

Creation of new jobs by wage support (temporary contracts)

ENCOURAGING JOB CREATION
FOR THE UNEMPLOYED FROM
DISADVANTAGED GROUPS

Information review: October 2015

HUNGARY

The employment level in Hungary is persistently low (in 2009 the employment rate of the 15-64 population was 55.4%, compared to 64.5% of the EU27) and particularly low among people who belong to disadvantaged groups.

The practice 'Creation of new jobs by wage support' is an active intervention to create new jobs and encourage employment of a broad range of disadvantaged people who are unemployed or at risk of unemployment (threatened by redundancy).

According to the evaluation evidence, the share of successfully employed participants was 77 %. Three out of four participants were employed immediately after completing the programme.

Name of the PES

Nemzeti Foglalkoztatási Szolgálat
National Employment Service

When was the practice implemented?

1991 – on-going

Which organisation was involved in its implementation?

National Employment Service (PES)

Which social groups were targeted by the practice?

Jobseekers:
 ▶ Long-term unemployed;
 ▶ Employed (threatened by redundancy);
 ▶ Youth;
 ▶ Older jobseekers;
 ▶ Disabled (physical) / Disabled (mental/psychological);
 ▶ Other – unskilled jobseekers, mothers with small children;
 All employers

What were the practice's main objectives?

The practice 'Creation of new jobs by wage support' is an active intervention to create new jobs and encourage employment of a broad range of disadvantaged people who are unemployed or at risk of unemployment (threatened by redundancy). The practice intends to promote employment of various groups facing difficulties in entering the labour market: low-skilled, career starters under 25 years of age, senior jobseekers (50 or more), unskilled and long-term unemployed, unemployed mothers with small children, disabled persons, etc. as well as senior and low-skilled employed people at risk of redundancy.

What activities were carried out?

The main activity is to provide financial support (wage subsidy) to encourage job creation for unemployed people belonging to various disadvantaged groups and to support disadvantaged (senior or low-skilled) employees at risk of redundancy.
 The employer receives a subsidy up to 50-100% of the employee's wages, for a maximum period of one year. They undertake the obligation to employ the person for the same period following the subsidy fulfilment. Local PES offices are responsible for overseeing the practice (in particular, whether the employers respect the terms and conditions of the subsidy).

What resources and other relevant organisational aspects were involved?

The local public employment offices are responsible for the management of the practice. Employers declare their availability for employing disadvantaged unemployed to the labour offices. The selection of employees is managed by the employment offices in cooperation with the employers.

Source(s) of funding

National budget (tax revenue)

What were the outputs of the practice: people reached and products?	<p>People reached:</p> <p>According to the monitoring evidence of the 2010 report (referring to completed practices), the practice covered altogether 13 140 cases in 2010.</p> <p>In 2009, among the unemployed covered by the measure over 40% were long-term unemployed, 15% low skilled, 18% seniors, 11% career starters, 7% lone mothers or mothers with small children and 4% disabled people. Wage subsidy for those at risk of redundancy was marginal, less than 1%.</p> <p>Products:</p> <p>N/A</p>
What outcomes have been identified?	<p>The expected outcome of the practice was to increase employment opportunities of the beneficiaries in the labour market, following a period of employment experience. The success rate of the exercise was measured by the share of participants employed on the open labour market following the completion of the programme.</p> <p>Considering the dropouts, 84% of the participants successfully completed the practice; 90% of them found a job on the labour market (76% of total participants). Monitoring evidence showed that the highest success rates were found among younger cohorts (98% among young people under 25) and with higher qualification levels (95%).</p>
What are the lessons learnt and success factors?	<p>The outcomes are promising according to monitoring evidences; however, the evaluation of the programme reveals strong displacement effects of regular employment, windfall gains and cherry-picking concerning the beneficiaries of the practice.</p> <p>The evaluation showed that around 16-20% of the beneficiaries had already been employed with the employer prior the practice. At least 10% of the beneficiaries reported that they were employed to replace a fired person. In addition, over 50% of the participants reported that the employer would have employed them without support.</p> <p>All in all, according to the evaluation the job creation effect of the practice is relevant in 60-65% of total employment cases relating to the practice.</p>
More information on the practice	<p>http://ec.europa.eu/employment_social/empl_portal/weesp/HU-1.pdf</p>



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