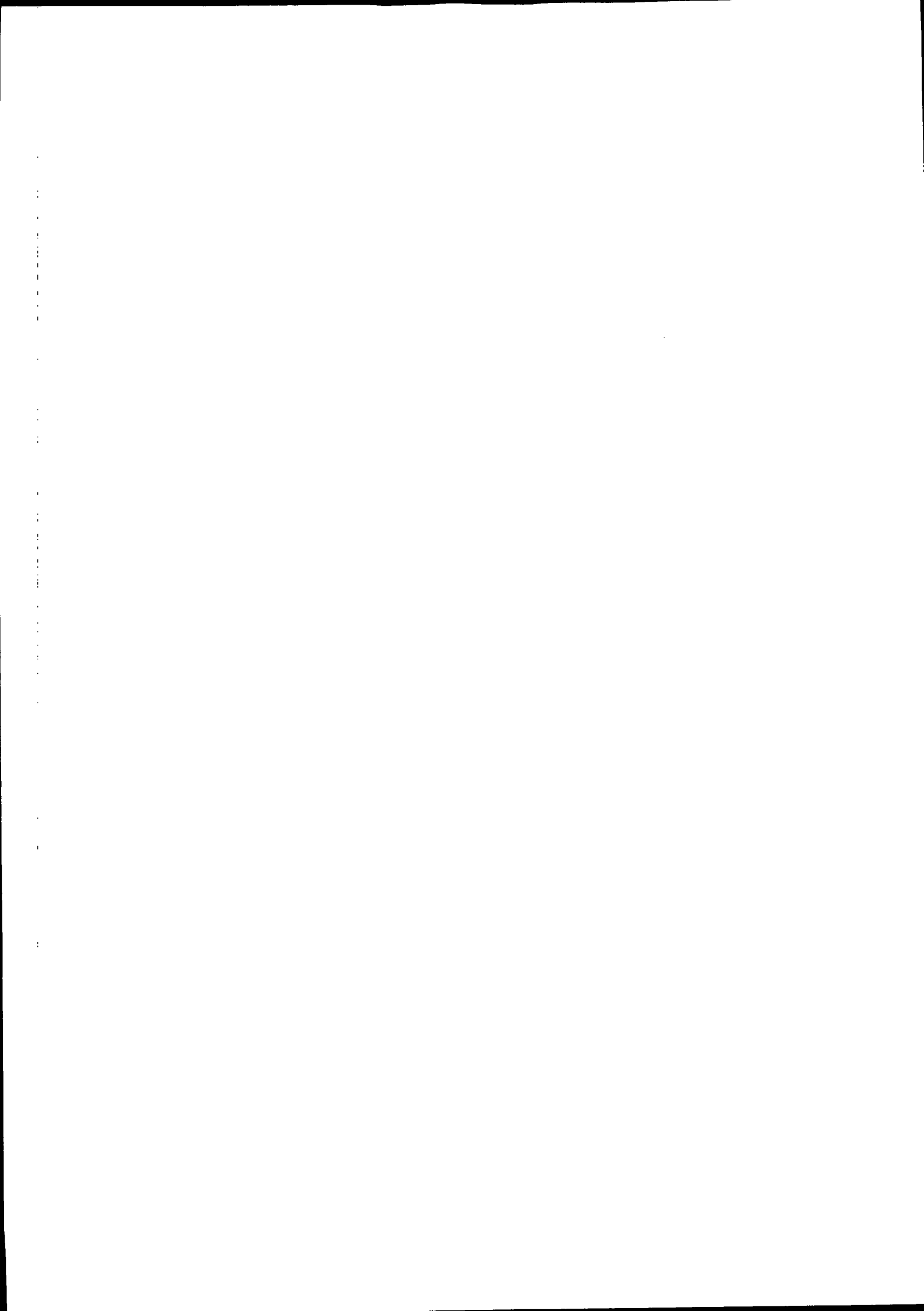
74. In a situation where the newcomers to the EU - but also smaller member states such as Austria, The Netherlands, Ireland and Sweden - are aggressively promoting tax incentives, there is a risk that bigger economies such as France and Germany with the highest corporate tax rates - 34.5 percent and 38.7 percent, respectively - will continue to lose jobs to countries with lower taxes and labour costs.

75. The impact of both industrial relocation and offshore outsourcing on displaced workers can be considerable in certain localities or regions. As a consequence, many workers (particularly low-skilled ones) will not be able to find work nearby. Localised instances of de-industrialisation will have serious consequence for the area in question. Certain regions will be more affected than others. Overall, the phenomena of industrial relocation and offshore outsourcing are putting more and more pressure on economies to innovate and upgrade their local talent pool. To conclude, the current debates on outsourcing see neither eminent risk nor considerable impact on unemployment.

#### 4. YOUTH UNEMPLOYMENT

76. Unemployment among young people (aged 15-24) is a major political concern in most formerly EU-15 and 'new CEE EU-10 plus accession countries'. Young people, in particular school leavers without work experience, suffer disproportionately and are the age group hardest hit by unemployment in all countries. Despite a decline in the relative numbers of youths and despite an increase in their level of education, on the whole, unemployment rates for youth are higher (sometimes twice as high or even more) than the national average, at the same time as youth employment and labour force participation rates are considerably lower.

77. Part of the lower labour force participation rates for youth can of course be attributed to the fact that young people are nowadays enrolled in education for longer periods of time. This is positive in the sense that it will have potential pay-offs in the future, always assuming that education increases skills and competencies and that labour markets can absorb them. Part of this extension of schooling is, however, often a response to adverse labour market conditions, i.e., young people seek further education due to lack of opportunities in the labour markets<sup>68</sup>. Certain European countries have fine educational opportunities open to all, but combine these with a largely ossified economic system beyond the school gates. Rather than considering school education as the first few steps in a life-long learning process continuing throughout a person's life and career, these countries are disappointed to find unemployment persisting at high levels or even rising, while the disappointed young leave *en masse* to neighbouring or faraway countries with greater job opportunities.



81. As illustrated in **Table 4** below, the youth unemployment situation is even worse in the 'new CEE EU-10 plus accession countries', where the average youth unemployment rate is as high as 24.1%. Bulgaria, Poland, and Slovakia are particularly badly affected, with around two-fifths of their youth labour force unemployed. The rates have remained more or less at the same high level since the late 1990s in most 'new CEE EU-10 plus accession countries'. Poland has, however, seen a notable increase in its youth unemployment level (from 23.2% in 1997 to over 40% in 2002). While the average youth unemployment rate for the 'new CEE EU-10 plus accession countries' is much higher (by almost ten percentage points) than for the formerly EU-15 countries, the average 'new CEE EU-10 plus accession countries' youth unemployment ratio is only slightly higher (by just above two percentage points) than the average formerly EU-15 ratio.

**Table 4. 'New EU-10 plus accession countries': Youth unemployment rates (in % of labour force aged 15-24), ratios, employment and labour force participation rates (in % of population aged 15-24): 2002**

	Youth unemployment rate	Youth unemployment ratio	Youth employment	Youth labour force participation*
'New EU-10 plus accession countries' (average)	22.8	8.3	28.1	42.8
'New CEE EU-10 plus accession countries' (average)	24.1	8.8	27.3	42.8
Bulgaria	35.5	11.4	19.4	n/a
Cyprus	9.7	4.0	36.4	n/a
Czech Republic	16.9	6.6	32.3	48.7
Estonia	17.7	5.5	28.2	43.5
Hungary	11.9	4.1	30.1	40.7
Latvia	24.6	9.5	31.0	41.6
Lithuania	21.4	6.8	23.8	39.8
Malta	n/a	n/a	n/a	n/a
Poland	41.7	15.7	21.7	37.3
Romania	18.5	6.7	28.7	45.8
Slovak Republic	37.3	15.9	27.0	45.6
Slovenia	15.3	5.6	30.6	41.8

\* = 1999 (1998 for Romania).

Source: Unemployment and employment - Eurostat; Labour force participation - Nesporova, Alena. "Why Unemployment Remains so High in Central and Eastern Europe", ILO Employment Paper 43, 2002.

82. While the average 'new CEE EU-10 plus accession countries' youth labour force participation rates (per **Table 4** above) is close to the average formerly EU 15 level, the average youth employment rate is much lower. In fact, only an average of 27.3% of the population aged 15-24 is employed in the 'new CEE EU-10 plus accession countries'. Furthermore, most of them have seen a decline in their youth employment rates since the late 1990s.

83. Since the beginning of transition, the steepest fall in labour force participation rates in the 'new CEE EU-10 plus accession countries' has occurred in the 15-24 age group. Between 1990 and 1999, the average labour force participation rate for youth in the 'new CEE EU-10 plus accession countries' (excluding Bulgaria) fell by over ten percentage points (i.e., from 53.4% to 42.8%). One explanation is that, as returns to education have increased substantially during the course of transition, higher education has become more attractive for young people (many of whom are thus extending their studies). Another reason for this decline in the youth labour force supply is that it has become increasingly difficult for young people to transit from education to work. Most employers are not willing to bear the additional costs of on-the-job training for



a more social point of view, young people (especially out-of-school youth) without work or means of providing for themselves are more likely in their desperation to turn to crime and drug abuse.

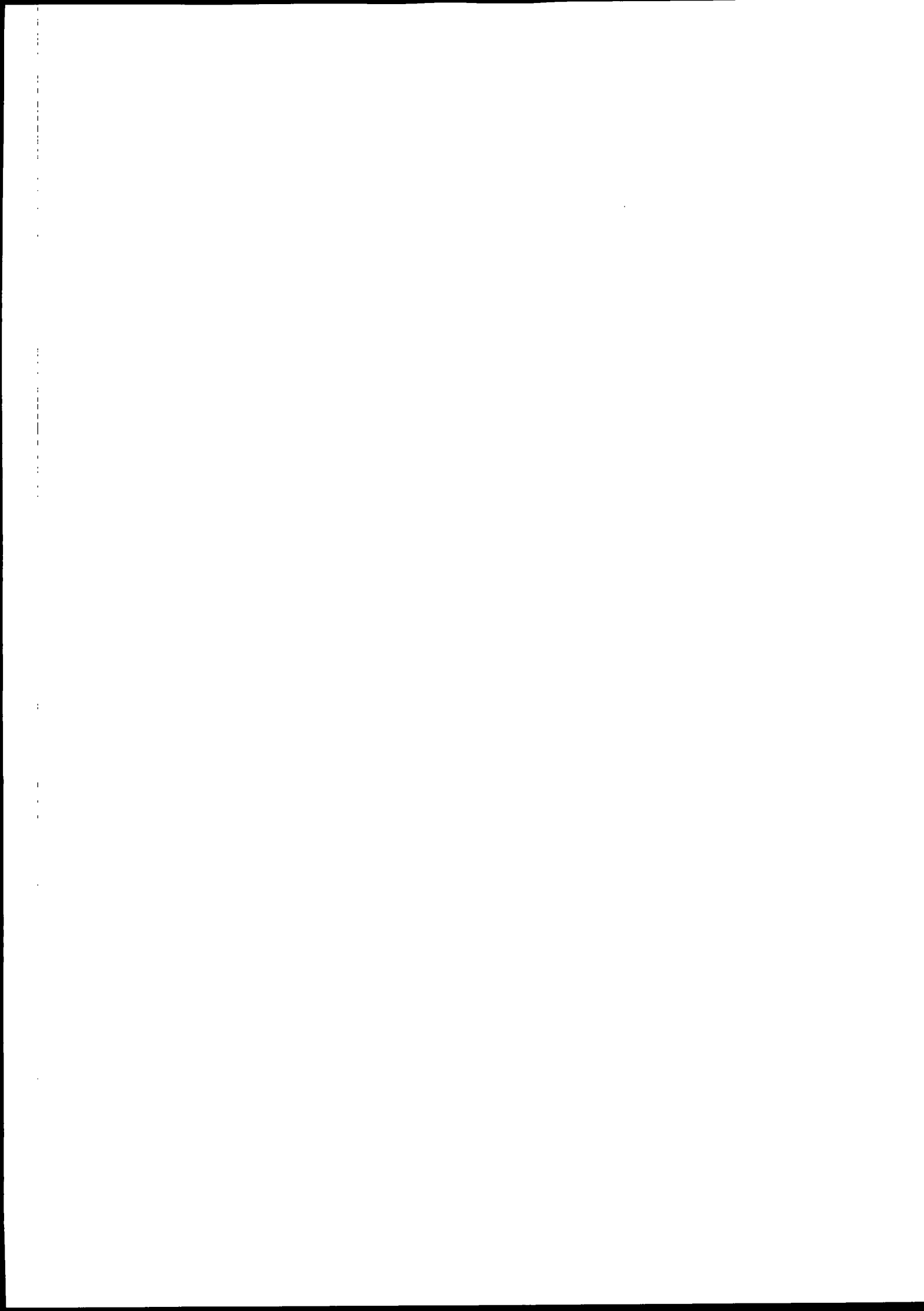
## 5. THE SITUATION OF WOMEN

90. The last two decades have witnessed more and more women enter the labour market. An ILO study <sup>75</sup> indicates that the world's female labour force has grown to 1.2 billion in 2003, up from 1 billion in 1993. Women have become more affirmative and determined to gain fuller access to the labour market and, in particular in industrialized countries, they rightly want equal treatment to men. While participation rates of women in the labour market differ among southern and northern EU countries, the norm is that both partners seek to have jobs. Participation rates in the labour market are particularly high for highly educated women. It is interesting to note that transition countries have the smallest gap in terms of participation ratios between male and female workers. While women suffered the hardest during the early stages of the transition process, the trend has slowly changed, in that women are being reintegrated rather fast into the labour force.

91. Despite some encouraging trends, a gap is nevertheless there on all fronts of female employment. Labour force participation rates for women continue to be much lower than those for men - 56 per cent for women and 77 per cent for men in OECD Europe in 2003 - and unemployment is higher - 9.7 per cent for women and 8.6 per cent for men in OECD-Europe in 2003<sup>76</sup>. Women tend to take on poorly paid jobs with lower benefits. Women also account for most of the work carried out in the informal sector. Female workers are more vulnerable to losing social benefits and tend to be the first to be shed in times of economic crisis and difficult labour market conditions. Furthermore, women continue to carry most of the day-to-day family responsibilities, including care for the elderly in the larger family context - a problem that with the progressive ageing of European societies can be expected to add to women's work burden even more in coming years. They will have to juggle even harder to strike the balance between work and home.

92. In addition, the gap has not narrowed as regards wages. Women are typically paid lower, and in certain professions much lower, wages than men for the same type of job. A Eurostat study of 2003 showed that the average earnings for women in full-time employment in the EU stood at only 70-90 per cent of those of men. Only the Nordic countries show a narrower gap. Furthermore, women are more likely to receive very low incomes from employment, not only because they are more likely to be working part-time, but also because they are employed in the least well-paid and least protected sectors of the labour market and face greater difficulties in advancing to positions of high responsibility.

93. In order for our societies to make better use of the potential of women, Council of Europe member states need to define a set of policies which combine measures that allow for: a) equal access to education and training in order for women to be able to compete and enter the labour market on terms equal to those of men; b) better child care facilities allowing women to join the workforce and use their productive potential effectively; c) balanced household benefits that would serve as incentives for women to join the labour market; d) incentives for women entrepreneurs; and e) last but not least, an equal wage for a woman and a man for the same job. Finally, the current ageing of European societies should be used by governments to open up new professions for women workers, such as in taking care of the sick and the elderly.



101. Finally, with **low birth rates, rapidly ageing populations and shrinking labour forces**, the formerly **EU 15 countries members should be welcoming, not restricting, additional labour**. Some EU employers (farms in particular) are increasingly relying on foreign labour to do the jobs (usually unskilled) that they cannot fill with local workers. Germany alone would need to import around 487 000 workers per year, while France would need 109 000 and the formerly EU-15 as a whole 1.6 million. In addition, in order to keep the ratio of workers to pensioners stable, the labour inflow would need to increase to 3.6 million per year in Germany, 1.8 million in France and a full 13.5 million in the formerly EU-15 as a whole. Although these figures do not account for business cycles or changes in the labour market, the underlying message is clear, namely that many formerly EU-15 countries need additional labour<sup>85</sup>.

102. In conclusion, labour migration flows from east to west can be expected to have only a minor impact on the formerly EU 15 as a whole, except perhaps for certain border regions. However, also here, the available research does not support predictions on border regions being 'flooded' with CEE workers and commuters.

103. Perhaps of greater importance is the issue of the kind of person most likely to leave the 'new CEE EU-10 plus accession countries' for employment in the formerly EU-15 countries. There is some concern over the fact that it will largely be the young, better educated and higher skilled who move away, leaving the elderly, the unskilled and the less motivated behind.

## **7. OLDER WORKERS, LIFE-LONG LEARNING AND TRAINING**

### **a. Older Workers**

104. Higher living standards, better health services and education, and a healthier environment have all resulted in longer life expectancy. On the other hand, decline in fertility rates, particularly in the "rich" western European countries, has brought about the so-called phenomenon of an 'ageing Europe'.

105. In the formerly EU 15 countries, 15.7% of the total population were aged 65 and over in 2001, compared to 10.3% in 1960. At the same time, the share of young people (i.e., under 15), declined from 25.2% in 1960 to 17.4% in 2001. Similar demographic trends have occurred in the new EU member states, non-EU Eastern Europe and the CIS countries.

106. **The ageing of the population has important labour market implications.** The gap between people active in the workforce and those economically inactive will widen further. It is therefore high time to try to identify ways of how to tackle the issue of improving employment prospects of older workers in order to be able to keep them professionally active later into old age.

107. Current practices - such as early retirement or disability benefits - when practised too liberally, have discouraged rather than encouraged the participation of older workers in employment. They cause further strain to already heavily burdened state budgets.

108. Furthermore, **older workers suffer discrimination** on the labour market. According to an ILO study<sup>86</sup> it comes in the form of working time reductions, early retirement, compulsory retirement at a fixed age, and vacancy announcements that impose an age limit. Not only is such discrimination unfair; it is also a waste of human resources. The issue should be tackled in the same way our societies deal with discrimination on the grounds of sex, race and disability.

109. Although still a rare practice, certain member states of the Council of Europe have introduced structures that aim to assist older workers to stay or re-integrate in the job workforce. The UK offers an interesting range of programs for old workers such as the "Third Age Employment Network", "Third Age Challenge" and "Employers Forum on Age".





117. The report notes, on the one hand, that unemployment in the OECD area, which at present affects some 36 million people, is expected to come down slowly over the coming two years. On the other hand, today's unemployment is clearly above the level in the 1970s and the 1980s and the situation is worse than previously also in so far as population ageing negatively affects the growth potential and thereby the prospects of higher living standards.

118. The social goals for governments to consider as they set about trying to create new jobs and reformed labour markets are above all a satisfactory social security and a better balance between work and leisure. Reforms in the area of employment legislation may create new jobs, but may also reduce the security of employment and favour part-time work and other unconventional contracts between employers and employees. The report also cautions that incitements for the unemployed to look for new employment, for instance through a time limit for assistance in the event of joblessness, may lead to social problems. The OECD is in principle in favour of flexible working hours but also draws attention to the fact that these may well lead to greater difficulties for people to reconcile between requirements of work and those of family life. The next task for the OECD will be to express the relationship between educational levels, employment and income in tangible political recommendations.

## 9. CONCLUDING REMARKS

119. Persistently high, or indeed rising, **unemployment is placing a growing burden on public finances**, at the same time as lower employment rates have shrunk the tax base and hence state revenue. The indebtedness of many European countries is growing as a result, making it all the more urgent that we come together in an earnest attempt to get to the root of the unemployment problem. While some unemployment may be inevitable as our economies undergo the ups and downs of economic cycles and as they adapt to ongoing globalisation, everything must be done to reduce it, especially its structural part. **Structural reform** is needed to spur lasting economic growth, which in turn will boost job creation. Labour market reforms to reduce institutional and structural rigidities are progressing in some countries but not all and more will be needed. It is in this context important that countries be left free to 'do their thing' in terms of reducing unemployment. It is all fine when international institutions such as the EU give guidelines. But these should be general, and individual countries should be able to experiment and show 'good examples' for others to emulate (and possibly less good ones to avoid). If, say, the EU were on the other hand to start issuing directives or other overly constraining instruments, such in the social field, that go into the minutiae of shaping labour policies, then the result could easily be a stifling of independent thinking and initiative, leading to an even worse situation.

120. In this regard, there is a delicate balance to be sought between, on the one hand, trying overly to protect existing jobs, thereby discouraging the rise of new economic sectors and jobs; and, on the other, overly disregarding workers' need for job security, thereby doing social injustice and perhaps jeopardising social peace. Flexibility measures could include easier access to part-time work. **A shift from passive to active labour market policies** is necessary. Labour markets will have to increase their capacity to adjust to, adapt and manage changing circumstances flowing from technological innovation.

121. As regards **outsourcing**, what goes on at present is in a way entirely natural. Investment, and hence employment, goes on the whole eastwards in Europe, toward countries and regions with lower costs of labour. In due course this process will be good for all parts of Europe, since economic growth in any part of the continent tends to lead to increased economic activity first in neighbouring areas and then further afield. What we may wish to avoid is for investment to go 'too far east', that is, that it entirely leaves Europe in favour of, say Asia, however much we welcome economic growth there, too.



**vow made in Lisbon in 2000 at the EU Summit on unemployment** (the so-called 'dot.com. summit') to turning the area into the most competitive world region by the end of this decade. All the more reason therefore to finally get going.

129. Shaping a society that creates economic growth and hence employment also means successfully **combating corruption and economic crime**. Countless studies have shown that societies where corruption and economic crime are widespread grow more slowly or not at all. That struggle therefore has to be given top priority, as the Assembly has stated many times in various reports emanating from our Economic Committee.

130. The Rapporteur wishes to stress the importance of **small and medium sized enterprises** to reducing unemployment. SMEs generate the lion's share of new jobs. They provide ideas, find niches of activities, and are on the whole much more alert and fast-moving than corporations.

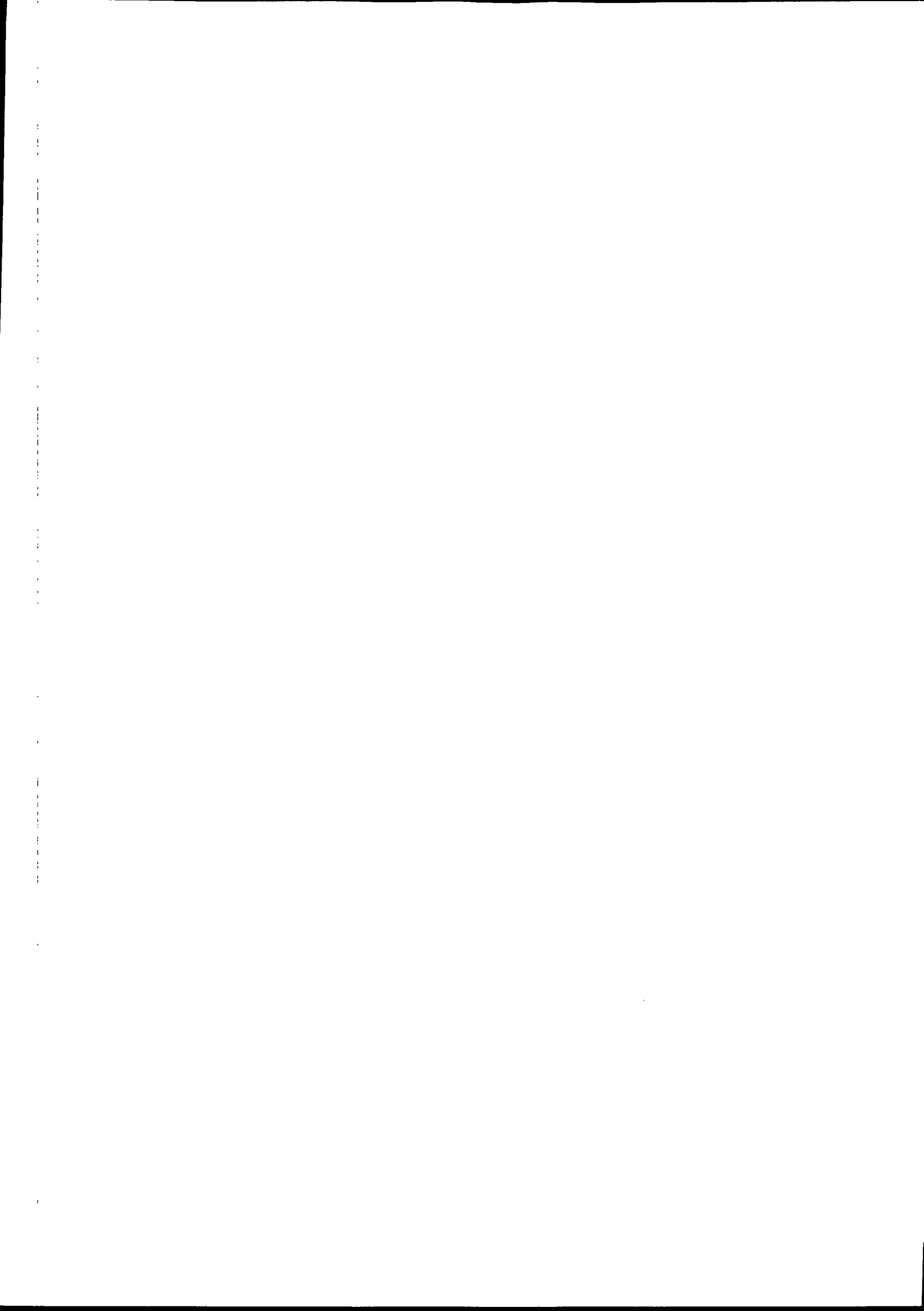
131. Provision of learning and training schemes for young people are key to addressing the problem of **youth unemployment**. Government and employment agencies should promote apprenticeship schemes for young people who choose not to pursue secondary and tertiary education. A reform of employment protection laws is necessary to bring down barriers to employment for new entrants. As has been pointed out earlier, government and industry – especially small and medium-sized enterprises, must adopt an open and welcoming attitude to young people entering the labour market.

132. There is a need to ensure that **employment opportunities do not discriminate against older workers**. Governments and enterprises need to be innovative and encourage policies that promote employment for older workers. In this context, older workers can benefit from measures promoting self-employment (in services and SMEs) or from part-time jobs. Simultaneously, older workers should be provided with opportunities to update existing skills and acquire new skills.

133. A specific challenge would be to make the job market more attractive, accessible and secure for **women**. Better childcare and measures that encourage compatibility with family life would be crucial to attracting more women to the job market.

134. It is above all **the individual**, and his or her family as the case may be, who suffers from the effects of unemployment. Having lost one's job – or not knowing whether one will have a job tomorrow, or next year - is a major factor behind personal suffering and depression for oneself and those around, for we humans are made to work as much as we are made to enjoy leisure. If the balance is there between work and leisure, we have at least the possibility of attaining happiness. If not, the large majority among us will feel unfulfilled and will indeed undergo an inner personal crisis.

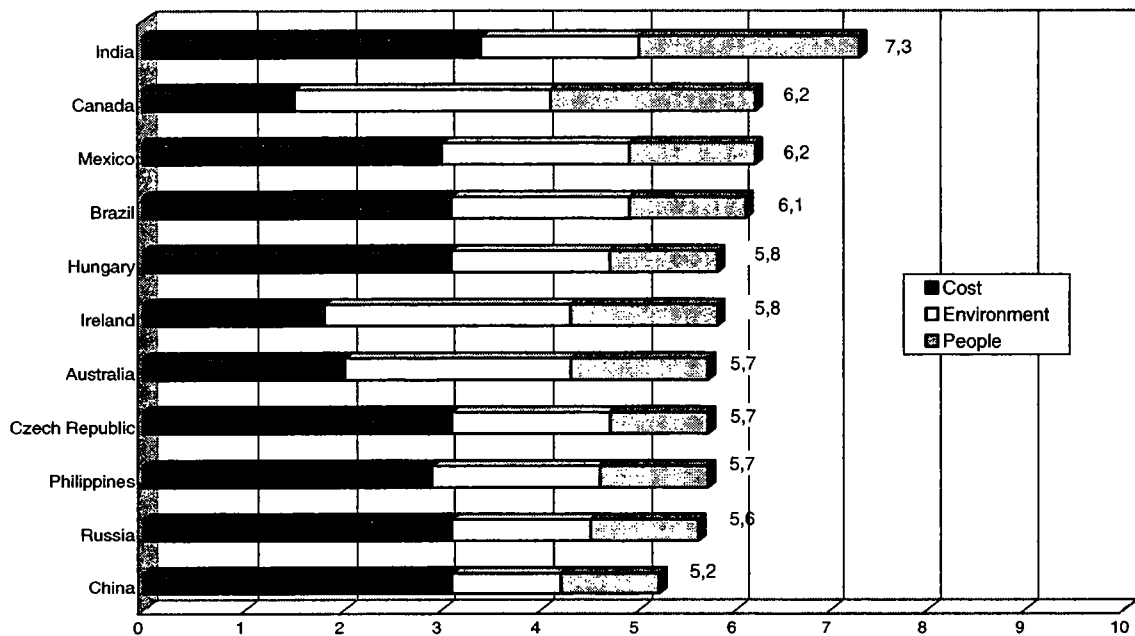
135. A jobless individual feels excluded, deprived of his or her right to contribute to society. This exclusion in turn contributes to weakening one's stake in the society and leads to **disintegration of social ties**. Society therefore owes it to us – or rather we owe it to each other as members of society – to do everything in our power to ensure that there are a sufficient number of worthwhile task to be carried out, by pursuing policies leading to sufficient economic growth and hence to enough jobs, whether in the private or the public sector. Solving, or at least reducing the scope of the unemployment problem, thereby becomes also a moral and societal one, going beyond the purely economic aspects.



**Appendix 2**

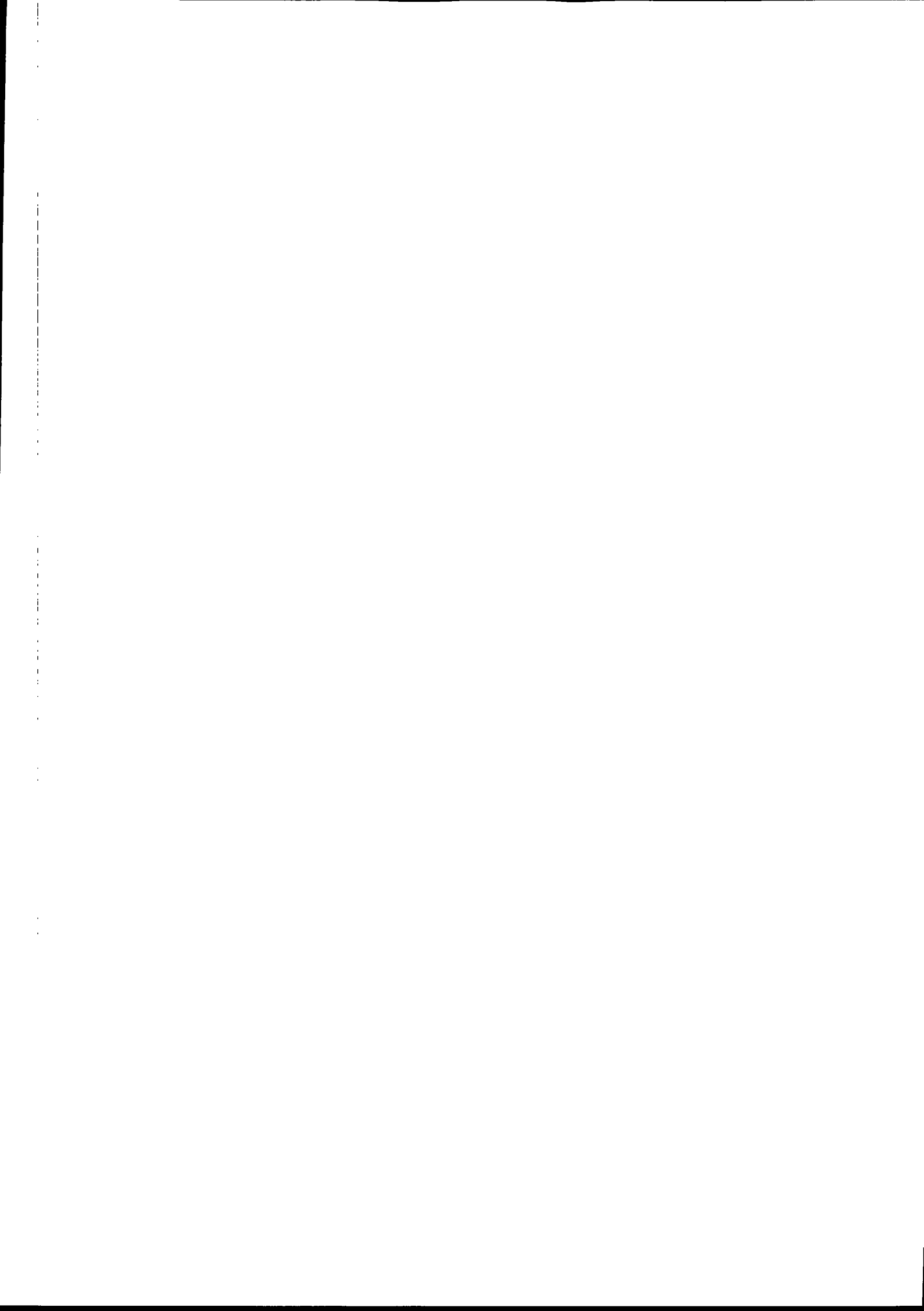
The following chart shows the outcome of a recent study by A.T. Kearney (a management consulting firm) on the attractiveness for offshore outsourcing of IT services among a number of countries<sup>88</sup>. The countries are ranked on an index (with a total score of ten) in terms of cost, environment and people<sup>89</sup>.

**Index of Country Attractiveness for Offshore Outsourcing of IT Services**



Source: "Where to Locate: Selecting a Country for Offshore Business Processing", A.T. Kearney, 2003.

According to Gartner research and advisory firm, a total of 75% of European enterprises and the largest medium-sized companies will consider offshore services by the end of 2003<sup>90</sup>. Britain currently leads Europe in using offshore services<sup>91</sup>. In a survey by Deloitte Research (of Deloitte Consulting, a management consultancy firm), the world's 100 largest financial services companies indicate they expect to transfer an estimated USD 356 billion of their operations and two million jobs offshore over the next five years in an effort to reduce costs. While 30% of the respondents currently have existing offshore operations, this percentage is expected to climb to 75% within two years. Over the next five year, the surveyed financial services firms plan to shift, on average, 15% of their global cost base offshore<sup>92</sup>.



## Endnotes

<sup>1</sup> Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia. These countries will all join the EU on 1 May 2004.

<sup>2</sup> Bulgaria and Romania, which are preparing for a later entry into the EU, possibly in 2007.

<sup>3</sup> According to the ILO recommendations, unemployed persons are those of the active population (commonly aged 15-64) who are without work; who are immediately (within the next two weeks) available to start work; and who are effectively seeking paid employment (and have done so at least at some point during the previous four weeks).

<sup>4</sup> Between 1993 and 2002, the unemployment rate fell from 9.6 to 4.5% in Denmark, from 16.3 to 9.1% in Finland, from 15.6 to 4.4% in Ireland, from 18.6 to 11.3% in Spain, from 9.1 to 4.9% in Sweden, and from 10 to 5.1% in the United Kingdom. Eurostat.

<sup>5</sup> For example, Nickell, Stephen. Speech on "A Picture of European Unemployment: Success and Failure", Bank of England Monetary Policy Committee and London School of Economics, November 2002.

<sup>6</sup> "Employment in Europe 2003", Directorate General for Employment and Social Affairs, European Commission, 2003.

<sup>7</sup> i.e., the lowest level of unemployment at which inflation will remain stable. Also referred to as the "natural" rate of unemployment or the non-accelerating-inflation rate of unemployment (NAIRU).

<sup>8</sup> Carone, G. and Salomäki, A. "Reforms in Tax-benefit Systems In Order to Increase Employment Incentives in the EU", Economic Paper 160, Director General for Economic and Financial Affairs, European Commission, September 2001.

<sup>9</sup> Planas, C., Roeger W., and Rossi, A. "How Much Has Labour Taxation Contributed to European Structural Unemployment?", Economic Paper 183, Director General for Economic and Financial Affairs, European Commission, April 2003.

<sup>10</sup> Nickell, Stephen. Speech on "A Picture of European Unemployment: Success and Failure", Bank of England Monetary Policy Committee and London School of Economics, November 2002.

<sup>11</sup> "Europe's Scrap-heap", *The Economist*, 18 August 2003.

<sup>12</sup> Blanchard, Olivier. "The Economics of Unemployment. Shocks, Institutions and Interactions", Lionel Robbins Lectures, London School of Economics, October 2000. In "Europe's Scrap-heap", *The Economist*, 18 August 2003.

<sup>13</sup> Nickell, Stephen. Speech on "A Picture of European Unemployment: Success and Failure", Bank of England Monetary Policy Committee and London School of Economics, November 2002.

<sup>14</sup> Blanchard, O. (Massachusetts Institute of Technology), Wolfers, J. (Harvard University). "The Role of Shocks and Institutions in the Rise of European Unemployment: The Aggregate Evidence", 1999. In "A Shocking Error", *The Economist*, 5 June 1999.

<sup>15</sup> "Room for Improvement", *The Economist*, 16 March 2002.

<sup>16</sup> Nickell, Stephen. Speech on "A Picture of European Unemployment: Success and Failure", Bank of England Monetary Policy Committee and London School of Economics, November 2002.

<sup>17</sup> "A Shocking Error", *The Economist*, 5 June 1999.

<sup>18</sup> "Western Europe's Jobseekers Limber Up", *The Economist*, 10 June 2000.

<sup>19</sup> "Starting to Work", *The Economist*, 18 May 2002.

<sup>20</sup> Particularly during the Lisbon European Council in 2000, but also during the Stockholm European Council in 2001, the Barcelona European Council in 2002, and the Athens European Council in 2003.

<sup>21</sup> "Employment in Europe 2003", Directorate General for Employment and Social Affairs, European Commission, 2003.

<sup>22</sup> "Employment in Europe 2003", Directorate General for Employment and Social Affairs, European Commission, 2003.

<sup>23</sup> Nesporova, Alena. "Why Unemployment Remains so High in Central and Eastern Europe", ILO Employment Paper 43, 2002.

<sup>24</sup> Nesporova, Alena. "Why Unemployment Remains so High in Central and Eastern Europe", ILO Employment Paper 43, 2002.

<sup>25</sup> Nesporova, Alena. "Why Unemployment Remains so High in Central and Eastern Europe", ILO Employment Paper 43, 2002.

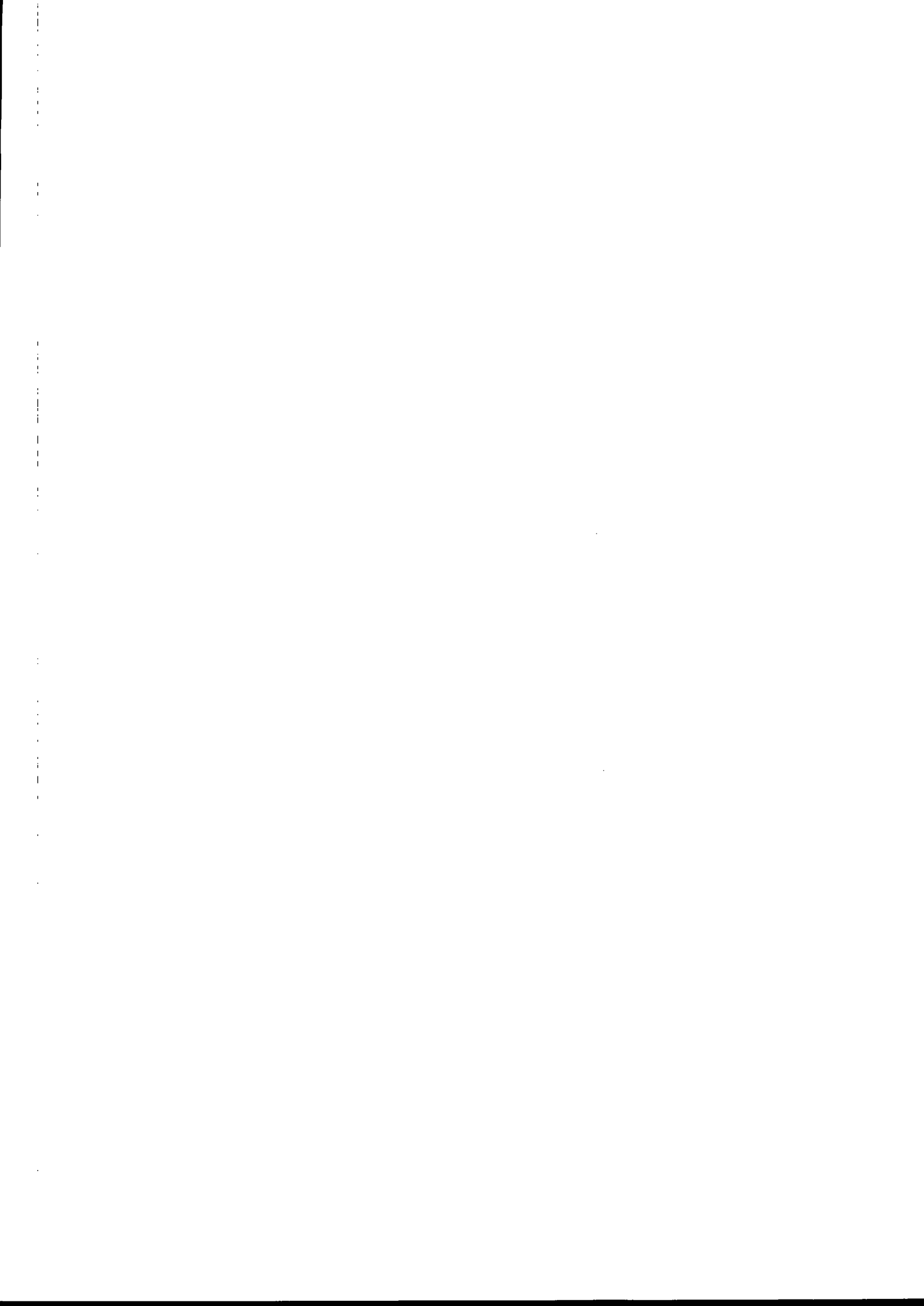
<sup>26</sup> Svetlov, Alexander. "The Shadow of Unemployment in Central and Eastern Europe", *Politikforum*.

<sup>27</sup> Albania, Bosnia-Herzegovina, Croatia, Formerly Yugoslav Republic of Macedonia, Serbia and Montenegro (Kosovo).

<sup>28</sup> CIS: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

<sup>29</sup> The International Labour Organisation uses "youth unemployment" as a key indicator of the state of the labour market. "Youth" covers persons aged 15 to 24.

<sup>30</sup> United Nations Children's Fund Report on East European Youth, November 2000





- <sup>63</sup> Broersma, Matthew. "Gartner: Outsourcing to Boom this Year", ZDNet UK, 11 April 2003.
- <sup>64</sup> "The New Geography of the IT Industry", *The Economist*, 19 July 2003.
- <sup>65</sup> Midelfart-Knarvik, K.H., Overman, H.G., S.J. Redding, S.J., and Venables, A.J. "The Location of European Industry", Economic Paper 142, Directorate General for Economic and Financial Affairs, European Commission, April 2000.
- <sup>66</sup> As reported in the *Herald Tribune* on 20 July 2004
- <sup>67</sup> As reported in the *Herald Tribune* on 20 July 2004
- <sup>68</sup> Bowers, N., Sonnet, A., and Bardone, L. "Background Report - Giving Young People and Good Start: The Experience of OECD Countries", OECD.
- <sup>69</sup> Bowers, N., Sonnet, A., and Bardone, L. "Background Report - Giving Young People and Good Start: The Experience of OECD Countries", OECD.
- <sup>70</sup> Nesporova, Alena. "Why Unemployment Remains so High in Central and Eastern Europe", ILO Employment Paper 43, 2002.
- <sup>71</sup> Nickell, Stephen. Speech on "A Picture of European Unemployment: Success and Failure", Bank of England Monetary Policy Committee and London School of Economics, November 2002.
- <sup>72</sup> Defined as young people one year after leaving initial education.
- <sup>73</sup> Bowers, N., Sonnet, A., and Bardone, L. "Background Report - Giving Young People and Good Start: The Experience of OECD Countries", OECD.
- <sup>74</sup> "OECD Employment Outlook", OECD, 1996.
- <sup>75</sup> ILO, 5 March 2004: Global Employment Trends for Women 2004
- <sup>76</sup> OECD Employment Outlook 2004 : Table B
- <sup>77</sup> These transitional arrangements specifically include: 1) A two-year period during which national measures will be applied by current members states to new members; 2) After this period, reviews will be held (also by the European Commission), but the decision on whether to fully apply the free movement of persons will still be left up to the individual current members; 3) The transitional arrangements should in principle come to an end after five years, but may be prolonged for a further two years in current member countries experiencing serious disturbances in the labour market or the threat of such disruption; 4) Safeguards may be applied by member states up to the end of the seventh year. The current members must, however, give preference to accession country nationals over non-EU labour.
- <sup>78</sup> Seminar on "The Impact of Enlargement on the EU Labour Market", Directorate General for Employment and Social Affairs, European Commission, March 2001.
- <sup>79</sup> Brücker, H. "Potential Migration from Central and Eastern Europe: An Update", Directorate General for Employment and Social Affairs, European Commission, October 2003.
- <sup>80</sup> Barysch, Katinka. "Does Enlargement Matter for the EU Economy?" Centre for European Reform Policy Brief, March 2003.
- <sup>81</sup> "The Economic Impact of Enlargement", Enlargement Papers No. 4, DG ECFIN, 2001.
- <sup>82</sup> Seminar on "The Impact of Enlargement on the EU Labour Market", Directorate General for Employment and Social Affairs, European Commission, March 2001.
- <sup>83</sup> Ermisch, John. "Demographic Developments and European Labour Markets", *Scottish Journal of Political Economy*, Vol. 42, No. 3, August 1995.
- <sup>84</sup> Brücker, H. "Potential Migration from Central and Eastern Europe: An Update", Directorate General for Employment and Social Affairs, European Commission, October 2003.
- <sup>85</sup> United Nations' Population Division report in "A continent on the move", *The Economist*, 4 May 2000.
- <sup>86</sup> ILO Employment and Training Papers 33 "Ageing and labour markets for older workers" by Alexander Samorodiv, first published in 1999
- <sup>87</sup> As reported in the *Financial Times* on 16 July 2004.
- <sup>88</sup> "Where to Locate: Selecting a Country for Offshore Business Processing", A.T. Kearney, 2003.
- <sup>89</sup> Cost = cost of labour, cost of management and infrastructure, and tax and treasury impact. Environment = risk (economic, political), country infrastructure, cultural compatibility, geographic proximity, and security of intellectual property. People = BPO and IT process experience, size of labour market, education level of work force, language barriers and literacy rates, and employee retention.
- <sup>90</sup> Broersma, Matthew. "Gartner: Outsourcing to Boom this Year", ZDNet UK, 11 April 2003.
- <sup>91</sup> Broersma, Matthew. "Gartner: Outsourcing to Boom this Year", ZDNet UK, 11 April 2003.
- <sup>92</sup> Deloitte Consulting ([www.dc.com](http://www.dc.com)).

