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Main Features of the Public Employment Service in the Slovak Republic

Daniela Kalužná

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**DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS
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Daniela Kalužná

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SUMMARY

This report documents the main features of the Public Employment Service (PES) in Slovak Republic, with attention to unemployment benefit administration as well as employment services. The current institutional structure was established in 2004. The Central Office of Labour, Social Affairs and Family (COLSAF), a budget organisation of the state, governs 46 territorial local offices, corresponding to the needs of labour market administration rather than the political division of the country into districts. The local offices administer social assistance benefits and state social support¹. They also take jobseekers' applications and supporting documentation for unemployment insurance (UI) benefits, but subsequent administration is now handled by the national Social Insurance Agency.

Local offices are now allowed to outsource many employment services, including the professional counselling of jobseekers. In a context of restrictions on staff numbers, by 2006 they had contracted about 8% of total spending on placement and related services out to external providers. Expenditure on placement and related services, not including general management and administration costs, is estimated here to be about 0.07% of GDP, which is around the OECD average, although the Slovak Republic has long had the highest, or near-highest, unemployment rate in the OECD. Since 2004, unemployment has fallen sharply, and employment service staffing has increased: by 2006, there were on average 116 registered jobseekers per front-line local-office staff member (counting information, counselling and placement officers) which was a big improvement on the workload indicators a few years earlier.

From 2004 employers have no longer been obliged to notify vacancies, and in that year the number of vacancies notified fell sharply. However voluntary notification has had some advantages. Employers no longer notify vacancies which they have in fact filled by other means; trust between employers and local offices has improved, and since 2004 the number of vacancies notified has recovered to a considerable extent; and PES vacancy officers are now expected to actively search for vacancies, and they register many vacancies that have not been directly notified. In 2006, placements into vacancies with the assistance of the PES accounted for about one third of all exits from the unemployment register and about 7% of all hires in the economy.

In 1991, the employment record requirement for the unemployment insurance (UI) benefit was not particularly strict. The benefit was paid for up to a year and 82% of the registered unemployed received it. But subsequently replacement rates and benefit duration were reduced, and in 1999 the employment record requirement was significantly tightened. By 2001, less than 20% of the registered unemployed were receiving UI benefit.

All registered jobseekers must comply with various requirements including (with limited exceptions) availability for full-time work and reporting in person to the local office at least once a month; until an amendment in 2008, with the exception of jobseekers in a labour market programme they had to attend weekly if long-term unemployed, and fortnightly otherwise. Similarly from 2004 and until the recent

1 State social support in Slovakia comprises several types of benefits designed to assist families in certain life situations such as birth and upbringing of a child or death of a relative. These include child benefit, parental allowance, child-birth allowances, foster-care allowances and funeral allowance. Entitlement to these benefits is not means tested or conditional on paying contributions.

amendment, an individual action plan had to be developed before six months of unemployment. Failure to comply with such requirements leads to deregistration and, in relevant cases, loss of benefit. The number of sanctions in 2007 was about 1% of the average stock of UI recipients for refusing employment or a labour market measure or failure to be available for work; and 3% to 4% for failure to report to the local office in person at the determined date.

Already by mid-1990s, a large majority of the registered unemployed were receiving a social assistance benefit rather than the UI benefit. At first, the assistance system was designed around the concept of “social care”. In 1998, a reform introduced the concept of subjective reasons for need, with benefit in these cases being half the amount granted in cases of objective reasons. People were assessed as having subjective reasons for their need after termination of employment without serious reason, after registration with the employment office for more than 24 months, and in some related circumstances. In 2004, this two-tier system was replaced by a system with a basic benefit amount, a housing supplement, and either a protection allowance, payable to people above pension age and in cases of invalidity for more than 30 days or permanent disability, or an activation allowance. The activation allowance is only paid to participants in training/study or in the Activation Programme, which involves employment in either minor municipality jobs or voluntary work.

Within the local offices, the employment service staff provide monthly confirmation of recipients’ attendance in programmes to the benefit administration units, but apart from this the cooperation between the two functions is limited: indeed, many of the assistance recipients are not registered as jobseekers. The benefit administration staff have wide powers to obtain income information from other relevant institutions: in recent investigations using Social Insurance Agency data, up to 40% of checked beneficiaries or more in some regions were found to be employed. These staff also have a social care role, administering state social support benefits, providing counselling to help people secure their basic living conditions, and conducting home visits. However, beneficiaries who fail to stay out of debt or to care for their children adequately may be transferred to their local municipality. In this case the municipality is designated as a “special recipient” of the benefit, and it can provide the family with assistance in kind rather than in cash.

RÉSUMÉ

Le présent rapport décrit les principaux aspects du Service public de l'emploi (SPE) en République slovaque, en s'attachant à la gestion des allocations de chômage autant qu'aux services d'emploi. La structure institutionnelle actuelle date de 2004. Le Bureau central du travail, des affaires sociales et de la famille, un organisme financé par le budget de l'État, coordonne 46 antennes locales, dont l'implantation correspond davantage aux besoins de l'administration du marché du travail qu'aux découpages du territoire en districts. Les antennes locales administrent les prestations d'aide sociale et de soutien social de l'État². Elles reçoivent également les inscriptions comme demandeur d'emploi et les justificatifs à fournir pour l'indemnisation au titre du chômage, mais le traitement ultérieur de ces dossiers est maintenant assuré par l'Agence nationale d'assurance sociale.

Les antennes locales sont désormais autorisées à externaliser un grand nombre de services, notamment l'accompagnement professionnel des demandeurs d'emploi. Dans un contexte de réduction d'effectifs, elles sous-traitaient ainsi en 2006 l'équivalent d'environ 8 % de leurs dépenses globales au titre du placement et des services connexes. On estime ici que ces dépenses globales, sans compter les charges d'administration générale, représentent environ 0.07 % du PIB, ce qui correspond à peu près à la moyenne des pays de l'OCDE, bien que la République slovaque a eu pendant longtemps le taux de chômage le plus élevé ou quasiment le plus élevé. Depuis 2004, ce taux a toutefois beaucoup diminué, tandis que les effectifs du service de l'emploi se sont étoffés : on comptait en moyenne 116 demandeurs d'emploi inscrits par conseiller (accueil, orientation, placement) dans les antennes locales en 2006, soit une nette amélioration par rapport aux ratios enregistrés il y a quelques années.

Depuis 2004, les employeurs ne sont plus obligés de notifier les vacances d'emploi. Si cette mesure a provoqué un effondrement des avis de vacance cette année-là, elle a aussi eu quelques avantages. En fait, les employeurs ne signalent plus les offres d'emploi lorsqu'ils sont déjà parvenus à les satisfaire eux-mêmes par d'autres moyens ; le niveau de confiance entre les employeurs et les conseillers des antennes locales s'est amélioré et le nombre d'avis de vacance d'emploi marque une nette reprise depuis 2004 ; enfin, les agents du SPE sont maintenant chargés de prospecter activement le marché du travail et cela leur permet de détecter de nombreux emplois disponibles qui n'ont pas été directement notifiés. En 2006, les postes pourvus avec l'aide du SPE ont représenté le tiers environ des sorties du chômage et environ 7 % des embauches dans l'économie.

En 1991, les conditions d'antécédents d'emploi à remplir pour pouvoir bénéficier de l'assurance chômage n'étaient pas très strictes. L'indemnisation durait un an maximum et 82 % des personnes inscrites sur la liste des demandeurs d'emploi étaient indemnisées. Par la suite, cependant, les taux d'indemnisation et la durée de versement des prestations ont été réduits, et cela s'est accompagné en 1999 d'un net durcissement des conditions en matière d'antécédents d'emploi. Au total, en 2001 moins de 20 % des chômeurs inscrits étaient indemnisés.

2 Il s'agit d'aides destinées aux familles dans certaines circonstances de la vie telles que naissance et éducation d'un enfant ou décès d'un parent. Elles comprennent l'allocation pour enfant à charge, l'allocation parentale d'éducation, l'allocation de naissance, l'allocation d'adoption et l'allocation funéraire. Ces prestations sont versées sans conditions de ressources ni de cotisation.

Aujourd'hui, toutes les personnes inscrites au chômage (à quelques exceptions près) sont soumises à diverses obligations, notamment celles d'être disponible pour travailler à temps plein et de se présenter en personne à l'antenne locale du SPE au moins une fois par mois ; avant 2008, année où la règle a changé, les chômeurs de longue durée devaient pointer une fois par semaine et les autres une fois tous les 15 jours, sauf s'ils participaient à un programme du marché du travail. De même, à partir de 2004 et jusqu'à la récente modification de la loi, un projet personnalisé d'accès à l'emploi devait être adopté par le demandeur dans un délai de six mois à compter de l'inscription au chômage. Ne pas se conformer à ces obligations exposait alors à la radiation et, pour les personnes indemnisées, à la perte des indemnités. En 2007, le nombre de sanctions prononcées pour refus d'une offre d'emploi ou d'une mesure d'insertion ou pour non-disponibilité représentait environ 1 % du stock moyen de chômeurs ; et pour manquement à l'obligation de se présenter en personne à l'antenne locale du SPE à la date prévue, 3 à 4 % de ce stock.

Au milieu des années 1990 déjà, la grande majorité des personnes inscrites sur la liste des demandeurs d'emploi percevaient une prestation d'aide sociale et non pas des allocations d'assurance chômage. Au départ, le système d'aide sociale avait été conçu autour de la notion de "prise en charge sociale", mais une réforme adoptée en 1998 a introduit une distinction entre besoins de nature subjective et besoins de nature objective et réduit de moitié le montant de l'aide accordée dans le premier cas. Étaient considérés comme ayant des besoins subjectifs ceux qui avaient cessé de travailler sans raison sérieuse, ceux qui étaient inscrits au chômage depuis plus de 24 mois et les demandeurs se trouvant dans certaines situations analogues. En 2004, ce système à deux étages a été remplacé par une prestation de base, un complément logement et soit une allocation de protection sociale pour les personnes ayant atteint l'âge de la retraite, en situation d'incapacité depuis plus de 30 jours ou souffrant d'une invalidité permanente, soit une allocation d'insertion. Cette dernière n'est accordée qu'à la condition de suivre une formation ou des études ou de participer au Programme d'activation du SPE, c'est-à-dire de travailler dans des emplois municipaux subalternes ou des activités bénévoles.

Au sein des antennes locales, les services chargés de l'emploi communiquent chaque mois aux services chargés des prestations la liste des demandeurs qui participent à des programmes, mais en dehors de cette tâche de contrôle la coopération entre les deux services est limitée : en fait, un grand nombre d'allocataires de l'aide sociale ne sont pas inscrits comme demandeurs d'emploi. Le personnel qui gère les prestations dispose de larges pouvoirs pour obtenir auprès d'autres institutions les informations dont il a besoin sur les ressources des bénéficiaires : récemment, les vérifications opérées à l'aide des fichiers de l'Agence nationale d'assurance sociale ont révélé que 40 % des allocataires contrôlés, voire davantage dans certaines régions, occupaient effectivement un emploi. Ce personnel est aussi investi d'une mission d'action sociale dans la mesure où il gère les prestations de soutien social de l'État, accompagne les familles dans la gestion de leur vie quotidienne et effectue des visites à domicile. Cependant, en cas d'endettement ou de défaillance parentale, les bénéficiaires peuvent voir leur dossier transféré à la municipalité du lieu où ils résident et celle-ci, qui reçoit alors la tutelle des allocations, peut décider de substituer une aide en nature au versement en espèces des prestations.

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GLOSSARY

COLSAF	Central Office of Labour, Social Affairs and Family	<i>Ústredie práce, sociálnych vecí a rodiny</i>
ESA	Employment Services Administration	<i>Správa služieb zamestnanosti</i>
ESF	European Social Fund	<i>Európsky sociálny fond</i>
EURES	European Employment Services	<i>Európske služby zamestnanosti</i>
IAP	Individual Action Plan	<i>Individuálny akčný plán</i>
INEKO	Institute for Economic and Social Reforms	<i>Inštitút pre ekonomické a sociálne reformy</i>
IVO	Institute for Public Affairs	<i>Inštitút pre verejné otázky</i>
MoLSAF	Ministry of Labour, Social Affairs and Family	<i>Ministerstvo práce, sociálnych vecí a rodiny</i>
NGO	Non-government organisation	<i>Mimovládna organizácia</i>
NLO	National Labour Office	<i>Národný úrad práce</i>
PES	Public Employment Service	<i>Verejné služby zamestnanosti</i>
SDF	Social Development Fund	<i>Fond sociálneho rozvoja</i>
SIA	Social Insurance Agency	<i>Sociálna poisťovňa</i>
SKK	Slovak koruna	<i>Slovenská koruna</i>
VUC	Higher territorial units (Eurostat NUTS III regions, one level above municipalities).	<i>Vyšší územný celok</i>

MAIN FEATURES OF THE PES IN THE SLOVAK REPUBLIC

Introduction

1. This report documents the main features of the Public Employment Service (PES) in the Slovak Republic. It focuses on institutional structures, staff and budgetary resources, statistics for PES operations, and benefit caseloads and eligibility criteria and their enforcement. These are all key elements in activation policies.

2. A first section describes the institutional structure of the PES and estimates the level of public expenditure on this function. A second section provides data about PES staff and workload. The third section describes unemployment insurance benefits, and a fourth section describes social assistance benefits.

1. Institutions

A short history of the institutional framework

3. Since their establishment in 1990, public employment services in the Slovak Republic have gone through a number of changes to the institutional framework, management structures and way of financing. Until the major reform of 2004, the main public institution in this area implemented both active measures and unemployment insurance.

4. From 1991 to 1993, employment services were delivered by district labour offices³ which were state administrative bodies directly governed by the Ministry of Labour, Social Affairs and Family (MoLSAF).⁴ From the national budget resources, they paid out unemployment insurance benefits⁵ and financed re-training and subsidised job creation. Shortly after the separation in 1993 of the Czech and Slovak Republics, the Employment Services Administration⁶ (ESA), which shared responsibility for labour market policies with the Ministry, was created in 1994. The ESA governed and supervised district labour offices. The Czech Republic also introduced the ESA in 1994, and has maintained it until now.

5. In 1993, a special Employment Fund was created for the purpose of financing active and passive labour market programmes. The Fund's revenues came from social security contributions levied on the payroll and subsidies from the national budget. The Employment Fund was a tripartite institution governed by public law. The Fund operated at the level of district labour offices through governing committees composed of representatives of the employers' and employees' associations and the state.

3. Including the Labour Office of the City of Bratislava and the Labour Office of the City of Košice (two largest cities in the Slovak Republic), covering the territory of more than one district.

4. Before 1992 the official name of the Ministry was Ministry of Labour and Social Affairs (MoLSA).

5. At that time called "material security" (in Slovak: *hmotné zabezpečenie*).

6. In Slovak: *Správa služieb zamestnanosti*.

6. In 1997, the Employment Fund and the ESA were merged into a new independent institution, the National Labour Office (NLO). The NLO was a public tripartite institution responsible both for passive and active labour market policies, which were delivered by a network of 8 regional offices, as well as the 79 district labour offices.⁷ At a national level it was governed by a 15-member governing board and 9-member supervisory board. Both regional and local levels were governed by tripartite governing boards.

Box 1. Arguments underlying the institutional reform of public employment services in 2004

The government that emerged from 2002 elections claimed, in many aspects supported by expert assessments, that four principal failures called for a new institutional and funding set-up for public employment services.

First, the administrative structure of the NLO had proved to be inefficient. The three-layer system was extremely complicated, with the intermediate (regional) level hindering flexible communication between the central and local levels. Since the system copied the territorial administration of the country, it did not correspond to real labour markets. Even according to NLO assessments, only around 40 district labour offices controlled real labour markets (Lubyová, 2000). Staff across the country were allocated unevenly with respect to the number of unemployed. Thus, offices in southern and eastern districts with numbers of unemployed almost four times the average had only twice as many staff as districts with levels of unemployment below average. Moreover, due to excessive bureaucracy, back-office activities employed the majority of staff and left 300 jobseekers for one front-line officer (European Commission, 2001). This ratio was extremely high by international standards.

Second, the tripartite management of policies and funds showed serious problems. According to the government, it failed to ensure efficient use of the public funds allocated for active labour market policies and lacked any mechanism for monitoring and evaluating their effectiveness. Supervision was missing, as tripartite bodies were accountable to nobody. Criteria for participation in active programmes and for allocation of subsidies were not determined by legislation, but were subject to individual decisions at a local level, and this left room for corruption and market deformation.

Third, the actual pattern of spending on active programmes was very erratic. Funds were allocated on a quarterly basis and were subject to forfeiture in case of failure to spend them within a determined period of time. Thus, rash adoption of low-quality programmes before the end of the year was common. Joint budgeting for passive and active programmes led to problems in periods of increased outlays on unemployment insurance benefits, as these programme areas were treated as substitutes rather than complements. Thus for example in 1999, the NLO spent SKK 7 293 million (Slovak koruna) on passive programmes but as little as SKK 474 million on active labour market programmes, *i.e.* only 6% of total expenditure (Table 1). In other years the proportion was more favourable but still low in international comparison. As compared to the mid-1990s, by 2002 and 2003 spending on passive programmes had significantly increased, but active spending had not.

The fourth argument for a new institutional set-up followed from the crucial interaction between unemployment and poverty in Slovakia. According to the World Bank (1998), more registered unemployed received social assistance than drew unemployment insurance benefits. At the same time, around 90% of people receiving social assistance were unemployed. Thus two different institutions, labour offices and local state benefit agencies, were serving largely the same persons. The “New Social Policy” implemented from 2004 aimed at a shift from the passive receipt of social benefits to the employment activation of social assistance beneficiaries, a task that could best be carried out under one single institution.

7. The network of labour offices corresponded to the structure of territorial administration, *i.e.* 8 regions and 79 districts. Prior to 1997, there were employment offices at the levels of both the 38 county/districts (*okres*) and the 121 district/local areas (*obvod*), with one office perhaps serving both levels in a few cases. In 1996 the *obvod* were abolished and the territory divided into the current 79 districts (still called *okres* in Slovak).

Table 1. **Spending on active and passive programmes, 1993-2003**

Millions of Slovak koruna (SKK)											
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total expenditure	2 966.2	3 605.9	6 080.6	7 353.5	7 068.6	7 773.8	7 766.3	7 752.9	7 024.1	8 695.6	7 928.8
Passive programmes	1 858.9	1 709.7	2 181.5	3 063.1	3 969.9	5 484.7	7 292.3	6 182.4	4 789.2	5 213.0	5 120.9
Active programmes	1 107.2	1 896.2	3 899.1	4 290.4	3 098.7	2 289.1	474.0	1 570.4	2 234.9	3 482.6	2 807.9
Ratio active to total (%)	37	53	64	58	44	29	6	20	32	40	35

Source: MoLSAF.

7. The most recent major institutional change occurred in 2004, within the framework of the “New Social Policy” launched by the coalition government that had emerged from the 2002 elections (Box 1). The NLO was abolished and employment services again became part of the state administration. The Central Office of Labour, Social Affairs and Family (COLSAF) was created as a budget organisation of the Ministry. Since then, active labour market programmes have been funded from the national budget. In line with recommendations in a number of assessments,⁸ the funding of passive programmes⁹ was removed from COLSAF’s budget so that more employment service staff could be devoted to the placement of jobseekers.

8. Unemployment insurance became an integral part of the consolidated social insurance system and was transferred to the Social Insurance Agency (SIA). The SIA is now responsible both for the collection of contributions and the payment of benefits. Although this unemployment insurance is no longer administered by labour offices, the two institutions try to avoid bothering their clients with excessive administration. According to the agreement between COLSAF and the SIA, a confirmation of jobseeker registration serves at the same time as an application for unemployment insurance benefit. The territorial office of the CoLSAF would normally obtain all required documents from the jobseeker and transmit the application to a local SIA branch for administration.

9. Although COLSAF “lost” the responsibility for unemployment insurance benefits, it at the same time “gained” new responsibilities through a merger with social benefit agencies that previously had been part of the local state administration. Thus, COLSAF provides today “one-stop shops” for clients of employment services, social assistance beneficiaries, and recipients of several other types of social benefits.¹⁰

10. The new structure has a clear hierarchy, with the Ministry governing the COLSAF, and the COLSAF governing its 46 territorial offices. The COLSAF is a budget organisation of the state, and its revenue and expenditure are linked to the budget of the Ministry. The COLSAF’s seat is located in Bratislava and it has detached workplaces in three of the eight regional centres, namely Banská Bystrica, Žilina and Košice. The COLSAF is managed by a Director General who is appointed and dismissed by the Government based on the Minister’s proposal.

8. For example, World Bank assessment reports, Joint Assessment of Employment Priorities, etc.

9. Unemployment benefits, insolvency benefits.

10. In addition to social assistance benefits, the COLSAF administers state social support benefits and benefits and services aimed at compensating the social implications of serious disability.

11. The 46 territorial offices do not correspond to established levels of governance, as they sit in-between the NUTS III (VUC)¹¹ and NUTS IV (municipality) levels. Each territorial office serves several municipalities and, in principle, is situated in the socio-economic centre of that territory. According to local needs, they may establish detached workplaces for bringing services closer to clients. Such decisions must be approved by the COLSAF. In 2006, territorial offices operated 37 detached workplaces. In addition, territorial offices established 49 small part-time first-contact points. These mainly delivered services related to social assistance benefits.

Decentralisation

12. A top-down approach is used for policy development. Framework policies are designed at a central level, with the Ministry drafting national employment strategies and related legislation. The Ministry also develops strategies for the use of European Social Fund, which has become an extremely important source of funding for activation and social inclusion programmes. The COLSAF is usually invited by the Ministry to provide suggestions and ideas based on its experience of implementation and knowledge of needs. To this end, the COLSAF collects inputs from territorial offices. According to an established procedure, territorial offices may comment on draft legislation before it is submitted to the Government for approval.

13. Services and programmes to be implemented by territorial offices are defined in the legislation, *i.e.* at a central level. The 2004 reform introduced a legal entitlement to almost all activation measures. Thus, after fulfilling eligibility criteria determined in law, jobseekers are entitled to that particular measure and territorial offices must provide it.

14. Annual performance objectives are set by the Ministry but they are developed in co-operation with the COLSAF. Based on these indicators, territorial directors are evaluated by the COLSAF, and the COLSAF Director General is evaluated by the Minister.

15. To respond to local needs, territorial offices may also create local partnerships with municipalities, local employers or NGOs, applying for funding from the ESF or other sources. Legislation requires territorial offices to establish an advisory committee¹² to decide about local priorities in terms of active labour market policies (especially training needs), the implementation of programmes additional to the centrally determined measures, and the office's involvement in local employment projects. In the advisory committee, the territorial office has four seats and the municipality and the VUC each have two seats.¹³ Each committee session must be attended by the director of the territorial office or his or her deputy.

16. The main vehicles through which active labour market programmes are delivered are the so-called national projects, which are co-funded by the European Social Fund and the national budget. National projects have been developed for each active labour market measure including projects for the delivery of placement and counselling services and for subsidised job creation.¹⁴ Budgets for national

11. According to the Slovak territorial administration terminology, NUTS III regions are referred to as higher territorial units (in Slovak: *vyšší územný celok*, VUC).

12. Called the Committee for Employment Issues (in Slovak: *Výbor pre otázky zamestnanosti*).

13. Amended legislation applicable from May 2008 required a change in the composition of the Committee to ensure tripartite representation. The Committee shall have ten members with equal representation of territorial office staff, VUC, representatives of towns and municipalities, employers' organisations and trade unions.

14. Only a few national projects concern exclusively labour market measures: in general national projects also deliver measures in the areas of social inclusion, local enterprise development, and education.

projects are drafted by the COLSAF but are subject to the Ministry's approval. Within one national project, the COLSAF may reallocate funds across territorial offices according to actual needs. Across national projects, *i.e.* across different measures, funds may only be shifted by the Ministry.

17. Active labour market programmes are also delivered through demand-driven, bottom-up, projects, which are also co-funded from the European Social Fund. Total allocations to this kind of project are determined by the government. Priorities and activities to be delivered through demand-driven projects are adopted and/or amended by monitoring committees composed of representatives of state administration, regional and local self-governments (*i.e.* governments which issue from elections at VUC and local level), business sector, NGOs and social partners. Monitoring committees also approve outcome and financial monitoring indicators. Calls for proposals are managed by the Ministry, while individual projects are selected by selection committees. Members of the selection committee are nominated by the Minister from representatives of relevant expert institutions, self-governments, business sector, and NGOs.

18. Relationships with other labour market stakeholders are maintained both at central and local levels. In terms of designing policies, a number of umbrella organisations for specific target groups, such as the Board of Institutions for People with Disabilities, the Association of Agencies for Supported Employment, Associations of Trainers, Association of Further Education Institutions, etc. collect initiatives at regional and local levels and formulate them into policy proposals which are then submitted to the Ministry (European Commission, 2005).

19. In terms of delivery, co-operation with other stakeholders mainly takes place at a local level. Devolved bodies, namely territorial offices, municipalities, and NUTS III regions (VUC) create partnerships with local employers, NGOs, banks and/or churches in order to implement projects which support local employment. The partnerships usually apply for funding from the ESF or the national budget. Successful innovative policies piloted at local level are sometimes mainstreamed into national-level policies. Co-operation at a local level often takes place through partnerships for social inclusion, which are governed by the Social Development Fund (SDF). The SDF was established by the Ministry to manage ESF resources for social inclusion programmes. Territorial offices also co-operate with the VUC in designing and delivering their regional development plans.

Outsourcing of PES functions

20. In 2004, the Act on Employment Services¹⁵ introduced a framework for the management of non-state providers of employment services¹⁶ and provided for the possibility of outsourcing some PES functions to external providers. Since then, outsourcing has been increasing. As well as training programmes, territorial offices contract out professional counselling¹⁷ and placement services.^{18, 19}

15. In effect from 1st January 2004; latest amendment in effect from 1st May 2008.

16. While the 2004 legislation allowed non-state providers to charge the unemployed for job broking services (with maximum amounts defined in law), the amended legislation applicable from May 2008 forbids charging the unemployed who are registered at territorial offices as jobseekers.

17. Professional counselling may only be outsourced to a licensed provider, and the acting counsellor must have a university diploma.

18. A contract with external providers of training programmes may also include the provision of placement and counselling activities for the jobseekers participating in the training programme.

19. From May 2008 (when the amended Act on Employment Services came in force) territorial offices may also contract out information and counselling services, *i.e.* providing information and advice to jobseekers on health requirements, professional skills and experience, and other prerequisites for particular occupations and jobs.

According to the COLSAF, outsourcing helps territorial offices “improve the efficiency of provided services, enhance their modernisation, and increase their scope”.

21. One factor that drove territorial offices to contract out the delivery of professional counselling was their legal obligation to develop an individual action plan with every jobseeker before the end of the third month of registration.²⁰ Territorial offices, lacking sufficient numbers of professional counsellors with required qualifications and having poor software support, were unable to fulfil this obligation with the required quality (Hanzelová and Kostolná, 2006b). Since they had allocations for delivering programmes rather than for increasing staffing,²¹ territorial offices decided to contract out to external providers.

22. In 2006, territorial offices concluded 324 contracts for the provision of professional counselling with 93 external providers. 18 666 jobseekers participated in these external projects, of which more than half were women (11 883 persons) and more than half were long-term unemployed (9 563 persons). Total spending on outsourced professional counselling amounted to SKK 97 million with average spending of SKK 5 217 per jobseeker.²²

23. The budget for outsourced services is determined in a similar way to the budget for active labour market policies. The COLSAF must apply for funding to the Ministry which is the managing authority for the European Social Fund. When a draft national project is submitted to the Ministry for approval, the COLSAF shows a separate budget for services to be outsourced.

24. Upon approval of national projects, the COLSAF allocates funds to individual territorial offices. Allocations are determined according to a set of indicators, namely the unemployment rate in the territory of a particular office, the structure of registered jobseekers,²³ the number of professional counsellors in particular territorial office, previous spending on outsourced services, etc. The COLSAF also determines, for each territorial office, the breakdown of allocated funds. Hence, for contracting outside providers, the territorial offices may only use the amount of resources allocated by the COLSAF for a given period of time. Following interim evaluation of the implementation of national programmes, adjustments to allocations are made on a 6-month basis. The COLSAF reallocates funds from territorial offices with low demand for outsourced services to those with high demand and high spending. National programmes are budgeted on a multi-annual basis. When programmes are drawing to an end the evaluation and reallocation of funds is performed more frequently, in principle on a quarterly basis. Reallocations are also made on an *ad hoc* basis when more than one office requests increased funds.

25. Calls for proposals are managed by territorial offices. They have powers to decide on the scope of outsourcing (within the amount of resources allocated), the range of activities to be outsourced and the selection of providers. External providers must, however, be selected in compliance with legislation on

20. In early 2006 the deadline for developing an IAP was put back to six months of registration, while a possibility of developing it earlier in the unemployment spell was preserved.

21. Total staffing in the network is determined by the Ministry. Directors of territorial offices can shift staff across individual agendas according to their needs. Thus, increasing number of professional counsellors would inevitably mean reducing number of staff working in other areas.

22. The most successful external projects, in terms of number of placements on the open labour market, were those focused on counselling for self-employment (78.80% success rate), outplacement/counselling for dismissed workers (70.90% success rate), and the development of individual action plans (65.11% success rate, even though 75.11% of participants were jobseekers with lower secondary or basic education) (COLSAF, *Annual Report 2006*).

23. As disadvantaged jobseekers require professional counselling on a more intense basis, the territorial offices with higher proportions of the long-term unemployed, disabled jobseekers, or other disadvantaged groups as defined in § 8 of the Act, receive higher allocations.

public procurement.²⁴ The selection committee is appointed by the director of the territorial office. There are no regulations governing its composition in terms of representation of social partners. However, the social partners, as well as other actors on regional labour markets such as municipalities and occupational associations, actively participate in drafting projects aimed at provision of professional counselling.

26. Professional counselling may also be implemented through so-called trans-regional programmes, *i.e.* programmes covering the territory of several offices. In that case the terms of reference, calls for proposals and selection of providers are managed by the authorised territorial office or by the COLSAF.

Expenditure on the PES

27. Public expenditure on LMP Category 1 according to the OECD methodology is not reported in Slovak statistics. Employment services are funded in a mixed way. The national budget covers mainly administrative expenditure, while active labour market measures, including part of the measures falling under OECD Category 1, *i.e.* placement and related services, are financed through ESF national projects. For assessing public spending in this Category we used data on expenditure in four national projects, namely National Projects VII, VII A, VII B and VIII.²⁵

28. Since wages and related expenditure on staff providing placement and related services are not funded from national projects, we used national budget data for PES spending on wages, social contributions and other overhead expenditure in the COLSAF and its territorial offices. These data, however, relate to all functions performed by the COLSAF, including labour market programmes allocated to LMP Categories 2 to 7 and the administration of state social support benefits and compensation for severe disability, the social and legal protection of children and social curatorship.

29. Administrative expenditure is not reported by function. We therefore calculated the proportion of staff dedicated to placement and related services (29%, not including general management and administration costs) and used this to calculate their share in total administrative expenditure. Table 2 estimates expenditure on OECD LMP Category 1 based on data reported by the MoLSAF.²⁶ The estimated expenditure represents 0.07% of GDP which is exactly at the level of the OECD average.²⁷

24. Act No. 25/2006 Coll. of Laws on Public Procurement.

25. National Project VII, later split into VII A and VII B, lists several initiatives in the area of jobseeker counselling and IT support for this; National Project VIII lists several initiatives in the area of job-broking.

26. Calculations here include only expenditure managed by MoLSAF: information about the administration of unemployment insurance benefits, which is under the competence of Social Insurance Agency, is given in Section 4 below.

27. The OECD average for “placement and related services”, calculated for 21 OECD member countries with non-missing data higher than 0.005% of GDP (OECD, 2008, Table J), is 0.07% of GDP. However this data line covers only “separately-identified” spending (data for some countries only include items such as Job Clubs and action plan procedures that appear as separate lines in national budgets, without a breakdown of the main PES staff costs between placement and other functions); total spending on placement and related services would be higher. At the same time, the full cost of placement and related services in Slovak Republic, including general management and administration costs, would also exceed 0.07% of GDP.

Table 2. **Public expenditure on placement and related services, 2006^a**

Thousands of Slovak koruna (SKK)

Type of expenditure	Amount
Administrative expenditures - Total	3 950 662
Administrative expenditures - Placement and related services (29%)	1 145 692
National projects ^b - Bratislava (SPD)	2 892
National projects ^b - Slovak Republic without Bratislava (SOP)	60 995
National projects ^b - Total	63 887
Placement and related services - Total	1 209 579
Percentage of GDP	0.07

a) Data coverage: COLSAF and territorial offices, not including general management and administration costs (see Table 3).

b) Data coverage: National Projects VII, VII A, VII B and VIII, i.e. those supporting placement and counselling services.

Source: 2006 budget chapter of the Ministry of Labour, Social Affairs and Family: real expenditures as of 31st December 2006 (www.employment.gov.sk and author's calculations)

2. PES staff and workload indicators

PES staff

30. In 2006, the COLSAF and territorial offices had 9 432 staff, of which 8 141 were civil servants²⁸ and 1 311 public sector employees.²⁹ Of this total, 2 446 worked in general management and administration, which includes the functions of the Director and his or her office as well as the human resource, legal, control, economy and finance, ICT, analysis and statistics and medical assessment departments.

31. Substantive services are provided by the employment services and social affairs divisions. The employment services division includes units for information and counselling, job mediation (placement services and vacancy officers), professional counselling, the implementation of active labour market programmes and project management, and European Employment Services (EURES). Detailed staffing by level of administration and type of activity is given in Table 3. Based on this table and the 2006 registered jobseeker total (299 181), employment services including a proportional share of COLSAF general management and administration staff, can be estimated at 4 607 (1 for every 65 jobseekers), total employment service staff at territorial level totalled 3 313 (1 for every 90 jobseekers), of which 2 574 (1 for every 116 jobseekers) were front-line staff (information, counselling and placement officers at territorial level).

32. Historical comparisons of staff and staffing ratios back to 1998, comparing the situation of territorial offices under the former NLO with the current situation under the COLSAF, are given in Table 4. The COLSAF has many more placement officers and counsellors than the NLO had as well as many more total employment service staff. Along with reduced stocks of registered unemployed the staff/client ratios improved considerably. While there was 1 placement officer for every 347 jobseekers in 2003 the ratio dropped to 1 for every 161 in 2006. Even more marked improvements can be seen for the workload of professional counsellors: from 1 counsellor for every 1 953 jobseekers in 2003 to 1 for every 417 in 2006.

28. The civil service is regulated by Act No. 312/2001 Coll. on Civil Service.

29. Public sector employees (referred to as employees in public interest) are regulated by Act No. 552/2003 Coll. on Delivery of Work in the Public Interest.

Table 3. **Staff in COLSAF and territorial offices, 2006**Units^a

Type of activity	Total		Civil servants		Public sector employees	
	National level	Territorial offices	National level	Territorial offices	National level	Territorial offices
General management and administration	122	2 324	81	1 241	61	1 083
Employment services - Total	99	3 313	93	3 313	6	0
Management	3	84	1	84	2	0
Information and counselling	16	718	15	718	1	0
Placement and vacancy agents	19	1 431	18	1 431	1	0
EURES	6	87	6	87	0	0
Professional counselling	15	425	14	425	1	0
ALMPs and programme management	40	568	39	568	1	0
Social affairs - Total	136	3 438	112	3 301	24	137
Management	2	85	1	85	1	0
Software administration of benefits	0	63	0	63	0	0
Assistance in material need	13	1 183	11	1 183	2	0
State social support	10	777	9	777	1	0
Compensation for severe disability	16	527	14	527	2	0
Social and legal protection of children and social curatorship	19	666	18	666	1	0
Counselling and psychological services	8	137	8	137	0	0
Total	357	9 075	286	7 855	91	1 220
Total, national and territorial levels combined	9 432		8 141		1 311	

a) Staff numbers in full-time equivalents.

Source: COLSAF.

Table 4. **Employment service staff and staff/client ratios in territorial offices, 1998-2006**Units^a

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Staff in employment services ^b	1 950	1 961	1 986	2 038	2 061	2 159	..	..	3 313
Registered jobseekers ^c	379 466	485 202	517 925	520 642	513 167	443 356	..	..	299 181
<i>Ratio of registered jobseekers to staff in employment services</i>	195	247	261	255	249	205	..	..	90
Placement officers	1 092	1 203	1 220	1 235	1 196	1 277	..	..	1 856
<i>Ratio registered jobseekers to placement officers</i>	347	403	425	422	429	347	..	..	161
Counsellors	168	177	201	198	217	227	..	..	718
<i>Ratio registered jobseekers to counsellors</i>	2 259	2 741	2 577	2 630	2 365	1 953	..	..	417
Front-line staff ^d	1 260	1 380	1 421	1 433	1 413	1 504	..	..	2 574
<i>Ratio registered jobseekers to front-line staff</i>	301	352	364	363	363	295	..	..	116

.. Data not available.

a) For employment service staff.

b) In this table "employment services" refers to "placement and related services" without some other functions (e.g. benefit administration and labour market analysis). For 1998-2003 the totals refer to placement officers, counsellors, retraining officers, ALMP managers, staff in job clubs and the respective percentage of management staff. For 2006: management, information and counselling officers, placement officers, vacancy officers, EURES officers, professional counsellors and ALMP and programme management. The data represent the stocks as of end of respective year.

c) Stocks of registered unemployed as of end of respective year.

d) For 1998-2003: placement officers and counsellors; for 2006: information and counselling officers, placement officers and professional counsellors.

Source: National Labour Office (NLO) and COLSAF quarterly statistics, and author's calculations.

33. A comparison can also be made with the situation in 1994, when the regional and local network comprised 146 district and sub-district labour offices with 2 865 staff (including, except for national level staff, the general management and unemployment insurance administration functions of the Employment Services Administration as described in Section 1). Given the already-high level of registered unemployment at that time, this implied an average of 131 registered jobseekers per PES staff member, about twice the average caseload in OECD countries at that time (World Bank, 1994).

34. In the 1990s, the allocation of staffing levels by labour office was dependent on the size of a district, its working age population, and the number of unemployed. In 1999, the criteria for allocating staff were broadened to also take structural aspects of the district's client population into account (European Commission, 2001).

35. Shortly after 2006 elections, the new Government decided to reduce staff in organisations funded from the national budget across the board by 20%, arguing that it was necessary to reduce inappropriately high staffing in the state administration and make public spending more efficient and better aligned with the real needs of individual budget chapters.³⁰ As of October 2007, staffing in the COLSAF was reduced by 41 employees and in territorial offices by 1 361.³¹ Total planned reductions should amount to 1 460 staff.

36. Since 2004, unemployment insurance benefits have been administered by the Social Insurance Agency.³² In 2006, 292 staff administered unemployment insurance benefits and insolvency insurance for an average of 26 991 unemployment insurance beneficiaries (see Chapter 3 for details).

Registered vacancies and placements

37. Placement services provided by territorial offices include the administration of registered vacancies and interface with employers. A vacancy is defined as a newly-created job or an existing unfilled job for which the employer is seeking an employee. Vacancy officers are responsible for collecting information on employers and vacancies, acquiring vacancies for registration in the vacancy database, processing vacancies through various means, and keeping vacancy information up-to-date. They also advertise vacancies in local and national mass media, on self-service kiosks and office's notice boards.

38. A central electronic vacancy database was first created by the National Labour Office (NLO) in 1998. At that time, NLO also started advertising vacancies in mass media. Previously, information on vacancies was exchanged almost exclusively between neighbouring districts (Lubyová, 2001). In a country with an already-very-low level of geographical mobility, the failure to share vacancy information across the country was a significant disadvantage.

39. Vacancies are acquired both through voluntary notification by employers and through active search by vacancy officers. Since 2004, employers have no longer been obliged to notify vacancies to territorial offices. The Government decided to withdraw this obligation due to its low effectiveness. It was perceived by employers as a forced communication with a labour office and in order to formally comply they often notified a vacancy which had actually been filled by other means. In its place the 2004 reform introduced, for territorial offices, an obligation to actively search for vacancies. This approach was expected to give territorial offices better knowledge of the employer's expectations and requirements related to individual vacancies.

30. Government Decree No. 856/2006 on proposal of public administration budget for the years 2007-2009.

31. This refers to a reduction in total staff, *i.e.* for employment services and social benefits administration.

32. For details on institutional framework and eligibility criteria for unemployment insurance benefits see Section 3.

40. According to an analysis undertaken in 1996 by the Centre for Work and Family Studies, employer compliance in terms of notifying vacancies was highly dependent on enterprise size. Smaller employers³³ effectively notified 50% to 75% of actual vacancies while for large enterprises (with over 500 employees) the proportion was much higher, 90% to 95% of the actual number of vacancies. At that time employers hired 45% to 55% of new employees through channels other than labour offices (Lubyová, 2001).

41. An analysis of employment services after two years of implementation of the 2004 reform (Hanzelová and Kostolná, 2006a) identified both positive and negative effects from the abolition of employers' obligations to notify vacancies. On one hand, by eliminating the pressure on employers, it helped build a culture of mutual trust between territorial offices and co-operating employers. On the other hand, territorial offices lost contact with many local employers and, consequently, lacked information about structural aspects of local labour demand.

42. The COLSAF has defined standard procedures for vacancy administration. Vacancy officers should contact employers according to their choice through a personal appointment, by phone, fax, e-mail or through internet. Personal visits should be made "upon mutual agreement and as necessary".³⁴ The analysis cited above showed that, due to lack of personnel resources for this agenda, in 2005 many territorial offices mostly used impersonal communication *vis-à-vis* employers. However, some territorial offices reported up to 100 visits of employers in a month.³⁵

43. Employers can notify vacancies on a form available on-line or personally at a territorial office. The form is rather detailed. Information about the employer should include name, legal status, tax identification number, main activities (profile), number of employees, and contact details. Information about the vacancy should include working conditions (date of take-up; type of contract: fixed-term/indefinite, part/full time, home worker, other; organisation of working time: shifts, flexible, other; working time: weekly, shorter-weekly; working hours), method of search (advertising in print media and on internet; advertising abroad; mediating suitable employees through group selection, individually, or another method), benefits offered by the employer (accommodation, housing, transport, other), description of the vacancy (occupation, suitable for disabled persons, for young graduates; brief description of expected activities; expected gross wage), required qualifications (in terms of educational attainment, field of study, work experience), required skills (IT, foreign languages, other), and other required competences, certificates and personal characteristics.

44. Newly registered vacancies are, on a daily basis, automatically added to the national database. Vacancy officers are responsible for updating them at least once a fortnight. EURES vacancies are downloaded into the national database weekly.

45. Territorial offices advertise acquired vacancies on notice-boards within their premises, on self-service kiosks, on internet and in mass media. Vacancies can only be advertised with the employer's consent. Publishing in mass media must not be on a commercial basis and must comply with legislation on personal data protection. In order to have the vacancy advertised by more than one territorial office, an employer must apply to the COLSAF.

33. Employers with maximum of 24 employees.

34. New legislation applicable from May 2008 introduced a function of a "vacancy agent" that can be delivered by territorial office staff or outsourced to external providers. Compared to the vacancy agenda delivered by territorial offices to date, vacancy agents should more intensively monitor the situation on the labour market and investigate employers' demand for labour.

35. The author estimates that in December 2006 about 66% of registered vacancies were acquired with the involvement of a PES agent, the remainder being submitted by the employer (on paper, or electronically) without such assistance.

46. Tables 5 and 6 provide statistics for notified³⁶ vacancy inflows and outflows, which separately identify vacancies for young graduates and the disabled. After a sharp fall in 2004, when the notification obligation was dropped, vacancy inflows increased rapidly in 2005 and 2006. In 2006 territorial offices registered 121 220 new vacancies of which 90 494, almost 75%, were filled either by the registered jobseekers (*i.e.* registered unemployed, since only the unemployed are allowed to register as jobseeker) or by other job applicants, *e.g.* persons who are searching for a new job but are not registered jobseekers. The type of assistance that led to filling the vacancy is not recorded.

Table 5. **Notified vacancies, 1998-2003**

Units						
	Inflow			Outflow ^a		
	Total	Young graduates	Disabled	Total	Young graduates	Disabled
1998	32 655	3 330	950	37 276	4 571	1 184
1999	91 570	10 367	2 512	77 264	9 301	2 258
2000	164 978	12 446	2 578	164 661	12 710	2 707
2001	181 597	14 858	3 381	177 537	13 983	3 336
2002	225 850	21 939	4 531	218 698	21 262	4 116
2003	188 383	16 864	4 430	190 110	16 714	4 590

a) The breakdown of outflow data between vacancies filled and vacancies cancelled is not available for these years.
Source: COLSAF.

Table 6. **Notified vacancies, 2004-2006**

Units									
	Inflow			Outflow					
	Total	Young graduates	Disabled	Filled			Cancelled		
	Total	Young graduates	Disabled	Total	Young graduates	Disabled	Total	Young graduates	Disabled
2004	74 928	13 000	1 216	56 899	9 773	1 127	18 834	2 957	469
2005	96 358	19 481	1 461	75 866	16 716	1 204	21 590	3 100	222
2006	121 220	..	..	90 494	..	..	20 422	..	..

.. Data not available.
Source: COLSAF.

47. In 2006, average monthly stock of unfilled vacancies was 24 026. In December 2006, for example, 1 983 vacancies were cancelled. A vacancy is cancelled from the database upon information from the employer that either he/she has filled the vacancy by other means, or the vacancy is no longer valid for any reason. In principle, a vacancy is kept in the database for six months. After this period, if it has not been filled with the assistance of a territorial office, and no cancellation notice from an employer is received, the vacancy would be de-registered. Vacancy officers are responsible for checking the relevance of vacancies at least every fortnight, but anecdotal evidence suggests that they find it difficult to get in

36. The vacancies listed in Tables 5 and 6 are called registered vacancies in published COLSAF statistics; but they include only vacancies notified by employers (prior to 2004, vacancies notified under the legal obligation) and not the vacancies acquired through the active involvement of a PES agent, so they are more accurately described as notified vacancies.

contact with (mainly smaller) employers and obtain up-to-date information. Moreover, in between the contacts, the employer's requirements often change. PES agents attribute this situation to the fact that employers have no legal obligation to notify the PES of new vacancies and of changes in the vacancy status. On the other hand, they admit that employers' behaviour was not optimal when they were legally obliged to co-operate with the PES.

48. The COLSAF statistics record monthly outflows of jobseekers broken down by reason of exit from the unemployment register, *i.e.* number of persons placed on the labour market with the assistance of PES, number of jobseekers who entered work by other means (with no involvement of PES), number of jobseekers de-registered due to sanction and number of persons de-registered due to other reasons, such as transfer to another benefit, or exit from their own initiative. An overview of exits from the register of jobseekers in 2006 by reason for exit is given in Table 7.

Table 7. Exits from unemployment register by reason for exit, 2006

	Units				
	Total exits to work (a+b)	Placed with PES assistance (a)	Entered work by other means (b)	Sanction de-registration	Voluntary exits
January	19 315	10 708	8 607	4 054	7 088
February	16 649	8 981	7 668	4 067	6 033
March	18 983	9 674	9 309	4 932	6 811
April	22 838	11 654	11 184	5 253	6 015
May	22 068	11 540	10 528	7 184	7 112
June	20 116	11 412	8 704	5 777	7 016
July	18 126	9 792	8 334	5 811	7 692
August	16 673	8 988	7 685	5 242	6 795
September	22 191	11 969	10 222	5 380	8 819
October	19 161	10 518	8 643	5 883	7 127
November	15 151	8 453	6 698	4 975	4 982
December	9 175	4 876	4 299	3 720	3 501
Annual average of monthly flows	18 371	9 880	8 490	5 190	6 583
Total annual flows	220 446	118 565	101 881	62 278	78 991

Source: COLSAF.

49. In 2006, 220 446 registered jobseekers (60.9% of the total outflow) entered work, of which 118 565 were placed with the assistance of territorial offices. In a year-to-year comparison with 2005, the number of placements in 2006 increased by 1 500 and their share on total outflow increased by 1.4%.

50. In the whole economy of the Slovak Republic in 2006, 1 776 842 new hires were recorded.³⁷ When compared with the number of registered vacancies filled with the assistance of territorial offices, this figure implies a PES market share of 7%.

37. The figure represents number of applications from employers for mandatory social insurance of employees in 2006. The number includes 559 216 new (ordinary) employment contracts and 1 217 626 persons performing work based on agreements on work performed outside the employment relationship, *i.e.* work performance agreements and agreements on temporary jobs for students (which are outside "the employment relationship" in the sense of the Slovak Labour Code). In principle the PES market share could be calculated without including agreements on temporary jobs for students in the denominator, as the COLSAF territorial office do not generally attempt to assist student hires. However, the Social Insurance

Supplementary placement services for employers and jobseekers

51. For vacancies notified as closed (*i.e.* with a request for PES referral of suitable jobseekers, without advertising the vacancy), territorial offices undertake pre-selection of suitable jobseekers. Pre-selected jobseekers are then referred to job interviews with prospective employers. Employers are required to note the result of the interview on a referral card, including information on whether the jobseeker met the qualification requirements and whether the vacancy was offered to him or her, and if relevant, why it was refused by the jobseeker. Placement officers can also organise selection procedures within their own competence,³⁸ in the premises of a territorial office.

52. In order to bring large numbers of employers and jobseekers together, territorial offices organise job fairs. They are organised according to the needs and capacity of a particular territorial office, usually once or twice in a year, although this activity is highly dependent on the spending priorities and enthusiasm of placement units. They are attended especially by employers who want to hire larger numbers of employees.

53. In the areas with a high concentration of investors, where the demand for hiring employees is highest, territorial offices have established eight pilot centres aimed at more intense provision of services to employers. They provide a full package of placement and counselling services for investors, other local employers, jobseekers and job applicants. In 2006, these pilot centres served 148 investors and filled 1 637 out of 4 125 vacancies registered by investors.

3. Unemployment insurance benefits

Institutional framework

54. Unemployment insurance is part of the social insurance system which, together with social assistance and state social support, makes up the social security system in the Slovak Republic. Unemployment insurance benefits are conditional on claimant's contribution periods. The previous economic activity of a person and level of his or her income from work are decisive for determining eligibility to unemployment insurance.

55. Unemployment insurance is administered by the Social Insurance Agency (SIA). SIA is a public institution and was established by law³⁹ in 1994. In its early days it administered sickness insurance and pension security. In 2002, it took on the insurance of employer's liability for damage caused by accident at work and occupational disease. Since 2004, following the complex reform of the social system, SIA has been administering all components of consolidated social insurance comprising old-age pension insurance, disability pension insurance, sickness insurance, accident insurance, unemployment insurance and insurance against employer's insolvency. The latter two schemes were transferred from the National Labour Office when it was abolished. SIA has responsibilities for old-age pension savings; it registers new saving contracts, collects contributions and transfers them to pension asset management companies. Delivery of all components of social insurance (including unemployment insurance) is surveyed by state supervisory bodies, namely MoLSAF and the Ministry of Finance.

Agency does not report these numbers separately. However the number of total hires in the economy is the most relevant basis for international comparisons. *Source:* Social Insurance Agency. Data before 2006 are not available.

38. This text several times uses the word "competence" in the French sense, which refers to powers and responsibilities more than capacity or ability.

39. Act No. 274/1994 Coll. on the Social Insurance Agency, as later amended.

56. From 2004 to 2006, SIA was governed by a Board of five Directors, a Supervisory Board and the directors of branch offices. On 1st January 2007, the Board of Directors was replaced by a single post of Director General. The Director General is appointed by the Government for a six-year term of office. He or she is accountable to the Government for SIA's financial management and the implementation of all tasks arising for SIA from legislation, Supervisory Board decisions, and the recommendations of state supervisory bodies. After consultation with the Supervisory Board, the Director General appoints and replaces directors of branch offices. Branch directors report to the Director General. They act on behalf of SIA in all matters falling within the scope of a branch office.

57. The Supervisory Board has 11 members: the President (who is the acting Minister for Labour, Social Affairs and Family), 3 other Government representatives, 3 representatives of employers' associations, 3 representatives of trade unions and 1 representative of civic associations defending interests of pension beneficiaries. The Board members (excluding the President) are elected and replaced by the National Council of the Slovak Republic (the Parliament). Their term of office is five years. The Board's decisions are adopted by simple majority of votes.

58. In terms of organisational structure, SIA has one Central Office located in Bratislava operating at a national level and 38 branch offices at a local level. In addition, in 2006, branch offices operated 41 detached workplaces established for closer contact with clients.

59. In 2006, SIA employed 5 691 staff, of which 1 434 worked in the Central Office. Within these totals, 292 staff administered unemployment insurance and insolvency insurance, of which 13 were at central level. Based on the number of branch offices (38), on average there were seven staff administering unemployment insurance for each SIA branch office (including staff working from detached workplaces). Based on the 2006 monthly average of unemployment insurance beneficiaries (26 991), these staff each managed an average of 97 dossiers.

Eligibility criteria

60. Since 1991, due to rising unemployment and budget restrictions, the generosity of unemployment support has gradually been reduced both in terms of benefit amount and benefit duration. At the same time entitlement criteria became step by step stricter. Box 2 provides a brief overview of these developments.

61. An overview of unemployment insurance benefit recipient numbers relative to the total number of registered jobseekers is given in Table 8. The impact of tightened entitlement conditions is evident from the fall in the benefit coverage in 1992 and, to a lesser extent, from 1999 to 2001. Tables 9 and 10 provide detailed data showing average benefit amounts.

Table 8. **Proportion of registered jobseekers receiving unemployment insurance benefits, 1991-2006**

Percentages															
1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
82	34	34	23	23	26	25	26	26	22	17	17	18	18	11	9

.. Data not available.

Source: For the period 1991-1995: Lubyová, 2001; for 1996-2006: Social Insurance Agency, and COLSAF.

62. According to the current legislation, introduced in January 2004,⁴⁰ a person is entitled to unemployment insurance benefit if over the last four years he/she had contributed for at least three years.

40. Act No. 461/2003 on Social Insurance as later amended.

According to OECD (2007a) “access to unemployment benefits may have become too tight”.⁴¹ The legislation provides for a special treatment of persons in fixed-term employment relationships (*i.e.* seasonal or intermittent work): they are entitled to the benefit if over the last four years they have made two years of contributions. Other people not in an employment relationship in the sense of the Slovak Labour Code (see note 35), *i.e.* the self-employed and certain types of contract workers, can contribute to voluntary insurance which is taken into account as equivalent to employee’s insurance.

Box 2. Overview of major milestones in unemployment support in the Slovak Republic

In 1991 the Act on Employment⁴² defined unemployment support as the “material security of a jobseeker”.⁴³ For entitlement to the benefit, an employment record of at least 12 months over the last three years was required. Time spent caring for a child younger than three years or studying also counted towards the 12 months employment record (this provision was removed in the 2004 legislation described in the main text). The benefit was provided for a maximum of one year. The benefit amount in the first 6 months was calculated as 65%, and for the remaining 6 months 60%, of previous earnings.

In 1992, a first major reform of unemployment support was adopted. The maximum benefit duration was reduced to 6 months, while the calculation of benefit amount reproduced the previous logic, *i.e.* for the first 3 months it was 60%, and for the remaining period 50%, of previous earnings. For jobseekers participating in retraining programmes the replacement ratio was 70%. The maximum benefit amount was determined as 1.5 times the minimum wage. The reform was applied retroactively, *i.e.* it also affected people who became unemployed before January 1992. Due to this reform, the proportion of jobseekers entitled to unemployment support dropped from 82% to 34% (Lubyová, 2001).

In 1995, the conditions in terms of benefit duration were revised again. A new formula for determining benefit duration was introduced depending on the jobseeker’s age: 6 months for jobseekers under 30, 8 months for jobseekers under 45, 9 months for those under 50 and 12 months for older jobseekers.

In 1996, the formula for determining the benefit amount changed. It was now dependent on the average monthly assessment base (calculated as one third of the sum of assessment bases from which the claimant paid unemployment insurance contributions during the last three months in employment). The maximum monthly benefit amount was determined in absolute terms at SKK 5 400. Benefit duration became dependent on contribution record: 6 months for a contribution period of less than 15 years, 9 months for a contribution period of 15-25 years and 12 months when a jobseeker had contributed for more than 25 years.

An amendment to the Act on Employment in 1999 significantly tightened the conditions for receiving unemployment support. Instead of 12 months, an employment record of 24 months over the period of last three years was required. The benefit amount was reduced in the first three months to 50% of the average monthly assessment base and for the remaining period to 45% of the base. The average assessment base was changed to one sixth of the sum of assessment bases from which the claimant paid contributions during the last six months in employment. The maximum benefit amount was determined as 1.5 times the subsistence minimum (instead of 1.5 times the minimum wage). The benefit period was 6 months for a contribution period of less than 15 years and 9 months for longer contribution records. At the same time, payroll contributions to the Employment Fund were reduced: from 3% to 2.75% for employers and from 1% to 0.9% for employees. The employment record requirement was increased again in 2004 (see main text).

Source: Kvapilová (2004).

63. In order to claim his or her UI entitlement, a person must register as a jobseeker with a territorial office under COLSAF in his or her place of residence. Being registered as a jobseeker, he/she is required to meet all obligations related to a jobseeker’s status: he/she must actively seek work, must be available for a suitable job, and must co-operate with the territorial office in terms of improving his or her employment prospects.

41. OECD suggests that the strict entitlement criteria for unemployment benefits “could be changed if, and only if, receipt of unemployment benefit is accompanied by strong activation and job-search support” (OECD, 2007a).

42. Act No. 1/1991 Coll. on Employment as later amended.

43. In Slovak: *hmotné zabezpečenie uchádzača o zamestnanie*.

64. The maximum benefit period is six months (four months in case of a person previously in fixed-term employment). The benefit period expires when the person is entitled to old-age pension benefit, early retirement benefit or invalidity pension benefit. The benefit is reduced by periods in which the person is entitled to sickness, carer's, maternity or parental allowance.

65. When a person takes up a job before expiry of his or her benefit period he/she can either immediately draw 50% of the remaining part of the entitlement or retain the right to the remaining amount of the benefit for a maximum of three years. This measure was introduced in order to motivate benefit recipients to accept suitable jobs even before their benefit period expired.

Table 9. **Average benefit amount and total spending on unemployment insurance benefits, 2000-2006**

	2000	2001	2002	2003	2004	2005	2006
Average monthly benefit amount (SKK)	3 296	3 265	3 621	3 900	4 428	5 252	5 954
Total spending on benefits (million SKK)	4 413	3 450	3 756	3 750	3 972	2 440	1 928

Source: Social Insurance Agency.

Table 10. **Unemployment insurance benefits, 2005 and 2006**

	Benefit recipients		Average monthly benefit amount ^a (SKK)		Total benefit expenditures (million SKK)	
	2005	2006	2005	2006	2005	2006
January	45 398	28 489	4 981	5 749	226	164
February	48 998	32 811	5 199	5 813	255	191
March	48 222	31 854	4 920	5 520	237	176
April	46 233	31 182	5 294	5 905	245	184
May	42 187	29 199	5 029	5 742	212	168
June	38 797	27 896	5 255	5 959	204	166
July	35 113	25 727	5 351	6 006	188	155
August	33 979	25 862	5 568	6 076	189	157
September	32 465	24 484	5 767	6 365	187	156
October	31 556	23 096	5 371	5 975	170	138
November	29 759	21 606	5 590	6 302	166	136
December	29 262	21 686	5 491	6 340	161	138
Annual average	38 497	26 991	5 318	5 979	203	161

a) The average monthly benefit amount includes part-month payments.

Source: Response provided by MoLSAF to an OECD questionnaire on indicators of activation and author's calculations.

Required labour market behaviour

66. Unemployment benefit recipients must fulfil all obligations related to the status of registered jobseeker as defined by law.⁴⁴ Failure to meet these obligations and to co-operate with the territorial office is followed by de-registration and immediate loss of benefit. New registration is allowed after three months but a new benefit entitlement would only materialise if the person fulfilled the required insurance periods again.

44. Act No. 5/2004 Coll. of Laws on Employment Services as later amended.

Availability

67. Each jobseeker⁴⁵ including recipients of unemployment insurance benefit must be willing and able to work and must actively seek employment. He/she is required, within three working days upon receiving a notice from a territorial office, to be available for the purpose of mediating employment and/or participating in a labour market programme. If he/she fails to be available without proving serious restrictions, the territorial office will remove him or her from the unemployment register. De-registration means immediate loss of this benefit.

68. Failure to co-operate with the territorial office includes cases of refusal to participate in active labour market programmes, including *e.g.* public works.^{46, 47} Such a sanction was introduced as early as 1993⁴⁸ and is now limited to jobseekers registered for more than six months. Contrary to the situation in the 1990s, participation in training programmes is not obligatory and refusal does not lead to any sanction.

69. In terms of serious restrictions to a jobseeker's availability the legislation only accepts short-term sickness and claimed difficulties with accompanying young children to and from care facilities or school due to spouse's absence from home due to work. Restricted availability on grounds of a health condition must be certified by a special medical examiner. Except for these restrictions the legislation assumes that a person registered as a jobseeker is able to contact territorial office and take up work immediately. In the upshot, however, there is often room for arranging with the employer a later date of take-up.

70. As the person must be contactable within three working days, only short-term absences from home, effectively only on weekends, are compatible with the rules. Moreover, for the long-term unemployed not participating in any labour market programme, reporting in person is required once a week. These requirements prevent jobseekers from taking longer absences from their place of residence.

71. Nevertheless, in compliance with EU legislation, jobseekers may travel to another EU Member State and stay there for job-search purposes for a maximum of three months. They will not lose entitlement to benefit provided that they inform territorial office prior to their departure and register, without undue delay, with the PES in the target EU Member State. If they fail to do so they must return to the Slovak Republic and start fulfilling their obligations with respect to their territorial office, otherwise they will be de-registered and will lose the benefit.

72. Jobseekers must report to the territorial office in person. All visits are confirmed by signatures of a jobseeker and a placement officer. No reporting by phone or e-mail is accepted. The periodicity of

45. § 6 of Act No. 5/2004 on Employment Services.

46. Defined as "activation activities" according to § 52 and §52a of Act No. 5/2004 Coll. on Employment Services; they include minor municipality works and voluntary work performed for a set of institutions defined by law.

47. The amended Act on Employment Services (in force from May 2008) extended situations that are assimilated to non-cooperation with a territorial office. They now include: unjustified refusal of an offer of suitable employment, refusal to take suitable employment, refusal of an offer to elaborate an IAP, and refusal to participate in an active labour market measure with the except of voluntary service.

48. An earlier sanction for refusal to participate in public works programme was removed in 1996 (by Act No. 387/1996 on Employment). In 2004, it was re-introduced for those registered for more than six months. In fact, public works are targeted at long-term unemployed and unemployed people receiving social assistance.

contacts is determined by law; it is once a week for long-term unemployed jobseekers,⁴⁹ once a month for jobseekers participating in labour market programmes,⁵⁰ and once a fortnight for all other jobseekers.⁵¹

73. The legal formulation related to the periodicity of contacts “at least once in a month” rather than “at least every 30 days” provides, however, for some flexibility in determining dates of contacts. Within legal time limits and on grounds of reasonable restrictions, the dates can be adapted to individual jobseeker needs. Nevertheless, once the date has been fixed in the jobseeker’s card it is binding for both parties. Failure to report on the determined date leads to jobseeker’s de-registration and loss of benefit.

74. The legislation does not mention any jobseeker’s “holiday”. According to the COLSAF methodology, however, a jobseeker who is not long-term unemployed and/or a recipient of social assistance benefit may be allowed a short, maximum two-week, “holiday”. In order to exclude the possibility of performing illegal work instead, he/she must present a settled holiday voucher.

75. Accepted forms of active job search are defined by legislation.⁵² The concrete list of activities to be undertaken by a jobseeker is determined in the individual action plan (IAP) which must be developed with every jobseeker before completing six months of registration.⁵³ The number of activities, the time when the jobseeker should have completed them and the date of verification by a counsellor are determined individually. The minimum periodicity of contacts with a counsellor or a placement officer, however, is once in a month.

76. Even jobseekers without an IAP (*i.e.* early in the unemployment spell) are required to actively search for work. They must report in person to a territorial office every fortnight, and in principle one to two job-search activities in a month would be considered satisfactory. However, the COLSAF itself claims that verification of job-search activities is rather a formal exercise and real job search can hardly be proved unless it is successful. It became a widespread phenomenon that jobseekers would bring confirmations from employers about job interviews that never took place. Opponents to frequent verification of job search also point to the risk of impairing employers’ attitude towards PES as employers may feel bothered with non-motivated “collectors of confirmations”.

77. Caring responsibilities in principle do not qualify a person for any concessions as regards reporting to territorial offices. However, in order to facilitate their participation in professional counselling

49. Registered for more than 12 months.

50. There is one exception from monthly reporting: jobseekers participating in training programmes whose duration exceeds two months are required to report to a territorial office only towards the end of the programme (within the last two months).

51. The amendment to Act on Employment Services (in force from May 2008) no longer prescribes the periodicity of contacts and leaves it at the discretion of placement officers in territorial offices to determine the frequency of contacts according to (their knowledge of) the individual needs of jobseekers. Jobseekers are however obliged to report in person about their active job search at least once in a month.

52. § 6a of Regulation No. 31/2004 (executive regulation to the Act No. 5/2004).

53. When IAPs were first introduced in 2004, territorial offices were obliged to develop an IAP for every jobseeker before end of his or her third month of registration. Following negative feed-back from territorial offices, claiming that this generated an enormous caseload and that developing IAPs for short-term unemployed was in many cases actually useless, the reference period was extended to six months. Since May 2008, the development of an IAP has only been mandatory for certain categories of disadvantaged jobseekers, especially the long-term unemployed (registered for more than 24 months). For other categories of disadvantaged jobseekers an IAP may be developed upon their request or may be proposed by a territorial office. The new legislation does not provide for any IAP for jobseekers who are not considered disadvantaged.

and in training programmes, jobseekers with young children⁵⁴ are entitled to a financial contribution covering part of their child-care expenses.⁵⁵ Availability and reporting obligations are only waived for pregnant women in the period starting six weeks before the expected date of confinement and ending six weeks after confinement.

78. Neither social maladjustment, nor alcohol or drug abuse in itself, constitute reasons for refusal to register a person as a jobseeker or to grant him or her an unemployment benefit. The legislation on employment services does not even identify this category.⁵⁶ However, this group of people would often fail the work test or another obligation, and consequently would be de-registered. Due to a poor employment record they would most probably fail to meet the entitlement criteria for the unemployment benefit. If they pass the means test they may be entitled to social assistance benefit. These groups are mainly dealt with by social workers who work from the same institution as employment services and social assistance administration. It must be stated, however, that despite the original intention standing behind the PES institutional reform in 2004, the two systems, employment services and social assistance, have not yet been fully integrated in terms of close co-operation leading socially-disadvantaged people from benefits to work.⁵⁷

79. In terms of temporary crisis or any other exceptional events in the family (funerals, wedding celebrations, etc.), although these circumstances are not regulated by law, territorial offices tend to apply a “humane approach”. If such an event is notified in advance or, in case of crisis, shortly after, no sanctions would be applied. Each case, however, is assessed individually, taking into account previous behaviour of the jobseeker. In no way can such events be justified ex-post, after actual de-registration and loss of benefit.

Suitable employment

80. Jobseekers are required to accept suitable employment. Refusal of a suitable job offered by a placement officer⁵⁸ would lead to de-registration and loss of entitlement to unemployment benefit. Back in early 1990s, suitable employment was defined as a job *respecting* jobseeker’s health condition and *taking account of* his or her age, qualifications and abilities, duration of previous employment and accommodation possibilities.⁵⁹

81. In 1996, new criteria were introduced into the concept of suitable employment and defined in considerable detail in the Act on Employment. For determining the suitability of a job, placement officers had to *take into consideration* the jobseeker’s health condition, age, educational attainment, length of work experience, duration of unemployment, daily commuting to work, accommodation possibilities and even remuneration for work. Part-time jobs were only considered suitable if a jobseeker himself asked for their

54. Before starting compulsory education, *i.e.* 6-7 years of age.

55. In 2006, a total of SKK 75 784 was spent on child care contribution paid to parents participating in professional counselling. According to the determined maximum amount (SKK 1 200 for one child and SKK 900 for every other child in the family) we can estimate that, in 2006, the contribution was granted with respect to approximately 70 or 80 children.

56. Before 2004, the legislation listed socially maladjusted persons under categories of disadvantaged jobseekers.

57. For more information see Section 4.

58. The amended legislation applicable from May 2008 introduced a new obligation for placement officers to offer jobseekers at least once in a month a suitable job or participation in active labour market measure.

59. Act No. 1/1991 Coll. on Employment (adopted under the Czech and Slovak Federal Republic).

mediation. Otherwise only full-time job offers would be treated as suitable. In terms of educational attainment, during the first six months of unemployment, only jobs that respected the actual degree of education were considered suitable. Later in the unemployment spell, jobseekers were already required to accept job offers involving a lower level of attained education by one degree. Jobs involving monthly travel-to-work costs by public transport in excess of 25% of the minimum wage, and those offering remuneration lower than 80% of previous earnings, were not considered suitable and could be refused.

82. The reformed legislation in 2004 abandoned detailed regulation of aspects of suitable employment and gave placement officers space for individual assessments of circumstances. The legal definition removed criteria related to travel to work and remuneration. Employment is considered suitable if it *respects* jobseeker's health condition, and *takes into consideration* his or her qualifications, professional skills or type of work performed to date. If a jobseeker refused an employment offer on grounds of his or her health condition, the placement officer would arrange for an assessment by medical examiner. If a relevant health condition is not confirmed, the jobseeker would be de-registered on grounds of failure to co-operate.

83. In terms of qualifications and previous work, the legal formulation is slightly looser and leaves placement officers with a higher degree of discretion. According to law, jobseeker's qualifications are *taken into consideration*. In practice, the application of this principle varies according to individual circumstances and depends especially on the local labour market situation. In principle, during the first year of unemployment spell, jobseekers would not be referred to jobs requiring educational attainment lower by more than one degree. Thus, for example university graduates would not be offered jobs involving lower secondary education. Later in the unemployment spell, however, the requirements would gradually be tightened and jobs involving more significant mismatch in terms of educational attainment or qualifications would be offered. If, on the other hand, retraining or attainment of qualification is necessary for improving the jobseeker's employment prospects or for applying for a concrete job, the territorial office may arrange and fund necessary training. As a rule, the jobseeker's expectations in terms of employment should always correspond to his or her personal profile and are in principle subject to a mutual agreement between the jobseeker and the counsellor. It must be admitted, however, that this approach only works well with motivated jobseekers.

84. In terms of working conditions, a job is only deemed suitable if its weekly working time is at least half of the determined weekly working time,⁶⁰ *i.e.* at least 20 hours a week. But, according to the COLSAF, there are hardly any part-time jobs in the vacancy database. Although there is a certain demand for part-time jobs among jobseekers, providing, however, that travel-to-work expenses are not involved, this type of contract is not attractive to employers. If any, the offered part-time jobs are mainly targeted at people with disabilities.

85. As regards working hours, overtime, night work, stand-by, and work on shifts, a job would be considered suitable providing it is in compliance with provisions of the Labour Code. The Act on Employment Services does not stipulate any restrictions relating to these aspects. What happens in practice is that placement officers apply an individualised approach and in principle avoid referring *e.g.* a lone parent with minor children to jobs requiring night work or work on shifts.

86. Each paid employment must be in compliance with labour-law legislation, namely the Labour Code, Act on Minimum Wage, Act on Collective Bargaining, Act on Occupational Health and Safety, Act on Anti-discrimination, etc. Still, in case of alleged employer's misconduct a territorial office may not refuse to register vacancies notified by that employer. When there are suspicions the territorial office

60. Weekly working time is determined by the employer, with a maximum of 40 hours; average weekly working time including overtime must not exceed 48 hours (§ 85 of Act No. 467/2007 Coll. Labour Code).

would inform the Labour Inspectorate which is then obliged to undertake an investigation. Thus, unless any breach of labour-law provisions is proved, the vacancy is treated equally and jobseekers are referred to apply for it. Jobs that were cancelled on grounds of redundancies must not be re-created within the following period of three months. Each intended collective dismissal⁶¹ must be notified to a territorial office at least one month in advance and the employer should co-operate with a territorial office in terms of mitigating adverse impacts on the released employees.

87. The legislation uses the term “suitable employment” rather than “suitable job”. The term “employment” includes gainful activity performed by employees according to the Labour Code⁶², self-employment, and freelance work. Thus, the broader concept of “suitable employment” could imply that jobseekers would also be required to start suitable self-employment activity in order to retain unemployment benefits. Obviously this was neither the intention of legislators nor is it interpreted this way by territorial offices. If, however, a jobseeker himself intends to start up a small business, a territorial office would usually provide him or her with assistance. Upon recommendation from a counsellor he/she would be provided necessary training and, upon fulfilling criteria defined by law, he/she would even be entitled to financial assistance.⁶³

88. Temporary and casual jobs are in principle considered suitable. Nevertheless, refusals of temporary work by a jobseeker because he/she was awaiting start of a confirmed longer-term job are tolerated. These situations are not regulated by legislation, and territorial offices would not force jobseekers to accept less favourable offers when there are demonstrable prospects of a more stable job. On the other hand, however, although a placement officer would require jobseeker’s statutory declaration stating that on day “X” he/she will take up a job with employer “Y”, if for whatever reason he/she finally does not, the placement officer would not impose any sanction.

89. Jobseekers may not refuse job offers on grounds of the level of remuneration providing that it complies with labour-law legislation. Neither can they refuse jobs on grounds of travel-to-work expenses, or, in principle, travel-to-work time. But placement officers do take into account individual and/or local circumstances, mainly in terms of availability of public transport, child-care facilities, accommodation possibilities, etc. In practice, when an employer provides for transport and accommodation, a jobseeker would be expected to accept a job requiring daily/weekly/monthly commuting. Jobs involving relocation may be refused without any sanction.

90. On the other hand, active labour market programmes provide a number of incentives for geographical mobility. Since January 2006, a new measure has been applied for disadvantaged jobseekers.⁶⁴ If they have been registered for at least six months⁶⁵ and take up employment or

61. Collective dismissal is defined as termination, over the period of 90 days, of the employment contracts of at least 20 employees due to a closure of the business or redundancies (§ 73 of Act No. 467/2007 Coll. Labour Code).

62. As of 1st September 2007, Act No. 479/2007 Coll. of Laws Labour Code; from 1st April 2002 to 31st August 2007 Act No. 311/2001 Coll. of Laws Labour Code.

63. Financial assistance for start-ups is granted to jobseekers who have been continuously registered for at least four months (three months according to legislation amended from May 2008) and who have presented their business plan. The amount of financial assistance varies according to the type of region (jobseekers in more disadvantaged regions would be granted higher levels of assistance). Once a jobseeker has been granted financial assistance, he/she is required to retain the business for at least two years.

64. Disadvantaged jobseekers include: people under 25 with no work experience, people above 50, long-term unemployed, parents caring for three and more children or lone parents, people who lost employment due to health reasons, disabled persons and persons who were granted asylum in Slovakia. From May 2008 the category of disadvantaged jobseekers was extended to include workers dismissed for organisational

self-employment they are *entitled* to a financial contribution covering part of their travel-to-work costs. The contribution is aimed at overcoming possible initial financial difficulties related to the take-up of a remote job and is paid for maximum 12 months. The contribution amount is dependent on the travel-to-work distance and is a maximum of SKK 2 000 (*ca.* EUR 60) per month. In 2006, 7 822 jobseekers applied for the contribution, and monthly numbers of applicants were rising in the course of the year, indicating growing popularity of this measure⁶⁶.

91. The Government re-introduced, in May 2008, a financial contribution covering part of jobseeker's expenses incurred in relation to relocation for work. This measure had already been applied during 2004 and 2005 but was cancelled due to negligible demand from jobseekers.⁶⁷ According to the feed-back from territorial offices at that time, the main barrier to take-up by jobseekers was a legal obligation according to which a jobseeker had to register a change of permanent residence in order to apply for the contribution. Still, the re-introduced measure repeats the same obligation. The only change to the 2004 regulation consists in the level of financial assistance, which now amounts to SKK 40 000⁶⁸ (*ca.* EUR 1 197).

92. Practice shows that it is difficult to prove hidden forms assimilated to refusal of a suitable job, such as intentional behaviour likely to dissuade an employer from offering work. When recruitment for an employer is organised by a territorial office placement, officers may directly monitor the behaviour of jobseekers and thus have uncontested information for deciding about possible sanctions. Otherwise they may only rely, as described in Section 2 above, on a statement from the employer received on the referral card about the result of the interview: whether the jobseeker met qualification criteria, whether the job was offered to him or her, and on what grounds it was refused. When contested, these statements might be difficult to prove.

Sanctions

93. Every failure to comply with jobseekers' obligations gives grounds for removal from the register of jobseekers and immediate loss of benefit. No partial reductions in terms of level or duration are applied. Re-registration with a territorial office is already possible three months after sanction de-registration, but for entitlement to a new benefit period the person must have completed a full employment record, *i.e.* three years, not including any of the employment record on which the previous claim was based, over the period of the last four years.

94. Sanction statistics were only introduced by the Social Insurance Agency in 2007. Although COLSAF statistics report monthly outflows from jobseekers' register by reason of de-registration, including failure to co-operate, the statistics do not distinguish between de-registered unemployment benefit recipients and jobseekers without benefit.

reasons, workers who became unemployed because their age prevents them from performing their previous occupation, drop-outs from secondary education, persons who terminated institutional and/or protected upbringing, and ex-offenders.

65. The six-month period of registration is not required in the case of a disabled jobseeker.

66. Since May 2008 the contribution has been raised to 3 000 SKK (*ca.* EUR 90) and has been granted to all eligible jobseekers who started working after 3 months of registration.

67. In 2004, only 51 jobseekers received the contribution.

68. In 2004 the amount of the benefit was SKK 10 000 which in 2005 was raised to SKK 30 000.

95. In the period between January and November 2007,⁶⁹ the Social Insurance Agency recorded 1 096 unemployment benefit stops due to de-registration from the register of jobseekers on grounds of failure to co-operate. When compared with average monthly number of benefit recipients, the monthly drop-out ratio was 0.4%. In Table 11 we present the proportion of benefit stops by reasons for de-registration.

Table 11. **Number of unemployment benefit stops according to reason for the stop, January-November 2007**

Refusal of suitable employment	109
Refusal to participate in active labour market measure	9
Failure to complete participation in active labour market measure	100
Refusal to participate or failure to complete participation in public works	2
Failure to report in person on a determined date	821
Failure to present required documents	6
Failure to comply with regime during sickness	1
Failure to be available for work	48
Total number of sanctions	1 096

Source: Social Insurance Agency (SIA).

4. Activation of recipients of benefits in material need

Development of the social assistance system

96. After 1989, the system of “social care” encompassing all situations involving material need operated, for a relatively long period, as a stopgap. Despite the recognised need for a complex transformation of the system, before 1998 only partial amendments that lacked any conceptual approach were adopted.

97. In 1998, a first significant reform was introduced aiming at a shift from the concept of “social care” to that of “social assistance”. Assistance was interpreted in the sense of social prevention and help in resolution of material and social need. Although a significant step forward, the system still showed many deficiencies. Among the most cited were overall complexity of the system, its improper interaction with unemployment insurance and its inhibition of incentives for participation and job search. According to the World Bank (2002) the safety-net system in Slovakia was “tremendously effective” in providing minimum income to families with income below poverty level and thus reducing risk of poverty aggravation. But it failed to avoid creation of poverty traps for many families and individuals. For example, for a family with two children, welfare payments could exceed the net average wage (OECD, 2002).

98. For the purpose of determining the level of income support, the system distinguished between two categories of claimants: people who found themselves in material need due to *objective reasons*, i.e. those who because of their age or health could not earn their living, who qualify for assistance; and those whose income fell below the safety-net level due to *subjective reasons*, who qualified for benefit at a lower level, half of the benefit amount granted in the case of objective reasons. Legislation listed all circumstances that constituted grounds for stating that the person or family were in material need due to *subjective reasons*. In 2003, for example, the majority of people who were assessed according to *subjective reasons* were those registered with labour offices for more than 24 months, workers who had failed to

69. Data provided by the Social Insurance Agency in November 2007 covered the period 01/01/2007 – 26/11/2007.

contribute to unemployment insurance, workers who had terminated employment without serious reason, and school-leavers who had not yet made any unemployment insurance contributions (MoLSAF, 2003).

99. According to Gerbery and Džambazovič (2004) the classification of long-term unemployment as a subjective reason of material need failed to properly reflect the situation on the labour market at that time, when Slovakia faced extremely high levels of unemployment and an insufficient rate of job creation.

100. Like the labour market policy, social assistance was subject to reform under the “New Social Policy” programme launched by the Government coalition in 2004. The main objective of the reform, making work pay, was to be achieved through re-construction of the social system according to the principles of motivation, activation and merit. The Government called for strict targeting of guaranteed income assistance only to those in need. It declared a shift from repressive measures to incentives and therefore stopped differentiating between subjective and objective reasons of material need. According to the new policy, rewarding present behaviour and efforts to improve one’s situation is more effective than punishing a person for his or her past (MoLSAF, 2003).

101. The early impact of the reformed system of material need was manifested, in 2004, in the lower number and changed structure of beneficiaries and reduced expenditures on benefits (MoLSAF, 2004). The system reduced disincentives for participation and employment and stimulated integration, or re-integration, of the vast majority of ex-beneficiaries⁷⁰ into employment (Hanzelová and Kostolná, 2005).

Eligibility criteria and benefit levels

102. Two types of eligibility criteria are decisive for assessing the state of material need, namely the family’s income in relation to the subsistence minimum and the exercise of the person’s own efforts in securing his or her income. The claimant thus is considered to be in the state of material need, if his or her income and the income of persons jointly assessed with him or her do not reach the subsistence minimum, and they cannot provide for their income through their own efforts. Persons jointly assessed with the claimant are his/her spouse, their parents and their dependent children living in the same household who are below 25 years of age and whose income does not exceed the minimum wage.⁷¹

103. Amounts of subsistence minimum valid from 1st July 2007 are SKK 5 130 for an adult person, SKK 3 580 for the second jointly assessed person and SKK 2 340 for a child. The subsistence minimum of a family with two children thus would be SKK 13 390 per month (*ca.* EUR 400). When assessing the state of material need, a number of income items are ignored, *e.g.* child benefit, scholarships, financial allowances provided to jobseekers related to his or her activation and the tax bonus for a child, etc, and 25% of income from dependent activity subject to income tax, 25% of old-age pension, 25% of maternity benefit and 25% of invalidity benefit.⁷²

104. Own efforts in providing for “basic living conditions”⁷³ mean own work, the use of own property and the exercise of legal entitlements such as entitlement to maintenance, income compensation for temporary incapacity to work, the sickness, pension, accident, unemployment, and/or insolvency benefits,

70. The study surveyed “ex-beneficiaries”, *i.e.* people who lost entitlement to social assistance due to changes in the system introduced in 2004.

71. Excluding children who themselves are entitled to unemployment benefits or invalidity benefits.

72. For the complete list of disregarded income see: § 5 of Act No. 599/2003 Coll. of Laws on Assistance in Material Need as later amended.

73. An approximate translation for “basic living conditions” might be “subsistence income”, but in some circumstances it refers to non-cash resources.

claims arising from labour-law relations, etc.⁷⁴ Moreover, claimants should primarily provide for their basic living conditions by use, administration, sale, or rent of their property, which includes tangible and intangible assets, rights and other property values. All in all, people are first required to provide for their living from available resources in terms of their property and their entitlements from other benefit systems.

105. As described by Kusá (2006), the 2000 Act on Minimum Subsistence decoupled actual social assistance benefit amounts from subsistence minimum levels.⁷⁵ Since 2004, the starting point for the calculation of actual benefit is a basic amount which is topped up in many cases by additional allowances (housing allowance, health-care allowance, and protection or activation allowance), and the sum of the basic amount with all the standard additional allowances has fallen below the subsistence minimum at times. The basic amounts of benefit in material need valid from 1st September 2007⁷⁶ according to family type are given in Table 12. The benefit is increased by SKK 370 if the person jointly assessed with the claimant is a pregnant woman or is a parent of a child below one year of age, if they verifiably attend routine paediatric checkups.

Table 12. **Level of benefit in material need by type of family, 2007**

Type of family	Monthly benefit amount (SKK) ^a	
	From 1 st September 2007	Before September 2007
Single without children	1 680	1 640
Single with 1-4 children	2 800	2 630
Single with 5 children or more	4 100	3 900
Couple without children	2 910	2 850
Couple with 1-4 children	4 000	3 890
Couple with 5 children or more	5 360	5 210

a) Basic amounts, without housing supplement, health-care or activation allowances.
Source: MoLSAF.

106. The sum actually paid out is determined as a difference between sum of entitlements (*i.e.* the basic amount, plus allowances), and family income (disregarding 25% of income from certain sources, see above). Benefit may be paid in cash, in kind or in a combined form. In-kind benefit means one warm meal per day, necessary clothing, and shelter. The benefit is not paid abroad, and is not due for the time spent abroad.

107. In 2006, average monthly stock of direct recipients of benefit was 181 200, which is a 3% increase as compared to 2005. According to the Ministry the increase was mainly caused by the relaxation of housing allowance eligibility criteria for old-age pensioners and other pensioners above 62 years of age (MoLSAF, 2007). The average monthly stock of beneficiaries including family members was 375 835.

Incentives in the system of assistance in material need

108. Claimants' behaviour in terms of social and employment activation is rewarded through additional allowances that top up his or her basic benefit. Thus the beneficiary's efforts in terms of

74. For a complete list of legal entitlements to be exercised see: § 9 of Act No. 599/2003 Coll. of Laws on Assistance in Material Need as later amended.

75. Kusá (2006) comments that "Such legal situation is not only confusing, but also reflects a still substantial space for arbitrary decisions over defining the levels of social assistance benefits in material need".

76. The Government may adjust the sums of the benefit and the allowances as of 1st September every year.

re-training or municipal works, and settling payments related to his or her housing entitle him or her to activation and/or housing allowance.

109. The activation allowance is intended to reward the person's activities in terms of increasing his or her employability. Several types of activation efforts are recognised, e.g. attending a training programme organised by the PES,⁷⁷ performing minor municipal works or voluntary work, increasing one's qualification by part-time study, or, in case of persons receiving parental allowance, by full-time secondary or tertiary study. People who, for age or health reasons, cannot support themselves through their own work are automatically entitled to a protection allowance. The activation allowance is also provided as a back-to-work benefit. It is paid for six months to a person who was in material need and has taken up employment or started self-employment.⁷⁸

110. The housing allowance should help families in material need cover their housing expenses and should encourage them to properly pay their costs. A person is only entitled to the allowance if, over the period of last six months, he/she has verifiably settled all payments related to his or her housing or, in case of arrears, he/she has presented an agreed instalment calendar.

111. Health-care allowance is paid to every person entitled to basic benefit and is intended to cover the costs related to health care services. It is SKK 60 per month. The allowance was introduced in 2004 following the introduction of payments for health care services.

112. The housing allowance was increased as of 1st September 2007, and is now SKK 1 490 for a single adult person and SKK 2 350 for a family. Due to low inflation the adjustment did not materialise in case of health care allowance and activation allowance, which stayed at SKK 60 and SKK 1 900 respectively. The Ministry claimed there was a risk that an increase in the activation allowance would remove the incentive for beneficiaries to take employment. The September 2007 increase brought the maximum entitlement for a single adult (SKK 1 680 as shown in Table 12, plus allowances of SKK 1 490, SKK 60 and SKK 1 900) up to the subsistence minimum level of SKK 5 130.

Required labour market behaviour

113. In spite of the fact that, according to the legislation, only people who cannot provide for their living through their own work are entitled to social assistance, the obligation to exercise own efforts through own work is in fact not fully enforced. According to the Constitution of the Slovak Republic, every person who is in material need has the right to necessary assistance in order to secure his or her basic living conditions: as mentioned above, until 2004 in cases of "subjective reasons" for the situation of need, benefit was still paid but at a lower rate. Some minimum income support is guaranteed, regardless of whether the person is, or is not, available for work. In the 1990s, for receiving benefit in material need at the rate for "objective reasons", claimants must have been registered with PES and follow all related obligations, including job search. The current system, by contrast, is based on incentives, rather than enforcement. It is believed that the opportunity to top-up basic benefit with activation allowance should create sufficient incentives for the claimant and his or her family members to take steps aimed at increasing

77. Training courses attended outside the scope of the PES programmes and at the claimant's own expenses do not qualify for the purpose of the activation allowance.

78. In case of paid employment, in order to be entitled to the back-to-work benefit, the earned wage must neither be below the minimum wage nor above the three times minimum wage.

their employability and improving their labour market status. In December 2006, 106 148⁷⁹ (38%) out of 280 168 adult persons in material need were receiving activation allowance (see Table 14 further below).

114. Although they are not explicitly obliged to register with PES, claimants must first exercise their legal entitlements, including entitlement to unemployment benefit. To this end, they would need to register with PES and, at least during the support period of six months, follow all obligations related to the status of a jobseeker. They would thus be required to actively search for a job, be available for suitable jobs and/or activation programmes, and regularly and personally report to a territorial office of labour, social affairs and family.

Box 3. Behaviour of a typical recipient of assistance in material need

The Centre for Work and Family Studies carried out, in the period between January and June 2005, a survey of 800 ex-recipients and 600 current recipients of benefits in material need, which aimed to identify impacts of changes in the system of assistance in material need on the labour market behaviour of benefit recipients. Among the main findings of the survey, the following deserve attention.

- In terms of job-search activities, surveyed recipients of benefit in material need mainly relied on information networks among their friends and relatives. The second most common strategy was registration at a territorial office of labour, social affairs and family.
- With respect to providers of employment services, recipients of benefit in material need who were long-term unemployed and those with lower educational attainment used mainly public employment services. Benefit recipients with shorter unemployment spells and higher educational attainment tended to contact non-state providers.
- A relatively high number of respondents would (or did) accept an atypical form of employment, such as temporary, occasional or seasonal work. The inclination to accept atypical forms of work increases in the course of the unemployment spell.
- A significant proportion of respondents declared an inclination to accept part-time work, although acceptance was higher among women.
- Surveyed benefit recipients declared very low acceptance of concessions in terms of jobs with a low/lower wage, and wage expectations practically did not change with longer unemployment spells.⁸⁰
- Willingness to relocate for a job was negligible but declared acceptance of a job involving commuting to work was significantly higher.

The presented findings document the situation relatively shortly after the introduction of changes in the system of assistance in material need in 2004. It would be worth undertaking similar research to see how, if at all, the behaviour of benefit recipients changed after four years of implementation of the new system.

Source: Hanzelová, Kostolná, Bednárik and Reichová (2005).

79. This figure does not include family members under 25 years of age who performed any of the recognised forms of activation. They are entitled to the activation allowance but are not primary recipients of benefits in material need.

80. In May 2008 the Government introduced an in-work benefit for workers on low wages who were previously registered with territorial offices as jobseekers. The benefit shall cover their social security contributions and should be provided for maximum 24 months. The measure aims at increasing the acceptance of low paid jobs including seasonal work

115. There is a second relatively strong incentive for people to register with PES: the state pays health insurance contributions for persons registered as jobseekers. These contributions do not provide health insurance for the registered jobseeker's spouse. According to the findings of a survey, summarised in Box 3, a typical recipient of benefit in material need would be registered as a jobseeker, often for already more than one year, and his or her spouse would most probably be registered, too.

116. Ability to provide their "basic living conditions" through their own work is only examined in relation to the entitlement to the protection allowance. Claimants who, due to objective reasons, cannot improve their employability would automatically be entitled to the protection allowance. In December 2006, 96 561 benefit recipients were considered not capable of increasing their employability and thus were entitled to protection allowance. Table 13 presents proportions of persons entitled to protection allowance according to the reason for "protection" from activation requirements.⁸¹

117. Almost 20% of those entitled to the protection allowance, more than 18 000 persons, qualified for it on grounds of temporary incapacity to work. According to the COLSAF it is hard to prove misuse. Health documentation can only be checked by inspection doctors who fall under the competence of the self-governing regions. Even when alleged misuse was reported by territorial offices, hardly any follow-up action was taken by the competent authorities.

Table 13. **Persons entitled to protection allowance by reason for protection, December 2006**

Grounds on which a person was entitled to protection allowance	Number of entitled persons^a	Percentage of all persons entitled to protection allowance	Proportion (%) of all adults in material need^b (280 168)
Reached the statutory age for old-age pension	73 369	75.9	26.2
Is invalid with decreased capacity to perform paid work by 70%	2 880	3.0	1.0
Is a lone parent who personally, properly and round-the-clock cares for a child below 31 weeks of age	258	0.3	0.1
Personally, properly and round-the-clock cares for a child with severe disability	254	0.3	0.1
Personally, properly and round-the-clock cares for another person with severe disability	982	1.0	0.4
Is in a bad health condition, meaning illness or other health disorder taking more than 30 days	18 715	19.4	6.7
Attends resocialisation programmes through which he/she cannot provide for his or her income	167	0.2	0.1
Total	96 625	100.0	34.5

a) Units.

b) Adults in material need included the beneficiary spouses and adult children of direct recipients, but not their minor children.

Source: MoLSAF and author's calculations.

118. To be entitled to the activation allowance a person must take up one of the forms of activation mentioned above. The most popular forms of activation are minor municipality works and voluntary work organised in the framework of the Activation Programme. Persons are either invited by a territorial office to participate or may apply from their own initiative: priority is given to the latter group. Through participation in the programme, persons in material need (and their family members) may top up their monthly benefit entitlement by SKK 1 900. No financial allowance is granted to jobseekers not in material need, although territorial offices may request their participation in the programme.

81. The reasons listed in Table 13 appear in § 7 of Act No. 599/2003 Coll. of Laws.

119. The programme's main purpose, as declared in the legislation, is maintaining working habits of the long-term unemployed and improving their employability. Minor municipality works should aim at "improving economic, social, cultural and environmental conditions in municipalities and communities". Work must be performed for minimum 10 hours in a week and 40 hours in a month.⁸² Municipalities are granted subsidies which may be used for covering part of their expenses incurred in the course of the programme, such as co-ordinators' wages,⁸³ jobseekers' personal protective means and accident assurance, and other expenses related to the agreed work. Since January 2007, co-ordinators may be hired on a part-time basis.

120. Territorial offices send to municipalities monthly information about persons permanently residing in that municipality, namely their educational attainment, acquired professional skills and type of work performed to date, length of unemployment spell, and receipt of benefits in material need. The territorial office and the municipality jointly select jobseekers and benefit recipients suitable for participating in the programme. Afterwards, the territorial office invites the person to attend.

121. Activation may also take the form of voluntary work. Although voluntary work in general has not yet been regulated by the Slovak legal system, the Act on Employment Services does, for the purpose of activation of jobseekers, recognise voluntary work performed in the form of publicly purposeful activities. To this end, the Act gives a list of entities that may organise voluntary work for jobseekers, e.g. organisations providing social services, recognised church or religious associations, the Slovak Red Cross, the Institute for Work Rehabilitation of People with Disabilities, health-care facilities, schools, non-government organisations providing publicly purposeful services, etc.⁸⁴

122. If invited by a territorial office, a registered jobseeker is obliged to participate in the Activation Programme. Non-attendance and/or early termination, not justified by serious restrictions, is considered as failure to co-operate with a territorial office and is followed by de-registration and loss of the activation allowance. Although new registration with PES is already possible after 3 months, the person would not be entitled to activation allowance for the following period of 12 months.

123. Those recipients of benefits in material need who are not registered with PES (direct recipients who are entitled to the protection allowance, as well as the spouses and adult children of all direct recipients), however, have no obligation to participate in the Activation Programme. It is up to them whether they participate or not. According to a number of evaluations, including those done by the

82. The amendment to the Act on Employment Services applicable from May 2008 restricted participation in minor municipality works to long-term unemployed recipients of benefit in material need and introduced maximum weekly working time (20 hours) and maximum period spent in the programme (six months with one possible extension by further six months). This restriction aims at "directing the long-term unemployed preferably to paid work and/or other activation measures" (MoLSAF, 2008). The amendment also introduced a possibility of activating the unemployed through a "voluntary service", *i.e.* voluntary work that can exclusively be performed in case of natural or ecological disasters, in the framework of humanitarian aid and protection of civilians (the legislation before May 2008 provided a broader definition of voluntary work for the purposes of activation of the unemployed). Instead of activation allowance of SKK 1 900 (that only applied to the recipients of benefit in material need), all unemployed performing voluntary service are now entitled to a financial contribution in the amount of the subsistence minimum (SKK 5 130).

83. The COLSAF methodology determines the minimum number of organisers (co-ordinators) who must supervise the work of a given number of jobseekers. The co-ordinators may be hired from among the jobseekers.

84. For the full list of entities see § 52 of Act No. 5/2004 Coll. of Laws on Employment Services as later amended.

COLSAF,⁸⁵ the main incentive to participate is the opportunity to top-up social income rather than a chance of improving employability prospects.

124. Traditionally, the Activation Programme is the most widely used active labour market measure in terms of the number of participating jobseekers and public spending. In 2006, 4 876 entities organised minor municipality works or voluntary work and created 218 071 “jobs” within the programme. The total subsidy to organisers amounted to SKK 1 095 million (*ca.* EUR 33 million). In 2006, 236 699⁸⁶ jobseekers participated in the programme, of which 85% were recipients of benefit in material need.⁸⁷ This may imply that the main motivation for participating in the programme is the opportunity to top-up one’s social income. As local evidence shows, territorial offices are responsive to this phenomenon and preferentially place in the programme people on social assistance. Participation in municipality works is mainly typical of persons with long-term dependency on social income. According to Hanzelová and Kostolná (2005) this could be explained as adaptation of the hard-core clients to new conditions.

125. Almost 12% of the 236 699 jobseekers participating in the programme in 2006 entered employment in 2006, most of them (18 742 persons) within six months following the end of their participation in the programme.⁸⁸ The COLSAF itself admits failures in the system, especially in relation to recipients of benefits in material need. The possibility of repeated (almost uninterrupted) participation in the Activation Programme resulting in higher benefit eliminates the person’s interest in finding regular employment. The COLSAF also argues that there have been signs of abuse of the subsidy granted to organisers of work (*e.g.* more than 70% of the subsidy being used to cover the organiser’s unduly high wage)⁸⁹ and targeted creation of entities exclusively for the purpose of receiving subsidy. There have also been indications that jobseekers have been allocated to activities outside the scope of the activation agreement.

126. Although the primary aim of the Activation Programme, as declared by the Act on Employment Services, is increasing the employability of long-term unemployed jobseekers and those with low motivation to work, and improving their employment prospects, a number of independent analyses claim that it fails to help the unemployed in their integration in the open labour market. The analysis of active labour market programmes by the Institute of Public Affairs (IVO, 2006) even doubts the effectiveness in terms of another declared objective of the programme, *i.e.* maintaining working habits, “as the unemployed do not perform the work regularly across the week.”⁹⁰ The study claims, however, that in some cases the

85. Similar findings were reported by the Centre for Work and Family Studies, the Milan Simecka Foundation, and the World Bank (2005).

86. The highest participation in the programme (more than 70% of the average number of jobseekers) was reported in three territorial offices with the highest rate of unemployment. The lowest participation was reported in the western parts of Slovakia where the unemployment, including long-term, is the lowest.

87. Of the total number of participating jobseekers, 85.08% belonged to disadvantaged groups, namely long-term unemployed and jobseekers above 50 years of age.

88. In 2004, only 0.58% of participants in the Activation Programme entered employment within the first six months after the end of the programme (which could be caused by the fact that in 2004 the programme had just been launched) but in 2005 the ratio already increased to 7.67%.

89. However, from the legal point of view, such behaviour does not constitute a case of abuse, as the Act on Employment Services does not limit the wage of the organiser, neither does it determine the proportions according to which the subsidy must be used.

90. The amended legislation introduced from September 2008 a possibility of establishing social enterprises that, according to the Ministry, should “play an important role in the social and professional integration of groups on the margin of the labour market and socially excluded people”. At the end of October 2008 no

programme has contributed to eliminating extreme forms of social exclusion, namely in relation to segregated Roma communities, as participants had to do elementary routine activities, such as get up in the morning, attend to their personal hygiene, and leave their (isolated) milieu, which facilitated at least partial restoration of lost social contacts.

127. The analyses also point out that the work actually performed within the programme often does not correspond to the jobseeker's qualifications, and thus cannot contribute to improving his or her employability. Although almost not reported in the western regions of Slovakia, in the eastern parts with high levels of unemployment even jobseekers with secondary (and in some cases even university) education participated in the programme and performed low-qualified work. The experts warn about another possible adverse effect of the programme: the activation work might replace or crowd out existing low-qualified jobs. There have been indications that, due to its mass character, the work was only performed formally and left opportunities for jobseekers to engage in undeclared work.

128. Other family members of working age may, upon fulfilling eligibility criteria, also be entitled to the activation allowance. If, however, the primary benefit recipient takes up employment and consequently loses entitlement to the benefit, his or her family members will also lose the activation allowance. According to the IVO survey, this may be one explanation why people prefer receiving benefits to low-paid jobs.

129. The proportion of persons receiving activation allowance in December 2006 according to recognised forms of activation is presented in Table 14. Table 14 reports recipients of activation allowance through participation in the Activation Programme (96 637) on a stock basis. The previously-cited figure for the number of participants in the Activation Programme (236 699) referred to all people who participated in 2006 (*i.e.* the stock at the beginning of the year plus the inflow of new participants during the year).

Table 14. Recipients of activation allowance according to form of activation, December 2006

Form of activation	Number of recipients ^a	Proportion (%) of all adults in material need ^b (280 168)
Employed person increasing qualification through part-time study	47	0.02
Employed person attending retraining programme organised by PES	24	0.01
Employed person performing minor municipality works or voluntary work	289	0.10
Registered jobseeker increasing his qualification through a part-time study	1 807	0.64
Registered jobseeker attending retraining programme organised by PES	901	0.32
Registered jobseeker performing minor municipality works or voluntary work ^c	96 348	34.39
Previously long-term unemployed who took up employment	5 992	2.14
Previously long-term unemployed who started self-employment	683	0.24
Recipient of parental allowance studying in a secondary or tertiary school	57	0.02
Family member under 25 years of age performing any of the above forms of activation	715	0.26
Total	106 863	38.14

a) Units.

b) Adults in material need include the beneficiary spouses and adult children of the direct recipients, but not their minor children.

c) The lines "performance of minor municipality works and voluntary work" represent payments of activation allowance to participants in the Activation Programme (96 637 in total).

Source: MoLSAF.

such enterprise was registered in the COLSAF on-line register so the evaluation of the effectiveness of this measure will only be possible at a later stage.

130. Entitlement to activation allowance is lost when the person is de-registered from the register of jobseekers on grounds of failure to co-operate with a territorial office. This only applies, however, to those benefit recipients who are registered as jobseekers. In that case, naturally, they must follow every obligation related to the status of a jobseeker. When they fail to report to a territorial office in the determined date, fail to be available for an interview and/or a suitable job, fail to attend a labour market programme organised by PES, fail to present evidence of their active job search, etc.⁹¹, they would be de-registered and will lose activation allowance. Benefit recipients, and any of their family members, who are not registered as jobseekers will lose the activation allowance when a territorial office or the municipality find out that they failed to perform agreed activities. A new entitlement to activation allowance can only arise after a period of 12 months, providing that the person meets eligibility criteria.

131. No partial reductions of activation allowance are applied. Basic benefit, as well as allowances, is always paid in full, for the whole month. Thus, for example activation allowance would also be paid out for a month in which the person failed to work for required number of hours. If his or her absence was not justified, entitlement to activation allowance will only be lost as of the following month.

132. If invited by territorial office, recipients are obliged to prove, within eight working days, all circumstances and facts entitling them to benefit and allowances. If they fail, payment of benefits and allowances may be stopped. In principle, benefits may be stopped for a period of 12 months when a recipient fails to fulfil any of his or her duties defined by law.

133. The frequency of reporting for activities entitling a person to activation allowance varies depending on the form of activation. Performance of minor municipality work or voluntary work and participation in training programmes organised by PES is verified on a monthly basis. To this end, active labour market policy units submit to benefit officers monthly attendance reports and, if relevant, information about justified absence.

134. Persons receiving activation allowance on grounds of study submit confirmation from their school at the beginning of each school year. If a person receives activation allowance because he/she started working, he/she is requested to submit, on a monthly basis, an income certificate. When the monthly income falls below the minimum wage, even due to the person's incapacity to work, activation allowance will be lost and can only be restored after 12 months. If the person started self-employment, a statutory declaration about his or her activities at the beginning of the entitlement would suffice.

135. In general, recipients are always obliged to notify, without undue delay, any change in circumstances decisive for the entitlement to benefit and allowances. Apart from this, benefit officers undertake *ad hoc* eligibility checks. According to the agreement with the Social Insurance Agency (SIA), territorial offices have⁹² access to the SIA database. They can thus verify, at any moment, employment status of any benefit recipient. According to the information from the COLSAF, recent investigation showed that 40% of checked beneficiaries in Bratislava region were in fact employed and thus receiving the benefit wrongfully. In some parts of the country proved abuse was even higher. Data from the SIA can, however, only prove declared forms of work. Undeclared activities performed by benefit recipients are almost impossible to detect.

Benefit administration

136. Assistance in material need is administered within the same institutional network as employment services, *i.e.* Central Office of Labour, Social Affairs and Family and 46 territorial offices of labour, social

91. For the details of the labour market behaviour required of jobseekers see Section 3.

92. Any local office will upon request be granted access to the SIA database.

affairs and family. Territorial offices may establish first-contact points in order to provide services closer to their clients' homes. In 2006, there were 49 first-contact points in operation.

137. The main reason for integrating the two previously separated agendas was the fact that they have provided services for largely the same clients. Since 1995 the proportion of unemployed persons among the recipients of social assistance oscillated around 90%; in 2002 it was 90.4%. The back-to-work agenda of the 2004 social reforms required a proper institutional set-up that would facilitate interaction between employment services and social assistance administration.

138. In 2006, 1 196 staff administered assistance in material need, of which 13 were in national headquarters (Table 15). Based on the number of territorial offices (46), on average there were 26 social assistance officers for each territorial office (including those working from the first-contact points). Based on the 2006 monthly average of direct recipients of assistance (181 200), these officers each managed an average of 153 dossiers.

Table 15. **Staff in the social affairs departments of territorial offices of labour, social affairs and family, 2006**

Type of activity	Units					
	Total		Civil servants		Public sector employees	
	National level	Territorial offices	National level	Territorial offices	National level	Territorial offices
Social affairs - Total	136	3 438	112	3 301	24	137
Management	2	85	1	85	1	0
Software administration of benefits	0	63	0	63	0	0
Assistance in material need	13	1 183	11	1 183	2	0
State social support	10	777	9	777	1	0
Compensation for severe disability	16	527	14	527	2	0
Social and legal protection of children and social curatorship	19	666	18	666	1	0
Counselling and psychological services	8	137	8	137	0	0

Source: COLSAF.

139. Benefits are claimed at units for assistance in material need that are part of territorial offices of labour, social affairs and family. Benefit officers issue decisions on whether the person and his or her family are in the state of material need, about the form of securing their basic living conditions, and whether they are entitled to the benefit and any allowance. They also provide counselling in terms of securing basic living conditions.

140. Benefit officers may investigate at a claimant's home the situation relevant to deciding on the award of benefit and verify its proper use. They may also ask information from relevant institutions, such as the Social Insurance Agency, health insurance companies, custody and arrest institutions, health care facilities, schools, tax offices and other state administration bodies, as well as municipalities and self-governing regions. These institutions are obliged to collaborate with territorial offices in terms of securing the basic living conditions of the claimant and his or her family. To this end, a territorial office also collaborates with civic associations, the church and religious associations, and municipalities.

Co-operation with municipalities

141. The 2004 reform of social system planned for a gradual decentralisation of competences in terms of assistance in material need. The Act on Assistance in Material Need provides for devolution of

competences to municipalities as of 1st January 2009.⁹³ According to this regulation, after two years' receipt of benefit the entitled person and his or her family should fall within the competence of their municipality which shall be responsible for securing their basic living conditions.

142. Already today, municipalities are one of the closest partners to territorial offices in terms of providing assistance in material need. Since territorial offices lack personnel capacities for performing field work and investigating situation on the spot, municipalities are the primary source of information about the living conditions and status of the family. They are also usually the first to announce improper use of the benefit, mainly if there are deficiencies in terms of children's maintenance, or there are outstanding payments for electricity or gas. In these cases, a municipality may, upon agreement with a territorial office, undertake the role of a "special recipient" of the benefit. Under this regime, municipality would receive the benefit on behalf of the person in material need and it is within its discretion to decide whether the benefit will be provided in cash or in kind. In its role of a special recipient, the municipality is supervised by a territorial office. The recipient has no legal possibility to object to the form in which the benefit is provided. However, in local practice there is always room for agreement with the mayor. If, for example, the family must cover extraordinary expenses in a given month (a wedding ceremony, schooling, etc.) the municipality will pay the benefit in cash and will make deductions from regular housing expenses in the following months.

143. As of 1st October 2007, 202 municipalities (7%)⁹⁴ were performing the task of a special recipient on behalf of 2 948 entitled recipients which makes up for 11 914 jointly assessed persons. Out of the 202 municipalities, 52 to this end received subsidy from the national budget.

144. In justified cases, other legal entities or natural persons may also be charged with the function of a special recipient. This role is often taken up, for example, by parents of young drug addicts. A territorial office supervises how the special recipient performs his or her task. In case of deficient implementation of the function, the territorial office should replace the current special recipient by another one.

145. In principle, if benefits do not serve the intended purpose, the territorial office would ask a municipality to perform the function of a special recipient. If the municipality refused, the territorial office should try to find another entity to perform this task. According to the anecdotal evidence, however, this is rather problematic. The municipality may even offer to be the special recipient for all of its inhabitants who are recipients of benefits in material need. To date, only one municipality did offer and undertake such service.

146. Another form of co-operation between a territorial office and a municipality is in terms of organising minor municipal works for the long-term unemployed and recipients of benefits in material need (see above).

Integration with the main PES work

147. The in-house co-operation between the units for assistance in material need and the employment services is limited mainly to information flows about persons entitled to activation allowance. Employment services provide monthly confirmation of attendance of recipients of assistance in material need in the Activation Programme and in training programmes. Those benefit recipients who do not participate in activation programmes are largely unknown to employment services, although situation is better in smaller towns with less anonymity. In principle, unless they register as jobseekers, no targeted employability assistance in terms of profiling, and individual action plan, or training, is offered to them. The units for

93. The implementation date of this measure has already been postponed twice, mainly due to objections from municipalities claiming lack of personnel capacities and financial resources.

94. There are 2 891 municipalities in the Slovak Republic.

assistance in material need and the employment services have no common strategy in place in relation to this group of people.

148. A number of factors may explain this situation. In addition to management determination and expertise, the most often cited barriers to better integration of the two agendas are the administrative overload of the benefit units, the primary focus of the management on employment services and related performance indicators, the extremely complex administration of projects funded from the ESF⁹⁵ and a focus on the quantitative rather than the qualitative impacts of applied measures. Some of the interviewed officers pointed out the problems related to computer interface in terms of insufficient capacity of the software applications. Others even claimed that without ICTs the communication between the two parts of the administration was more intensive and the co-ordination of measures more effective. The COLSAF 2006 Annual Report too listed the low quality of software support and incompatibility of individual systems within territorial offices as one of the system's weaknesses. Another weakness that the report pointed out was the incompatibility of legislation in the areas of social system and employment services.

Local partnerships for social inclusion

149. In 2004, the Ministry of Labour, Social Affairs and Family established the Social Development Fund (SDF) for the management of ESF resources allocated for spending on social inclusion priorities. The SDF mission is three-fold: stimulating creation of social inclusion partnerships at local and community levels, providing financial support and methodological guidance to regional and local initiatives and delivering field social work in communities.⁹⁶ The Fund was intended as a complement to the system of state social assistance with a potential for delivering flexible solutions and adequate funds.

150. Over the period 2004-2006, 27 local partnerships for social inclusion were established. Local partnerships proved to be a viable vehicle for stimulating potential for change at a local level, in spite of persistent problems with project cycle management at a central level resulting in serious time-lags in transfer of funds.

95. In 2006, all active labour market programmes were co-funded by the ESF, requiring complex administrative co-ordination in each case.

96. Field social work is undertaken for socially-disadvantaged people, persons at risk of social exclusion, and those living in isolated communities with a high incidence of social dependency and socially pathological phenomena (www.fsr.sk).

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