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# ACTIVATING BENEFIT IN MATERIAL NEED RECIPIENTS IN THE SLOVAK REPUBLIC

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## CELSI Research Report No. 3

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## Executive Summary and Key Findings

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**This note assesses the strengths and weaknesses of the implementation arrangements of the social assistance system and activation measures** in the Slovak Republic. In 2011 the Slovak Republic initiated a reform of the non-contributory social benefits system, in particular the Benefit in Material Need (BMN) to strengthen the incentives for work and foster larger activation of BMN recipients with work capacity. Such reforms, if implemented, would bring about additional demand for activation opportunities. This note reviews delivery models and implementing practices for the BMN recipients, identifies inter- and intra-institutional coordination arrangements and assesses targeting and efficiency of currently available activation measures, with special focus on the treatment of BMN recipients with work capacity. The implementation arrangements are benchmarked against best practice from other OECD countries.

**The Slovak public employment services (PES) have to respond to a particularly difficult labor market situation**, as it is characterized by structural frictions which lead to high and persistent levels of unemployment. Unemployment among low-skilled youth represents a serious problem. A number of reforms aimed at improving the delivery of active labor market programs have been implemented since 2004, however, improvements of the conditions for their effective implementation need to be continued.

**In summary, the main bottlenecks which need to be addressed for effective implementation of an enhanced activation effort include the following:**

### Integration of services

**Employment services and social services are under one roof in the Slovak Republic**, as in a number of other European Member States and OECD countries. At the same time, the different units co-exist and cooperation between the employment service unit and the social services, including the BMN unit, is limited to file sharing. Each unit collects basic information about the client, but the information systems are not yet integrated. Improvements in this respect can be expected in 2012, when IT-integration will be implemented. In order to increase the effectiveness of the reform in establishing a one-stop-shop, further improvements need to be made. An integration of different social and employment services in the work organization would be necessary in order to implement a case management approach for clients with multi-faceted employment barriers. A further area, where integration has not been fully implemented, concerns wage levels and structures of the former institutions.

### Client profiling

**As in a number of OECD countries, profiling has led to segmenting target groups and to organizing services accordingly.** In 2009 a Three-Zone System which profiles clients of the PES

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into three groups, based on the degree of labor market barriers and the level of personal motivation, was introduced in the Slovak Republic. Three levels of services (Zones) differentiated by the degree of engagement of the PES staff and the proposed integration tools are offered under this system. The profiling of all clients is done by the first contact officers who work in Zone I (formerly information-consulting units). Zone I is essentially a self-help area; basic placement and related services are offered in Zone II; while Zone III offers specialized counseling services and works more closely with clients in developing individual action plans. According to the profiling system, disadvantaged jobseekers, who often are also BMN recipients, are placed in the hardest to place category of jobseekers and are offered specialized counseling and access to ALMPs.

**The applied profiling system is clearly a positive shift to a differentiated and more targeted treatment of jobseekers.** Nevertheless, BMN recipients are not given preferential treatment with respect to placement on the labor market. Given that BMN recipients are typically less ready for jobs in the open job market the end result is that equal treatment of all PES clients implies that BMN beneficiaries could be prioritized against. Additionally:

- **Profiling of job-seekers is less comprehensive compared to many other EU Member States and OECD countries.** The profiling does not explicitly take into account BMN recipient status. Evidence from other European and OECD countries suggest that a good statistical profiling model not only contains hard factors such as length of unemployment, prior work experience and formal qualifications but also “soft” factors such as motivational aspects, health and social networks as well as the regional labor market conditions.
- When a vacancy is being filled, requirements of the job are considered first and because they typically require higher levels of education and skills, many of the BMN recipients and disadvantaged jobseekers are left with less competitive advantage and ultimately excluded.
- Labor offices do not undertake vacancy search targeted at hard-to-place clients or promotion of disadvantaged jobseekers when in contact with employers.

## Staffing

*Labor Offices are understaffed and underfinanced which allows them to do only necessary administrative work but hardly provides them with the capacity to implement client-oriented individualized services.*

- **The capacity of employment services to advice and dedicate more resources to disadvantaged job seekers is limited due to shortage of staff and financing.** There is also a general lack of awareness that a differentiated approach might be needed. Evidence from other European countries suggests that hard-to-place jobseekers including young people with low educational levels need specific and intense counseling and follow-up.
- **Although the preparation of Individual Activation Plans (IAPs) is stipulated by law, their preparation and content remains a formality.** Given understaffing in the labor offices, the full potential of IAPs is not being exploited. They seem to represent a burden on the staff



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rather than a genuine tool for advising and supporting integration into the labor market. They typically lack stronger training elements and *integration* plans.

- ❑ **Limited capacity also precludes effective monitoring of the implementation of different measures.** Evidence from other countries suggests effective monitoring improves the quality of profiling and range of targeted employment services offered, and increases placement in ALMPs.
- ❑ **The capacity of Labor Offices to provide information and counseling to individuals interested in other measures, such as self-employment or establishment of sheltered workshops, is very limited.**

### **Out-sourcing and private providers**

**A framework for the possibility of outsourcing of some PES services to non-state providers was created in 2004.** Until now these possibilities have not been used to outsource employment services for highly disadvantaged jobseekers. Some agencies for supported employment targeted typically at people with disabilities have been operating—but these programs are very small in terms of the number of people served.

**If outsourcing was more used for activating and placing highly disadvantaged jobseekers, including BMN recipients, an effective subcontracting system would need to be designed.** This would require an extended period of monitoring and evaluation; in addition, performance related pay requires tracking participants. Procedures for selecting subcontractors should place on quality of services in addition to the price. Evidence from other OECD countries shows that it takes time to steer the system to minimize perverse incentives and capture the innovation potential of independent contractors.

**At the same time, to the limited extent that employment services out-outsourcing takes place, non-state service providers and active NGOs appear to be highly professional.** Multiple examples of successful integration of disadvantaged jobseekers, including Roma, provided by non-state service providers and corporate social responsibility activities exist. They are based on holistic approaches of their integration into the labor market, integrating different types of services and measures. Successful models can also be found among large employers (e.g. US Steel in Kosice). Services for employers can be improved by a comprehensive information policy on the implementation of specific active labor market measures as well as offering social services to those employers who agree to employ highly disadvantaged groups. In addition, a pro-active outreach of employers for placing disadvantaged groups would increase employment prospects for this group.

### **Spending on active labor market policies (ALMPs)**

**In spite of high unemployment levels and structural deficiencies, expenditures on ALMPs in the Slovak Republic are among the lowest in OECD countries.** This might be related to a general impression among the political elite that they have been ineffective, which is not unrelated to

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the fact that the provision of different ALMP tools has been accompanied by a series of alleged corruption incidents. This has led to erratic financing and insufficient funding to all types of actors – non-state providers, labor offices or the NGO sector involved in the work with disadvantaged and hard-to-place clients. On the other hand, there appears to be room to maneuver for increased efficiency and effectiveness of ALMPs as well as increases in funding levels. This would involve tackling the following shortcomings:

- **ALMPs are nearly fully financed by European Social Fund (ESF).** Consequently access to funds is based on complicated administrative and payment procedures that disqualify smaller actors and seem to enable access to insiders which might support rent-seeking. It seems that public sector efficiency could be raised through a higher real absorption of EU funds in order to secure funding. It would be advisable to review and simplify the current administrative requirements set-up for the allocation of EU structural funds as well as processes of monitoring and impact evaluation.
- **Conducting robust and evidence based evaluation of the impact of different ALMP measures** would help to improve targeting of different tools and to increase overall effectiveness.
- **Testing and refinement of planned measures through pilot projects**, which could include social experimentation of the impact and effectiveness in the design of the piloted measure, could be used more extensively in the Slovak context.

### Targeting and structure of ALMP measures

**In comparison with other OECD countries very little is spent on training measures, while a higher share of GDP is spent on start-up incentives.** Given the structural deficiencies of the labor market, more investment into training and requalification seems desirable. It should also become an integral part of activation and options offered to the least skilled in the labor market. Small municipal works currently represent the only measure specifically designed for BMN recipients. Its impact on potential integration into labor market is however very limited and might even be negative.

### Activation impact and possible crowding out

In order to increase incentives for BMN recipients to become activated, BMN recipients can top-up their basic benefit with an activation allowance if they voluntarily participate in an activation measure. This activation allowance can be granted for the participation in activation work (small municipal work), part-time studies (or in case a person receives parental allowance, by participating in full-time secondary or tertiary study), a training program organized by the PES, or as a back-to-work benefit. However, job creation programs in the form of small community work and also voluntary works are by far the most commonly used measure for the BMN recipients. Job creation measures, such as activation works, anti-flood measures, and voluntary works, are addressing important social and environmental means, such as cleaning and upkeep of municipal premises and

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environment, but also provision of social care/elderly care. However, there are concerns that these measures are to some extent crowding out regular low-skilled employment. Activation works in particular seem to have created in some cases a municipal dependence on the availability of free labor without providing much skills and improving labor market chances of BMN recipients.

### Small municipal works

**The outcomes of small municipality work are poor.** While the aim of small municipal works is to keep work habits of BMN recipients, the measure does not significantly increase their employability. A very low share of only 4.4 percent of participants was able to find employment within 6 months after leaving the measure in 2010. Small municipal works appear to be the most ‘precarious’ measure of the currently available ALMPs: they do not provide a work contract (a person remains in the unemployment registry) and as such no social contributions are paid while they also typically have no element of training. Additionally, a stigma seems to be attached to activation works in municipalities with a large share of Roma population. In fact, labor office staff themselves have started to view the activations works as a ‘trap’. On the other hand, it might have a positive effect for people who are socially excluded, as it may increase self-esteem and increase temporarily family income, although this effect is not sustainable.

### Perverse incentives

The design of the work-first strategy permitting young school leavers at the age of 16 to become involved in activation work and to earn their first income from work in the form of the activation allowance sets wrong incentives for low-skilled young people of very disadvantaged social backgrounds, in particular among the Roma community. Instead, incentives should be directed towards a “train-first strategy” to make sure highly disadvantaged young people get basic education and some vocational training. Evidence from other countries as well as from the international literature strongly indicates the need for developing an integrated approach, including education and training, in order to tackle unemployment of low-skilled youth. Low-skilled unemployed young people should be offered opportunities to receive more education in second-chance-schools, combined with the possibility to acquire work experience in a firm.

### Sufficiency of activation opportunities

**Currently there seems to be a higher demand for activation works than there is supply of places which indicates a limitation to further expand the measure.** Had the proposed reform of the activation supplements to the basic BMN been passed, the current system would not have been able to generate sufficient activation opportunities. Moreover, the ability to generate *meaningful opportunities* especially for disadvantaged jobseekers and BMN recipients is already near its exhaustion, both financially and in terms of design. Labor Offices are unable to contract activation works and most activation works opportunities have been diverted to the second channel – activation through municipality contract. These enable much less oversight and control. Some

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mayors take more BMN participants onto the activation works also due to electoral/political reasons and situations emerge when there is not sufficient work for the participants.

**A new type of job creation measure has been implemented recently, with some BMN beneficiaries employed in flood prevention efforts.** Compared to activation or voluntary works, flood prevention measures and restoration of cultural heritage lead to formal employment contract, which is a clear advantage. The number of BMN recipients who are employed by such contracts remains low, however. If job creation measures of this type are to be expanded, special attention should be given to avoiding displacement and substitution effects in the labor market.

### **Regional specificities to activation and work disincentives**

**While there are perceptions of disincentives, our analysis suggests that objective labor market conditions also play an important role.** The issue of disincentives to take up employment in the open labor market was often mentioned by the PES staff as well as municipalities working with BMN recipients through the activation works; it is also often presented in the political discourse. However, our analyses suggested that disincentives to work differ depending on ‘objective’ labor market conditions and related opportunities and therefore tend to vary across the regions. External labor market environment also partly determines the interaction between the BMN status/social assistance usage and the (dis)incentives to work. Disincentives to work in the depressed labor market are related to a lack of any job opportunities and very low wages in general: BMN take-up in the Eastern and Central Slovakia (Prešovský, Košický and Banskobystrický region) is approximately 3 times greater than in the Western regions and eleven times greater than in the Bratislava region.

**A positive correlation seems to exist between the number of BMN recipients, regional unemployment rate and the share of BMN beneficiaries participating in activation (as opposed to receiving protection allowance).** On the other hand, in more vibrant labor markets, BMN beneficiaries often use the option to conclude service contracts parallel to the receipt of the benefits – such form of employment is demanded by employers who try to save on costs. A particular disincentive is inherent to the design of the BMN system which takes away possibility for jointly assessed person to get activation allowance after the prime recipient starts formal employment leading to a loss of BMN status.

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## Introduction

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**In 2011 the Slovak Republic initiated a reform of the non-contributory social benefits system, in particular the Benefit in Material Need (BMN).** The main objective of the reform was to strengthen the incentives for work and foster larger activation of BMN recipients with work capacity in the system. The design of draft law followed the main principles of the reform introduced in 2004, but planned to diversify the activation options by introducing more types of activation (motivation) allowances.

- What is currently activation allowance was to become motivation allowance and was to be gained on the basis of work in public works, community works, volunteering work and participation in further training/education. The amounts were to differ according to the type of activity and discriminate against voluntary work.
- Draft law also intended to re-organize child-related benefits of BMN recipients, introducing formally “motivation allowance for dependent child” – a conditional cash transfer which was to be earned on the basis of regular school attendance, satisfactory performance and good behavior, i.e. introducing stricter conditions than are currently in place.
- The draft law also introduces a back-to-work benefit (continuation of receipt of motivation allowance) in case the BMN claimant gets a job upon own initiative<sup>1</sup> and the income of the jointly assessed persons after certain disregards of wage earnings remains below the eligibility threshold for BMN.

**Such changes would have brought additional demand on public employment services (PES) and required greater scope of activation options.** This note therefore reviews and assesses the details of the implementation arrangements of the social assistance system and activation measures under the current design of the system. It reviews and documents delivery models and implementing practices for the BMN recipients, identifies inter- and intra-institutional coordination arrangements and assesses targeting and efficiency of currently available activation measures, with special focus on the treatment of BMN recipients with work capacity. It identifies bottlenecks and provides examples of best practice from other OECD countries to suggest possible ways of improving the current system and responding to the expected additional scope of demand for activation if/when the proposed legal changes in the design of the activation (motivation) supplement are enforced.

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<sup>1</sup> Article 9(q)/Draft Law on the Benefit in Material Need.

## Part I. Labor market trends and characteristics of labor market policies

### Labor market in 2011

**Labor market in Slovakia is characterized by structural frictions which lead to high and persistent levels of unemployment.** Among the OECD countries, Slovak Republic's long-term unemployment and youth unemployment rates as well as inactivity rates are among the highest. Inactivity rates are particularly high for persons with less than upper secondary education. Even prior to the economic crisis in the period of strong economic growth, labor shortages co-existed with still relatively high unemployment rate (close to 9 percent in the last quarter of 2008). The Slovak labor market has not been able to provide work opportunities for individuals with multiple barriers to employment, especially the low-skilled and poorly educated. Labor market entrants also suffer to find jobs and this phenomenon has moved from secondary school graduates to affect also students finishing universities. While Slovakia's economy grew faster than most EU economies in 2011 (2.9 percent growth rate versus 1.6 percent EU average according to Eurostat), growth has been jobless and did not trigger down to improve employment opportunities (Table 1).

**Significant regional disparities in labor market performance persist.** Distribution of unemployed is uneven across the regions in the country – Banskobystrický, Prešovský and Košický regions suffer from the highest unemployment rate (Table 1). The share of long-term unemployed in these regions is also much higher. Approximately one fifth of all jobseekers in 2010 were unemployed for more than 4 years in these three regions (Table 2).

**Table 1: Labor market developments - December 2011**

	Region								
	SR	Bratislavský	Trnavský	Trenčiansky	Nitriansky	Žilinský	Banskobystrický	Prešovský	Košický
<b>Stock of jobseekers (Nov)</b>	393,122	19,297	28,459	32,334	49,128	41,579	67,310	80,496	74,519
<b>Inflows</b>	26,756	1,658	2,450	3,020	3,222	3,763	3,738	4,881	4,024
<b>Outflows</b>	20,078	1,538	1,823	2,151	2,006	2,705	2,984	3,497	3,374
To labor market	10,933	1,011	941	1,365	1,200	1,888	1,314	1,850	1,364
To labor market (%)	54	66	52	63	60	70	44	53	40
<b>Stock of jobseekers (Dec)</b>	<b>399,800</b>	<b>19,417</b>	<b>29,086</b>	<b>33,203</b>	<b>50,344</b>	<b>42,637</b>	<b>68,064</b>	<b>81,880</b>	<b>75,169</b>
<b>Month to month change in jobseekers (%)</b>	1.70	0.62	2.20	2.69	2.48	2.54	1.12	1.72	0.87
<b>Unemployment rate (in %)</b>	<b>13.59</b>	<b>5.41</b>	<b>8.88</b>	<b>9.95</b>	<b>13.27</b>	<b>11.91</b>	<b>19.83</b>	<b>18.95</b>	<b>18.76</b>

Source: CoLSAF.

**Table 2: Share of registered jobseeker by duration of unemployment (%) and region, 2010**

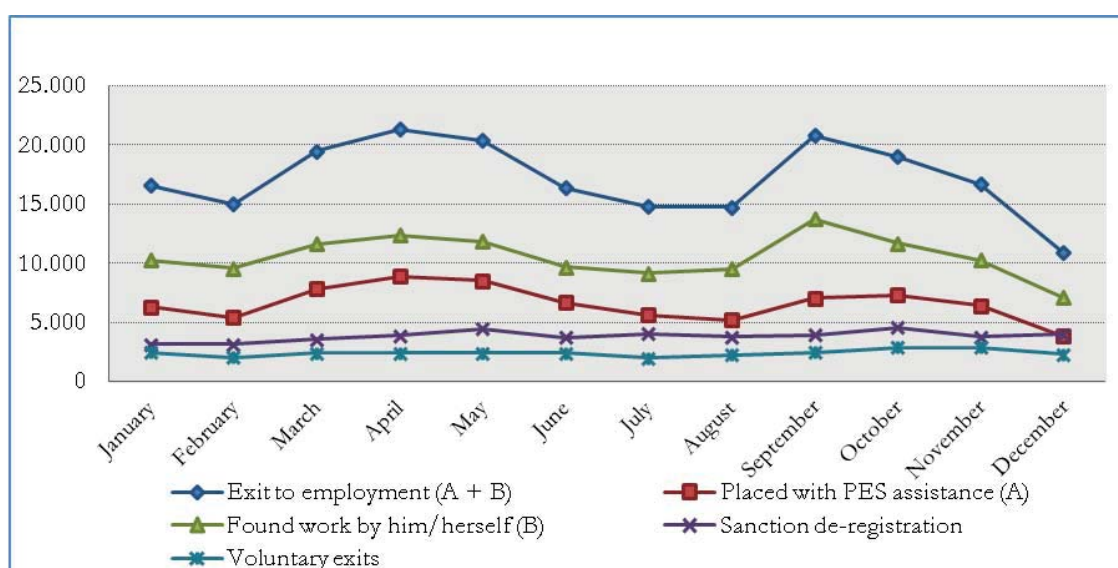
Region/Duration	up to 3 m.	4-6 m.	7-9 m.	10-12 m.	13-18 m.	19-24 m.	25-48 m.	over 48 m.	Total in thousands
Bratislava	47	3	20	1	15	6	5	2	11,964
Trnava	29	22	15	0	15	7	6	6	25,213
Trenčín	3	24	17	13	18	9	8	8	25,587
Nitra	30	23	17	1	2	0	12	16	32,754
Žilina	23	18	13	10	14	7	7	9	39,953
Banská Bystrica	15	12	9	8	13	9	13	21	66,863
Prešov	19	2	12	10	15	10	14	19	69,535
Košice	2	17	12	10	17	1	17	24	54,978

Source: MoLSAF (2011, p.27). World Bank staff calculations.

In 2011, on a monthly average there were 389 264 registered jobseekers. On a monthly average only 6 percent of them exited the unemployment register and 4.4 percent exited unemployment for employment (Figure 1, Annex 1).

Among the 6% of jobseekers who exited the unemployment registry each month in 2011, most found employment by themselves and 38% were placed with PES assistance (e.g. on a wage subsidy measure or was placed by the PES) (Figure 1).

**Figure 1: Exits from unemployment register by reason for exit, 2011**



Source: CoLSAF.

## Protection against unemployment

**Passive and active labor market policies in the Slovak Republic are one of the least extensive and comprehensive among the OECD and EU countries.** Protection against unemployment in the Slovak Republic is significantly lower compared to other EU member states and OECD countries, both in coverage and generosity. Access to unemployment benefits is conditioned on contributions for at least 2 years during the last three years (2 years in the last four years in the case of temporary employment or for people who voluntarily contribute to unemployment insurance) and the duration of benefits is limited to 6 months. The system is especially restrictive towards the labor market entrants and those working in unstable jobs typically in low-skilled and low-paid occupations.

As an outcome, only approximately 12 percent of available jobseekers were receiving unemployment benefits in 2011, while the figures were even lower in the previous years (Table 3). This compares to almost 50 percent coverage as an average in the OECD countries in 2007-2008 (OECD Employment Outlook 2011). The situation is even more restrictive for the youth – only 2 per cent of the young unemployed in Slovakia received unemployment benefit in 2005 and the conditions have not been amended since (OECD 2007).

**Table 3: Overview of registered unemployed and unemployment benefits coverage**

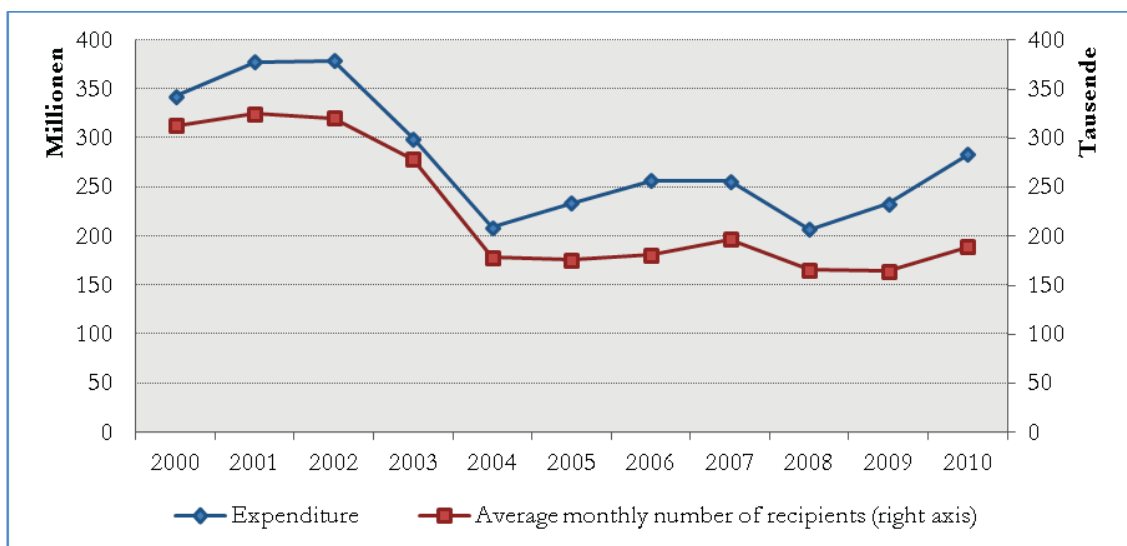
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Number of jobseekers</b>	409,082	340,401	299,181	250,938	230,433	340,243	380,791	389,264
<b>Number of available jobseekers</b>	373,471	301,186	265,353	219,231	199,561	303,063	335,308	350,959
<b>Unemployment rate (registered, %)</b>	14.3	11.6	10.4	8.4	7.7	11.4	12.5	13.2
<b>Average duration of registration (in months)</b>	12.4	11.9	10.8	10.5	10.2	11.9	13.9	13.9
<b>Number of unemployment benefit recipients</b>	75,897	38,497	26,991	22,311	23,099	50,602	43,002	42,153
<b>Available jobseekers who received benefits (%)</b>	20.32	12.78	10.17	10.18	11.57	16.70	12.82	12.01
<b>Total expenditure (in thousand euro)</b>	131,850.2	80,985.26	63,981.74	59,615.88	66,121.36	172,429.7	150,339.1	163,333.9
<b>Average amount of unemployment benefit (in euro)</b>	-	175	198	223	239	248	257	-

Source: Statistical Office and Social Insurance Agency. World Bank Staff calculations.



Due to the highly restrictive nature of unemployment benefits, the benefit in material need assumes a dual role in Slovakia's social safety net system. Along with providing last resort social assistance to vulnerable and chronically poor with their incomes below the subsistence minimum, it also serves as a *de facto* second tier non-contributory unemployment allowance. This is inevitably caused by long spells of unemployment (Table 1, Table 2) but is also partly a result of the design of the BMN system, as outlined in the Review of Design Parameters and Draft Legislation report (World Bank, 2011). The social assistance system underwent series of reforms in the last decade which led to a significant decline in the stock of the BMN recipients in the first half of 2000s (Figure 2). Since 2004 when the last major system re-design took place, the number of BMN recipients remained relatively stable, with the only more significant decline between 2007 and 2009.

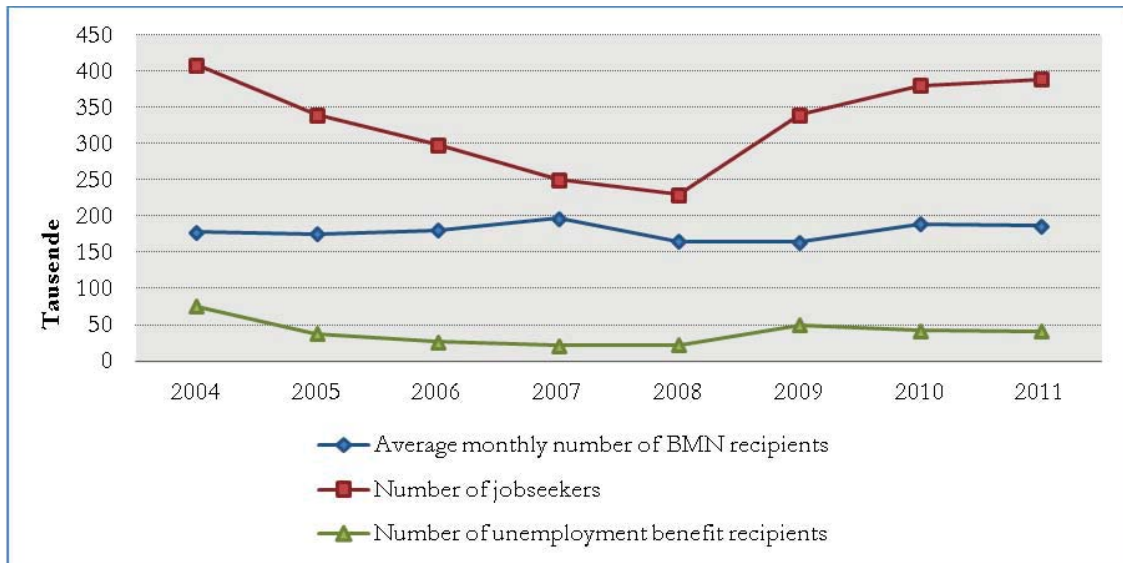
Figure 2: Development of BMN spending and beneficiaries



Source: Administrative data from MoLSAF.

**Social assistance system is relatively unresponsive to changes in general labor market environment** (Figure 3). Overall, however, a marked decline in the number of jobseekers between 2004 and 2008 did not transpose into an accordingly large decline of BMN recipients over that period. Similarly, the growth of jobseekers during the economic and financial crisis was only partly reflected in the growth of BMN recipients. This confirms that labor market improvements have not affected low-skilled individuals who compose major part of the BMN recipients. It also suggests that there is a relatively stable number of working age adults locked in social assistance system without many opportunities to change their situation.

Figure 3: Jobseekers, unemployment benefit recipients and BMN recipients



Source: Statistical Office of the Slovak Republic and CoLSAF.

**Despite the rise of working age BMN recipients during the crisis, the share of adults receiving activation allowance declined significantly in the same period** (Figure 4). This indicates that BMN recipients have been less often activated since the beginning of the recession. This outcome is most explicitly related to changes in the functioning of the activation works through small municipal works which took place in 2008 and legally limited the number of times a BMN recipient can participate in small municipal works. Further, the linkage between the BMN structure and unemployment benefit system is confirmed in the lagged response between the number of unemployment benefit (UB) recipients and BMN recipients (growth in numbers between 2008-2009 and 2009-2010 respectively) (Figure 3)<sup>2</sup> as well as in the rise in the share of working age adults among the BMN recipients (Figure 4).

<sup>2</sup> Figure 3 also shows that a very large number of people do qualify for neither unemployment benefit, nor the Benefit in Material Need.

Figure 4: Breakdown of BMN by age groups and share of those who participate in activation among working age beneficiaries

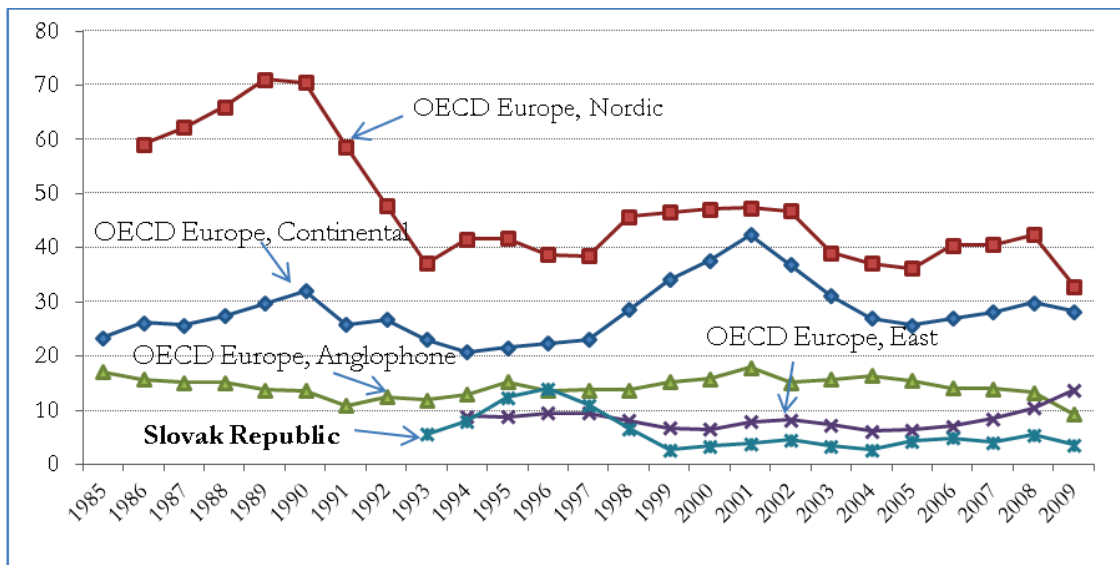


Source: CoLSAF.

### Active labor market policies

**In spite of persistent labor market problems, spending on active labor market policies (ALMPs) has been modest.** Spending on ALMPs - with the exception of few years in the second half of 1990s - remains well below the OECD average and also below the regional Central and Eastern Europe average (Figure 5). Policy making in the area has lacked a vision and broader socio-political consensus which is reflected in erratic changes to allocation of funding to different measures, over-complicated and often duplicated nature of the available measures, lack of monitoring and impact- and effectiveness-evaluation of the applied tools, poor staffing of PES as well as failure to use the available European structural funds more meaningfully. Moreover, current targeting of the ALMP measures and functioning of PES is unable to address the most salient problems in the labor market. A closer link between active labor market policy and social assistance policy is missing, and seems to have been further weakened during the crisis. We address these different points in more detail in the following sections.

Figure 5: Spending on active labor market programs per unemployed (% of GDP/capita)



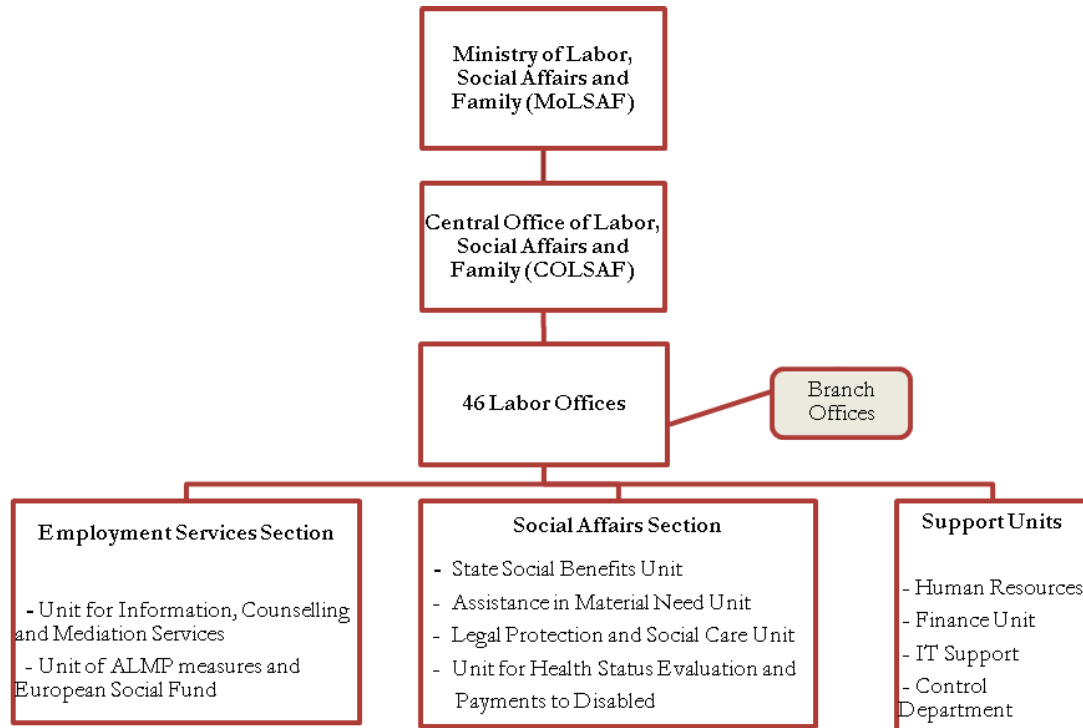
Source: OECD Labor Market Policy Database. Staff calculations.

## Part II. Institutional Setting

### A short overview of the PES institutional framework

The current institutional framework of public employment services has been in place since the last major reform of the system in 2004. It responded to earlier critiques of erratic spending on labor market policies, delinked position of employment services and social assistance, and over-bureaucratized hierarchical structure with intermediary offices at the regional level (Kalužná 2008). The 2004 institutional reform therefore merged employment services and social services under the auspices of labor offices, and shifted the oversight of unemployment benefits to the Social Insurance Agency (SIA). A clearer hierarchy was introduced with the Ministry of Labor (MoLSAF) governing the Central Office of Labor, Social Affairs and Family (CoLSAF) which in turn oversees 46 district labor offices (Chart 1). CoLSAF serves as an implementing agency for the Ministry and has an important coordination and governance functions with respect to the labor offices. Among a wide range of competences, it also oversees the budgeting and payment processes, sets priorities, provides methodological guidance with respect to implementation of services and guides collection of administrative data and data reporting (§12/Act on Employment Services).

Chart 1: Hierarchical relationships and organization of labor offices



Source: MOLSAF. Bank staff presentation.

### Organization of labor offices

The 2004 reform formally merged employment services and social services and created labor offices as “one-stop shops” for clients of employment services, social assistance beneficiaries, and recipients of other types of social benefits (Chart 1). Substantive services are provided by the employment services and social affairs sections. Employment Services sections include units specialized in information and counseling, job mediation (placement services and vacancy officers), professional counseling, implementation of ALMPs, European Employment Services Unit (EURES), as well as psychologist services, although on a fairly low-scale.<sup>3</sup> Social Affairs section consists of units overseeing state social benefits, assistance in material need, social care and legal protection unit, and unit for health assessment and services to people with disability.<sup>4</sup>

<sup>3</sup> Each labor office typically has one or two psychologist per the whole labor office. Psychologist is formally typically part of the Social Affairs Section staff.

<sup>4</sup> The unit does not make own assessment of the health situation but relies on a certificate provided by a doctor. Occupational health doctors are not involved, although this would be a useful practice for activating disabled.

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Specialized services such as psychological counseling is available, but on a very limited basis due to low staff allocation.

**Similar reforms leading to increased cooperation and the setting-up of one-stop shop arrangements have been implemented in other OECD countries**, such as Denmark, Germany and to some extent Finland and the Netherland. The UK employment services and social welfare offices were merged completely, including also the provision of unemployment benefits (Duell et al. 2009b). From this perspective, **merging different services in the Slovak Republic has not been complete**, as unemployment benefit processing has not been integrated in the labor offices. Slovakia differs also from a number of other European countries which, while not always institutionally merging social welfare services and employment services, have nevertheless included services for so-called “inactive people” depending on different kind of social benefits, such as social assistance and disability or incapacity benefits, into mainstream employment services (e.g. in the UK, France and Austria) (Konle-Seidle 2011 ).

### *Integration of Services*

**Employment services and social assistance are co-located, but their actual interaction is limited to file sharing.** Each unit collects information about its clients through a separate application procedure. File sharing takes place in relation to those ALMP measures that are designed specifically for BMN recipients, namely the activation works (§ 52/Act on Employment Services). For the activation purposes, BMN recipients are referred to employment services unit where they have to register as jobseekers and fulfill obligations stemming from such status. **The work of the two units *vis-à-vis* the client is carried out separately.** Moreover, no special attention is given to the placement of BMN recipients on the open labor market.

**Key elements to make the merger an efficient one stop-shop consist in an integration of different social and employment services in the work organization in order to implement a case management approach** (Box 1). An alternative is ensuring that a close institutional cooperation takes place in case were institutional integration is less advanced (e.g. Switzerland). Case managements allow for a more efficient treatment of unemployed with multi-faceted barriers to employment and avoids that the system is shifting the hard-to-place jobseeker from one institution to the other.

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### Box 1: Examples of integration of employment services and social assistance units

Local one-stop-shops were set up in **Norway** in 2006, merging former services of municipalities targeted to social assistance recipients and public employment services as well as services for people with disabilities. Two departments are set up in the one-stop shops: a common reception (UB claimants, other jobseekers, social assistance claimants) and long-term follow-up. The first department gives offers self-service and limited guidance to jobseekers and to employers. The second department gives follow-up assistance to the unemployed, to people on long-term sick leave and with disabilities and to those in need of vocational rehabilitation. Most importantly, these different units and departments comprise employees from all three of the former service. The head of the local offices are appointed after discussions between the regional/county heads of the common labor and social administration (NAV) and the mayors concerned which has resulted in a situation where one-third of the office directors are nominated and employed by the municipalities and two-thirds are civil servants employed by central government and a common leadership might also be possible. Although, integration of services is quite advanced in the work organization problems that needed more time to be resolved related to harmonization of IT systems, training of case workers as well as the integration of three different institutional cultures (Duell et al. 2009b).

In **Finland**, a reform of the Public Employment Services was implemented in 2004 and 2006. One major element of these reforms consisted in the setting-up of Labor Force Service Centers (LAFOS), for the hard-to-place unemployed, jointly staffed by municipalities who are in charge of processing social assistance and means-tested unemployment assistance and the Public Employment Services. This institutional reform resulted from a European pilot program on Territorial Employment Pacts. The LAFOS offer multi-professional services, including services from nurses, doctors, psychologists, debt advisors, social workers, training advisors and employment advisors. Most often employment opportunities in the intermediate labor market (subsidized work) are proposed, which aim to prepare disadvantaged groups to take up employment in the open labor market, but the LAFOS can use all Public Employment Services schemes. The LAFOS offices are either led by an Employment Office staff member or a municipality staff member and in some cases a rotating system is used (Duell et al. 2009a).

With the introduction of the means-tested Unemployment Benefit II – scheme in **Germany**, paid by the PES (while social assistance was and still is paid for those not employable by the welfare office of the municipalities), cooperation models between the municipalities and the local PES evolved. Although the first attempt for an institutionalization of the cooperation through the setting-up of “*Arbeitsgemeinschaften*” (ARGE) failed, as the Supreme Court declared it was against the constitution, a new form of cooperation between the local PES and municipalities could be set up after a change of the law (establishment of Jobcenters). The aim of providing a common framework for the different types of jobseekers has become a priority by applying new approaches for differentiating different target groups (Konle-Seidl 2011).

### Staffing decisions

**Labor offices staff has been reduced over the past 5 years.** Within general downsizing of employment in public and state institutions, the labor office staff was also downsized by 20 percent in 2007 and by additional 10 percent in 2011, equally across all the labor offices. This has happened against rising unemployment levels in the country during the economic and financial crisis (Figure 6 and Table 3).

**Figure 6: Change in staffing and jobseekers (Index: 2006=100)**



Source: Statistical office and COLSAF. World Bank Staff calculations.

**Table 4: Number of Employees in COLSAF and Labor Offices (full-time equivalent)**

	2006	2007	2008	2009	2010	2011	2012 (February)
<b>Labor Offices</b>	9052	7752	7687	7840	7802	7063.6	7065.3
<b>Central Labor Office</b>	395	361	356	356	311.5	356.4	361.7
<b>Total</b>	9447	8113	8043	8196	8113.5	7420	7427

Note: Numbers show budget allocation in full time equivalent, the actual number of employees might be slightly different.

Source: CoLSAF

The 46 territorial offices that currently exist do not correspond to the established levels of territorial governance. Each labor office serves several municipalities and in principle should be situated in the socio-economic centre of the given territory. They tend to establish branch office with more limited functions to bring services closer to the clients (Chart 1). Labor Offices differ in size and with respect to population that they service.

**The cuts in staff numbers and the rise in the number of jobseekers have led to nearly a doubling of caseload per employment service staff between 2006 and 2011**(Table 5). The current staff allocation distribution was determined in 2004 and no readjustments to reflect changes



in the unemployment levels across the Labor Offices or upward adjustment over time have taken place since.

**Table 5: Number of Employees in Different Sections**

	Number of Employees as of			
	31.12.2006	31.12.2007	30.6.2010	30.6.2011
<b>Employment Services Section</b>	3273	2525	2678	2196
<b>Social Affairs Section</b>	3661	3412	3655	2600
<b>Supporting Units</b>	2117	1815	1784	2310
<b>Total</b>	9052	7752	8118	7106
<b>Caseload</b> (Jobseekers per Employment Services Staff)	91	99	142	177

*Source:* CoLSAF

On average, the share of employment service staff in total staff amounts to 31 percent, with large variations over the districts. Districts with a higher share of unemployment tend to have higher shares of employment services staff. These districts are also likely to have higher shares of BMN unit staff among the Social Affairs section (Annex 3).

In 2011, the average number of job seekers per one employee of CoLSAF employment services unit was 177 (Table 5), ranging from 123 to 255 clients according to the locality of the labor office. **Due to regional labor markets disparities, work load at the labor office level varies considerably because of differences in the number of jobseekers and social assistance clients that they serve.** Considering that a large part of jobseekers belong to the group of the disadvantaged, staff can hardly respond to their specific needs.

In general terms, evidence from other countries suggests that a reasonable caseload is an important factor for the effective delivery of services. A pilot project in German labor offices showed that an improvement of caseload (1:70 per case worker) has helped to reduce unemployment duration. Similar results were observed also in the case of the Netherlands (Konle-Seidl 2011). Caseload is ideally lower for those caseworkers servicing hard-to-place jobseekers. In Finland, the above mentioned LAFOS, which serve long-term unemployed social assistance beneficiaries in the first place, employed 650 staff (full-time equivalents) in 2007 and had on average 23 500 jobseeker clients (39 cases per staff) (Duell et al. 2009a). In Switzerland, there were 109 jobseeker per employment services counselor (Duell et al. 2010), while in Slovakia, in 2006 - when the staff to jobseeker ratio was more favorable – the caseload of employment service *counselors* amounted already to 417 jobseekers (Kalužná 2008).

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**Such high caseload is an outcome of combination of staff downsizing over the last years and concomitant rise in the number of jobseekers.** Although downsizing of staff numbers has been agreed for the coming years as a result of pressures on budget consolidation in some other countries (e.g. Finland, see Konle-Seidl 2011), it must be taken into account that the staff to client ratio is at a much higher level in these countries as compared to the Slovak Republic.

### **Administrative burden, case load and effectiveness**

**The current level of staffing in effect allows performing only the basic administrative functions and little scope exists for social work or client-oriented individualized approach to disadvantaged jobseekers.** As an outcome of staff downsizing, the average caseload per front-line worker has probably also increased considerably. Furthermore, the labor offices are burdened by high administrative load, also due to the fact that data software and procedures have been established separately for Employment Services Section and Social Affairs Section, in effect at times leading to double entry of information. The estimates provided to us by the Labor Office directors suggested that on average about half of the day's working time (4 hours) is devoted to administrative tasks while only remaining 4 hours are spent in the actual interaction with the clients – jobseekers or BMN claimants. The integration of IT services and data processing software that is to be launched in 2012 should contribute to lower administrative burden and free more time for direct work with the clients.

**An efficient work organization is expressed in a low share of administrative tasks employment services staff performs, and in reverse in a high share of time allocated to placement, counseling and the implementation of ALMPs.** In contrast to the case of the Slovak Republic, staff was more concentrated on placement and the organization of ALMPs in Finland (74 percent), Japan (75 percent) and Norway (81 percent) (Duell et al 2010). The estimated high proportion of administrative tasks (50%) in the case of the Slovak Republic may partly result from an overall extremely high caseload which reduces much the scope for placement, counseling and ALMP-related services, giving a higher weight for administrative tasks. But it might also be the case that in the Slovak Republic administrative and legal rules are more complicated. Efficiency potentials probably also consist in advancement in the IT-support. Integration of IT-system as of spring 2012 is likely to bring improvements.

### ***Appointments and remuneration***

**Labor Offices are formally independent legal entities and directors have certain leverage over the organization of work** within the Labor Office and remuneration of the employees. Such managerial decentralization, however, is not accompanied by devolved policy-making. Additionally, an emphasis is given to the control of inputs and processes rather than concentrated on the outputs and outcomes. Average wages per PES worker are similar across different Labor Offices as they are bound by centrally established grades, but are below the national average wage. Disparity exists between the wages of employment services staff and social affairs staff which relates to the history

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of these services as belonging to public service versus state service respectively and to that related different methods for calculation of experience. Bonuses are used to even out the base pay levels across the two departments. **Little financial incentives are used and available to award employees' performance or to incentivize them towards placement of hard-to-place clients.** The Director General of CoLSAF as well as directors of Labor Offices are political appointees, which is not typically the case in other OECD countries.

### **Decentralization and rules for budget allocation**

**Managerial decentralization with respect to the functioning of PES is combined with a relatively strong control by the CoLSAF and top-down policy development and budgeting on the part of the Ministry.** The Ministry drafts national employment strategies and related legislation, and also develops strategies for the use of European Social Fund (ESF) that has been a major source of financing of especially active labor market policies. CoLSAF is usually invited to provide suggestions and ideas for which inputs from territorial offices are collected.

**In reality, the feedback mechanisms on policy-making with the implementing bodies – Labor Offices – are not well established which sometimes leads to designing policies that lack a more thorough knowledge of regional contexts and on-the-ground difficulties or needs.** Generally speaking, no evidence-based procedures for the evaluation of the effectiveness of different measures or performance of state or non-state service providers are applied systematically. Evidence-based assessment and output focused evaluation generate better efficiency and improved outcomes.

**Budgeting procedure is highly centralized and budget decisions are conducted by the Ministry of Labor with strong oversight by the Ministry of Finance** on total yearly allocation from the state budget. Labor Offices are invited to submit an estimated budget for legally defined ALMP measures; these are determined by an overview of past expenses and the number of participants and some rough projections of the likely take-up in the new fiscal year, which take into account unemployment rates and local labor market developments. **The actual budget allocation, however, is subject to the availability of funds within national projects that are budgeted in multi-annual basis and financed from the European Social Fund.** If these resources are exhausted, national budget should supplement the funding.

Once budget is allocated, flexibility between the budget lines is very limited and subject to approval by the Ministry. Moreover, functioning of Labor Offices is hardened by *ad hoc* changes to initial budget allocations during the fiscal year, which tend to take place more frequently when a particular national project is nearing its end. **This results in situations when Labor Offices due to shortage of funds or long duration of the receipt of funding are in effect forced to decrease the actual availability of some measures.** The scope of competences derived to the Labor Offices does not facilitate a creation of genuine localized strategy for employment and social issues as neither program, nor budget flexibility exists.

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**In other countries the number of registered jobseekers is taken into account for budget allocation and staffing**, as e.g. in Switzerland (Duell et al 2010) which seems not to be an indicator in the Slovak Republic. However, only in a few countries is the frequency of interviews and time spent on different jobseekers categories taken into account (e.g. in France). Another interesting approach can be found in Australia where the result of the profiling and thus the degree of disadvantage and the linked type of services needed form the basis for resource allocation to “stream” services (Konle-Seidl, 2011).

**Low funding of ALMPs in the case of the Slovak Republic and understaffed labor offices are a matter of serious concern and it seems that public sector efficiency could be raised through a higher real absorption of EU funds in order to secure funding.** In this context the OECD notes in its Economic Survey of the Slovak Republic of 2010: “During times of fiscal consolidation, EU funds are a particularly important instrument for limiting the adverse effects on growth. In this regard, it is unfortunate that Slovakia lags behind in the absorption of these funds in relation to other CEE countries. The share of contracted grants (the amount for which the contract has been signed by the competent authority and the final beneficiary) relative to the total available budget is comparable to other CEE countries.... By contrast, paid grants (amounts of grants, including advance payments, disbursed to the final beneficiaries by the paying agency) relative to the total available budget (absorption) is much lower than in those countries....”

**One of the reasons for the low absorption of funds could be linked to the low quality of selection procedures that may lack transparency, leading to projects not being approved by the Ministry of Finance.** In addition, there is evidence that internal rules concerning advancement payments and size of the projects prohibit smaller NGOs from applying for funds. **It would therefore be advisable to review and simplify the current administrative requirements set-up for the allocation of EU structural funds as well as processes of monitoring and impact evaluation.**

#### *Measurement of performance and outcomes of employment services*

**CoLSAF has recently implemented a benchmarking system which collects information on performance across all labor offices in the country.** A general goal of the system is to implement the same standard of services across the Labor Offices in the country. The way that the performance and workload is to be measured and evaluated under this benchmarking system does not take into account local labor market context and the generally insufficient staffing of Labor Offices which in turn does not allow for an efficient service delivery.

**It is likely to produce performance disincentives as it aims to reallocate staff from the units/offices which perform above the median to those units/offices that underperform.** Generally speaking, benchmarking seems to be confused with performance and workload evaluation and is unlikely to lead to desirable outcomes. Furthermore, benchmarking indicators are related to

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inputs, but only marginally to outcomes (e.g. Switzerland is the case of outcomes oriented benchmarking system, Duell et al. 2010).

### **Cooperation of the PES with other actors**

**Labor Offices interact with various other actors and institutions with respect to different content of their work** that can be generally divided to information gathering (agents for employment), information follow-up (BMN eligibility, activation conditions fulfillment) and implementation of ALMPs (different bodies as organizers of activation work or voluntary work, various non-state service providers).

#### *Interaction with other bodies in the collection of information and follow-up*

The assistance of several bodies (public, state or private) in the provision of information with respect to the BMN eligibility and eligibility for supplements is formally legislated (§ 30/Act on Material Need 599/2003). Social Insurance Agency, health insurance companies, prisons, hospitals, schools, municipalities and tax offices are required to provide relevant information upon request free of charge. Some labor offices extend this cooperation also to other bodies, such as the land registry. **While exchange of information flow does happen, the interaction is not formalized enough to secure automatic receipt and exchange which could lead to a significant decline in the work load of PES employees as well as in the notification burden expected of the BMN recipients in particular.** For example, income from employment could be calculated and verified effectively with the systematic and automated use of Social Insurance Agency data and thus misuse detected easily. There is evidence that controls using these data are made, but it seems that this could be done more systematically.

#### *Interaction and cooperation with employers*

The 2004 reform introduced an obligation for Labor Offices to actively look for vacancies. To this goal, a position of “agent for employment” was established. The role of such employees is to contact local employers directly to learn about possible vacancies as well as their skill and qualification requirements. In this form, a more direct interaction between Labor Office and labor market has been created. However, employers are not actively outreached for the placement of disadvantaged groups, despite that this praxis has proved to be very efficient in other European countries.

#### *Interaction with municipalities for the implementation of ALMP programs*

**Labor Offices interact actively with municipalities, self-governing regions and other actors in the area of implementation of various ALMP measures.** The greatest scope for cooperation exists with respect to activation works of which municipalities are the key organizers. More recently a right to organize public works was also granted to self-governing regions but these have not used it extensively. Municipalities are also key employers with respect to anti-flood measures which were

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introduced more recently. Through the devolution of powers and decentralization, municipalities are gradually becoming responsible for the provision of a wider range of social and public services (such as elderly care; municipal social workers). For example, in the area of social assistance, municipalities can act as ‘special recipient’ of child-related benefits in families with school attendance problems or other social and economic problems (e.g. indebtedness) which could lead to misuse of benefits. Municipalities can also provide one-off exceptional allowance to BMN families who might be in urgent need as an outcome of unexpected circumstances (health problems, execution, etc.). Municipalities are also eligible to establish their own social enterprises.

### *Non-state service providers of employment services*

**A framework for the possibility of outsourcing of some PES services to non-state providers was created in 2004.** Labor Offices can contract out / license training programs, professional counseling and placement services. There are three forms of outsourcing of employment services to non-state providers (individual or legal entity) defined in the Law on Employment Services.

- **Mediation of Employment for a Fee** (§25/Law on Employment Services) can be carried out by individual or legal entity which specialized on job search and job placement; it is widely used to mediate employment abroad.
- **Agencies for Temporary Employment** (§29/ Law on Employment Services) hire an individual on a formal employment contract and then ‘sublet’ him to a different employer for limited period of time.
- **Agency for Supported Employment** (§58/Law on Employment Services) provides counseling and placement to disadvantaged job seekers - jobseekers with disability and long-term unemployed.

**From these types of employment services provision by non-state providers, only agencies for supported employment are bound to work with disadvantaged jobseekers.** They were first created in 1999 for disabled people (Záhorcová, 2009). While the Ministry has given out 60 licenses as of December 2011, only a handful of these organizations is currently active. In addition, the number of jobseekers they include in the projects is typically very low. Systematic evaluation of the impact of these organizations is not done. Our field visits suggested that they carry out targeted and complex approach to labor market placement of long-term unemployed, but have to function in the environment of project-based and so unsystematic and relatively limited funding which does not facilitate long-term follow-up and support of individuals placed in the labor market successfully. Overall, it can be assumed that long-term unemployed only form a small group of clients of the Agencies for Supported Employment as they would implement measures for people with disabilities in the first place.

**Evaluations carried out about private employment services providers across Europe show mixed results with regard to subcontracting of employment services for jobseekers.** Positive results could be found in the case of the UK where the providers were able under certain contractual

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arrangements to improve outcomes for particular groups and bring innovation to service delivery. The competitive pressure that such actors bring may also prompt improved PES performance (Finn, 2011). The experience in Australia, where employment services are generally outsourced, reveals that outsourcing can be successful, but **the funding mechanisms need to be highly sophisticated in order to incentivize the providers to also place disadvantaged and very disadvantaged groups in active labor market policy measures and on the regular labor market.**

**The implementation of an effective subcontracting system requires an extended period of monitoring and evaluation and performance related pay requires tracking participants.** Likewise, tracking the quality indicators such as the design and implementation of individual action plans, caseload size, or frequency of contacts is needed. Procedures for selecting subcontractors should not put a too high weight on the price but also consider the quality of services. Evidence shows that it takes time to steer the system to minimize perverse incentives and capture the innovation potentials of independent contractors as the example of Australia shows. This is a particularly useful insight in the Slovak context where new policies and tools are typically dismissed very quickly on the corruption basis without unbiased review of the systemic deficiencies and attempts to adjust the given measure based on initial experience. **A testing and refinement of a planned measure through pilot projects, which could include social experimentation of the impact and effectiveness in the design of the piloted measure, could be used more extensively in the Slovak context.**

### *NGOs*

**Non-governmental organizations can also be involved in providing social services or implementing ALMPs.** Non-profit organizations have exclusive right to get jobseekers in the framework of voluntary works provided that they are active in some of the activities specified in the law, such as social care, environmental work, cultural heritage preservation, and others (§52a/Act on Employment Services).

### **International experiences with partnership approaches used to serve hard-to-place groups**

**One area calling for intense cooperation with various actors is the implementation of strategies to combat youth unemployment and increase qualification levels of the low-skilled.** Linked to the transition problems between school and training as well as school and work, inter-institutional co-operation is the key for reaching out and helping low-skilled young people (Düll and Vogler-Ludwig, 2011). Comprehensive programs including adult mentoring, work experience and remedial education may yield positive returns, particularly for the most disadvantaged young people. **It is further recommended that the PES improve their cooperation with the education system** (Scarpetta et al. 2010).

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### Box 2: Examples of partnerships for overcoming unemployment of low-skilled youth

In the UK, **Connexions** services have been set up to provide services for young people aged between 13 and 19 years and for up to 25 years and for young people with learning difficulties or disabilities who need advice on planning their lives. The service is managed by local Connexion services. They act as a job brokerage and offer services to give young people information on jobs and training and adult courses for their chosen career paths. They are notified by the Young People's Learning Agency when young people leave the education system so that finding an alternative provision can begin as early as possible. From 2010, the PES (**Job Centre Plus**) that deals with young people aged 18 and above share basic details on 18-19 year old benefit-claimants with Connexions. Walther and Pohl (2005) had identified the UK curriculum framework "Getting Connected" as good practice, with the aim of bringing young people back into learning.

The success of this program hinged on effective relationships between young adults and practitioners or mentors who were youth workers, social workers, health workers, personal advisors of the program. Qualitative evaluation highlighted that the program supported young adults' learning behavior, interpersonal skills and confidence.

In Ireland the Local Employment Services Network, which has a contract with the PES, provides a more intensive mediation and guidance to young early school-leavers as well as an outreach service in certain areas. There are around 100 "**Youthreach centers**" around the country (Düll and Vogler-Ludwig, 2011).

### *Recommendations for the improvement of PES institutional design and its functioning*

- Review staffing in Labor Offices in order to increase their implementation and monitoring capacity
- Assure mid-term consistency and stability of funding for labor market measures at central and local levels
- Simplify procedures and lower entry criteria for drawing of ESF funds in order to improve absorption capacity and to provide access to smaller NGOs
- Adapt a paying system for outsourced services by differentiating by the type of jobseekers and their difficulty to be placed, rewarding placement into the open labor market (if needed after participation in a measure) and taking sustainability of the job into account
- Introduce professional and academic evaluation of the effectiveness of different ALMP measures, which includes better access to the available administrative data
- Pilot the planned changes to active labor market policies on a smaller scale



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## Part III. Activation process and services provided to BMN recipients and disadvantaged groups

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### Access to benefits

**An adult can enter the PES administrative system through two avenues.** The first one is through **the registration with the BMN unit in the social affairs section.** The other route can take place **through the first contact office of the employment services section.**

**In order to be able to participate in active labor market policies and to receive activation allowance, the able bodied BMN recipients have to register with employment services unit as jobseekers** and would be informed about this by the BMN unit staff. The tasks of the BMN staff units are mainly to process the applications for the BMN, evaluate the eligibility and calculate the benefit amounts. They also reevaluate the eligibility on regular basis, which includes communication with the employment services units about the fulfillment of conditions for the receipt of activation allowance. Occasionally BMN unit staff would refer a client to specialized services such as psychological counseling, but the staff does not have capacity and means to evaluate complex situation of a claimant and address related issues such as indebtedness, poor health, distance to potential work, child-care facilities, and so on. Only to a limited extent are they able to organize personal visits to the claimants to verify their status and assets, or perform other social work in the field.

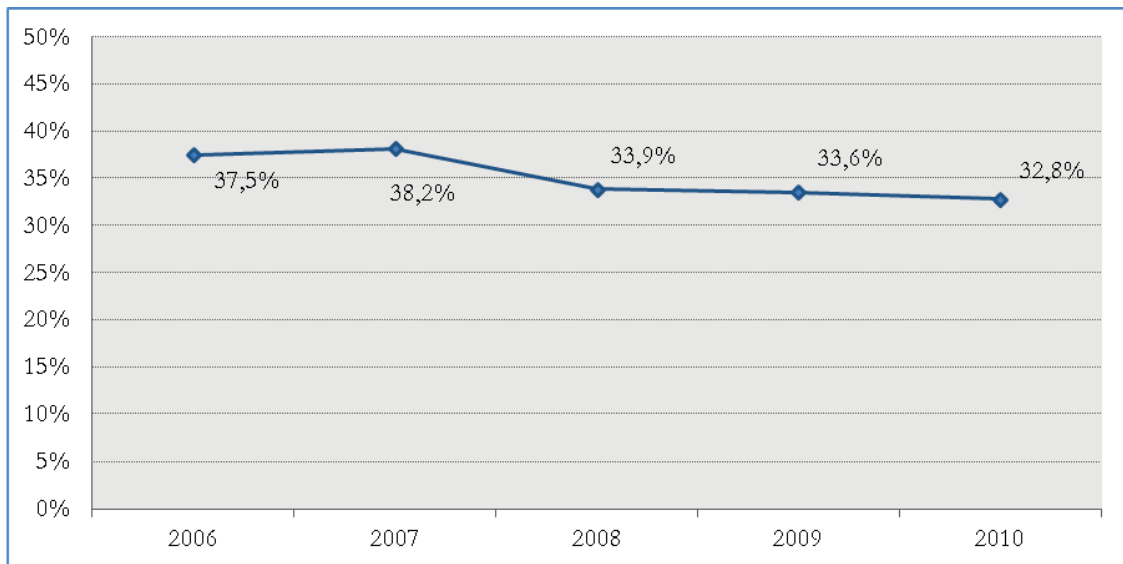
**If the registration for jobseeker status takes place first, employment services staff inform the jobseeker about the possibilities for income support and the legal claims** (unemployment benefits, alimony, long-term sickness benefit, regular state social benefits (except child allowance), etc.). In order to claim BMN, the individual will be asked to clarify first whether s/he is eligible for unemployment benefit or other type of legal claim. Any individual who applies for the BMN must first draw on these other sources of income. Claims for unemployment benefits and other insurance-based benefits have to be addressed by jobseekers at the SIA and are paid out from the respective account in the SIA budget.

**In case a jobseeker is not eligible to unemployment benefits, s/he might be advised to check eligibility for BMN** and is then referred to the BMN unit. Also, when eligibility to unemployment benefit is exhausted, which occurs after a period of 6 months, the jobseeker might find him/her-self in danger to fall under the poverty line. However, little is known about the transition paths from unemployment benefit exhaustion to BMN claim. A number of jobseekers might be neither an unemployment benefit nor a BMN claimant (as shown in Figure 3). Registration

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with the employment services for this latter group is important as they are only covered by health-insurance if registered with the employment services.

**Figure 7: BMN jobseekers among all jobseekers**



Source: MoLSAF, Staff calculations.

**Jobseekers who are also BMN recipients represent a significant group among all jobseekers,** although their share declined from over 38 percent in 2007 to about 33 percent in 2010 (Figure 7). **At the employment services unit, BMN recipients are not treated as a separate category but have the same rights and obligations as other registered job-seekers,** including job-search requirement. In fact, notification about the receipt of BMN is not part of the application into jobseekers registry, the reason being an attempt to avoid potential discrimination on the basis of social status. For the purpose of small municipal works, where BMN status is a mandatory condition for participation, employment services unit would verify the status with the BMN unit. However, **given that the information about BMN receipt is not systematically available to the employment services counselor, the BMN recipient might not be informed about the possibilities of measures** that can give entitlement to the activation allowance, and to small municipal work in particular, which is a measure that is available only for BMN recipients.

**More detailed profiling with respect to the chances on labor market placements takes place at the employment services unit only.** In 2009 a **Three-Zone System** was introduced which is based on grouping the clients into three groups based on the degree of labor market barriers and the level of personal motivation, and to that related three levels of services differentiated by the degree of engagement of the PES staff and proposed integration tools that are offered. **A special registry**

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**for jobseekers with disability exists** and records information about the degree of disability and legal basis for granting the disability status (§39/Act on Employment Services).

### *Eligibility to BMN and eligibility checks*

**Income below the subsistence minimum at the time of the assessment of claim is the main criterion for the assessment of eligibility for the benefit in material need.** The application for the benefits consists of information about income, assets, and family status of the applicant (and persons jointly assessed with him/her) that is supplemented by a range of documents evidencing income and other conditions necessary for the supplemental payments (such as no debts for utilities or rent in the case of housing supplement). A finding that person's/family's income is above the relevant subsistence minimum, discovery that person/family is asset rich or insufficient documentation with respect to the application that the staff is unable to attain through other means lead to the decline of the benefit.

**The eligibility status is evaluated on a monthly basis with respect to income and illness, on a half-yearly basis with respect to housing benefit and yearly with respect to pension or parental allowance receipt.** At these times the BMN recipient typically needs to visit the BMN unit and provide necessary documents. It is the responsibility of the BMN recipient to report any change in the status within 8 days. Some verification procedures take place through double-checking the information with various institutions, as explained earlier.

**Eligibility to the activation allowance is linked to the participation in an activation measure.** Participation is checked with the employment services unit and monitored typically by the organizer of the measure, such as the municipalities in the case of small municipal works. Eligibility for supplement for dependent child is granted on the basis of reporting of school enrollment and school attendance by the schools.

### *Eligibility for disability benefit and protection allowance*

**Protection allowance is given to persons who are unable to be activated** due to having reached pension age, having health condition (long-term sick leave)<sup>5</sup>, due to caring responsibilities (lone parents taking care of a child below 31 months of age; disabled children; severely disabled adults) or due to severe disability (above 70 percent). Eligibility for the disability status and to that related disability pension is determined and certified by a specialized medical doctor and the process is carried out under the auspices of SIA. The assessment of long-term illness is organized by the labor offices and conducted by a specialized doctor after a jobseeker declines a job or participation in

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<sup>5</sup> The amount of protection allowance on the basis of long-term illness (more than 30 days) is lower than the regular protection allowance (34.69 euro versus 63.07 euro).

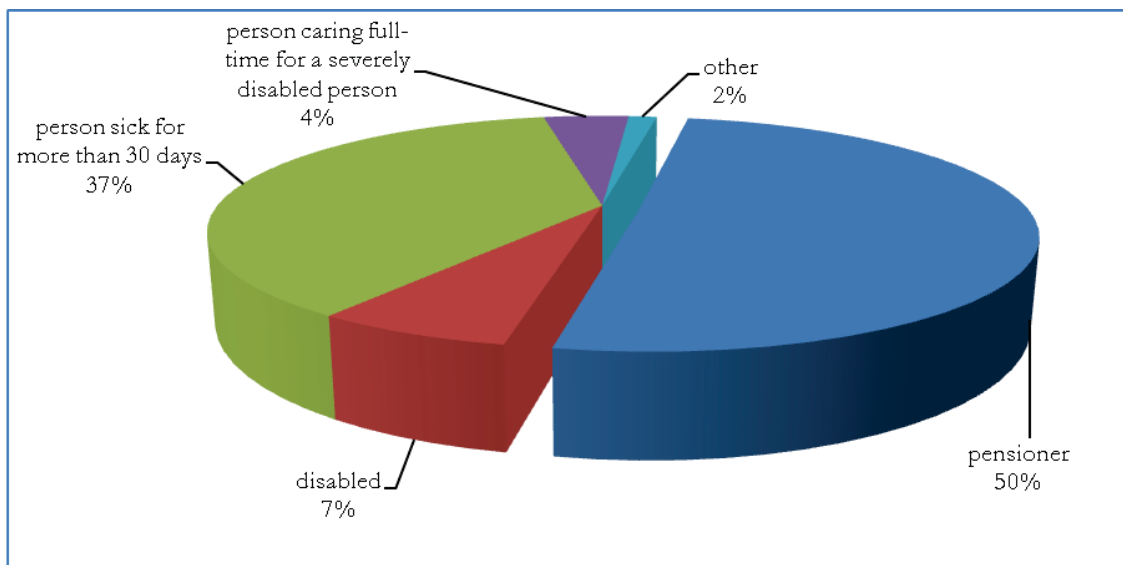
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ALMP measures due to poor health condition. The jobseeker can appeal against the decisions after which a three-member panel of doctors re-evaluates his condition (§19-20/Act on Employment Services).

**Receipt of protection allowance is not tied to the registration with the PES.** A situation can exist when registered jobseeker receives protection allowance, but it is unclear how wide-spread this is. Under that status, he has to fulfill his obligations as a jobseeker.

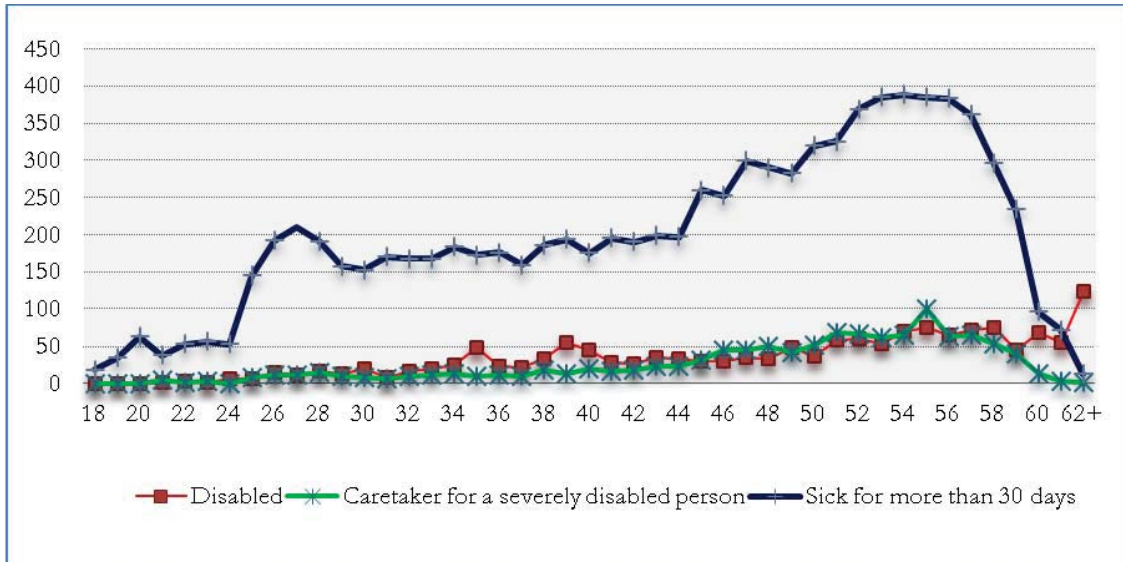
Pensioners represent approximately half of BMN recipients who get protection allowance (Figure 8). **The remaining half of the BMN recipients with protection allowance, however, are individuals who can potentially be integrated into the labor market and therefore should maintain contact with employment services.** This is particularly the case of long-term sick, lone parents taking care of sick children or adults in care of other person. Especially long-term sick currently represent a rather sizable category of more than one third among the BMN recipients with protection allowance, who can potentially be integrated into the labor market after their health condition improves. Many long-term sick are below 50 years of age, although sickness increases after 50 years (Figure 9).

**Figure 8: Protection allowances by type, September 2011**



Source: CoLSAF. Staff calculations.

**Figure 9: Recipients of protection allowances by age (excluding pensioners and other, September 2011)**



Source: CoLSAF. Staff calculations.

**There is evidence that with the intervention of an occupational doctor and appropriate vocational rehabilitation measures even people with a disability of 70 percent or more can be employable for specific tasks.** On the other hand, person with disability below 70 percent are not eligible to receive protection allowance (and also do not receive disability pensions). Clients with above 40 percent disability are profiled as special category jobseekers (type C) and dealt with in the highest effort zone. They are however considered able-bodied individuals and are activated. Moreover, **our field visits seem to suggest that due to a lack of sufficient human resources, the PES staff would not make special efforts to integrate clients with partial work disability or to search for job opportunities tailored to their status** and it seems that only few of them participate in vocational rehabilitation and supported employment measures.

### Activation strategy

In 2009, about 0.07 percent of GDP was allocated to the employment services administration, placement and counseling (Category 1 of OECD/Eurostat LMP data base) in Slovakia, which was largely below the OECD average of 0.16 percent. Among countries with low expenditures on active labor market programs (Category 2 to 7), the UK (otherwise a low-spender) has spent as much as 0.29 percent of GDP on administration, placement, counseling services and related services underlying the importance of intensive follow-up of jobseekers in that country. Other countries that spend high shares on employment services such as counseling, intensive interviews, profiling and

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follow-up are Sweden (0.46 percent of GDP), Denmark (0.45 percent of GDP), Netherlands (0.43 percent of GDP), Germany (0.37percent of GDP) and France (0.26 percent of GDP).<sup>6</sup>

### *Three-zone system*

**Relatively recently a new approach to activation was introduced with the aim to better target the PES resources to disadvantaged clients** (Chart 2). As explained above, it is based on the division of PES services into three types (I-III) and profiling of jobseekers into three categories (A-C). The profiling of all clients is done by the first contact officers who work in Zone I (formerly information-consulting units). The first contact offices are offices where application to the jobseekers registry are collected, processed and used for profiling. They also serve as areas where information about vacancies from various sources (Labor Offices database, European Employment Services database (EURES), private job portals) can be searched independently by clients. Clients have free access to internet, and facilities are at their disposal where they can prepare and print CVs or job applications. In the case of need, individual help of consultants is available as well.

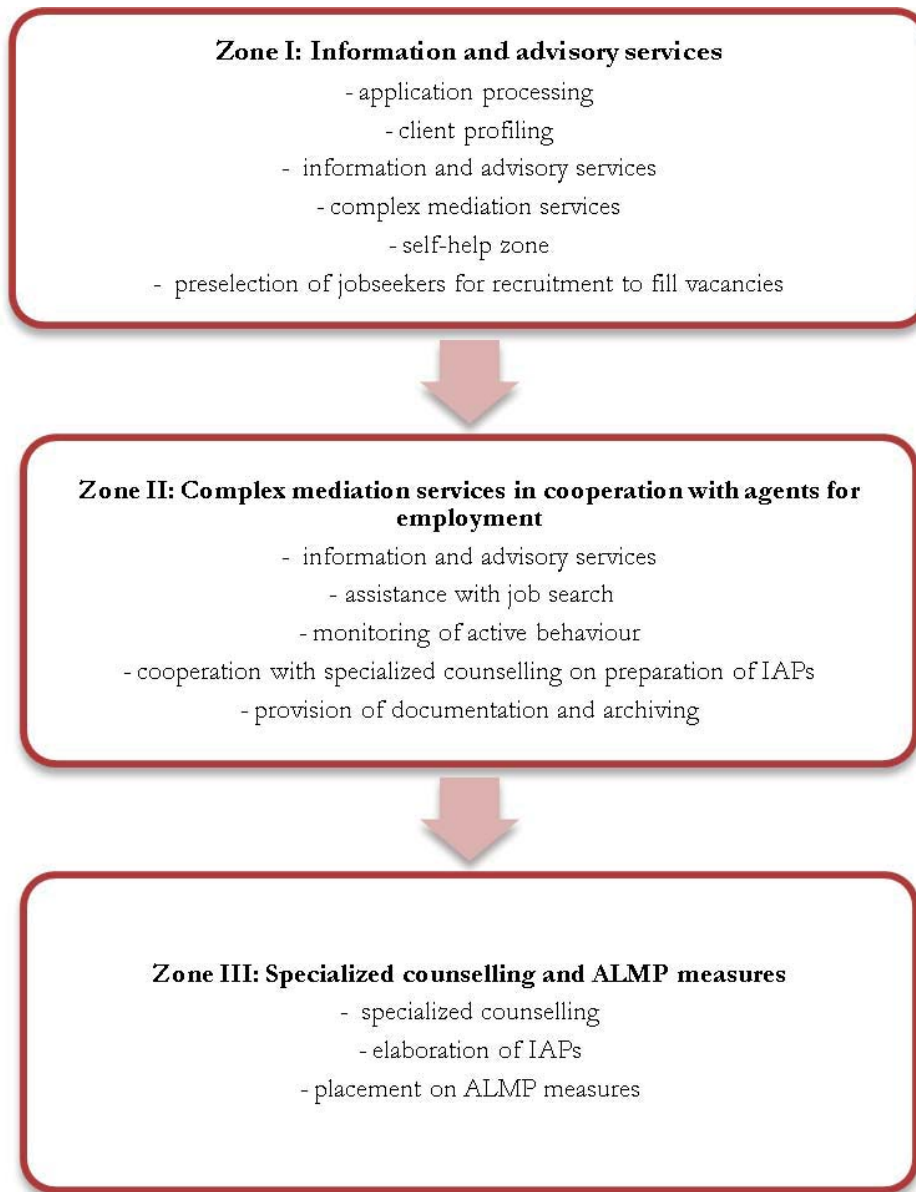
Zone II offers complex mediation and counseling services with cooperation of agents for employment, i.e. staff that collects vacancies but also actively communicate and interact with local employers, including visits to companies. A system was established where teams consisting of consultants and agent are composed to enable a closer interaction between jobseekers and labor market opportunities. Zone III offers specialized counseling services and works closely with clients to place them on the available measures of active labor market policy, as requested by the client or suggested in the preparation of Individual Activation Plans (IAPs).

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<sup>6</sup> The first category in the OECD/Eurostat Active Labor Market Policies Database relates to spending on administration related to the provision of passive and active labor market policies. The next categories (2-7) provide spending on the actual provision of measures (as per different type of measure).

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**Chart 2: Three-zone counseling system**



*Source:* Bank staff. Based on materials provided by CoLSAF.

### **Client profiling**

**Complex client profiling takes place in Zone I** and PES tries to carry out the process as soon as possible. Clients are placed into three categories (A, B and C) which mark an expected difficulty of client's placement on the labor market and take into account also the degree of personal motivation to work (Chart 3). Profiling is discontinued after 7 months since the start of registration of

unemployment status. Information whether the unemployed is a BMN recipient is not considered in the profiling process.

Clients A are typically served in Zone I while clients B and C are referred to Zone II and III. If client A does not leave the jobseekers registry within 3 months, s/he is automatically transferred into one of the Zones with closer oversight and more specialized services. Any type of the client is able to participate in ALMPs, if s/he requests them and fulfills conditions (typically a registration for the duration of 3 months is required). **According to the profiling system, disadvantaged jobseekers** (see for a definition of this group in the employment services law in Part IV) **who often are also BMN recipients are placed in the hardest-to-place category of jobseekers (client C type) and are offered specialized counseling and access to ALMPs.** The applied profiling system is clearly a positive shift to a differentiated and more targeted treatment of jobseekers, but it is difficult to evaluate whether its introduction improved the work of PES. Moreover, the profiling seems to be focused on the individual alone and disregards external factors, such as labor market conditions in the given locality.

**Chart 3: Main criteria for client profiling (selected)**

Client A	Client B	Client C
<ul style="list-style-type: none"> <li>• motivated to work</li> <li>• able to use self-help system</li> <li>• independently able to suggest solutions for his/her situation</li> <li>• interested to participate in further training or other ALMP measures</li> <li>• seeks seasonal work</li> </ul>	<ul style="list-style-type: none"> <li>• ready to accept employment but does not have a clear idea</li> <li>• above ISCED 0-2</li> <li>• is active but needs supervision and help</li> <li>• willing to participate in ALMP measures</li> <li>• ready to be placed on labor market after retraining</li> </ul>	<ul style="list-style-type: none"> <li>• his education and qualifications do not correspond to labor market needs</li> <li>• has insufficient information about labor market/is disinterested</li> <li>• unable to look for job independently</li> <li>• repeated unemployment spells, de-registrations</li> <li>• low motivation to find work</li> <li>• client in danger of social exclusion</li> <li>• disadvantaged jobseeker</li> </ul>

*Source:* Bank staff, based on materials from CoLSAF.

**Evidence from other European and OECD countries suggest that a good statistical profiling model not only contains hard factors** such as length of unemployment, prior work experience and formal qualifications **but also “soft” factors such as motivational aspects, health and social**



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**networks as well as the regional labor market conditions.**<sup>7</sup> Furthermore, it is crucial for the quality of the model that longitudinal administrative data are available (Konle-Seidl, 2011). Profiling is usually used in a wide range of countries to identify early who is in need of intensified help and “expert” services, while ready-to-work jobseekers are getting much less assistance, so that the scarce resources can be used in a most efficient way. An alternative way to allocate individual to services and interventions consists of tracking the outcomes of the services and to match them with the jobseekers characteristics in order to figure out which services are likely to be the most efficient for jobseekers with specific characteristics. Several countries have developed such targeting systems e.g. Canada, Germany, some of the US states and partly Denmark (Konle-Seidl, 2011).

Countries that have developed sophisticated profiling tools include Australia and Germany. In Germany, the Four-Phases Model (4PM) includes a software-guided assessment on client’s potentials underpinned by databases on personnel and social skills, although the German PES currently applies 6 jobseekers categories, with a differentiation of long-term unemployed into three groups (Konle-Seidl 2011). In Australia, a rather differentiated classification by target groups is made in relation to the degree of disadvantage. It needs to be added, that across Europe statistical profiling is usually not the only tool for profiling jobseekers, but to a varying extent also structured interviews and checklists are used by the caseworker.

International evidence (e.g. France and Germany) shows that profiling is used to determine the nature, timing and level of intervention. In Germany, a specific software tool (VerBIS) is used as a tool to help the case workers to structure time and reminding them of the steps they need to take and thus helps to standardize, monitor and implicitly steer service delivery (Konle-Seidl, 2011).

**In the case of the Slovak Republic the statistical profiling seems to be rather basic (neither is a sophisticated statistical profiling method used, nor is much time spent on interviews), and the classification into three groups of jobseekers seems not to be sufficiently differentiated to grasp the different employment barriers.** Furthermore, as very little evaluation and monitoring of the outcomes of different measures for different target groups exists and as longitudinal data are not systematically exploited, the treatment of the jobseekers cannot be done in the most efficient way.

This reflects the observation, that in the case of the Slovak Republic, **there are only little strategies to address jobseekers specifically by the *type of their disadvantage* and according to the *combination of different barriers* they may face**, such as having a targeted approach to youth jobseekers who are also BMN recipients, early school leavers or disabled below 70 percent.

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<sup>7</sup> Statistical profiling methods were first developed in the US and Australia in the 1990s, and have yielded interest in a number of European countries with regard to their potentials to provide a basis for allocating or targeting employment services.

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### Services provided to specific target groups

The evidence even suggests that teenage jobseekers /BMN recipients from marginalized communities who leave school after getting over the mandatory for school attendance age (16 y.o.) are not encouraged into training and education measures but rather into activation works. Similarly, the measure of graduate practice is available to those with some level of previous education and does not aim to provide competences and links to labor market for those with low initial level of skills or qualifications (see Part IV for more details). Closer attention to school attendance is given for the school-age children through the provision of child benefit (17.20 euro per child, not calculated as part of income) that is conditional on child's enrollment and regular attendance at school. School truancy has to be reported regularly by schools to the labor office.

**Evidence from other European countries suggests that young people with a low educational level need specific and intense counseling and follow-up.** As a good practice example for the delivery of counseling and other PES services for disadvantaged youth, **mentorship programs** are highlighted (OECD, 2010; Walther and Pohl, 2005). There is some evidence that mentorship is a rather effective tool for integrating immigrants into the labor market (Liebig 2009). **Lessons from integration of immigrant communities** in other countries can provide useful insights for treatment of marginalized communities in Slovakia as these groups face similar problems related to potential majority language barrier, poorer social background, cultural differences or segregated living.

### Individual Action Plans (IAPs)

**Certain subcategories of disadvantaged jobseekers have to be offered an IAP by the labor office within four months since the jobseeker was registered.** These groups include **jobseekers below 25 years, above 50 years, out of the labor market for family care reasons and long-term unemployed for over 24 months.** It is mandatory for these categories of disadvantaged jobseekers to accept the offer to prepare the IAP and it **becomes a binding document for the labor office and the jobseeker.** If the IAP is requested by the jobseeker (written request), the labor office has to begin the preparation of such plan within 30 days from the receipt of such request. The four months period within which the IAP has to be prepared is an improvement from the previously applied standard of six month.

The preparation of individual action plans takes place as part of specialized counseling services. The IAPs can be drawn based on the suggestion of labor office or based on the application of jobseeker. IAP is built on the basis of the assessment of achieved level of education, qualifications, personal predispositions and abilities, and experience of jobseeker (so called 'anamnesis'). It outlines process and time line of measures that should be taken in order to improve individual's chances in the labor market. The counselor monitors the progress on the mutually agreed plan and adjustments can take

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place during previously agreed meeting schedule. The periodicity of contact with a counselor of placement officer is once in a month.

**The approach to the IAP preparation is currently rather formal.** In the parts of the country where a large share of unemployed are disadvantaged jobseekers and labor market performs poorly, IAPs are often considered an administrative burden by the staff rather than a tool for labor market integration. BMN status is not a condition for the preparation of IAP, but the share of BMN recipients among the jobseekers for whom IAP was prepared is typically relatively high.<sup>8</sup> **The practice of IAP preparation lags behind in more specific efforts to link it to improvement of client's skills,** which is the core principle of the IAP approach for example in the UK.

### **Types of services**

Majority of services with respect to integration of jobseekers into labor market are provided by employment services section. **The main services are information and advisory services, counseling services, specialized counseling, placement in the labor market and placement on different labor market measures.** A range of services are provided also to other types of clients, such as students, employers, municipalities or NGOs.

#### *Counseling and information services*

**Counseling is organized on individual basis and on group basis.** Group counseling is used with respect to various target groups and actors – not only jobseekers, but also pupils and students, employers, or mayors - and is typically organized to share information (e.g. rights and responsibilities of job seekers, labor market developments), provide overview of available employability measures and activation tools, and to inform of legislative changes. Some labor offices might utilize the group counseling also as a tool to motivate disadvantaged jobseekers and give coaching (e.g. on interview process, motivational coaching).

Counseling is also organized for pupils and their parents, educational consultants and schools with the aim to inform about the situation in the labor market. However, such activities are not supported by modern labor market forecasting that would inform secondary or tertiary education entrants and their parents about likely developments in short to medium term that would enable them to make informed choices. **Efforts aimed at improving the communication between labor market demand and supply need to be increased,** not least in light of high youth unemployment rates, labor market mismatches, low employer dissatisfaction with the preparedness of graduates for the labor market as well as low levels of in-firm training (Kureková 2010). Advice and information sessions are also organized for citizens at risk of losing their jobs, based on the mass layover information that employers have to report to the respective labor offices. Such events aim to inform these citizens about current situation and assumptions on development in the labor

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<sup>8</sup> Rožňava Labor Office reported that out of all clients for whom IAP was prepared, 75-80% were BMN recipients.

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market, job vacancies, process of registration with the labor office, range of ALMPs, early retirement conditions, and so on.

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### *Placement services: interaction and cooperation with employers*

**The 2004 reform introduced an obligation for Labor Offices to actively look for vacancies.** To this end, a position of “agent for employment” was established. The role of agents is to contact local employers directly to learn about possible vacancies as well as their skill and qualification requirements. In this form, a more direct interaction between Labor Office and labor market has been created. Agents for employment also use other tools for collecting available vacancies, such as gathering job vacancies from online job portals. Agents also inform employers about ALMP measures that could be used by them, such as subsidies for low-skilled workers.

**Agents for employment work jointly in teams with two or more counselors with the aim to connect the knowledge about jobseekers (counselors) with the information about local labor markets (agents).** Jobseekers are allocated to different teams based on the previous occupation (measured by International Standard Classification of Occupations/ISCO) and employers according to sector (measured by NACE<sup>9</sup> classification). In order to bring large numbers of employers and jobseekers together, labor offices also organize job fairs. This practice varies across the country and its effectiveness is hard to measure and evaluate. They are probably useful for job-ready jobseekers and graduated young people, but less appropriate for highly disadvantaged jobseekers.

**Re-introduction of previously mandatory requirement of employers to report available vacancies to the labor office** (abolished from 2004) **would enable the agents to concentrate on the direct work with the employers** rather than on the efforts to tediously gather available vacancy from various sources. Closer overview of available jobs, especially in the low and medium labor market segment, would also enable to track labor market developments in the currently most problematic areas of the Slovak labor market (by occupations as well as territorially), and serve as an input into labor market forecasting. Cooperation with local employers to identify skill needs on the local labor market can be one approach.

Employment services staff in many instances organize pre-selection and even full recruitment process for some employers who advertize their vacancies through the labor office.

**It seems that the services to employers can be improved.** Field visits of the team have revealed that employers would need to better know internal rules of the labor office. Furthermore, **the take-up of ALMPs for hard-to-place jobseekers by employers could be increased if administrative burden for employer was reduced and if additional help provided by social workers was offered to employers.** Good practices of this type of employer-related services can be found for example in Germany. In Slovakia, the project of US Steel in Kosice for employing local Roma is a good and viable example of integration of disadvantaged workers into the labor market already for

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<sup>9</sup> NACE = Nomenclature statistique des Activités économiques dans la Communauté Européenne; European classification of sectors and industries.

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nearly a decade (see Box 4). With more help and support of state, other employers in the country could be supported in similar activities.

### *Placement by non-state providers*

**Outsourcing of placement of hard-to-serve clients and disadvantaged jobseekers is possible in the existing legal framework, but in reality it happens only to a very limited extent.** The trend to contract counseling and placement to non-state providers seems to be in decline, which is partly related to project-based funding and lack of strategy on the side of government. From the examples of past projects, the rate of success of placement on the labor market seems to vary significantly across different organizations.<sup>10</sup> Funding mechanisms for non-state providers, such as supported employment agencies, should be re-considered to enable stable inflow of funding to facilitate consistent work with clients.

### **Implementation of mutual obligation requirements**

**Registered jobseekers are obliged to fulfill all obligations following from their status as defined by law.** After gaining the jobseeker status, the BMN recipients need to follow every obligation related to such status but are also granted support services and access to all measures for jobseekers and/or disadvantaged jobseekers, within the scope of mutual obligations between PES and an unemployed. **This includes an obligation to seek employment actively and to personally visit the respective labor office on a monthly basis to demonstrate such activity** (§ 34 (6)/Law on Employment Services). List of activities considered as active behavior are the following<sup>11</sup>:

- Application for a job submitted or sent to employer for a vacancy that can be demonstrated to exist in information systems about vacancies
- Document demonstrating own search of job with an employer
- Document from the relevant office confirming self-employment license
- Application for placement/mediation sent to a (private) employment agency
- Application for employment given or sent to agency for temporary employment
- Application to become personal assistant or work assistant to disabled persons

**The verification of job-search activities is rather formal and real job search can really be proved only if it is successful.**

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<sup>10</sup> Rožňava Labor Office provided the team with various examples of projects that they had contracted. In 2011, they were supporting one supported employment agency which worked with 25 long-term unemployed, out of which 7 were with disability. The number of clients / success rates of previous projects are: OZ Dedičstvo diela Dobšinského – 44 clients/ 45% success rate; Košický samosprávny kraj: 18 clients/ 22% success rate; RPIC Rožňava – 12 clients / 33% success rate; OZ pre poskytovanie sociálnych služieb a sociálnej pomoci 160 clients/14% success rate.

<sup>11</sup> Defined in Decree no. 31/2004 as amended.

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**Additional obligations include availability to work and acceptance of suitable employment, the conditions of which are explicitly defined in law** (for detailed overview see Kalužná 2008). Mutual obligations on the part of labor offices consist of an obligation to offer once in a month suitable employment or participation in an active labor market policy measure. Jobseeker needs to be available to start the activity within three days after s/he received a written or oral notice. No differentiation is made between jobseekers who are also BMN recipients and other jobseekers with respect to mutual obligations system.

### *Controls*

While the verification of active job search is practically impossible, **labor offices conduct controls of the implementation of different activation tools**. The extent to which this takes place is related to the resources of the respective labor office. With respect to activation works, the verification of attendance is conducted by municipalities which gather attendance sheets and deliver these to the respective labor office on a monthly basis. Random controls by the labor office take place but are only possible with respect to the implementation of activation works through the labor office contract. Labor offices have no right to control and monitor the municipality contract types of activation works.

### *Sanctions*

**Failure to comply with jobseekers' obligations gives grounds for removal from the registry of jobseekers for three months**. Non-cooperation of the jobseeker with the labor office is the main reason for sanction-related de-registration. Non-cooperation is defined as:

- Refusal of suitable job, failure to start a job or refusal of the preparation of IAP
- Refusal to participate in ALMPs without good reasons, with the exception of participation in small municipal works (52) and voluntary works (52a), as these are voluntary measures
- Early termination of participation in ALMP without good reasons
- Failure to demonstrate active job-search behavior
- Failure to visit labor office
- Failure to provide documents assessing the incapacity to work (proof of long-term illness)
- Failure to adhere to treatment plan during long-term illness
- Failure to fulfill obligations of jobseeker seeking employment abroad or after return from abroad

**Given that eligibility to participate in activation measures is typically conditional on three-months-long registration**, sanctions in effect prohibit access to policy tools for regular jobseekers for 6 months at minimum. Sanctions for BMN recipients are even more severe, but relate only to the activation supplement and not the basic BMN benefit. If BMN recipient is de-registered due to the breach of obligations or the municipality finds that s/he does not perform activities, the BMN recipient is able to regain eligibility to activation allowance only 12 months since the de-registration.

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In 2011, on average 1 percent of jobseekers were deregistered each month because of sanctions (Annex 1). There is no more detailed information on sanctions applied to BMN recipients.

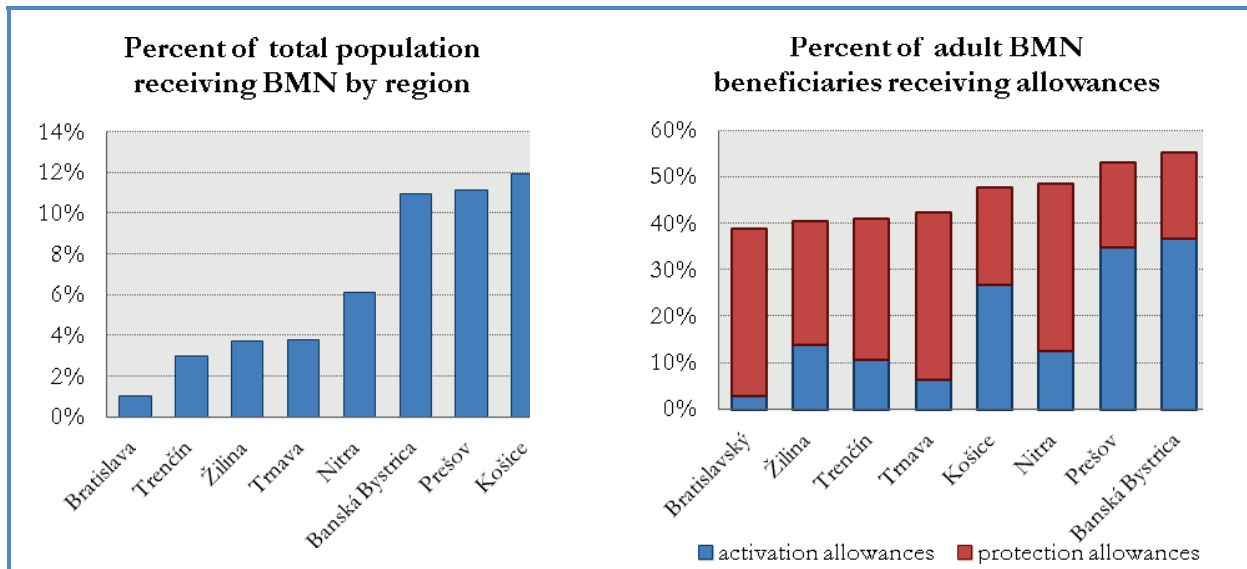
### **Disincentives to work**

**A problem of disincentives to take up employment in an open labor market was often mentioned by the PES staff as well as municipalities working with BMN recipients through the activation works.** Disincentives are related to a small difference between wage in low-skilled jobs in an open labor market and the level of benefits that a family with more activated individuals (in the context of joint assessments) can get; they are even more pronounced in the regions of the country with greater labor market slack, as wages tend to be lower. A particular disincentive is inherent to the design of the BMN system which takes away possibility for jointly assessed person to get activation allowance after the prime recipient starts formal employment leading to a loss of BMN status (Kalužná 2008, p.44).

However, **our field visits suggested that disincentives to work differ depending on ‘objective’ labor market conditions and related opportunities.** The possibilities for long-term unemployed and low-skilled jobseekers vary across regions and are strongly related to local labor market conditions. This also partly determines the interaction between the BMN status/social assistance usage and the (dis)incentives to work. BMN take-up in the Eastern and Central Slovakia (Prešovský, Košický and Banskobystrický region) is approximately 3 times greater than in Western regions and eleven times greater than in Bratislava region. Further, a positive correlation seems to exist between the number of BMN recipients, regional unemployment rate and the share of BMN beneficiaries participating in activation (as opposed to receiving protection allowance) (Figure 10).



Figure 10: BMN recipients, activation and protection allowance by region, May 2011



Source: CoLSAF. Bank calculations.

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### *Recommendations on activation services and process*

- Intensify counseling, guidance and individual follow-up of disadvantaged jobseekers
- Formalize the link of able-bodied working-age BMN recipients receiving protection allowance to PES to enable assisted return to labor market
- Improve profiling by better differentiating target groups. Exploit longitudinal data in order to assess outcomes of specific measures of different subgroups of disadvantaged jobseekers. Include also “soft” parameters in addition to “hard facts”
- Focus individual action plans on improvement of jobseeker’s skills
- Disable possibility to enter activation works for under 18/20 years old (early school leavers, school drop-outs)
- Develop an education strategy for early school leavers and school drop-outs aimed at provision of skills (certification) and implement mentorship programs
- Introduce mechanisms that would enable closer cooperation between pupils and students, education providers and employers
- Introduce labor market forecasting as a tool for adjustment of labor market supply

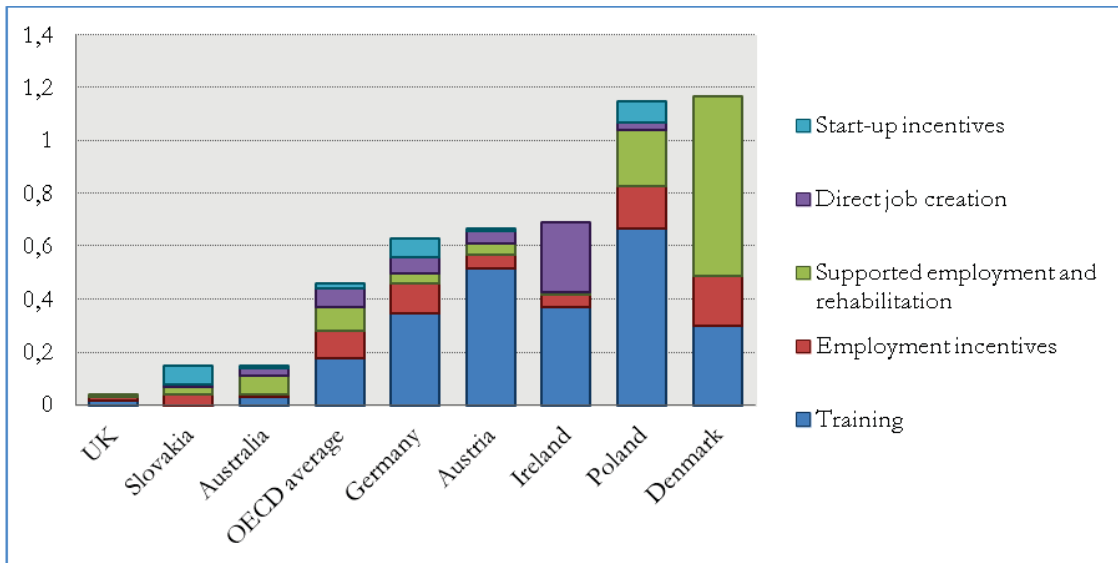
## **Part IV. Active Labor Market Programs**

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### **Overview of ALMPs in Slovakia**

**Expenditures on ALMPs in Slovakia are among the lowest among OECD countries. In 2009, they amounted only to 0.15 percent of GDP as compared to an OECD average of 0.46 percent** (Categories 2 to 7), although the unemployment rate was among the highest in OECD countries (12 percent in Slovakia compared to an OECD average of 8.3 percent) (Figure 11). In fact there are large variations among OECD countries in the weight given to ALMP expenditures if mirrored with the number of unemployed. While countries like Australia, Canada, the US and the UK use to have comparatively low levels of ALMP expenditures, Northern European countries have often high levels of expenditures but low levels of unemployment. In Australia the share of expenditure on ALMP was as low as in Slovakia, but unemployment rate amounted only to 5.6 percent. In Slovakia, the stock of participants in ALMPs decreased substantially between 2008 and 2009 from 3.4 percent of the labor force to 2.3 percent, while the stock of unemployment beneficiaries more than doubled (Eurostat and OECD ALMP database).

Figure 11: Public expenditure on ALMP as a % of GDP in 2009

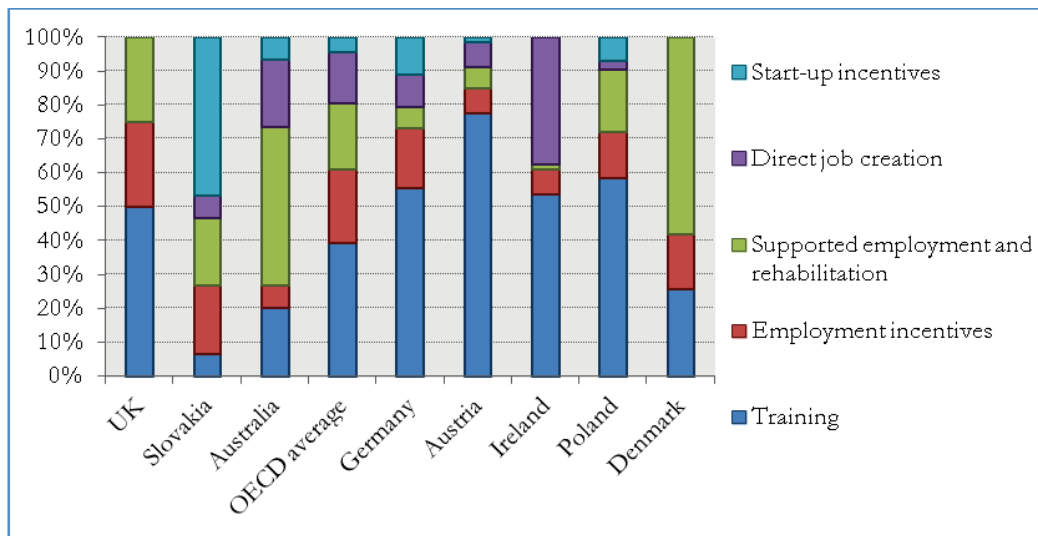


Source: OECD Employment Outlook 2011, OECD LMP database.

### Structure of ALMP expenditures

**Slovakia differs significantly from other OECD countries as regards the structure of ALMP expenditures** (Figure 12). Very little is spent on training measures, while a higher share of GDP is spent for start-up incentives as compared to many other countries. Start-up incentives is one of the most expensive ALMPs as contributions that may be granted may amount up to 45% of the sum corresponding to 16 times the total monthly labor costs. In order to reduce misuse changes were introduced in 2009, stipulating obligatory examination of skills acquired by the claimant in a special training and assessment of his or her business plan by a tri-partite commission and the period after which a person can reapply has been extended to three years (Vagas 2010). In 2009 nearly half of ALMP expenditure was spent on start-up incentives, while this measure accounted for less than 5 percent of ALMP expenditures on average in the OECD countries. In contrast roughly 5 percent of expenditures were spent on training measures in Slovakia, while on OECD average 40 percent of the budget was allocated to them. About a fifth of expenditures were spent on support employment and vocational rehabilitation measures which corresponds to OECD average.

Figure 12: Distribution of ALMP expenditures on types of measures



Source: OECD Employment Outlook 2011. OECD LMP database.

### Target groups of ALMPs

According to § 11 of the Act on Employment Services ALMPs should be targeted at “disadvantaged jobseekers”. These are defined by the law (§ 8) and include a rather heterogeneous group:

- (i) young graduates under 25 years of age who completed full-time vocational training during the past two years and has not found a first paid regular employment;
- (ii) older jobseekers aged more than 50 years;
- (iii) a long-term unemployed registered at the employment services for at least 12 months over the past 16 months;
- (iv) a person who did not work or study 24 months before the latest registration to unemployment due to the difficulty to reconcile working life and family life;
- (v) lone parent taking care of one school-aged child and families with three and more school-aged children in institutional care;
- (vi) person with health problems (but not being recognized as disabled), person with a degree of disability ranging between 20 and 40%, disabled (above 40 percent) ;
- (vii) migrants within the European Union;
- (viii) person who was granted an asylum;
- (ix) dismissed workers (due to various reasons);
- (x) people who have not completed secondary school (school drop-outs);
- (xi) ex-prisoners;
- (xii) people leaving institutional care.

Thus, the category of disadvantaged jobseekers as defined by law encompasses sub-groups who are likely to be socially excluded, that may face discrimination at the labor market as well as sub-groups with better long-term prospects to get into employment. The types of employment barriers disadvantaged jobseekers face are highly diverse.

**An analysis of the Slovak labor market suggests that an important share of jobseekers would belong to the group of the disadvantaged job seekers,** as long-term unemployment and youth unemployment are particularly high in Slovakia as compared to other European and OECD countries (Table 6). Unemployment rates of older workers in Slovakia are somewhat lower than the average unemployment rate, but international evidence clearly shows that older workers have more difficulties to find a job once they have become unemployed, especially if they have a low skills level (European Commission, 2012).

In addition to the group of “disadvantaged jobseekers”, which also includes people with reduced working capacities and people with up to 40 percent disability rate, the Act identifies the group of people who have a reduced work capacity above 40 percent. In the mid-2000s people with disabilities in Slovakia were nearly twice as likely to be unemployed. This ratio was slightly lower than the OECD average (OECD 2010 [disability synthesis]).

Although statistics on jobseekers and BMN recipients are not matched, it can be assumed that there is an important overlap between the group of disadvantaged jobseekers and BMN recipients registered with the employment services, although the first group will be larger as it contains also young graduates and some older workers as well as some of the long-term unemployed who will not qualify for BMN (e.g. because they have other resources, a partner working, etc).

**Table 6: Disadvantaged groups among registered jobseekers (%)**

	2009	2010
<b>Long-term unemployed (more than 12 months)</b>	35.5	45.2
<b>School graduates</b>	6.8	7.4
<b>Disabled jobseekers</b>	2.7	2.9
<b>Juvenile / Adolescents</b>	0.9	0.9
<b>Older jobseekers (aged above 50 years)</b>	21.7	22.2

Source: MOLSAF (2011).

Disadvantaged jobseekers represent only roughly a fifth of participants in education and training for the labor market (Table 7). It is noteworthy, that the number of participants in education and training measures declined substantially between 2009 and 2010 (MoLSAF 2011) and the share of disadvantaged jobseekers as well. Disadvantaged jobseekers represented 42% of participants in start-up measures.

**Disadvantaged jobseekers were largely represented among participants in graduate practice.** Graduate Practice was introduced in 2002. This measure is targeted towards all jobseekers below the age of 25, irrespective of their educational attainment or work experience (OECD 2007). It consisted of a six-month internship in companies for 20 hours a week with no obligations for employers to provide training. According to the OECD (2007), this system was likely to produce considerable deadweight, as employers choose those participants they anyway regard as suitable. Outcomes from 2004/2005 show that only a fifth of participants found an employment after the end of the program, which is likely to increase repeated unemployment spells of young people. It is recommended by the OECD to explicitly include training in such programs.

**The highest share of disadvantaged job seekers participates in job creation in form of the small municipal work program.** In this program, nearly exclusively BMN recipients participate.

**Table 7: Profiles of participants in selected ALMP measures by disadvantage and BMN receipt (inflows into the measure, 2010)**

Measure	Total	Share Disadvantaged (%)	Share BMN Recipients (%)
§ 47 Education and training for the labor market	20,381	21.1	N/A
§ 49 Contribution to self-employment	15,033	42.4	N/A
§ 50j Job creation – Flood measures	159	77.3	N/A
§ 51 Graduate Practice	21,199	79.3	N/A
§52 Activation Program - Small municipal work	51,882	99.1	98.8
§52a Voluntary Work	3,995	58.6	22.5
§56 Sheltered workplace	1,838	74.7	N/A

*Source:* CoLSAF. World Bank staff calculations.

**The structure of participants reveals an uneven gender split between the measures** (Table 8). Participation in flood measures and contribution to self-employment measures is biased towards males (90 percent and 77 percent respectively). On the contrary, more than two thirds of participants in voluntary works are women. Share of females is also greater in graduate practice and

sheltered workplaces, where women represent about 60 percent of participants. More equal participation by gender is found in education and training and small municipal works. The uneven gender shares reflect the fact that some selection bias takes place. This can partly be related to the type of jobs in particular measures (e.g. high share of voluntary works is care work, flood measures typically include jobs outdoors where physical strength is needed). The bias in other measures, such as graduate practice or self-employment, should be reviewed and addressed.

**Large differences exist also in relation to the skills level.** Activation programs / small municipal works in particular are targeted to the least educated. Nearly 90 percent of their participants have achieved less than lower secondary education (ISCED 0-2). Flood measures, voluntary works and sheltered workplaces are targeted to persons below lower secondary education (ISCED 0-3). Contribution to self-employment seems less well targeted as over 17 percent of participants are tertiary educated and might have begun their business even without the state support.

**Table 8: Profiles of clients in selected ALMP measures, 2010 (data on inflows into the measure in 2010)**

	Total	Female (%)	Age structure (%)			Education structure (%)			
			15-24	25-54	55-64	ISCED 1-2	ISCED 3	ISCED 4	ISCED 5-6
§ 47 Education and training for the labor market	20,381	49.3	3.8	74.7	13.7	N/A	N/A	N/A	N/A
§ 49 Contribution to self-employment	15,033	33.3	14.9	80.7	4.3	34.0	45.0	3.5	17.4
§ 50j Job creation – Flood measures	159	10.0	6.2	80.5	13.2	64.1	30.8	5.0	0.0
§ 51 Graduate Practice	21,199	61.9	99.5	0.4	0.0	12.7	65.3	3.1	18.7
§52 Activation Program - Small municipal work	51,882	46.2	9.8	77.9	12.2	89.8	9.5	0.12	0.52
§52a Voluntary Work	3,995	67.7	17.8	73.6	8.4	43.0	41.7	1.6	13.5
§56 Sheltered workplace	1,838	60.6	4.0	81.7	14.1	55.8	36.0	4.1	3.9

Source: CoLSAF. Bank staff calculations.

### BMN recipients as participants in ALMPs

**Only about a third of people eligible for taking part in Activation Programs, eventually took part in 2011** (Table 9). Moreover, the number of recipients of activation allowance did not increase during the recession, although the number of BMN recipients in working age rose with the economic crisis (Figure 2, Figure 3). This indicates that BMN recipients have been less often activated since the beginning of the recession. This has been caused by the legislative changes to the functioning of small municipal works introduced in 2008. If these are organized through the labor office, BMN recipient can take part in them for a maximum of 18 months and repeated participation

has been limited (to twice). Since 2009, voluntary works were introduced as a new measure. Participation in those has remained relatively limited.

**Table 9: Participation in activation programs of BMN recipients**

	<b>2011 Monthly Average</b>
Number of BMN recipients	187,189
Number of JAP eligible for activation	185,597
Number of persons participating in activation programs (AP)	61,468
Share of persons eligible for activation participating in AP (in %)	33.11
Share of persons eligible for activation non-participating in AP (in %)	66.89

*Note:* JAP - Jointly Assessed Persons. *Source:* MOLSAF Analytical Centre.

**Activation of BMN recipients takes place within a limited choice of ALMP options.** In principle, as long as BMN recipients are registered as jobseekers the same requirements for participation in an active labor market measure applies to them as to other jobseekers. As far as their barriers to work are greater, however, they can benefit less from the offered options and would have lesser chances to be selected, *especially* if placement in ALMPs is competitive.

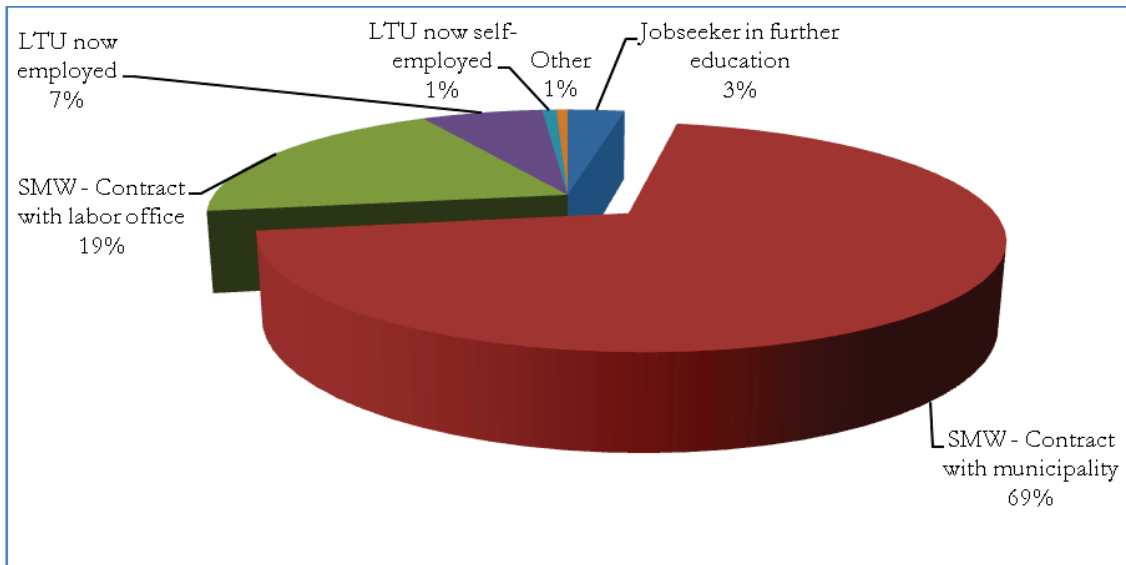
**There is only one measure designed particularly for BMN recipients: direct job creation organized in the context of small municipal work** (see below for details). BMN recipients will receive an activation allowance for participation in this measure.

**The activation allowance can also be granted to BMN recipients for the participation in part-time studies** or in case of a person receiving parental allowance, by participating in full-time secondary or tertiary study, for participating in a training program organized by the PES, or as a back-to-work benefit for long-term unemployed BMN recipients (Kalužná 2008; see also Annex 2).

**Job creation programs in the form of small municipal works followed by voluntary works are by far the most commonly used measure for the BMN recipients** (Table 8, Figure 13). The large majority (89 percent) of BMN recipients getting an activation allowance in 2011, participated in small municipal works schemes. Only 7 percent got an allowance for starting a job after having been long-term unemployed and only 3 percent are enrolled in further education (see Figure 11). This reflects the implementation of a “work-first” activation strategy.



Figure 13: Activation allowance by type (2011, monthly average)

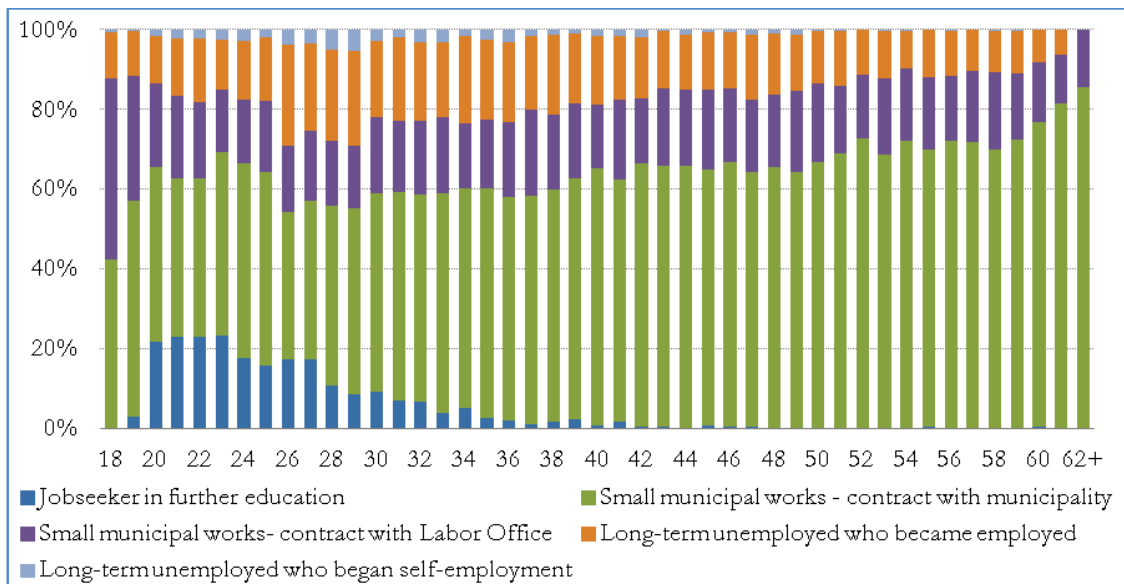


Source: MOLSAF Analytical Centre. Staff calculations. (SMW – small municipal works)

Participants in further education were mainly in their 20s, and slightly more than a fifth of the 20 to 22 years old participating in an activation measures chose to pursue part-time studies. Young people below the age of 20 are more likely to participate in a job creation measure, suggesting that training is only an option for those who have already obtained a higher educational level (Figure 14).

**The design of the work-first strategy permitting young school leavers at the age of 16 to become involved in activation work and to earn their first income from work in form of the activation allowance during a couple of months clearly sets wrong incentives.** As argued above, there are little work opportunities for low-skilled workers, and for low-skilled youth in particular, and the implementation of a “work-first” strategy for highly disadvantaged young people (like Roma youth with a low school education level) is likely to lead to a precariousness trap with long spells of unemployment. Instead, incentives should be directed towards a “train-first strategy” to make sure highly disadvantaged young people get basic education and some vocational training. Evidence from other countries as well as from the international literature strongly indicates the need for developing an integrated approach, including education and training, in order to tackle unemployment of low-skilled youth.

**Figure 14: Activation allowance by age and type of ALMP (single beneficiaries, September 2011)**



Source: CoLSAF. Staff calculations.

**Youth unemployment represents one of the major problems at the Slovak labor market.** Youth unemployment has a cyclical component (it increased from 19 percent in 2008 to 34.3 percent in the third quarter of 2010 (Eurostat, LFS). At the end of 2010, youth unemployment rate was the third highest within the EU. Most worrying is the strong structural component of youth unemployment in Slovakia. More than half of young unemployed have been unemployed for more than a year. The share long-term unemployment among unemployed youth has oscillated around that share (41.9 percent in 2009 and 61.4 percent in 2006). On EU 27 the share of long-term youth unemployment varied roughly between a fourth and a third. At the end of 2010 youth unemployment among low-skilled (ISCED levels 0-2) reached 63.5 percent, but had decreased from its peak of 80.1 percent in 2001 (for comparison the corresponding rates amounted to 27 and 19 percent respectively, with only small variations between EU12 and EU15). Unemployment rate among the low-skilled young people in Slovakia remains by far the highest in the EU (Duell et al. 2011 based on LFS data).

**Among the low-educated long-term unemployed young people, Roma are quite likely to be overrepresented.** As recommended by the OECD in 2007, young Roma should get more support, in particular young Roma early-school leavers (OECD 2007). A comprehensive approach is recommended by the OECD, a recommendation which seems to be still fully valid, by focusing on early intervention at schools and apprenticeship places. Elements of such a strategy would consist mainly in after-class support for children and youth at risk and support to their families, starting already at pre-school age. Such a strategy requires "... the enforcement of vigorous anti-discrimination measures, both at schools and in the labor market" (OECD 2007).

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**It would be important to break the link between poor educational background of parents and low educational attainment of youth and to decrease referrals to special schools.** The granting of an allowance for school attendance of children and young people during compulsory schooling certainly goes in the right direction, and seems to be tracked by the Labor Office, but is not sufficient to improve substantially the educational attainment of young people of very disadvantaged background.

**The OECD (2010c) recommends that young unemployed with a low or inadequate education level should, as soon as possible, be offered opportunities to receive more education in second-chance-schools, combined with the possibility to acquire work experience in a firm.** Second-chance schools have been set-up in some European countries (e.g. France and Germany). Countries with a well established dual training systems have implemented PES financed pre-vocational measures for low-skilled young people, e.g. Austria, Germany and Switzerland. In Germany, for example, they consist mainly of different elements including: vocational guidance and orientation, providing basic skills and key competencies, offering workplace related experience, and some basic vocational skills. Evaluation results indicate that the preparatory measures lead to some success in better integrating young people in training. The individualized approach can be regarded as an important condition for the effectiveness of the measure (Duell 2008).

**Shifting from long-term unemployment to self-employment is a rare phenomenon among BMN recipients** (1 percent of all activation allowances are allocated to this measure in 2011, Figure 13). This is not surprising, as for starting a business it is necessary to rely on some capital, which the BMN recipients by definition do not have.

**Activating social assistance recipients and their participation in ALMPs has been increasingly on the agenda in a number of OECD countries.** Labor market reforms in Germany in the 2000s were aimed at activating social assistance recipients and placing them in ALMPs, like other jobseekers with an employment barrier. Another example is Australia, where active labor market policies are focused on disadvantaged groups on means-tested income support (Box 3).

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### Box 3: Participation of people on means-tested income support in ALMPs in Australia

In Australia, where a similar low share of GDP is spent on ALMP than in Slovakia, but where unemployment was only a third or half of the level observed in Slovakia, ALMP spending are targeted towards disadvantaged or highly disadvantaged groups. Eligibility for ALMPs is in general linked to the receipt of income-tested support which might require an activity test. Thus, the potential share of unemployed who could benefit from active labor market programs is much smaller than in many other OECD countries. The ALMPs, encompass mainly training programs, job creation programs, employment incentives, start up incentives as well as vocational rehabilitation measures and protected employment for persons with disabilities.

A particular target group is Indigenous Australians who are exposed to discrimination. The Indigenous employment program provides two Panels to deliver services to communities, businesses and individual entrepreneurs: i) the **Employment Panel** which includes guidance to employers and Indigenous jobseekers, as well as funding to Indigenous Australian students undertaking tertiary education, and wage subsidies to employers of Indigenous Australians; ii) **Economic Development and Business Support Panel** including strategies or services for building economic and business development opportunities for Indigenous Australians, support for the development of business, as well as financial strategies or services for Indigenous businesses and organizations. This can involve a wide range of support such as appropriate literacy and numeracy training and support for the development and implementation of community or regional development plans.

Source: DEEWR (2010)

### *Integrated employment programs of other actors*

**Field visits have also shown evidence for an integrated approach for the implementation of labor market programs for highly disadvantaged and socially excluded people.** This approach is being provided by private organizations in Slovakia other than PES. Viable examples include Agency for Supported Employment SOMOTOR and the Roma Community Support Project of US Steel Kosice that represent two diverse approaches (Box 4).

### **Job creation programs**

As in a number of other countries, **two types of job creation programs can be discerned:**

- (i) Measures based on specific allowances that top receipt of social assistance. Generally, these constitute not a labor contract and thus are not regarded as an employment period by the social security system.
- (ii) Job creation measures based on regular labor contracts or measures based on temporary labor contracts.

The objectives of job creation programs may also differ: motivational, increasing and maintaining employability or creating job opportunities in a context of weak labor demand. For both types of measures it is the key that these activities are additional as they should not substitute for regular jobs and should not distort competitions. For example in Switzerland and Germany local councils are set up, in which local business associations and the social partners are represented in order to limit such

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distortive effects. While local councils for employment exist in Slovakia as well, we found little evidence that they would be utilized towards similar aims.

#### **Box 4: Integrated employment programs of other actors in Slovakia**

##### **Example 1: Agency for Supported Employment**

Somotor focuses on integration of long-term unemployed with low qualifications (below maturity level) and especially those unable to find jobs in the open labor market without help. According to the agency, 90 percent of program participants are Roma. The agency adopted a complex and very individualized approach to their treatment reflecting the complexity of the barriers that they face. Barriers can be both objective or hard (low skills, poor housing situation, indebtedness, benefit dependency) and subjective or soft (internal barriers, fear of unknown, misperception of the social assistance, or fear of losing the income stability provided via social assistance). The agency provides complex services which include specialized personal psychological counseling and social work with the person as well as his/her environment that leads to the preparation of *individual integration plan*. Work with the wider surrounding community is a core element and includes close communication with local mayor and employers that employ Agency's clients.

##### **Example 2: Corporate Initiative for Employment of Roma and other Disadvantaged**

US Steel Corporation began its Roma Community Support Project in 2004 and in 2011 was employing 110 participants, out of which more than 90 percent were Roma. In 2011, 64 percent of project participants were below 35 years of age. Only 23 percent had finished high school, 7 percent began but did not finish high school and the remaining 70 percent had only studied at elementary school. 88 percent of participants claimed that the program met or exceeded their expectation and the level of satisfaction with the company managers was comparable – 81 percent said that the work performance of participants met or exceeded their expectations.

Majority of participants come from nearby villages (Veľká Ida, Košice-Šaca) and the city of Kosice, including Lunik IX - the largest Roma urban ghetto in Slovakia. The employment is based on Agreement of Temporary Assignment of employees to employer whereby the participants are formally employed by their respective municipalities and then hired as temporary workers by the company. Knowledge of mayors plays an important role in suggesting potential employees to the company, decreasing recruitment costs, but also strengthening community-based character of the program. Motivational element is built into the program by rewarding the best participants with regular employment contract (approximately 3 each year).

The company gradually extended its activities beyond the employment of Roma to wider work with the communities which includes support of local schools and work with children and involvement in improvement of local housing together with another NGO.

*Source:* Bank team field visits and materials provided by the respective institutions.

**In Slovakia, the job creation options for BMN recipients have the following characteristics:**

- **Mainly the first model is used as the activation allowance reflects the possibility of topping the basic benefit** in material needs when the BMN claimant opts for participation in activation measures. The receipt of activation allowance does not change the status of the recipient from social assistance claimant to employee. The time spent on activation work is not

accounted as work record for social insurance purposes (for accruing entitlement to unemployment benefit, nor to pension).

- **Recently, measures belonging to the second category were introduced**, e.g. flood measures or job creation for restoring cultural heritage (§50j/Act on Employment Services).
- Participation in small municipal works or voluntary activation programs is voluntary and mainly rests on the initiative of the BMN recipient. Demand for these measures on the side of BMN recipients seems to largely exceed supply of places in the activation measures. **The incentive effect thus seems to be strong.**
- **With regard to young**, low-educated people the incentive to start activation work rather than to continue education seems to be even too strong, as **this seems to exert a strong disincentive for disadvantaged groups such as Roma for continuing education above the age of 16** (see above). However, their overrepresentation in participation in municipal works can be also regarded as the consequence of little effort on behalf of the Labor Offices to bring them back to school.

**The number of participants in activation works declined significantly** from a level of 100 300 participants in 2004 to 57 600 participants in 2010. The largest drop of participants occurred between 2006 and 2007 (Table 10).

**Table 10: Number of participants and budget allocation to activation works (§ 52/52a)**

	2004	2005	2006	2007	2008	2009	2010
<b>Number of participants</b>	100 316	106 315	104 552	65 217	57 160	40 440	55 508
<b>Share in total number of ALMPs participants</b>	88.1%	77.1%	73.4%	69.5%	63.0%	19.4%	22%
<b>Expenditure (mil. euro)</b>	11.64	23.09	24.28	22.4	34.25	10.4	12.57
<b>Share in total ALPMs expenditure</b>	47.8%	35.6%	38.1%	35.0%	35.3%	6.4%	6.6%

*Note:* From 2008 – figures include § 52a (voluntary works).

*Source:* Eurostat (2004-2008) and CoLSAF (2009 - 2010).

#### **Reasons for this decline are manifold:**

- Number of BMN recipients declined between 2006 and 2009, but this does not explain why the participant numbers did not increase as a result of worsened labor market conditions in the context of the economic crisis.
- Participation in small municipal works contracted by the Labor Office can be repeated twice (maximum of 18 months). It is possible that since its introduction an increasing number of BMN recipients is not eligible anymore to participate in this particular measure. Additionally, Labor Offices increasingly regard this measure as being expensive and may not be pro-actively pushing municipalities to provide such activation programs.

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- Some Labor Offices might be critical as regards the poor job quality linked to this measure (no training element, no contribution to the social security system).

*Activation measure – small municipal works (§52)*

**The objective of this measure consists in promoting work habits of long-term unemployed in receipt of BMN.** There is a strong believe that BMN recipients have bad work habits, although it seems that the low skills level of BMN recipients represents an at least as important employment barrier.

An activation allowance is paid during the participation in the measure by the Labor Office. The maximum weekly working time is 20 hours and the duration is usually 6 months. It can be extended once for duration of additional 12 months (18 months in total). Between 2004 and 2008, there was no limit on the incidence (number of times of BMN recipients' participation in the measure, which is reflected in Table 11 below). A significant number of BMN participants seem to have been trapped in conducting small municipal works, and this is more so the case in the regions with fewer work opportunities and for males.

The Labor Office pays the municipality a contribution to cover a part of the costs of the personal protective equipment, accident insurance for the long-term unemployed persons, working tools or other costs related to performing the small community services and to cover part of the total labor cost of the employee who organizes the activation activity (MoLSAF 2011). The coordinator is usually a former long-term unemployed. His/her role consists in allocating people to tasks and to plan tasks together with the mayor and other municipal actors the work. One difficulty consists in the fluctuation of participants over the week, as participants will usually work for two or three days a week. Digressive mechanism of financing was introduced which puts in advantage municipalities which take fewer number of jobseekers. Such financing was put in place in order to disincentivize mass take-up of jobseekers by the municipalities as well as to manage the funds allocated to the National Project (i.e. EU structural funds) nearing exhaustion.

Currently two different schemes exist: small municipal work contracted by Labor Offices and small municipal work contracted by municipalities. In case of small municipal work is contracted by the Labor Office, only BMN recipients can participate, while in case it is contracted by the municipalities also long-term unemployed who are not in receipt of BMN can participate. Participation in Labor Office contracted small municipal work is limited to two times per individual, while no restrictions exist for repeated participation in municipality contracted work, except the requirement that the participant has to be a citizen of this municipality and be registered at the Labor Office. There are also differences in rules for refunding by the Labor Office, as in the case of municipality contracted work the participant still gets an allowance but the municipality has to pay for the work tools. Therefore, it is more advantageous for municipalities to use Labor Office contracted small municipal work schemes. These, however, have declined significantly.

**Table 11: Incidence of repetition of small municipal works (§52): 2004- 2011 (cumulative)**

	1 time	2 times	3 times	4 times	5 times	6 times	7 times	8 times	9 times	10+ times
<b>All beneficiaries, out of which:</b>	<b>126,461</b>	<b>64,516</b>	<b>41,730</b>	<b>30,473</b>	<b>23,264</b>	<b>18,482</b>	<b>13,956</b>	<b>10,707</b>	<b>8,647</b>	<b>17,358</b>
Female	62,077	30,859	19,978	14,484	10,724	8,558	6,421	4,697	3,600	6,843
Male	64,384	33,657	21,752	15,989	12,540	9,924	7,535	6,010	5,047	10,515
16-24 y.o.	24,735	12,044	7,389	4,945	3,292	2,292	1,529	1,008	648	1,142
25 -34 y.o.	32,751	16,293	10,534	7,668	5,875	4,656	3,457	2,483	1,970	3,779
35-44 y.o.	29,977	15,630	10,472	7,917	6,071	4,972	3,794	3,027	2,458	5,138
45-54 y.o.	28,577	15,191	9,985	7,542	6,156	5,119	4,087	3,342	2,869	6,284
55-62 y.o.	9,938	5,266	3,295	2,387	1,854	1,436	1,085	844	699	1,012
Bratislava region	1,971	834	396	272	213	108	53	18	13	7
Trnava region	6,196	3,084	2,034	1,429	1,116	726	542	485	393	1,022
Trenčín region	5,027	2,710	1,664	1,282	874	711	541	409	368	722
Nitra region	21,651	10,695	6,167	3,667	2,518	1,989	1,279	1,066	820	1,453
Žilina region	10,195	5,001	3,062	2,259	1,620	1,211	913	694	535	981
Banská Bystrica region	31,151	15,135	10,646	8,176	6,380	5,352	3,976	2,917	2,390	5,031
Prešov region	28,385	14,070	9,164	6,423	5,065	3,760	3,019	2,147	1,700	2,564
Košice region	21,885	12,987	8,597	6,965	5,478	4,625	3,633	2,971	2,428	5,578
<b>Total</b>	<b>126,461</b>	<b>129,032</b>	<b>125,190</b>	<b>121,892</b>	<b>116,320</b>	<b>110,892</b>	<b>97,692</b>	<b>85,656</b>	<b>77,823</b>	<b>173,580</b>

Source: CoLSAF.

**Low-skilled manual activities prevail in the activation through small municipal works.**

According to the law, activities can be performed in the following areas: improvement of living



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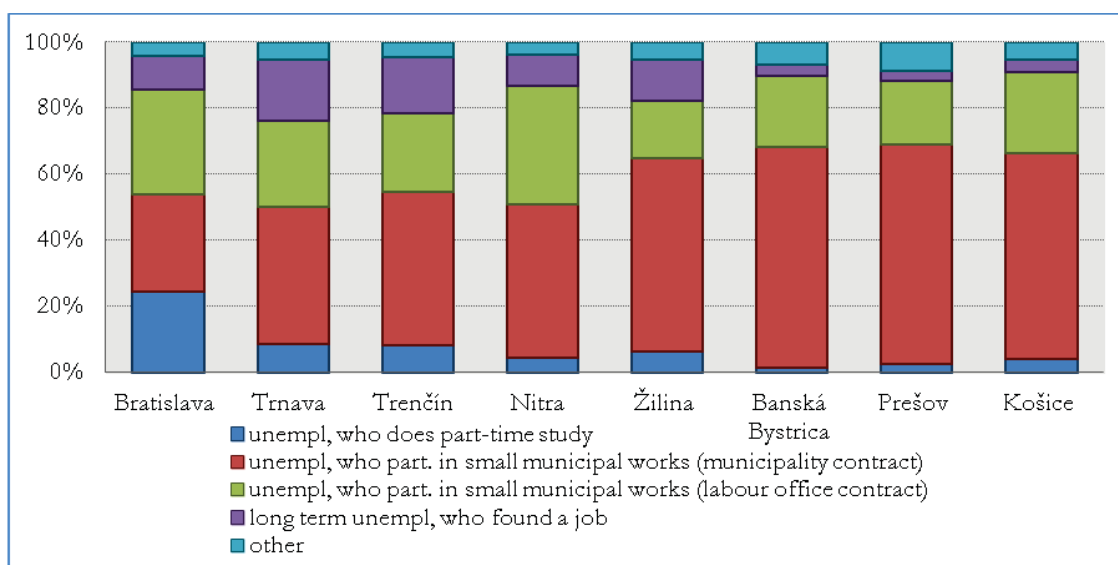
conditions, social and cultural conditions, protection of the environment, preservation of cultural heritage, improvement of the economic conditions of the municipality, delivering social services and education as well as other community activities. The law does not stipulate that the activity has to be additional, contrary to the praxis in other OECD countries.

Field visits have shown that municipal work is mainly used for street cleaning and maintenance, or environmental tasks, such as tree cutting and creating green spaces in the municipality. On a lower scale also other functions are covered, e.g. the construction of a municipal camping, reconstruction of municipal buildings, cooking for elderly in the context of old-age care services, or working in municipality-run cafeteria and hotel (cook, cleaners, launderers). It is not easy to disentangle which of these activities would have to be performed anyway and to what extent the activities are additional, but field visits gave reasons to believe that there is some crowding-out taking place. There is evidence that municipalities using extensively this measure can have as much “activation workers” (in Full-Time Equivalents) than regular staff.

**Municipalities can usually choose among a high number of applicants.** Criteria can be manifold: motivation for work, distribution of activation works among family in need, previous work experience. Information on the participation in the measure is exchanged on a monthly basis with the Labor Office and regular meetings between the municipalities and the Labor Offices take place. In addition, Labor Offices perform control visits on the site from time to time.

**We found no evidence in the field that the decline in the number of small municipal work participants would be related to a lowered interest of municipalities to organize them.** Municipalities continue to use this option excessively even if funding for tools is not available by the Labor Offices (Figure 15) and employ jobseekers through the municipal type of contract. A closer look at the distribution of small municipal work by districts shows that this measure is concentrated on some districts, typically with higher share of resident Roma, and again is more prevalent in regions with high unemployment rates (Figure 15). On the other hand, there is evidence, that the offer of this type of activation measure also depends on the initiative of the mayors, and that differences exist between municipalities within the regions. Additionally, municipal works seem much more widely spread in smaller villages and municipalities, which could be caused by a more direct contact between the mayor and citizens and better knowledge of local social problems and needs.

Figure 15: Distribution of activation allowances by region, September 2011



Source: MoLSAF, Staff calculations.

### The participants' profile

In May 2011, about 10 percent of participants in small municipal work activities were between 15 and 24 years old, about 78 percent were 25-54 years old and 12 percent were 55 to 64 years old. The share of single BMN beneficiaries participating in this measure who are around their 50s was notably high (Figure 14). The vast majority of participants had a low skills level (see Table 8).

### Outcomes

Table 12: Share of participants in small municipal works placed on the labor market in total number of participants who finished the measure in 2010 (%)

	Within 6 months	6-12 months	After 12 months
<b>All beneficiaries</b>	<b>4,44</b>	<b>3,30</b>	<b>2,24</b>
out of which:			
Female	2,90	1,82	1,10
Male	5,82	4,62	3,25
16-24 years old	4,60	3,92	3,26
25 -34 years old	5,18	3,71	2,27
35-44 years old	4,11	3,03	2,37
45-54 years old	4,33	3,25	2,04
55-62 years old	4,03	2,82	1,53
Bratislava region	12,84	1,35	1,01

Trnava region	11,09	5,50	1,40
Trenčín region	7,33	4,00	0,83
Nitra region	6,28	3,65	1,32
Žilina region	5,96	4,20	3,06
Banská Bystrica region	3,67	2,58	2,44
Prešov region	4,36	4,79	3,22
Košice region	3,46	2,49	1,68

Source: CoLSAF.

**A very low share - only 4.4 percent of participants were able to find employment within 6 months after leaving the measure in 2010.** Men were marginally more successful, but little differences seem to exist with respect to age of participants. Unsurprisingly, two to three times more participants were on the labor market within 6 months if they lived in Western regions or in Bratislava region. Without in-depth statistical analysis, it is not possible to determine whether those who found employment would have done so even without the participation of the measure. Harvan (2011) using a quasi-experimental scientific method to analyze EU LFS data for 2006-2009 period finds that activation works and graduate practice had very little positive impact on the participants' chances to get into the labor market after the measure.

In sum, this measure is not likely to increase employability, as there is no training element. In the context of very high unemployment in some regions and districts it is not likely that many participants find an employment after the participation in the measure, and it is not clear if those who did would have found an employment anyway. Main barriers to employment are a low skills level and a low mobility at least in the case of families. Poor public transport infrastructure as well as the housing market rigidities are important reasons for low mobility of socially disadvantaged groups.

#### *Voluntary work (§ 52 a)*

**In contrast to small municipality work, “voluntary work” activities are not primarily designed for BMN recipients but are open to all jobseekers registered for at least three months.** The measure was originally an integral part of § 52, but was separated in the amendments of 2008. The objective is to gain practical experience which can be used at the labor market (MoLSAF, 2011). As in the case of small municipality work participation is voluntary. The participant receives a lump-sum benefit amounting to the subsistence minimum (189 euro in 2011) in order to cover expenses (accommodation, food transport) for taking up the activity. In contrast to the small municipal work, 50% of the lump-sum benefit is considered income when calculating

the eligibility for BMN basic benefit. This represents a disincentive for taking-up this measure, as for some households it may lead to a loss of BMN.

As in the case of small municipal work, weekly working hours should not exceed 20 hours and the measure should last for six months, with no possibility for repeat within the same unemployment spell. Activities are mainly offered by municipalities as well as by NGOs, such as for example the Slovak Red Cross. The organization cannot organize such activities for profit. They receive contribution from the labor office to cover the costs related to the creation of the place. A cost of one voluntary work place is about 7 times higher than is currently the cost of one small municipal work place (CoLSAF).

**The type of activities differs from the small municipal work as they are mainly performed in the area of social services and sports.** Field visits of the team gave evidence that regular social services such as elderly care are performed by the voluntary activation workers. Participants usually get a short initial training. But due to the high fluctuation and short training the quality of services suffers. Most importantly, there is evidence that regular staff has been substituted by voluntary work.

Participants in voluntary works tend to be younger than participants in small municipality work. About 18 percent of participants were 15-24 years old, 74 percent were 25-54 years old and 8 percent were 55 to 64 years old (Table 8). Less than a fourth of participants in voluntary work were BMN recipients. In contrast to small municipal work, participants in voluntary work have more often an intermediate skills level (Table 8).

### Outcomes

**Table 13: Share placed on the labor market from total number of participants who finished the measure in 2010 (%)**

	Within 6 months	6-12 months	After 12 months
<b>All beneficiaries</b>	<b>32,31</b>	<b>8,14</b>	<b>3,41</b>
out of which:			
Female	33,09	7,66	3,14
Male	30,64	9,17	4,00
16-24 years old	31,91	9,35	3,16
25 -34 years old	35,68	8,88	3,69
35-44 years old	32,51	8,64	3,60
45-54 years old	31,61	6,74	3,68
55-62 years old	24,09	6,44	1,68
Bratislava region	29,71	5,71	1,71
Trnava region	38,50	6,42	1,25

Trenčín region	34,07	5,86	3,66
Nitra region	27,12	8,46	3,08
Žilina region	37,55	6,32	2,60
Banská Bystrica region	33,71	8,15	3,51
Prešov region	31,02	10,99	4,84
Košice region	30,23	8,29	4,05

Source: CoLSAF.

Compared to small municipal works, a much larger share of participants – 32 percent - was able to find employment within 6 months after finishing the measure (Table 13). There also seems to be less variation in the outcomes based on gender or region. Better labor market outcomes of participants in this measure could be related to a better initial skill profile of the participants as well as more favorable age profile. The training element that is meant to be an integral part of the measure does usually not lead to a formal qualification, therefore the employment prospects remain generally limited.

#### *Flood measures, restoration of cultural heritage (§ 50 j)*

A new job creation measure concerns subsidized temporary work contracts to protect against flooding and to address the consequences of emergencies. Mainly men participated in the flood measure. About 60 percent were low skilled and 34 percent had an intermediary skills level.

As this measure has been set up only recently, participant numbers are low (Table 7). A further area of activities where subsidized temporary work contracts have been recently used is the restoration of cultural heritage. Extending job creation measures might, however, be difficult, as specific skills might be required. Most importantly, activities should be additional and the crowding-out of regular workers should be avoided. **Compared to activation or voluntary works, flood measures and restoration of cultural heritage lead to formal employment contract, which is a clear advantage.**

#### **Overall assessment of activation work programs and other job creation programs**

**No recent evaluation has been carried out, but previous studies give indications, that overall effectiveness is small.** An overview of these results is given in Kalužná (2008): “Although the primary aim of the Activation Program, as declared by the Act on Employment Services, is increasing the employability of long-term unemployed jobseekers and those with low motivation to work, and improving their employment prospects, a number of independent analyses claim that it fails to help the unemployed in their integration in the open labor market.

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The analysis of active labor market programs by the Institute of Public Affairs (IVO, 2006) even doubts the effectiveness in terms of another declared objective of the program, *i.e.* maintaining working habits, “as the unemployed do not perform the work regularly across the week.” The study claims, however, that in some cases the program has contributed to eliminating extreme forms of social exclusion, namely in relation to segregated Roma communities, as participants had to do elementary routine activities, such as get up in the morning, attend to their personal hygiene, and leave their (isolated) milieu, which facilitated at least partial restoration of lost social contacts. The analyses also point out that the work actually performed within the program often does not correspond to the jobseeker’s qualifications, and thus cannot contribute to improving his or her employability. . . . . The experts warn about another possible adverse effect of the program: the activation work might replace or crowd out existing low-qualified jobs. There have been indications that, due to its mass character, the work was only performed formally and left opportunities for jobseekers to engage in undeclared work.”

**Across Europe, evaluations of job creation measures usually do not only measure the probability of being placed in another ALMP measure (e.g. a training measure or a recruitment incentive measure) or the probability to take-up jobs, but also the additionality of the measure.** Experience from Germany’s One-Euro-Job scheme (see Box 5) shows that the crowding-out effect is more likely in Eastern Germany than in Western Germany, were municipalities have less financial resources and where the unemployment level is considerably higher.

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### Box 5: Job creation programs in Germany

In Germany, ongoing from 2005 a new type of job creation scheme designed as in-work benefits was implemented (the so-called “**One-Euro-Jobs**”). The latter instrument has been introduced in the context of the reform of the social assistance scheme.

In the past job creation measures were based on wage subsidies, but with the introduction of the One-Euro-Jobs, the incidence of wage subsidy schemes for additional jobs with a social utility decreased substantially.

Temporary wage subsidies for job creation (Arbeitsbeschaffungsmaßnahmen) have been implemented in Germany for more than 30 years. Since 2009, this measure has been restricted to unemployed receiving Unemployment Benefit I (which is not means-tested and has a maximum duration of 1 year). Earlier evaluation studies have shown that the employment effects were not large and that substitution and displacement effects were important. However, the measures were found to have had a positive impact on the employment chances of those who were the most difficult to place (Koch et al. 2011).

Recent labor market reforms have introduced a new type of wage cost subsidy for additionally created jobs with a social or ecological utility. They are legally not based on an employment contract. The measure is designed for means-tested Unemployment Benefit II receivers. In addition to their means-tested benefit, the participants in the employment measure are paid 1 to 2 Euros per hour (therefore, the measure is called “One-Euro-Job”). They generally last between 3 and 12 months. In 2005, the average weekly working hours in One-Euro-Jobs amounted to 28 hours (Kettner and Rebien, 2007). The One-Euro-Jobs need to be additional and in „general public interest“. The stock of persons participating in “One-Euro-Jobs” amounted to 261 000 in December 2010, representing about a sixth of ALMP participants.

#### **The outcomes and impact of “On Euro-Jobs”:**

According to Kettner and Rebien (2007), the Federal Audit Office assessed in 2006 that about a quarter of the One-Euro-Jobs were not in the general public interest, were not additional or were not neutral with regard to the competitiveness. A study carried out by the Institute for Labor Market and Vocational Training Research (IAB) is pointing to the danger that these measures are not carried out as the last option and that opportunities for young people to engage in training might be overseen (source: Bernhard, S. et al, 2006). Also, in contrast to specific labor market measures (like the preparatory measures) learning effects are low and specific guidance is missing.

**Evaluation evidence on job creation programs in other countries also shows mixed or even a negative impact.** Thus, according to an evaluation study, in the United States, the long-term effects on employment and moving out of poverty were meager. However, job creation programs might have a positive impact on the motivation of participants. Comparisons carried out with *New Deal* in the United Kingdom stressed the importance of the four month *Gateway* program, where individually tailored plan for improving the jobseeker’s availability are set up, as well as the involvement of private employers (see an overview in Martyn, 2007). In Ireland, participants in the *Community Employment* scheme (the largest job creation scheme) move onto jobs in the private sector less frequently than participants in other programs do, but they perform useful work within their communities (e.g. see Grubb et al., 2009). In the following box an example about job creation programs in Australia is given.

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### Box 6: Job creation programs in Australia

Job creation measures have a long history in Australia. A specific focus has been set on job creation programs for specific disadvantaged groups. For Indigenous Australian communities, the **Community Development Employment Projects** (CDEP) was set up in 1977 which, however, encompasses more elements than other job creation programs. It has been the single largest job creation program for many years.

Besides job creation measures for Indigenous Australians, **Work for the Dole (WfD)** had been the most important job creation program for more than a decade. The latter program was introduced in 1997 and aims at developing work habits (DEEWR, 2010 [Labor Market Assistance – A Net Impact Study], p. 25). Income support recipients receive AUD 20.80 per fortnight to assist with the costs of participation. The program has been used as a key element of the benefit compliance system. Examples for WfD activities are maintenance of vehicles and buildings, landscaping or gardening, decorating, metalworking customer services, hospitality, helping members of the community such as the elderly, people with disabilities or children (see JSA 2010). WfD activities are available with non for profit and community organizations, or with local, State, Territory or Australian Government organizations and agencies. The activities should be additional, so that no competition with other companies and no displacement of workers may occur.

The **Green Corps program** is a small job creation program that should benefit Australia's natural environment and cultural heritage. At least 80% of the total activity time should be spent on environmental tasks. It contains a training component and is therefore more expensive than WfD.

Positive outcomes three months after exiting the WfD program increased from 36% in December 2000 to 40.5% in December 2008, which is partly due to an improved referral process. Nevertheless, assessments of the effectiveness of Work-for-the Dole are with mixed results. The nature of low skilled tasks carried out in the context of non paid work, the lack of structured training, and the poor prospects for acquiring useful skills for getting a more stable employment on the regular labor market was early on pointed out as a weakness of the program and A stigmatization effects of mutual obligation programs such as WfD were acclaimed (OECD, 2000 ; Martyn, 2007).

### *Recommendations on labor market programs*

- ❑ Make sure that job creation measures are additional and do not substitute regular jobs
- ❑ Evaluate conditions under which small municipal works are organized to ensure that they contribute to skill building and lead gradually to formal employment
- ❑ Increase education and training measures adapted to the needs of different target groups
- ❑ Design specialized courses for people with learning disabilities, early school leavers and people with a low initial level of education
- ❑ Evaluate wage subsidy measures and their impact on the employability of disadvantaged jobseekers
- ❑ Improve absorption of ESF. By streamlining the procedures for application and enabling better oversight and easier access also to small NGOs and non-state service providers



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## Part V. Changes in the conditions for activation policies and active labor market programs after the 2012 elections

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This section of the report presents an overview of key changes which were implemented or discussed in Slovakia after the government change in 2012, and until March 2013. We limit our discussion to presenting amendments to Law on Material Need and Law on Employment Services which have been discussed at length throughout this report. In addition to summarizing key dimensions of change, we also briefly evaluate the amendments with relation to our findings and conclusions presented in the earlier parts of the report.

### Law on Material Need amendment

Uni-partisan government of SMER which took office in June 2012 has introduced several changes to the functioning of the *Law on Material Need (599/2003)* through which conditions for the receipt of activation allowance – a supplement to benefit in material need – have been revised. This amendment affects implementation of the key measure provided within the framework on Active Labor Market Policies defined in Law on Employment Services (5/2004) towards the recipients of income support, which is the small municipal works. These changes have been effective since January 1<sup>st</sup> 2013. We summarize the key selected aspects below and briefly comment on the implications of the changes in view of our findings in the previous part of the report:

- *Broadening the range of bodies which can organize small municipal works/activation works*

Organizations which can officially organize small municipal works have been broadened from municipalities to organizations funded or governed by municipalities (e.g. primary schools, municipal enterprises, museums, cultural bodies, sport facilities) effectively broadening a range of activities to which BMN recipients can be placed. While this might on the one hand provide greater scope for skill development of activation works participants and offer more meaningful and varied activities to engage in, there is a danger of even greater substitution of low-skilled jobs by activation works.

- *Only adults can now work in small municipal works*

Activation benefit is now available for participation in small municipal works only to *adult* BMN recipients (§ 12 (1)). The Amendment allows children below 18 years of age to get activation benefit only if continuing to study (distance studying, continued education while working, participation in education projects provided by the labor offices, etc.). This has responded to earlier critiques that children from disadvantaged environments who reach mandatory school attendance age – 16 years of age – would not continue education but rather participate in activation works.

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□ *Change of conditions for organization of SMW by municipality or municipality-funded/governed bodies*

Stricter and more explicit conditions into organization of small municipal works by municipality or by contributory organization of municipality have been introduced (§ 12 (4c)). First, a contract has to be prepared and signed which explicitly lists the content and range of work, conditions of work, timing, place of work, and daily working time. Second, the minimum number of hours was set to 10 per week and the maximum number to 20 hours/week. This change was introduced in response to earlier critiques that when small municipal works are organized by the municipality (and not Labor Office), there is poor control of the implementation and misuse of the measure by municipalities. The effect of this change is likely to be small - it incurs greater administrative burden on the municipalities who organize SMW, without clearer control and enforcement mechanisms being put in place.

□ *Change in duration of SMW organized by municipalities*

Explicit time limit was introduced with respect to duration of SMW organized by municipality. The maximum duration of participation in SMW organized by municipality was set to 18 consecutive/uninterrupted months, with possibility to give activation benefit after 6 months since the termination of the previous participation in the measure (§ 12 (13)). SMW through Labor Office remain to be limited to 6 months with possibility to renewal for additional 12 months. This arrangement effectively enables longer participation in activation works and a longer receipt of activation allowance without incurring additional costs on the labor office (no contribution to organization of activation works, for example to buy tools, etc., has to be given, only activation benefit is provided), and so shifting organizational costs to the municipality. This change might respond to the difficulties of Labor Offices to finance the contributions to municipalities who organize activation works. A longer duration of individual's engagement in activation works might be more conducive to skill development, while increasing a danger of activation works 'trap'. Actual implementation will therefore be crucial to evaluate the impact of this change.

□ *Changes to disregarded income*

Change was made to what type of income is **not disregarded** when calculating eligibility for BMN. Now also 75% of income gained through 'work agreement' (i.e. agreement to carry out casual and seasonal work limited by the number of hours, not leading to formal employment) is considered income (25% of this income to be disregarded). On the other hand, occasional income previously calculated as income (such as tax return, valorization-related increase in pension, per diem etc.), will not be included anymore. Inclusion of income gained through work agreements is likely to affect significantly the incentives of BMN recipients to take up this type of work. However, other legislative changes have been put in place with respect to this contractual arrangement and now social security payments have to be paid from this income (previously only

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tax was paid), hence changing opportunities for casual formal work. This is most likely to lead to more unofficial work/black labor, but full effects are to be seen.

□ ***Change to provision of housing benefit***

Only one housing benefit per house/flat can be provided, even if more BMN receiving families/households reside in it.

**Planned amendment to the Law on Employment Services no. 362/2103**

A major amendment of the *Law on Employment Services 5/2004* is likely to come into force from May 2013. The proposed changes are wide-ranging and are centered at decreasing the workload of Labor Office staff by effectively decreasing responsibilities of Labor Offices towards clients, redesign of available measures and their implementation conditions.

□ ***Shift from obligatory to facultative measures***

Currently the ALMP measures are obligatory measures meaning that when a jobseeker fulfills specified criteria and requests a measure, Labor Office must provide it. The proposed amendment suggest to change the obligatory nature to facultative nature for a number of measures, including § 49, § 50, § 50j, § 51, § 56, § 56a, § 57. In effect, this change affects all major measures, with the exception of small municipal works, allowance for commuting, relocation for work, and couple other measures not used extensively. (For an overview of existing ALMP measures see ANNEX 5).

□ ***Changes to the conditions for implementation of several ALMP***

Implementation practice of several key measures has been changed. Some examples include:

- Graduate practice is to be done only in the type of activity/job that is relevant or related to the field of study. Instead of a relatively generous subsistence minimum paid for participation in graduate practice previously, only 65% of subsistence minimum will be paid.
- Contribution to self-employment is to be given in two installments. The established activity has to be performed for three (instead of current two) years.

□ ***Abolishment of several existing ALMPs due to their low utilization and lack of funds from state budget***

The government proposed to abolish or integrate into other measures the following measures: § 48b, § 48c, § 49a, § 50a, § 50c, § 50i, § 52a, § 53c, 55a, § 55b, § 55c, § 57a.

□ ***Change to the definition of disadvantaged jobseeker (§ 8)***

Only the most risky groups should be considered disadvantaged. These are: youth below 26 year of age, older jobseekers above 50 years of age and long-term unemployed. This change narrows

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down previously much more extensive definition of labor market disadvantage, which included disabled, non-nationals and other categories.

□ ***Change in mutual obligations principle***

The responsibility of jobseekers to regularly visit Labor Office on a monthly basis and document job search activity is to be abolished. Frequency of contact is to be determined by the PES staff. In addition, Labor Office is not anymore obliged to offer to jobseeker a suitable employment or participation on an ALMP measure. Stricter sanctions are to be imposed when jobseeker is de-registered for non-cooperation and the deregistration period is to be extended to 6 months (instead of current 3 months). These measures will lead to a greater discretion on the part of PES staff towards job seekers and goes against the international standard of close interaction between PES and jobseekers, especially with clients most distant from the labor market.

□ ***Changes to the functioning and tasks of PES***

Several improvements to the work of Labor Offices are envisaged, which include:

- Unified portal of vacancies to function as a key tool for matching and candidate search for employers
- More intensive cooperation with employers
- Enhanced matching between client's profile and existing measures or vacancies
- E-forms, electronisation and communication through internet means with the aim to decrease necessity to visit PES; this change will include creation of 'electronic profile' whereby the initial registration and entry of information will be done by jobseeker. Such "modernization of PES" is likely to benefit the younger jobseekers.
- Greater competences given to Committee for Employment which will be approving applications for non-obligatory measures on individual basis

□ ***Stricter regulation of private employment agencies***

These cannot charge individual clients, only legal entities. Agencies for temporary employment can place clients only to jobs in Slovakia, not anymore abroad.

The key justification for this amendment by the government is that these changes will enable to offer measures that are meaningful in a given regional labor market and enable better targeting. Large variation of implemented measures across regions already exists and it is unclear how these changes will contribute to their better utilization. The key critique voiced by experts is that the changes will enable too much discretion of labor offices and committees for employment who will be evaluating what type of measure should be given to the client. It so creates scope for corruption practices. The proposed changes also do not include any explanation of how the disadvantaged jobseekers will be treated, nor incentives for placing these clients. It is therefore unlikely to improve the provision of services to the most needed and marginalized.

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## Annex 1: Exits from unemployment register by reason for exit, 2011

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Average
<b>Stock of All Jobseekers</b>	391 637	395 445	392 483	384 465	380 016	382 984	386 307	384 220	390 559	390 125	393 122	399 800	389 264
<b>Exit to employment (A + B)</b>	16591	15018	19523	21346	20406	16415	14801	14762	20818	19041	16724	10933	17198
<b>Placed with PES assistance (A)</b>	6298	5410	7857	8935	8519	6695	5641	5238	7065	7336	6443	3824	6605
<b>Found work by him/herself (B)</b>	10293	9608	11666	12411	11887	9720	9160	9524	13753	11705	10281	7109	10593
<b>Sanction de-registration</b>	3183	3141	3578	3895	4499	3735	4039	3783	3927	4566	3800	3986	3844
<b>Voluntary exits</b>	2473	2040	2419	2401	2413	2393	1990	2252	2487	2910	2909	2300	2416
<b>Total exits to work (% of all jobseekers)</b>	4.2	3.8	5.0	5.6	5.4	4.3	3.8	3.8	5.3	4.9	4.3	2.7	4.4
<b>Sanction de-registration (% of all jobseekers)</b>	0.8	0.8	0.9	1.0	1.2	1.0	1.0	1.0	1.0	1.2	1.0	1.0	1.0
<b>Total exits - in thousands</b>	22247	20199	25520	27642	27318	22543	20830	20797	27232	26517	23433	17219	23458
<b>Total exits - % of total</b>	5.7	5.1	6.5	7.2	7.2	5.9	5.4	5.4	7.0	6.8	6.0	4.3	6.0

Source: CoLSAF. World Bank Staff Calculations.



## Annex 2: Overview of demand for all activation programs and allowances of BMN recipients, 2011

Activation Program	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Average
A1a	43	44	50	54	55	51	44	32	35	46	53	52	47
A1b	3	3	3	2	2	1	1	1	1	2	2	7	2
A1c	149	251	286	268	197	195	182	77	75	77	88	98	162
A2a	2,003	2,063	2,149	2,166	2,170	2,172	1,931	1,530	1,507	1,657	1,862	2,041	1,938
A2b	56	54	55	38	40	43	35	24	27	28	33	87	43
A2c(1)	54,074	36,153	38,002	39,462	41,295	43,704	44,248	43,705	43,825	44,216	45,896	46,661	43,437
A2c2	0	11,557	11,891	12,163	14,773	13,890	13,099	13,584	13,257	12,766	8,686	8,196	12,169
A2c3	0	0	0	0	0	0	0	43	60	88	115	142	90
A3a	3,133	2,721	2,698	2,858	3,112	3,994	4,855	5,590	5,617	5,393	4,938	4,622	4,128
A3b	442	399	398	396	411	469	503	534	580	589	561	515	483
A4	52	46	41	42	44	46	37	31	29	22	24	23	36
<b>TOTAL</b>	<b>59,955</b>	<b>53,291</b>	<b>55,573</b>	<b>57,449</b>	<b>62,099</b>	<b>64,565</b>	<b>64,935</b>	<b>65,151</b>	<b>65,013</b>	<b>64,884</b>	<b>62,258</b>	<b>62,444</b>	<b>61,468</b>

Note: Red color means the change in legislature or registration

### Legend:

- A1a: Activation allowance for an employed citizen who is at the same time upgrading his/her qualification by external studies (§ 12 section 3 a)
- A1b: Activation allowance for an employed citizen who is at the same time participating in requalification course (§ 12 sec. 3 b)
- A1c: Activation allowance for an employed citizen who is at the same time participating in the small public services or voluntary work (§ 12 sec. 3 c)
- A2a: Activation allowance for a citizen who is a registered jobseeker and at the same time is upgrading his/her qualification by external studies (§ 12 sec. 4 a)
- A2b: Activation allowance for a citizen who is a registered jobseeker and at the same time is participating in requalification course (§ 12 sec. 4 b)
- A2c1: Activation allowance for a citizen who is a registered jobseeker and at the same time is participating in the small public services (§ 12 sec. 4 c) - contract with the municipality
- A2c2: Activation allowance for a citizen who is a registered jobseeker and at the same time is participating in the small public services (§ 12 sec. 4 c) - contract with the CoLSAF
- A2c3: Activation allowance for a citizen who is a registered jobseeker and at the same time is participating in the small public services (§ 12 sec. 4 c) - contract with the self-governing region
- A3a: Activation allowance for a citizen who was long-term unemployed and is now employed (§ 12 sec. 9)
- A3b: Activation allowance for a citizen who was long-term unemployed and is now self-employed (§ 12 sec. 10)
- A4: Activation allowance for a student of a high school or university in material need receiving a parental contribution (§ 12 sec. 5)

Source: Analytical Centre of CoLSAF.

### Annex 3: Allocated staff places (full time equivalent) in Labor Offices across core departments

As of June 30, 2011:

Labor Office	Total	Employment Services Section (ESS)	Social Affairs Section (SAS)	Supporting sections	BMN unit	Share ESS in total (%)	Share of BMN unit employees in SAS (%)
Banská Bystrica	113.5	31.0	38.6	44	10	27	26
Banská Štiavnica	157.0	52.0	53.0	52	18	33	34
Bardejov	163.0	61.5	54.3	47	23.6	38	43
Bratislava	266.0	46.0	123.0	97	19	17	15
Brezno	91.0	33.0	30.8	27	13	36	42
Čadca	115.0	34.0	40.5	41	13	30	32
Dolný Kubín	69.0	20.0	20.3	29	7	29	35
Dunajská Streda	145.0	46.0	52.8	46	18	32	34
Galanta	105.0	29.0	35.7	40	12	28	34
Humenné	156.0	49.5	54.0	53	18	32	33
Kežmarok	120.0	35.0	46.5	39	21	29	45
Komárno	145.0	47.0	56.0	42	22	32	39
Košice	463.0	165.0	165.0	133	63	36	38
Levice	184.0	65.0	70.5	49	32	35	45
Liptovský Mikuláš	98.0	27.0	40.0	31	14	28	35
Lučenec	189.0	64.0	69.7	55	27	34	39
Malacky	71.0	15.0	25.2	31	7	21	28
Martín	154.0	49.0	39.8	65	10	32	25
Michalovce	226.0	84.0	79.0	63	36	37	46
Námestovo	125.0	26.0	44.0	55	12	21	27
Nitra	229.0	66.5	91.5	71	33	29	36
Nové Mesto n. V	104.0	26.0	39.5	39	13	25	33
Nové Zámky	259.0	93.0	100.0	66	40	36	40
Partizánske	123.0	40.0	43.7	39	12	33	27
Pezinok	103.0	24.5	40.5	38	6.5	24	16
Piešťany	113.0	31.5	43.1	38	11	28	26
Poprad	184.0	55.5	66.3	62	26	30	39
Považská Bystrica	126.0	35.0	50.8	40	14	28	28
Prešov	290.0	106.5	97.0	87	38	37	39

Labor Office	Total	Employment Services Section (ESS)	Social Affairs Section (SAS)	Supporting sections	BMN unit	Share ESS in total (%)	Share of BMN unit employees in SAS (%)
Prievidza	171.0	53.0	68.0	50	22	31	32
Revúca	96.0	32.0	30.1	34	14	33	47
Rimavská Sobota	184.0	56.5	70.0	58	39	31	56
Rožňava	133.0	46.0	40.8	46	18.5	35	45
Ružomberok	83.0	24.0	30.5	29	12	29	39
Senica	141.0	48.0	51.0	42	17	34	33
Spišská Nová Ves	217.0	64.5	87.0	66	34	30	39
Stará Ľubovňa	89.0	24.0	27.0	38	10.5	27	39
Stropkov	89.0	29.0	25.5	35	10	33	39
Topoľčany	102.0	28.5	33.8	40	10	28	30
Trebišov	190.0	67.0	71.2	52	35	35	49
Trenčín	159.0	40.0	67.0	52	19	25	28
Trnava	137.0	37.0	54.5	45	14	27	26
Veľký Krtíš	94.0	29.0	31.9	33	15	31	47
Vranov n. Topľou	142.0	49.5	46.0	47	22	35	48
Zvolen	175.0	57.0	58.8	59	21	33	36
Žilina	218.2	54.0	96.0	68	33	25	34
<b>Total</b>	<b>7,106.7</b>	<b>2,196.5</b>	<b>2,600.2</b>	<b>2,310</b>	<b>935</b>	<b>31</b>	<b>36</b>

*Note:* Data reflect time allocation in the budget, the actual number of staff in the Labor Office might differ.

*Source:* CoLSAF (based on benchmarking database).

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## **Annex 4: List of interviewed persons during the field visits**

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### **Ministry of Labor, Social Affairs and Family**

Ms. Zuzana Poláčková, Director General, Section for ESF Management  
Mr. Vladimír Bořík, Evaluation Manager, Section for ESF Management  
Ms. Mária Nádaždyová, Director General, Section of Social and Family Policy  
Mr. Martin Vavrinčík, Department of Socially Excluded Communities  
Ms. Silvia Gregorcová, Section of Social and Family Policy  
Ms. Beáta Alfoldiová, Analytical Center  
Ms. Zdenka Lašová, Department of Social Inclusion and Assistance in Material Need Department

### **Center of Labor, Social Affairs and Family**

Mr. Marcel Schwartz, Director, Section of Employment Services  
Ms. Oľga Koštrnová, Section of Employment Services  
Ms. Elena Komínková, Section of Employment Services, Department for active labor market policies  
Ms. Zdenka Klasová, Deputy of Director General of the Section of Social Affairs and Family  
Mr. Vladimír Karaba, Advisor to the General Director for Informatics  
Mr. Martin Vido, Section of Informatics  
Ms. Danica Kelečinová, Section of Informatics  
Mr. Ján Lakota, Section of Informatics  
Mr. Jozed Ďurian, Former Head of Human Resources

### **Labor Offices**

Ms. Monika Šeďová, Director, Labor Office Rožňava  
Employees from Section of Employment Services and Section of Social Affairs

Ms. Beáta Horváthová, Director, Labor Office Košice  
Employees from Section of Employment Services and Section of Social Affairs

Ms. Csilla Onódiiová, Director, Labor Office Nové Zámky  
Ms. Ingrid Tarrová, Head of Social Affairs Section  
Ms. Marta Ladzianska, Head of Employment Services Section

### **Municipalities**

Mr. Ján Chanas, Mayor, Gemerská Poloma  
Ms. Grešková, Mayor's Assistant for Social Affairs  
Ms. Hráliková, Coordinator of Small municipal works

Mr. Peter Bollo, Mayor, Krásnohorské Podhradie

### **NGOs**

Mr. Yves Nicolas Ogou, Director, Agency for Supported Employment SOMOTOR  
Psychologist working for the organization  
Mr. Ján Juhász, Mayor, Somotor  
Ms. Viera Záhorcová, Agency for Supported Employment in Bratislava

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Ms. Marta Ficzová, Red Cross, Nové Zámky  
**Businesses**

**US Steel Košice:**

Mr. Ján Bača, Director for Public Affairs  
Mr. Martin Pitorák, Vice-president for Human Resources  
Mr. Gabriel Kadar, Director for Recruiting & Selection  
Ms. Elena Petrášková, Vice-president for external services and relations

**Other**

Ms. Ivana Bednáríková, Owner, Sheltered Manufactory





<b>incentives</b>										
	disadvantaged jobseeker									
§ 50	Contribution for employing disadvantaged jobseeker	1 016	2 502 801	128	287 325	236	510 211	523		1 196 440
§ 50a	Contribution for the support of retaining an employee with low wages	820	2 964 567	1 502	5 847 572	3 112	12 740 462	4 357		18 522 207
§ 50c	Contribution for the support of creating and preserving jobs in an social enterprise (created jobs/preserved jobs)	0	0	437	2 732 523	383	2 049 712	187		1 087 714
§ 50d	Contribution for the support of preserving employment	0	0	38 197	2 555 404	30 140	2 297 832	569		413 291
§ 50e	Contribution for the support of creating a new job (§50e is cancelled from 1. 1. 2011,)	0	0	6 559	20 822 633	3 408	8 504 784	-		-
§ 50f	Wage subsidy for an employee (§50f is cancelled from 1. 1. 2011,)	0	0	156	143 286	207	292 412	-		-
§ 50i	Contribution for the support of regional and	-	-	-	-	5 376	18 014 552	3 724		11 897 398





	sheltered workshop or sheltered workplace												
§ 57	Contribution for operating or performing self-employment to disabled citizens	337	2 471 561	439	3 580 255	599	5 071 910	523				4 613 433	
§ 59	Contribution for Activities of the assistant at work for disabled citizens	159	858 178	275	1 622 147	346	2 327 023	369				3 487 485	
§ 60	Contribution to cover operating costs of the sheltered workshop or sheltered workplace and employees' transport costs	6 592	11 842 725	12 668	9 186 743	17 844	11 131 871	20 886				13 369 714	
§ 55a	Preparation for work of a disabled citizen – disabled jobseekers, persons interested in employment and employees	0	0	0	0	42	46 630	0				0	
§ 57a	Contribution for the renovation and technical improvement of tangible property of a sheltered workshop or sheltered workplace	0	0	0	0	0	0	-				-	
§ 52	Contribution for activation activity in the form of minor	166 630	27 768 303	36 459	5 729 467	51 541	7 861 387	21 497				4 231 554	
<b>6. Direct job creation</b>													





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