sciendo
Review of Economic Perspectives – Národohospodářský obzor
Vol. 22, Issue 2, 2022, pp. 75–95, DOI: 10.2478/revecp-2022-0004

Activation programs for unemployment benefit recipients in Slovenia

Suzana Laporšek,[1] Milan Vodopivec,[2] Matija Vodopivec[3]

Abstract: Activation of the unemployed has been an important topic among policymakers during the last decades. This paper reviews the current measures in Slovenia in the area of activation of unemployment benefit recipients and it compares its formal requirements related to activation against the international background. The paper focuses on five activation areas: adjustment of unemployment benefit eligibility, improving employment services, participation in active labour market policies, monitoring and sanctions. The review lists several recommendations Slovenia should apply to activate unemployment benefit recipients, including introducing more demanding job search requirements and increased monitoring of the compliance with these requirements, introducing compulsory participation in active labour market programs, checking the consistency and effectiveness of the current profiling system, and strengthening the ex-ante effect of sanctions.

Key words: activation policies, employment, labour market, Slovenia, unemployment.

JEL Classification: J68; J64

Received: 6 September 2021 / Accepted: 30 March 2022 / Sent for Publication: 07 June 2022

Introduction

Slovenia has a rather generous unemployment benefit (UB) programme, especially for low-wage earners, resulting in relatively weak financial incentives to move to employment from unemployment while receiving UBs. For these individuals, the unemployment trap is among the highest among the OECD/EU countries (Laporšek, Vodopivec and Vodopivec, 2019). For example, taking a full-time job at 67 percent of the average wage would result in 80 percent or more of the additional earnings being lost due to taxes and reduced benefits. Most of the unemployment trap is attributable to the withdrawal of the UBs (see European Commission, 2022a).

[1] Corresponding author. University of Primorska, Faculty of Management, Izolska vrata 2, SI-6000 Koper, Slovenia, suzana.laporsek@fm-kp.si
[2] University of Primorska, Faculty of Management, Izolska vrata 2, SI-6000 Koper, Slovenia, milan.vodopivec@gmail.com
[3] OECD, 2, rue André Pascal, 75016 Paris, France, matija.vodopivec@oecd.org

UB programmes may reduce work incentives, induce welfare dependency and attract claims from people who may already be working informally. There is also concern that such programs contribute to long-term unemployment and social exclusion, as well as create undue fiscal pressures. In recent years, policymakers started to address these concerns by so-called activation policies – efforts to improve work incentives via measures such as stiffer job search requirements, improved employment support services, compulsory participation in ALMPs, stricter monitoring and sanctions regime, and financial incentives.

The objective of this paper is to present the current state of affairs with activation policies in Slovenia. It describes key current measures Slovenia is undertaking in the area of activation of UB recipients, and it also compares its formal requirements related to activation against the international background. This knowledge offers a basis for the reflection on how the international practices might be fruitfully included in the Slovenian and also broader Central Eastern European (CEE) context.

The paper focuses on five areas of activation strategies. These may be applied to selected groups – for example, to more employable jobseekers, or a specific stage of unemployment spells – for example, to early interventions focused on jobseekers who are likely to worsen their chances of employment if they are not appropriately addressed early in their unemployment spell. The following five areas are distinguished:

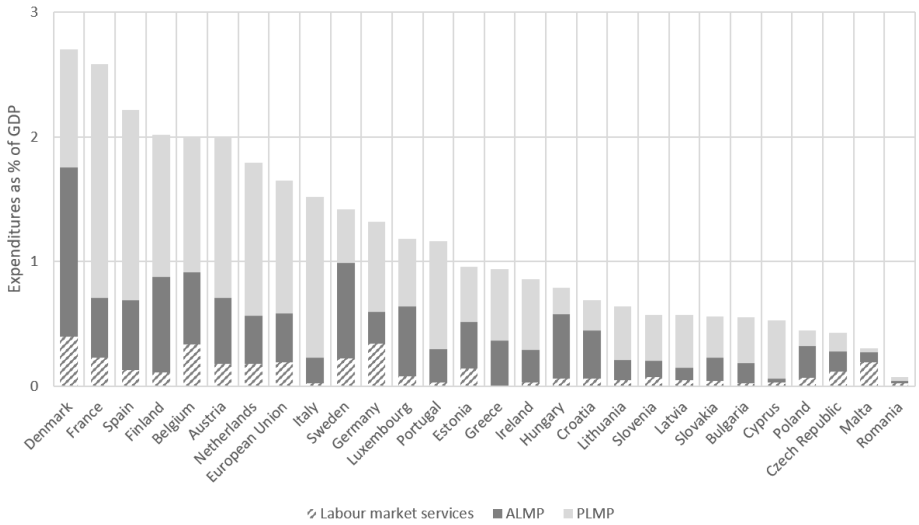
- Adjusting the UB eligibility criteria to strengthen the job search to make the transition to jobs quicker (and to prevent "double dipping" – working informally while collecting benefits). These measures include conditionality related to visits to the employment office, vacancy referrals, job interviews and other job search activities; change of the definition of a suitable job offer; and stiffer rules about rejecting job offers. In addition, reduction of the UB generosity is also included, as it can be interpreted as an activation measure (just a summary/selection of the most important studies, as there is too much literature out there to do a thorough review).
- Improving the design, sequencing, and intensity of employment services during the period of individual unemployment spell to provide just-in-time, efficient and effective contact/service (including frequent, high-quality counselling interviews; introduction of individual action plans; direct referrals to job vacancies; and profiling).
- Referral to Active Labour Market Programs (ALMPs) – compulsory participation in a program – such as vocational training or public works – following the period of an unsuccessful job search.
- Monitoring of active job search and compliance with other conditions for continuing UB eligibility.
- Imposing sanctions regarding the UB eligibility and job search.

The organization of the paper is as follows. We first present the features of the Slovenian UB system and compare its generosity and work disincentives it creates with the EU countries. This is followed by a literature review that examines international experience with activation measures. We then describe processes and measures used to activate Slovenian UB recipients, followed by policy recommendations. The final section concludes.

Slovenian unemployment benefits system from the international perspective

As in all CEE countries, Slovenia records rather low expenditures for labour market policy interventions (see Figure 1), totalling 0.57 percent of GDP in 2019, which is more than 1 percentage point below the EU average (1.65 percent in 2019). Out of this, 0.13 percent of GDP Slovenia invests in ALMPs and 0.37 percent of GDP in passive labour market support measures (PLMPs). PLMPs present the highest share in total expenditures for labour market policy interventions also in other CEE countries, with the notable exception of Hungary, Croatia, Poland, and the Czech Republic. Labour market services expenditures present only a minor part, on average 12 percent, of total labour market policy interventions in most countries.

Figure 1. Expenditure for labour market policy interventions as % of GDP by type of intervention in 2019, EU countries



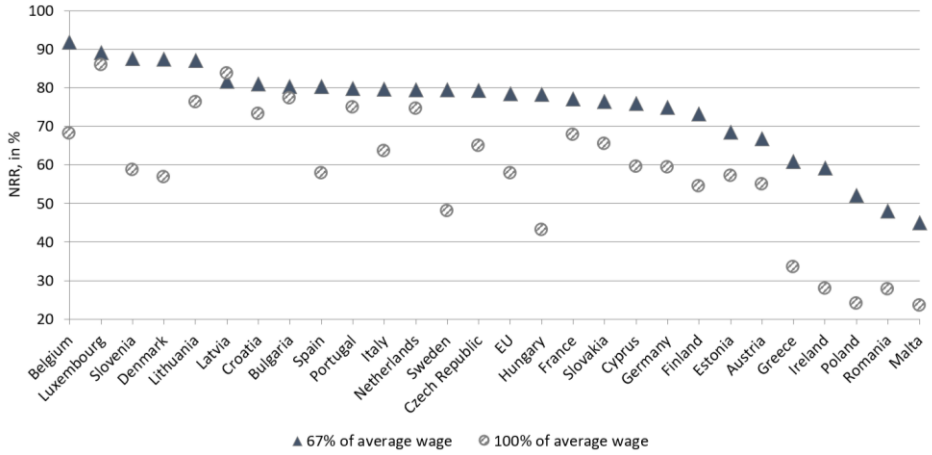
Note: Countries are ranked by decreasing expenditures in 2019.
Sources: European Commission, 2022b; own calculations.

As noted above, expenditures for PLMPs in Slovenia are three times higher than for the ALMPs, with the vast majority of funds aimed at out-of-work income maintenance and support. Slovenia's unemployed workers can claim UBs after the termination of fixed-term employment or after involuntary termination of employment under the permanent contract. UBs are earnings-related, determined as a fraction of the wage associated with the job preceding the unemployment, that is, by the replacement rate, and subject to an absolute minimum and maximum in nominal terms. This rate is set at 80 percent for the first three months of the unemployment spell, and it is reduced to 60 percent between the fourth and the twelfth month of unemployment, and to 50 percent thereafter. The UB paid is subject to an absolute minimum of EUR 350 gross and a maximum of EUR 892.50 gross. The UB duration is determined by the cumulative duration of employment engagements preceding the onset of unemployment and the age of the unemployed. The UBs range from two months for young workers with six to eight months of prior employment

to a maximum of 25 months for workers aged 55 or more (Labour Market Regulation Act, 2013).

From an international perspective, Slovenia has a rather generous UB programme, especially for low wage earners. Net replacement rate (i.e., a ratio of the net benefit of an unemployed person and net income earned previously in the job before becoming unemployed, NRR) for single benefit recipients without children for the first two months of unemployment amounted to 87.6 percent in 2020, if previously earning 67 percent of the average wage, placing Slovenia among the three EU countries with the highest NRR (see Figure 2), and 58.7 percent if previously earning the average wage. For benefit recipients with children, NRRs are also high – in 2020, the NRR in the first two months of unemployment amounted to 83.7 percent for single parents (previously earning 67 percent of the average wage) with two children (the EU average 79.9 percent) and 83.5 percent for a one-earner family with two children (the EU average 71.7 percent); for average wage earners, it ranged from 67.8 to 64.6 percent (in the EU, 67 to 64.6 percent). Later in the unemployment spell, NRRs are somewhat lower (see European Commission, 2022a).

Figure 2. Net replacement rates for a single person unemployed for two months by the level of prior-unemployment earnings, 2020, EU countries

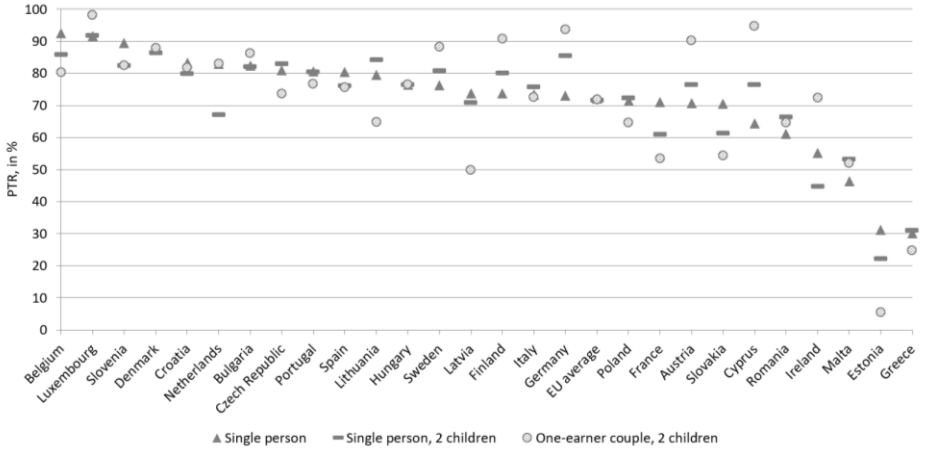


Note: Countries are ranked by decreasing NRR for a single person previously earning 67 percent of the average wage.
Source: European Commission, 2022a.

Those unemployed who do not qualify for UBs may be eligible for social assistance. Financial social assistance in Slovenia is a means-tested cash transfer provided to individuals with no income or income below the statutory set basic minimum income (i.e., 421.89 EUR in 2022). Recipients of financial social assistance are also eligible for an activity allowance, aimed to encourage employment or motivation for work. To be eligible, an individual must be employed or engaged in volunteer work for a minimum of 60 hours per month (Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia, 2022).

UBs and cash transfers may create work disincentives, especially when coupled with large taxation rates of personal income. Particularly for families with several dependents, such circumstances can create an "unemployment trap" or an "inactivity trap" – disincentives due to non-employment benefits being relatively high compared with expected incomes when working, as well as the "low-wage trap" – disincentives due to additional taxes and cash benefit reductions taking away most of the additional earnings from increased hours worked. An important factor is also a tax burden on labour (for an overview see, for example, Laporšek et al., 2019). As shown in Figure 3, Slovenia records one of the weakest financial incentives to move from unemployment to employment among the EU countries, regardless of the family type or wage level. By being employed at 67 percent of the average wage, a single person loses 89.4 percent of the additional earnings due to taxes and reduced benefits in 2020 (the EU average was 75.8 percent), which puts Slovenia at the very top of the EU countries. Among other CEE countries, disincentives to move to employment are rather high also in Croatia, Bulgaria, and the Czech Republic.

Figure 3. The participation tax rate for transition into full-time employment at 67 percent of the average wage for persons receiving UBs at the initial level (during the first three months of the receipt), the EU countries, 2020



Notes: Countries are ranked by the decreasing value of the PTR for a single person with no children.
Sources: European Commission, 2022a.

Review of literature on the effects of the activation policies

Adjusting UB eligibility criteria refers to two measures (i) stricter conditionality attached to the receipt of the UBs (i. e., more demanding job search requirements, proving of job search, more frequent contacting of employment offices, more lenient definition of a suitable job) and (ii) reduced generosity of UBs in terms of reduction of either UB replacement rate or potential UB duration, or the combination of both. Both measures increase the opportunity costs of staying unemployed, thus motivating UB recipients to increase their job search intensity and reduce their reservation wage. This may increase the probability of finding a job – or the probability of an exit to inactivity – but of lower quality.

Empirical studies clearly demonstrate that stricter conditionality imposed on UB recipients increases the exit from unemployment, however, it may also increase the exit to non-employment. For example, Manning (2009) showed that tighter job search requirements introduced with the UK's UB program reform in 1996 increased the probability of the exit from unemployment by eight percent. Petrongolo (2009) reported even a stronger effect (i .e., 20 percent), however, she also found that UBs claimants not necessarily exited to employment. There is no consensus in the literature about the negative effects on the quality of post-unemployment jobs. Petrongolo (2009) showed that UB recipients in the UK were moving to unstable and lower-paid jobs, whereas Lachowska et al (2016) found that more intense scrutiny of eligibility in the Washington state resulted in greater earnings in the year following job loss, a shorter spell of nonemployment, and longer tenure with the first post-claim employer, with the effects being stronger for low-paid workers.

Under improved employment services, the second measure we analyse in our paper, we refer to practices introduced by the Public Employment Service (PES) aimed at improving the quality of its services. The most used practices are (i) preparation of individual action plans (IAPs) early in the unemployment spell,[4] (ii) direct referrals to jobs (caseworkers providing referrals of a specific vacancy to jobseekers),[5] and (iii) jobseeker profiling.[6] Improved employment services can enhance job-matching technology, with favourable effects on employment probability and post-unemployment outcomes. Hainmuller et al (2016) found that lowering of caseloads in Germany resulted in a decrease in the duration of unemployment and an increase in the re-employment rate of UB recipients as well as in the increase in jobseekers' post-unemployment earnings. Similar findings are reported also for more intense, personalized services and more frequent, high-quality interactions of counsellors with jobseekers (see, for example, Michaelides and Mueser, 2018; Weber and Hofer, 2004; Pedersen et al, 2012; Crépon et al, 2005). On the other hand, studies found that preparation of IAP is ineffective (see, for example, Scheider, 2010) and that direct referrals to jobs increased the probability of applying for jobs, but not of finding a job (see, for example, Engström et al, 2012). As for profiling, we are unaware of studies documenting the effectiveness or efficiency of this measure.

The third activation program we address in this paper is the participation in the ALMPs – such as vocational training or public works – as a condition to retain UBs. This program may produce ambiguous effects on the duration of unemployment, the job-finding rate, and post-unemployment wages, as there are two types of the effects that are at work: (i) by improving skills and helping jobseekers in other ways, participation in ALMPs can help improve employment prospects – and thus increases participants' reservation wages;

[4] An individual action plan (IAP) – an agreement between the jobseeker and PES – describes the jobseeker's situation and determines goals and, most importantly, activities that the recipient should do in order to achieve those goals. The main purpose of IAP is to raise and/or maintain an adequate job search intensity of the jobseeker.

[5] OECD countries provided between 0 to 8.1 direct referrals per registered unemployed annually (OECD 2007).

[6] Profiling – categorization of the unemployed aimed at assessing their prospects to find a job – can help distributing PES resources more efficiently across jobseekers with different jobs prospects (for example, more resources can be used on jobseekers that have lower re-employment chances).

(ii) the obligation to attend an ALMP under the threat of benefit sanctions increases the opportunity costs of staying unemployed (particularly if the programme participation is not valued by the jobseeker), resulting in an increased job search intensity and reduction of the reservation wage just before the formal deadline for programme entry. Most of the empirical studies found that the mere threat of participation in ALMP has a non-negligible, positive effect on the transition rate from unemployment into employment. In contrast, the effects of programme participation per se have less clear-cut effects, partly because of the lock-in effect, and may thus improve or worsen the probability of exit from covered unemployment. For example, Rosholm and Svarer (2008) found significant threat effects of the Danish activation programme, increasing the employment probability (but only during the period of benefit receipt) and reducing the duration of unemployment on average by 1–3.5 weeks. Similarly, Graversen and van Ours (2008) showed that the same program increased the job-finding rate by 30 percent and reduced the median unemployment duration by 18 percent. However, the authors conclude that the job-finding rate is increased predominantly because of more intensive contacts with the unemployed. The impact of compulsory ALMP participation on post-unemployment wages and job quality has been less researched. The only study we found is Graversen and van Ours (2011) which reports a negative effect on wages as well as on employment duration but none of the effects was statistically significant.

Monitoring refers to checking whether UB recipients undertake an active search, that is, sufficient search activity to continue to qualify for benefits. More intense monitoring might increase the opportunity costs of staying unemployed, thus motivating jobseekers to increase their job search intensity and reduce their reservation wage. The empirical literature provides conflicting views about the effects of monitoring on the exit from unemployment. While some studies confirm positive effects of monitoring on the exit from unemployment – an increased probability of the exit rate to employment as well as other destinations, including training and education (see, for example, McVicar, 2008 and 2010; Cockx and Dejemeppe, 2012; van den Berg and van der Klaauw, 2019), other studies find an insignificant or limited effect of stricter monitoring (see, for example, Ashenfelter et al, 2005; Micklewright and Nagy, 2008). Other proven effects of monitoring include a reduction in post-unemployment wages. For example, van den Berg and van der Klaauw (2019) show that monitoring reduces the starting post-unemployment wage by 1.7 percent.

If recipients of UBs do not comply with the eligibility criteria, they may face a warning or a sanction. The sanction may be permanent or temporary and may involve a partial reduction or complete removal of UBs. Sanctions increase the opportunity costs of staying unemployed, thus affecting the duration of unemployment as well as post-unemployment outcomes. Empirical studies show that sanctions increase the probability of leaving unemployment and also taking a job. For example, Lalive et al (2005) found that in Switzerland, the threat of sanction increased the probability of the exit from unemployment by 25.2 percent, whereas the imposition of the sanction by additional 19.8 percent. In another study on Switzerland, Arni et al (2013) reported a threat effect of a 15.9 percent increase in the probability of the exit rate to employment and an additional 16 percent increase in this probability due to the imposition of the sanction. Similar findings are also available for other European countries (see, for example, Abbring et al, 2005; van den Berg et al, 2004; and van der Klaauw and van Ours, 2013 for the Netherlands, Hofmann, 2012; Boockmann et al, 2014, and Hillmann and Hohenleitner, 2015 for Germany, Svarer,

2011 for Denmark, and van den Berg and Vikström, 2014 for Sweden). But sanctions also have strong unintended side effects: they increase the probability of the exit to inactivity. Arni et al (2013) showed that a warning increased the probability of the exit to inactivity by 99 percent, and that the imposition of the sanction added additional 67 percent. Hillmann and Hohenleitner (2015) also reported that the imposition of the sanction increased the exit rate to non-employment by 60–79 percent. Sanctions also reduce post-unemployment wages, and they lower the quality of post-unemployment. Arni et al (2013) found that earnings of jobseekers who leave the system after a warning are lower by 8 percent in the first month and by 10.7 percent after 24 months, with the imposition of the sanction reducing them by additional 7.9 percent) Similarly, in the Swedish context, van den Berg and Vikström (2014) reported that sanctions cause individuals to accept jobs with, on average, 4 percent lower hourly wage in comparison to non-sanctioned, with the effect persisting in the long run. Authors also report that sanctioned recipients have a higher frequency of part-time jobs resulting in, on average, two hours less per week than non-sanctioned. In addition, they also conclude that sanctions lead to a loss in human capital, as they force recipients to take jobs that require fewer years of schooling.

Activation policies in the Slovenian UB system

In continuation of this section, we present "the state of affairs" in the area of activation of UB recipients in Slovenia. It describes the characteristics and key practices of activation policies and compares formal requirements related to activation against the international background.[7] i.e., especially to Austria and Germany,[8] which are often taken as country examples for policy making in Slovenia, and to other transition countries and the OECD average.

Adjusting benefit eligibility criteria

The frequency of regular, mandatory reporting to employment offices in Slovenia is determined by individual employment plans and thus varies across jobseekers. The usual frequency is once per month to once in three months, as deemed appropriate by the employment counsellor. This frequency depends on the profile of the jobseeker and local circumstances (above all, the likelihood of the emergence of new vacancies). The frequency is thus determined on substantial grounds and not by formal rules that often degenerate such visits into a "signing-on" routine. The reporting is used to check continuing UB eligibility – above all, to verify unemployment status and jobseeker's job-search activity – and to provide information about vacancies as well as training and other ALMPs of interest to jobseekers.

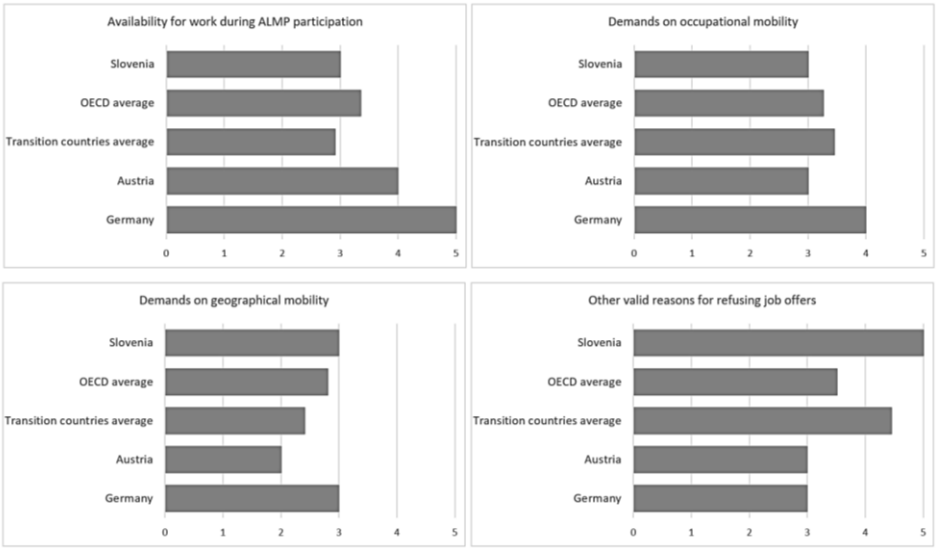
PES of Slovenia has experimented with requiring more frequent visits, with some, but limited success. In 2012, PES temporarily required that registered jobseekers had to report

[7] Information was gathered, among others, at a workshop on activation held at the National Employment Service of Slovenia in 2016.

[8] Germany serves as an example of best practice also due to the Hartz reform introduced in 2005, which developed a two-tier activation system and contributed to a marked reduction in unemployment (see Fertig and Csillag, 2015).

twice a month at employment offices, thereby significantly increasing the frequency of visits. A more frequent visiting requirement seemed to work at the beginning, but later on, it degenerated into a "signing-on" routine. After a few visits, the ability of PES to offer useful services was exhausted, with jobseekers wondering what the purpose of visits at such frequency was (Workshop at the Employment Service of Slovenia, 2016).

Figure 4. Comparing the strictness of UB eligibility criteria, Slovenia and selected comparators (2020)



Source: OECD.Stat, 2022.

Note: The group of transition countries includes Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia.

Legend:

Availability during ALMP participation
1: No demands on availability for work during participation in ALMPs
2: Participation in some ALMPs requires availability for work
3: Participation in most ALMPs requires availability for work
4: The unemployed should always be available for work while participating in ALMPs, but are not required to actively search for work
5: The unemployed should always be available and actively searching for work while participating in ALMPs

Demands on occupational mobility
1: The unemployed can refuse job offers in other occupational areas or with lower wages indefinitely
2: The unemployed can refuse job offers in other occupational areas or with lower wages for a limited period of 6 months or more
3: The unemployed can refuse job offers in other occupational areas or with lower wages for a period of less than 6 months
4: No explicit reservations but the unemployed person's qualifications, previous remuneration and the length of the unemployment spell are taken into account
5: The unemployed must accept all job offers that he/she is capable of doing

Demands on geographical mobility
1: No demands on geographical mobility

Other valid reasons for refusing job offers

2: The unemployed must accept a daily commuting time of up to 2 hours per day
3: The unemployed must accept a daily commuting time of up to 4 hours per day
4: The unemployed must accept a daily commuting time of 4+ hours per day
5: The unemployed must be willing to move

1: Countries with five valid types of reasons for refusing jobs
3: Countries with three or four valid types of reasons for refusing jobs
5: Countries with two or less valid types of reasons for refusing jobs

Compared to other OECD countries, some of Slovenia's regulations regarding the strictness of benefit eligibility criteria are stricter and some looser than regulations (Figure 4). Judged by "Availability during ALMP participation" and "Demands on geographical mobility," Slovenia's regulations pretty much conform to the OECD and transition countries' averages. If we look into more detail on selected countries, Austria and Germany have stricter rules about the work availability during ALMP participation. Among the transition countries, the rules are stricter only in Estonia, Romania, Poland, and the Czech Republic. Regarding geographical mobility, Slovenian UB recipients have to accept full-time job offers with a maximum of 3 hours of commuting time, German within 2.5 hours and in Austria up to 2 hours. Among the transition countries, the rules are stricter only in Croatia, where there are no limits on travel-to-work time per day, yet there are provisions that a job must be accepted outside the place of residence if it is located within 50 km or if the accommodation is provided (OECD, 2022). In contrast, the rules are the least strict in the Czech Republic, Romania and Slovakia as all these countries provide allowances for mobility for work. As for occupational mobility, in Slovenia and Austria, UB recipients can refuse job offers from other occupational areas in an early period of UB spell, while in Germany, in general, UB recipient is expected to take any job that corresponds to his general and personal capabilities. Compared to transition countries, Slovenia's rules are less strict. For example, in Poland and Hungary, which record the highest strictness indicator, the unemployed have to accept an adequate job if offered and cannot restrict the job search to the occupational or professional field (although the rules are not fully implemented in practice) (see OECD, 2022). According to other reasons for rejecting a job offer, Slovenia's rules are stricter than such rules in OECD and transition countries on average, and stricter than the rules in Germany and Austria.[9]

Improving employment services

In this section, we focus on certain aspects of PES that are most closely related to activation: an individual employment plan preparation, direct job referrals, intense interviews during the unemployment spell, and profiling. We also present statistics on the caseworkers' workload, as it is an important determinant of the intensity of contacts with jobseekers.

Individual employment plan preparations. Setting up an individual employment plan has been an important component of the activation strategy of Slovenian jobseekers. An employment plan – a mutually agreed document specifying goals and actions to be taken by the jobseeker, as well as the commitments by the employment service – is prepared early

[9] As with other rules described below, it is important to realize that what we compare are indeed "rules in the books." In reality, the comparison of such rules across countries may be misleading, to the extent that the strictness of their implementation varies across countries.

in the unemployment spell. According to the Employment Services of Slovenia Guidelines on the implementation of the Act on the Regulation of the Labour Market, an individual action plan is made for each unemployed registered with the PES Slovenia no later than 14 days after the registration. For "directly employable" jobseekers (those that are motivated, possess the right set of skills and the necessary know-how to conduct job-search activities) a "shortened plan" is made within two weeks after registration, and for the subset of these jobseekers – for those who are still unemployed four months after the registration – an in-depth plan is also prepared (Employment Service of Slovenia, 2011). In general, jobseekers are satisfied with their plans.

Intense interviews during the unemployment spell. Both in 2014 and 2015, about 313 thousand life-long career orientation events were delivered. Among the beneficiaries, the long-term unemployed were strongly overrepresented in the more intense, follow-up activities (in-depth counselling, including counselling for the handicapped) (Workshop at the Employment Service of Slovenia, 2016).

Referrals to vacant jobs. It has been a long-time practice of PES offices to refer jobseekers to vacant jobs posted by employers. Since 2011, employers are no longer mandated to post vacancies to PES, but employers continue to turn to PES with vacancies. They do so expecting that PES will preselect suitable candidates, thereby reducing the number of applicants employers themselves have to consider – and PES offices do precisely that, with a clear priority of keeping employers satisfied. In 2015, for example, the total number of direct referrals by PES was 103,138 (0.9 referrals per unemployed); while no firm number of actual placement is available, "an informed estimate" is that more than half of the referrals was successful, that is, was placed to the job position that they were referred to (Workshop at the Employment Service of Slovenia, 2016).

Profiling. Slovenia uses a so-called "counsellor-based" profiling, where the classification of jobseekers into three categories – directly employable, employable after additional activities and employable after in-depth interventions – is decided by counsellors, with consent from jobseekers (and there is little desire for statistical profiling). One of the advantages offered by profiling is reducing the burden on caseworkers, as it allows them to selectively focus on specific groups of jobseekers, which adds to the efficiency of their services. But the sentiment is that profiling, to be really useful, should be used in combination with other measures. For example, profiling is very useful to select jobseekers for public works, as only persons with an unemployment spell of over two years that need extra help are referred to. Moreover, as resources for ALMPs cannot do justice to the demand for participation in these programs, effective profiling is needed to channel resources to those who need help the most (see the review by OECD, 2015, on how such channelling is done in various OECD countries).

Caseworkers' caseload. The average caseworker's caseload in Slovenia was 435 jobseekers per person in 2014, and it dropped – primarily reflecting the reduction in the number of unemployed – to under 400 in 2015. Besides regular counselling, selected caseworkers provided also follow-up (in-depth) counselling, including counselling of the handicapped.

Except for few aspects, Slovenia's practices do not deviate much from those of OECD countries, although in certain aspects international practices themselves vary substantially. Slovenia's PES seems to be lagging a bit by less intense direct referrals and a lower frequency of intense interviews (Table 1).

Table 1. International comparison of PES practices

	Slovenia	OECD countries*
Setting-up individual employment plan	• For all unemployed an individual action plan is made within two weeks from registration	• Nearly all countries set such plans (some only for certain categories of jobseekers) • Timing varies from initial registration to nine months after registration
Referrals to vacant jobs	• In 2015, 0.9 referrals by PES per registered unemployed • Employer and jobseeker need to report the outcome of the referral (and employers must also inform unsuccessful candidates).	• Number of direct referrals per registered unemployed per year ranges from 0 (Canada) to 7 (Switzerland), typically 2-3. • Nearly all countries require employer, jobseeker, or both to report on the outcome of the referral
Frequency and timing of intense interviews	• Detailed registration interview • Follow-up interview every three months or earlier, if needed	• Detailed registration interview in all countries • Follow-up interviews either set as fixed interviews or scheduled by counsellor's assessment; in just over a quarter of countries at least five intensive interviews per the unemployed per year
Profiling	• Profiling is done before the preparation of an individual employment plan • "Counsellor-based" type of profiling is used. The unemployed are assigned to counsellors specialized on certain groups of unemployed (for example, long-term unemployed or young persons).	• Most OECD countries use profiling • Profiling is done at the time of registration, together with the preparation of an individual employment plan • Based on profiling, in some countries the unemployed are assigned to counsellors specialized on certain groups of unemployed (for example, long-term unemployed or young persons).

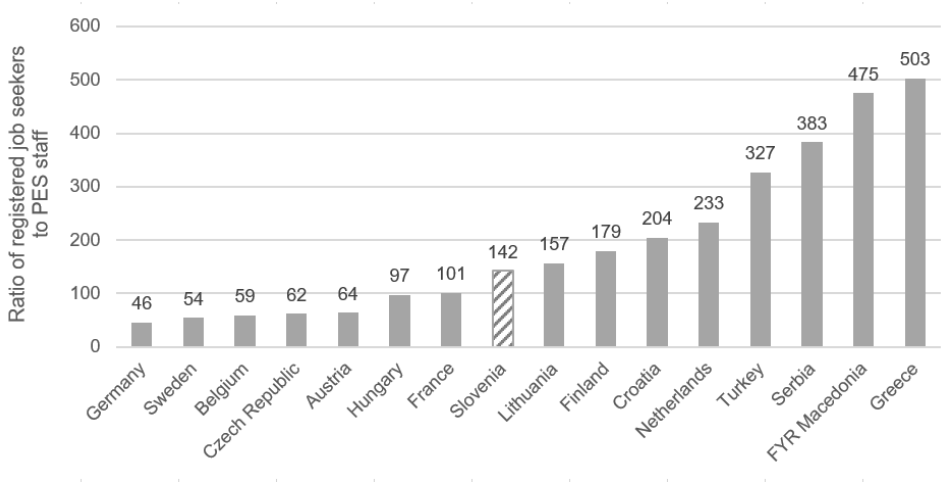
Source: For Slovenia, Employment Service of Slovenia (2011), direct communication with PES; for OECD countries: OECD Employment Outlook 2007 (data refer to 2004-06).

The exceptionally strong role of the Employment Services of Slovenia as a job broker needs to be emphasized. According to the OECD (2016), more than 18 percent of Slovenian workers who have recently started a new job indicated the involvement of PES in finding their present job – the highest share among all EU countries. Similarly, among methods used to find work, the likelihood of contacting PES in Slovenia was much above the European average.

Slovenia is lagging behind more developed countries judged by the ratio of registered job seekers to PES staff. In comparison to Austria, Belgium, Germany, Sweden and even the

Czech Republic, Slovenia's ratio of registered jobseekers to PES staff is bigger more than twice (Figure 5). Judging by this ratio, the caseworkers' caseload in Slovenia is also much bigger (of course, the caseload – comparing the number of jobseekers and the number of counsellors – may not be linearly related to the jobseeker – PES staff ratio; note that the latter tends to be even three times smaller than the former).

Figure 5. The ratio of registered jobseekers to PES staff in European countries (around 2014)



Source: Calculated based on Eurostat (2020) and WAPES (2016).

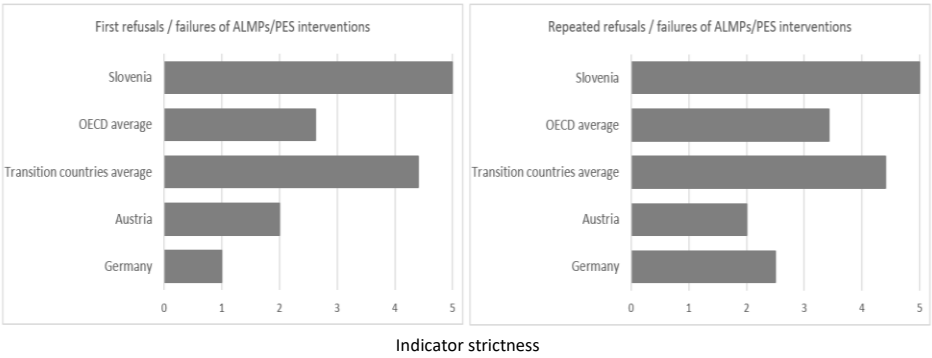
Compulsory participation in active labour market programs (ALMPs)

In Slovenia, there is no obligation to participate in ALMPs upon reaching a certain stage in the unemployment spell, but if referred, UB recipients need to comply to keep the benefit. The non-existence of mandatory participation requirement may be related to the fact that Slovenia's ALMPs are underfinanced – for example, in 2016 the funding allowed for the inclusion of 24,800 job seekers while the demand for such programs was much greater (according to our conversation with the national employment service staff, most of the registered unemployed expressed interest in such participation). Remarkably, while Slovenian jobseekers face the harshest sanctions for refusal to participate in an ALMP programme (see below), in 2015 in only two cases the receipt of UB was terminated due to such a refusal.

Slovenia's sanctions for refusing ALMP intervention are the strictest among the comparator countries (Figure 6); interestingly, transition countries have, on average, stricter sanctions than OECD countries. In Slovenia, refusal of ALMP participation leads immediately to benefit termination and the person is removed from the register. Similar rules apply also in Romania, Slovakia and Croatia. In contrast, Austria and Germany have significantly milder sanctions. In Germany, the sanction for the first refusal is a 3-week suspension, for the second a 6-weeks suspension, and for subsequent refusals a 12-week suspension. In Austria, the suspension for the first refusal is either the period during which

ALMP participation is refused or 6 weeks, whichever is smaller, and for subsequent refusals up to 8 weeks.

Figure 6. Comparing the strictness of sanctions for refusing ALMP intervention, Slovenia and selected comparators (2020)



Source: OECD.Stat, 2022.

Legend: 1: 0-4 weeks (including benefit reductions and sanctions until compliance); 2: 5-9 weeks; 3: 10-14 weeks; 4: More than 14 weeks; 5: Loss of remaining benefit entitlement.

Monitoring and sanctions

In Slovenia, monitoring of job-search activities and work availability is implemented via regular scheduling of interviews by counsellors. At such interviews, fulfilments of agreements from the individual employment plans are verified, and planned activities corrected, if deemed necessary. Attention is paid to six categories of jobseekers' needs: suitability of employment goals; job-search capacity; possession of adequate knowledge and skills; motivation; health problems; and situational barriers (Employment Service of Slovenia, 2011).

Certain groups may warrant stricter monitoring than others, given the existence of the "unemployment trap" or other disincentives to search for work. For certain groups of the unemployed, especially the low-skilled and those at the beginning of their career, the sum of cash benefits and other benefits (reduced payment of kindergarten, higher child allowances) exceed their expected wage, so they face low incentives to take a job – and PES could focus their monitoring efforts more intensely upon these groups. Moreover, while it may not be useful to "go after" all job seekers, PES may put under more scrutiny those UB recipients who are likely to engage in the grey (shadow) economy and may, in fact, not be unemployed.[10] On the other hand, note that a special group of older workers – those eligible for 25 months of UBs, followed by a two-year period of paid social security

[10] According to the estimations of the European Commission (2018), the shadow economy in Slovenia accounted for 23.3 percent of GDP in 2015, placing Slovenia in the upper third of the EU countries. Moreover, undeclared work presented 13.2 percent of labor input in 2013. Reasons for high involvement in the shadow economy go from a high tax wedge, rigid employment protection and burecrautic limitations in declaring seasonal work (Nastav 2009).

contributions – are *de facto* early retirees and are, for all practical purposes, beyond the reach of PES.[11]

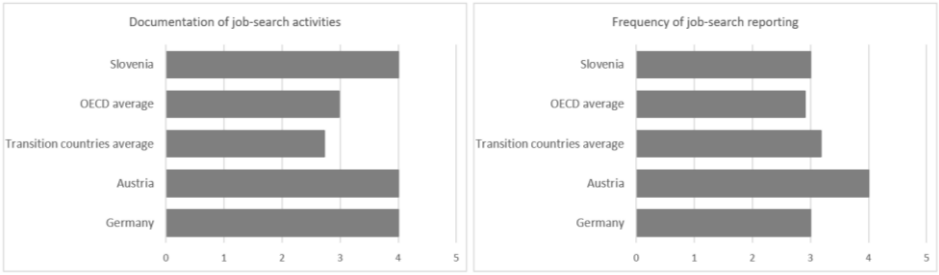
In Slovenia, sanctions for UB recipients are quite rarely used. In 2015, sanctions for a non-active job-search were applied to 211 jobseekers and in the first ten months of 2016, to 163 jobseekers. While the number of sanctions for a non-active search was of comparable magnitude in 2013 and 2014, it was much higher, at 684, in 2012, the year that PES intensified the required frequency of reporting at employment offices. In the case of sanction, PES must be able to document the reason for doing so. Documentation for the refusal of job referral, for failing to appear for an interview, and for the rejection of placement to a job is readily available. If subject to sanction, the unemployed can appeal first to the Ministry and then to the Labour court.

From an international perspective, the formal rules regarding the strictness of monitoring in Slovenia are similar to those in Austria and Germany **(**Figure 7). In Slovenia as well as in Austria and Germany UB recipients are obliged to report their job search, as well as to document it (with copies of job applications, proofs of application, and employer contact information) and prove it to the counsellor during interviews. This is the case also in several other transition countries, with the exception of Poland and Romania, where there is no check of a job search activity, and Hungary, the Czech Republic and Bulgaria, where a job search activity is irregular or ad-hoc. However, in general, only in Austria, Croatia and Estonia, the frequency of job-search reporting must be done every month. In contrast, in Slovenia and Germany, the frequency of reporting is set individually, whereas in Poland and the Czech Republic, the frequency of reporting is not regulated.

Slovenia's strictness of sanctions for refusing job offers is, as in several other transition countries, very severe (Figure 8). In Slovenia, the sanction for a refusal of a suitable job offer or an interview is the deletion from the unemployment register and consequently the loss of the benefit entitlement. A similar rule applies also in Bulgaria, Croatia, Slovakia, and Romania. In Austria, the sanction is a suspension of benefit during the period when an offer of a suitable job is being refused or 6 weeks maximum for the first refusal and 8 weeks for additional refusals. In Germany, the sanction for the first refusal is the suspension of benefit for 3 weeks, for the second refusal the suspension for 6 weeks, and for any additional refusal a suspension of 12 weeks. Both Germany and Austria have substantially milder sanctions than transition or OECD member countries, on average (see Figure 8).

[11] According to the Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia (2016), in recent years a large number of workers (about one third of new retirees) has transitioned to retirement from unemployment benefit receipt or from the status of the unemployed person with paid social security benefits – the problem that the mentioned document elaborates upon and addresses with comprehensive reform proposals.

Figure 7. Comparing strictness of monitoring, Slovenia and selected comparators (2020)



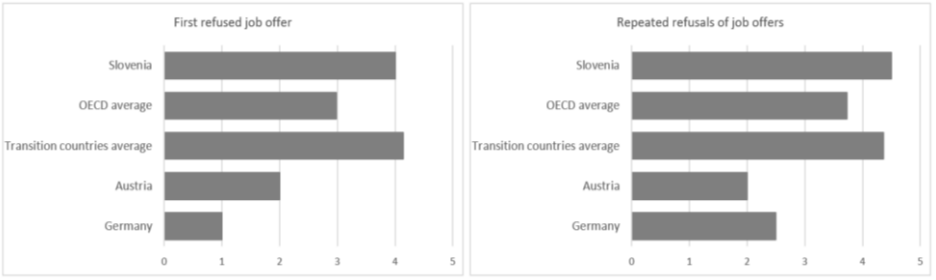
Source: OECD.Stat, 2022.

Legend:

Documentation of job search:
1: No check of job-search activity
2: Infrequent or ad-hoc checking of job-search activity
3: Frequency of job-search activities varies for different jobseekers and/or during the unemployment spell (on average less than quarterly)
4: All unemployed must regularly prove job-search activity (monthly or quarterly)
5: All unemployed must often i.e. every week or every second week prove job search

Frequency of job search:
1: No formal requirement
2: The person must regularly affirm that he or she has undertaken some actions to find work without specifying what these were (e.g. must tick a box "searched for work" on a claim continuation form)
3: The person must regularly affirm that he or she has undertaken some actions to find work and specify what these were (e.g. keeping a job-search diary)
4: The person must regularly supply the name and address (or equivalent documentation) of employers that he or she has contacted
5: The person must regularly produce declarations by employers that he or she has applied to for work

Figure 8. Comparing the strictness of sanctions for refusing a job offer, Slovenia and selected comparators (2020)



Source: OECD.Stat, 2022.

Legend: 1: 0-4 weeks (including benefit reductions); 2: 5-9 weeks; 3: 10-14 weeks; 4: More than 14 weeks; 5: Loss of remaining benefit entitlement.

Policy recommendations

Slovenia has, from an international perspective, rather generous UBs, and as a result, weak financial incentives for the unemployed to accept jobs. In recent years, policymakers started to improve work incentives, especially for recipients of UB programs, by activation policies, aimed to improve the employability of jobseekers. Slovenia, which faces one of the highest long-term unemployment rates among OECD countries (38.8 percent of total unemployed in 2020 compared to the OECD average of 18.4 percent), should upgrade the activation policy by taking the following actions.

- Subject jobseekers to more demanding job search requirements, together with increased monitoring of the compliance with these requirements. The measure would entail more frequent contacting of employment offices and increased quality of services during such contacts, including intense, personalized, high-quality counselling and increased acquisition of vacancies and of the frequency of vacancy referrals, as well as more intense follow-ups on the job-search process.
- As the first step, introduce pilots – in the form of controlled experiments, that is, with the ex-ante design of treatment and control groups – to test the effectiveness of the above approach.
- One example of piloting involves a more intense job-search assistance and other "support measures". Such a pilot could include increased acquisition of vacancies as well as of the frequency of vacancy referrals, improved job interview training; more intense/frequent interviews with counsellors, including referral follow-ups and revisions of individual action plans, if needed; and more intense job club support. The target groups for such intensified work should also be carefully selected. Moreover, to adhere to the holistic principle, such pilots may be combined, if the jobseeker is still unsuccessful after a certain period, by participation in ALMPs.
- Strengthen the ex-ante effect of sanctions. Slovenian jobseekers face some of the harshest sanctions for the refusal of participation in an ALMP programme and for refusing a job offer, with a low incidence of sanctions themselves. To strengthen the threat effect of the sanction system, one may want to reduce the size of the sanction and increase the incidence of sanction use. Also, this approach needs to be tested via a controlled experiment.
- Check the consistency and effectiveness of the current profiling system. The current system leaves a lot of discretion about the classification of jobseekers to counsellors. Based on extremely rich, individual-level data databases that exist on jobseekers (comprising the complete work history covering employment and unemployment spells as well as wage data), the current way of profiling could be contrasted by statistical profiling, and the predictive power of both checked on historical data.

Conclusion

The literature on activation shows that there are many effective tools available to PES to help "activating" UB recipients. The precise configuration of activation policies and the claimant groups targeted vary across countries, but such policies often combine stiffer

employment-related obligations and job search requirements, compulsory participation in ALMPs, financial incentives, and stricter implementation of sanctions which, by reinforcing eligibility conditions, seek to strengthen incentives to exit from unemployment.

Despite the wealth of studies on activation policies, still, no consensus has been reached about some of the programs' effects. Strong or suggestive evidence about the potential to reduce the duration of unemployment spells exists in all five areas of activation policies reviewed. At the same time, attention must be paid to the side effects of such measures, including increased exits to non-employment and lower quality of post-unemployment jobs. Although findings for Slovenia are country-specific and cannot simply be transplanted to other countries, they can be used as a starting point by policymakers also in other CEE countries. Importantly, the implementation of policy changes in the area of activation needs to account for country-specific, "starting conditions" to avoid or minimize its unintended effects. For example, in an environment of strong monitoring, imposing additional sanctions may "backfire" in the sense of speedier reemployment, but at the cost of lower post-unemployment earnings and/or lower job quality. In contrast, in the environment of lax monitoring, the same measure may simply intensify the job search, without worsening the post-unemployment outcomes.

Funding: This work was supported by the European Union Program for Employment and Social Innovation "EaSI" (2014-2020) [Grant number: VS/2015/0220].

Disclosure statement: No potential conflict of interest was reported by the authors.

References

ABBRING, J. H., van den BERG, G. J., van OURS, J. C., (2005). The Effect of Unemployment Insurance Sanctions on the Transition Rate from Unemployment to Employment. *The Economic Journal* 115 (505): 602–630. DOI: 10.1111/j.1468-0297.2005.01011.x

ARNI, P., LALIVE, R., van OURS, J .C.. (2013). How effective are Unemployment Benefit Sanctions? Looking Beyond Unemployment Exit. J*ournal of Applied Econometrics* 28 (7): 1153–1178.

ASHENFELTER, O., ASHMORE, D., DESCHÊNES, O., (2005). Do Unemployment Insurance Recipients Actively Seek Work? Evidence From Randomized Trials in Four U.S. States. *Journal of Econometrics* 125 (1): 53–75. DOI: 10.1016/j.jeconom.2004.04.003

BOOCKMANN, B., THOMSEN, S. L., WALTER. T., (2014). Intensifying the Use of Benefit Sanctions: An Effective Tool to Increase Employment? *IZA Journal of Labor Policy* 3 (1): 1–21. DOI: 10.1186/2193-9004-3-21

COCKX, B., DEJEMEPPE, M., (2012). Monitoring Job Search Effort: An Evaluation Based on a Regression Discontinuity Design." *Labour Economics* 19 (5): 729–737.

CRÉPON, B., DEJEMEPPE, M., GURGAND. M., (2005). Counseling the Unemployed: Does It Lower Unemployment Duration and Recurrence? IZA Discussion Paper No. 1796, Institute of Labor Economics, Bonn, Germany.

ENGSTRÖM, P., HESSELIUS, P., HOLMLUND. B., (2012). Vacancy Referrals, Job Search, and the Duration of Unemployment: A Randomized Experiment. *Labour* 26 (4): 419–435.

Employment Service of Slovenia. (2011). *Doktrina dela z delodajalci, brezposelnimi osebami in iskalci zaposlitve.* Employment Service of Slovenia, Ljubljana.

European Commission. (2018). *European Semester Thematic Factsheet: Undeclared Work* https://ec.europa.eu/info/sites/default/files/file_import/european-semester_thematic-factsheet_undeclared-work_en.pdf

European Commission. (2022a). *Tax and Benefits Indicators Database*. http://ec.europa.eu/economy_finance/db_indicators/tab/.

European Commission. (2022b). *Labour Market Policy Data.* https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/all_themes?lang=en&display=card&sort=category.

Eurostat. 2020. *Statistical Database*. https://ec.europa.eu/eurostat

FERTIG, M., M. CSILLAG. M., (2015). Cost–benefit Analysis of Remedial Interventions for the Long-term Unemployed. European Commission. http://ec.europa.eu/social/BlobServlet?docId=16037&langId=en.

GRAVERSEN, B. K., van OURS, J. C., (2008). How to Help Unemployed Find Jobs Quickly: Experimental Evidence From a Mandatory Activation Program. *Journal of Public Economics* 92 (10): 2020–2035.

GRAVERSEN, B. K., van OURS, J. C., (2011). An Activation Program as a Stick to Job Finding. *Labour* 25 (2): 167–181.

HAINMUELLER, J., HOFMANN, B., KRUG, G., WOLF, K., (2016). Do Lower Caseloads Improve the Performance of Public Employment Services? New Evidence from German Employment Offices. *The Scandinavian Journal of Economics* 118 (4): 941–974.

HILLMANN, K., HOHENLEITNER. I., (2015). Impact of Welfare Sanctions on Employment Entry and Exit from Labor Force: Evidence from German Survey Data, HWWI Research Papers No. 168, Hamburg Institute of International Economics (HWWI), Hamburg, Germany.

HOFMANN, B. (2012). Short- and Long-term Ex-Post Effects of Unemployment Insurance Sanctions: Evidence from West Germany. *Jahrbücher Für Nationalökonomie Und Statistik / Journal of Economics and Statistics* 232 (1): 31–60.

Labour Market Regulation Act. *Official Gazette of the Republic of Slovenia*, No. 80/10, 21/13, 63/13, 100/13.

LACHOWSKA, M., MERAL, M., WOODBURY, S. A., (2016). Effects of the Unemployment Insurance Work Test on Long-Term Employment Outcomes. *Labour Economics* 41: 246–265.

LALIVE, R., ZWEIMÜLLER, J., van OURS, J. C.. (2005). The Effect of Benefit Sanctions on the Duration of Unemployment. *Journal of the European Economic*

Association 3 (6): 1386–1417.

LAPORŠEK, S., VODOPIVEC, M., VODOPIVEC, M., (2019). Making work pay in Slovenia. *Revija za socijalnu politiku* 26 (3): 315–337.

MANNING, A., (2009). You Can't Always Get What You Want: The Impact of the UK Jobseeker's Allowance. *Labour Economics* 16 (3): 239–250.

MCVICAR, D., (2008). Job Search Monitoring Intensity, Unemployment Exit and Job Entry: Quasi-Experimental Evidence from the UK. *Labour Economics* 15 (6): 1451–1468.

MCVICAR, D. (2010). Does Job Search Monitoring Intensity Affect Unemployment? Evidence from Northern Ireland. *Economica* 77 (306): 296–313.

MICHAELIDES, M., MUESER, P. (2018). Are Reemployment Services Effective? Experimental Evidence from the Great Recession? *Journal of Policy Analysis and Management* 37 (3): 546–570.

MICKLEWRIGHT, J., NAGY, G., (2010). The Effect of Monitoring Unemployment Insurance Recipients on Unemployment Duration: Evidence from a Field Experiment. *Labour Economics* 17 (1): 180–187.

Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia. (2016). *Starejši in trg dela v Sloveniji (Older Workers and the Labor Market in Slovenia).* http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/word/dpd/07_09_2016_Starejsi_in_trg_dela_v_Sloveniji.docx.

Ministry of Labour, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia. (2022). *Denarna socialna pomoč (Social assistance).* https://www.gov.si/teme/denarna-socialna-pomoc/.

NASTAV, B., (2009). *Prikrita proizvodnja: siva ekonomija v Sloveniji (Hidden production: shadow economy in Slovenia).* Fakulteta za management, Koper.

OECD. (2007). *OECD Employment Outlook 2007*. OECD, Paris.

OECD. (2015). *OECD Employment Outlook 2015*. OECD, Paris.

OECD. (2016). *Connecting People with Jobs: The Labour Market, Activation Policies and Disadvantaged Workers in Slovenia*. OECD, Paris.

OECD. (2022). *How demanding are activation requirements for jobseekers?* https://www.oecd.org/social/strictness-benefit-eligibility.htm.

OECD.Stat. (2022). *Statistical Database*. https://stats.oecd.org/

PEDERSEN, J. M., ROSHOLM, M., SVARER, M., (2012). Experimental Evidence on the Effects of Early Meetings and Activation. IZA Discussion Paper No. 6970, Institute of Labor Economics, Bonn, Germany.

PETRONGOLO, B., (2009). The Long-Term Effects of Job Search Requirements: Evidence from the UK JSA Reform. *Journal of Public Economics* 93 (11): 1234–1253.

ROSHOLM, M., (2014). Do Case Workers help the Unemployed? Evidence for Making a Cheap and Effective Twist to Labor Market Policies for Unemployed Workers. IZA World of Labor. http://doi.org/10.15185/izawol.72.

ROSHOLM, M., SVARER, M., (2008). The Threat Effect of Active Labour Market Programs. *Scandinavian Journal of Economics* 110 (2): 385–401.

SCHNEIDER, J., (2010). *Activation of welfare recipients: Impacts of selected policies on reservation wages, search effort, re-employment and health*. Freie Universität Berlin. http://www.diss.fu-berlin.de/diss/receive/FUDISS_thesis_000000018714.

SVARER, M., (2011). The Effect of Sanctions on Exit from Unemployment: Evidence from Denmark. *Economica* 78 (312): 751–778.

van den BERG, G. J., van der KLAAUW. B., (2019). Structural Empirical Evaluation of Job Search Monitoring. *International Economic Review* 60 (2): 879–903.

van den BERG, G. J., van der KLAAUW, B., van Ours, J. C., (2004). Punitive Sanctions and the Transition Rate from Welfare to Work. *Journal of Labor Economics* 22 (1): 211–241.

van den BERG, G. J., VIKSTRÖM, J., (2014). Monitoring Job Offer Decisions, Punishments, Exit to Work, and Job Quality. *The Scandinavian Journal of Economics* 116 (2): 284–334.

van der KLAAUW, B., van OURS, J. C., (2013). Carrot and Stick: How Re-Employment Bonuses and Benefit Sanctions affect Exit Rates from Welfare. *Journal of Applied Econometrics* 28 (2): 275–296.

WAPES. 2016. *The World of Public Employment Services.* http://www.the-worldofpes.org/.

WEBER, A., HOFER, H., (2004). Employment Effects of Early Interventions on Job Search Programs. IZA Discussion Paper No. 1076, Institute of Labor Economics, Bonn, Germany.

Workshop at the Employment Service of Slovenia. (2016). *Activation Policies*. March 2016.