

Impact of Active Labor Market Measures on the Return of Disadvantaged Applicants to the Labor Market

Natália Pozsonyiová

University of Economics in Bratislava, Faculty of National Economy,
Dolnozemska cesta 1, Bratislava 5, 852 35
Slovak Republic
natalia.pozsonyiova@euba.sk

<https://doi.org/10.53465/EDAMBA.2022.9788022550420.314-323>

Abstract. Disadvantaged jobseekers make up a significant proportion of all jobseekers in Slovakia, mainly the long term unemployed, so it is interesting to examine whether the provided employment services contribute to raising their standard of living and make it easier to find employment in the labor market, which is not always welcoming disadvantaged groups. However, at a time when a high number of jobseekers are disadvantaged, it is important to look at the needs of these groups and try to motivate them through active labor market policies, while finding a way to bring them back to the labor market effectively and in the long term by finding suitable employment, which would help to improve their living situation. These groups usually meet with insufficient support from the state and the institutions in their efforts to solve their difficult life situation, because the institutions often provide only the necessary services for the groups. Therefore, the question arises as to whether it would not be necessary to focus on improving employment services for the given groups, as an increasing percentage of the population is among the disadvantaged.

Keywords: disadvantaged jobseekers, employment services, active labor market policy

JEL classification: *J480, J680, M210*

1 Overview of literature

One of the main instruments of the European Union (EU) is the European Social Fund (ESF) with an annual budget of approximately EUR 10 billion, and its function is to improve the efficiency of labor market measures for their inhabitants. This amount, which represents 10% of the EU budget, is usually supplemented by approximately half the national contribution. As the budget is aimed at improving the position of individuals in the labor market, it makes sense to examine the effectiveness of the funds spent and to verify their importance. Therefore, it is important to ask the question "What labor market policy will be effective in order to increase the number and quality of

jobs?". This question is investigated by several authors, we will focus on the study of Brother, C.-Lombardi, S. et al. of 2014 in which the authors evaluate the effectiveness of individual labor market policy measures and the evaluation of their effectiveness using the Counterfactual Impact Evaluation (CIE) method.

In this method, they try to assess the direct impact of labor market policies on their beneficiaries. This method compares the situation of the beneficiary with the situation if he did not receive assistance through the intervention at all. Thus, the given method compares the result of the labor market policy of those who benefited from the given benefits (treatment group) with those inhabitants who were not affected by the given measure, meaning the control group. In this method, the authors draw information on the impact of labor market policy from scientific studies from various databases such as SCOPUS, IDEAS, SSRN. The second source is a summary of interventions funded by the ESF and is reported in the ESF-EEN (European Social Fund Expert Evaluation Network database). This database is managed by the EU's Directorate-General for Employment, Social Affairs and Inclusion, which collects data provided by Member States on the impact of the ESF in each EU country.

The research unit in the given report are the findings and not the number of research papers. Research papers often describe several interventions by the state, not just one. The work has three orientations: the first focuses on the list of countries, target groups and interventions that have not been examined by the CIE method. In the second, if any interventions are examined, it compares whether all the research papers came to the same conclusion. The result of the analysis is usually the probability of finding a job for the target group of given intervention. Some papers also examine results other than the likelihood of finding or staying in a permanent job. Third, the report focuses on differences in outcomes by comparing the costs of policies and the number of beneficiaries.

This report focuses on the active labor market policy measures, dividing each measure into one of the following categories:

1. Education and training for the labor market
2. Contributions provided by the private and public sector
3. Active labor market measures

1.1 A look at the development of unemployment and active labor market policy in Slovakia

According to a study by Domonkos, S. (2016), the main problem is the effectiveness of the labor market policy in Slovakia, the low share of active labor market policy expenditure in total GDP (around 1%) and also the low financing of public services in general. In the last decade, the social security system in Slovakia has undergone a significant change, but even today it still has significant features of the post-socialist country. Such as the low level of benefits, the high interconnection of contributions and received benefits, the wide coverage of different social situations and the broad public support for solidarity.

In order to examine the effects of a particular labor market policy or reform, it is first necessary to analyze the labor market situation. Like in other post-socialist countries, unemployment in Slovakia was virtually non-existent before 1989. The state regime provided employment and therefore the institutions that would deal with the phenomenon of unemployment as it is known for market economies were underdeveloped. The highest unemployment rate was so far in 2001, when it reached the level of 19.2%. We also present a graph showing the development of unemployment in Slovakia since 2004, together with the development of unemployment of disadvantaged job seekers.

As it can be seen in Figure 1, long-term unemployment is very high. For example, in 2013, 2/3 of all unemployed people were the long-term unemployed. If we also compare the number of long-term unemployed with the EU average, Slovakia had the third highest share of long-term unemployed in the EU in 2020 (31.6%), after Greece (47.6%) and Italy (32.9%).

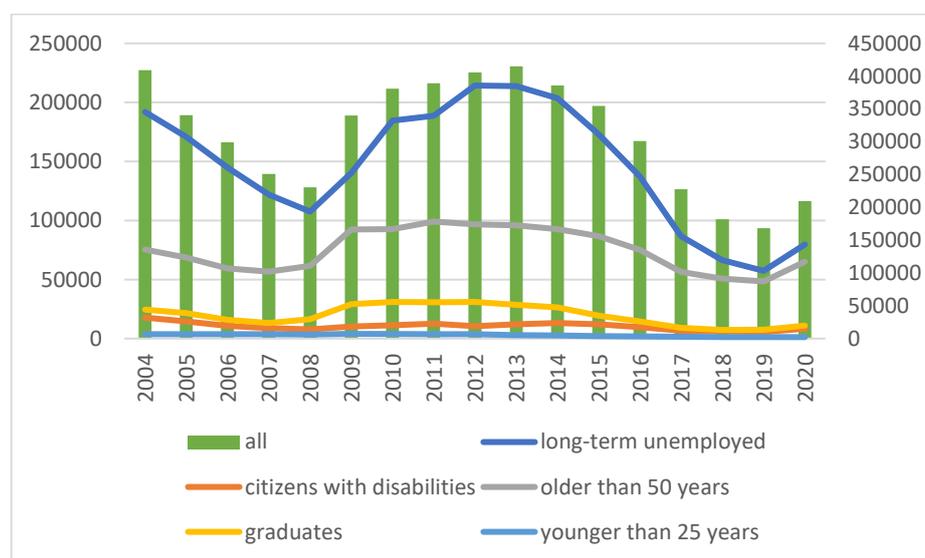


Figure 1 Development of unemployment in Slovakia together with disadvantaged job seekers (2004-2020)

Within the structure of jobseekers, disadvantaged groups require special care, while the most numerous group are long-term unemployed, which are citizen in the register for at least 12 months. This development is due to the fact that the DN group is largely made up of the low-skilled unemployed, often with little experience. Therefore this group is the most difficult to return to the labor market.¹

The second most numerous group of disadvantaged jobseekers, despite rich work experience, are citizens older than 50 years. The third most numerous group are

¹ Projekt zvyšovanie nezamestnanosti a zamestnateľnosti znevýhodnených uchádzačov o zamestnanie (2010). www.upsvr.gov.sk

graduates, ie citizens under the age of 25 who have completed continuous vocational training less than two years ago and have not obtained regular paid employment. The cause of high unemployment among school graduates is mainly the lack of experience. A special group of disadvantaged applicants are people with disabilities, this is a group difficult to employ as employers are not willing to employ them due to the fear of frequent absence for work, lower qualifications or work performance.

The problem with the disadvantaged unemployed is the insufficient interest of state institutions in solving their situation, which can be proved by the fact that often the only support they receive is a benefit in material need, which is the subsistence level for one adult and which often fails to cover basic needs and not to help the unemployed return to the labor market. Active labor market policy focuses much more mainly on the short-term unemployed and their return to the labor market.

Active labor market policy (ALMP) has been used since the beginning of Slovakia's transformation in the 1990s. Already the first Labor Code, which was created after 1989, contained several measures to increase employment and job creation. At that time, the community service works used today are also introduced to support the integration of the unemployed into the working population. Approximately 80% of ALMP spending went to community service in the 1990s.

Programs such as graduate practice were much less used at the time. Despite the significant changes that the Slovak labor market underwent in the years 1990-2000, the distinctive features remained almost unchanged. The most preferred method of support through job creation is that overall, expenditure on ALMP in Slovakia does not reach the EU average in more developed countries. While in Western countries, expenditure on ALMP is about 0.4% of GDP in our country, it is only half 0.2%.

1.1 Overview of active labor market policy measures

The individual active labor market measures can be divided according to their focus on measures and contributions that increase the employability of job seekers, increase employment by supporting the creation of new jobs and measures and contributions that support the maintenance of existing jobs.

ALMP oriented on the supply side of the labor market, that is to develop the potential of the workforce and increase its employability and job mobility, are:

- providing reimbursement of parts of jobseeker travel expenses related to an interview or selection procedure with the employer (Section 32 (12) (d) of the Act),
- information and advisory services (Section 42 of the Act),
- professional consulting services (Section 43 of the Act),
- education and training for the labor market of jobseeker and disadvantaged jobseeker (§ 46 of the Act),
- contribution for the performance of graduate internship (Section 51 of the Act),
- a contribution to the activity in the form of small municipal services for the municipality or in the form of smaller services for the self-governing region (§ 52 of the Act),
- contribution to activation activities in the form of voluntary service (Section 52a of the Act).

ALMP focused on stimulating the demand for labor, especially in the form of providing contributions to employers and jobseeker for the creation of new jobs are:

- employment mediation (Section 32 of the Act, except Section 32 (12) (d) of the Act),
- allowance for self-employment (Section 49 of the Act),
- contribution for the employment of a disadvantaged jobseeker (Section 50 of the Act),
- contribution to support the development of local and regional employment (Section 50j of the Act),
- allowance to support job creation in the first regularly paid employment (Section 51a of the Act),
- allowance for the creation of a new job (Section 53d of the Act),
- allowance for the establishment of a sheltered workshop and a sheltered workplace (Section 56 of the Act),
- contribution to a citizen with a disability for the operation or performance of self-employed activity (Section 57 of the Act).

The ALMPs aimed at supporting the retention of employees, the retention of existing jobs and the prevention of the abolition of jobs or collective redundancies are:

- education and training for the employee's labor market (Section 47 of the Act),
- contribution to support the maintenance of jobs (Section 50k of the Act),
- allowance for attendance at work (Section 53 of the Act),
- allowance to support mobility for work (Section 53a of the Act),
- allowance for transport to employment (Section 53b of the Act),
- relocation allowance (Section 53c of the Act),
- contribution to the integration company (§ 53f of the Act),
- compensatory allowances to the integration company (Section 53g of the Act),
- allowance for keeping a citizen with disabilities in employment (Section 56a of the Act),
- allowance for the activity of a work assistant (Section 59 of the Act),
- a contribution to the running costs of a sheltered workshop or sheltered workplace and to cover the costs of transport of employees (§ 60 of the Act)

2 Hypothesis

Individual active labor market policy measures should cover a number of situations in which the unemployed person may find himself in need of support, either in the form of a contribution or through various training courses or counseling services. Specifically, in this paper we focus on evaluating the effectiveness of ALMP on the most difficult employable group of the disadvantaged, which includes the long-term unemployed, young unemployed, the disabled and those over 50 years of age. We would therefore like to find out whether the given measures also contribute to the improvement of the quality of life of the given group of jobseeker.

According to the mentioned CIE method, we will evaluate the effectiveness of ALMP and verify the hypothesis whether they have a positive effect on reducing unemployment in Slovakia and thus on improving the overall quality of life of the disadvantaged on the labor market. The paper targets a group of disadvantaged

jobseekers and seeks to identify the impact of active labor market measures for participants in various measures and to assess their contribution to their quality of life. We will focus on verifying the hypothesis indirectly through other scientific studies that address the issue of ALMP evaluation.

3 Data and methodology

We will analyze ALMP measures for the disadvantaged and their impact on employment or unemployment of disadvantaged groups. We will compare the effectiveness of individual measures and evaluate their contribution to the employment of the main group of unemployed. We categorize scientific studies according to which group of unemployed people it specifically focuses on, what statistical method the authors used in it, and what conclusion they came to, whether the given measure had a positive or negative final effect. Thus, for each measure for which we will have scientific studies, we will evaluate whether the study evaluates the measure as a positive or negative benefit and accordingly we will assign +/- points to the measure and finally evaluate which one has the most points and is de facto the most effective. With this step, we can summarize and overall evaluate most ALMPs for which we find their evaluation in scientific studies.

The vast majority of scientific studies were drawn from the pages of analytical departments - the Institute of Social Policy and the Institute of Financial Policy.

4 Direction and conclusions

Employment support in Slovakia has long struggled with several problems. One of them is the higher concentration of active labor market policy measures for the short-term unemployed than for the long-term unemployed. Overall, a higher percentage of expenditures goes to them (up to 60%), while the long-term unemployed are left with less than 40% of ALMP expenditures. If we look at the development of total expenditure on the unemployed through the ALMP, we can observe an increase compared to 2011 from EUR 162 million to EUR 216 million in 2020, as can be seen in Table 1.

Table 1 Development of ALMP expenditure vs.GDP (2011-2020)

YEAR	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average registered unemployment rate in % (from available jobseekers)	13,2	13,59	14,11	12,79	11,5	9,48	7,06	5,42	5,00	6,78
ALMP expenditure (actual)	162	142	127	129	135	171	165	184	185	216

drawdown in mil €)										
GDP at current prices (EUR millions)	70	72	73	75	78	80	83	84	93 865	91 104
	420	420	835	560	686	958	913,30	020	,20	,80
Share of ALMP expenditure in GDP	0,23%	0,196%	0,172%	0,171%	0,172%	0,212%	0,197%	0,219%	0,198%	0,238%
Number of job seekers (in thousands)	373	386	394	366	323	274	229	184	161	186
Share of expenses per job seeker (in EUR)	435,16	367,79	323,16	353,24	418,06	626,36	721,26	1000,64	1151,88	1163,58

Source: ALMP 2020 evaluation

When we look at the development of expenditures, which are aimed at solving the problems of the unemployed, it increased compared to 2011 from EUR 162 million to EUR 216 million in 2020, as it can be seen in Table 1. The number of jobseeker decreased from 373 thousand in 2011 to 186 thousand in 2020, which means that the share of expenditure per person increased from 435,16 EUR to 1163,58 EUR in 2020. However, it is questionable whether this increase in the share of expenditure was reflected as a benefit or positively on services that are provided to the unemployed.

If we look at the direction of spending on ALMP, we find that the focus is on supporting employment through various contributions and not through education and training, as is common in other EU countries, and as recommended by the EU. On the other hand, in Slovakia there is also a visible decrease in the interest of the unemployed in participating in one of the ALMP measures. According to Štefánik, M (2018), it is possible to observe a declining trend of jobseekers for the period from 2007 to 2017 from 10% to 5%. Which can correlate with the fact that the ALMP is more focused on contribution than upskilling.

In the next part scientific works are presented that deal with the evaluation of the success of individual ALMP measures. An overview of the studies and the measures they deal with is shown in Table 2.

Table 2 List of scientific studies dealing with the impact of ALMP

Target group	Autors	Intervetions
Unemployed	Štefánik, M. (2018) Van Ours and Lubyová (1999) Hidas (2016)	Public benefit work, Retraining, Graduate practice, Commuting / relocation allowance

	Štefánik, Karasová, Studená (2016,2018) (OECD, 2005; Lehmann & Kluge, 2008; OECD, 2015)	Educational and training programs
Disadvantaged	Van Ours and Lubyová (1999) Petráš, J. (2019)	Sheltered workplaces, Temporary work project
Long-term unemployed	Štefánik, M. (2018)	Activity in the form of small community service for local government
Young unemployed	Štefánik, M. (2018), Hidas (2016), Štefánik, Karasová, Studená (2016,2018)	Graduate practice, Support for employment in the private sector
Low qualified	Hidas (2016)	Activity in the form of small community service for local government
Unemployed over 50 years	Štefánik, M. (2018)	Temporary work project

We have presented only some of the number of scientific studies that deal with the topic of evaluating the effectiveness of ALMP. We have selected studies that address the evaluation of as many measures as possible. The authors of the given studies evaluated the effectiveness of the measures according to the probability of finding the job of the applicant who participated in the given measure and the candidate who did not complete the given measure. We divided the studies according to categories such as evaluation method (PSM, Regression, DID, RDD...), the periods they evaluated, the effectiveness of the measure and the type of participant in the measure (unemployed, handicapped, young unemployed, low-skilled, over 50). The results of the analysis are summarized below in Table 3.

Table 3 Evaluation of the success of individual ALMP measures according to published studies

Type	Evaluation of impact						
	Public benefit work	Sheltered work	Retraining courses	Graduate practice	Attendance allowance	Temporary work project	All
Regression						1	1
PSM	1,1	1	1,1	1,1	1	1	9
DID							
RDD				1	1		2
IV							
till 2000	1	1	1				3
till 2005			1				1
till 2010			1				
till 2020	1	1	1	1	1	1	6

Shortterm	1		1		1								3
Midterm													
Longterm							1		1				2
Unemployed	+	-		-	+		+		+		+		+
Young							+						+
unemployed													+
Long					+						+		+
unemployed					+						+		+
Unemployed													
after 50 year													
Disabled				-									-
unemployed													

Source: own processing

It is clear from Table 3 that several graduate internships (Hidas, Štefánik, Karasová) see the measure as positive, which even has a long-term effect, according to the authors. However, paradoxically, this measure has a negative effect on the amount of income in the future, ie when the applicant finds a job after completing the graduate internship. A positive effect on probability of finding and remaining at work was assessed in commuting allowance and relocation allowance (Štefánik, Karasová).

From the submitted studies, we came to the conclusion that out of the six ALMP measures examined, 5 had a positive impact on the employment of the unemployed and thus also contributed to the improvement of the lives of the given groups. The only measure that was evaluated as negative from the studies were the so-called sheltered workshops, which are primarily intended for the employment of people with disabilities. A study by Luby and Van Ours (1999) found that the measure had a negative impact on the continued employment of a disadvantaged jobseeker, ie without the assistance of the ALMP.

The ALMP graduate internship measure, which even had a long-term positive effect on the employment of mainly young job seekers, was evaluated positively by several authors. Retraining courses were also evaluated positively, especially for applicants over the age of 50 and the long-term unemployed, for whom this measure has become key for returning to the labor market. However, the measure is still not a preferred measure in Slovakia and this could be crucial for reducing long-term unemployment, which is a characteristic feature of the Slovak labor market.

5 Conclusion

As mentioned in the previous section, ALMPs can have different net effects on employment, income and the overall quality of life of the unemployed. Scientific works that focus on the impact of the ALMP on the employment of the long-term unemployed several of them agree with the fact that the long-term unemployed have only a small participation in ALMP projects, resp. nor are they included in the measures. Few of the research studies examined the impact of ALMP on the severely disabled, as in most

cases they are expected to receive a disability pension or work in a social enterprise or sheltered workshop and not to take an active part in other active labor market policy measures, therefore they are not primarily intended for the disabled.

One of the possible solutions for the overall improvement of employment services can be their technological improvement. Deploying an IT infrastructure for employment services can reduce operating costs and free up human resources for personalized counseling and professional services. From the presented measures, we could conclude that out of 6 measures 5 had a positive effect on increasing employment and one measure had a negative effect on employment. At present, it is possible to observe a trend of declining interest of the unemployed in participating in the ALMP. Regarding the costs of EU funds for the programming years from 2014 to 2020, which reached 10 billion EUR and the state budget expenditures of the Slovak Republic of approximately 150 million EUR according to the analysis of a sample of studies dealing with the impact of ALMP on employment, we can assess that most have positive impact. In the future, given the declining number of jobseekers, ALMP services are expected to focus more on the individualized needs of jobseekers than on entire groups.

References

1. European Commission, Directorate-General for Employment, Social Affairs and Inclusion, Joint Research Centre, Santangelo, G., Rodrigues, M., Lombardi, S., et al., Knowledge gaps in evaluating labour market and social inclusion policies : use of counterfactual impact evaluation, Publications Office, 2015, <https://data.europa.eu/doi/10.2788/083390>
2. Domonkos, Stefan, Economic Transition, Partisan Politics and EU Austerity: A Case Study of Slovakia's Labour Market Policies (April 26, 2016). ETUI Research Paper - Working Paper 2016.04, Available at SSRN: <https://ssrn.com/abstract=2770398> or <http://dx.doi.org/10.2139/ssrn.2770398>
3. Správa o sociálnej situácii obyvateľstva (2020). www.employment.gov.sk, last accessed 2022/05/06
4. Vyhodnotenie uplatňovania aktívnych opatrení na trhu práce za rok 2018. www.upsvar.gov.sk, last accessed 2022/06/01
5. Národný projekt III-2/B Zvyšovanie zamestnanosti a zamestnateľnosti znevýhodnených uchádzačov o zamestnanie 2010. www.upsvar.gov.sk, last accessed 2022/05/24
6. Petráš, J. Dočasná práca ako šanca pre znevýhodnených. Október 2019. www.employment.gov.sk/isp, last accessed 2022/06/02
7. Inštitút finančnej politiky. Hidas, spol. 2016. Veľa práce na úradoch práce: Efektívnosť a účinnosť služieb zamestnanosti. Online: [Sluzby-zamestnanosti_final_20161010.pdf](http://sluzby-zamestnanosti_final_20161010.pdf) (mfsr.sk)
8. ŠTEFÁNIK, Miroslav (2018). Active Labour Market Policies in Slovakia - Overview of the Available Evidence. In *Labour Market in Slovakia 2019+*. Bratislava, 2018, p. 38-55. ISBN 978-80-7144-296-7. Online: http://ekonom.sav.sk/uploads/journals/390_labour_market_in_slovakia_2019.pdf