

Active labour market measures in Slovakia

1. Introduction

Active labour market measures became part of labour market policy in Slovakia in 1991. Since then active labour market policies (ALMP) underwent several organisational and institutional changes. As a key component of public employment services, ALMPs are since 2004 regulated by the Act on Employment Services (5/2004 Coll.). According to the law, active measures are designed for registered job seekers, job applicants and persons in employment (employees and self-employed). Within specified measures, support is granted to employers (e.g., for hiring a job seeker). Activation programmes assume a number of objectives; notably, they aim at improving re-integration chances of unemployed, supporting job creation in the public and private sectors, and preserving existing employment.

Although expenditures for ALMPs (0.15 % of GDP) are substantially below the EU/OECD average (EU27 0.46 %, OECD 0.41 %¹), monitoring their impact is essential at least for three reasons: (i) it facilitates control of efficiency of public spending and helps to form their acceptance in the society, (ii) enables to monitor their real impact on employment and employability of participants, and (iii) should provide crucial feedback for decisions about changes leading to their improvement.

The need to monitor ALMP efficiency has been acknowledged by Slovak governments for many years already², but in actual fact has not been paid enough policy attention so far. Statistics and records administered by the Central Office of Labour, Social Affairs and Family (hereinafter Central Labour Office or CLO) focus on two main categories of indicators – participants and expenditures (both categories broken down by programme and other parameters to align with the international Labour Market Policy database). For the purpose of the LMP database and ESF supported project evaluation procedures, the CLO keeps track of partial indicators since 2004 (and/or 2008), which give some indication about the labour market position of participants after termination of a particular programme. Information is gathered mainly from registers (e.g. tradesmen register) and/or labour office records. However, this is not a coherent information or evaluation system, which would make systematic assessment of macro and micro effects of ALMPs possible.

An analysis carried out by the Financial Policy Institute of the Ministry of Finance in 2010 (Harvan, 2010) is hitherto an isolated attempt to measure the net impact on employment and economic efficiency of selected ALMPs. Using a quasi-experimental scientific method of comparing participation with non-participation based on administrative data and the labour force survey, the study arrives at conclusions similar to foreign evaluations and finds that two analysed programmes – community activation works and graduate practice – had very little (or even negative) impact on the participants' chances to get into a job after the programme period. Effectiveness of the

¹ Source: Eurostat/OECD LMP databases (categories 2-7), 2008 data.

² For example, the National Action Plan for Employment 2002-2003 stated that it is necessary "to evaluate programme efficiency based on resulting employability of participants, their retention in employment, and application of acquired knowledge and skills."
<http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=3300>

policies from a macroeconomic prospect is doubtful at best. The study makes a valuable contribution with a decent review of existing international evaluation literature.

Apart from the above mentioned activities there is practically no analysis and/or evaluation of ALMP efficiency available. This fact is highlighted also in a recent project coordinated by the Education Centre of the Ministry of Labour, Social Affairs and Family³, suggesting in one of its outputs (Infostat-Trexima, 2010) that:

- there exist no studies assessing the macro- and micro-effectiveness of ALMPs and particularly the net (causal) effects of active measures on employment and income of participants⁴;
- labour offices do not implement a systematic monitoring of post-programme position of participants for a longer period of time;
- the information system operating in labour offices does not meet technical requirements for such as an assignment.

2. Review of existing activation policies and specific conclusions

In view of the status quo and the time and capacity limitations defining this report, an in-depth assessment of the impact and efficiency of active labour market measures is not possible. The author thus makes an attempt to assess ALMPs by way of an alternative non-exact approach, making use of available information and data, interviews carried out with CLO and MOLSAF representatives, foreign evaluation experience and a subjective educated guess.

Table 1 gives an overview of main ALMP indicators for 2008 and 2009.

Table 1 Main indicators of active labour market policies (2008-2009)

Measure (Articles pursuant to the Act on Employment Services)	2008			2009			1H/2010			LMP category *	Recipient
	Number of participants and/or jobs	Expenditure (€)	Expenses/ participant and/or job	Number of participants and/or jobs	Expenditure (€)	Expenses / participan t and/or job	Number of participants and/or jobs	Expenditur e (€)	Expenses/ participant and/or job		
§ 32	3 207	32 567	10	4 901	49 103	10	3 088	29 830	10	1.1.1	Job seeker
§ 43**	658	8 312	13	2 648	45 850	17	1 326	20 495	15	1.1.2	Job seeker, job applicant
§ 46	12 143	3 725 447	307	17 924	5 841 205	326	3 189	1 255 136	394	2	Job seeker, job applicant
§ 47***	13 863	8 501 070	613	29 921	23 008 670	769	17 044	14 052 997	825	2	Employer
§ 48b	1 693	401 026	237	1 066	251 399	236	60	15 309	255	2	Job seeker
§ 49	12 096	33 516 119	2 771	12 870	39 383 574	3 060	8 501	27 164 251	3 195	7	Job seeker
§ 49a	65	33 415	514	252	136 393	541	109	61 802	567	4.1	Job seeker
§ 50	1 016	2 502 801	2 463	291	287 325	987	91	153 971	1 692	4.1	Employer
§ 50a	820	2 964 567	3 615	1 579	5 847 572	3 703	1 571	6 092 157	3 878	4.1	Employer
§ 50bc	-	-	-	453	2 732 523	6 032	272	1 247 279	4 586	5.1	Employer
§ 50d	-	-	-	38 197	2 555 404	67	17 482	1 788 170	102	4.2	Employer
§ 50e	-	-	-	6 738	20 822 633	3 090	3 589	8 082 431	2 252	4.1	Employer
§ 50f	-	-	-	156	143 286	919	123	141 110	1 147	4.1	Employee
§ 50g	-	-	-	3	2 509	836	0	0	0	7	Job seeker
§ 50h	-	-	-	0	0		0	0	0	7	Job seeker

³ National project XXI-2 Indicators and evaluation system of active labour market measures in the Slovak Republic, <http://www.cvmprsvr.sk/XXIindexSVK.php>

⁴ A study by Martina Lubyova and Jan C. van Ours from 1998 may be regarded an exception, examining certain effects of retraining programmes.

Slovakia

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§ 50i	-	-	-	-	-	-	3 758	12 361 579	3 289		
§ 51	13 435	2 961 248	220	11 764	12 178 020	1 035	10 093	9 863 615	977	4.1	Job seeker
§ 51a	0	0	0	0	0	0	0	0	0	4.1	Employer
§ 52	166 630	27 768 303	167	35 084	5 729 467	163	35 467	5 424 573	153	6	Employer
§ 52a	16 599	13 176 773	794	3 806	4 771 248	1 254	2 336	2 769 189	1 185	6	Job seeker, employer
§ 53	12 311	1 460 379	119	16 052	4 149 692	259	14 280	3 556 555	249	4.1	Employee, self-employed
§ 53a	6	2 726	454	42	30 746	732	21	19 867	946	4.1	Employee, self-employed
§ 53b****	0	0	0	6 (6 521)	37 682	6	7 (15 021)	204 987	14	4.1	Employer
§ 54	8 227	4 261 080	518	2 274	1 607 150	707	5 963	1 727 462	290	2	Not specified
§ 55a	0	0	0	0	0	0	0	0	0	2	Employer, training instit., individual
§ 56	739	5 241 730	7 093	1 417	11 284 044	7 963	821	6 994 996	8 520	5.1	Employer
§ 56a	189	104 007	550	297	459 186	1 546	173	436 260	2 522	5.1	Employer
§ 57	337	2 471 561	7 334	439	3 580 255	8 155	276	2 328 684	8 437	7	Individual
§ 57a	0	0	0	0	0	0	0	0	0	5.1	Employer, individual
§ 59	159	526 238	3 310	275	1 622 147	5899	177	1 202 168	6 792	5.1	Employer, individual
§ 60	6 592	11 842 725	1 797	12 668	9 186 743	725	8 619	5 212 836	605	5.1	Employer, individual

Notes:

* For a description of categories visit: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BF-06-003/EN/KS-BF-06-003-EN.PDF

** Joint compensations pursuant to Article 43 of the Act on Employment Services

*** Excluding contribution by the employer

**** In 2009 the contribution was granted to 6 employers, who organised transport to the workplace for 6,521 employees.

Source: Central Labour Office (2009, 2010), Infostat-Trexima (2010), author's calculations

Labour market policy statistics suggest that out of the total number of 18 activation policies in 2008 (excluding measures designed for disabled persons, i.e. rows in green shade) no more than 6 policies accounted for almost 90 % of the total number of activated persons and/or created jobs (with community activation jobs dominating the count). On the other hand, several measures utilised less than 1,000 participants, which may be considered an insignificant number given the total stock of unemployed and/or activated people. Similar findings apply to financial indicators, with the bulk of spending (82 % of total expenditures) directed to self-employment start-up support (§ 49), community activation works (§ 52), graduate practice (§ 51) and education and training of employees (§ 47). When looking at average cost per one supported person and/or 1 job created, the list of the most costly measures is lead by programmes involving a direct job creation. In 2009 the ALMP set-up was modified through the implementation of a special employment recovery package (from 1 March 2009 temporarily until end of 2010⁵), comprising 6 new and/or adapted⁶ ALMP tools. Only two measures from the package stirred up statistics to some extent (§ 50d, § 50e), while the controversial support for social enterprises merely joined the line of most expensive measures (§ 50b, c). Established pillars of ALMP remained practically unchanged⁷, complemented by a sizeable increase of the commuting allowance (§ 53). ALMPs are

⁵ The effect of one policy (§ 50d) has been extended till end of 2011.

⁶ Existing regulation of support to employment in social enterprises (§ 50b, c) has been relaxed.

⁷ A marked decrease in participation and spending on activation works by almost 80 % occurred in 2009, which is somewhat surprising, as such temporary employment programmes tend to be more utilised particularly in poor demand situations, such as the current crisis.

implemented mainly through national projects co-financed from the European Social Fund and the state budget.⁸ ESF co-funding ranges from 50 % in the Bratislava region up to 80 % in the remaining regions of Slovakia, thus having strong influence not only on financial but also organisational and contentual aspects of active policies.

The cited projects of the Education Centre of MOLSAF and the Financial Policy Institute of MF conclude based on comparisons of the international LMP database that:

- in spite of a significant increase of the ALMP budget over the past years, expenditures on active programmes amount to approximately one third of the EU27 average;
- spending calculated per one unemployed person remains ten times lower than the EU27 average, in spite of increased expenditures and a marked drop in unemployment in the past years;
- unit costs per participant account for roughly one fifth of the EU27 average, despite recent growth caused by increasing numbers of participants in higher-cost measures;
- the structure of expenses differs considerably from the European average, with direct job creation (37 % of total ALMP spending) and start-up incentives (35 %) being the most subsidised categories (against 7 % and 13 % for the EU27, respectively); contrariwise, a much smaller portion of expenditures is invested in education and training programmes in Slovakia (7 %, compared to 39 % in EU27);
- the previous statement applies to a great extent also to the structure of participants in respective programme categories;
- transfers granted to employers prevail over transfers to individuals (job seekers, employees, etc.).

It should be noted, though, that direct job creation includes in the case of Slovakia activation work in communities and voluntary services (§ 52 and § 52a), which rank among the mostly used ALMP tools. However, considering their function and set-up (no employment contracts), these measures can hardly be regarded as job creating policies. By way of providing temporary employment opportunities they rather seek to raise employability and provide income support mainly to the hard-to-integrate unemployed. Changes implemented in 2009 and 2010 will certainly affect also the composition of ALMPs in the LFS database (direct job creation is expected to decrease, while education and training, and recruitment incentives are likely to increase their share in the overall scheme).

In the following section particular measures are looked at in more detail. An assessment of the policy (where relevant and viable) is followed by suggestions for possible adjustments and improvements.

§ 46 Education and training for the labour market of a job seeker and job applicant

Education and training is in most advanced economies the key activation tool for unemployed. In spite of a noticeable increase in the last years, the weight of the

⁸ Active measures are implemented also via demand-driven (bottom-up) projects, co-financed from the ESF.

education component of ALMP in Slovakia is still very low by international standards. There are presumably more than a few reasons behind, both on the demand and supply sides, *among others*: an overall poor demand for continuing education in the adult population, which is manifested particularly among unemployed considering their less favourable educational and social background; reliance on initial formal education, which continues to be perceived as delivering sufficient education; an absent system of skills needs identification and thus a problematic adaptation of training programmes to actual labour market requirements, insufficient funds and reluctance among employers to invest in education of the workforce; national project administration and budget approval; etc.

Foreign evaluation literature, even if not unanimously, is pointing to relatively decent effectiveness of training courses (see, for example Duell-Grubb-Singh, 2009), although positive effects may not arrive instantly after programme completion (Harvan, 2010). A key issue for improving efficiency of training seems to be its targeting, in particular to reflect the needs of the local labour market. Other important aspects include programme organisation, timing (within the unemployment spell) and duration. There is little knowledge about these issues in the national context. CLO evaluation indicates a positive outcome of training programmes for as many as 42 % of participants in 2009, and specifically, for 14 % of disadvantaged job seekers (CLO, 2010). Results vary according to programme specialisation; training courses for blue collar professions tend to deliver poorest results in terms of post-programme placement of participants in the labour market.

Suggestions for consideration and recommendations:

- better target education and training to the specific needs of local employers (referring also to the need to launch monitoring of labour demand with a local focus, and early identification and forecasting mechanisms);
- get employers more involved in programme planning and assessment;
- keep training programmes smaller in scale and, as much as possible, tailored also to the job seeker's profile;
- address the lacking system of recognising training outcomes;
- examine the impact of different aspects on programme efficiency (participant profile, programme organisation (e.g. team and/or individually tailored courses), timing and duration, etc.).

§47 Education and training for the labour market of employees

This education tool is a subsidy provided to employers for general or specialised training of incumbent employees, aiming to address the shortage of funding for on-the-job training in the private sector. Such aid brings advantages for the employer and employee vis-à-vis competitors and involves thus a certain risk of infringing economic competition. Disadvantaged employees⁹ accounted for 15.8 % of persons taking part in

⁹ According to the Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty, a disadvantaged worker means any person who has not been in regular paid employment for the previous 6 months; or has not attained an upper secondary educational or vocational qualification (ISCED 3); or is over the age of 50 years; or lives as a single adult with one or more dependents; or works in a sector or profession in a Member State where the gender imbalance is at least 25 % higher than the average gender imbalance across all economic sectors in that Member State, and belongs to that underrepresented gender

the programme in 2008; in the crisis year 2009 their share increased to 23.3 %.¹⁰ It is debatable whether these figures substantiate the spending of enormous public funds for a group of private sector employers.¹¹ In addition to the risk of distorting competition, there is also a relatively high risk of deadweight losses.

Suggestions for consideration and recommendations:

- reassess co-funding ratio (currently at ESF/national budget 75 % : employer 25 %)

§ 49 Contribution for self-employment

Start-up support in the form of a one-off financial contribution provided to job seekers to start a self-employment job is generally viewed as one of the most successful activation tools in Slovakia. The underlying reason for this belief is the fairly high number of participants and the fact that it is one of the few ALMPs where job seekers drop out of the unemployment register instantly (for 2 years at least). CLO evidence suggests that failure (jobs closed before the lapse of the agreed 24 month period) is relatively low and post-programme retention in jobs quite decent. The policy shows more positive results for better qualified participants. However, little is known about the deadweight costs and substitution effects associated with the measure.¹² A revision of the law in 2009 made an attempt to minimise speculative behaviour and misuse of the programme by stipulating obligatory examination of skills acquired by the claimant in a special training and assessment of his/her business plan by a tripartite commission. The period after which a person can re-apply has been extended to three years. In spite of these changes, the risk that non-unemployed people register with labour offices just to get entitled to the subsidy is present.

Suggestions for consideration and recommendations:

- better target pre-programme training on self-employment business administration and review more closely the submitted business plans to assess potential entrepreneurial skills and prospects to survive in a competitive environment;
- reassess the high unit cost of the measure (currently, the contribution may be granted up to 45 % of the sum corresponding to 16 times the total monthly labour cost, what makes start-up support one of the most expensive ALMPs)

§ 49a Contribution to work-in a disadvantaged job seeker

A small programme introduced in 2008, intended as an employment incentive. The measure attracted just a bit over 250 participants in 2009, presumably due to weak incentives (allowance provided for 3 months only).

group; or is a member of an ethnic minority within a Member State and who requires development of his or her linguistic, vocational training or work experience profile to enhance prospects of gaining access to stable employment.

¹⁰ Source: CLO

¹¹ The Commission Regulation specifies sectors/recipients eligible for aid.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:en:PDF>

¹² Deadweight costs (or losses) are referred to when subsidies are provided to persons or employers who would start and/or create a job even without support. Substitution effects (or crowding-out effects) arise when supported persons crowd out those who are not supported; i.e. ALMPs redirect employment toward subsidised groups, at the expense of other, not supported, groups or jobs.

Suggestions for consideration and recommendations:

- cancel and/or merge with § 50

§ 50 Contribution to support employment of a disadvantaged job seeker

This is a typical programme of subsidised employment in the form of non-wage labour cost subsidy provided to employers for hiring a disadvantaged job seeker. CLO statistics show a strikingly decreasing number of hires falling under this policy in the last years (from 3,490 in 2006 to 291 in 2009). The main reason for the collapse is a significant lowering of the contribution (from 100 % of the total labour cost per employee and month to 30 % since 1 May 2008), combined with a relatively long period of 24 months during which the job has to be preserved. The already weak incentives have been further dampened by the downturn, forcing companies to restrict new hiring and reach out, if needed, rather for flexible contracts (e.g. workers leased from temporary work agencies) and/or contract tradesmen (CLO, 2010).

Suggestions for consideration and recommendations:

- combine with § 49a and § 50a;
- re-assess level of existing stimuli to provide reasonable incentives yet curb possible abuse;
- explore available options how to increase preparedness of disadvantaged job seekers for job take-up (e.g. by specialised training organised with the concrete employer and/or a training phase such as § 49a) and how to reduce the number of job closures after termination of subsidy period.

§ 50a Contribution for the retention in employment of employees with a low wage

Most of the aforementioned comments apply also to this wage subsidy. This new programme (in effect since 1 May 2008) attracted a slightly higher number of employers with full coverage of an employee's social security and health insurance cost for a period of two years. Like for most of such job-insertion subsidy tools, substitution effects should be considered when assessing the overall efficiency of the programme. There is also a certain degree of risk that the allowance is drawn for employing persons with higher than the stipulated wage ceiling of 50 % of the average wage in the economy (formally a low wage is paid out, the rest is paid in cash). Due to the short time in effect, it is not possible to examine how many jobs survive programme termination.

Suggestions for consideration and recommendations:

- merge with § 50

§ 50bc Support to employment of a disadvantaged job seeker in a social enterprise

This programme was introduced in 2008 but the first social enterprises were created in 2009 when eligibility criteria were relaxed as a part of the stimulus package.¹³ Unfortunately, this new policy did not attract attention with performance indicators but

¹³ The obligations of the founder of a social enterprise to employ disadvantaged job seekers (at least 30 % of staff), to invest part of revenues (at least 30 % of funds) into creation of new jobs, and to provide job-search support to employees to find jobs in the regular labour market are considered to be fulfilled (temporarily from 1 March 2009 to 31 December 2010).

rather with allegations concerning pilot projects¹⁴ of unauthorised use of structural aid in conflict with EU rules, competition infringement, and personal linkage with political representatives. The proclaimed flagship of the recovery package had a very small impact on employment at a very high unit cost (see table 1).

International experience and evaluation of social enterprises varies considerably. In most countries, where social enterprises build on a longer tradition, these establishments – typically third sector organisations and organisations of a cooperative type – fulfil a variety of social missions (local and community development, social services provision, work integration of disadvantaged groups, etc.). Work-integration social enterprises are long established in several EU Member States¹⁵ (Italy, Ireland, Belgium, Sweden), but usually they are not exclusively part of the ALMP scheme and in these terms not so generously subsidised as in Slovakia. Summing up, social enterprises play a rather minor role in ALMP.

In view of the failure of pilot projects and the damaged reputation of the entire programme, one can expect strong political resolution to abolish and/or substantially revise the policy.

Suggestions for consideration and recommendations:

- carry out a thorough and unbiased analysis of the failure of pilot projects and ensure that findings/implications are utilised for a revision of the "standard" programme;
- reassess the fields of activity of social enterprises and control mechanisms so that an infringement of economic competition and abuse is avoided;
- review the high cost of the measure;
- consider the drafting of special legislation for social enterprises.

§ 50d Contribution to support retention of employment

The contribution to preserve jobs threatened by the crisis became the most used measure of the recovery package. It involves temporary financial support (for maximum 60 days) provided to employers who have to reduce by at least 4 % the weekly working time of their employees, in the sum corresponding to social security and health insurance contributions paid by the employee and the employer. Based on positive figures and a relatively low cost, the government decided to extend the programme until end of 2011. The generally positive picture raises some questions about its efficiency. The policy itself is a passive measure¹⁶ with a relatively high risk of subsidising jobs which would be maintained anyway. To prove that jobs are threatened by redundancy, the employer has to submit a declaration on oath that the granting of the subsidy will prevent and/or restrict layoffs, and supplement a signed agreement with employee representatives specifying the reasons for restricted production. Although employers point to sizeable

¹⁴ Eight pilot social enterprises were established in 2008 within the direct competence of MOLSAF (not part of the ALMP scheme).

¹⁵ See, for example Defourny-Nyssens (2008)

¹⁶ This was one of the reasons why ESF funding for this measure was suspended in mid 2009. The measure is financed from the State budget through the de minimis aid scheme and a temporary aid scheme.

red tape associated with the application for the subsidy, the demonstration of the ultimate reason seems to be a mere formality.

Suggestions for consideration and recommendations:

- the measure does not fully conform to the scope and role of active labour market programmes;
- to minimise deadweight losses and abuse, a closer monitoring of employer behaviour should be pursued, yet at a reasonable administrative burden.

§ 50e Contribution to support the creation of a new job (in effect until 31 December 2010)

The main reason for the fairly high interest among employers for this subsidy, in comparison to existing measures, was the shorter period (12 months) during which the job had to be maintained. The CLO admitted in 2009 that the programme was misused by employers to re-employ previously dismissed employees. A directive was released to curb immediate re-employment, yet with unknown effect.

§ 50f Contribution to an employee's wage (in effect until 31 December 2010)

A temporary programme that captured little interest presumably due to specific requirements (disadvantaged job seeker finding by himself/herself a low-pay job).

§ 50g Contribution in support of self-employment (in effect until 31 December 2010)

§ 50h Contribution for self-employment in agriculture (in effect until 31 December 2010)

Both start-up subsidies from the recovery plan failed to attract any interest of job seekers. The presumable reason is an overlap with the existing self-employment support (§ 49); since the policies can not be combined, job seekers reasonably decide for the more rewarding existing contribution.

§ 50i Contribution in support of regional and local employment

The restoration of the public work scheme (temporarily until end of 2011) aims to revitalise employment at local level. Although it may be argued, for good reasons, that such public sector job programmes help unemployed to stay active and/or perform useful work in their community, the overall impact on later job prospects of participants tends to be minimal, as suggested by comparable job programmes put into practice in Slovakia and abroad. Another reservation concerns the high cost of the programme.

Suggestions for consideration and recommendations:

- cancel and/or connect with § 52

§ 50j Contribution in support of employment to prevent and eliminate the impacts of floods and emergency situations

The adoption of the most recent accession to the ALMP scheme was triggered by extensive floods, which afflicted large parts of the country between May and August 2010 and called for immediate policy involvement. Even though the measure is set to address emergency situations, the enactment of special provisions just for this purpose appears unnecessary.

Suggestions for consideration and recommendations:

- integrate a publicly subsidised temporary employment response to emergency situations into existing activation policies (e.g., § 52 and § 52a¹⁷).

§ 51 Contribution to the graduate practice

The only activation measure specifically designed for young job seekers belongs to the pillars of ALMP in Slovakia. The idea is to provide young job seekers, usually school leavers, with the opportunity to acquire and improve professional skills and practical experience in a real workplace. Young people show relatively high interest in participating. The programme seems to be attractive also for employers, especially state and public administration institutions.

CLO evaluates the programme as successful and effective, although at the same time acknowledges its modest impact on post-programme employment of participants (CLO 2010). Positive effects on participants' work experience are undeniable. However, available evaluation (e.g. Harvan, 2010) indicates that participation in the policy does not substantially improve employment prospects of young people and the net impact on employment tends to be very low.¹⁸ International evidence implies that ALMP programmes for youth usually produce less positive results than other programmes (Duell-Singh-Tergeist, 2009; Harvan, 2010). A common finding says that intensive follow-up of young participants after the training period is a key element of any efforts to raise programme success.¹⁹ Participants in graduate practice remain registered with the labour office during workplace training and may enter another active programme after its completion, but little is known about the organisation of a targeted follow-up strategy.

Given the importance of school-to-job transition, specific ALMP measures for young people, disadvantaged youths in particular, should be continued and even extended.

Suggestions for consideration and recommendations:

- ensure that insertion of young people in workplace training follows an integrated and (as much as possible) individualised strategy, including closer follow-up during and after programme.

§ 51a Contribution to support employment of job seekers who completed labour market education and training

¹⁷ Activation work in the form of a voluntary service refers to non-profit activities to combat natural disasters.

¹⁸ According to the IFP model, the chances of participants in graduate practice to get into employment were on average by 3.0 percentage points higher in the period 2006-2009 than chances of non-participants. (IFP 2010)

¹⁹ Martin (2000) summarises precepts for successful youth measures: (i) effective programmes have a close link to the local labour market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement; ii) they contain an appropriate mix of academic education, occupational skills and on-the-job training, ideally in an integrated manner; iii) they provide youths with pathways to further education so that they can continue to develop their skills and competencies; iv) they provide a range of supporting services, tailored to the needs of the young people and their families; and v) they monitor their results and use this information to improve the quality of the programme. In addition, early and sustained interventions are seen as crucial especially for disadvantaged youth.

The unused programme was discontinued as from 1 January 2011.

§ 52 Contribution for activation activity in the form of small community services
(community activation work)

The largest activation policy was introduced to integrate long-term unemployed rapidly into employment, even if only for a temporary period. Participants come mainly from the ranks of hard-to-place unemployed and social assistance recipients, for whom activation work is a means of income support. The product of the policy is temporary public work that aims primarily to support a daily work routine of participants and broaden their skills through learning-by-doing. Activation work does not involve jobs with an ordinary employment contract; participants remain in the register of job seekers during subsidy period.

CLO (2010) evaluations imply that as much as 36 % of participants in community activation work have been placed in labour market in 2009. However, such figures should be handled with caution, as the success rate at which activation work leads directly to regular unsubsidised employment is presumably very low. Harvan (2010) concludes, based on a comparative model, that activation work does not improve but worsens the employment chances of participants in comparison with unemployed non-participants (by -6.3 percentage points). Such findings tally with international evidence, which finds prevalently unfavourable results for comparable temporary public-sector job schemes. Evaluation literature points also to lock-in-effects when repeated participation is allowed. An important observation, relevant also for the activation work scheme in Slovakia, concerns the targeting and content of such jobs, which are usually scheduled in areas outside competition with the private sector and hence the relevance of the experience gained for private-sector jobs is relatively low (Duell-Tergeist-Bazant-Cimper, 2010). The strongest arguments for the continuation of such programmes are that disadvantaged groups stay economically active and perform useful work within their communities.

Suggestions for consideration and recommendations:

- carefully assess the potential employability, competencies and willingness to work of job seekers and social assistance claimants (activation work as the last option)²⁰;
- if possible, place the participant into an occupation or a sector corresponding to his/her qualification;
- examine the effects of employment incentives for social assistance claimants and harmonise regulation with the plans of an "intermediate labour market" programme;
- improve links between labour offices and municipalities in the organisation of activation work within so-called small community services (organised by municipalities without direct involvement of labour offices, co-funded also from ESF), which involve a higher risk of abuse due to lacking control mechanisms.

§ 52a Contribution for activation activity in the form of a voluntary service

²⁰ It should be noted that a new 3-zone approach applied by PES since 2010 addresses the identification of a job seeker's profile and his/her insertion in an appropriate programme. The new set-up of employment services should be closely monitored.

A new measure introduced in 2008 is the equivalent of ordinary activation work in the non-profit sector. As far as target groups are concerned, the measure has a more universal focus, with participation of hard-to-place persons being lower than in municipal activation jobs. Participants are granted a higher allowance, corresponding to the minimum subsistence level, which may involve some disincentives especially for the most disadvantaged groups to actively search for unsupported jobs. Non-profit providers are also entitled to a subsidy, covering part of the operating cost of the activity. The relatively low sum may be one of the reasons for decreasing participation rates.

Suggestions for consideration and recommendations:

- review incentives to employers and possibilities to get more participants from the programme into regular work.

§ 53 Contribution for commuting to work

The commuting allowance is attracting an increasing number of clients through a simple setting and eligibility criteria. By compensating part of travel costs, the measure aims at supporting labour mobility within commuting distance. The subsidy may be regarded as a form of income support to previously unemployed workers.

§ 53a Contribution for moving to work

With some irony, the moving subsidy may be labelled the evergreen of the Slovak ALMP scheme. In spite of a handful of claimants during the seven years in effect (with a short break in 2006-2007 when it was suspended), the measure remained in the ALMP scheme practically unchanged. The obvious reason for the poor outcome is the requirement to change a claimant's address of permanent residence. This involves not only the cost of moving and changing all necessary papers, but more importantly, relates to the obstacles of the housing market. Housing costs tend to be the highest in regions with lowest unemployment and high labour demand.

Suggestions for consideration and recommendations:

- cancel the programme or pilot a revised version which would accept temporary residence and a signed employment contract as sufficient eligibility proof.

§ 53b Contribution for transportation to work

Although relatively inexpensive, the programme resembles non-systemic selective aid to private-sector employers and involves a risk of distorting economic competition.

Suggestions for consideration and recommendations:

- cancel the programme, or restrict unlimited subsidy duration to provisional.

§ 53d Contribution for the creation of a new job

A special investment aid programme driven by the transposition of European legislation that does not contribute to the lucidity of the law.

§ 54 Projects and programmes

§ 55-60 Support to the inclusion of disabled citizens

The Act on employment services includes seven activation programmes for persons with disabilities (job seekers, employed and inactive persons). The measures comprise vocational training, sheltered work programmes, start-up incentives, direct job-insertion and mobility support. Available data suggest a promising increase of participants in the programmes. Nevertheless, there is very little feedback available about programme efficiency and particularly about resulting prospects in the open market.

Suggestions for consideration and recommendations:

- in close cooperation with associations and other interest groups of disabled citizens, review existing measures with the aim to improve the design, applicability and post-programme follow-up.

3. General conclusions and recommendations

In addition to specific comments, some general conclusions can be drawn with respect to possible adjustment of the ALMP scheme in Slovakia.

- *Make the ALMP scheme more lucid and practical by reducing the number of programmes.* There are a number of overlapping policies that could be integrated. Several measures are virtually unused and could be discontinued. A reduction of the intricate scheme could lead to improved cost-efficiency and reduced administration costs. ESF co-funding availability seems to encourage policy makers to include an increasing number of new measures. Stronger linkage between structural funding and assessment of programme efficiency would be desirable.
- *Stabilise legislation and ensure that programme assessment becomes the main instrument for policy adjustment.* The ALMP structure and creation is influenced by several factors (labour supply characteristics, external factors, national policy practices, European initiatives, etc.). Frequent ad hoc revisions of the employment services law impair the transparency and applicability of regulation. It would be advisable to reduce legislative amendments and make policy assessment the key factor of possible change.²¹ Policies should be designed to enable that even short-term and unforeseen changes are responded preferably with existing programmes.
- *Utilise existing evaluation experience, both national and international, for the development of a functioning monitoring and assessment system.* Non-existent evaluation culture in Slovakia is a major hindrance to policy improvement. There is sufficient experience with ALMP assessment available that could be used to develop a functioning evaluation mechanism. There is also a growing demand for international evaluation knowledge on active labour market policies, providing important feedback on programme efficiency, exchange of best practice and benchmarking.
- *Minimise the stigmatisation of disadvantage.* International evidence points to a risk of so-called stigma effects, arising when programmes are closely tied to the

²¹ In some countries (e.g. Switzerland), labour market policy evaluation is mandated by legislation.

characteristics of disadvantage.²² It seems to be productive to avoid where possible the branding of measures with "disadvantage" and synonyms.

- *Target activation programmes even more on vulnerable groups.* Irrespective of the previous conclusion, ALMPs should focus first and foremost on vulnerable groups (hard-to-place unemployed, disabled people, youth, elderly people). Programmes subsidising "independent" job seekers or incumbent workers should be of short duration, properly targeted and monitored for deadweight and substitution effects.

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²² Martin (2000) concludes based on international experience that the risk of stigmatisation of "disadvantage" may discourage the unemployed from availing of such schemes or convey a negative signal to potential employers concerning the expected productivity and motivation of the individual job-seeker in question.

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