

### **PES to PES Dialogue**

## The European Commission Mutual Learning Programme for Public Employment Services

DG Employment, Social Affairs and Inclusion

### **PES PAPER**

Peer Review "PES approaches to low-skilled adults and young people: work first or train first?"

Lithuania, June 2013

**National Labour Office, Hungary** 



"PES approaches to low-skilled adults and young people: work first or train first?" Peer PES Paper, Hungary



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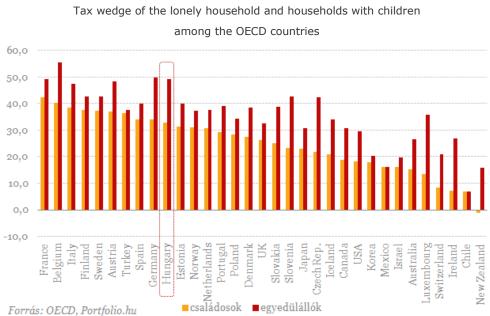
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### Labour market situation of low-skilled adults and 1. young people

### What is the situation of low-skilled individuals in the labour market?

The employment gap between the low-skilled (ISCED 0-2; 26.7%) and all-ISCED level (57.8%) employment rate is 31% (EUROSTAT, 2013, age 15-64, LFS) in Hungary. The gap is 11% larger than the EU average. Since the change of the regime (1989) Hungary has been faced with the problem of low labour market participation rate concerning lowskilled young jobseekers and adults. During the transition period (1990-1995) the collapse of the socialist heavy industry and fast privatisation destroyed most of the workplaces which were occupied by low-skilled employees. The activity rate of the lowskilled is 35.4% comparing with the 64.8% of the total (15-64ys.) rate. In 2013 there is 18.8% gap between the activity rate of the low-skilled in Hungary and the EU-27. The vocational training system was not able to follow the changed needs of the labour market. Compulsory minimum wage system and heavy social taxation on wages have been blocking the inflow of the low-skilled employees to the labour market. The tax wedge for the single households is significantly higher than the OECD average (49.4% in Hungary, 35% OECD average) in the meantime employees with one or more child received 4-5% tax relief in 2010-2011 so the taxation of families with at least two children is around the OECD average.



Char 1

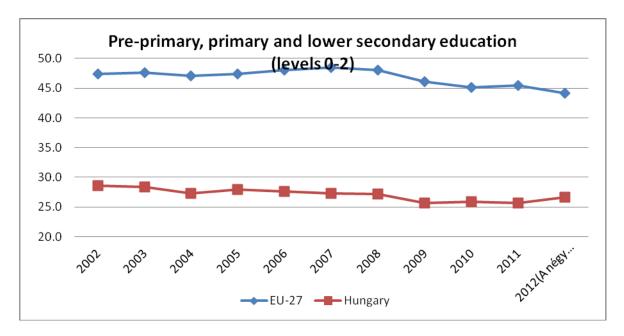
The current overall unemployment rate is 11.6% (according LFS) at 0-2 ISCED levels it is 24.6%. Based on the Hungarian PES register (2013) 40.3% of the registered job-seekers are low-skilled. Currently 225 000 registered job-seekers are looking for vacancies at ISCED 0-2 levels. Out of them 25 000 are under the age of 25 and can be the target audience of the youth guarantee programmes, and 28 000 are above the age of 55. 70%

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of the registered low-skilled job-seekers are in the register at least for 12 months. There are no real inflow to the PES register at ISCED 0 level, at ISCED 1 level 32.8% (2012) of the registered job-seeker were in the register more than a year. This figure was significantly higher during the last four years (2009; 46.9%).

Chart 2
Employment rate of the low-skilled (ISCED 0-2) in Hungary and EU-27; 2002-2012



### 1.2. What are the factors influencing the situation of low-skilled people in the labour market?

During the transition period (until mid-90's) of the Hungarian labour market the Hungarian Public Employment Service as a new governmental body was often visited by all types of employer, the market share of the PES was significant. As the result of the fast privatisation and permissive old age and disablement pension systems a huge number of the low skilled labour force left the labour market. Reactivation polices –based on the heavier burden on the pension and social security systems- have been emerging in the last years. A new governmental institute (National Rehabilitation and Social Institute) is responsible for the review of the disabled pensions.

Since the end of the 90's –based on the changing structure of the registry- mostly low skilled vacancies were reported. Before the break up of the current fiscal crisis the Hungarian PES was the main recruitment agency of the low-skilled vacancies in the country. Since 2011 the PES is the main delivery agency of the government National Public Work Programme, 75% of the vacancies are related to subsidised work. Half of the vacancies were offered for low-skilled.

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## 2. Services for low-skilled adults and young people: overall strategy and approach

### 2.1. What is the overall approach to the delivery of services to low-skilled adults and young people?

PES services and the method of registration are based on the Act on Unemployment (1991. IV.). It does not describe positive discrimination for the low-skilled. However several labour market programmes and measures have been introduced for this group. Recently START EXTRA tax relief programme targeted low-skilled (no more than primary school education, with 8 classes). It allowed the employers to pay 0% social tax for the first year of the employment and 10% during the second year (the full rate is 27%). The programme was terminated last year as the new national Job Protection Plan (JPP, see next section) was launched from 1<sup>st</sup> of January 2013.

At the national level centrally planned ESF founded employment programmes (SROP Measure 1.1.2./1.1.4) are also open for low-skilled adults and young registered job-seekers. Public works (see details below) attract many low-skilled job-seekers too.

The head office of the PES and country offices also have outsourced agreements with NGOs with special know-how working with low-skilled clients.

### 2.1.1. Do legal activation rules/regulations make a distinction between lowskilled and other job seekers and between low-skilled young people and adults?

The Unemployment Act does not make a distinction between different clients as all citizens (PES services are open for every client not only for registered job-seekers.) have a right to ask for the assistance of the PES. It means that citizens have an option to use and mobilise all types of services (e.g. placement, job club, employment counselling, mentoring, etc.) of the PES without receiving benefits or have access to active measure. Career starters cannot apply for job-seekers benefit (which is insurance based) but can ask for employment substitute allowance (FHT, which is means tested) from the local authorities.

The staff of the PES do not have specialised training on low-skilled jobseekers. Low-skilled career starters were always a main target group of the Hungarian PES, career advisers were trained to work with them, placement officers/ case managers have not received special training. From 1<sup>st</sup> of January 2013 career starters (including low-skilled young people) are one of the main target groups of the Job Protection Plan. This plan is at the national level: it is a tax-relief programme targeting the employers and covers existing as well as newly hired employees. It offers two-year full relief on employer's contribution up to the HUF 100.000 (EUR 330) monthly gross wage. For the unskilled labour employers pay 14% employer's social contribution instead of the 28.5% overall figure.



### 2.2. What types of special measure does the PES offer to (unemployed and employed) low-skilled adults and young people and how effective are they?

Type of measure	Offered? (yes/ no)	For which group (adults, young people or both)?	Brief operational description of measure	Year introduced	Year aboli shed	Effectiveness of measure (scale: 1 = not very effective, 5 = very effective)	Reasons for effectiveness or ineffectiveness
Sanctions	Y	all	based on the Unemployment Act registered must accept offered vacancies,	1991		3	the duration of the job-seekers allowance is only 3 months; therefore there is no time for sanction
National tax relief programme for employers – National Job Protection Plan	Y	for unskilled, young mothers, 55+; youth (under 25) and long term unemployed	New national incentives of the government; it offers different level of employers' contribution reliefs (between 0% and 14%)	October 2012/ come into force 1 <sup>st</sup> of January 2013		there was no time for evaluation as it was introduced 3 months ago only	
Work-first approaches – National Public Work Programme	Y	registered clients who exhausted the jobseekers allowance	Since 2011 public work is offered for all registered clients who run out of job-seekers allowance and entitled only to employment substitute allowance	2011 (predecessors were introduced first in 2001)		4	Based on empirical studies (Csoba et al. 2010) public work has strong activation effect under the age of 25, and weaker effects in the 45+ groups, In 2010 32.1% (Csoba 2010:18) of the public workers found vacancies, 6.1% found vacancies in the open market. Based on the recent internal monitoring of the PES in 2011-12; 10-27% of the public workers found vacancies in the



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							market. (NFSZ, 2013)
Train-first approaches e.g. training	N	young unskilled adults (under the age of 35 without qualification)	-The earlier public work programme (called: "Pathway to work") described under 35 year, unskilled group as a primary target for training, for them trainfirst approach was used.	2009	2011	2	-general training itself (very often participant finished only primary, compulsory schooling, grade 7-8) was not enough to return to the labour market.
Services and measures to prevent low- skilled from being made redundant	Y	a) all registered and employees in case the employer previously notify the PES on layoff b) keeping the job post cannot be guaranteed without further training of the low skilled employee	Training as an ALMP and career guidance are available for specified client groups if employers notify the PES	1991		4	Based on the monitoring date preventive actions (mainly training) were more successful than other measures
Other services or measures e.g career guidance or specialist guidance for low-skilled, specialist counsellors etc.	Y	career guidance, mentoring etc. are all offered for these target groups		1993 and ongoing		3	Effectiveness of these services are higher if the PES can offer these jointly with ALMPs, career management skills are not widely understood as tool for improving employability

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### 3. PES services and measures for low-skilled adults and young people

# 3.1. Does the PES offer services and measures to prevent low-skilled individuals from being made redundant? What types of services are offered, which kinds of measures are funded and how successful have these been in different areas (ideally based on performance measurement)?

Preventive ALMP tools are open for all employees. As an ex-ante criterion employers must inform the PES about the current situation within the company, if the employment can be retained with the mobilisation of active tools it can be financed from the National Labour Market Fund. In 2012 employers got this measure for 728 employees. Preventive measures are most frequently training and further training.

PES is also responsible for career fairs, in 2012 78,800 primary school students attended these events, 1128 received individual career guidance.

## 3.2. Is the basic approach underpinning the PES concept for unemployed low-skilled individuals one of 'work first' or 'train first'?

Since 2011 work first approach has been heavily used in the PES. It means that officers must offer vacancies first at the open market if these vacancies are not available public work should be offered. Low-skilled registered can also ask for training, special measures, financed by the ESF, are available at national level, managed by the PES county offices. (Social Renewal Operative Programme - SROP Measure 1.1.2./1.1.4.)

## 3.3. Is a different approach used for low-skilled adults in comparison to low-skilled young people? If so, please explain which approach is taken for which group.

Low-skilled young people are often not entitled to job-seekers benefit but may apply for employment substitute allowance (FHT) from the local authorities, if this is the case young beneficiaries must cooperate with the local PES office, work and or training can be offered for them.

### 3.3.1. Why was this approach selected and has this changed during the last three years?

Since 2011 the work first approach became the main element of the government labour market policy. Since the mid-90s there is a significant lack of workplaces within the forprofit sector; mass training of the job-seekers during the last 1.5 decade did not cure this problem. The demand side of the labour market remains in a weak position. The current government redesigned the national labour market policy; public work programmes were designed and supervised by the Ministry of Interior. In 2012 311 511 unemployed got involved in public work programmes, on average, 91.000 public workers were employed during the whole year in 2012. Last year the Hungarian PES worked with 1 386 525 registered job-seeker (cumulated gross number) 22.5% of them were involved

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in public work programmes. Based on the monthly closing stock data 10.1% of the registered were involved in public work.

## 3.4. If a 'work first' approach is used to integrate low-skilled adult and/or young jobseekers, please describe the approach taken, specifying what approach is taken for which group.

Work first approach is a universal policy within the PES, at the moment there is no special policy for young people, although the ESF founded SROP Measures 1.1.2./.1.1.4 offers a wide variety of active labour market policy tools. For career starters and other participants of these programmes tailor-made solutions have been offered. Case managers (employment counsellors) at the local offices are responsible for the first interview. These programmes have national and county level set targets including relevant active measures. The Ministry of National Economy has been collecting data at national level and the number of involved low-skilled is one of the criteria.

## 3.4.1. Is the emphasis placed on the first available match or is attention paid to matching with future development and training opportunities (with or without PES assistance) to ensure the sustainability of work?

Registered job-seekers must accept any type of available jobs and the qualification requirements of the vacancy does not correspond with the job-seekers' educational background. Based on the outcomes of the first show-up at the local offices case managers (employment counsellors) could suggest training first for those who have no qualification or did not finish compulsory primary education (grade 8).

### 3.4.2. What support/encouragement is offered to employers to provide opportunities to low-skilled workers?

Tax relief is available as part of the national Job Protection Plan. PES is also responsible for its own active measures based on the Employment Act. Smaller employment and social programmes -carried out by NGOs- also offer follow-up and mentoring services for the employers and low-skilled as well.

## 3.5. If a 'train-first' approach is used to integrate low-skilled adult and/or young jobseekers, please describe the approach taken, specifying what approach is taken for which group.

Under the national ESF programmes train first approaches also exist. Staff at the local offices are responsible for identifying the best tailor-made solution for the client. ESF founded SROP Measure 1.1.2/1.1.4 (for the convergence region) have a detailed guide agreed by the Ministry of National Economy. It describes compulsory steps and indicators for the local offices. Bridge programmes (HÍD I. II. are described in the new Vocational Education Act (2011) and in the New Compulsory Education Act (2011). Bridge I. will help those who did not finished compulsory primary education. PES is not responsible for these programmes.

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## 3.5.1. How does the PES identify which individuals are suitable for training and which training is right for whom? What is the role of personalised services in this?

There is a heavy burden on the local officers when making the first interview. Although national targets are available and PES internal, national guidelines have been developed assessment still usually happens during the short interview (10-15 minutes) at the local offices. Some offices also have guidance professionals, distinguished from the case workers. In some cases the front-line staff ask for an additional interview from the guidance professionals before making the final decision for the client. Case workers have to take into consideration the job-seeker's age, gender, the situation at the local labour market etc.

### 3.5.2. What support is provided during training by the training provider to ensure the training is successfully completed?

Training programmes are usually combined with mentoring and sometimes career guidance related activities. However the PES does not have sufficient staff to provide these services and usually outsourced service providers or the training company guarantee these.

Planning and management of measures

## 3.5.3. How does the PES link provision of training to an assessment of current/future labour market requirements? And what are the preferred sectors and occupations for training?

PES has a yearly survey on employers' needs, it covers 7 000-8 000 companies and 500 000 employees, carried out jointly with the Hungarian Chamber of Commerce and Industry to evaluate the labour market needs. The yearly planned training activity of the PES is based on these and other figures. Since October 2012 19 county councils had been founded (MFKB) including the PES, employers, chambers representatives. These councils suggest different training needs at the county level, finally the minister for national economy have a right to make decisions.

#### 3.5.4. Is employer involvement a pre-condition for training to take place?

According to the Employment Act preventive training can be obtained this way. Other training is usually not linked to an employment opportunity, but employers also have a strong voice in the county councils for county development and training.

### 3.5.5. What type of training is offered for which categories of jobseekers?

PES offers both types of training; full VET training and short term CPD. The average length of the training programmes can vary between 3 months up to one year. The offered training possibility depends on the labour market needs and the national targets as well as the outcomes of the first interview.

### 3.5.6. What are incentives for job search within the training? Are any measures in place to ensure jobseekers are not hooked into training if a suitable job

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### becomes available or is the emphasis on the completion of training? Does the training include internships and job search assistance to bridge the transition from training to employment?

In the event that the job-seeker can show up an open ended contract the training can be terminated without sanctions. This is not the case with fixed term contracts or internships.

Training programmes usually include guidance related activities as well. Job-search technique, career guidance sessions are incorporated.

### What are the main challenges in the integration of low-skilled job seekers?

- weak basic/ generic skills,
- low level of motivation,
- often insufficient knowledge about legal and political institutions, society and labour market as general topics.
- 3.6. Based on your experience (ideally backed up by details of integration rates where applicable, including those after 6 months if available) what works best for which category of low-skilled job seeker? What factors ensure a fast and more sustainable integration of low-skilled job seekers? What works best in encouraging employers to offer opportunities?

Combination of the different active measures with guidance and mentoring show better results. For low-skilled job-seekers basic vocational training combined with work experiences (e.g. public work) look effective. Peer-helping groups such as job-seekers clubs etc. also show better results than single ALMPs. Employers often look for wage subsidies and since the last modification of the public work frame also look for public workers in the open market.

### 4. Partnership working to support low-skilled adults and young people

4.1. Are services and training measures for low-skilled adults and young people delivered in-house by the PES or are part or most of these contracted out to private or third sector/other public service providers (and if so, which)? What is considered to be the added value of external provision (what can external providers offer that PES cannot)?

Services are partly provided in-house and PES also mobilises outsourced capacities, mainly of NGOs. Internal and external provision of these services has both strong and weak points. The first contact with the job-seeker must be an internal one, and should be taken by the PES's own staff, only vocational rehabilitations and some other cases are exceptional. External service provision is usually more flexible and easier to adapt to the labour market needs.

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### 4.1.1 How do PES assess/quality control the delivery of these services?

There is a government edict since 2000 which regulates the market a new accreditation system has been under development. Training and service providers regularly have to report to the head office of the PES and PES monitors the outcomes.

## 4.2. Is there co-operation with chambers of commerce / other employer representatives, or social partners at management level to ensure opportunities can be offered to low-skilled individuals?

Yes, the Hungarian government signed a long term agreement with the Hungarian Chamber of Commerce and Industry; employers also have opportunities for cooperation through work of the county development and training councils.

## 4.3. Is there co-operation with education and training providers, career guidance providers, municipalities, youth services etc at management level to reduce drop out and drive up qualifications?

Reducing the drop-out rate is one of the key objectives of the government also included in the EU 2020 national targets. Mentoring and career advice are often used as preventive tools. However there is no national PES policy on this issue, most of these outsourced capacities provide these types of services for VET schools and adult education institutes.

### 4.4. What works best to ensure good partnership working and in which areas do you see challenges for the future?

- share the activities between education and employment services, actors
- further develop local partnerships
- develop the work of the skill councils
- develop and rewrite the mission statement of the PES
- task developments of the new national institute which from 1<sup>st</sup> of January 2013 is responsible for all primary and secondary schools in the country (KLIK; Klebersberg Institute) http://klik.gov.hu/) and nationwide employer of the teachers; this institute is responsible for the regional/local school district and some elements of the already mentioned Bridge Programmes, in this sense will be an important partner for the PES.
- the role of the also newly established (2011) Türr István Training and Research Institute (TKKI; http://www.tkki.hu/page.php) will be important. It operates under the Ministry of Human Resources and has tasks concerning social integration, regional cohesion. These duties correspond with the further training and integration of the low skilled citizens including job-seekers.

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### 5. Monitoring and evaluation

### 5.1. What systems are in place for performance measurement and evaluation for low-skilled adults and young people?

PES has been using a management by objective system; it provides data at national, county and local levels. Targets for county and local levels have been negotiated each year. The performance of the different PES units is linked with national and ESF targets. The internal monitoring system of the PES has been using ISCED categories these information are available for the management by request.

## 5.2. What the main indicators used in evaluating the effectiveness and efficiency of services and measures for low-skilled adults and young people?

After every active measure there is a 6 months follow-up, it partly uses questioners and data available from the tax office. Success rate evaluation based on the earlier set national and county level targets.

- **5.3.** What have been the main evaluation results in recent years? Based on the fresh results of the Youth First Employment Programme 2012 wage subsidies are not effective enough without different follow-up services (e.g. mentoring).
- 5.4. Have these results led to any changes or are changes being considered in the organisation and delivery or services to improve the labour market situation of low-skilled adults and young people?

Based on the emerging needs of the low-skilled and especially Roma integration, regional cohesion a new national institute was set up for these tasks (Türr István Training and Research Institute: TKKI). Further, newly designed ESF labour market programmes are covering the needs of these target groups many of them are not managed by the PES. (e.g. SROP Measure 5.6.3. – "complex (Roma) settlement programme"; SROP Measure 5.3.1.B – "second chance for low-skilled women" etc.)

### 6. Conclusions and questions

### 6.1. What lessons have you drawn from your experience and what are your main challenges, tasks, plans for the future?

- time request for individual care vs. work and administrative burden on the local offices:
- institutional and legal changes and the necessary needed time for adaptation both the staff of the PES and the clients;
- link local results with national targets through the MbO system

### 6.2. What would you most like to learn from PES in other countries?

What type of internal training do you provide for the front-line staff to deal with the "language" of the youth and low-skilled?

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- How do you link your daily work with other governmental and non governmental agency?
- How do you convince employers to hire low skilled workforce?

## 6.3. In the Peer Review discussions, on which of the following topics would you most like to focus and what would you most like to learn from others?

Topics	Importance of the topic (scale: 1 very unimportant, 5 = very important)	What would you most like to learn from others in the topic(s) you are most interested in? (maximum three bullet points)
PES services for low- skilled workers: overall strategy and approach	2	<ul> <li>link PES mission statement with the focal points of the different target groups</li> <li>develop the links between different chapters of the PES strategy and the development of MbO system and New Public Management</li> </ul>
Train-first approaches	2	<ul> <li>targeting preventive training</li> <li>role of training concerning public work and transit work programmes</li> </ul>
Work-first approaches	5	<ul> <li>good practices on work first approach and evaluation of these practices</li> <li>experiences on large scale public work programmes and transit work programme, link between the two</li> </ul>
Partnership with employers and other actors	4	<ul> <li>How to get the employers' long-term labour market needs and negotiate between the employers and school system,</li> <li>national experiences of the Sectoral Skill Councils</li> </ul>
Monitoring and evaluation	4	<ul> <li>how to develop horizontal database on the follow up with local municipalities, PES, education authorities</li> <li>experiences on individual learning account and use of them for evaluation policies.</li> </ul>