

## ACTIVE LABOUR MARKET POLICY IN 2002

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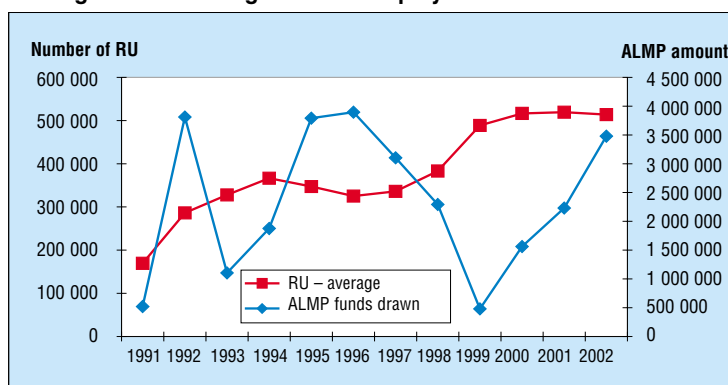
**Since 1993, SKK 23.8 billion was spent on the Active Labour Market Policy (hereinafter the „ALMP“) in the SR. SKK 41.8 billion was spent on a passive labour market policy (i.e. unemployment benefits and contributions towards the respective social funds). Over the period from 1993 to 2002, SKK 65.6 billion was spent on the labour market policy. In 2002, SKK 3.5 billion was spent on the ALMP, which represented the largest volume of funds drawn since 1997 (and the fourth highest since 1991).**

The development of the ALMP funds was markedly cyclical in nature. 1992, 1995 and 1996 were the years when the greatest amounts of these funds were expended, and conversely, in 1999, the volume of these funds was the lowest. With the exception of 1992, which was a quite specific year, an increased volume of ALMP funding led to lowered average numbers of registered unemployed (in 1995, 1996 and 2002), and conversely, where the ALMP funding dropped abruptly, the number of registered unemployed increased most. Under the conditions of a relatively high unemployment rate, the ALMP impact is however limited.

### Actual Expenditure on the Active Labour Market Policy

In 2002, SKK 3.483 billion was spent on the active labour market policy (which meant an increase of SKK 1.248 billion compared to the same period of the previous year). This amount however also includes the state budget expenditure on negotiated public-beneficial jobs for the long-term unemployed (§ 91a of the Act on Employment No. 387/1996 Z.z., as amended by subsequent legislation) in the amount of SKK 328.8 million, travel expenses of graduates and long-term unemployed (§ 86 of the Act on Employment No. 387/1996 Z.z., as amended by subsequent legislation) in the amount of SKK 38 million and contributions towards wages for graduates (§ 90a of the Act on Employment No. 387/1996 Z.z., as amended by subsequent legislation) in the amount of SKK 6.1 million. The funds contributed from the state budget totalled SKK 372.9 million in 1992. On deducting this amount, the expenditure on the active labour market policy stood at SKK 3.110 billion. On the exclusion of the funds contributed from the state

**Development of the ALMP funds drawn (in thousand SKK) and of the average number of registered unemployed**



budget, the spending on the ALMP was SKK 2.265 billion higher than in the like period of the previous year. In the analysed year of 2002, the state funding of the ALMP accounted for 10.7%, and the NLO funding accounted for 89.3%. The year 2002 was marked by the lowest funding drawn under the state budget on the ALMP since 2000, when the financing of the labour market policy under the state budget was started, which is in line with a gradual decline as to the relative volume of this funding within the structure of the ALMP instruments to which it was to be applied.

SKK 596.7 million were spent on obligations arising from agreements concluded by 31 December 2001, of which the greatest portion (SKK 287.1 million) went to negotiated jobs with employers (§ 89) and SKK 133.3 million to negotiated public-beneficial jobs (§ 91). The amount drawn to cover obligations from agreements concluded by 31 December 2001 accounted for 17.2% of the total spending on the ALMP, and the new ALMP measures accounted for 82.8%.

The greatest volume of funds earmarked for active measures in 2002 consisted of expenditure on negotiated self-employment jobs (§ 88 of the Act No. 387/1996 Z.z. on Employment, as amended by subsequent legislation) in the amount of SKK 630.7 million, negotiated



public-beneficial jobs (§ 91 of the Act No. 387/1996 Z.z. on Employment, as amended by subsequent legislation) in the amount of SKK 574.1 million, retraining (§ 82 of the Act No. 387/1996 Z.z. on Employment, as amended by subsequent legislation) in the amount of SKK 412.2 million, and so on. SKK 902.8 million were spent on public-beneficial jobs in total (§§ 91, 91a of the Act No. 387/1996 Z.z. on Employment, as amended by subsequent legislation) in 1992 (and SKK 1.513 billion in

for long-term jobs was below 50% in only 22 districts. The largest amount of funding for short-term and long-term jobs was agreed upon in regions of Eastern Slovakia.

The activation rate, expressed through the placement of registered unemployed in the labour market via the ALMP (short-term and long-term jobs) is 44.2%. Since a certain portion of activated registered unemployed was also placed through other means (beyond the ALMP instruments), we can state that approximately every second activated registered unemployed was placed in the labour market, and roughly every sixth activated re-

#### Expenditure on the labour market policy (LMP) in the SR (per cent ratio of GDP)

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total expenditure on LMP	0,80	0,82	1,61	1,21	1,03	1,04	0,95	0,88	0,73	0,81
of which: expenditure on passive LMP	0,50	0,39	0,40	0,43	0,58	0,73	0,90	0,70	0,50	0,49
active LMP	0,30	0,43	0,76	0,78	0,45	0,31	0,60	0,18	0,23	0,32

2001). The proportion of the active labour market policy to the passive labour market policy was 40:60 (in 2001 this proportion was 32:68). Upon subtracting the state budget contributions to the ALMP, this ratio is 37:63 for 2002 (and 15:85 for 2001).

For the first time in history, the total expenditure on the labour market policy in 2002 surpassed the threshold of SKK eight billion, accounting for 0.81% of the GDP generated. Actual spending on the ALMP has been continuously growing for already three successive years and in 1992 accounted for 0.32% of GDP (at current prices). In the EU countries, such expenditure accounts for one to two per cent.

In the long run, the development of ALMP since 1999 saw a marked increase in the number of registered unemployed assigned to retraining and the number of long-term jobs created, with a concurrent decline in the number of jobs having to do with public-beneficial work.

#### Comparison of Effectiveness of Instruments of Active Labour Market Policy

In 2002, approximately 70.3 thousand registered unemployed were placed in the labour market through the ALMP instruments. Two thirds of this number, that is, 45.7 thousand persons, were assigned to short-term positions (such as public-beneficial work, jobs negotiated for a determinate period, etc.) and one third, that is, 24.6 thousand persons, to long-term jobs (such as negotiated self-employment jobs, negotiated jobs with employers, negotiated special posts, negotiated jobs for school leavers or for young people, etc.).

The proportion of agreed-upon funding for short-term (SKK 1.286 million) as opposed to long-term (1.595 million) jobs was 44.6:55.4 (%). The proportion of funding

registered unemployed was posted to long-term jobs by means of the ALMP instruments. The proportion of those assigned to public-beneficial work in 2002 was more than half (51.9%) of the total number of persons placed via the ALMP instruments. The proportion of short-term jobs (public-beneficial work) within the ALMP structure in 2002 was still relatively high.

The annual number of the labour market placements through the ALMP instruments accounted for one fourth (23.1%) of the annual number of placements. In other words, every fourth registered unemployed, who found work in 2002, was placed in the labour market through the ALMP instruments. The greatest "reach" of the ALMP instruments was in the Košice region, where even every third registered unemployed (34.5%) was allocated to the labour market through the ALMP instruments. At the same time it needs to be mentioned that almost every eighth (12%) registered unemployed was placed in the labour market by means of public-beneficial jobs.

In the year under review, the agreed-upon amount per short-term and long-term job averaged SKK 28 131 and SKK 64 857 respectively. Agreed-upon costs per long-term job in 2002 were 2.3 times higher than for a short-term job, but with a marked difference as to the effectiveness thereof. The highest average amount per long-term job was agreed upon in the Nitra (SKK 76 068) and Bratislava (SKK 71 188) regions. The lowest amount was agreed upon in the Trnava region (SKK 55 667). Average amounts agreed for long-term jobs in the SR ranged from SKK 42 584 (Pezinok) to SKK 123 626 (Bratislava I), which means that the biggest differentiation in Slovakia occurred in the Bratislava region.

The highest average amount per short-term job agreed was recorded in the Bratislava region (SKK 46 181), and the lowest in the Žilina region (SKK 25 722). Ave-

rage amounts per short-term job agreed in the SR ranged from SKK 17 871 (Liptovský Mikuláš) to SKK 74 520 (Bratislava III).

In 2002, a definite increase occurred in the number of retrained and the volume of funding spent on retraining. Retraining programmes were completed by 45 722 registered unemployed, which accounts for 8.9% of the average number of registered unemployed in 2002. SKK 412.2 million were expended on the retraining, which is more than double the funding in 2001. The proportion of funding spent on retraining in 2002 oscillated at the level of 12% of the total expenditure on the ALMP (in 2001 this was 8.8%). 10.8% of the average number of registered unemployed females and 7.4% of the average number of registered unemployed males took part in these retraining programmes. The success rate of the placement of these retrainees was at the level of about one third (having mildly increased in comparison with the year 2001).

The retraining in 2002 was more targeted at the segment of long-term unemployed and young people aged up to 25 than in the previous year. The share of long-term unemployed in the total number of persons assigned to retraining programmes oscillated around 40%, and the share of young people reached the level of 32%. Older citizens (50 years plus) accounted for 7.6%, and citizens with altered ability to work accounted for 4.5% of the total number of participants to retraining programmes.

With a view to enhancing the adaptability of the workforce and preventing unemployment, 1 495 employees were also retrained in 2002. SKK 4.3 million were expended to this end from the NLO funding.

The resulting outcome of the allocation of funds to the ALMP, in the specific regional conditions, is influenced by the number and structure of registered unemployed, the proportion of ethnic minorities, the economic and social infrastructure, the economic strength of the region, etc. In certain regions with a high unemployment rate there is, as a result of the implementation of the active labour market policy, the effect of substitution or displacement of unsubsidised employees to registered unemployment and their replacement by jobs subsidised under the active policy, which means, that under the conditions of a relatively high volume of funding for the creation of new jobs, the active policy has a lessening effect on the total decrease in the number of unemployed persons. In the event of a lack of jobs, the ALMP supports their creation financially, but it can only compensate for their overall deficit to a small extent.

### Financial Share of Selected Instruments of the Active Labour Market Policy

Of the total amount of funding (excluding the funding earmarked for retraining) agreed upon in 2002, 45.9% was agreed for long-term jobs (compared to the previous year, this proportion has doubled) and 40.7% for short-term jobs (compared to the previous year, this proportion dropped by 29.9 percentage points).

In 2002, the proportion of funding agreed for long-term and short-term jobs was reversed in favour of long-term jobs (in 2001, the proportion of funding agreed for long-term and short-term jobs was 20.2:70.7). It was shown in 2002 that almost one fourth (23.7%) of the funding intended for the ALMP was agreed for public-beneficial jobs financed by the NLO, one fifth (19.4%) for negotiated self-employment jobs, 17.4% for jobs with employers, one tenth (9.8%) for public-beneficial jobs financed from the state budget, 8.7% for the establishment and operation of sheltered workshops and workplaces, etc. These five instruments accounted for more than three fourths (78.9%) of the agreed amount of SKK 3.475 billion. This means that those five instruments formed the fundamental basis of the active labour market policy in 2002.

By the end of May 2003, SKK 1.01 billion were expended on the ALMP, of which SKK 712 million were to cover obligations as of 31 Dec. 2002 and SKK 298 million were spent on new measures in 2003. More than half of the funding drawn (SKK 528.1 million) for the active policy instruments (old obligations and new measures) was spent on creating new jobs.

### Conclusion

70.3 thousand unemployed were placed in the labour market through the ALMP instruments in 2002. Two thirds of this number, that is, 45.7 thousand persons were placed in short-term jobs and one third, that is, 24.6 thousand persons, in long-term jobs. The cost of one long-term job was only 2.3 times greater than the cost of a short-term job. That is why in some of the regions the too low disincentive contributions towards long-term jobs were only used by mid-sized and large employer entities. In terms of individual ALMP instruments, the largest number of jobs was created through public-beneficial work (40.5 thousand jobs), negotiated jobs with employers (11.8 thousand jobs) and negotiated self-employment jobs (9.1 thousand jobs).

The actual funding of the ALMP increased from SKK 2.235 billion in 2001 to SKK 3.483 billion in 2002 (accounting for 0.32% of GDP), that is, by SKK 1.248 billion (a year-on-year increase of 55.8%). The contri-



tribution from the state budget was SKK 372.9 million of the total funds drawn for the ALMP, so that it accounted for 17.1% of the total.

A definite deficiency of the ALMP lies in the excessively wide legislative range of ALMP instruments with different forms of funding, with a consequent loss of transparency and effectiveness (wage subsidies, insurance contributions, contributions towards the establishment of sheltered workshops, the reimbursement of operating costs, travel expenses, course fees, contributions towards premises and movables, rental, inte-

rest on loans, etc.). In this context it will be necessary to re-evaluate the up-to-date scope and number of ALMP instruments contained in the Employment Act (many of them only differ in terms of details, but are almost duplicated, little motivating, barely used by employers and, in the final analysis, useless and ineffective). It is envisaged that the scope of ALMP instruments, whereby the principles of competition and equal opportunities are violated at the end of the day, will be streamlined in the pending amendment to the Employment Act.