

WP T1  
Pilot - Preparation

D.T1.2.5.  
*Country reports and infographics for  
target group segmentation*



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# COUNTRY REPORTS AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

D.T1.2.5  
*Deadline:*  
*August 31<sup>st</sup> 2019)*

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Country reports and infographics for  
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Austria

# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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## Overview of long-term unemployment in Austria

### 1. Introduction

#### 1.1. General overview of unemployment in Austria

In March 2019, 304,411 unemployed people were registered with the Public Employment Service Austria (Austrian Arbeitsmarktservice - AMS). This translates into a national unemployment rate of 5% according to Eurostat (2019a). The national calculation by AMS is with 7.4% considerably higher, due to a difference in the definition of the labour force. Opposite to Eurostat, the AMS-definition of labour force does not include self-employed people. Furthermore, AMS applies a stricter definition of unemployment in terms of weekly working hours: while Eurostat considers persons to be employed if they worked for at least one hour in the week of the survey, AMS counts them as unemployed as long as they are registered. The number of 304,411 unemployed in March 2019 is contrasted with the number of around 95,000 vacancies on the labour market (AMS 2019).

For the last ten years, Austria's unemployment rate has always been ranked well below the EU average, in some years it ranked among the lowest in the EU. However, a slight increase of unemployment in Austria can be observed in recent years (see Table 1).

**Table 1: Development of unemployment in the EU between 2008 and 2018**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU-28	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4	8.6	7.6	6.8
Euro area	7.6	9.6	10.2	10.2	11.4	12.0	11.6	10.9	10.0	9.1	8.2
Belgium	7.0	7.9	8.3	7.2	7.6	8.4	8.5	8.5	7.8	7.1	6.0
Bulgaria	5.6	6.8	10.3	11.3	12.3	13.0	11.4	9.2	7.6	6.2	5.2
Czechia	4.4	6.7	7.3	6.7	7.0	7.0	6.1	5.1	4.0	2.9	2.2
Denmark	3.4	6.0	7.5	7.6	7.5	7.0	6.6	6.2	6.2	5.7	5.0
Germany	7.4	7.6	7.0	5.8	5.4	5.2	5.0	4.6	4.1	3.8	3.4
Estonia	5.5	13.5	16.7	12.3	10.0	8.6	7.4	6.2	6.8	5.8	5.4
Ireland	6.8	12.6	14.6	15.4	15.5	13.8	11.9	10.0	8.4	6.7	5.8
Greece	7.8	9.6	12.7	17.9	24.5	27.5	26.5	24.9	23.6	21.5	19.3
Spain	11.3	17.9	19.9	21.4	24.8	26.1	24.5	22.1	19.6	17.2	15.3
France	7.4	9.1	9.3	9.2	9.8	10.3	10.3	10.4	10.1	9.4	9.1
Croatia	8.6	9.3	11.8	13.7	15.8	17.4	17.2	16.1	13.4	11.0	8.5
Italy	6.7	7.7	8.4	8.4	10.7	12.1	12.7	11.9	11.7	11.2	10.6
Cyprus	3.7	5.4	6.3	7.9	11.9	15.9	16.1	15.0	13.0	11.1	8.4
Latvia	7.7	17.5	19.5	16.2	15.0	11.9	10.8	9.9	9.6	8.7	7.4
Lithuania	5.8	13.8	17.8	15.4	13.4	11.8	10.7	9.1	7.9	7.1	6.2
Luxembourg	4.9	5.1	4.6	4.8	5.1	5.9	6.0	6.5	6.3	5.6	5.4
Hungary	7.8	10.0	11.2	11.0	11.0	10.2	7.7	6.8	5.1	4.2	3.7
Malta	6.0	6.9	6.8	6.4	6.2	6.1	5.7	5.4	4.7	4.0	3.7
Netherlands	3.7	4.4	5.0	5.0	5.8	7.3	7.4	6.9	6.0	4.9	3.8
Austria	4.1	5.3	4.8	4.6	4.9	5.4	5.6	5.7	6.0	5.5	4.9
Poland	7.1	8.1	9.7	9.7	10.1	10.3	9.0	7.5	6.2	4.9	3.9
Portugal	8.8	10.7	12.0	12.9	15.8	16.4	14.1	12.6	11.2	9.0	7.0
Romania	5.6	6.5	7.0	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.2
Slovenia	4.4	5.9	7.3	8.2	8.9	10.1	9.7	9.0	8.0	6.6	5.1
Slovakia	9.6	12.1	14.5	13.7	14.0	14.2	13.2	11.5	9.7	8.1	6.5
Finland	6.4	8.2	8.4	7.8	7.7	8.2	8.7	9.4	8.8	8.6	7.4
Sweden	6.2	8.3	8.6	7.8	8.0	8.0	7.9	7.4	6.9	6.7	6.3
United Kingdom	5.6	7.6	7.8	8.1	7.9	7.5	6.1	5.3	4.8	4.4	4.0
Iceland	3.0	7.2	7.6	7.1	6.0	5.4	5.0	4.0	3.0	2.8	2.7
Norway	2.7	3.3	3.7	3.4	3.3	3.8	3.6	4.5	4.8	4.2	3.9
Turkey	10.0	13.0	11.1	9.1	8.4	9.0	9.9	10.3	10.9	10.9	11.0
United States	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9
Japan	4.0	5.1	5.0	4.6	4.3	4.0	3.6	3.4	3.1	2.8	2.4

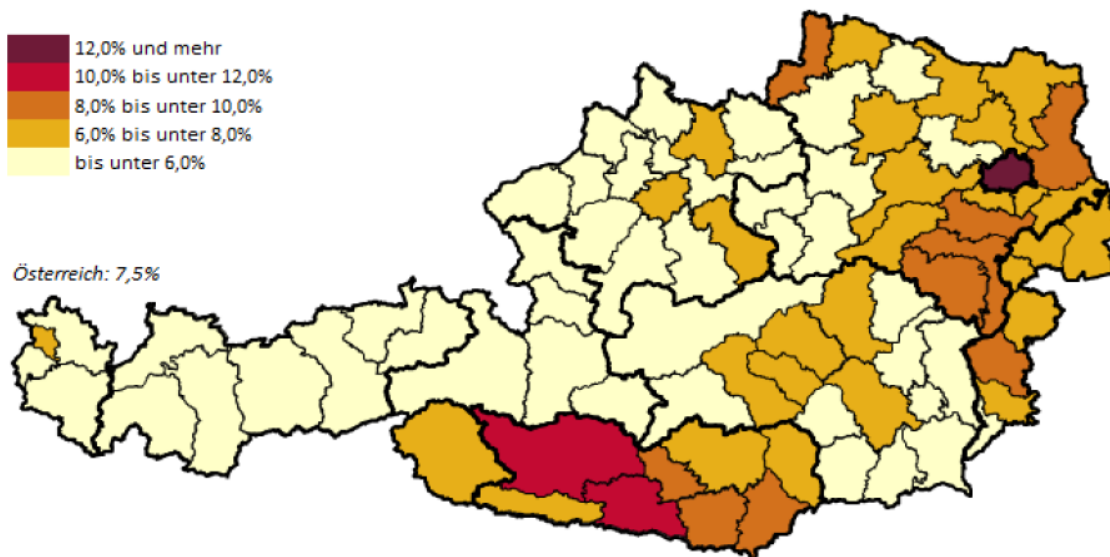
Source: Eurostat 2019

Still, labour market frictions exist in the country. If we take a closer look, we see that the Austrian labour market is highly volatile: In 2016, around 1.8 million jobs were left and started, which means that almost

every other person in the labour market of 3.7 million workers lost his or her job. Since not every job transition is smooth, this led to around one fourth of the Austrian labour force being registered as unemployed for at least one day in that year. This is also due to a high rate of seasonal and temporary work in the country (Arbeit Plus 2017).

Unemployment is not distributed equally across the population and regions in Austria. As shown in Figure 2, rates are more than twice as high in Vienna as in Tyrol, Salzburg or Vorarlberg. Although they represent only one sixth of the population, foreigners make up around one third of the unemployed. Especially refugees of the latest crisis have a hard time finding employment, with unemployment rates as high as 60% for refugees from Syria in 2017 (BMEIA 2018). Furthermore, around one fourth of the unemployed suffer from disabilities or other health impairments, despite various efforts and laws to integrate them into the labour market.

**Figure 1: Map of regional unemployment rates in Austria - March 2019**



Source: AMS 2019

#### Key facts about the Austrian labour market:

- Labour market volume: 3.7 million persons (Arbeit Plus 2017)
- approx. 95,000 vacancies (AMS 2019)
- 304,411 unemployed people (AMS 2019)
- national unemployment rate: 5% (Eurostat 2019); 7.4% (AMS 2019)
- high unemployment rates (BMEIA 2018):
  - regional: Vienna
  - population groups: foreigners (especially refugees), people with disabilities or health impairments
- approx. one fourth of the labour force registered as unemployed in 2016 (Arbeit Plus 2017).

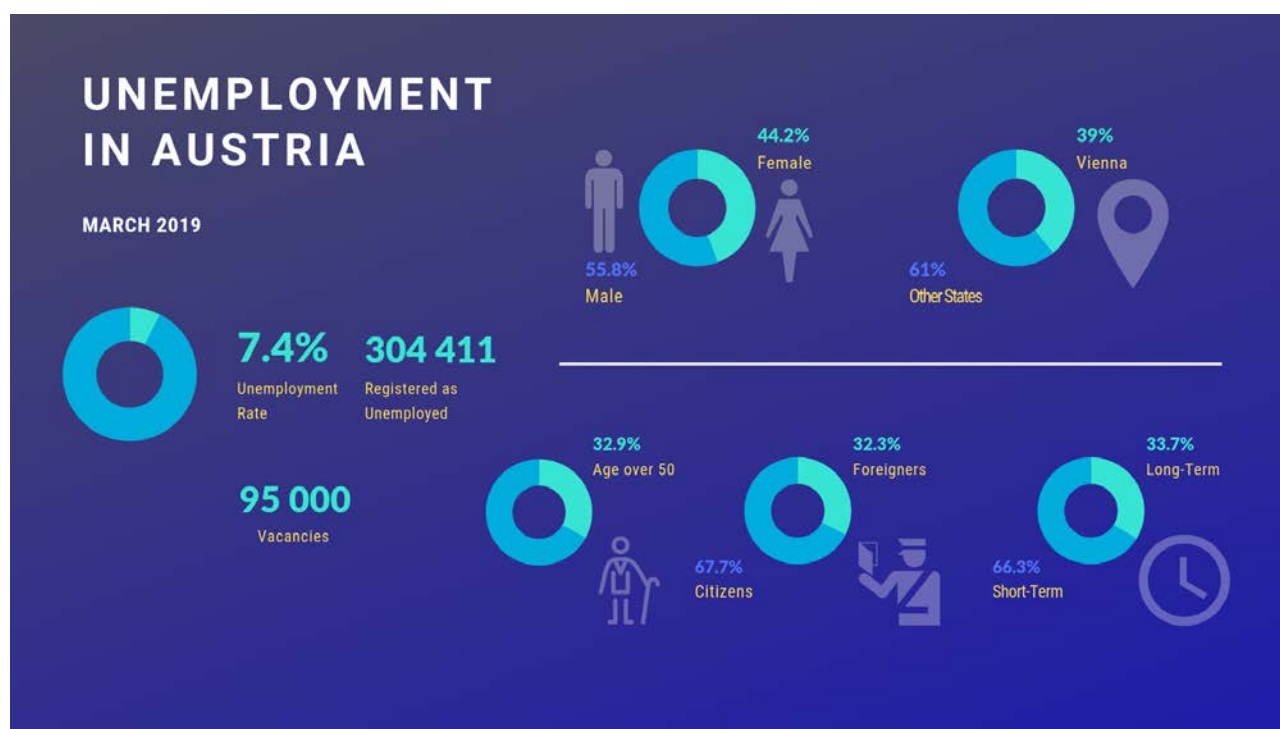
The AMS has several measures in place to “activate” the unemployed. These range from (re)training to offering coaching or language courses for immigrants and refugees. These measures do their job effectively

in European comparison, but, of course, there is still a lot of potential, especially to integrate the long-term unemployed.

With regards to the refugees there is a high disparity between the number of people who want to work and those who actually do work. A study concluded that over 70 percent of the surveyed refugees wanted to work immediately or in the medium term, which stands in contrast to the average 25 percent working in their first year (Wittfeld 2019). However, there are several initiatives working to get them integrated into the Austrian labour market, most of them are private. They range from the actual creation of positions over the translation of existing skills to be applicable to the Austrian labour environment or the support for finding an apprenticeship for young refugees.

Figure 3 below offers an overview over some key facts describing the Austrian labour market, with a particular focus on unemployment:

**Figure 2: Unemployment in Austria - March 2019**



Source: AMS 2019

Measures currently in place for unemployed individuals in Austria (AMS n.d.a; Sozialministerium n.d.):

- **Unemployment benefit (Arbeitslosengeld)**
  - Duration of claim: (a) 20 weeks; (b) increase to 30 weeks after 3 years of employment covered by unemployment insurance; (c) to 39 weeks after reaching the age of 40 and 6 years of employment in the past 10 years; (d) to 52 weeks after reaching the age of 50 and 9 years of employment in the past 15 years; (e) to 78 weeks after completing a vocational rehabilitation measure; (f) extension of 3 to 4 years after completing a training in a work foundation.
  - Amount: 55% of net income, maximum limit 60% including additional contributions.
- **Unemployment assistance (Notstandshilfe)**
  - Duration of claim: approved for max. 52 weeks; collection without time limitation upon renewal



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- Amount: 92% to 95% of the basic amount of the unemployment benefit.
- Note: The Austrian government is currently working on cutting this measure and putting people, after having used up their unemployment benefits, directly into the needs-based minimum, which does not scale with former salaries (OEVP 2017).
- *Needs-based minimum benefit (Bedarfsorientierte Mindestsicherung)*
  - Duration of claim: collection without time limitation upon approval
  - Amount: Up to 863 EUR monthly for people living alone and for single parents, up to 1 295 EUR for families; in some federal states the benefits are reduced for persons entitled to asylum or persons granted subsidiary protection.

Examples of measures and programs for labour market integration (AMS n.d.b; AMS n.d.c):

- *Women in crafts and technology training program (FitFrauen in Hardware und Technik)*
- *Competence with system training program (KMS Kompetenz mit System; e.g. for long-term unemployed with a low level of qualification)*
- *Integration year (Integrationsjahr; e.g. for persons entitled at asylum or persons granted subsidiary protection)*
  - Note: Program was cut by the Austrian Government

## 1.2. Definition of long-term unemployment in Austria

The official definition of long-term unemployment by the International Labour Organization includes all individuals who have been unemployed for a duration of one year or longer. The Austrian labour market service differs only slightly from that for the standard definition, but also specifies two separate subgroups: long-term unemployment and long-term lack of occupation. The former is tied to the receipt of unemployment benefits by the person concerned, for a time frame of more than 12 months, without a pause longer than 28 days. The latter additionally includes persons who underwent one of the various training measures of the AMS or were listed as searching for apprenticeships. It also captures people with pauses in employment of up to 62 days (AMS 2019). While people are not technically listed as unemployed during training measures, it also does not represent a stable employment. It is worth noting that, while the various training measures currently in place can facilitate in the long term the re-entry into the labour market of people with a long-term lack of occupation, they also postpone this for the time being. (Arbeit plus 2017).

The last description of long-term unemployed used in the Austrian labour market is "längerfristig arbeitsmarktfrem" (far from the labour market). The persons falling into this category are defined in a report by the WIFO institute (2016) as being unemployed for at least 2.5 of the last 5 years.

## 2. Facts and data on long-term unemployment in Austria

Around 50.000 or one sixth of the people registered as unemployed are classified as long-term unemployed and twice as many with a long-term lack of occupation. This number rose by a big margin over the last 10 years and is now more than ten times as high as before the financial crisis of 2008 (Schobesberger and Tamesberger 2018). This suggests that cyclical unemployment is shifting towards structural unemployment, which means many of the jobs lost during the economic crisis of 2008 were not recreated in the same form afterwards.

Long-term unemployment is a problem that NGOs and society in general should be concerned with for multiple reasons. Escaping from long-term unemployment is a challenge for the majority of people who find themselves in this situation. Data suggests that the **chances of being invited to a job interview decrease significantly once a person has been unemployed for longer than ten months** (Nüß 2017). According to the authors, this is most likely due to unjust general stigmatization of the long-term unemployed: The fault is mostly seen on the individual's side and not on society's. De facto the labour market does not provide enough jobs for its entire population (Schobesberger and Tamesberger 2018).

With above 50 percent, the **poverty risk** of this group is around twice as high as for unemployed people for a duration of less than six months. Which, in turn, is almost twice as high as the risk of the general population. On average, long-term unemployed people also take less care of their health. This can lead to a vicious cycle, since people with health restrictions also have a higher risk of being unemployed (Arbeiterkammer 2017).

Another negative effect is the **decline of democratic participation among long-term unemployed persons**. A study showed that the longer unemployment lasts, the less likely people are to make use of their right to vote. This is not due to a lack of interest, but is a conscious statement as a last consequence of their subjective feeling of not being a part of society (Arbeit Plus 2017).

#### Key facts about long-term unemployment in Austria:

- approx. 50,000 long-term unemployed persons (AMS 2019)
- approx. 100,000 persons with a long-term lack of occupation (AMS 2019)
- tenfold increase in the last ten years (Schobesberger and Tamesberger 2018; Arbeit Plus 2019)
- at risk population groups:
  - *individuals in the age bracket 55-64 years (Schobesberger and Tamesberger 2018)*
  - *individuals with low education (Schobesberger and Tamesberger 2018)*
  - *women, especially after maternity leave (youngcaritas 2015)*
  - *physically or mentally impaired individuals (youngcaritas 2015)*
- negative effects of long-term unemployment:
  - *significantly decreased chances of re-entry into labour market after 10 months (Nüß 2017)*
  - *increased poverty risk of over 50% (Arbeiterkammer 2017)*
  - *decline of democratic participation (Arbeit Plus 2017)*

Examples of measures currently in place for long-term unemployed individuals (oesterreich.gv.at. 2019; Picek 2018; AMS n.d.b.)

- *Employment initiative 50+ (Beschäftigungsinitiative50+; e.g. for long-term unemployed having reached the age of 50)*
- *Aktion "20,000" (Public Program with the goal of creating 20,000 jobs for older long-term unemployed)*
  - Note: Program was cut by the Austrian Government.
- *Settling-in allowance "Come Back" (Eingliederungsbeihilfe, partial reimbursement of labour costs if hiring a person who has been unemployed for 6 months+).*

### 3. Economic sectors particularly challenged by long-term unemployment in Austria

The AMS published a paper with a prognosis of the medium term development of the labour force and labour demand in Austria until 2020. According to this report, the sectors, which will suffer the highest losses of work places, will be production and construction. Both branches suffer from relocation of the domestic labour to countries with lower costs and, in the case of construction, also from the assignment of projects to cheaper foreign companies. Moreover, the further restructuration and digitalisation of the banking sector will lead to some lost jobs in finance as well. This will most likely negatively affect the insurance sector and lead to negative work force development there. Some of these lost jobs will be absorbed by a higher projected labour demand in the health and hospitality sectors (AMS 2016). However, a switch between sectors is often connected with unemployment and retraining costs. In addition, many of the created jobs will be in the area of elderly care, in the case of the health sector, and seasonal work in the case of hospitality. For instance, the labour demand in the area of elderly care is forecast to increase by 34,300 persons by 2022, which accounts for a 15% of the total employment growth in the named period. Another projection estimates an even greater increased demand of 59,900 persons in this sector by 2023 (AMS 2018). These professions have traditionally been associated with more precarious working arrangements than the previously mentioned shrinking sectors. This could lead to a general deterioration of working conditions in Austria in the future.

### 4. Groups at risk of long-term unemployment in Austria

The occurrence of **long-term unemployment** correlates with age and is **highest in the age bracket 55-64 years**. It is negatively correlated with education: **Around half** of the long-term unemployed have **graduated compulsory school or less**. This does not mean that people with higher education are not at risk of long-term unemployment. Around one fifth of the registered people received higher/academic education (Schobesberger and Tamesberger 2018).

The earlier shown fact of foreigners being more likely to be unemployed in Austria does not show in this group. In fact, people without an Austrian citizenship are represented with only 21 percent here compared to the third in unemployment overall (Schobesberger and Tamesberger 2018). However, some of this is likely due to the younger average age in this group as well as the due to the fact that many of the previous mentioned refugees of the latest wave are not eligible to be in this group yet. The reason for this is that individuals who have not been granted asylum are not allowed to fully participate in the labour market yet. Nonetheless, they still have a high risk of becoming long-term unemployed in the future, if the unemployment rates remain as high as described in subsection 1.1.

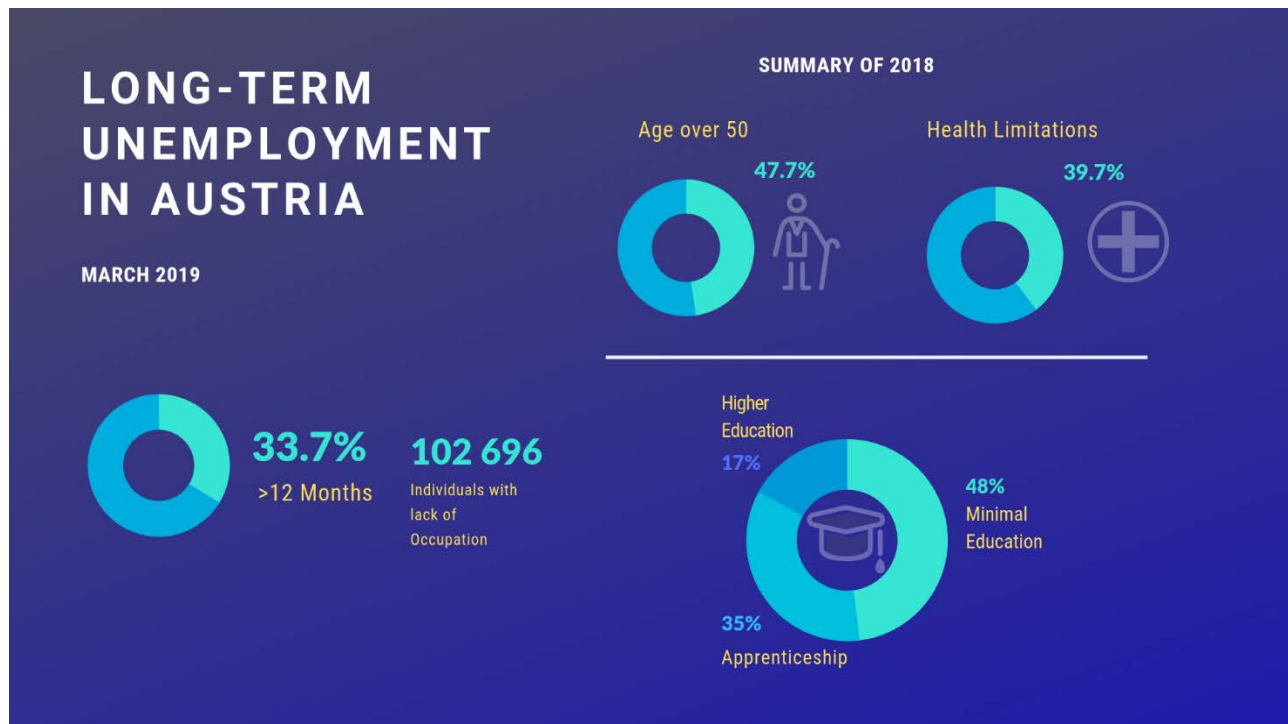
As other risk groups who find themselves disproportionately often in long-term unemployment, the youngcaritas (2015) also lists **women, especially mothers** and the **physically or mentally impaired**.

There are several systems currently in place specifically designed for assisting the various groups of long-term unemployed. For members of the work force over 50 struggling to find employment, a project was started in 2017 by the Austrian government named "Aktion 20.000". This aimed at employing them in publicly subsidised jobs in municipalities, NPOs or social enterprises. The project has meanwhile been cancelled by the current government coalition despite its success. Results of the program evaluation show that during the pilot phase the unemployment rate for persons over the age of 50 decreased by 5,1% in the regions where the project was implemented and by 0,7% overall in Austria. These results are all the more promising considering that the unemployment rate for this age group registered an overall increase of 2,1% in Austria (Picek 2018).

There is also the social inclusion aid “Come Back”, which aims at helping to integrate long-term unemployed back into the labour market. It financially supports employers who hire people that have been unemployed for longer than half a year, in the case of unemployed under the age of 25, respectively longer than a year for those over 25. In the case of unemployed over the age of 45, there is no minimum duration of unemployment to address this risk group (oesterreich.gv.at 2019).

A brief overview of available data on long-term unemployment in Austria is presented below (see Figure 4).

**Figure 3: Long-term unemployment in Austria - March 2019**



Source: AMS 2019; AMS 2018b

As these findings show, the current systems are not always sufficient. This leaves open the possibility of alternative programs, such as the proposed Social Impact Vouchers program.

## 5. Potential target group of the Social Impact Vouchers program in Austria

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

A few general requirements have to be fulfilled when defining the target group for the Social Impact Voucher (SIV) program. The target group of the SIV program has to be willing and able to work in the aspired positions. Additionally, there have to be sufficient vacant positions available in order to meet the demand, which, based on the information provided in subsections 1.1 and 3, for Austria it seems to be the case. The proposed program should therefore serve as an incentive to hire long-term unemployed for already existing, unfilled vacancies instead of creating jobs out of thin air. This course of action should ensure that the jobs are sustainable, which in turn should also have lasting and sustainable effects on long-term unemployment rates in Austria.

## 5.2. Defining the target group of the Social Impact Vouchers

The most obvious candidates for target groups of the SIV program are, based on the previous analysis in subsection 4:

- older people over the age of 50 years
- women, especially after returning from maternity leave
- physically or mentally impaired individuals or people otherwise limited by their health
- immigrants, especially eligible refugees
- People with low education.

Each of these groups are already supported by public and private efforts to various degrees. The weakest specialized support, and the lowest by the private sector, experience probably the older long-term unemployed, even though age is the strongest determinant of risk for long-term unemployment. We saw some publicly funded measures to help individuals in this population group back into the labour force, but some of these are already on the way to be cut by the current government. There is considerable room for improvement where the SIV program could intervene to alleviate the issue.

The SIV project could potentially help to dampen the negative effects caused by the termination of the "Aktion 20,000" program for the older part of the labour force. As previously demonstrated in subsection 2, getting this group another opportunity to find access to the labour market, at least on a temporary basis, could benefit their financial and mental situation immensely, by breaking the vicious cycle of long-term unemployment and deteriorating health. This represents an even more severe problem with increasing age, therefore it is a particularly relevant concern for this group of long-term unemployed. Furthermore, the results presented in subsection 4 demonstrate the effectiveness of the program, which provides further confirmation that it should be substituted by alternative programs, such as the SIV programs, upon its termination. It could also give incentives to companies for hiring older individuals and thereby lead to a lower percentage of unemployment in this group.

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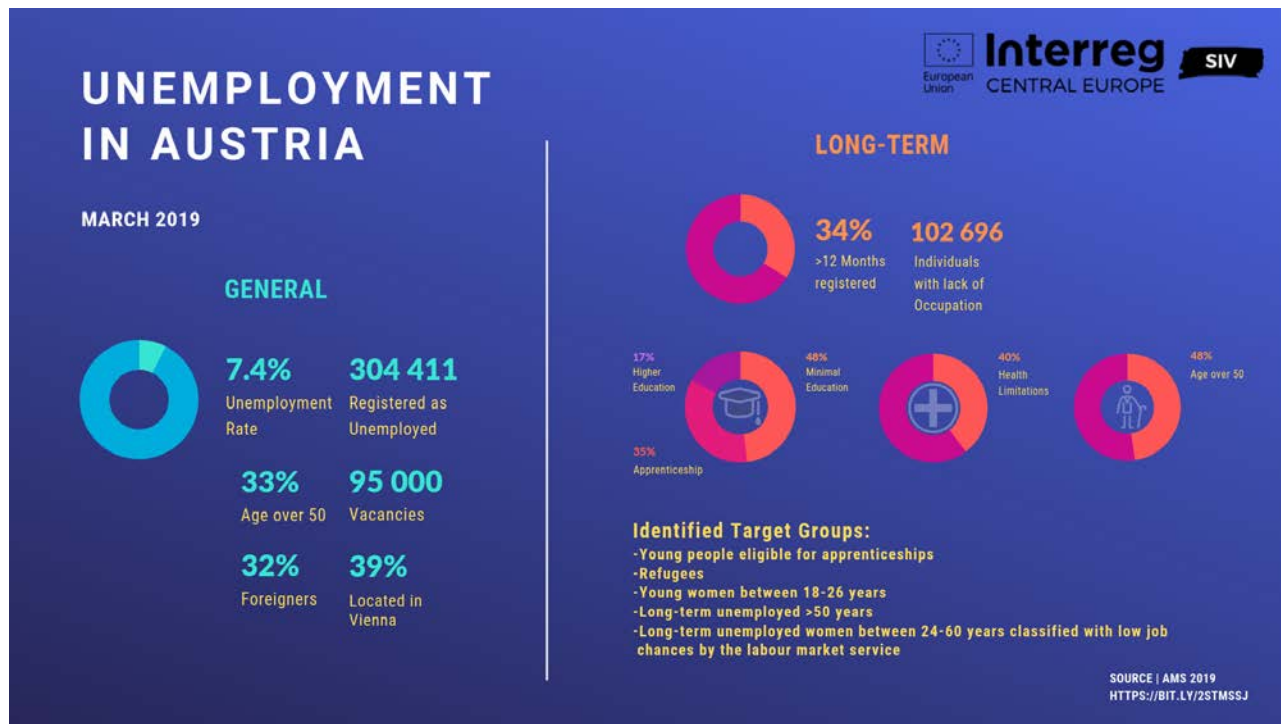
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## 7. Appendix

Figure 4: Summary infographic of unemployment in Austria



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# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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Pilot - Preparation

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## Overview of long-term unemployment in Croatia

### 1. Introduction

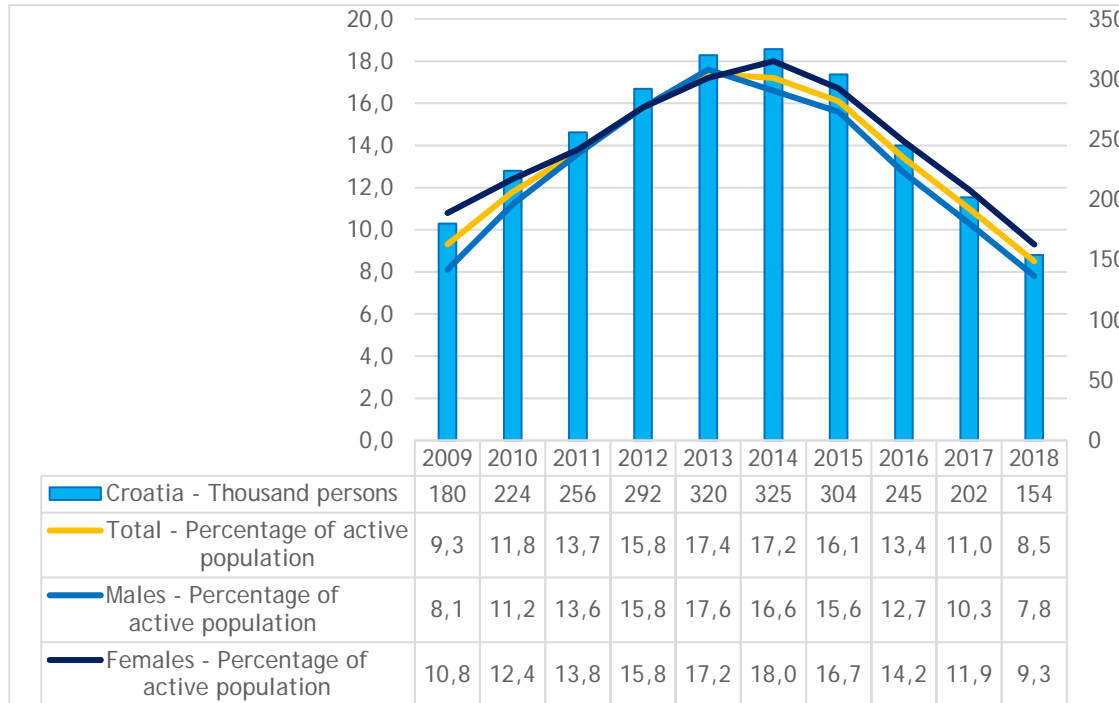
#### 1.1. Definition of unemployment in Croatia

There are two sources of indicators of employment and unemployment in Croatia. Firstly, there are the data about registered unemployment processed by the Croatian Employment Service (CES). A person is deemed unemployed if he or she is registered by the CES. The other indicators derive from the LFS (Labour Force Survey), which has been carried out each year since 1996 by the Central Bureau of Statistics (CBS), the methodology of which has been brought into line with the rules and instructions of the International Labour Organisation (ILO) and Eurostat, comparability with research in EU countries thus being assured. The reference week for the Survey, which has been carried out in the Republic of Croatia since the beginning of 2007, is every week throughout the year. Unemployed persons are those who meet the following three criteria: a) In the reference period did not work for payment in cash or kind; b) Were actively seeking work during four weeks prior to the Survey, and c) were currently available for work within the next two weeks (Croatian Bureau of Statistics 2019).

#### 1.2. General overview of unemployment in Croatia

In 2017, the unemployment rate in Croatia, according to the Labour Force Survey, was 8.5% of the active population (Croatian Bureau of Statistics 2019). Among the EU Member States, Croatia still has one of the highest unemployment rates, which has, nevertheless, improved recently. Unfortunately, this process is happening due to the large emigration of working population from Croatia.

In 2018, the unemployment rate for women was 1.5 percentage points higher than the unemployment rate for men. The very latest unemployment figures suggest that the unemployment rate in Croatia have been constantly dropping since 2014 (see Figure 1).

**Figure 1: Unemployment in Croatia (Labour force survey) - annual average**

Source: Croatian Bureau of Statistics (various years), The Labour Force Survey

### 1.3. Definition of long-term unemployment in Croatia.

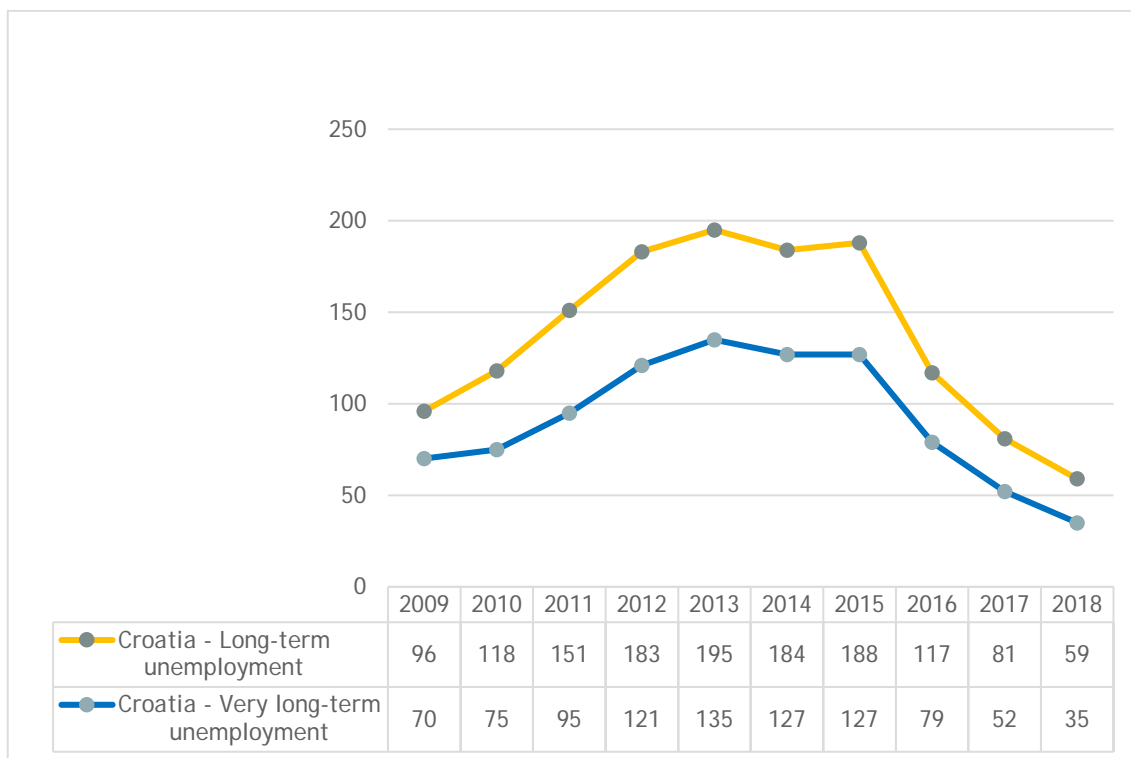
In Croatia, “long-term unemployment” refers to the number of people who are out of work and have been actively seeking employment for at least year (Croatian Employment Service 2019). The same definition applies to the Labour Force Survey and to the administrative measured unemployment (Croatian Bureau of Statistics 2019).

Very long-term unemployed persons have not had a job for 24 months and more (Croatian Employment Service 2019).

## 2. Facts and data on long-term unemployment in Croatia

In 2018 in Croatia, about 60,000 people were long-term unemployed. More than half of them (35,000) were very long-term unemployed - more than 2 years (see Figure 2) (Croatian Employment Service 2018).

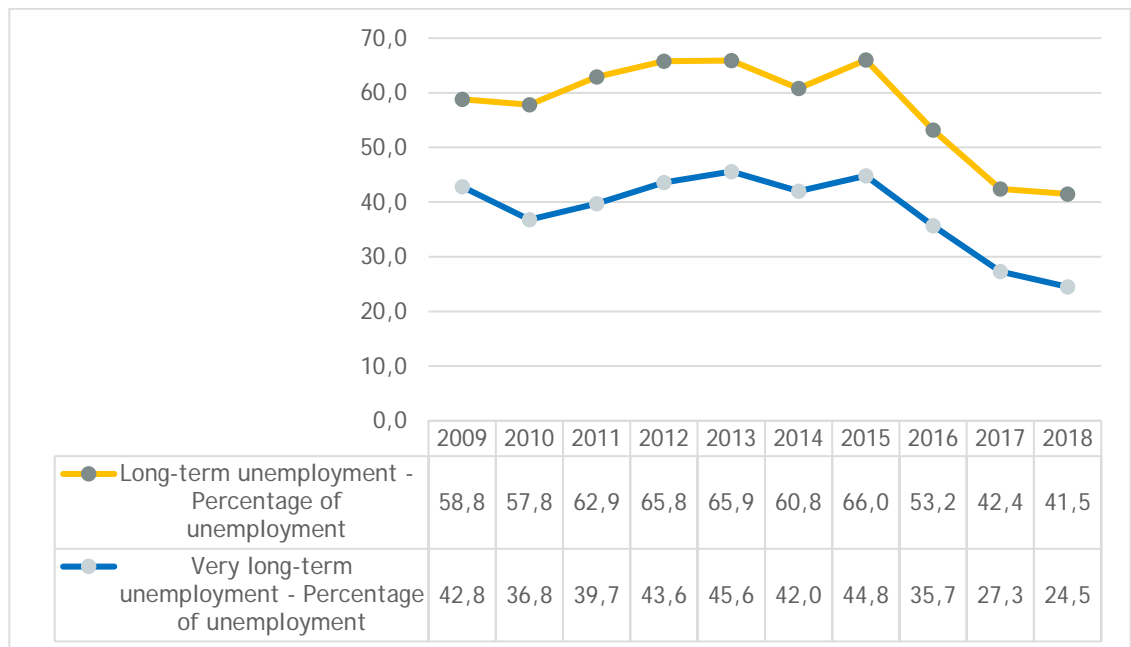
**Figure 2: Number of long-term and very long-term unemployed persons in Croatia, aged 20 - 64 years, from 2009 to 2018 (in thousands)**



Source: Croatian Employment Service, Yearly Report (various years).

We see that long-term unemployment rate in Croatia was stable with small increase in the years of financial crisis (2008-2015) with significant decline recorded in the last few years (2016-2018) (see Figure 3).

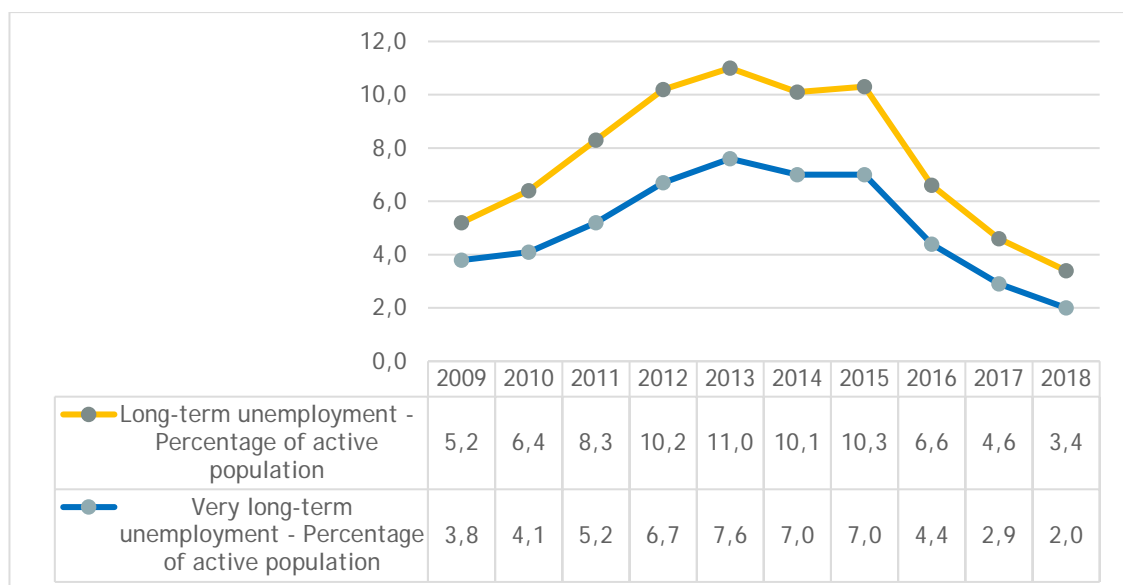
**Figure 3: Share of long-term and very long-term unemployment of total unemployment of the active population in Croatia, aged 20-64, between 2009-2018 (in %)**



Source: Croatian Employment Service, Yearly Report (various years)

The share of long-term unemployed in the active population aged 20-64 in 2018 in Croatia was 3.4%, and that of very long-term unemployed was 2.0% (see Figure 4).

**Figure 4: Long-term and very long-term unemployment rates of the active population in Croatia, aged 20-64 years, from 2009 to 2018 (in %)**



Source: Croatian Employment Service, Yearly Report (various years)



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According to administrative sources, which are important for reaching those persons through collaboration with the Croatian Employment Service, there are currently 52,954 long-term unemployed persons in the register (Croatian Employment Service 2019).

### 3. Economic sectors particularly challenged by long-term unemployment in Croatia

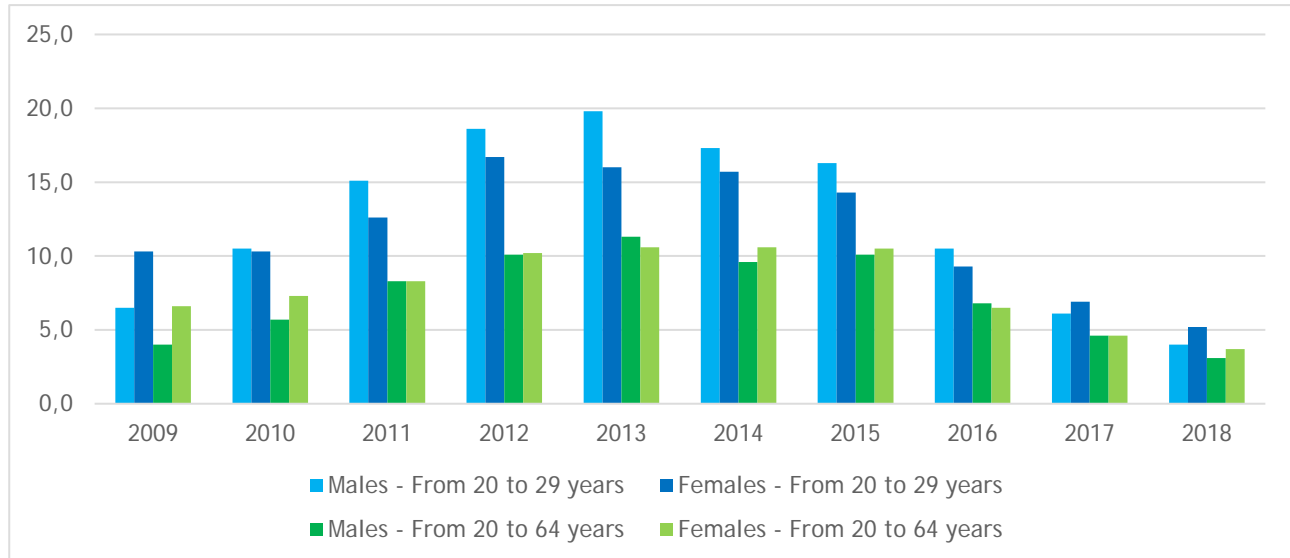
According to the LFS, the Republic of Croatia has a relatively low activity and employment rate particularly for women, youth and older persons. Mentioned groups have a higher unemployment rate and particularly long-term unemployment rate in comparison with the average population, particularly prime age males. All mentioned characteristics worsened during the financial crisis that lasted longer in Croatia than in the rest of the EU, almost until 2015 (Đokić, Fröhlich & Rašić Bakarić 2016). It looks like traditionally male economic sectors, like the manufacturing industry and building sectors, have suffered more and consequently male unemployment increased more than female unemployment (Bejaković & Gotovac 2011).

Economic sectors that were most affected by the crisis include manufacturing, trade and construction. Accordingly, regions where these industries play a dominant economic role suffered the most. Many persons previously employed in the mentioned sectors lost their employability and soft skills due to their age, inactivity and other factors and became highly unattractive for potential employers. The differences in regional industrial structures also explain why unemployment has increased more in initially low-unemployment regions (Jakšić 2017): In the Republic of Croatia, regions where unemployment was low before the crisis were either regions with a large share of manufacturing and trade industries, or regions relying on tourism. Given that the crisis affected mainly the industrial sector, labour market conditions in industrialized regions deteriorated more than in less industrialized, agricultural regions, where unemployment was initially higher. Regionally, the situation is particularly unfavourable in Eastern Slavonia, badly hit by the Homeland War, and inland regions of Lika and Dalmatia (Đokić, Fröhlich & Rašić Bakarić 2016).

### 4. Groups at risk of long-term unemployment in Croatia

While the number of unemployed registered at the Croatian Employment Service (CES) dropped before the crisis, its growth after the commencement of the crisis was even stronger than the previous decrease. Prior to the crisis, the groups most vulnerable were youth, women and elderly workers, but the crisis affected prime age males more than any other group (Matković, Arandarenko & Šošić 2010). For example, in comparison with male, whose average unemployment rate in the period 2005-2008 was below 10%, female have been significantly more exposed to unemployment and their average unemployment rate in the observed period was above 12%. However, it looks like that economic sectors where males are predominant labour force have suffered more during the crisis and therefore male unemployment rate increased more - from 7.1% in 2008 to 11.5% in 2010 (an increase for 4.4 percent points) - in comparison with sectors where predominantly women are employed. Thus, female unemployment rate rose from 10.4% in 2008 to 12.7% in 2010 (an increase for 2.3 percent points) (see Figure 5) (Bejaković & Gotovac, 2011).

**Figure 5: Development of unemployment in Croatia between 2009 and 2018, differentiated by gender**



Source: Croatian Employment Service, Yearly Report (various years)

## 5. Potential target group of the Social Impact Vouchers program in Croatia

As potential groups can be deemed the persons with very long-term unemployment, disabled persons and migrants.

Participation in formal education has a positive impact on personal as well as social development, social inclusion and social cohesion. For example, among people with upper secondary and tertiary education, the unemployment rate is on average lower than among people with lower education (persons who finished primary school or less). For example in the first crisis year 2008, the share of long-term unemployed in the total number of unemployed with no schooling and primary school leavers was 74.3%, and in the total number of the unemployed with the completed primary school it was 62.9%. The share of long-term unemployed was lower with people with secondary three-year or four-year education (53.8% and 48.4%, respectively), and with college and higher educational qualifications (42.8% and 40.4%), respectively. The situation in that sense has not been changed afterwards (Bejaković & Gotovac 2011). Better educated and qualified persons also remain unemployed for a shorter period of time (according to the CES data, on average around 3-5 months depending on the finished tertiary educational programme and more than 6 months for the persons with only secondary educational attainment, Croatian Employment Service, various year) and also have a higher income when they find a job as well as better possibilities for professional promotion (Matković, Arandarenko & Šošić 2010). Also, the risk-of-poverty rate is significantly lower among better educated persons. Persons with primary educational attainment or less than primary school level of education are most exposed to long-term unemployment and poverty, and will likely transfer their unfavourable situation and life conditions to their children (Bejaković 2017).

One of the main reasons for this is the bad economic situation, which is caused by the fact that the education level of parents is low and they do not value the importance of education. For the long-term unemployed population, one of the biggest barriers is the lack of education and training necessary to compete on the labour market. Only a small number of the long-term unemployed (in various years around 2-3 thousands or less than 5% of all long-term unemployed) are attending some form of training. Others are not motivated or do not have the means to invest in the improvement of their education (Matković 2010). Thus, although significant efforts have been made to increase access to education, it is evident that the system is still

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inefficient, as the learning outcomes are very low and labour market requirements are not fulfilled (Hrvatski zavod za zapošljavanje & Ipsos 2016).

Certain groups are labour market outsiders, like people with disabilities. They are vulnerable to exclusion from the labour market. According to the latest 2011 Census, out of the 4.28 million Croatian citizens, 759,908 or 17.7% of them have reported having difficulties in performing activities of daily living due to a long-term illness, invalidity or old age (Croatian Bureau of Statistics 2013). More than one third of the total number of persons with disabilities are older than 64 years and almost 70% are 50 years old or above. However, a significant share is of working age (Croatian Bureau of Statistics 2013). People with disabilities encounter great difficulties in finding employment, even though the The Law on Professional Rehabilitation and Employment of Disabled Persons (Official Gazette 157/13, 152/14, 39/18) guarantees them the right to professional rehabilitation and training for an appropriate job (Narodne novine 2018). According to the Croatian Employment Service (2019), during the first quarter of 2018, on average 6,048 people with disabilities were registered as unemployed. Next to their lower employability, they have relatively low educational attainment (2.6 % have no schooling and uncompleted basic education, while 14.8 % only have basic education) and they often have a very low level of working experience or none at all (Hrvatski zavod za zapošljavanje 2018). Therefore, they are not very attractive for possible employers.

Apart from open-market employment, sheltered enterprises represent a common way of employing these persons. However, their number has significantly dropped in the past 20 years or so (Hrvatski zavod za zapošljavanje 2019). The government adopted a uniform policy for people with disabilities with the aim of improving the quality of life for this population group. In addition, the government launched several programmes to stimulate the employment of people with disabilities, which have not proved to be effective (most employers are reluctant to employ these persons), and have legally regulated their employment in government bodies and the civil service on a quota basis so as to have people with disabilities (Hrvatski zavod za javno zdravstvo 2019). With the appropriate professional rehabilitation system, many disabled people could be treated as professionally equal members of society who successfully contribute to their own general wellbeing, rather than being recipients of social assistance and users of various social services without utilisation of their working potential and capabilities. A professional rehabilitation can enable employment of such a person so that they can gain material security, greater independence in decision-making and achieve a feeling of self-reliance.

Many migrants are entering and leaving Croatia in the hope to find better employment and living conditions in the West European countries, and one can expect that their number will increase even further very soon due to the possible closing of other borders. Therefore, there is a need to shed light on the following key questions: What policies and practices are needed to ensure that Croatia does not serve only as a migrant transit country but that it creates environment in which migration would contribute to meeting the labour market needs and shortages that are currently obvious and that are expected to arise over the short-to-medium term? How can a better use of migrants' skills be ensured in order to improve their position on the labour market?

## 5.1. General considerations concerning the target group of the Social Impact Vouchers

The Social Impact Vouchers are intended for those individuals who face difficulties on the labour market or those who, due to physical and mental handicaps, have specific needs that they cannot satisfy alone or with the assistance of their family. Therefore, the target group consists primarily of long-term unemployed persons, people with disabilities and migrants.

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## 5.2. Defining the target group of the Social Impact Vouchers

Although unemployment is a transient phase for the majority of unemployed persons, for some it becomes a permanent status. This is particularly so in Croatia, where a large number of able-bodied social assistance beneficiaries have been unemployed for a long time. The impacts of such a situation are very unfavourable, creating huge costs for the society as well as for the state. There is clearly a strong association between long-term unemployment and poverty, education as well as employability. The problem of long-term unemployment is growing. In Croatia, there has been a continual rise in the share of the long-term unemployed: Those who have been seeking employment for more than one year now account for more than half of all unemployed (Bejaković & Mrnjavac 2018). The task is thus to decrease the inflow into long-term unemployment and to reduce the number of those who are already long-term unemployed, particularly by helping the latter find work. The problems encountered by many long-term unemployed are generally multidimensional, often involving a low level of both education and motivation. There is significant evidence that long-term unemployment itself reduces yet further prospect of getting work (Bejaković & Mrnjavac 2018). Most welfare recipients find themselves in this position. They become and, for the most part, stay unemployed.

The key policy issues are therefore: a) how can the flow of unemployed people into long-term unemployment and prolonged periods of welfare be decreased?; and b) how can those who are already long-term welfare recipients be integrated back into the labour market? A significant part of long-term unemployment have very poor educational standards, with over a third failing to complete even elementary school and over 60% without any form of secondary education. Around 70% of welfare recipients and long-term unemployed persons have no qualification or have only elementary school education (Šućur 2005). It would be reasonable to assume that many do not have basic skills of literacy and numeracy; some have had no formal education whatsoever. All age ranges are represented, but there is a bias towards the over 30s (Šućur 2005):

Long-term dependency has been evidenced by the duration of receiving welfare benefits. The older and less educated recipients are more likely to remain longer in the welfare scheme and isolated from the world of labour. The average period of welfare scheme usage is quite long (almost 5 years). The average period of welfare scheme usage is more than 7 years for users without education (Šućur 2005). Low levels of employability brought about by poor education and work experience result in these people being uncompetitive on the labour market.

Employer recruitment practices tend to discriminate against long-term unemployed people (Bejaković & Mrnjavac 2018). The reason is that long-term unemployment is often used by employers as an indicator of lack of motivation and other undesirable personal traits. Furthermore, passivity in seeking work and reluctance to accept those jobs that do become available (mostly low paid jobs) is characteristic of long-term unemployment. Moreover, the long term unemployed frequently blame others for their predicament and absolve themselves of any responsibility to find work. They see no worthwhile financial benefit in accepting low paid work, sometimes with good reason but sometimes incorrectly. There is also an unwillingness to risk disturbing their current 'life style arrangements' because they fear change and ending up in a worse position (Bejaković & Mrnjavac 2018): They may be poor, but their circumstances are predictable and manageable. In some cases, they have supplementary forms of undeclared income (grey economy and subsistence farming) (Bejaković 2017). Finally, these are difficult issues to address and present a considerable challenge to policy makers everywhere. They are long standing and concern both deficiencies of education and skill as well as behavioural and attitudinal barriers to getting and keeping jobs. The model of the Social Impact Vouchers can be an important motivation for the long-term unemployed to decide to actively enter the world of labour.

During 2018, according to the registry of the Croatian Employment Office, 174,420 persons were employed, 3,231 of which were **persons with disabilities**. That is slightly less than the number of employed persons

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with disabilities in 2017 (for 4%), when 3,366 persons were employed (Croatian Employment Service 2018). The population of those with disabilities is heterogeneous in terms of the types and degree of disability. The policy towards people with disabilities emphasises an active approach, implying an effort to make people with disabilities take control of their lives as much as possible, along with measures to secure their rehabilitation. The focus lays on professional and social evaluation, i.e. on the capabilities rather than the limitations of people with disabilities. The success recently achieved is the result of a joint action or partnership between the state and civil sectors, people with disabilities and their families. Particularly important and successful measures have been Public Works for inclusion of the people with disabilities into the socially useful works and rehabilitation of disabled persons (Hrvatski zavod za zapošljavanje & Ipsos 2016): Finally, there should be continuing efforts to promote acceptance of people with disabilities and their inclusion in regular social activities and in the open labour market, which can be significantly enhanced by the introduction of the Social Impact Vouchers.

The integration of **migrants and refugees** in the labour market in Croatia is not a topic of current political debates or even public discourse in general. As mentioned, Croatia is not a destination country for refugees and migrants, as evidenced by their relatively small number. The debates on the rights of these people and their integration into the labour market are mainly related to the expanding EU context. In Croatia, discussions are focused mainly on qualifications of migrants and their linguistic competences as necessary preconditions for an easier integration into the labour market. Furthermore, even though the migrants and asylum seekers attain the right to work in Croatia nine months after claiming the asylum procedure, there are no documented cases of their employment. According to the Act on the Labour Market (OG 118/18), Article 14, asylees and aliens under subsidiary protection can register at CES, and their rights and obligations are equal to the ones of Croatian citizens. There are several documented cases of the employment of refugees after being granted with international protection status (asylum) (Babić 2016). Their number is very low, approximately around 5% of them have had the experience of having a job in Croatia, although not a steady one (mostly these were temporary and occasional jobs) (Grubiša 2019).

There are no structural incentives for the employment of refugees despite the introduction of policy measures for employment of migrants as a vulnerable group by the Croatian Employment Service (CES). This means that the conditions for their inclusion in the measures of Active Labour Market Policy are simplified, and that can be included in one of the measures immediately after registration in the Croatian Employment Service register. The CES is responsible for the implementation of measures related to the employment of migrants, but international protection seekers do not have access to active labour market policy measures. However, when the seekers are awarded the status of person under international protection, or in the case where processing of their applications takes more than nine months, they acquire the same rights as Croatian citizens, which also includes access to labour market policies as regulated by Law on International and Temporary Protection (Official Gazette 70/2015 and 127/2017). In the case of other migrants, they become entitled to participation in the labour market policy measures the moment that they are awarded with temporary residence and register at the Croatian Employment Service as unemployed persons. It can be assessed with a certainty that the position of migrants and refugees on the labour market would be much more favourable with the introduction of the Social Impact Vouchers.

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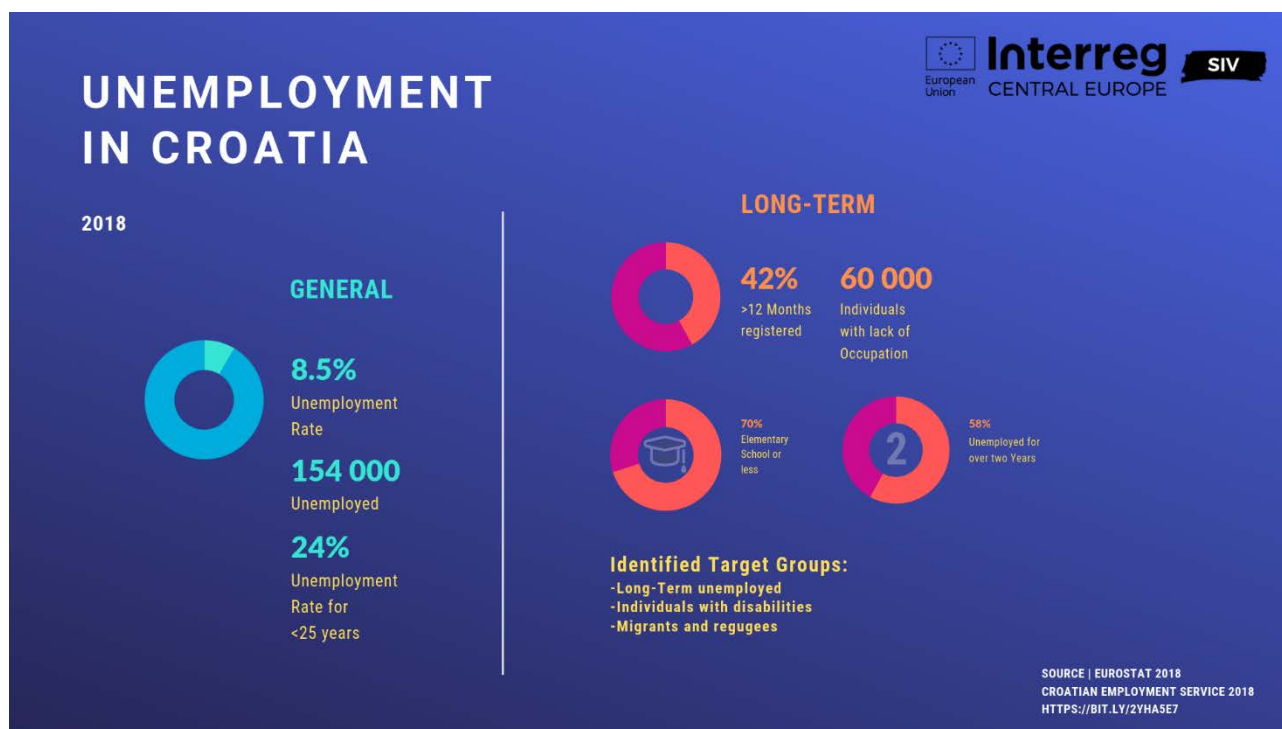
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## 7. Appendix

Figure 6: Summary infographic of unemployment in Croatia





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Czech Republic

# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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# Overview of long-term unemployment in the Czech Republic

## 1. Introduction

### 1.1. Definition of unemployment in the Czech Republic

In the Czech Republic (CR) there are two ways how to measure unemployment:

**a. General unemployment rate - 2.1% (March 2019) (Ministry of Labour and Social Affairs 2019)**

The general unemployment rate can be used for international comparison, as EU Member States use the same methodology to measure unemployment. It is regularly published by the Czech Statistical Office. (Ministry of Labour and Social Affairs n.d.a.).

The ILO methodology defines the unemployed as all persons above a specified age who during the reference period were without a job, did not work an hour for pay, and were in an active manner seeking job they would be able to join within two weeks at the latest (International Labour Organisation 2019). This methodology is uniform for all EU Member States and produces internationally comparable data. It should be noted that the definition of “the unemployed” by the ILO differs from the definition of “job applicants” registered by the labour offices of the Ministry of Labour and Social Affairs of the CR.

**b. The registered unemployment rate - 2.7% (March 2019) (Ministry of Labour and Social Affairs 2019)**

The methodology of registered unemployment was originally based on the number of job seekers registered in the labour office at their place of residence and on the number of persons employed in the national economy with one or main job. By the end of 2012, the Ministry of Labor and Social Affairs recorded the rate of registered unemployment on the basis of available job seekers as a ratio of available unemployed job seekers in the labor market (Ministry of Labour and Social Affairs n.d.a.).

#### *Registered unemployment rate - new methodology*

Since 2013, the Ministry of Labour and Social has replaced the registered unemployment rate with a new indicator called the share of unemployed persons, which expresses the ratio of the number of available job seekers aged 15 to 64 years in the population of the same age (Ministry of Labour and Social Affairs n.d.a.).

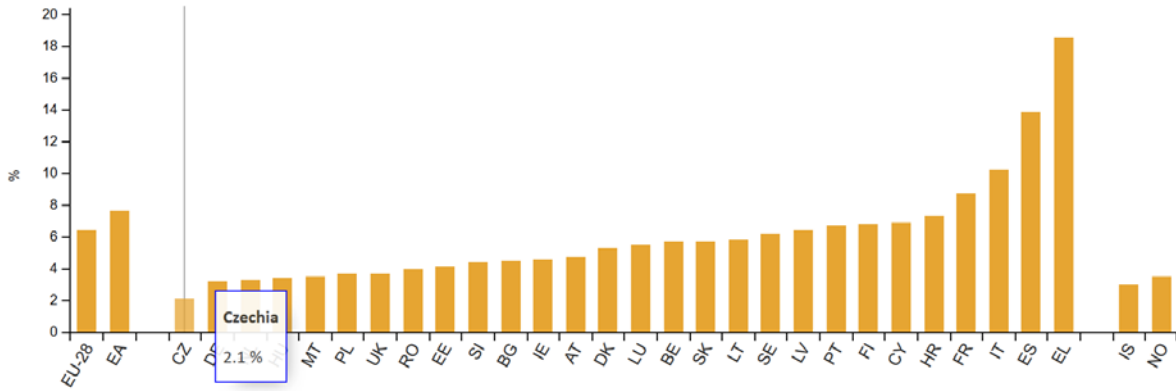
### 1.2. General overview of unemployment in the Czech Republic

Unemployment in the Czech Republic is at the limit of natural unemployment and practically no longer has a place to fall. In an EU comparison, the Czech Republic registered the lowest unemployment rates among all 28 member states in 2019 (see Figure 1).



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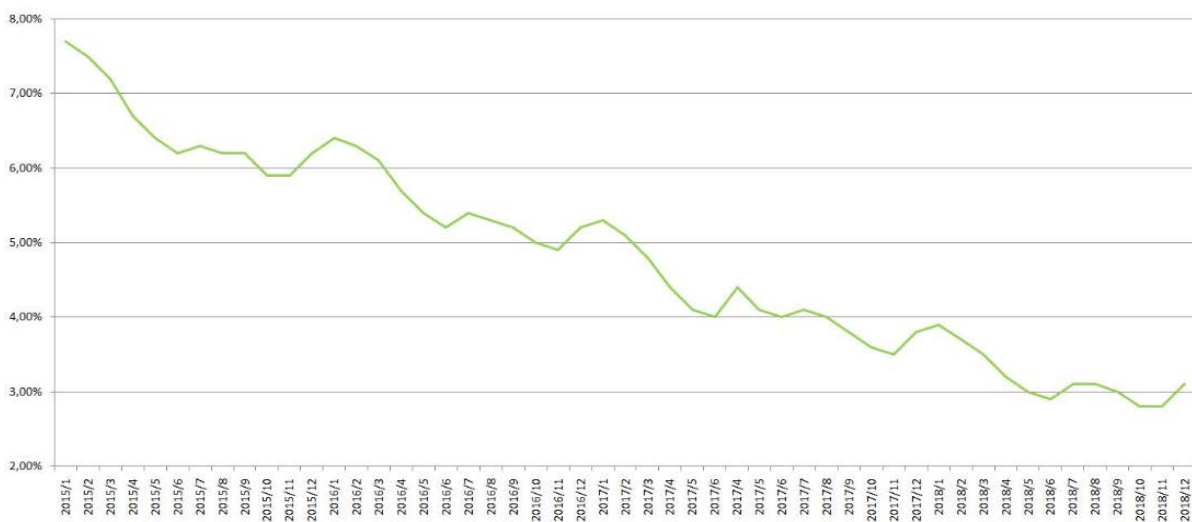
**Figure 1: Unemployment rates, seasonally adjusted in EU, April 2019 (%)**



Source: Eurostat 2019

In Figure 2 you can see that the highest unemployment rate according to the definition of the Labor Office in the last three years was in January 2016 and it was 6.4%. The data of the Ministry of Labor and Social Affairs on the unemployment rate from December 2018 indicate 3.1%. The border of around 3% is probably the limit of natural unemployment in the Czech Republic, where outside the labor market remain only those who have bad work habits or simply do not want to work. Another component of the unemployed are people who move from work to work, because today's time is good for the transition to better paid or more interesting positions (Bureš 2019).

**Figure 2: Development of unemployment in Czech Republic since 2015**



Source: Bureš 2019

Labor offices registered a total of 209,828 job seekers on April 30, 2019. Compared to the same period of 2018, the number of job seekers decreased by 32,970 persons. The number of job seekers aged 15 to 64 was 188,421. A total of 227,053 job seekers labor offices registered on March 31, 2019 (Ministry of Labour and Social Policy 2019).

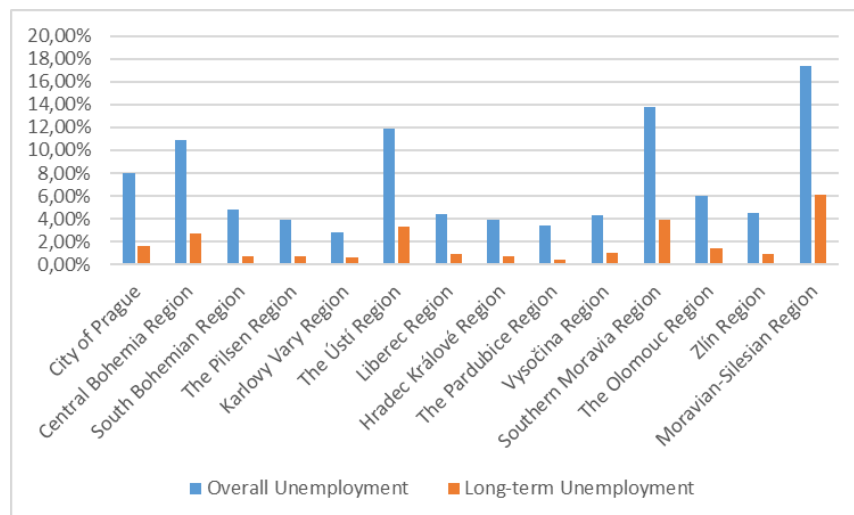
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Labor offices registered a total of 35,817 newcomers. This is 412 newly registered jobseekers more than in April 2018. In April, 53,042 job applicants ceased their registration with labor offices. 36,405 people filled new jobs (idem).

**Figure 3: The overall and long-term unemployment in the Czech Republic by regions, 2019**



Source: Ministry of Labour and Social Affairs 2019

Figure 3 above shows the regional differences in the rates of overall and long-term unemployment in 2019. A more detailed overview of the regional differences regarding the Czech labor market in 2019, differentiated by gender and social groups, is available in Table 1.



**Table 1: Job seekers and a jobs in the Labor Office register as of 31 March 2019**

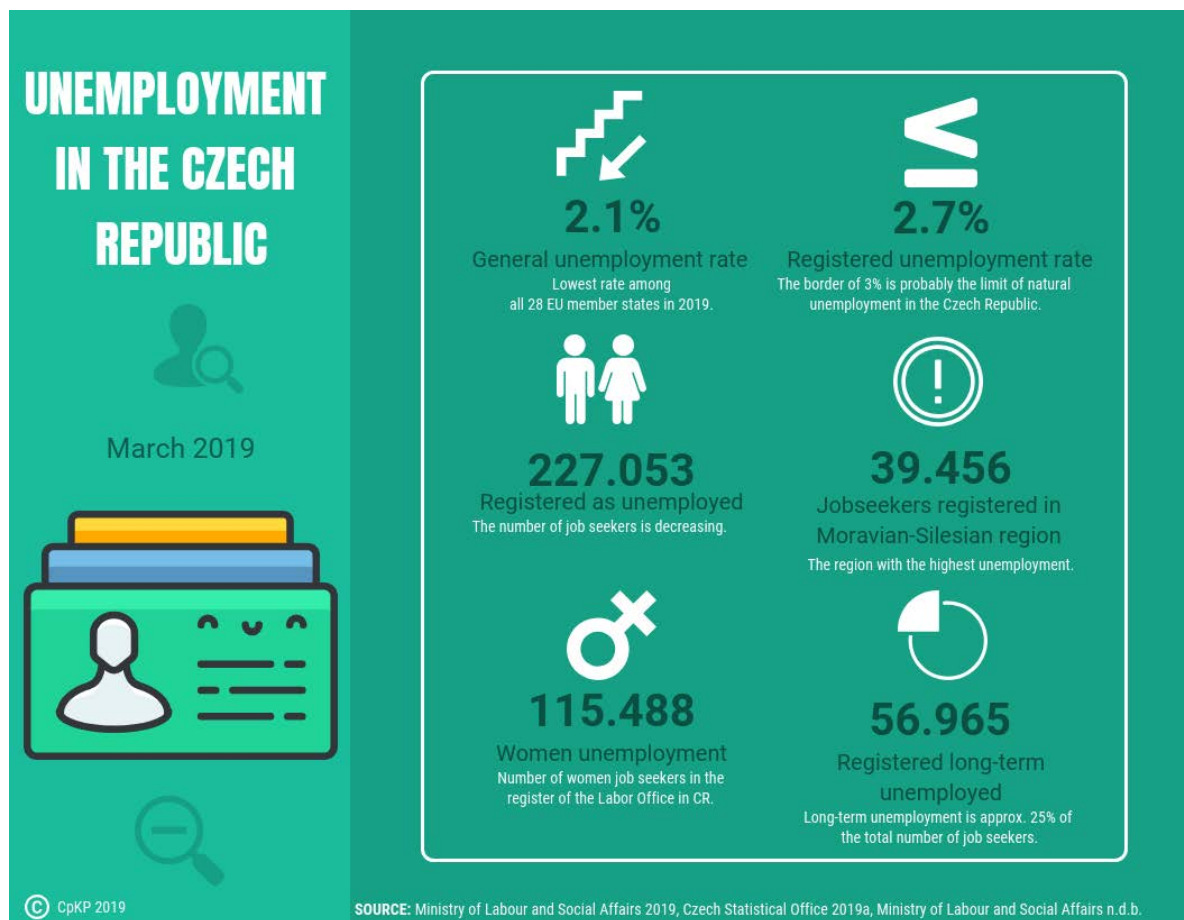
Regions	Number of job seekers in the register of the Labor Office				Number of jobs registered at the Labor Office						Increase of job seekers registered in the Labor Office (in %)	Share of unemployed persons (PNO, v %) <sup>1</sup>		
	Total		Women		status at the end of last month	status at the end of the current month	of which for					Total	Women	Men
	status at the end of last month	status at the end of the current month	status at the end of last month	status at the end of the current month			Graduates and youthfull	of which for		Disability persons				
							graduates	youthfull						
City of Prague	18,592	18,254	9,623	9,442	67,484	68,946	7,867	7,852	531	2,607	-1.8	1.91	1.98	1.83
Central Bohemia Region	26,224	24,736	13,741	13,218	53,741	56,386	10,026	9,918	404	1,498	-5.7	2.57	2.78	2.36
South Bohemian Region	12,525	10,863	5,972	5,608	18,766	18,466	4,702	4,686	197	925	-13.3	2.31	2.40	2.22
Pilsen Region	9,621	8,951	4,721	4,624	36,162	37,711	10,203	10,187	271	884	-7.0	2.07	2.16	1.99
Karlovy Vary Region	6,714	6,356	3,289	3,200	8,053	7,997	1,771	1,771	32	339	-5.3	3.00	3.08	2.92
Ústí Region	27,610	26,925	14,690	14,525	15,833	16,003	4,576	4,576	55	723	-2.5	4.61	5.11	4.13
Liberec Region	10,474	10,021	5,319	5,175	10,930	11,330	2,886	2,881	123	692	-4.3	3.12	3.21	3.03
Hradec Králové Region	9,449	8,849	4,586	4,453	12,974	13,342	3,517	3,499	73	652	-6.3	2.26	2.30	2.21
Pardubice Region	8,751	7,732	4,055	3,820	32,348	31,931	7,167	7,159	262	462	-11.6	2.11	2.12	2.09
Vysočina Region	10,902	9,818	5,183	4,979	10,868	10,894	3,500	3,488	78	462	-9.9	2.76	2.87	2.65
Southern Moravia Region	33,245	31,224	16,393	15,756	25,059	25,268	6,295	6,291	97	1,391	-6.1	3.73	3.81	3.64
Olomouc Region	15,050	13,723	7,171	6,889	10,762	10,709	3,218	3,216	21	695	-8.8	3.10	3.14	3.06
Zlín Region	11,316	10,145	5,205	4,911	12,635	13,214	4,276	4,274	51	777	-10.3	2.41	2.38	2.44
Moravian-Silesian Region	40,944	39,456	19,215	18,888	17,496	17,134	3,826	3,809	61	1,120	-3.6	4.60	4.44	4.75
Total CR	241,417	227,053	119,163	115,488	333,111	339,331	73,830	73,607	2,256	13,227	-5.9	2.99	3.08	2.90

Source: Czech Statistical Office 2019a

<sup>1</sup> Share of unemployed persons = number of job seekers aged 15-64 / number of population aged 15-64, in %

The infographic and the infobox below provide an overview over the key facts about general unemployment in the Czech Republic.

**Figure 4: Unemployment in the Czech Republic – March 2019**



Source: own representation CPKP, based on data from the Ministry of Labour and Social Affairs 2019, Czech Statistical Office 2019a, Ministry of Labour and Social Affairs n.d.b.

**Key facts about unemployment in the Czech Republic:**

- General unemployment rate - 2.1% in March 2019 (Ministry of Labour and Social Affairs 2019).
- Registered unemployment rate - 2.7% (idem).
- 209,828 job seekers (idem).
- The highest unemployment is in Moravian-Silesian Region with 39,456 job seekers (Czech Statistical Office 2019a).

### 1.3. Definition of long-term unemployment in the Czech Republic

The International Labor Organization (ILO 2019) considers long-term unemployed people that are unsuccessfully seeking job for more than one year.



In the Czech Republic, long-term unemployed are those who are registered as job seekers on the records of the Labor Office of the Czech Republic for more than 1 year. Furthermore, they are job seekers whose registration period at the Labor Office of the Czech Republic has reached a total of 12 months in the last two years (Ministry of Labour and Social Affairs 2019).

Both definitions consider as long-term unemployed those persons who have been unsuccessfully seeking job for more than one year. In the Czech Republic, these persons are registered at the Labor Office of the Czech Republic, which includes in the group of long-term unemployed also persons whose registration time exceeded 12 months in the last two years.

## 2. Facts and data on long-term unemployment in the Czech Republic

The long-term unemployment rate in the Czech Republic expresses the share of unemployed for one year and over in relation to the total labor force (in percentages), where the numerator is the number of unemployed for one year and over and the denominator is the total number of employed people plus the total number of unemployed (Czech Statistical Office n.d.).

In the Czech Republic, as at 31 March 2019, 56,965 long-term unemployed persons were registered at the Labor Office. Thus, the number of long-term unemployed is approx. 25% of the total number of job seekers. By long-term unemployment in the Czech Republic are mostly affected the regions with a high overall unemployment rate, i.e. the Ústí and Moravian-Silesian Region, followed by the Central Bohemian and South Bohemian Regions (Ministry of Labour and Social Affairs n.d.b.).

The following Table 2 and Figure 5 show the development of the number of long-term unemployed persons in relation to the total number of job applicants in the labor office register. After some fluctuation between 2010 and 2014, a decreasing trend is clearly visible in the last 4 years, both for long-term unemployed people and for unemployed in general.

**Table 2: Structure of job seekers registered by the Labor Office - by duration of unemployment (reporting date 31<sup>st</sup> December)**

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Jobseekers in the labor office register	539,136	561,551	508,451	545,311	596,833	541,914	453,118	381,373	280,620	231,534
<b>TOTAL long-term unemployed:</b>	<b>123,873</b>	<b>178,481</b>	<b>184,130</b>	<b>192,234</b>	<b>236,981</b>	<b>237,165</b>	<b>187,555</b>	<b>144,163</b>	<b>94,512</b>	<b>60,529</b>
more than 12 to 24 months	61,442	99,160	82,347	82,070	106,175	90,688	58,232	45,253	29,101	19,613
more than 24 months	62,431	79,321	101,783	110,164	130,806	146,477	129,323	98,910	65,411	40,916
% of the long-term unemployed out of the total number of job seekers registered in the Labor Office	23%	32%	36%	35%	40%	44%	41%	38%	34%	26%

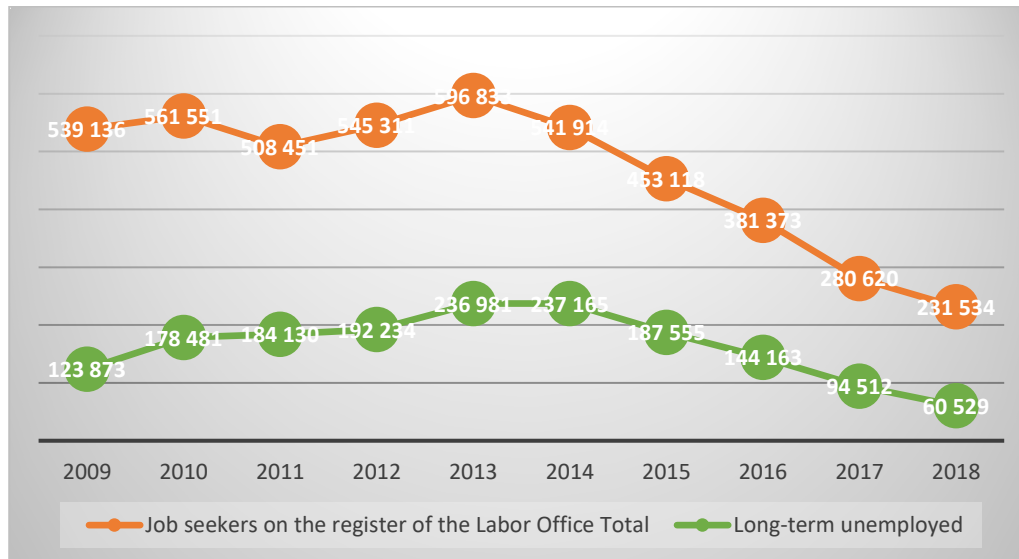
Source: Ministry of Labour and Social Affairs n.d.b

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**Figure 5: Summary of the development of the overall and long-term unemployment in the Czech Republic**



Source: Ministry of Labour and Social Affairs n.d.b.

There is a relatively high number of job vacancies in the labor market that are not occupied at the moment. The Labor Office of the Czech Republic recorded a total of 339,919 job vacancies as at 30 April 2019. Their number was 588 higher than in the previous month and by 72,812 higher than in April 2018. On average, there were 0.6 candidates per vacancy, of which the highest was in districts affected by long-term unemployment (2.2 to 5.0) (Ministry of Labour and Social Affairs n.d.b.). Yet, as already mentioned, the share of long-term (and repeatedly unemployed) still forms a high percentage of the total number of job seekers. This is due to the fact that long-term unemployed show difficulties when entering into the labor market, which cannot be constructively alleviated. Although overall unemployment in targeted regions is gradually decreasing, the percentage of long-term and repeatedly unemployed is rising (Ministry for Regional Development 2016).

In cooperation with the Labor Office, we have identified the following issues of the long-term unemployed:

- Cumulation of disability and the negative list of professions that remain for the selection of the job; (so-called low working residual potential = limited job selection);
- Indebtedness and execution of the job seeker's wage;
- Pre-retirement age;
- Low education;
- Low willingness to commute to work (e.g. because of low average wages in the specific region).

Repeated unemployment occurs more among these groups of job seekers (Research Institute for Labour and Social Affairs 2010):

- Young graduates without work experience;
- People of pre-retirement age;
- People with low education;
- Persons with disabilities.

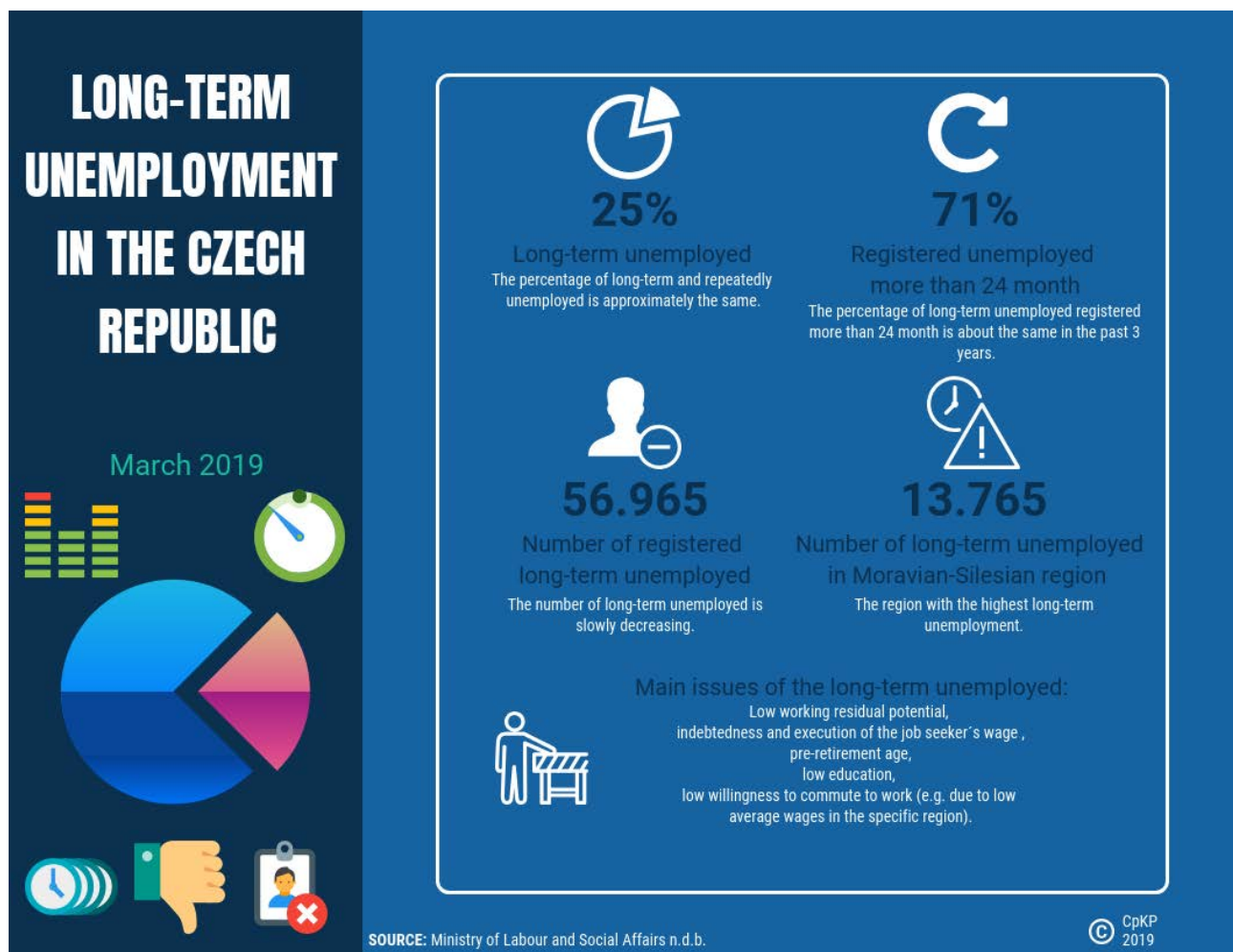
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From the above mentioned, there is a great diversity in the target group. Therefore, the way to solve the problems of the job-seekers must also be defined individually. The nature of employers' demands/requests from employees, together with the low offer of alternative jobs, prevents the group of long-term unemployed from entering the labor market (idem).

Long-term unemployment is often perceived as a negative signal by potential employers. This is mostly due to the fact that a person who has been out of work for a long time, loses not only its qualifications and new experience, but also loses its habit of going to work and keeping order. Therefore, he/she is less suitable for employment. Long-term unemployed do not represent a competitive and attractive resource for employers. Low skilled job seekers are usually dismissed as first when the company is in trouble, and hired as last when there is improved situation. These people often suffer from repeated long-term unemployment (Brožová 2003).

An overview over the key information on long-term unemployment in the Czech Republic is available in the infographic and infobox below.

**Figure 6: Long-term unemployment in the Czech Republic**



Source: own representation CPKP, based on data from the Ministry of Labour and Social Affairs n.d.b.

#### Key facts about the long-term unemployment in the Czech Republic:

- 56,965 long-term unemployed person registered at the Labor Office (Ministry of Labour and Social Affairs n.d.b.).
- The total number of job seekers is approx. 25% of the long-term unemployed (idem).
- The highest long-term unemployment is in Moravian-Silesian Region – 13,765 long-term unemployed person (idem).
- Issues of the long-term unemployed person:
  - low working residual potential,
  - indebtedness and execution of the job seeker´s wage ,
  - pre-retirement age,
  - low education,
  - low willingness to commute to work (e.g. because of low average wages in the specific region).
- Negative effects of long-term unemployment on job seekers:
  - disappointment, anxiety and depression,
  - pessimism and loss of mental equilibrium,
  - periods of passivity and inability to find solutions,
  - demotivation, loss of skills,
  - habit of unemployment, 'signal to employer',
  - relatively large range of illegal work,
  - lack of interest in solutions and advice from the Labor Office.

### 3. Preprerequisites for ensuring employment in the Czech Republic

Since the end of 2016, the job market in the Czech Republic has become stronger.

As shown in Figure 1, the Czech Republic's unemployment rate was a mere 2.1% in April 2019, compared to 3.2% in Germany, 6.4% in the European Union (member states) and 7.6% European area overall (Eurostat 2019).

Foremost, and perhaps unsurprisingly, **labour is cheap in the Czech Republic**. The average hourly labor cost in the Czech Republic in 2018 was just €12.6, well below the EU member average of €27.4 and the European area overall average of €30.6 (Eurostat 2018). But this doesn't fully explain the country's low unemployment rate, because other countries like Bulgaria, Hungary and Poland, have even lower labor costs and therefore higher unemployment rates (Eurostat 2018; 2019). Also, wages in the Czech Republic have been rising pretty steeply. In the 1<sup>st</sup> quarter of 2019, nominal wages increased by 7.4%, or by 4.6%, adjusted for inflation (Czech Statistical Office 2019b).

The Czech Republic owes its success largely to factory jobs - no small feat these days. In 2013, the Czech **manufacturing industry accounted for a large proportion of its economy**, when compared with other EU countries (almost 40%) and **represented more than a third of all employment in the country** (Eurostat 2013). The production of cars by companies like Toyota, Peugeot, Citroën, Škoda, and Hyundai, is now a crucial cog in the Czech economy. **Government incentives** dating back to the 1990s, which include tax

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breaks for new companies and cash for creating new jobs, attracted high levels of foreign investment, boosted further after the country joined the EU in 2004 (Nelson 2017).

The nation's unemployment rate is low for two main reasons. Assembly plant jobs have been relatively easy to create because they are cheap and government incentives have made the Czech Republic attractive to global manufacturing companies. And the Czech business cycle is closely connected to the economic health of the EU. When Europe is doing well, the Czech Republic does even better. But the roots of the success of Czechs may be problems for the future. High wage growth is a major problem. Wages are rising because of work shortages that prevent the economy from growing faster. The Czech Republic is also facing an aging population. Bureaucratic barriers make it difficult for companies to hire foreign workers to fill open jobs (Nelson 2017).

The country can't afford wages to increase faster than productivity. The Czech Republic is "*the assembly center of Europe, not the knowledge center*" (Nelson 2017). That meaning it has a lot of inexpensive, low-skilled jobs, but isn't developing the skills and knowledge to meaningfully increase productivity with more sophisticated processes. To keep unemployment low, the government needs to change its decades-old incentives system to encourage the creation of high-skilled jobs, namely by improving the education system (Nelson 2017). While there is a high rate of secondary education, relatively few people go on to get university or vocational qualifications (OECD 2014). The most obvious risk for assembly-line jobs is automation. According to an OECD study, the Czech Republic, along with neighbouring Slovakia, a similarly factory-heavy economy, faces the most widespread risk of job losses from automation among the assessed countries (OECD 2016; Nelson 2017).

Other causes of unemployment are chosen field of education, low skills (OECD 2019), level of starting wage, the minimum wage, which currently stands at 13,350 crowns (534 EUR) for the month (Wawrosz et al. 2012), execution proceedings or personal bankruptcy and combination of childcare and work for women after maternity leave (Ministry of Regional Development 2016).

Key facts about the prerequisites for ensuring employment in the Czech Republic:

- The average hourly labor cost in 2018 - €12.6, compared with the EU member average of €27.4 and European area overall €30.6 (Eurostat 2018).
- In the 1<sup>st</sup> quarter of 2019, nominal wages increased by 6.9%, or 4.7% adjusted for inflation (Czech Statistical Office 2019b).
- Manufacturing industry represents more than a third of all employment (Eurostat 2013).

#### 4. Groups at risk of long-term unemployment in the Czech Republic

In addition to the long-term unemployed, the broader phenomenon of long-term lack of occupation includes persons who are not actively looking for work and are thus considered inactive, even if they are willing to work or, in the case of discouraged workers, would want to work, if jobs were available (Petráňová 2018).

The results of 2017 show that the number of persons affected by long-term joblessness/lack of occupation reached 125,000. They are more often women, but the frequency of men is also significant. A significant finding is that the absolute number of inactive people willing to work has closely approached the total number of unemployed. Most often they are either older people or disability pensioners. A large number of inactive women aged 30-45 are inactive primarily due to maternity and parental leave, including child care. Despite their inactivity, the women in this age group have a significantly higher level of formal education than older women. Furthermore, the majority of inactive people have already worked (Petráňová 2018).

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Each individual or group of people has a number of characteristics that determine their chances of success in the labor market. For instance, these characteristics include age, ethnicity, gender, health or education. In turn, these characteristics may determine how high a risk of job loss, long-term unemployment or recurrent unemployment a person has. In the Czech Republic, groups particularly at risk are young people, people with disabilities, women (especially mothers) the elderly, people with low education and members of ethnic minorities (e.g. Roma) (Šmajsová Buchtová 2002).

The main problems faced by vulnerable groups in the labor market are (Ministry of Labor and Social Affairs 2003):

People with disabilities

These people often lose their motivation to find a job, mainly because of repeated failures in their seeking as well as because of long-term and frequent unemployment. Often, health restrictions are associated with higher age and lower education (Ministry of Labor and Social Affairs 2003).

Roma Minority

The Roma are primarily disadvantaged by the low level of education as well as by discrimination by employers in the formal labor market. Another disadvantage is the weak social capital of the Roma due, among other things, to their concentration in deprived families, communities and neighborhoods with weak labor market links. Due to these circumstances, a significant proportion of Roma anticipate permanent dependence on the secondary and informal labor market and on social benefits (Ministry of Labor and Social Affairs 2003).

Unqualified job seekers

Low-skill handicaps are often accompanied by higher age among job seekers. The introduction of new technology, modernization and automation processes are increasingly putting people out of the labor market. In the monitored group, reliance on external assistance, inability to solve personal problems independently, unrealistic wage requirements and demands on the labor market (especially people that had long-term relatively high-quality job) are often identified. These people, because of the poorly set social system, often prefer social benefits before applying to the labor market. On the part of employers, the prejudice about the low quality and motivation of this workforce is monitored (Ministry of Labor and Social Affairs 2003).

Job seekers caring for children under the age of 15 or for severely disabled citizens

This group of people would need to get a job with special working time and working arrangements. However, such jobs are generally scarce. Employers often refuse to employ these persons mainly due to the possibility of frequent absence due to their caring responsibilities. Without support, these job seekers become unemployable and remain so for a long time, often despite higher qualifications. In an effort to get a job at any cost, these applicants often accept jobs that suit them as carers, but do not necessarily fit their qualifications. Therefore, they leave the job after some time and become unemployed again (Ministry of Labor and Social Affairs 2003).



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Jobseekers over 50 years of age

People of older age often have undesirable habits acquired during their careers. Remaining in a single profession and even more so in a single job for their entire professional lifetime has often, despite long-term practice, formed limited work skills. For this group of people, health problems are more often monitored, limiting their job opportunities. The job placement of people of higher age depends on qualifications and on their ability to adapt to current labor market requirements (Ministry of Labor and Social Affairs 2003).

Graduates

Labor Offices give priority to young job seekers and graduates and support them in entering the labor market. Long-term unemployment in this group is particularly dangerous in the absence of obtaining work experience and habits in time. This has a negative impact not only in economic terms, but also especially in social and criminal matters (Ministry of Labor and Social Affairs 2003).

The main reasons why these groups have difficulties with integrating into the labour market are summarized in the infographic below. When these obstacles are not successfully eliminated by means of different labour market interventions, they could lead to long-term unemployment.

**Figure 7: The 5 biggest obstacles for integration of unemployed to the labour market in the Czech Republic**





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In the Czech Republic, employment is fundamentally supported by projects funded by national and European money.

Tools of labour market policies in the Czech Republic:

- passive employment policy - setting unemployment benefit and other transfers to the unemployed;
- active employment policy - promoting job creation, youth employment and retraining;
- economic policy measures - investment incentives, support of small and medium-sized enterprises, regional programs, etc.

Key facts about groups at risk of long-term unemployment in the Czech Republic:

- Special group of long-term unemployed- inactive persons willing to work - approx. 125,000 person in 2017 (Petráňová 2018).
- Vulnerable groups in the labor market (Ministry of Labour and Social Affairs 2003):
  - people with disabilities,
  - roma minority,
  - unqualified job seekers,
  - job seekers caring for children under the age of 15 or forseverely disabled citizens,
  - jobseekers over 50 years of age,
  - young people/ graduates.
- Tools of labour market policies in the Czech Republic:
  - passive employment policy - setting unemployment benefit and other transfers to the unemployed;
  - active employment policy - promoting job creation, youth employment and retraining;
  - economic policy measures - investment incentives, support of small and medium-sized enterprises, regional programs, etc.

## 5. Potential target group of the Social Impact Vouchers program in the Czech Republic

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

In comparison with most advanced EU countries, the importance of the self-employed (i.e. SVČ) for the reduction of disadvantaged groups at risk of unemployed remains negligible in the Czech Republic (Eurostat 2013; Lukeš et al 2015). This is mainly due to the low capacity, the low motivation of target groups and the inappropriate setting of ALMP (i.e. APZ).

As a result of the low support for the establishment of self-employment, a radical decline in new entrepreneurial activity is seen among the unemployed. Overall, the entrepreneurial activity and on the same note the number of self-employed that are using the ALMP instruments and are recruited from the

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lines of the unemployed are decreasing (Global Entrepreneurship Monitor 2013). According to the latest GEM report, the number of female entrepreneurs has also fallen (GEM 2013).

In areas with a higher long-term unemployment rate, it is often more difficult to find a suitable job as an employee, and this is where the BEC (SIV) represents an appropriate way to integrate disadvantaged people into the labor market.

Basic findings about entrepreneurial activity of the unemployed:

- The decreasing share of new entrepreneurial activity of lower skilled people is also noticeable (GEM 2013).
- Obvious decrease in the new entrepreneurial activity of the unemployed (idem).
- When business activity fails, the **interruption or termination of the business** is necessary. The following reasons are cited as **the main reasons for the termination of the business** (the companies sold are not counted) - did not make a profit (27%), personal reasons (19.3%), another job or job opportunity (10.4%) and lack of funding (9.1%) (idem).
- With regard to business support, socially beneficial jobs for self-employed were applied by the Labor Office (LO) in the form of support for job seekers who decide to start businesses. The LO provided the future self-employed person a business allowance of 1,600 to 3,200 EUR on average. The condition for the provision of funds was a commitment that the unemployed will operate his business for a minimum predetermined period of time, i.e. usually 1 to 2 years (idem).
- A study of the Research Institute of Labor and Social Affairs also assesses that **there are no new or widespread incentives to start business / self-employment for the unemployed**. This assessment was also illustrated by research among evaluating the self-employment support measure, stated only in a **30% assessment that these measures were sufficient** (Širovátka & Šimíková 2013).
- Other reasons for the low interest in starting a business among job seekers are also the **relatively large amount of illegal work**. The labor office estimate the share of illegal work amounting to around one third of total unemployment (Širovátka & Šimíková 2013).

Considerations about target groups of the Social Impact Vouchers:

- job seekers, not only long-term unemployed,
- job applicants, namely people that have employment and /or self-employment but they want to change their situation on the labor market
- people that have employment and /or self-employment but they want to change their situation on the labor market and that are not registered at the Labor Office as job applicants nor as job seekers,
- economically inactive people,
- students that are considering starting their business after finishing their education,
- people that were dismissed from the Labor Office,
- socially excluded persons or persons at risk of social exclusion and poverty.

Types of target groups:

- women 50+ (in comparison with 55+ that is supported by other tools of ALMP),

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- women after or during maternity leave that would like to change their position,
- young people,
- disadvantaged people that want to start their business.

## 5.2. Defining the target group of the Social Impact Vouchers

An expert analysis (Kabelíková et al. 2014) states that the first 3 years in the market are considered the most critical business period. The problematic areas can include the financial demands of the first years of operation of the company, limited access to capital, information and lack of financial resources. Start-up entrepreneurs also have insufficient experience, knowledge or training. Often, their business plan has a weak concept and a poorly defined business strategy, which is primarily manifested in the form of inadequate knowledge of market and an exaggerated optimistic view of the size of the market. They also often do not have a well-defined circle of customers, which is reflected in insufficient knowledge of the needs of their potential clients and it also makes it difficult to establish relationships with business partners. The BEC concept is trying to eliminate all these problematic areas of start-ups.

*“Testing Business” = offering testing business in a real market environment through employment under the auspices of the BEC Cooperative - Business - Employment Cooperative for a 6-12 month period.*

The primary target group of the SIV are job seekers, job applicants and economically inactive persons. The secondary target group are people socially excluded or at risk of social exclusion and poverty. Target group users will be motivated to use the SIV through the application of the BEC methodology - a business-employment cooperative, i.e. by developing a self-employment in a 6-12 month period with secure income to test own business in a real market environment.

This is the most important added value of our innovation for users. For those who are dealing with illegal activities/business, the simpler and cheaper way of doing business within BEC than the self-employed can be a motivation. They do not have to pay social and health insurance, apply for a trade license and other essentials needed to start their own business. The capacity for use will be supported by (1) the selection of suitable candidates, (2) intensive and individualized support, especially in the early stages.

Users will be continuously involved in the SIV project. In case that they become part of the BEC Cooperative and obtain the opportunity to benefit from a 6-12 month employment relationship to start their own business in a real market environment under the BEC, they become real employees and have the ability to influence BEC's operations. The choice of the length of the period for which they earn a wage allowance depends on the individual needs of the particular user and the type of his business plan. BEC so called "paid" entrepreneurs can become members of the cooperative. Individual and group counseling will be tailored to the specific needs of the project users. Users will also be involved in ongoing innovation evaluation through questionnaire surveys, individual interviews, group focus groups and other appropriate tools. Group forms will include both homogeneous groups of users as well as interaction with other stakeholders. The outputs of the evaluation findings will be reflected in the further setting of the SIV implementation in terms of its long-term sustainability.

### Summary - Principle of Social Impact Voucher:

job seekers, job applicants or non-active persons that:

- are interested in joining the BEC methodology,

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- must have created and defended their own business plan in front of the implementation and trainer team,
- get a guarantee of minimum half-time job for 3-6-9-12 months among the BEC cooperatives,
- social and health insurance will be paid for them.

After the payment of wages, direct support through SIV ends. Every supported participant must secure their future after ending support through:

- performing "paid" entrepreneurship as members / staff of BEC cooperatives,
- development of their own self-employment - by establishing their own self-employment,
- applying at the labor market in case of a decision not to continue their business.

The BEC employee (SIV user) is thus motivated to build his own business, so that after the direct support of his project activity, he is either self-employed without public support or as a BEC member / employee. Each of the supported participants can use advisory services during their operation in BEC (accounting, economic and other specific advice).

#### Key facts about potential target group of the Social Impact Vouchers program in the Czech Republic:

- low capacity, low motivation of target groups and inappropriate setting of ALMP (i.e. APZ)
- In 2018, a total of 27,148 jobs were newly created under the ALMP, which represented a decrease of 23% compared to 2017 (35,218) and even a decline of more than 70% compared to 2015 (Ministry of Labour and Social Affairs 2018).
- Considerations about target groups of the Social Impact Vouchers:
  - job seekers, not only long-term unemployed,
  - job applicants, namely people that have employment and /or self-employment but they want to change their situation on the labor market,
  - people that have employment and /or self-employment but they want to change their situation on the labor market and that are not registered at the Labor Office as the job applicants nor job seekers,
  - economically inactive people,
  - students that are considering starting their business after finishing their education,
  - people that were dismissed from the Labor Office,
  - socially excluded persons or at risk of social exclusion and poverty.
- Types of target groups of the Social Impact Vouchers program:
  - women 50+ (in comparison with 55+ that is supported by other tools of ALMP),
  - women after or during maternity leave that would like to change their position,
  - young people,
  - disadvantaged people that want to start their business.
- Principle of Social Impact Voucher:
  - Job seekers, job applicants or non-active persons that:
  - are interested in joining the BEC methodology,
  - must have created and defended their own business plan in front of the implementation and trainer team,
  - gets a guarantee of minimum half-time job for 3-6-9-12 months among the BEC cooperatives,
  - will be contracted, social and health insurance will be paid for them.

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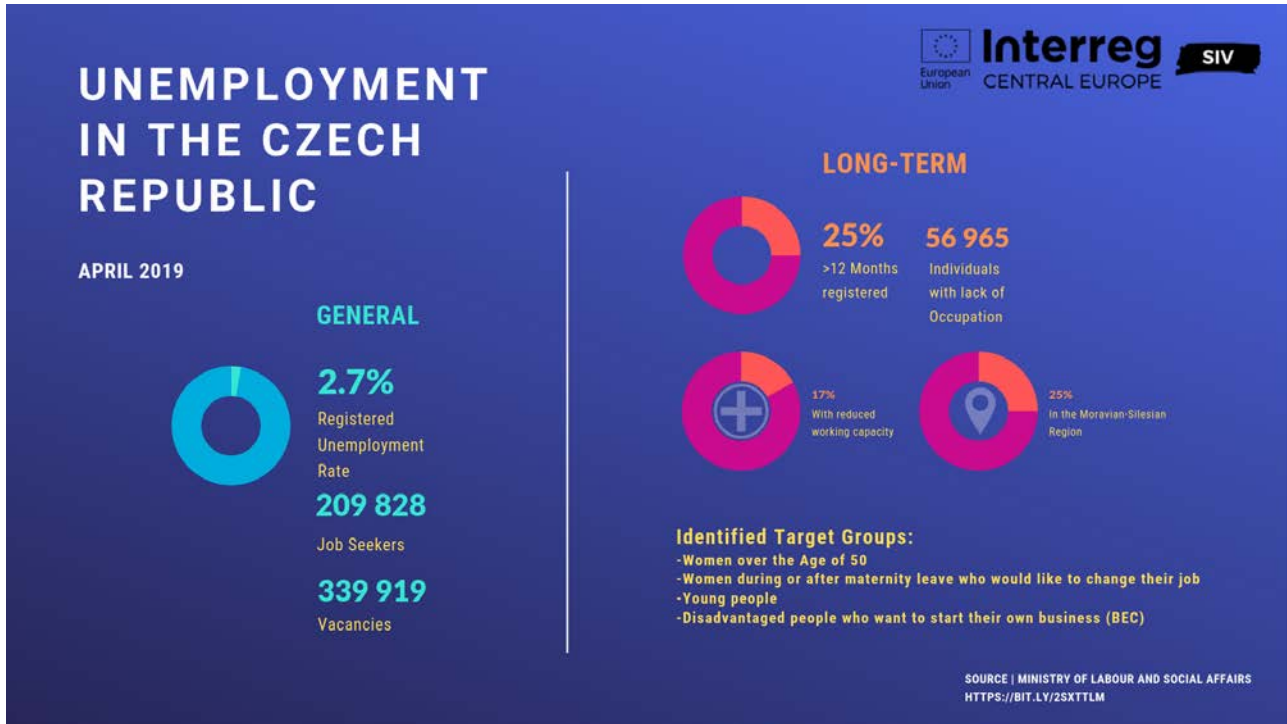
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## 7. Appendix

Figure 8: Summary infographic of unemployment in the Czech Republic



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Germany

# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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## Overview of long-term unemployment in Germany

### 1. Introduction

#### 1.1. Definition of unemployment in Germany

According to Social Security Code (SGB III), section § 138 on promotion of employment:

*"(1) Unemployed is who is an employee and*

*1. is not in employment (unemployment),*

*2. endeavours to end their own unemployment (self-employment), and*

*3. is available to the Agency for Employment's mediation efforts (availability).*

*(2) Voluntary work does not exclude unemployment if it does not affect the occupational integration of the unemployed person or persons.*

*(3) The exercise of employment, self-employment, work as a family helper or family worker (gainful employment) does not exclude unemployment if the working or working time (working time) is less than 15 hours per week; occasional deviations of short duration are not considered. The working hours of several gainful activities are added together.*

*(4) In the context of self-employment, the unemployed person must use all possibilities for occupational integration. These include in particular*

*1. the exercise of obligations under the integration agreement,*

*2. the participation in mediation by third parties and*

*3. the use of self-information facilities of the Employment Agency.*

*(5) The mediation efforts of the Employment Agency are available for someone, who*

*1. can, and is entitled, to exercise an insurable, at least 15 hours per week comprehensive, reasonable employment under the normal conditions of his or her potential employment market;*

*2. Proposals of the Job-creation Agency can be implemented in a timely and local manner,*

*3. is prepared to accept and exercise all employment referred to in point 1, and is prepared to participate in occupational integration measures." (SGB III § 138).*

#### 1.2. General overview of unemployment in Germany/Baden Württemberg

When presenting the data, we mainly refer to the federal state of Baden-Württemberg, since we will assume that this federal state will be the starting point for the development of the social impact voucher system and will only refer to nationwide connections at a later point in time.

Together with Bavaria, Baden-Württemberg is regarded as one of the economically strongest federal states with the best labour market data in terms of numbers. A special feature of its economic structure is that Baden-Württemberg has the highest share of manufacturing industry (39%) compared to the service sector (60%). At 45,000 euros per employee and year, the average compensation of employees is the third highest in the federal states, and in 2016, the disposable income per inhabitant amounted to 23,947 euros per year (unweighted arithmetic mean). Baden-Württemberg also ranks third behind NRW and Bavaria in terms of economic output, and fourth in terms of gross domestic product per inhabitant, well above the national average. - Against this background, around 100,000 new jobs subject to social insurance contributions have been created in Baden-Württemberg in recent

years, from which positive labour market data can be derived, which the Federal Employment Agency has been able to announce on a regular basis recently.<sup>1</sup>

However, it must be viewed critically that the number of employed persons and, above all, the number of employment relationships subject to social insurance contributions are not reflected equally in an increase in working hours for society as a whole. The Statistical Office of the State of Baden-Württemberg notes a decrease in the number of hours worked per employed person in Baden-Württemberg from 1,426 hours in 2000 to 1,355 hours in 2016 (Statistische Berichte Baden-Württemberg 2018). While the total number of employees increased by 1.8%, the number of part-time employees rose by 4% to 25.5% of employees subject to social insurance contributions. The number of hours worked per worker fell by 0.3% in 2017, but this is due to a decline in the number of self-employed and family workers (Statistisches Landesamt Baden-Württemberg 2018).

Another very serious change in the labour market is the long-term expansion of the low-wage sector. This expansion is often associated with the Hartz reforms, especially since the then Federal Chancellor Schröder, in his speech to the World Economic Forum in 2005, praised himself as the author of one of the best low-wage sectors in Europe. In fact, however, this development began at least ten years earlier. A report by the Institute for Work and Skills (IAQ) confirms this development with data from 1995 to 2015, where the low-wage sector increased from formerly 16.8% to 22.6% as a share of total labour in Germany (Thorsten & Weinkopf 2017).

In principle, however, it can be assumed that the situation in Baden-Württemberg is more positive than in most other federal states due to its economic structure and the relatively high level of collective bargaining that goes with it. According to the 2014 earnings survey, the rate of employment compensated with low wages is 16.9% in Baden-Württemberg. The low wage threshold (2/3 of the average hourly wage) was 10.22 euros nationwide in 2015 (cf. *ibid.*: 4)

Only at first glance does the development on the labour market appear to be particularly positive. The large proportion of part-time and precarious employees in combination with the extended low-wage sector lead us to expect that the proportion of employees with unsteady employment patterns will continue to increase.

Generally, only a small part of the growth in employment relationships is reaching the unemployed. 100,000 new jobs per year subject to social insurance contributions are created in Baden-Württemberg, but the number of unemployed falls by only about 20,000 per year.<sup>2</sup>

Almost all indicators of the labour market show a positive trend. However, these developments also have a downside.

Currently (April 2019), 188,657 or 3.1% of all civilian workers in Baden-Württemberg are registered as unemployed. However, at 275,426, the number of underemployed is significantly higher than that of registered unemployed; - these are people who are ill, in training measures, etc.; they are not counted in unemployment statistics, but actually lack occupation. And the number of job seekers, at 372,307, is about twice as high as the registered unemployment rate (Bundesagentur für Arbeit 2019b). Unemployment in Germany is differentiated into two sections: One part of the unemployed, generally less than one year without a job, is submitted under the social labour insurance.<sup>3</sup> The other part, generally more than one year without job, is submitted under the governmental basic income<sup>4</sup>. In addition, underemployment in the SGB II has a particularly high proportion both in absolute terms

<sup>1</sup> Monthly reports, sent by mail: Bundesagentur für Arbeit, Arbeitsmarktreport (Monatszahlen) Land Baden-Württemberg; also: <http://statistik.arbeitsagentur.de>

<sup>2</sup> Own calculations, based on the monthly reports: Bundesagentur für Arbeit, Arbeitsmarktreport (Monatszahlen) Land Baden-Württemberg; also: <http://statistik.arbeitsagentur.de>

<sup>3</sup> Named: Books of Social Laws, Book No. III (Sozialgesetzbuch ((SGB)), 3. Buch ((III)) - Arbeitsförderung)

<sup>4</sup> Named: Books of Social Laws, Book No. II (Sozialgesetzbuch ((SGB)), 2. Buch ((II)) - Grundsicherung für Arbeitssuchende); this law also is named ‚Hartz-IV‘ from its main-creator Peter Hartz

and pro rata terms in relationship to underemployment in the SGB III. In SGB II, 14,664 persons over 58 years of age are not counted as unemployed simply because the job centres have been unable for more than a year to offer them any job, and this figure has risen slightly compared with the previous month and the same month of the previous year (Bundesagentur für Arbeit 2019b).

Apart from this, there are still particular problem groups among the unemployed:

The numbers of older, disabled, foreign unemployed and underemployment are falling more slowly than the general unemployment rate (cf. *ibid.*).

A total of 436,931 people, 305,912 of them being persons capable of earning benefits and 131,019 relatives not capable of earning benefits, mainly children and adolescents, are dependent on support from Hartz-IV benefits (cf. *ibid.*).

The Employment Agency's report shows that, although 64,432 persons ended their unemployment in December, only 19,651 or 30.5% of these persons were able to move from unemployment to a job on the general labour market (the others are disappearing the unemployment-statistic caused by illness, retreating or unknown reasons). In SGB II this rate was only 14.8% (cf. *ibid.*).

The distribution of inflows and outflows in unemployment statistics is uneven: The rather short-term unemployed in SGB III account for only 49.3% of all unemployed, but they account for 56.0% of those who were able to end their unemployment and even for 78.6% of those who were able to end their unemployment through getting a job. The rather long-term unemployed in the SGB II represent 50.7% of the overall unemployed, but they account for only 44.0% and 21.4% respectively of the departures at all and specially getting a job (cf. *ibid.*).

In addition, the number of unemployed leaving the SGB II has fallen by 8.8% compared to the previous year. For the unemployed in SGB II, the chances of ending unemployment have deteriorated significantly (cf. *ibid.*).

### 1.3. Definition of long-term unemployment in Germany

The concept of long-term unemployment is initially very simply defined: after an uninterrupted period of unemployment of one year, a person is counted as "long-term unemployed". - Similar to the definition of unemployment and underemployment (see above), however, there are a number of interruptions (illness of more than six weeks, participation in a labour market policy measure, short-term employment, etc.) which lead to individual unemployment being counted anew (Sozialgesetzbuch (SGB) Drittes Buch (III)/ Social Security Code Third Book). The proportion and number of actual long-term unemployed whose professional path is marked by long-term or even permanent unemployment is in fact considerably higher than shown in the data.

This is particularly clear in an international comparison: according to data from the Organization for Economic Co-operation and Development (OECD), 44 percent of the unemployed were out of work for more than 12 months in 2017. Germany scores below average in comparison with the other Member States (Becher 2018).

In addition, there is a considerable share of those eligible for social benefits who work more than 15 hours a week and are therefore not counted as unemployed, but whose earned income is so low that they are additionally dependent on the social security benefit of the basic pension.

For these reasons, the concept of "long-term beneficiaries" has been introduced in the statistical survey for some time. - In the years 2011 to 2016, the proportion of those eligible for social benefits from SGB II who received continuous benefits for more than one year at the end of each year was over 70 percent. Furthermore, around 60 percent were benefits recipients without interruption for

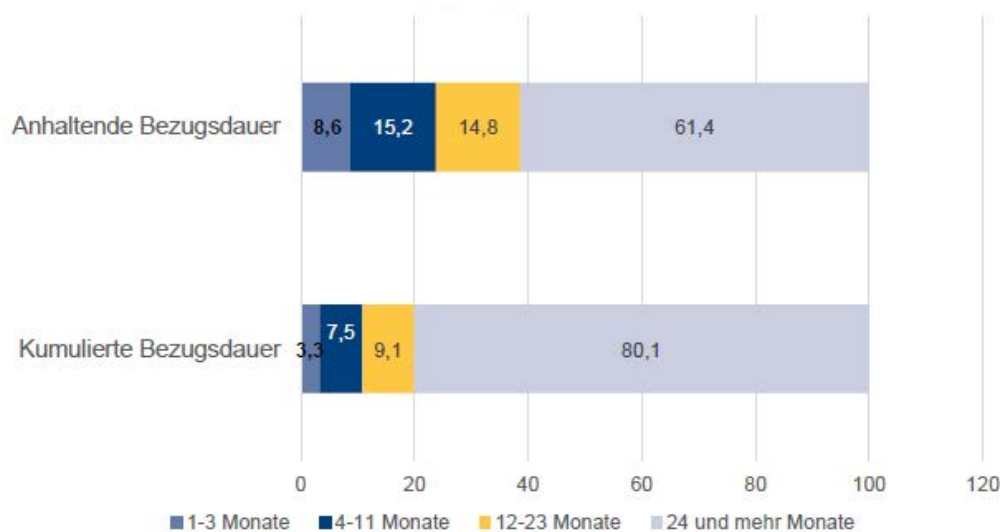
at least two years. Approximately 20% of the beneficiaries even received benefits for more than 5 years (cf. *ibid.*).

## 2. Facts and data on long-term unemployment in Germany

The consolidation of long-term unemployment is particularly evident in the average duration of unemployment for the long-term unemployed, which now stands at 578 days in the SGB II area. In 2009, the average duration of unemployment in the SGB II was 421 days, i.e. 162 days or almost half a year less than today (Bundesagentur für Arbeit 2019a).

This is also shown in the following description: Almost two-thirds of all benefit recipients (61.4%) of SGB II are in receipt of benefits for more than 24 months. Taking into account that many benefit recipients show interruptions in their joblessness due to sickness, short-term jobs or similar (see above), and if their periods of unemployment are combined, the proportion of long-term benefit recipients increases to 80.1% (see Figure 1).

**Figure 1: Share of long-term beneficiaries in the basic income**



Source: Bruckmeier 2018, cited after IAB-FG GAMA

Translation of the German figure description into English:

Left Column: Anhaltende Bezugsdauer = permanent subscription;  
Kumulierte Bezugsdauer = added periods of subscription

Basic line: Monate = months

## 3. Economic sectors particularly challenged by long-term unemployment in Germany

Particular challenges can be less related to specific sectors of the economy and more to structural areas of the labour market, such as the low-wage sector and the atypical and precarious employment



sectors. Otherwise, these conditions are often found in sectors like private services, gastronomy and so on.

The introduction refers to the development of the labour market, in particular to a tendency for the area of traditional permanent full-time employment to decline. A particular aspect here is the long-term increase in temporary employment relationships, which currently account for around 3% of all employment relationships, while they account for around 30% of the employment relationships arranged by employment agencies and job centres. - In general, it can be stated that the termination of unemployment by taking up employment often only leads to precarious employment relationships. As a result, over 50% of the unemployed who succeed in taking up employment are back in unemployment after one year (Becher 2018).

#### 4. Groups at risk of long-term unemployment in Germany

The illustration below shows that the risk of becoming a long-term worker increases on the one hand with age, on the other hand with low qualifications and finally with the duration of unemployment itself. In general, it can be observed that the structure of the long-term unemployed shifts slightly towards less favourable profiles (see Table 1).

**Table 1: Illustration of the shifts in the structure of long-term unemployment in Germany**

Langzeitarbeitslose	Juni 2010	Juni 2014	Juni 2015	Juni 2016
<b>Alter</b>				
Unter 55 Jahre	79	73	73	73
55 Jahre und älter	21	27	27	27
<b>Berufsausbildung<sup>1</sup></b>				
Ohne abgeschlossene Berufsausbildung	47	51	52	53
Betriebliche/schulische Ausbildung	42	42	41	40
Akademische Ausbildung	4	5	5	5
<b>Anforderungsniveau der gesuchten Tätigkeit<sup>1</sup></b>				
Helfer	42	52	53	53
Fachkraft	40	37	36	36
Spezialist	4	4	3	3
Experte	3	3	3	3
<b>Dauer der Arbeitslosigkeit</b>				
2 Jahre und länger	50	54	56	56

Source: Bruckmeier 2018, cited after Bundesagentur für Arbeit 2016

#### Translation of the German table description into English:

Left column: Langzeitarbeitslose = long-term unemployed; Alter = age; Unter 55 Jahre = less than 55 years; 55 Jahre und älter = 55 years and older; Berufsausbildung = vocational training; Ohne abgeschlossene Berufsausbildung = without completed vocational training; betriebliche/schulische Ausbildung = company, school education; Akademische Ausbildung = academic education; Anforderungsprofil der gesuchten Tätigkeit = Requirement profile of the activity sought; Helfer = helper; Fachkraft = fold force; Spezialist =

specialist; Experte = expert; Dauer der Arbeitslosigkeit = Duration of unemployment; 2 Jahre und länger = 2 years and longer

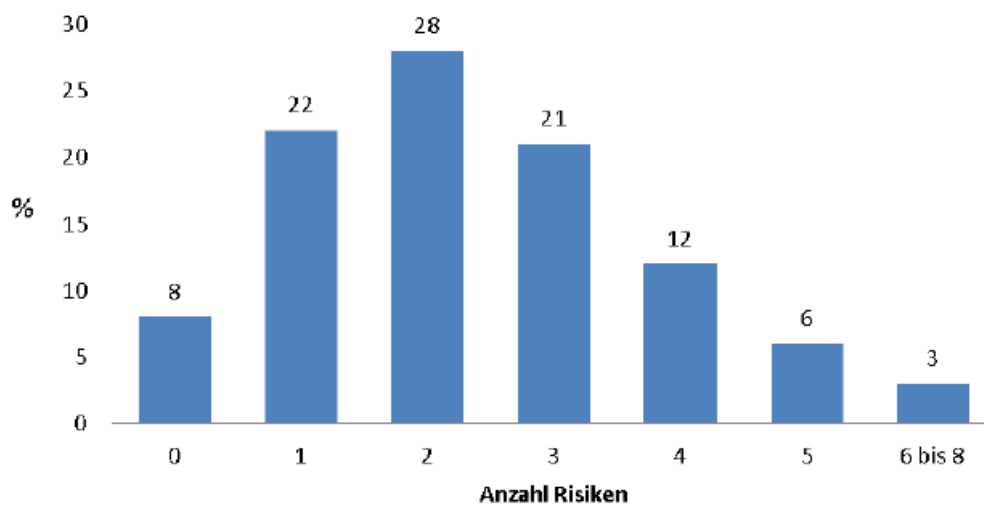
## 5. Potential target group of the Social Impact Vouchers program in Germany

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

The group of employable beneficiaries in the SGB-II often has specific disadvantages, so-called "job-inhibiting features", which stand in the way of their integration into the labour market. These characteristics include old age, migration or migrant background, insufficient language skills, low educational and professional qualifications, health impairments and long or permanent unemployment.

The prevalence and impact of these disadvantages has been studied by Achatz & Trappmann (2011).

**Figure 2: Prevalence of multiple risks influencing unemployment**



Source: Achatz & Trappmann 2011: 29

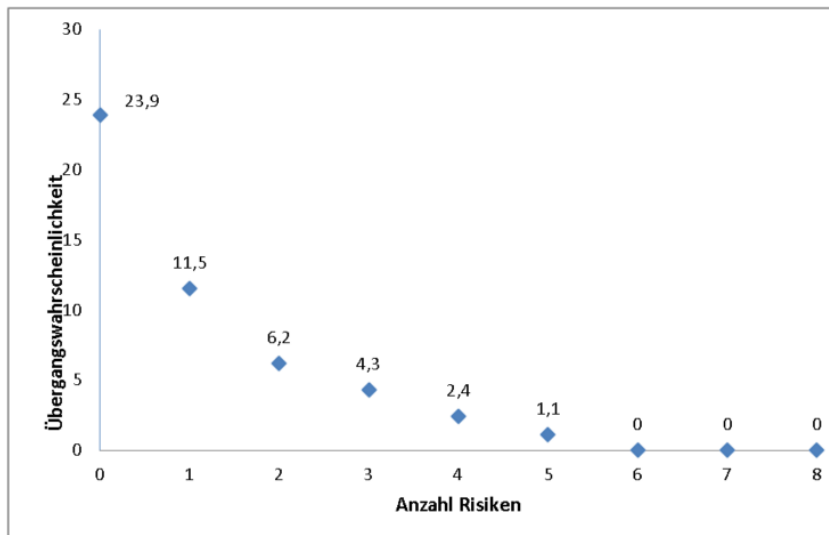
Translation of the German figure description into English:

Basic line: Anzahl Risiken = number of risks

Achatz & Trappmann came to the conclusion, that "only a small subgroup of eight per cent does not have any of the risk characteristics that make it difficult to enter the labour market. For a further 22%, only one of the risks described exists. Thus, for more than two thirds of benefit recipients, at least two characteristics cumulate that significantly reduce their chances of re-entering the labour market. Of the combinations of two risk factors, health restrictions and long-term care occur most frequently together (23.0% of all basic insurance recipients). But, also relatively old age (over 50 years) often occurs together with long-time subscription periods (16.7 %) and health problems (12.9

%) . These three factors cumulate even for almost every tenth basic security recipient (9.1%)." (cf. ibid.) - And these risk characteristics, in particular their cumulations, significantly affect the beneficiaries' chances of starting work (see Figure 2 and Figure 3).

**Figure 3: Chances for labour market integration in relation to the number of risk factors, in percent**



Source: Achatz & Trappmann 2011: 30

Translation of the German figure description into English:

Left Column: Übergangswahrscheinlichkeit = Transition probability (%)

Basic line: Anzahl Risiken = number of risks

"With [an increase in] the number of risks, the likelihood of leaving the basic insurance cover for gainful employment within the observation period decreases dramatically. [...] If the probability for persons without one of these risks is 23.9%, it is halved to about 11.5% for one risk and 6.2% for two parallel risks. If the transition probability for three simultaneous risks is still 4.3 %, the chances for persons with four or more risks are almost zero that they will be able to resume work that covers their needs within the observation period." (cf. ibid.)

## 5.2. Defining the target group of the Social Impact Vouchers

Among the long-term unemployed, there is a significant number of people who, although counted as unemployed in official statistics, have no realistic chance of re-entering the first labour market. This group is not exactly quantifiable, but in Baden-Württemberg, within the framework of the state labour market programme introduced in 2013, registered unemployed persons were repeatedly checked at the job centres to see whether they had been unemployed for more than three years and, in the opinion of the job centre employees, no longer had any chance of being placed in employment. In 2018, this query was again updated with regard to the newly introduced §16i SGB II (receipt of benefits for more than 6 years ). In an unofficial, oral communication the employment administration (Regionaldirektion der BA) estimates that in Baden-Württemberg

28,000 persons fall into this target group. Nationwide, as many as up to 300,000 persons falling into this group are estimated.<sup>5</sup>

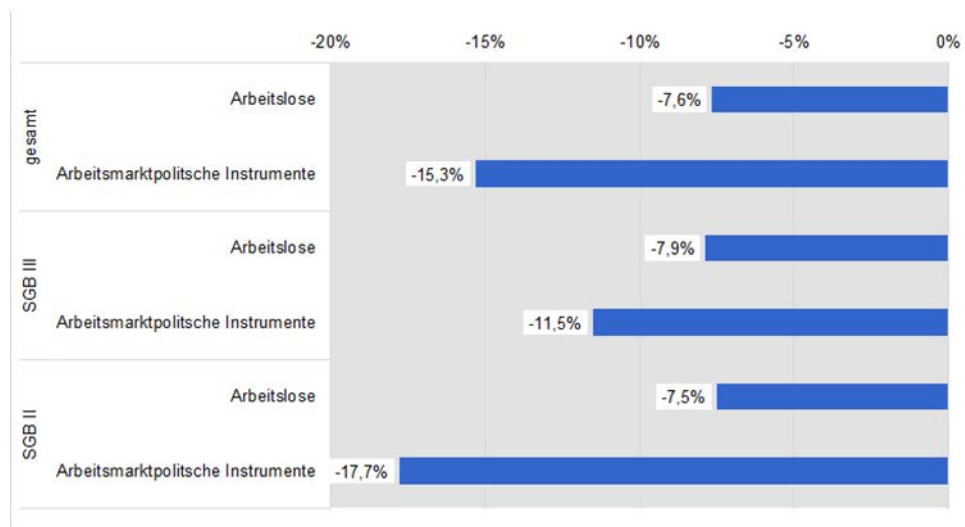
According to the assessment of the Baden-Württemberg Regional Directorate, this group can be divided into three roughly equal subgroups: some of those affected need only relatively little support in order to reintegrate into the labour market, others require relatively intensive and longer-lasting coaching and the last group will no longer find its way back to the labour market, in spite of any attempts at support, and will be permanently dependent on subsidised (employment) measures.

Due to the prolonged duration of unemployment, the long-term unemployed are structurally disadvantaged in the labour market because a large proportion of employers do not consider them in their application processes (Bruckmeier 2018).

The structural disadvantage on the labour market is exacerbated by the fact that, especially in the legal area of the SGB II where over 80% of the long-term unemployed are registered, the funds for active support of the unemployed have fallen much more sharply than unemployment itself (Becher 2018).

In general, the number of labour market measures decreased much more than the unemployment rate (see Figure 4):

**Figure 4: Unemployed (average) and allocations to labor market policies (total) in the first quarter; Change 2017 to 2018**



Source: Becher 2018

Translation of the German figure description into English:

left column, first level: gesamt = total; SGB III = Social Security Code III;  
SGB II = Social Security Code II

left column, second level: Arbeitslose = unemployed;  
Arbeitsmarktpolitische Instrumente = labour market measures

<sup>5</sup> Interview with the CEO of the employment administration (Regionaldirektion der BA) on May 14<sup>th</sup> 2019

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Against this background, additional support from the SIV program is particularly useful for this group of people. Furthermore, the support provided by a voucher system is particularly suitable for this target group, because this instrument can be very well adapted to individual requirements in individual cases, since the analysis has shown great heterogeneity even among the long-term unemployed.

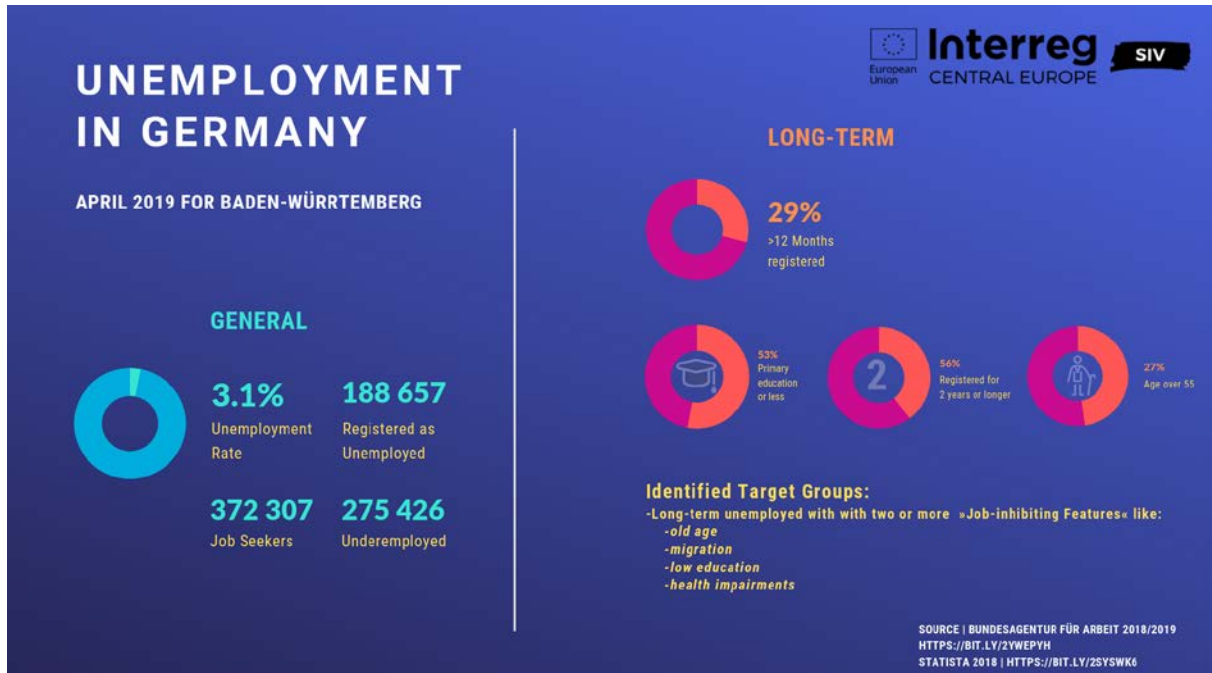
In the implementation of the voucher system, social employment companies addressed by the program, such as Neue Arbeit Stuttgart, have numerous contacts in the field as well as many years of experience with this group of people. Therefore, in cooperation with the congregations of the Protestant Church in Württemberg, a targeted approach is just as possible as an individual and tailor-made implementation.

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## 7. Appendix

Figure 5: Summary Infographic of unemployment in Germany



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Hungary

# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*





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## Overview of long-term unemployment in Hungary

### 1. Introduction

#### 1.1. Definition of unemployment in Hungary

There are three official approaches of the unemployment in Hungary. These are: the legal approach, the national employment policy approach and the statistical approach.

##### a. Legal approach:

The Act IV of 1991 on the Promotion of Employment and the Unemployment Benefits regulates the role and the tools of the state and its institutions regarding the promotion of employment, the prevention of unemployment, the mitigation of its adverse consequences and the support of the unemployed.

The law does not define the unemployment but defines the unemployed who are affected by the complex phenomena of unemployment. According to the 59/B. § (1) of the Act: "where the legislation mentions unemployed, job seeker is to be meant." (Act IV. 1991)

The concept of job seeker is defined in the 58. § (5) d) point of the Act as follows:

*"Job seeker is that person, who:*

1. *has the necessary conditions to establish an employment relationship;*
2. *does not study at a full-time education institution and*
3. *is not eligible for pension, or does not receive benefits of persons with changed working abilities*
4. *has no employment relationship and does not carry out any earning activity with the exception of temporal employment and 'foster parent' employment legal relationships*
5. *cooperates with the state employment agency to find a job*
6. *is registered by the state employment agency as a job-seeker" (Act IV. 1991).*

##### b. National employment policy approach

The National Employment Agency is the state employment organization appointed by the Act IV of 1991 as the responsible body for the implementation of the regulations of the Act.

The National Employment Agency does not use the term "unemployed" in its complex activities to assess and describe the domestic labour market situation and processes. Instead it uses the term "registered job seeker" that is equal with the term "job seeker" defined by the Act IV of 1991 (NFSZ n.d.a).

This strict conceptual limitation of the application of the term "unemployed" is caused by methodological considerations, as the National Employment Agency assesses and describes the labour market situation and processes based on the factual number of people who has no employment relationship and registered themselves at the National Employment Agency, in order to be eligible for labour market services and unemployment support (NFSZ n.d.b).

### c. Statistical approach

The term “unemployed” is officially applied by the Hungarian Central Statistical Office (KSH) in its activities to collect and analyse data on the conditions of the Hungarian labour market. In order to ensure the independence of the statistical observation and data service from the current labour market regulations and their changes the Hungarian Central Statistical Office applies the terminology of the International Labour Organization (ILO) in its labour force survey according to the international statistical recommendations (KSH n.d.d).

In this context unemployed is a person in the 15-74 years old population, who:

- did not work during the given week of the survey (and had no job that he or she was temporarily absent from),
- was actively looking for a job during the four weeks preceding the survey,
- is available, i.e. could start working within two weeks, if he or she could find a job, or had found a job where he or /she will starts working within 90 days (KSH n.d.d).

According to this definition, the term “unemployment rate” is officially applied by the Hungarian Central Statistical Office. The term means the proportion of the unemployed in a given age group of the economically active population, expressed in percentage (KSH n.d.d).

According to these definitions, the statistical approach to the unemployment is methodologically distinct from the legal and the labour market policy approach, since the statistical approach describes the labour market situation based on a survey focusing on the representative sample of the population, while the legal and the labour market policy approach is based on the factual number of registered job seekers without any employment relationship (NFSZ n.d.b).

## 1.2. General overview of unemployment in Hungary

### 1.2.1. Main trends

The **financial crisis** at the end of the first decade of the 2000’s drastically subverted the domestic employment in Hungary. As a direct effect of the crisis, the industrial production dramatically decreased, which resulted in the high unemployment rates at that time (2009: 10.0%; 2010: 11.2%; 2011: 11.0%; 2012: 11.0%; 2013: 10.2%) (KSH n.d.b) and in the loss of 130,000 jobs (KSH 2018: 3). **The collapse of the labour market affected mainly men with secondary vocational qualification** (KSH 2018: 3).

The consequences of the crisis on the labour market have only been eliminated in the middle of the 2010’s. This occurred due to the **developing international economic environment, the Hungarian economic policy that incited manufacturing-related multinational investments in Hungary and the Hungarian employment policy**, which tackled unemployment with the ‘work instead of unemployment benefits’ approach and prioritised the public works scheme <sup>1</sup> accordingly.

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<sup>1</sup> Public works scheme: As an element of the Hungarian workfare system the public works scheme system provides work based incomes to unemployed people who receive social benefits and job seeking support without having real opportunities to find jobs for different reasons like the lack of local employment opportunities, missing or outdated working experience, labour market skills and competencies and the low level of education. The public works scheme provides social security and the rights for pension and job-seeking benefits beside the work based incomes, while it also supports and facilitates the access or the return to the open labour market. Public employees (registered job seekers over 16 years with the eligibility to establish employment relationship) are employed by the legally defined range of organizations (local and

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A positive consequence of the public works scheme policy is that the number of public employees with long-term contracts has increased, part time public employment was reduced and the cyclical nature of the public works scheme has been moderated. Furthermore, the public works scheme activated long-term inactive groups considered largely unable to find any formal job and living only on unemployment benefits and aids combined with temporal (mainly illegal) work, or without any declared incomes (see Table 1) (KSH 2018: 3). Finally, the labour market socialization of the long-term (multigenerational) unemployed is considered as a positive effect of the Hungarian public works scheme.

**Table 1: Public works scheme in numbers**

Public works scheme in numbers <sup>2</sup>	
Year	Number of public employees
2014	180 000
2015	208 000
2016	223 000
2017	180 000
2018	148 000

Source: KSH 2018: 3

Besides the positive impact of the public works scheme in Hungary, we have to speak about the negative aspects of the policy instrument too. Employment and labour market experts agree that the workfare system increased the dependency of public employees on local authorities. Furthermore, the public works scheme does not motivate for further development, as the majority of public employees is stuck in the system and rarely steps forward to the primary labour market. **In 2017, only 18.1 % of participants of the scheme were in regular employment six months after leaving the system** (European Commission 2019). The rest returned to the cycles of job seeking benefits and public works scheme employment.

The per capita cost of the scheme is higher and its efficiency is lower than that of active labour market policies, that makes the scheme controversial regarding its impacts on the labour market integration of its participants, especially in case of the most vulnerable groups (e.g. the roma, and roma women) and the most disadvantaged regions (Northern Hungary, Northern Great Plains) (European Commission 2019).

Due to the above described trends and economic and labour market policies, especially the Hungarian workfare system and the public works scheme the employment rate exceeded its pre-crisis value by 2014. Despite these positive processes, the Hungarian labour market had to face new challenges, since the labour reserve ran out by 2017 (KSH 2018: 11). In the background of the phenomenon, two main reasons can be identified: The population decline and the migration of skilled and qualified workforce to Western countries after the crisis. The latter is considered as the reaction of the Hungarian labour force to the instable employment situation and the rapidly growing housing costs, including the increase of the foreign exchange based loan costs too (KSH 2018: 3). Besides this, Austria and Germany, the main destination countries for the Hungarian labour force for geographic and historical reasons, opened their labour markets in 2011, which attracted thousands of skilled and educated Hungarian workers. Consequently,

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national minority governments and authorities, state budgetary bodies, religious organizations, social cooperatives and civil organizations etc.) (Ministry of Interior n.d.a).

Public works scheme relationship can be established only for the following legally defined purposes:

- legally prescribed state tasks
- legally prescribed obligatory and optional tasks of local and national minority governments
- tasks to meet local and larger scale community needs
- tasks to achieve community goals defined by the government (Act CVI. 2011).

2 According to the Hungarian Central Statistical Office (KSH), the drop in the number of public employees in 2017-2018 can be explained clearly with the run out of the work force reserve in Hungary by 2017 (KSH 2018: 3).

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the number of Hungarian employees employed in foreign countries (100,000 people) doubled by 2014, compared with the 2010 year data (KSH 2018: 3).

According to statistical data of the Hungarian Central Statistical Office, the intensive period of work force migration from Hungary closed after 2015 (KSH 2018: 4). From 2017 onwards, the expansion of domestic jobs, accompanied by intensive wage increases can be observed, which explains why the number of Hungarians employed in foreign countries stagnated or even decreased. Since 2017, the increase of the number of employees has exclusively affected the domestic primary labour market, but the pace of further growth may decrease sharply in the near future due to the increasing scarceness of resources.

The above-mentioned trends (stuck of unskilled, undereducated people in the public works scheme on the one hand and the migration of the skilled and educated workforce on the other) resulted in structural unemployment and the lack of a skilled and qualified labour force. This affects especially the Manufacturing, Construction industry, Information and communication, Administrative and service support, Public administration, defence and obligatory social security and the Human healthcare and social services sectors, which are the main challenges for the Hungarian labour market policy (see Table 2) (KSH n.d.h).

**Table 2: Economic sectors affected by the highest proportion of vacant jobs in 2018**

Economic sectors affected by the highest proportion of vacant jobs in 2018 (%)	
Economic Sector	Proportion of vacant jobs (%)
Manufacturing	3,2%
Construction industry	3,2%
Information and communication	3,6%
Administrative and service support	5,2%
Public administration, defence and obligatory social security	7,3%
Human healthcare and social services	3,8%
<b>National average</b>	<b>3,3%</b>

Source: KSH n.d.h.

Starting with the middle of the decade, favourable sales perspectives have incited the production sector to increase its capacities. Furthermore, the rise of household incomes has stimulated consumption, which resulted in labour force demand in the trade and the services sectors, while the infrastructural investments, partly financed from EU resources and the increasing volume of housing constructions incited by state support, led to further workforce needs (KSH 2018: 4).

Labour shortages have become a serious issue from the second half of 2016 onwards. Since 2017, employers reported about 68,000 vacancies as a yearly average, almost twice as many as in 2014. The data for the first half of 2018 show a further increase in unmet labour demand (KSH 2018: 4).

Despite of its limited efficiency the authorities' main focus was the public works scheme for years and the policy responses to the labour shortage focus on prolonging working lives and working hours. Most early retirement possibilities have now been closed and the statutory retirement age is set to reach 65 years in 2022. As of 2019, no social security contributions are due for employees who have passed the retirement age. Recently the Parliament amended the Labour Code to allow more overtime work. The working week in Hungary (39.6 hours in the second quarter of 2018) is already longer than the EU average (37.0 hours). Other means of addressing the labour shortage - e.g. more inclusive and higher quality

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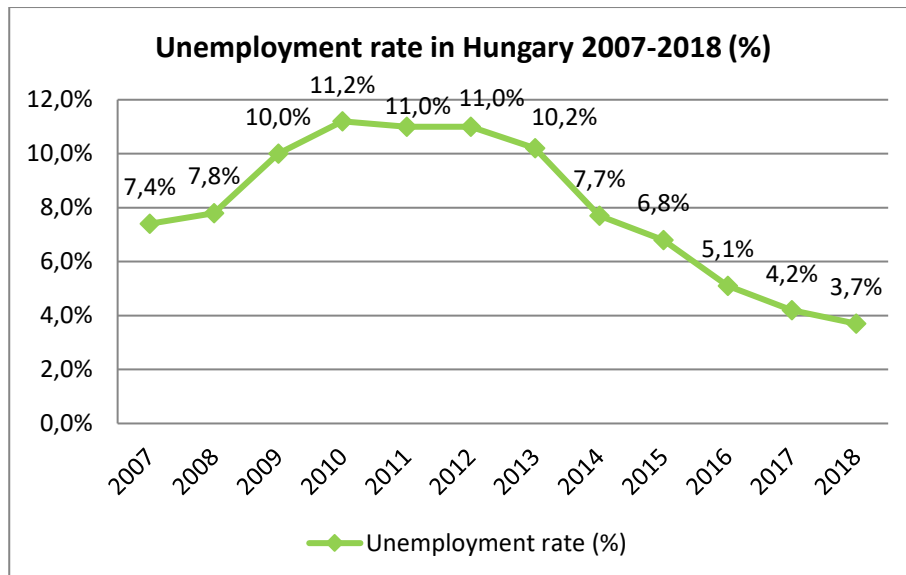
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education and training, further reduction of the Public Works Scheme - remain underutilised (European Commission 2019).

### 1.2.2. Unemployment situation

Due to the above described trends and processes, the unemployment situation improved a lot in Hungary since the end of the last financial and economic crisis. The developing international economic environment, the labour market trends and the conscious and targeted Hungarian employment policies resulted in the entering of the inactive to the (sheltered) labour market first, while a decrease of the unemployment rate followed this within the following few years. As illustrated in Figure 1, the unemployment rate dropped a total of almost 6 percentage points in the years after the resolution of the financial crisis, from 11% in 2010-2012 to a mere 4.2% in 2017 and 3.7% in 2018 (KSH n.d.g).

**Figure 1: Unemployment rate in Hungary 2007-2018**



Source: KSH n.d.g

The process is accelerated by the running out of labour force reserves, which has been generated by the favourable economic environment, the workforce migration and the controversial public works scheme. Consequently, the average number of unemployed<sup>3</sup> was only 192,000<sup>4</sup> in 2017, which is a mere 55% of the 343,000 unemployed people registered in 2014 (KSH 2018: 5).

In addition, the number of unemployed people further decreased by another 15% in the first half of 2018, compared to the same period of the former year (KSH 2018: 5).

The distribution of the 192,000 unemployed people in 2017 in Hungary was the following:

<sup>3</sup> According to the definition of the UN International Labour Organization (ILO) definition, unemployed are those who (a) did not work in the reference period; (b) were available to take up a job had one been offered in the week prior to the reference period; and (c) actively sought work within the past 30 days (for example, by registering at an employment centre or answering a job advertisement) (International Labour Organization 2015: 31).

<sup>4</sup> The data refers to the population between 15 and 74 years.

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- Almost half of the unemployed (48.9%) were already unemployed a year earlier, according to their self-categorization<sup>5</sup>, while less than a third (30.8%) were employed in the same period (KSH 2018: 13).
- 16.5% of the unemployed have never worked or lost their jobs more than 8 years ago (KSH 2018: 13).
- 83.5% of the unemployed had jobs less than 8 years prior the survey, while 16.5% had job more than 8 years prior the survey or never had jobs (KSH 2018: 13).
- The largest proportion became unemployed due to the loss of their jobs (38.7%), while the rest become unemployed for several different reasons. Only 9.6% of them quit, while 15.9% lost their jobs because their public employment was finished, thus returning to the cycles of public employment and unemployment benefits (KSH 2018: 13).
- The composition of the unemployed by educational attainment is unfavourable: In 2017, 34.4% of them only had primary education qualification, while a mere 9.8% of them had a higher education degree (KSH 2018: 14).
- The labour market presence of mothers aged between 25 and 49 with a child under 3 years is only slightly over 15% in 2017 (KSH 2018: 9)
- As for the representation of the most vulnerable ethnic minority group, the Roma, among the unemployed, one tenth of them considered themselves Roma (KSH 2018: 11).
- According to the statistical data, the most overrepresented age group among the unemployed is the 20-24 group. This group makes out for 14.7% of the total share of the unemployed (KSH n.d.e), which constitutes almost the double of their representation in the Hungarian society (7.6%) (KSH n.d.i).
- As for the territorial distribution of the unemployed, in general it can be stated that the number of jobless people as well as the unemployment rate are lower in the more developed regions (Central Hungary, Central and Western Transdanubia) than in the less competitive peripheral territories, which are still struggling with the consequences of the collapse of the socialist economy (Northern Hungary, Southern and northern Great Plain and Southern Transdanubia). Regarding the unemployment situation, the most disadvantaged region of Hungary is the Northern Great Plain, where the number of jobless people (50,100) and the unemployment rate (7.4%) are the highest in the country (see Table 3) (KSH n.d.a).

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<sup>5</sup> The data is based on the Workforce Survey of the Hungarian Central Statistical Office. The survey is methodologically based on the responses of a representative sample of the economically active 15-74 years old population and not on the actual data of the registered job seekers.



**Table 3: Unemployment by regions in 2017 in Hungary**

Unemployment by regions in 2017 in Hungary		
Regions	Number of unemployed people (thousands)	Unemployment rate (%)
Central Hungary	40,2	2,7
Central Transdanubia	11,4	2,2
Western Transdanubia	11,7	2,4
Southern Transdanubia	25	6,3
Northern Hungary	29,4	5,8
<b>Northern Great Plain</b>	<b>50,1</b>	<b>7,4</b>
Southern Great Plain	23,9	4,1

Source: KSH n.d.a

### 1.3. Definition of long-term unemployment in Hungary

There are two mainstream definitions of long-term unemployment commonly applied in Hungary. The first definition is of legal and legislative nature and is applied mainly by the state employment agency (National Employment Service - NSZF) and the labour market policies in general. According to this legislative definition, long-term unemployment is the situation of the 'permanently registered unemployed' (registered job seeker) (NFSZ n.d.a). This concept is defined by the 1991. IV. Act on Promotion of Employment and Unemployment Benefits. According to this law, a 'registered job seeker' is a person, who:

- has the necessary conditions to establish an employment relationship;
- does not study at a full-time education institution and
- is not eligible for pension, or does not receive benefits of persons with changed working abilities
- has no employment relationship and does not carry out any earning activity with the exception of temporal employment and 'foster parent' employment legal relationships
- cooperates with the state employment agency to find a job
- is registered by the state employment agency as a job-seeker.

Based on this definition, a 'permanently registered unemployed' is a person, who has been classified as a registered jobseeker at every closing date during the last 12 consecutive months. (NFSZ n.d.a)

As the definition is focused on unemployment benefits, it is strict and restrictive regarding the people affected by long-term unemployment, limiting this group only to the economically active members of the Hungarian labour market.

The other definition is defined by the Hungarian Central Statistical Office (KSH). Therefore, it is statistics oriented and less restrictive. The second definition describes long-term unemployment as the situation of the unemployed 'having no job for at least one year or more'. According to the Hungarian Central Statistical Office unemployed, this is a person who (KSH n.d.d):

- did not work during the given week (and has no job that he or she was temporarily absent from),

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- was actively looking for a job during the four weeks preceding the interview,
- is available, i.e. could start working within two weeks, if he or she could find a job, or has found a job where he or she will start working within 90 days.

## 2. Facts and data on long-term unemployment in Hungary

Based on the statistical definition of long-term unemployment, the Hungarian Central Statistical Office collects basic data about long-term unemployed people in Hungary. In 2018, the baseline year of the interventions to be planned and implemented within the frameworks of the SIV project, there were 172.1 thousand unemployed people in Hungary (KSH n.d.e), while the number of the long-term unemployed was 66,5 thousand (KSH n.d.j).

In order to better understand the current situation, we present the longitudinal data on long-term unemployment collected by the Hungarian Central Statistical Office between 2003-2018. According to these data, since 2015 the rate of long-term unemployment is continuously decreasing in the 15-64 age group of the unemployed population and has reached its historic low point in 2018, when only 41.1% of the above group was affected by long-term unemployment (KSH n.d.k).

According the statistical data, the decrease benefitted the women more than the men. Compared to the nearly balanced long-term unemployment rate of both genders between 2007 and 2013, the rate decreased to a greater extent for women than for men between 2014 and 2018 (KSH n.d.k).

As for the breakdown by qualification, an interesting trend has been unfolding since 2016 in the case of the groups with the lowest qualification (8 grades of primary school education or less): While the long-term unemployment rate was the highest in these groups during the earlier years, especially during the period of the economic crisis, since 2016, their share has been decreasing more than that of the groups with vocational or high school qualification (KSH n.d.k). The phenomenon can be explained by the effects of the public works scheme, since this tool mainly absorbs low educated people and introduces them to the (sheltered) labour market.

Regarding the long-term unemployment rate in the different age groups, a general decrease can be identified in each group, by comparing the data of 2017 and 2018 with the data of 2007-2008 or the data of the long period affected by the crisis. The highest decrease has been registered in the eldest age group (60-64) (KSH n.d.k), which is explained by the raising of the retirement age limit and by the governmental labour market policies inciting the employment of the elderly groups or even that of the retired. Despite this positive tendency, the elder age groups (45-49, 50-54, 55-69, 60-64) are still affected by the highest level of long-term unemployment (KSH n.d.k).

Finally, regarding the territorial distribution of long-term unemployed people, only a general decrease can be identified between 2007 and 2018, since the regional changes are so complex that a deeper analysis is needed in order to interpret the trends. However, regarding the last year 2018, it is apparent that the highest level of long-term unemployment is registered in the Northern Great Plain region, which is characterized by the highest level of general unemployment as well (KSH n.d.k). Additional information on long-term unemployment in Hungary in the time frame 2007-2018 is available below (see Table 4).

**Table 4: Long-term unemployment in Hungary 2007-2018**

Long-term unemployment in Hungary												
Indicator/Dimension	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Percentage of the long-term unemployed in the 15-64 age group of the unemployed population in Hungary (%)	48.2	48.1	42.8	50.6	49.4	47	50.4	49.5	47.4	48.4	42.6	41.1
<i>Breakdown by gender</i>												
Male	47.8	49.3	43	51	49.4	47.5	50.9	50.4	48.9	47.5	43.1	43.4
Female	48.6	46.7	42.7	50.1	49.3	46.4	49.9	48.5	45.8	49.4	42	38.6
<i>Breakdown by qualification</i>												
Less than 8 grades primary school qualification	52.2	56.4	70	54.2	52	43.3	55	46	37.1	36.8	49.1	42.4
8 grades primary school qualification	55.2	54.4	47.3	54.2	53.1	52.5	53.3	49.6	47.9	45	39.2	41.1
Vocational school	47.6	47.5	40	49.5	48.9	50.6	50.8	53.1	49.6	52	48.8	45
High school/grammar school	51	40.8	42.8	48.3	44.5	37.8	44.1	46.7	41.5	40.8	39.2	45
Other baccalaureate	41.7	44.3	38.5	51.3	48	42.3	50.7	50.7	51.9	56	42.5	35.8
College	31.3	40.5	42.8	41.9	45.2	41.9	43	39.5	35.7	50.6	36.9	41
University	38.1	27.9	40.5	47.3	47.8	32.4	52.9	40	49	45.4	38	21.6
<i>Breakdown by age groups</i>												
15-19	26.8	18.9	23.3	32.6	25.8	22.9	23.1	22.3	15.2	18.7	17.8	17.6
20-24	39.7	35.8	31.9	41.5	37.9	34.7	35.4	37.5	30.8	31.7	25	29.6
25-29	44.9	45.6	42	49.7	46.9	44.3	48.4	42.7	45.2	40.5	33.5	41.5
30-34	49	44	38.2	48.7	50.3	41.7	44.2	44.1	44.8	46.8	41.5	41.1
35-39	51.7	54	42.6	50.9	49.3	48.8	51.7	49.3	47.8	50.6	45.1	39.9
40-44	50.8	52.8	50.7	57	51.3	52.2	58.2	56.4	49	51.8	49.2	40.8
45-49	53.6	53.7	48.2	54.3	50.5	50.8	58.1	61.1	51	52	48.9	45.1
50-54	53.9	58.5	51.4	55.6	54.7	55.6	59.3	58.6	63.6	58.3	51.1	56.2
55-59	53	57.1	52.2	54.7	60.7	60.7	63.1	59.1	57.1	64.3	60.4	47.5
60-64 évesek	74.5	64.3	59.8	63.1	68.5	62	70.5	74.7	77	76.2	58.9	56.6
<i>Breakdown by regions</i>												
Central Hungary	51.7	45.2	39.8	50.8	50.8	51.1	57.4	55.3	56.7	54.1	48.6	43.6
Central Transdanubia	42.3	38.8	35.8	48.5	52.9	48.3	48.5	54.2	47.7	44.2	44.1	36.9
Western Transdanubia	44.9	38	37.8	50.4	51.3	41.3	39.6	43.2	40.8	42.9	42.1	33.6

Dél-Dunántúl	46.3	51.6	47	52.3	49.4	48.4	49.5	44.2	46.2	55.8	45.9	38.8
Northern Hungary	49.8	54.3	47.4	55	52.5	49.8	52.7	47.8	45.4	46.3	34.5	38.6
Northern Great Plain	48.8	50.4	45.4	46.8	43.7	40.6	45.7	47.9	41.6	44.8	40.1	44.8
Southern Great Plain	46.3	47.1	43.9	50.8	46.7	44.6	49.5	46.6	46.5	45.7	43.4	39

Source: own representation, based on KSH n.d.k

### 3. Economic sectors particularly challenged by long-term unemployment in Hungary

There are neither national level statistical data nor analyses available on the long-term unemployment's effects on the different economic sectors in Hungary.

The only data available on the sectoral challenges of general unemployment is based on the Hungarian Central Statistical Office's statistics on the number of unemployed people by their last employment sectors (see Table 5). However, relying on these data, we cannot draw any unequivocal conclusions about which economic sectors are challenged by general unemployment and which by long-term unemployment as well.

**Table 5: The number of unemployed persons by the sector of their last employment, by gender, 2018**

The number of unemployed persons by the sector of their last employment, by gender								
Unemployed with working experience from less than 8 years before (in thousands)						Other unemployed (in thousands)		Total Unemployed (in thousands)
Year	Gender	Agriculture, forestry, fishing	Industry	Services	Together	Work experience from more than 8 years before or unknown	Never worked	
2018	Both	5,9	42,8	83,4	132	12,6	27,6	172,1
	Male	4,0	30,2	34,2	68,3	5,3	14,5	88,1
	Female	1,9	12,6	49,2	63,7	7,2	13,1	84,0

Source: own representation, based on KSH n.d.f.

As shown in Table 5, according to the data on the number of unemployed persons by the sector of their last employment, it is clear that in 2018 the highest number of unemployed people was registered in the services sector. In general, the number of unemployed men was a bit higher than the number of unemployed women, while male unemployment was more typical in the industrial sector and female unemployment was more typical in the services sector. In the following, we analyse the distribution of unemployed people by economic sub-sectors (see Table 6).

**Table 6: Industry sector: The number of unemployed persons by the sector of their last employment, by gender, 2018**

The number of unemployed persons by the sector of their last employment, by gender (Industry)									
Year	Gender	Unemployed with working experience from less than 8 years prior the survey (in thousands)							
		Breakdown of Industrial Sector (total)							
		Industry (total)	Breakdown of Industry						
			Processing industry/ Manufacturing (total)	Breakdown of Processing industry/ Manufacturing (total)					Vehicle production
Manufacturing of food, beverages and tobacco products	Manufacturing of textiles, clothing, and leather products	Manufacturing of raw metals materials and processed metal products		Manufacturing of computer, electronics and optical products					
2018	Both	42,8	26,6	6,9	1,3	2,2	2,9	4,0	12,9
	Male	30,2	15,4	3,5	0,3	2,0	1,6	2,3	12,4
	Female	12,6	11,1	3,4	1,0	0,2	1,4	1,8	0,5

Source: own representation, based on KSH n.d.f.

Regarding the industrial sector, Table 6 shows that in 2018 unemployment in the processing industry was much higher (more than double) than in the construction industry. Furthermore, it can be stated that unemployment is more balanced by genders in the processing compared to the construction industry, where almost all unemployed people are men, due to their traditional overrepresentation in this sector. Among the sub-sectors of the processing industry, manufacturing of food, beverages and tobacco products, Manufacturing of raw metals, materials, processed metal products and vehicle production can be identified as the sectors, which were the most challenged by unemployment in 2018 in Hungary.

**Table 7: Services sector: The number of unemployed persons by the sector of their last employment, by gender, 2018**

The number of unemployed persons by the sector of their last employment, by gender (Services)								
Year	Gender	Unemployed with working experience from less than 8 years before (in thousands)						
		Breakdown of Services Sector (total)						
		Services (total)	Breakdown of services					
			Trade, vehicle repair	Transportation, logistics	Accommodation and catering services	administrative and service support activities	Public administration, defense; compulsory social insurance	Human health and social care
2018	Both	83,4	17,5	4,1	10,3	5,8	26,9	3,2
	Male	34,2	6,2	3,0	3,9	3,6	12,3	0,6
	Female	49,2	11,3	1,0	6,4	2,2	14,6	2,6

Source: own representation, based on KSH n.d.f.

As for the challenge of unemployment for different service subsectors, it can be concluded from Table 7 that in 2018 the most affected sub-sectors were the public administration, defence and the compulsory social insurance sectors, followed by the trade and vehicle repair sector and the accommodation and catering services as the second and third most challenged sectors by general unemployment.

#### 4. Groups at risk of long-term unemployment in Hungary

Based on the above presented data on the current situation of unemployment and long-term unemployment in Hungary, the following specific risk groups for long-term unemployment can be identified:

##### a. Gender groups

According to the actual data, men have a bigger chance to become unemployed and as a result also to become long-term unemployed compared to women. There were 3.5% more unemployed men than women in 2018 in Hungary in the group of unemployed people having working experience less than 8 years prior the survey (KSH n.d.f), while their representation in the entire population was 4.5% less than women's (KSH n.d.l).

##### *Male in specific economic sectors:*

While men were slightly overrepresented among unemployed people in 2018 compared to their share in the Hungarian population, there were specific economic sectors where unemployment and long-term unemployment affect males even more. These are:

- Industry in general
  - Processing industry
    - Manufacturing of food, beverages and tobacco products
    - Manufacturing of raw metals, materials and processed metal products
    - Vehicle production
  - Construction industry

##### *Women in specific economic sectors*

Although women were slightly underrepresented among the unemployed in 2018 in Hungary compared to their share in the entire population, there are some specific sectors where women's chances to become unemployed and most likely long-term unemployed are significant. These are:

- Services in general
  - Public administration, defense, compulsory social insurance
  - Trade, vehicle repair
  - Accommodation and catering services

##### b. Age groups

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According to the data of the Hungarian Central Statistical Office, the most overrepresented age group among the unemployed is the 20-24 group, while in case of long-term unemployment the elder age groups (45-49, 50-54, 55-69, 60-64) are the most affected.

c. Qualification groups

Generally, those with a lower level of qualification have a higher chance for unemployment and consequently also for long-term unemployment. However, according to the statistical data, there is a new trend in long-term unemployment for the lower educated groups in recent years in Hungary, as those with the lowest qualification level (8 grades primary school education or less) are less affected with long-term unemployment than those with secondary qualification (vocational school or baccalaureate).

d. Groups by regional distribution

As was highlighted in the above chapters, in Hungary, those who live in the North Great Plain region have the highest chance to become unemployed and long-term unemployed .

e. Vulnerable groups

Besides the disadvantaged groups emerging from the statistical data provided above, other additional vulnerable groups possibly at risk of long-term unemployment could be identified:

*Women raising small children and women with large families*

From the labour market point of view, women with small children and women with large families are in an even worse situation than the average, because they need jobs where working conditions support, or at least do not hinder them from performing their childcare duties. In Hungary, these kinds of jobs are still missing.

Besides, the lack of capacities in early childcare institutions makes it much harder for mothers to return to the labour market.

Therefore, the employment rate of women with children under six is significantly lower than of those who have no children or raise only school-aged children (KSH 2018: 9).

Furthermore, the employment rate of women is decreasing as the number of children increases, especially in case of three children or more. Thus, in 2017, the employment rate of those women with three or more children was more than 20 percentage points lower than of those with two children (KSH 2018: 9).

*The Roma*

According to statistical data, the Roma have a higher chance to become unemployed than any other vulnerable group in Hungary, as in 2017 one tenth of the unemployed considered themselves Roma (KSH 2018: 11), while their proportion in the entire Hungarian society is 3,18% (KSH 2014). This means implicitly the Roma also have a higher chance for long-term unemployment. Their employment opportunities are extremely poor, as they are affected by complex disadvantages. The Roma can be characterized as the lowest qualified group of the Hungarian society (KSH 2018: 7).

A significant proportion of the Roma live in rural areas with unfavourable labour market conditions and / or in villages characterized by poor transportation links, where not only the local employment

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opportunities are limited, but job offers are also missing at the daily commuting distance. (KSH 2018: 7).

In case of the Roma, the employment of women is especially limited by the traditionally higher number of children than non-Roma families (KSH 2018: 7).

## 5. Potential target group of the Social Impact Vouchers program in Hungary

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

Based on the above analysis, several target groups that would be suitable for the Social Impact Vouchers can be selected from those groups, which are exposed to the threat of long-term unemployment in Hungary.

However, according to the logic of INTERREG interventions, it is crucial to engage the responsible public authorities and policy makers in the regional actions that are performed as part of the project. Therefore, the selection of the Hungarian target group for the social impact vouchers should be harmonized with the intentions of the Hungarian labour market policies and those of the policy makers and public institutions responsible for them.

In line with this consideration, we examined the Hungarian Employment Strategy for the running time of the SIV program, as this represents the funding document of the current employment policies in Hungary (Ministry of National Economy 2013).

We selected the target groups, which on one hand are exposed to the danger of long-term unemployment and at the same time, were also mentioned in the strategy as the target groups of the Hungarian labour market policies. We expect that, in the case of these target groups, the responsible public authorities will support the planned interventions, as they might strengthen the effects and impact of the governmental efforts.

In parallel, we take into consideration that there are other potential target groups of the social impact vouchers who are not highlighted in the above mentioned labour market policy document. In the case of these groups, later on we expect official support from policy makers and public authorities, if the social impact vouchers' potential to complement the governmental labour market initiatives will be demonstrated and proved properly for the groups targeted first.

The potential target groups, their relation to the labour market strategy and the nature of the intervention (social impact vouchers) are drawn up in the following table:



**Table 8: Representation of the potential target groups of the Social Impact Voucher program in the Hungarian Employment Strategy**

Target group	Highlighted in the strategy	If YES, in which priority?	Related governmental interventions and programs <sup>6</sup>	Potential role of the social impact voucher in the Hungarian labour market policy
Men in specific economic sectors	NO	-	-	Complementary
Women in specific economic sectors	NO	-	-	Complementary
Youth age group (15-24)	YES	Labour market integration of the youth, Youth Guarantee	<ul style="list-style-type: none"> <li>• Active labour market instruments and labour market services for the youth</li> <li>• Supporting trainee programs</li> <li>• Supporting youth to become entrepreneurs</li> <li>• Supporting youth employability development programs of non-profit organizations</li> </ul>	Strengthening
Elder age groups (45-49, 50-54, 55-69, 60-64)	NO	-	-	Complementary
Target group with low qualification level (8 grades of primary education or less)	YES	Incite of Lifelong Learning with the development and support of vocational and adult education	<ul style="list-style-type: none"> <li>• Supporting the promotion of dual vocational education</li> <li>• Improving the quality and effectiveness of vocational training</li> <li>• Supporting adult education programs, especially in order to develop the employability</li> </ul>	Strengthening

<sup>6</sup>Intervention areas where concrete ongoing programmes had been implemented or possible future programmes had been planned by the government

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			<p>of lower educated groups and public employees</p> <ul style="list-style-type: none"> <li>• Development of the institutional system of adult education</li> </ul>	
Target group with intermediate education level (vocational school or baccalaureate)	NO	-	-	Complementary
Women raising small children and women with large families	YES	Development of labour market adaptability	<ul style="list-style-type: none"> <li>• Stimulation of employment flexibility</li> <li>• Improvement of flexible daytime care of small children</li> <li>• Fight against non-registered employment</li> <li>• Development of employment healthcare and employment safety</li> <li>• Supporting the programs of social partners</li> </ul>	Strengthening
The Roma	NO	-	-	Complementary

Source: own representation, based on Ministry of National Economy 2013

## 5.2. Defining the target group of the Social Impact Vouchers

Based on the above analysis of the representation of the groups exposed to long-term unemployment in the Hungarian Employment Strategy, IFKA started to define the exact target group of the Social Impact Voucher Program with the involvement of the stakeholders responsible for labour market developments and policies. The key stakeholders in this process are the Ministry of National Finance, the Ministry of Interior and the Ministry of Human Resources. By including these players in the development process, IFKA hopes to be able to better exploit the synergies between the program and the governmental labour market policies and interventions.

Since this is an ongoing process and there are no specific conclusions from these talks yet, the selected target groups will be added later on, based on the results of stakeholder meetings in September 2019.

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## 7. Appendix

Figure 2: Summary infographic of unemployment in Hungary



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# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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## Overview of long-term unemployment in Poland

### 1. Introduction

#### 1.1. Definition of unemployment in Poland

According to the definition used by the Central Statistical Office as part of the Labour Force Survey (LFS), the unemployed are the people aged 15-74, who meet a total of three conditions (Statistics Poland 2015):

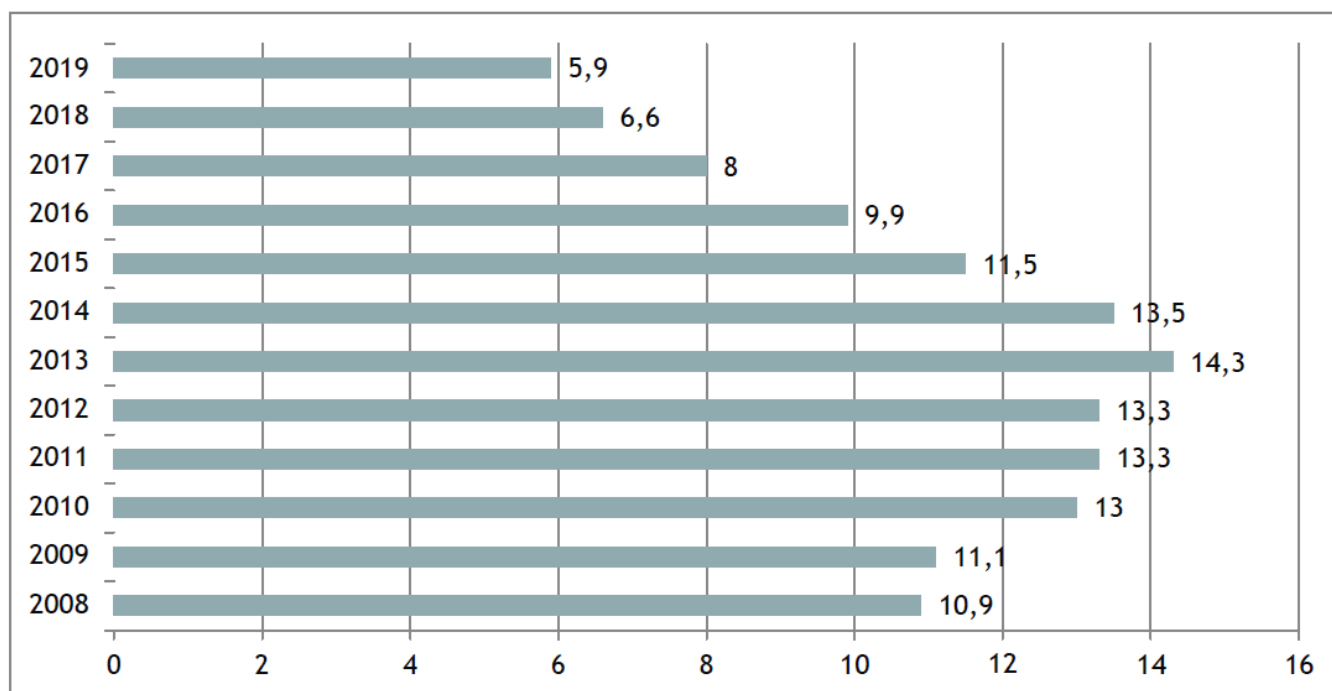
- they were not working at the time of the surveyed week,
- they were actively looking for a job, i.e. they have taken specific actions within the past 4 weeks (including the last - surveyed week) to find a job,
- they were able to start work within the two weeks following the surveyed week.
- According to the LFS survey, people who were not looking for a job because they have found one and were waiting for it to start within the next 3 months are also classified as unemployed.

#### 1.2. Overview of unemployment in Poland

##### UNEMPLOYMENT RATE IN POLAND IN THE LAST 10 YEARS

Over the last 10 years, the unemployment rate in Poland has followed two main trends. In the years 2008 - 2013, an upward trend prevailed and since 2013 a decline has been recorded. In the years 2008-2013, the unemployment rate increased from 10.9% to 14.3%. However, since 2013, the unemployment rate began to fall, reaching 5.9% at the end of the first quarter of 2019. This is the lowest level since 1992. Detailed data on the development of the unemployment rate in this time frame are presented in the chart below.

**Figure 1: Unemployment rate in Poland at the end of the first quarter of each year, in percent**



Source: Statistics Poland 2019a

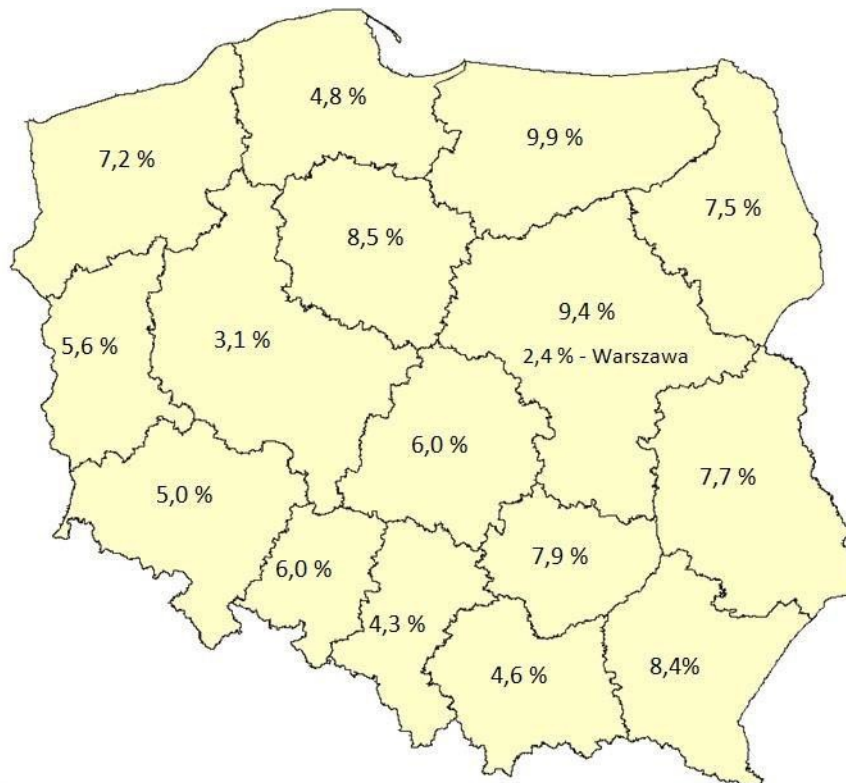
In absolute values, the decline in unemployment since 2013 equals over 1.2 million people. At the end of March 2013, there were 2.171 million unemployed people in Poland, while at the end of the first quarter of 2019, there were 0.933 million people (Statistics Poland 2019b).

## REGIONAL DIFFERENCES

The unemployment rate in Poland is characterized by strong regional differences. The reasons for these differences include different economic profiles and different levels of economic development of the individual voivodeships. The lowest unemployment is in the Warsaw district (Warsaw and the surrounding poviats<sup>1</sup> were separated for statistical purposes in 2018) and in the Wielkopolskie, Małopolskie, Śląskie and Pomorskie voivodeships.

The regions with the highest unemployment rate include voivodeships on the eastern and northern sides of the country, i.e. Warmińsko-Mazurskie, Podlaskie, Mazowieckie, Lubelskie, Świętokrzyskie and Podkarpackie. In addition, the Kujawsko-Pomorskie and Zachodniopomorskie voivodeships are also characterized by high unemployment rates. Regional differences in terms of unemployment are presented in the map below.

<sup>1</sup> A powiat is a self-government entity, which is responsible for local labour market policies.

**Figure 2: Unemployment rate in Poland, by regions**

Source: Statistics Poland 2019c

In absolute values, the most unemployed people in 2019 were registered in the following voivodeships: Mazowieckie (143 thousand), Śląskie (85 thousand), Podkarpackie (86.6 thousand), Lubelskie (78 thousand) and Kujawsko-Pomorskie (76.7 thousand) (Statistics Poland 2019c).

#### UNEMPLOYED BY GENDER

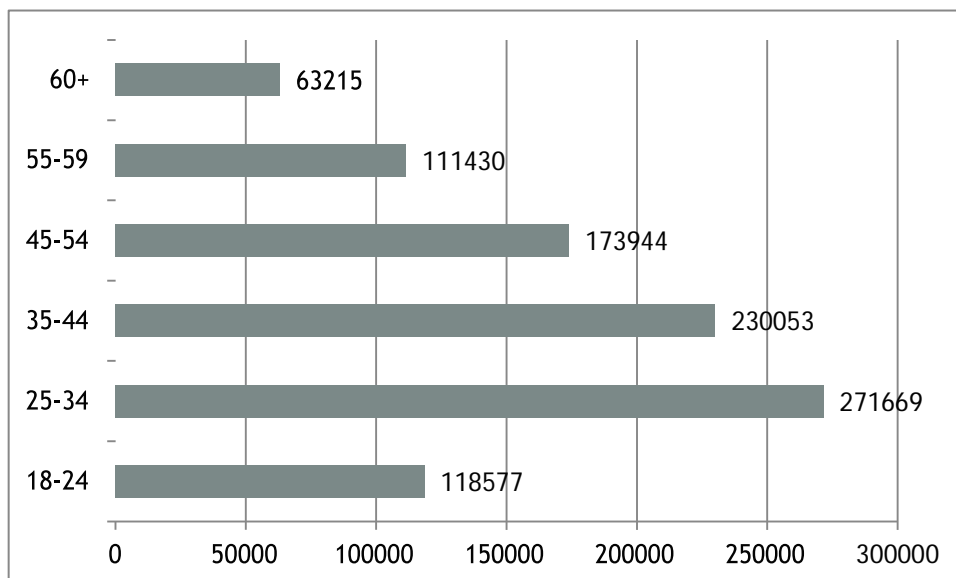
At the end of 2018, 542.6 thousand unemployed women were registered in employment agencies. The percentage of women among the unemployed increased from 55.1% at the end of 2017 to 56% at the end of 2018, and the number of unemployed women per 100 unemployed men increased from 122 to 127 people (Ministry of Family, Labour and Social Policy 2019a).

#### UNEMPLOYED BY PLACE OF RESIDENCE

40% of the Polish population live in the countryside, which is exactly 15.3 million people. At the end of 2018, 447.7 thousand people living in the countryside and 521.2 thousand living in the city were registered in employment agencies. The percentage of people living in the countryside among the total of registered unemployed people is 46.2% (Ministry of Family, Labour and Social Policy 2019a).

#### UNEMPLOYED BY AGE GROUPS

The average age of an unemployed person in Poland is 40 years. The majority of unemployed people is aged 25-34 and it equals 271,669 people. The second largest group are people aged 35-44, 230,053 people in total (Ministry of Family, Labour and Social Policy 2019a). Detailed data in this respect are presented in Figure 3 - absolute values are presented due to the type of source data.

**Figure 3: Age groups of unemployed in Poland**

Source: Ministry of Family, Labour and Social Policy 2019a

**UNEMPLOYED BY EDUCATION**

Among the unemployed, the greatest amount of people have basic vocational education as well as lower secondary and primary education. It is worth noting that the number of people with university degrees is constantly growing among the unemployed people. Detailed data on the educational level<sup>2</sup> of the unemployed are presented in Table 1.

**Table 1: Educational levels among unemployed in Poland**

Educational level	% of unemployed
Tertiary	14,2 %
Vocational secondary	21,9 %
General secondary	11,5 %
Basic vocational	25,3 %
Lower secondary and primary	27,1 %

Source: Ministry of Family, Labour and Social Policy 2019a

<sup>2</sup> Definitions for each level of education can be found at: <https://stat.gov.pl/en/metainformations/glossary/terms-used-in-official-statistics/list.html>

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UNEMPLOYED BY WORK EXPERIENCE

In 2018, the largest group among the unemployed were people with 1-5 years of work experience, followed by people with less than 1 year of work experience. Detailed data on the work experience of the unemployed are presented in Table 2.

**Table 2: Unemployed in Poland, by work experience**

Work experience	% of unemployed
No experience	13,4 %
Less than 1 year	19.6 %
1-5 years	24.3 %
5-10 years	15.6 %
10-20 years	15.1 %
20-30 years	8.8 %
30 and more years	3.2 %

Source: Ministry of Family, Labour and Social Policy 2019a

UNEMPLOYED BY THE PERIOD OF TIME WITHOUT WORK

The duration of unemployment has a significant impact on the situation of a person seeking employment. The long-term process of being unemployed leads to significant economic and social difficulties. According to the data of the Ministry of Family, Labour and Social Policy (2019b) for 2018, the duration of unemployment exceeded 12 months for 39.6% of the unemployed people. Detailed data in this respect are presented in Table 3.

**Table 3: Unemployed in Poland, by period of time without work**

Period of time without work	% of unemployed
Less than a month	10.7 %
1-3 months	19.7 %
3-6 months	14.9 %
6-12 months	15.1 %
12-24 months	14.8 %
Powyżej 24 months	24.8 %

Source: Ministry of Family, Labour and Social Policy 2019b

UNEMPLOYMENT BALANCE IN 2018

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In 2018, 1,662,085 people were entered into the register of unemployed people. 17.6% of these were entered for the first time, while the remaining 82.4% (1.370.221 persons) were entered again. On the other hand, 1,774,933 people were removed from the register. The main reasons for being removed are (Ministry of Family, Labour and Social Policy 2019b):

- starting non-supported work (salary paid fully by employer): 734,175 people,
- starting supported (salary partly paid by employer and partly by public sector) work: 165,581 people,
- starting a training course: 38,637 people,
- starting an internship: 115,627 people,
- refusing to start work: 67,972 people,
- unconfirmed readiness to start work: 340,064 people,
- voluntary resignation from the status of an unemployed person: 127,812 people.

**NUMBER OF JOBS AVAILABLE**

In 2018, employers advertised 1.5 million job offers in employment agencies, while in 2017 they reported 1.7 million job offers. This means a decrease in advertised job offers by over 10% (Ministry of Family, Labour and Social Policy 2019b).

### 1.3. Definition of a long-term unemployment in Poland

Following the Act on Promotion of Employment and Labour Market Institutions of 20th April 2004 (Journal of Laws of 2017, item 1065 as amended), a long-term unemployment refers to a person who remains listed as unemployed in the register of an poviast employment office for a total of over 12 months in the last two years, excluding periods of traineeships and adult vocational training. The unemployment status for 12 months does not need to be continuous.

The statistics of employment offices also describe a group of people being unemployed for over 12 months, which partly overlaps with the group of long-term unemployed people. All people unemployed continuously for 12 months are considered as long term unemployed.

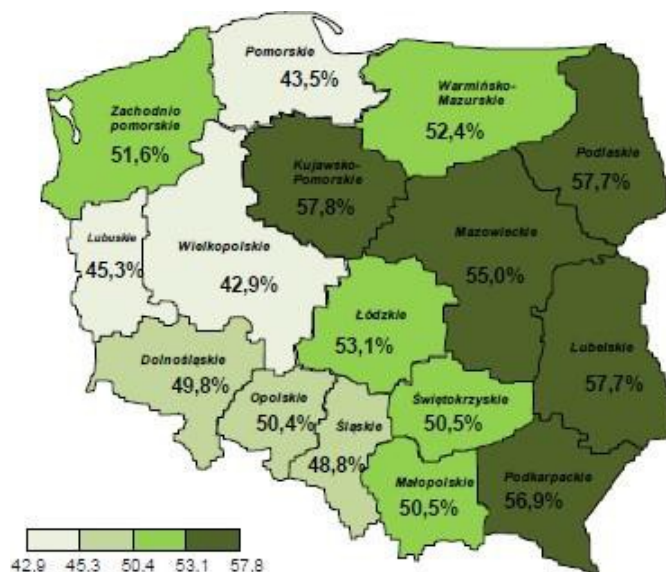
## 2. Overview of long-term unemployment in Poland

At the end of 2018, a total of 968.9 thousand people were registered at the employment offices. This includes 383.3 thousand people, who were unemployed for more than 12 months after their registration. These persons accounted for 39.6% of the total number of unemployed people, which means that almost 4 out of 10 registered people were unemployed for over a year. The long-term unemployment affected 507.2 people. These persons constituted 52.3% of the total of unemployed people (Ministry of Family, Labour and Social Policy 2019b).

### 2.1. Regional differences of people affected by long-term unemployment

The percentage of people affected by long-term unemployment in the general population of the unemployed people varies from 42.9% for the Wielkopolskie Voivodeship to 57.9% for the Kujawsko-Pomorskie Voivodeship. Detailed information on the subject is presented in the map below.

**Figure 4: Percentage of long term-unemployed among all unemployed in Poland, by regions**



Source: Ministry of Family, Labour and Social Policy 2019b



## 2.2. Factors affecting the duration of unemployment

### a. Gender

The main factor determining the duration of unemployment is gender. Statistically, the average time of being unemployed at the end of 2018 was 13.6 months for women and 11.2 months for men. Therefore, women were seeking employment for over two months longer than men were. Women predominate among people unemployed for a long time. At the end of 2018, 304,088 women (60%) and 203,147 men (40%) long term unemployed were registered in employment agencies.

It is also worth paying attention to the significant difference in the age of unemployed women and men. Women unemployed for more than 12 months at the end of 2018 were 38.6 years old on average, while men were 49.2 years old, i.e. the women were 10.6 years younger than the men in the discussed group (Ministry of Family, Labour and Social Policy 2019b).

### b. Place of residence

When it comes to poviats (poviat is a type of selfgovernment body - there are 380 poviats in Poland), the percentage of long-term unemployed people in relation to the total number of unemployed people ranged from 22.2% in the Myślenice poviat to 71.9% in the Włocławek poviat. The difference between the poviat with the smallest and the highest percentage of long-term unemployed people was 49.7 percentage points. (Ministry of Family, Labour and Social Policy 2019b).

### c. Age

Lower age and higher educational levels partially reduce the probability of being unemployed for more than 12 months. At the end of 2018, people aged 18-24 were registered as unemployed for 7.6 months on average. The average duration of unemployment increased up to 16.5 months in the case of unemployed people aged 60 and over (Ministry of Family, Labour and Social Policy 2019b). Therefore, older people are the ones with the highest probability of being unemployed. This is shown by both the average time of unemployment and the percentage of long-term unemployed in individual age groups. Details are presented in Table 4.

**Table 4: Age groups of long-term unemployed in Poland**

Age group	% of long-term unemployed	Total number of unemployed	% of long-term unemployed among all unemployed in the age group
18-24	7.0 %	35,580	30.0 %
25-34	25.8 %	130,902	48.2 %
35-44	24.7 %	125,531	54.6 %
45-54	20.1 %	101,708	58.5 %
55-59	13.9%	70,620	63.4 %
60+	8.5 %	42,894	67.9 %

Source: Ministry of Family, Labour and Social Policy 2019b

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d. Level of education

Another important factor influencing the threat of long-term unemployment is the level of education (see Table 5). People with basic vocational education and lower secondary and primary education accounted together for over half of the long-term unemployed people.

**Table 5: Education levels of long-term unemployed in Poland**

Level of education	% of long-term unemployed	Total number of long-term unemployed
Tertiary	11.1 %	56,515
Vocational secondary	20.5 %	104,128
General secondary	10.1 %	50,987
Basic vocational	27.3 %	138,544
Lower secondary and primary	31.0 %	157,061

Source: Ministry of Family, Labour and Social Policy 2019b

e. Work experience

Long-term unemployed people are characterized by limited work experience: 60% of the persons in this group have work experience below 5 years and 15 % has no work experience. Detailed information is presented in Table 6.

**Table 6: Work experience of long-term unemployed in Poland**

Period without work	% of long-term unemployed	Total number of long-term unemployed
No professional experience	14.9 %	75,556
Less than 1 year	20.7 %	105,121
1-5 years	23.3 %	118,118
5-10 years	15.0 %	75,997
10-20 years	15.1 %	76,596
Over 20 years	11.0 %	55,847

Source: Ministry of Family, Labour and Social Policy 2019b

### 3. Professions and economic sectors particularly at risk of long-term unemployment in Poland

#### 3.1. Most common job profiles of long-term unemployed people in Poland

While analyzing the profile of the people who were unemployed for over 12 months, it is worth pointing out in what industries did these people work before. These are as follows (Ministry of Family, Labour and Social Policy 2019b):

- unemployed people who have not worked before: 61,585 people (absolute values are presented due to the type of source data),
- Wholesale and retail: 59,651 people,
- Industrial processing: 56,599 people,
- Construction: 26,823 people,
- Other services: 20,549 people,
- Administrative and support services: 19,585 people,
- Public administration and national defense, social security: 17,343 people,
- Transport and warehousing: 7,290 people,
- Education: 8,747 people,
- Healthcare and social care: 8,747 people.

The most common professions of people registered as unemployed for over 12 months were (Ministry of Family, Labour and Social Policy 2019b):

- Seller: 39,792 people
- Cook: 9,133 people,
- Maintenance worker: 8,269 people,
- Locksmith: 6,746 people,
- Construction worker apprentice: 6,499 people,
- Tailor: 5,896 people,
- Economic technician: 5,862 people,
- Bricklayer: 5,822 people,
- Hairdresser: 5,569 people,
- Office cleaner: 4,445 people.

### 3.2. Economic sectors particularly challenged by long-term unemployment in Poland

In Poland, the research on work demand within individual professions is commissioned by the Ministry of Family, Labour and Social Policy as part of the "Barometer of Professions" survey (2018). According to the data from the "Barometer of Professions 2019" survey, sectors that lack employees are the following ones:

- construction - concreters and steel fixers, pavers, carpenters and construction carpenters, roofers and tinsmiths, fitter of indoor systems, masons and plasterers, operators and mechanics of earthmoving equipment, finishing work workers and construction workers;
- production - machine tools operators, woodworkers and carpenters, welders, locksmiths, electricians, electro-mechanics and electrical fitters, tailors and garment workers;
- transport - bus and truck drivers;
- catering industry - chefs, confectioners, cooks and bakers;
- medical and nursing industry - doctors, nurses, midwives and care assistants for the elderly and disabled;
- service industry - qualified hairdressers, beauticians, physiotherapists and massage therapists;
- financial industry - independent accountants and financial and accounting employees.

The survey provides information on the various reasons why the deficit of employees in particular industries is getting bigger. Among the most frequently indicated reasons were (idem):

- unattractive employment conditions (including unclear recruitment process, employment instability, working hours, relations with the employer),
- too low wages,
- difficult or harmful working conditions,
- the necessity of commuting outside one's place of residence,
- lack of required skills and qualifications.

Similar conclusions can be drawn from the research conducted by the Manpower Group in 2019. According to this research, companies from the following industries are planning to increase employment:

- industrial production,
- transport and logistics,
- construction,
- mines and mining industry,
- sales.

While analysing the demand for work in particular sectors, it is worth paying attention to the fact that the Polish labour market has also become attractive for foreigners in recent years. This proves that employers, unable to find Polish employees with the right qualifications or willing to work under the proposed conditions, started to reach to employees from abroad. Detailed data in this regard is provided by ZUS (2019), which registers the number of foreigners reported for employment insurance. The number of foreigners registered for insurance has increased from 123,349 people in 2014 to 569,116 people in 2018. Detailed data on the largest groups of foreigners on the Polish labour market are presented in Table 7.

**Table 7: Number of foreigners registered for insurance in Poland, 2014/2018**

Country	Number of foreigners in 2014	Number of foreigners in 2018	Increase 2018/2014
Ukraine	49,150	425,670	866 %
Belarus	7,094	32,632	459 %
Moldova	1,767	7,337	415 %

Source: ZUS 2019

The number of foreigners can also be analyzed based on the number of residence permits. According to Eurostat Poland in 2017, Poland issued 683 thousand residence permits for employees from outside the EU, of which 597 thousand were issued for employment purposes. Therefore the number of foreigners can be higher than number collected by ZUS. Some foreigners may be not registered in the social security system.

According to the available research, foreigners most often performed the following jobs: cleaning, physical work in the construction and industrial sectors, gastronomy, agriculture, logistics (drivers, warehouse operatives) (Borowska- Żywno n.d.). These are industries matching the industries indicated as the ones lacking employees in the "Barometer of Professions" survey.

#### 4. Groups at risk of long-term unemployment in Poland

The presented quantitative data show that the groups exposed to long-term unemployment most often include:

- people with low qualifications - people with basic vocational education and lower secondary or primary education accounted for 51.5% of the long-term unemployed people (see section 2),
- people with limited work experience - people with no work experience or with less than 5 years of experience accounted for 58.9% of all long-term unemployed people, people with no work experience accounted for 14.9 % of all long-term unemployed people (see section 2)
- older people in the labour market - among persons aged 18-24, the long-term unemployed accounted for only 30% of the unemployed people. For people aged 55-59, they constituted 63.4% of the unemployed people and 67.9% for people aged 60 and more (see section 2).
- people living in poviats characterized by a small number of available jobs and lacking mobility that would allow them to start work outside their place of residence.

It is also worth noting that women are more often exposed to long-term unemployment than men are.

Based on the qualitative research on long-term unemployed people, additional causes of long-term unemployment can be identified, which center around the following issues (Obserwatorium Lokalnego Rynku Pracy, Powiatowy Urząd Pracy w Kutnie 2017):

- the lack of sufficient qualifications and work experience was again confirmed as a determinant for long-term unemployment.
- the necessity to combine professional roles with family responsibilities (e.g. taking care of a family member).
- temporary detachment from the work environment, resulting in the loss of broadly understood professional mobility (e.g. related to illness or to the return to the labour market after childbirth).
- the inability to work outside the place of residence; limited spatial mobility.
- the decline of biological or psychophysical strength related to age and health.

## 5. Potential target group of the Social Impact Vouchers program in Poland

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

The earlier part of the report discussed the issues of unemployment and long-term unemployment. Furthermore, the most common profiles of long-term unemployed persons were determined. These are either people with low qualifications or with relatively limited work experience or on average aged over 35.

When analysing the labour market in 2019 as well as the main trends for the coming years, it is worth noting that:

- Poland is currently in the peak phase of the business cycle, with record low unemployment rates. In the coming years, the trend of lowering the level of unemployment is expected to decline, along with the weakening of the GDP growth.
- An important factor expected to cause a significant increase in unemployment in future years is unfavourable demography. People born after 2000 will enter the labour market, a significantly lower number compared to people born in the years 1955-1960, who will leave the labour market.
- Migration policy towards non-EU citizens will be important factor. Regulations regarding employment of foreigners may be tightened, if there are serious disturbances on the labour market.

While indicating possible target groups for the project *Social Impact Vouchers*, it is worth noting that in Poland there are significant social groups outside of the labour market. Following the LFS analysis for the fourth quarter of 2018, there are 13.3 million professionally inactive people in Poland, including 5.09 million men and as much as 8.25 million women. The main causes of professional inactivity are:

- the retirement of 7.26 million people, including 4.55 million women,
- discouragement as a result of the ineffectiveness of the job search - 0.253 million people, including 0.142 million women,
- illness/disability of 1.5 million people, including 0.712 million women,
- learning/supplementing qualifications of 2.210 million people, including 1.110 million women,
- family and personal responsibilities, taking care of the household - 1.822 million people, including women.

The above-mentioned groups of professionally inactive people may at least partially be an attractive target group for the Social Impact vouchers project.

### 5.2. Defining the target group of the Social Impact Vouchers

The scheme of the vouchers system focuses on refinancing the salary costs for a given period of time. Thus, in order for the system to work, employers willing to hire employees must become involved and, effectively, people willing start work under the proposed conditions are also required (type of work/place of work/pay rate). In addition, it is worth considering whether the voucher system as a new instrument should maybe rather focus on groups that are not sufficiently supported by the public sector as part of current activities.

The following potential target groups may be indicated for the voucher system:

- *Long-term unemployed people*

This group was included in the report, as it was clearly defined as the main target group of the project. Profiles of long-term unemployed people were presented in section 3 of this report.

- *Professionally inactive women*

An in-depth analysis of the reasons for the professional inactivity of women in productive age was carried out by the Institute for Structural Research (Magda, Kietczewska 2018). According to the research, in 2016, approx. 1.8 million (25%) women aged 20-49 were professionally inactive. It is worth indicating the following reasons for the professional inactivity of women:

- living on social benefits - 9% (about 160,000). They are people with low education, who are not working because of child care duties. On average, they have not worked for 7 years. An obstacle in starting work are the expected low earnings and the costs of providing care for their children. This group shows an over-representation of women with three and more children.
- discouragement to look for a job because of low education - 10% (about 180,000). These are mainly women with an average work experience of approx. 10 years that have stopped working. For professionally inactive women, the average period of being unemployed is over 10 years and they are 40 years old on average. This group shows an over-representation of women living in rural areas.
- discouragement to look for a job having secondary education - 13% (over 220,000). These are mainly women with secondary - (68%) or higher education (32%). This group has difficulties in finding a job despite relatively high education and an over-representation of women from big cities can be noticed.
- lack of work experience while having a working partner - 10% (179,000). This group shows an over-representation of women living in rural areas.

- *Migrants*

The number of migrants on the Polish labour market is growing. The voucher system, if applied to migrants, should be integrated with the legal requirements related to obtaining work permits as well as temporary residence. Detailed information on specific types of permits and the procedures for obtaining them is available on the website of the Polish Investment and Trade Agency.

**For these groups, the following stimulants to return to work could prove to be effective:**

- improved profitability of work,
- assistance in returning/entering the labour market through training/counseling /job centers.

Additionally, a target group of the voucher system may be women aged 50 and above, who have problems with starting and maintaining a job due to the pre-retirement protection regulations.



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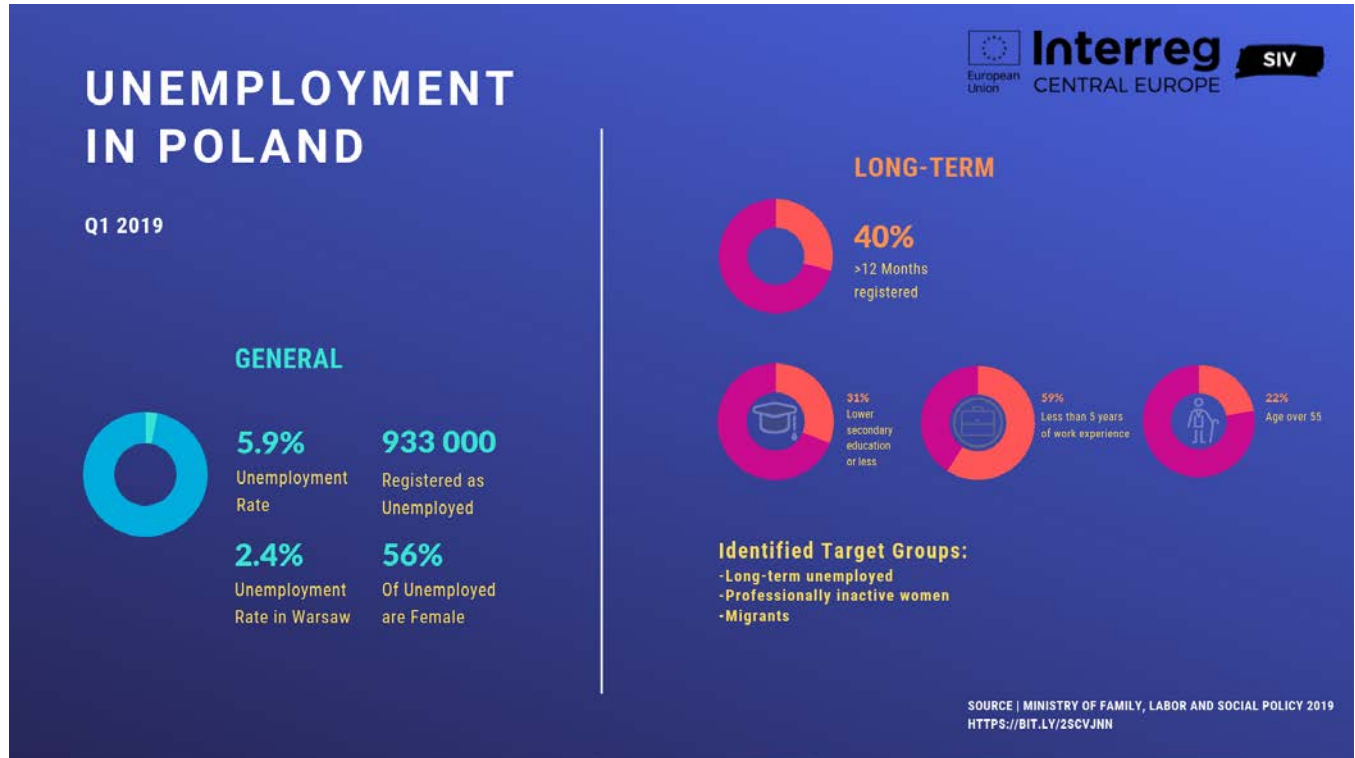
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## 7. Appendix

Figure 5: Summary infographic of unemployment in Poland



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Slovakia

# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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## Overview of long-term unemployment in Slovakia

### 1. Introduction

#### 1.1. Definition of unemployment in Slovakia

Unemployment in Slovakia has been measured by two main methodologies.

(1) The first methodology, to be used in this publication, is carried-out by the Central Office of Labour, Social Affairs and Family. The institution publishes statistics on a monthly basis, which are available on their website. The monthly statistics monitor the number and structure of jobseekers on the basis of data from Labour, Social Affairs and Family Offices based in individual districts. The Office thus collects data on jobseekers, i.e. citizens who can work, want to work, seek employment, and are registered at the Office of Labour, Social Affairs and Family.

The Labour, Social Affairs and Family Offices are state administration bodies that perform their activities in the area of employment services for the following clients: jobs applicants and job seekers, students and their parents, citizens at risk of losing their jobs, employers, freelancers, foreigners, citizens of the European Union and their family members. I.e. clients of the Office may be any person moving to the labour market within the Slovak Republic or preparing to enter the labour market. Therefore, the activities of the authorities are also client-centered and are related to reducing unemployment and increasing employment (Central Office of Labour, Social Affairs and Family n.d.a).

Act no. 5/2004 Coll. on Employment Services and on Amendments and Supplements to Certain Acts, as amended, defines in Section 13 the competence of the Office, which includes, inter alia (Central Office of Labour, Social Affairs and Family n.d.a):

- provide suitable employment for jobseekers
- keep records of:
  - (a) job seekers
  - (b) job applicants
  - (c) job vacancies
  - (d) employers in their territorial district.

(2) The second methodology is the measurement conducted by the Statistical Office of the Slovak Republic. Labour Market Statistics provide information on the present situation and trends in employment, unemployment, job vacancies, labour costs and strikes. The primary source of this information is regular statistical surveys carried out in enterprises and households: The Labour Force Survey (LFSS) focusing on economic activity of population, employment and unemployment.

The difference in measurement shows a long-term difference in unemployment rates of about 1%, mainly due to the fact that, in the case of data from the Central Office of Labour, Social Affairs and Family, the following groups of population are not included in the published registered unemployment rate (Central Office of Labour, Social Affairs and Family 2019):

- people in the system of education and preparation for the labour market,
- people in temporary incapacity for work / people taking care of a family member,

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- people carrying out graduates practice,
- people involved in smaller municipality services,
- people involved in voluntary services.

## 1.2. General overview of unemployment in Slovakia

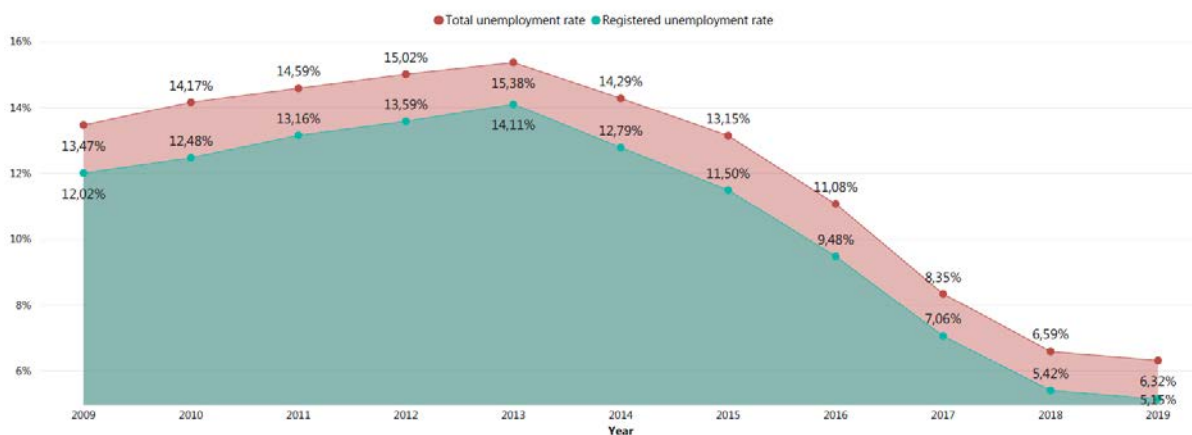
### 1.2.1. The development of unemployment in Slovakia in the last decade

The current unemployment rate in Slovakia is the lowest since 1991. In the latest available data published in March 2019, registered unemployment reached 5.03 % and total unemployment 6.19 % (Central Office of Labour, Social Affairs and Family 2019). The data has been regularly published by the Central Office of Labour, Social Affairs and Family, whose role it is to inform the public about the statistical findings of labour market developments in relation to unemployment and activities related to its mitigation.

In Slovakia, unemployment is also measured by the Statistical Office of the Slovak Republic within the Labour Force Survey (LFSS). The data is published quarterly. The LFSS methodology is in line with the international definitions and recommendations of the ILO and Eurostat. According to the LFSS, the average unemployment rate for 2018 was 6.6%, while in Q4 2018 the unemployment rate was 6.1% (Statistical Office of Slovakia 2019).<sup>1</sup>

Slovakia used to be one of the countries with the highest unemployment rates in the European Union. Historically, the highest unemployment rate was measured in 2000, when it reached its peak at 18.59% (Central Office of Labour, Social Affairs and Family 2019). In the coming years, unemployment was gradually declining, reaching the lowest rates ever, shortly before the financial and economic crisis in 2008. In April 2008, registered unemployment rates reached 7.38% (Central Office of Labour, Social Affairs and Family 2019). This was the lowest rate measured until May 2017, when the rate surpassed by a new low of 7.35% (Central Office of Labour, Social Affairs and Family 2019). Since then it has followed the declining trend up to the 5.03 % in March 2019 (see Figure 1) (Central Office of Labour, Social Affairs and Family 2019).

**Figure 1: The development of the unemployment rate in the period 2009-2019 based on the data provided by the Central Office of Labour, Social Affairs and Family**



Source: Central Office of Labour, Social Affairs and Family (2019)

<sup>1</sup> Data for Q1 2019 have not been published yet.



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The record-low unemployment rate is also supported by the high number of Slovak citizens working abroad: According to available statistics, **137,700 Slovak citizens work abroad** (Statistical Office of the Slovak Republic 2019). Slovak emigrants working abroad are mostly employed in construction (36,8 thous. persons), in industry (32,3 thous. persons) and in health and social work activities (25,6 thous. persons) represented the highest number among migrants. In European countries, the most Slovak citizens have been employed in Austria (42,1 thous. persons) and in the Czech Republic (32,7 thous.) (Statistical Office of the Slovak Republic 2019).

Despite the positive development of the unemployment rate and the record numbers, Slovakia still faces problems, especially in the area of long-term unemployment, with regard to large regional disparities and low employment of the Roma minority.

### 1.2.2. Breakdown of unemployment in Slovakia based on different criteria

As mentioned in the introduction of the chapter, in Slovakia, unemployment is measured by two methodologies. According to the latest available data, the rate of registered unemployment provided by the Central Office of Labour, Social Affairs and Family was 5.03 % in March 2019, which is a record of the lowest measured unemployment in Slovakia. The total unemployment rate, calculated from the total number of jobseekers, is 6.19%. Expressed in absolute terms, out of the total number of economically active population - 2,742,500 inhabitants - 169,779 is the total number of job seekers. Deducting the number of unavailable job seekers<sup>2</sup>, available job seekers account to 137,962 (Central Office of Labour, Social Affairs and Family 2019).

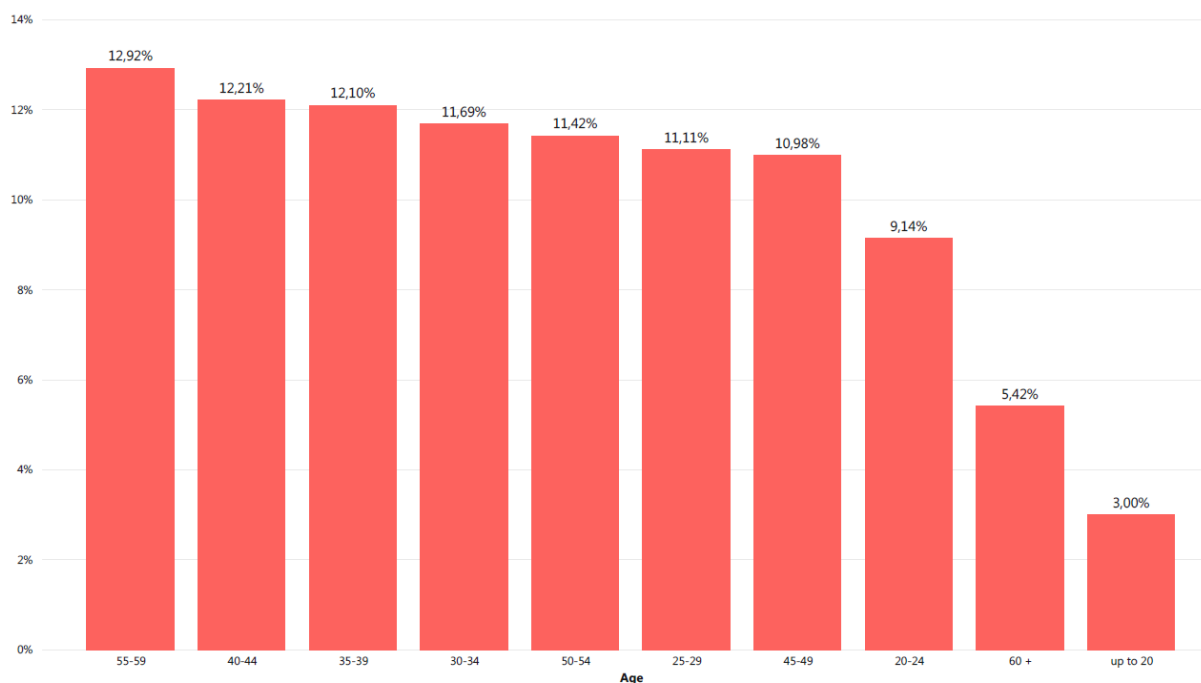
More detailed data provides us with information about the composition of registered unemployed. For more detailed statistics according to different criteria, we will focus on the total number of unemployed - 169,779. All following data are based on the statistics collected by the Central Office of Labour, Social Affairs and Family for March 2019.

#### Criterion: Age

With regards to age, the unemployed people are predominantly represented in the group 25-54, which makes up 69.5% of the total number of unemployed. This is followed by the 55+ group, which accounts for 18.34%. Furthermore, 12.14% are registered unemployed younger than 25 years (see Figure 2) (Central Office of Labour, Social Affairs and Family 2019).

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<sup>2</sup> Central Office of Labour, Social Affairs and Family defines following groups as „unavailable job seekers“: job applicants in the system of education and preparation for the labour market; temporary incapacity for work/treatment of a family member; graduate practice; smaller municipality services; volunteering. (Central Office of Labour, Social Affairs and Family 2019).

**Figure 2: Unemployment rate in Slovakia in 2019, by age groups**

Source: Central Office of Labour, Social Affairs and Family 2019

**Criterion: Education level**

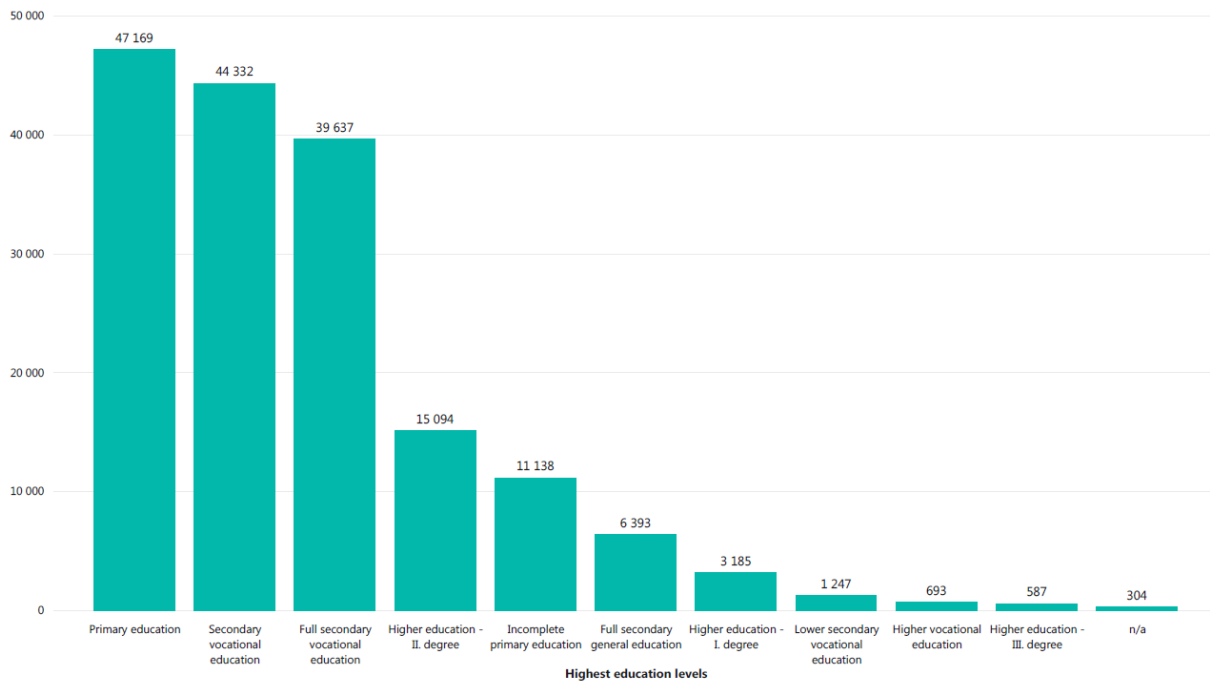
Taking into account the highest level of education achieved amongst registered unemployed citizens, there are 27.78% with primary education. The next largest groups consist of unemployed who have secondary vocational education (26.11%) and unemployed with full secondary vocational education (23.35%) (see Figure 3) (Central Office of Labour, Social Affairs and Family 2019).

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**Figure 3: Unemployment rate in Slovakia in 2019, by level of education**

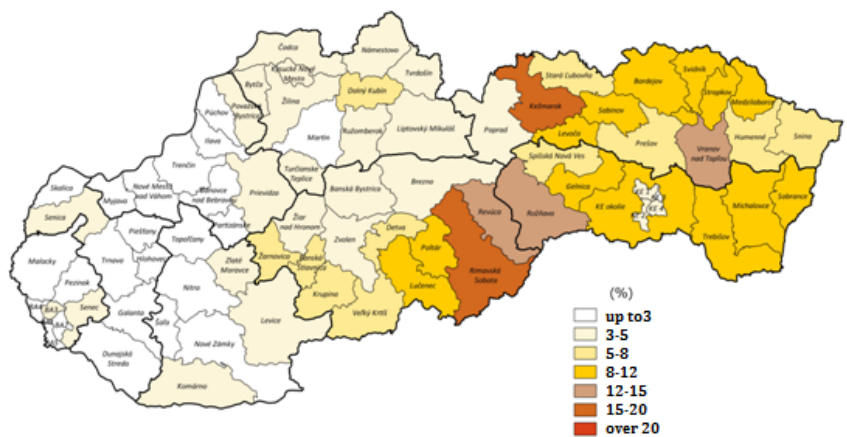


Source: Central Office of Labour, Social Affairs and Family 2019

**Regional differences**

Major regional differences in Slovakia are also reflected in the rate of registered unemployment. The map below shows the differences in unemployment rates in individual districts. The picture illustrates the persisting higher unemployment rates in the districts in Southern and Eastern Slovakia (see Figure 4).

**Figure 4: Unemployment rate in Slovakia in 2019, by regional distribution**



Source: Central Office of Labour, Social Affairs and Family 2019

### 1.2.3. Main causes for unemployment in Slovakia

The main causes of unemployment can be defined as follows:

- **Low / unsuitable qualification of job seekers**

Most of the long-term job seekers have a low level of completed education - mostly primary education or secondary vocational education. With regard to the quality of the Slovak education system and the low degree of interconnection of study programmes with the practice, their knowledge and skills do not meet the requirements of the labour market. Moreover, it is these jobs that are being mostly replaced by automation and robotics (INESS 2015).

- **Low job creation rates in regions with higher unemployment rates / Low willingness of job seekers to move for work**

There are currently over 88 thousand vacancies registered by the Central Office of Labour, Social Affairs and Family in Slovakia (Internet Guide to the Labour Market 2019). This is the number of vacancies/unoccupied positions that are currently reported to the labour offices. The actual volume of vacancies can be even higher. In particular, these jobs are created in regions with low unemployment rates (e.g. in industrial regions and regions with developed infrastructure) and already exhausted labour force. The main causes, for which job vacancies cannot be filled, are (1) the inadequate qualification of the unemployed and (2) the low willingness to move for work. It is also associated with the problem of inaccessible rental housing in Slovakia (INESS 2015).

- **Low employment flexibility**

Low job flexibility is also a problem for job creation. Slovakia belongs to the countries with less flexible labour legislation. Another part of the problem is also the high social and health care contributions paid by employers (INESS 2015).

- **Employment and employability of the Roma population**

According to the Atlas of Roma Communities, published in 2013, more than 413 thousand Roma live in Slovakia. Frequent issues in the Roma community are long-term unemployment, low qualifications and low working habits, which bear major challenges for their employability. This is confirmed by a general mistrust on the part of employers with regard to the employment of the Roma population (Ministry of Interior of the Slovak Republic 2013).

### 1.3. Definition of long-term unemployment in Slovakia

The long-term unemployment rate in Slovakia is calculated as the number of long-term unemployed citizens. The Act on Employment Services and on the Amendment to Certain Acts 5/2004 states, in section 8, that a long-term unemployed citizen is someone *“registered as job seeker for at least 12 consecutive months”*. This section also defines a whole group of so-called 'disadvantaged jobseekers' besides long-term unemployed, such as graduates under the age of 26 years, older citizens above 50 years, job seekers with low degree of education etc. (Slov Lex 2019). More information on this is available in subsection 4 of this report.

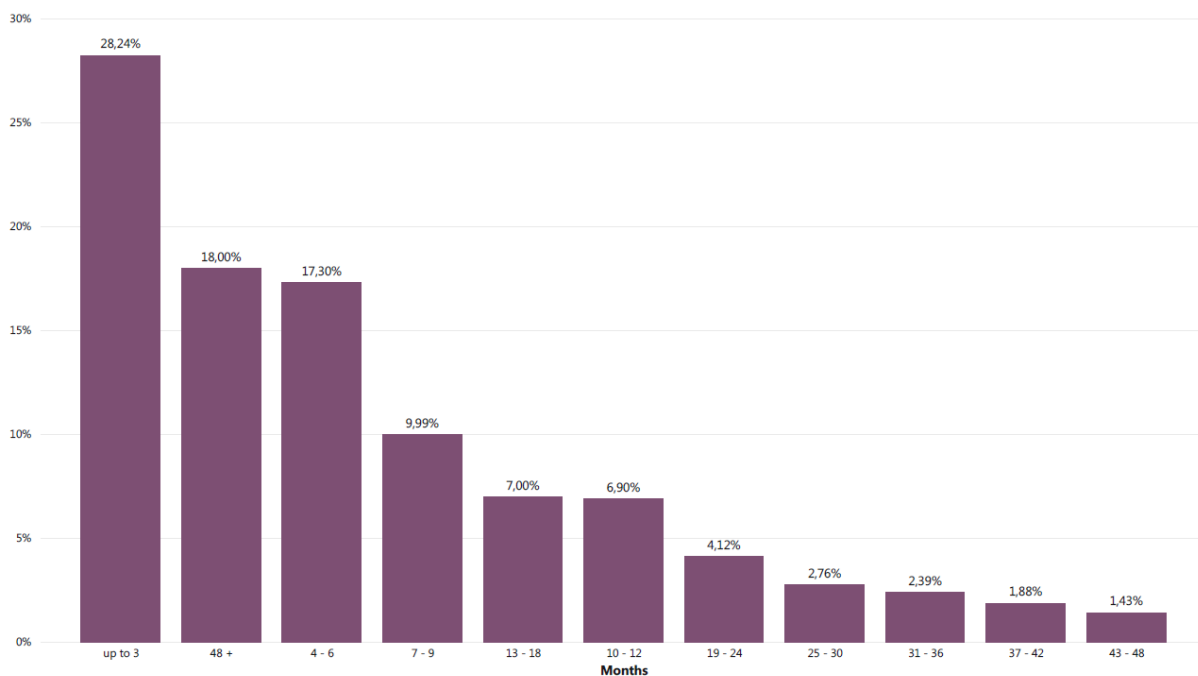
The definition is thereby similar to the ILO definition of the long term unemployment.

## 2. Facts and data on long-term unemployment in Slovakia

On the basis of data on the length of unemployment records, the long-term unemployed represent up to 37.57% of the total number of unemployed, followed by a share of 45.57% consisting of unemployed for less than 7 months and the group of unemployed for 7 to 12 month accounts for another 16.89%. Data is calculated based on the total number of job seekers. In terms of long-term unemployment, Slovakia is worse off than its neighbours and long-term unemployment is slightly higher than the EU average (Eurostat 2019).

Currently, 18% of the job seekers have been registered at the labour office for more than 48 months (see Figure 5) (Central Office of Labour, Social Affairs and Family 2019).

**Figure 5: The length of registration of the job seeker at the Office of Labour, Social Affairs and Family (in months)**



Source: Central Office of Labour, Social Affairs and Family 2019

## 3. Economic sectors particularly challenged by long-term unemployment in Slovakia

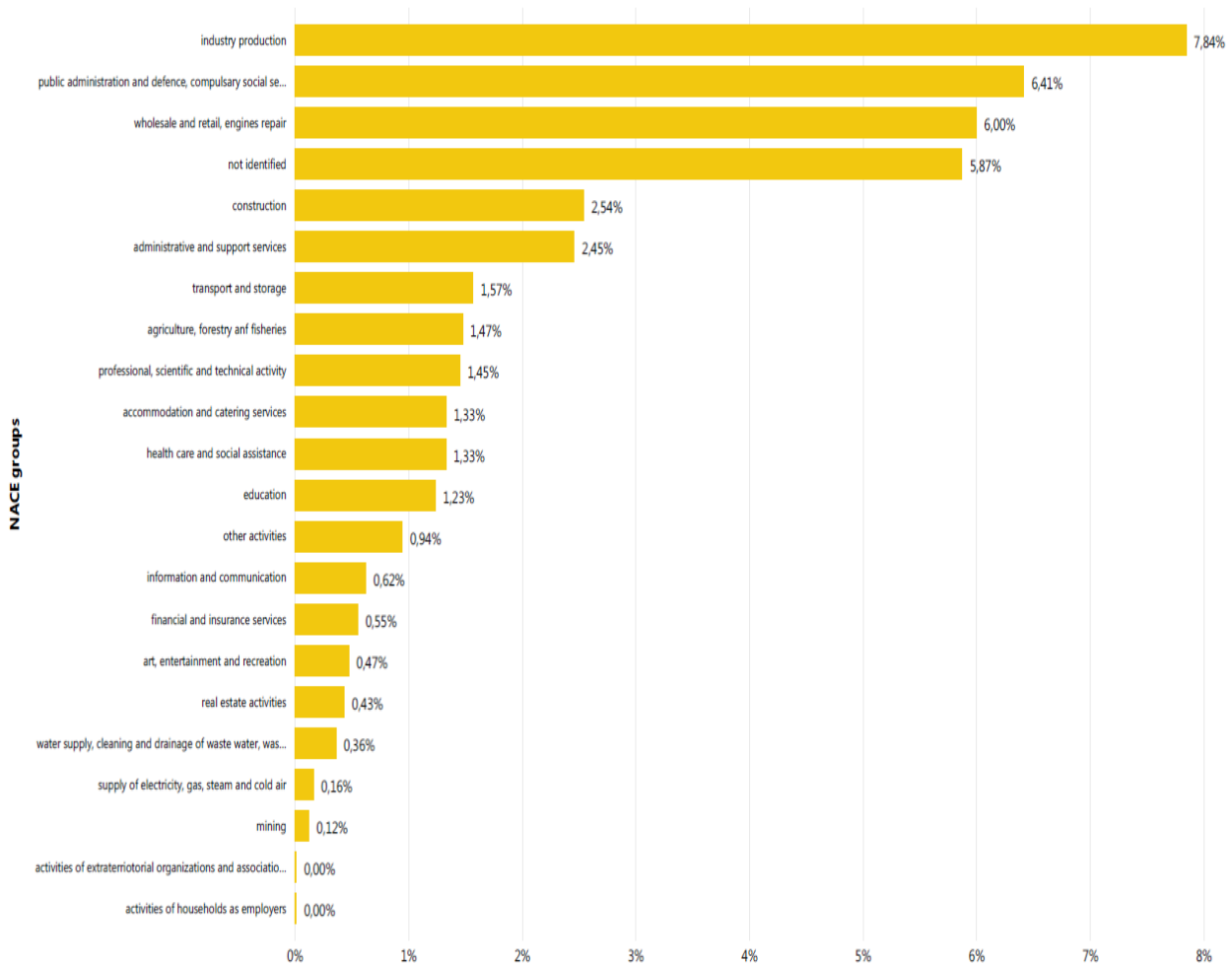
Data on the job seekers structure according to the last employer (NACE code) provides information on the sectors where the most unemployed people have previously worked in. This data does not include complete information, as it lists 21 selected (broadly defined) sectors representing 37.2% of all registered job seekers. The second inconsistency rises from the issue of the economic sector versus the job position, as the data follows economic sectors, and not job positions (Central Office of Labour, Social Affairs and Family 2019). Moreover, it is not possible to determine the representation of the long-term unemployed from the available data.

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Based on the available data from the Central Office of Labour, Social Affairs and Family (2019), the most represented sectors in which job seekers were last employed, are as follows: C - industrial production and G - wholesale, retail, engine repair (see Figure 6).

**Figure 6: Sector (NACE code) of the last employer of the registered job seeker**



Source: Central Office of Labour, Social Affairs and Family 2019

In comparison, in the summary data on the field of the last employer of the job seeker, provided by the Statistical Office of the Slovak Republic (2019) within the framework of LFSS, the data are as follows:

**Table 1: Last economic area where the job seekers were active prior to unemployment**

Economic area	In thousands
Agriculture, forestry and fishing	4,4
Industry	34,9
Construction	11,2
Wholesale and retail	13,2

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Transport and storage	4,8
Accommodation and catering services	7,2
Information and communication	1,5
Financial and insurance activities	1,5
Real estate activities	0,5
Professional, scientific and technical activities	1,4
Administrative Services	3,5
Public administration, social security	14,2
Education	3,7
Health and social assistance	6,2
Arts, entertainment and recreation	0,9
Other activities	1,2
Activities of households as employers	0,1
Activities of extraterritorial organizations	0
Unemployed, not yet employed	46,1
Not detected (more than 8 years since last job)	23,1

Source: Statistical Office of the Slovak Republic 2019

Based on the data collected by the Statistical Office of the Slovak Republic (2019), the majority of the unemployed have never been employed before. Furthermore, over 23 thousand unemployed have not been employed in the last 8 years.

#### 4. Groups at risk of long-term unemployment in Slovakia

The Main Labour Market Act - *Employment Services Act No. 5/2004* (Slov Lex 2019) - defines as disadvantaged groups the following:

*“Disadvantaged job seeker for the purposes of this Act is a jobseeker who is:*

- a) *a citizen under the age of 26 who has completed his / her education at the appropriate level, preparation for a full-time study less than two years ago and did not have regularly paid employment*
- b) *a citizen older than 50 years of age*
- c) *a citizen who is registered as a job seeker of at least 12 consecutive months (referred to as the “long-term unemployed”)*
- d) *a citizen who has attained an education lower than secondary vocational education by special regulation*
- e) *a citizen who has not been less than 12 consecutive calendar months prior to inclusion in register of jobseekers did not have regular paid employment,*

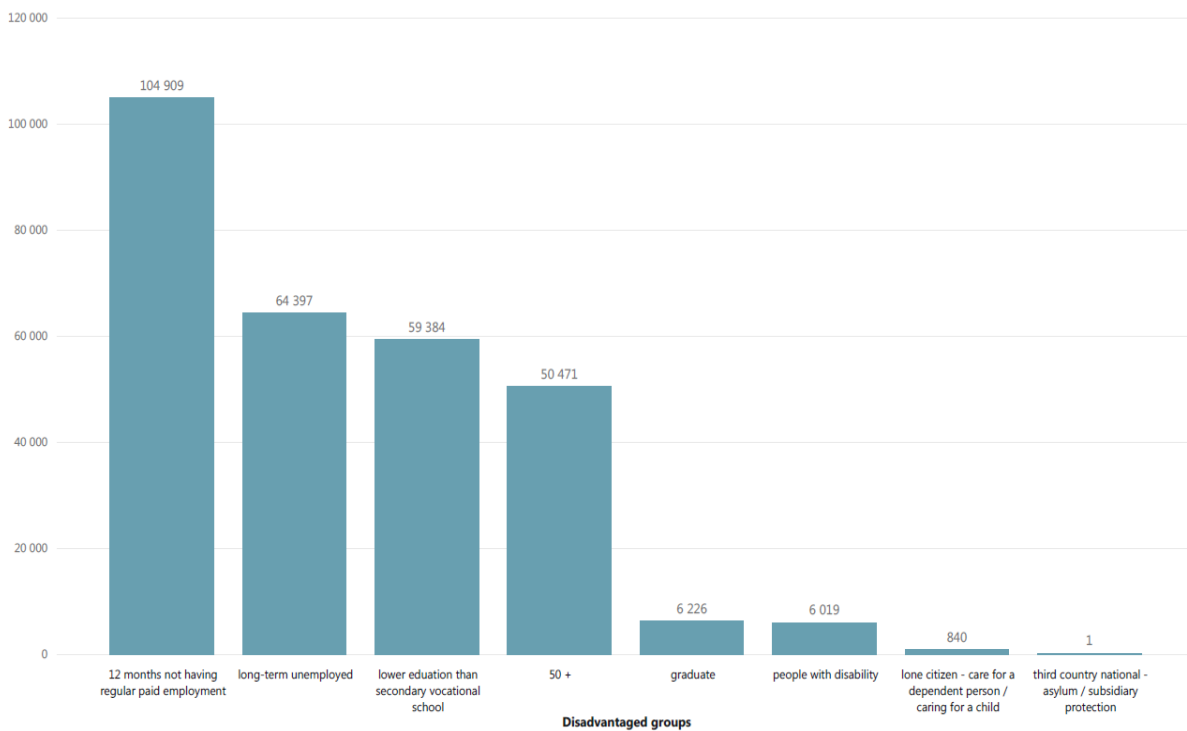
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- f) a third-country national who has been granted asylum or to whom he has been granted additional protection
- g) a citizen who lives as a single adult with one or more person depending on his/her care or caring for at least one child before the end of compulsory schooling attendance
- h) a citizen with disabilities" (Slov-Lex 2019).

This definition has been used in all national strategies, national projects and operational programmes. Figure 7 provides an overview of the distribution of these disadvantaged groups among people registered as unemployed.

**Figure 7: Representation of the disadvantaged groups among registered unemployed people**



Source: Central Office of Labour, Social Affairs and Family 2019

Disadvantaged groups in the labor market are given great attention by the responsible institutions.

The Operational Programme *Human Resources* includes the priority axis *Employment*, including the following investment priorities (Ministry of Labor, Social Affairs and Family n.d.a):

- Investment priority Nr. 2.1 Sustainable integration of young people, especially those who are not in employment or in the process of education or training, into the labor market, including young people at risk of social exclusion and young people from marginalized communities, including the implementation of a Youth Guarantee scheme
- Investment priority Nr. 3.1 Access to employment for jobseekers and inactive people, including the long-term unemployed and those away from the labor market, as well as local employment initiatives and support for labour mobility.



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Through these investment priorities, the operational programme supports the implementation of projects in this area. In addition, in other operational programmes, projects employing disadvantaged groups are favoured.

Moreover, The Central Office of Labour, Social Affairs and Family (n.d.b) has implemented *15 national projects mostly aimed at disadvantaged groups* in the current programming period 2014 - 2020.

The main employment tool - *employment services* - is a separate chapter. Employment services are a system of institutions and tools to support and assist labour market participants to find employment, change it, fill vacancies and apply active labour market measures.

When providing employment services, headquarters and offices are governed by Act No. 5/2004 Coll. on Employment Services and on Amendments and Supplements to Certain Acts (Slov Lex 2019), as amended, which regulates the provision of information and services by individual paragraphs, providing financial contributions to facilitate access to the labour market for its clients. It also promotes the creation and maintenance of jobs in the sectors of activity that need to be created or maintained in the labour market. The Central Office of Labour, Social Affairs and Family and regional offices represent state employment service providers. Non-state employment service providers are (Ministry of Labour, Social Affairs and Family 2019):

- a legal or natural person intermediating job for remuneration,
- agency of temporary employment,
- agency of supporting employment.

The Ministry of Labour, Social Affairs and Family, as the main policy maker in this field, plans to tackle unemployment in the future through action plans for the least developed districts and to set up social enterprises (Ministry of Labour, Social Affairs and Family, 2019).

## 5. Potential target group of the Social Impact Vouchers program in Slovakia

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

Thanks to the active policy of the relevant institutions, in particular the Ministry of Labour, Social Affairs and Family as well as the Central Office of Labour, Social Affairs and Family, and its regional branches respectively, policies and projects for the employment of all disadvantaged groups are currently being implemented. In addition, there are dozens of projects under the Operational Programme Human Resources (Ministry of Labour, Social Affairs and Family n.d.a), as well as other operational programmes that take into account the need to employ all disadvantaged groups.

Given the negligible number of asylum seekers in Slovakia - since 1993, Slovakia has registered 58,906 applications for asylum out of which Slovakia has granted 856 asylums (Ministry of Interior of the Slovak Republic 2019) - this group is irrelevant to Slovak implementation of the SIV program.

Based on the analysis of capacities, experiences and contacts of Centire s.r.o. as a project partner, the most suitable groups for pilot testing the SIV program in Slovakia are:

- citizens under the age of 26 who have completed their education at the appropriate level, preparation for a full-time study less than two years ago and did not have regularly paid employment
- citizens older than 50 years of age

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- citizens who live as single adults with one or more person depending on their care or caring for at least one child before the end of compulsory schooling attendance

## 5.2. Defining the target group of the Social Impact Vouchers

Within the selection process, Centire also considered factors such as:

- the suitability of the target group for pilot testing of the voucher system in practice (understanding of functioning, willingness to participate)
- the preferences of potential employers that will need to be persuaded to participate in the project (at the same time these employers may also be future fund investors).

Reasons for selecting the following groups:

- citizens under the age of 26 who have completed their education at the appropriate level, preparation for a full-time study less than two years ago and did not have regularly paid employment

Secondary or university graduates are flexible and prone to try new things, so they may be interested in joining the voucher system. Their main problems in the labor market are (1) qualifications not meeting the needs of companies and (2) lack of work experience. The voucher system would allow them to be employed for the first time, while employers would have reduced or no costs during the first three months while employing them.

- citizens older than 50 years of age

The aim of working with this group is to point out their quality and many years of experience that companies can use to their advantage. One of the 50+ people's problems is that, in the event of a job loss in this period, they are unable to find a job matching their qualifications before retirement. Nevertheless, the number of workers in this age group will grow and companies will have to learn to work with them more. The advantage of employing them may be their loyalty and work experience.

- citizens who live as single adults with one or more person depending on their care or caring for at least one child before the end of compulsory schooling attendance

In this group, we want to focus primarily on parents taking care of pre-school children. The Slovak Republic, according to OECD (2016) data, is among the countries with the least involvement of parents caring for children into working life. Our goal would be to test, in particular, flexible forms of work (e.g. work from home), even at lower working hours. This form could be suited better than traditional employment models for this target group.

Based on its long-term competence, Centire has built up extensive contacts, which it will use in the implementation of the SIV project.

To analyse the target group and to consult the voucher system setting, Centire envisages cooperating with:

- Ministry of Labour, Social Affairs and Family
- The Central Office of Labour, Social Affairs and Family
- Social Insurance Agency
- INESS - Institute of Economic and Social Studies

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- Institute for Labour and Family Research
- Slovak Academy of Sciences - Institute for Forecasting

To approach the selected target groups, Centire envisages cooperating with:

- Slovenska sporitelna (the largest commercial bank in Slovakia)
- Slovak Innovation and Energy Agency
- Slovak Business Agency
- Slovak Chamber of Commerce (including regional branches)
- Bratislava Innovation Center
- Klub 500 (association of the biggest Slovak employers employing more than 500 people)
- job agencies
- professional associations
- leasing companies
- companies

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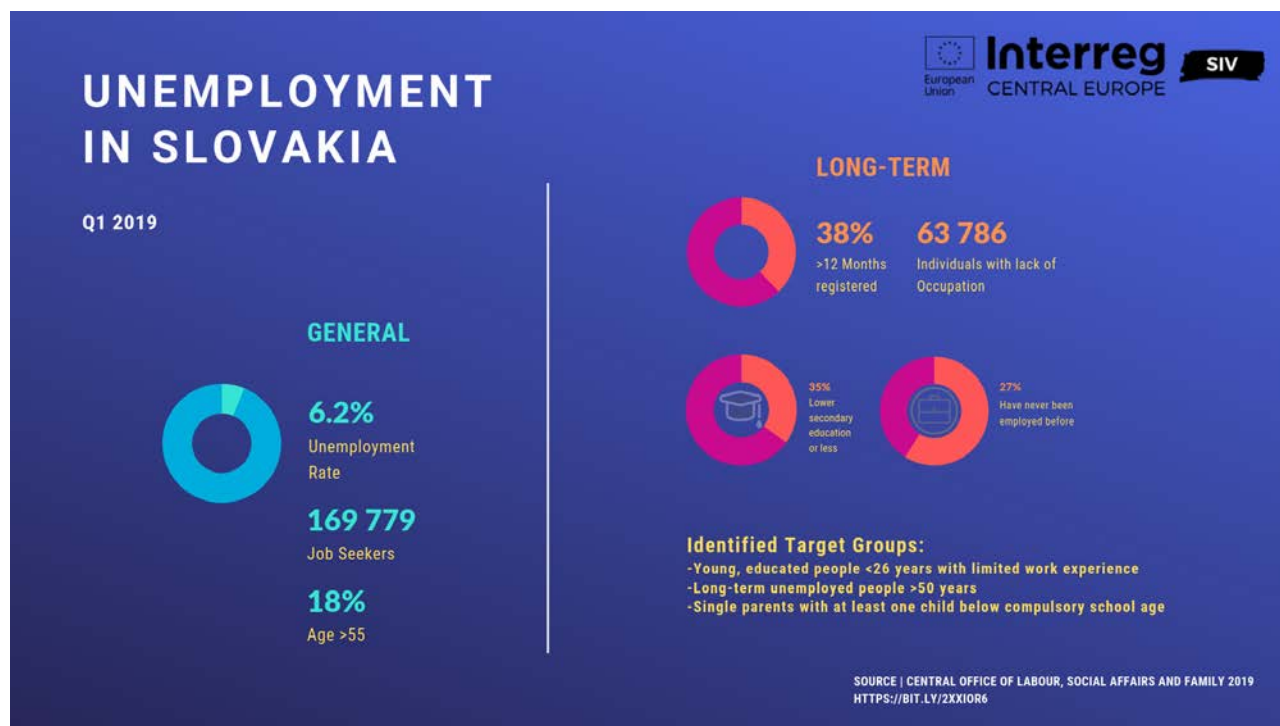
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## 7. Appendix

Figure 8: Summary Infographic of unemployment in Slovakia



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# REPORT AND INFOGRAPHICS FOR TARGET GROUP SEGMENTATION

WP T1 Pilot Preparation  
Deliverable D.T1.2.5

*Deadline: August 31<sup>st</sup> 2019*

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## Overview of long-term unemployment in Slovenia

### 1. Introduction

#### 1.1. Definition of unemployment in Slovenia

In Slovenia, there are two ways of measuring unemployment:

##### a. ILO unemployment rate

The ILO unemployment rate is based on the Labour Force Survey (LFS), which is the most comprehensive official household survey in Slovenia. It is aimed to collect data on the situation and changes on the Slovenian labour market. It provides data on size, structure and characteristics of the Slovene labour force and inactive population. ILO unemployment rate represents unemployed persons as a percentage of the labour force and is quarterly published by the Republic of Slovenia Statistical Office. The ILO unemployment rate in Slovenia in the 1st quarter of 2019 was 4.8% (Republic of Slovenia Statistical Office 2019). EU member states use the same methodology to measure unemployment rate.

It is calculated by expressing the number of unemployed persons as a percentage of the total number of persons in the labour force. The labour force is the sum of the number of persons employed and the number of persons unemployed (ILO 2019b).

It should be noted that there might be a difference between ILO unemployment rate and registered unemployment rate.

##### b. Registered unemployment rate

According to the methodological explanations of Employment Service of Slovenia, the unemployed are people who meet a total of following conditions:

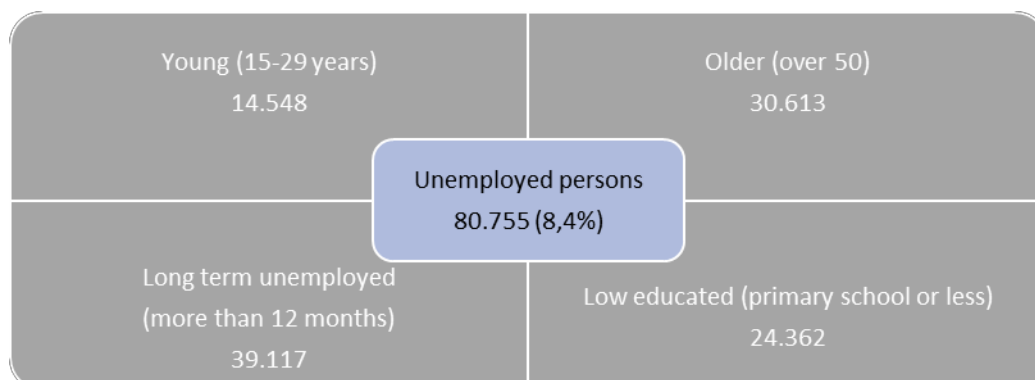
- they are aged 15 to 65 years (excluded people with long-lasting incapacity for work)
- they are not working (they are not in employment relationship)
- they are registered at Employment Service of Slovenia
- they are actively looking for a job and they are willing to accept employment offered by Employment service or any similar Agency

Registered unemployment rate is defined as a ratio of unemployed persons in labour force (ZRSZ 2019c).

#### 1.2. General overview of unemployment in Slovenia

In Slovenia, there is a public labour agency "Employment Service of Slovenia" (Zavod Republike Slovenije za zaposlovanje = ZRSZ). It is an independent legal entity with public institute status operating uniformly across the entire country. The tasks of the ZRSZ are to perform activities in the areas of employment, to create and implement active employment policy programs, to offer career guidance, unemployment insurance as well as to support the employment and work of foreign workers.

In Slovenia, the total registered number of unemployed persons In February 2019 reached 80,755 in 2019. The registered unemployment rate was therefore 8.4% (see Figure 1) (ZRSZ 2019c).

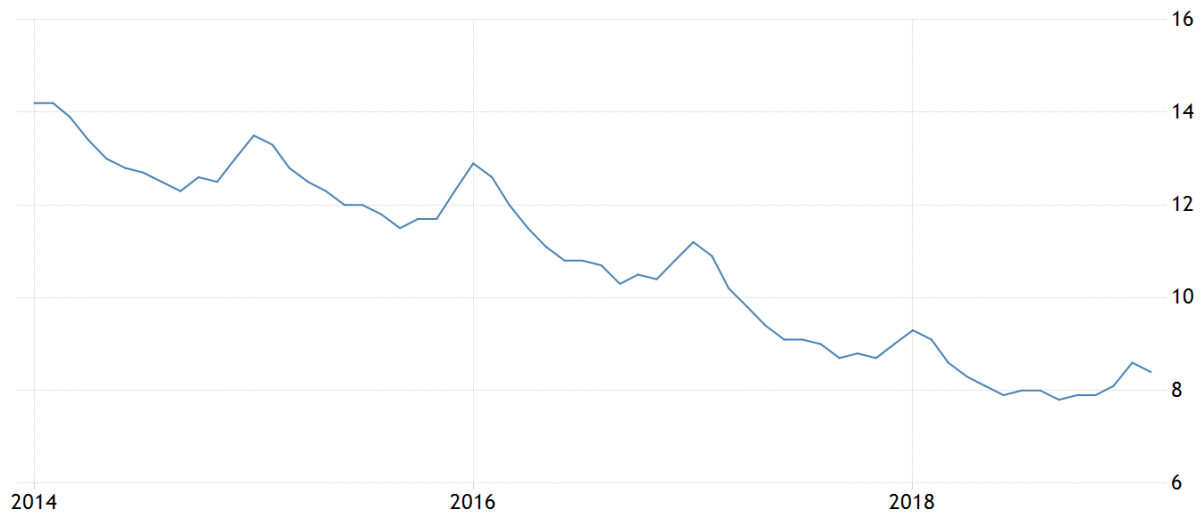
**Figure 1: Overview of unemployment in Slovenia, February 2019**

Source: ZRSZ 2019b, ZRSZ 2019c

The economic crisis of 2008 and its second peak in 2013 led to an increase of the unemployed. The highest number of unemployed was in January 2014 when 129,843 people were left jobless. The year 2014 was a turning point and the start of recovery from the economic crisis and with it came better conditions on the labour market. The number of unemployed decreased rapidly in 2015, and continued to drop exponentially in 2016 and 2017. The reduction of unemployed continued well into 2018. In September, it reached the lowest point since the start of the crisis (73,781 people). At the same time, there were nearly 119,000 job vacancies where the employers were willing to cooperate with the job centre. In such circumstances people with adequate skills and knowledge who do not have any other restrictions to work are quick to find a job, whereas the record of unemployed shows more and more people with complex restrictions entering or re-entering the labour market. There is also a decrease in the number of jobless young people, long-term unemployed, people older than 50 years, and people without education, and an increase in number of jobless people aged 60 and more and those who have been unemployed for more than 8 years.

According to the ESS the number of registered unemployed people will continue to drop in 2019 and 2020, although slower than in the previous period.

As shown in Figure 2 below, the labour market situation has been continuously improving in Slovenia in the last 5 years. The unemployment rate is continuously decreasing (from 14% in 2014 to 8.4% in 2019) (ZRSZ 2019c, Trading Economics 2019). The same trend can be observed for the absolute numbers as well, as depicted below in Figure 3.

**Figure 2: Development of the unemployment rate in Slovenia between 2014 and 2019**

SOURCE: TRADINGECONOMICS.COM | EMPLOYMENT SERVICE OF SLOVENIA

Source: Trading Economics 2019

**Figure 3: Number of registered unemployed people in Slovenia between 2014 and 2018 (annual average)**

Source: RS Ministrstvo za delo, družino, socialne zadeve in enake možnosti 2019

The three following population groups are particularly at risk of unemployment (ZRSZ 2019b):

- Long-term unemployed people (39,117 persons)
- Older workers (30,613 persons)
- Workers with a low degree of education (24,362 persons)

The biggest challenge for ESS are these aspects of unemployment: the unemployment of the older population, the unemployment of people with lower education, the long-term unemployment and the unemployment of younger people. Jobless people on the labour market are often obstructed by the combinations of requirements. In the next period of time a deficit of labour force in Slovenia can be expected mainly due to structural incompatibility and demographic changes. Therefore, it is essential to synchronise the supply and demand in the labour market to the greatest extent possible, or to include vulnerable groups in the labour market.

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In recent years, economic movements have caused radical changes in the structure of unemployment and the Slovenian labour market in general. Due to the collapse of some of the larger companies, employment in labour-intensive industries has shrunk, especially in construction and to a lesser extent manufacturing. The large influx of unemployed people from these activities, mostly older and with lower education, has had a key influence on the structure of unemployment, mainly due to the increased inflow of hard-to-employ unemployed people, who are less stimulating for employers. In the second phase of the crisis, as a result of public finance consolidation, labour activity also decreased in service activities.

The labour market has undergone significant changes in recent years. The instability of employment and the constant adaptation of knowledge poses a great challenge for both the individual and society. The key role of the ESS will be the empowerment of jobseekers in various transitions in the labour market (from education to the labour market, from unemployment to employment or between different occupations). The jobless with more problems in employment are older people (50 years or older), long-term unemployed, unemployed without education, disabled people, individuals with health restrictions or other restrictions and young people (15-29 years).

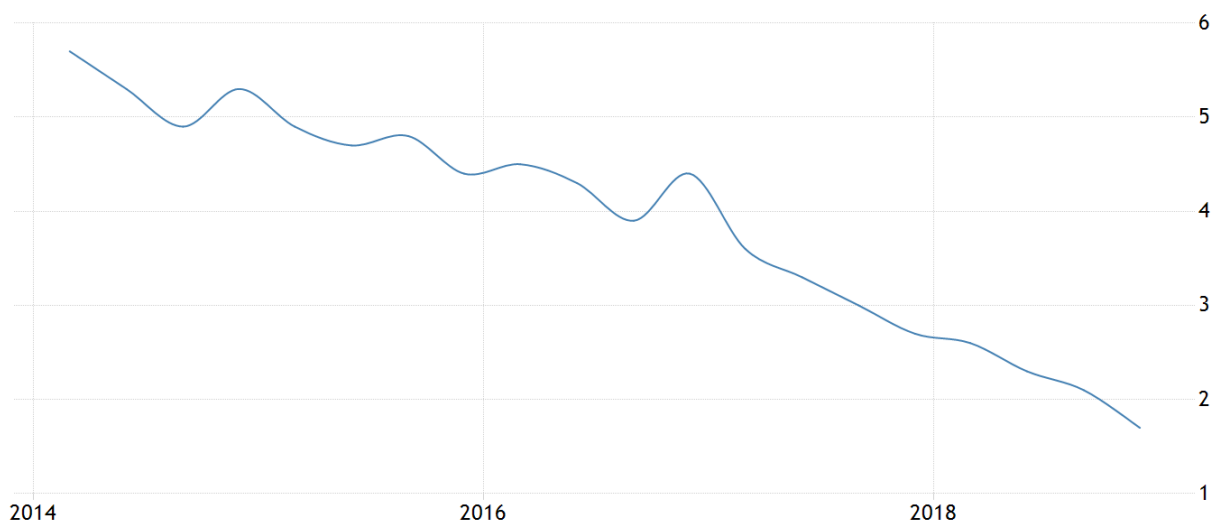
### 1.3. Definition of long-term unemployment in Slovenia

The definition of long-term unemployment in Slovenia is the same as the ILO definition - in this group, all unemployed persons who are registered (in Slovenia at the ZRSZ) for 1 year or longer are included.

## 2. Facts and data on long-term unemployment in Slovenia

In dealing with long-term unemployment, Slovenia is already carrying out many of good practices: It has a long-standing practice of profiling and, based on that, of providing early and more intense treatment to those at risk of becoming long-term unemployed. It also offers a rich menu of ALMPs (Active Labour Market Policies = Active Employment Policy) to the long-term unemployed, and coordinates the provision of employment, social and medical services to them.

**Figure 4: Development of the long-term unemployment rate in Slovenia between 2014 and 2019**



SOURCE: TRADINGECONOMICS.COM | EUROSTAT

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**Table 1: Overview of long-term unemployment in Slovenia, February 2019**

	SLO	
<b>Long term unemployed</b>		
February 2019	39,117	2.1%
<b>Share of long term unemployed in all unemployed (in %)</b>		
February 2019	48.4%	
<b>Structural characteristics of long-term unemployed</b>		
<b>Duration</b>		
12-23 months	13,317	Persons
very long term unemployment (2 years or more)	25,800	Persons
<b>Age</b>		
15-29 years	4,060	Persons
30-39 years	7,190	Persons
40-49 years	8,148	Persons
50-54 years	5,828	Persons
55 years or more	13,891	Persons
<b>Education</b>		
primary school or less	13,886	Persons
lower secondary school	11,055	Persons
high school or gymnasium	8,897	Persons
University	5,279	Persons
<b>Gender</b>		
Men	19,899	Persons
Women	19,218	Persons
Long term disabled unemployed	11,148	Persons

Source: ZRSZ 2019b

As shown above in Figure 4 and Table 1, the long-term unemployment rate in Slovenia is 2.1%, which means 39,117 persons count as being long-term unemployed. 25,800 of them are already unemployed for more than 2 years (66% of all long-term unemployed) and 11,148 are disabled persons with certain limitation to entering the normal labour market.

Among the long-term unemployed is an increase in the number of very long-term unemployed people, which means they have been unsuccessfully seeking work for 2 years or more. As predicted, most of the very long-term unemployed are those who have only primary education or lower education, while a tenth of them have tertiary education.

Long-term unemployment is most likely to include older people, people with lower education or technical secondary education (despite the largest number of vacancies they are not employed to the extent that they could have been), people with higher education (increasing the proportion of tertiary educated among the long-term unemployed) and people with the occupation for simple jobs.

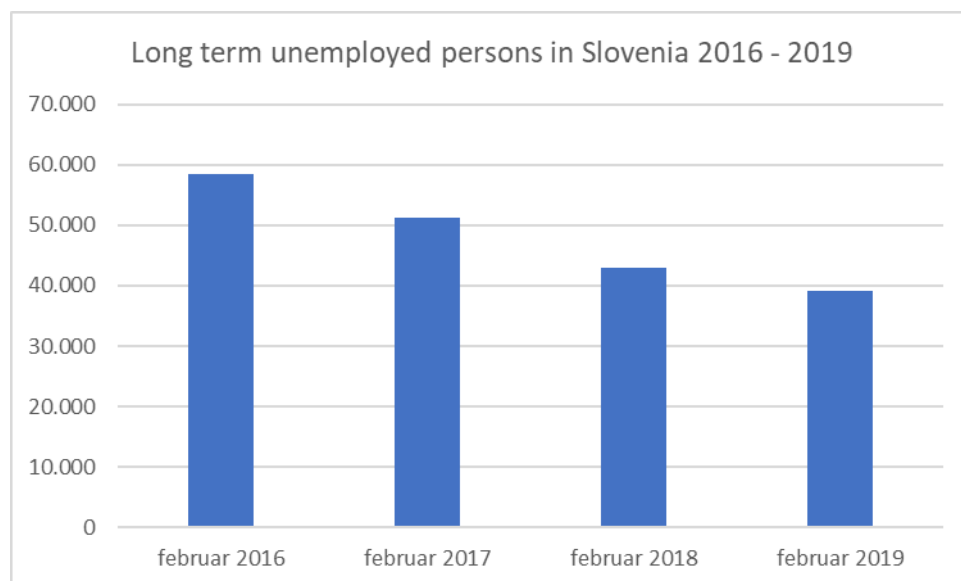
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In the structure of the long-term unemployed, the proportion of male and female jobseekers is approximately the same, with the percentage of males in the lead due to the economic crisis of 2008-2013 (wave of redundancies in the field of manufacturing, construction and transportation, where mostly men are employed). Before the crisis, more female than male were amid the long-term unemployed.

Regarding the development of long-term unemployment in Slovenia in the past few years, a decreasing trend can be observed (see Figure 5).

**Figure 5: Overview of long- term unemployment in Slovenia, February 2019**



Source: ZRSZ 2019b

### Treatment of Long-Term Unemployed Jobseekers in Slovenia (RS Ministrstvo za delo, družino, socialne zadeve in enake možnosti 2019)

Employment Service of Slovenia (ESS) provides its services according to a well-established schedule of activities. As usual in all OECD and EU countries, the jobseeker's journey begins with the registration with ESS. All registered jobseekers are assigned a personal counsellor. At the first intensive interview, counsellors classify jobseekers, with a consent from jobseekers, into three categories - directly employable, employable after additional activities, and employable after in-depth interventions (Slovenia thus uses a so-called "counsellor-based" profiling). The subsequent treatment is then agreed upon and recorded in an individual action plan - a mutually agreed document specifying goals and actions to be taken by the jobseeker, as well as and commitments by the employment service.<sup>6</sup> The scope of services offered ranges from counselling interviews and providing labour market information to referrals to various ALMPs, as well as, for jobseekers deemed more difficult to employ, offering intense counselling and other, specialized services.

The individual action plan is a rather flexible instrument, with its content largely depending on jobseeker needs. For "directly employable" jobseekers (those that are motivated and possess a right set of skills as well as the necessary know-how to conduct job-search activities) a "shortened plan" is made. For other jobseekers - those who are still unemployed four months after registration - an in-depth plan is also prepared.

Since the announcement of the EU Council Recommendation on the integration of the long-term unemployed, the ESS has intensified services to the long-term unemployed, including preparing a job-integration agreement once jobseekers pass 12 months of unemployment.

- First, in line with the persuasion of ESS counsellors that intensive counselling is the most effective way of helping long-term unemployed, the ESS improved and intensified individual meeting sessions with them. But there are limits to such efforts, as the number of jobseekers per caseworker is overwhelming, limiting the current frequency of meetings with long-term unemployed to 2 to 3 months.

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- Second, upon reaching 12 months of being unemployed (when a person is formally recognized as a long-term unemployed jobseeker), an in-depth re-assessment is carried out that includes the review of past activities and treatments of the jobseeker, as well as the examination of the motivation, job-search skills, and possible additional, yet unidentified obstacles affecting the successfulness of the job search. This re-assessment forms the basis for preparing a job-integration agreement, the task done no later than by 18th month within the unemployment spell.
- Third, the counsellors are trying to improve the quality of counselling to the long-term unemployed, among others by adhering to “work first” approach. To be more effective in helping the long-term unemployed, counsellors have recently undergone special training on this topic.

ESS counsellors rely on several means to identify jobseekers that are at risk of long-term unemployment, combining hard and soft criteria. The likely candidates for long-term unemployment are young people without experience, people with long inactivity gaps, persons of disappearing occupations, people with disabilities, older workers, and persons with health problems. Moreover, a strong determinant is the lack of adequate skills and competencies, as well as the presence of personal or motivational problems. The experience shows that often it is the combination of the above factors that leads to long-term unemployment.

The treatment of long-term unemployed is distinguished by three aspects:

- early treatment - prevention: efforts are focused upon early identification of likely candidates for long-term unemployment.
- the intensity of the search for solutions: such jobseekers are offered intense, individualized treatment addressing their identified barriers.
- networking: to find effective job-finding strategies, necessary connections are made to tap into resources of various areas.

In comparison to jobseekers that are more employable, the treatment of long-term unemployed thus differs in the following ways. As mentioned, to be able to concentrate its efforts on jobseekers at risk of becoming long-term unemployed, the ESS performs the profiling (see above). Once jobseekers are classified as being at risk of long-term unemployment, their access to services is provided earlier, and services offered to them are more intense as those offered to other jobseekers - in other words, their services are being “jumpstarted”. Moreover, in addition to job intermediation, they are immediately offered other types of services - for example, older workers and persons with disabilities are offered networking as well as “rapid dates” with employers, so as to increase their chances of employment.

It has to be emphasized that, in principle, the treatment of jobseekers - recipients of unemployment benefits does not differ from the treatment of non-recipients. The only exception is the “tacit agreement” that jobseekers who have been transferred to ESS system as a de-facto bridging arrangement for retirement are being “parked” (their registration in the ESS enables them to gather additional pensionable service needed to retire), and the same applies to jobseekers who are deemed no longer able to work (for example, those without a profession and having serious health problems).

Ill-health - a common problem experienced by the long-term unemployed - is a problem that is dealt with by various institutions, including the ESS. The identification of health problems is part of career counselling, and ill-health is typically recognized already at the stage of the preparation of the individual action plan but if not, then at the stage of the preparation of job-integration agreement (for example, on the basis of an interview with the client or materials requested by the ESS). In case health problems are identified, the ESS can invoke the measure of occupational health counselling (as stipulated by the Act on the Regulation of the Labour Market 8), whereby a physician assesses whether or not the health condition is important enough to prevent the jobseeker from searching for a job. If so, the person can obtain a special status either temporarily or permanently; in the latter case, the jobseeker is given a status of a person with disability and eligible for partial disability payments from the Pension and Disability Insurance Institute of Slovenia. Depending on the degree of the disability, they may still be required to register as unemployed (albeit with restrictions on the type of job they may be offered). Related to health problems are problems with addiction. Such conditions are difficult to detect as jobseekers do not want to reveal them; in cases where registered unemployed are



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also recipients of financial social assistance, the ESS works together with Centres for Social Work to find most appropriate and effective solutions.

While the division of responsibilities between the employment services (provided via ESS) and social services (provided by the network of Centres for Social Work) is well-defined in theory, in practice the coordination is often inconsistent and arguably ineffective. Slovenia is one of the countries where these two services are not unified, and thus two organizational networks of local offices co-exist. Able-bodied recipients of social assistance are obliged to report to the ESS and fulfil their job-search obligations in order to comply with continuing eligibility conditions for the receipt of social assistance, which is administered by the network of Centres for Social Work. The main form of formalised cooperation between the ESS and CSW are the commissions for the assessment of provisional non-employability, which decide on whether individuals should be temporarily exempt from the job-search requirement. Such committees meet on an ad-hoc basis to discuss individual cases; however, there is a lack of systematic coordination at the most decentralized level, e.g. between an individual's counsellor at the ESS and the social worker, which would facilitate stronger activation. Furthermore, local ESS offices and the CSW may sometimes be impeded by the fact that FSA recipients must register with the CSW located in their area of residence, whereas they are free to select an ESS office of their choice (e.g., in the region where they are seeking employment and which may differ from the local CSW where they are currently residing).

### 3. Economic sectors particularly challenged by long-term unemployment in Slovenia

In Slovenia, there is no specific economic sector with higher unemployment compared to others. A breakdown of economic activity by economic sector for the year 2018 is available in Table 2 below.

**Table 2: Breakdown of economic activity by sector in Slovenia, 2018**

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	4.8%	31.8%	62.5%

Source: World Bank: Slovenian economic outline, Economic Indicators (latest available data).

Slovenia has a skilled and productive labour force of almost 980,000 people out of its population of 2.08 million. The agricultural sector is declining. It employs around 4.8% of the population. Forestry is a key economic factor, with 66% of the land area forested and an annual production value of EUR 250 million to the economy (Santander Trade Portal 2019).

The industrial sector represents 28.77% of the GDP and 31.79% of the total employment in Slovenia. Historically, the dominant industries in Slovenia have been the forestry, the textile and the metallurgical industries. Since the 1980s, the mechanical industries (automobile, tool machines) and the high value-added industries (electronics, pharmacy and chemicals) have experienced rapid developments (cf. *ibid.*).

The services sector remains the most significant in the Slovenian economy. This sector, which currently represents 56.39% of the GDP and employs 63% of the total workforce, has shown a strong growth pattern over the last ten years, especially in the fields of information and communications technology (ITC), financial and commercial services as well as retail business. The tourism sector is very dynamic and is currently undergoing a period of strong development (3.5 million tourists in 2017) (cf. *ibid.*).

The increase in economic activity and optimism following the economic crisis (2008 - 2013) has boosted employment, and, as a result, unemployment levels have begun to fall steeply. There are fewer redundant workers and workers, whose temporary employment has come to an end as well as fewer young, first-time job seekers. Therefore, employers are faced with an increasing shortage of qualified workers.

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The following sectors saw the greatest increase in workforce in February 2019 compared to the same month previous year: construction, transport and storage and manufacturing (see Table 3) (EURES 2019).

**Table 3: Job vacancies available according to economic sectors in Slovenia, February 2019**

Job vacancies available according to	
Sectors	FEB 19
C Manufacturing industries	2,034
F Construction	2,761
Q Health care	1,106
G Trade	880
H Transport and storage	857
I Hotels and restaurant services	782

Source: ZRSZ 2019a

#### 4. Groups at risk of long-term unemployment in Slovenia

As explained in subsection 2, the long-term unemployed are divided into different groups on the basis of structural characteristics (ZRSZ 2019b):

- Duration of unemployment
- Age of the unemployed
- Education level of the unemployed
- Gender (plays an insignificant role, as the proportion between men and women is almost 50:50).

Table 4 provides an overview over the distribution of people at risk of long-term unemployment in Slovenia in 2018 based on the mentioned criteria.

**Table 4: Groups at risk of long-term unemployment in Slovenia, 2018**

Groups at risk of long-term unemployment	
<b>Duration</b>	
very long-term unemployment (2 years or more)	25,800 persons
<b>Age</b>	
55 years or more	13,891 persons
<b>Education</b>	
primary school or less	13,886 persons

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**SIV**

lower secondary school	11,055 persons
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Source: ZRSZ 2019b

Currently, there is a system of active employment policy in place to assist these groups (see Table 5):

**Table 5: Active employment policy measures in Slovenia**

Active employment policy measures (Public Employment Service)			
1. Training and education	2. Recruitment incentives	3. Job creation (public works and social entrepreneurship)	4. Self- employment promoting

Source: ZRSZ 2019a

Goals for active employment policies in 2019 (ZRSZ 2019a):

- budget: 91 million EUR
- 35% of the long-term unemployed will take part in active employment policies
- to find a job for 12,000 long-term unemployed persons.

#### Training and education

- The funds will be allocated for all disadvantage groups
- Goals: to improve employment prospects and skills levels

#### Recruitment incentives

- The funds will be allocated mostly for older and low educated
- Incentives for young unemployed with the focus on granting long term jobs
- Incentives for recruitment in regions with high level of unemployment

#### Job creation

- The funds will be allocated mostly for older, disabled persons and low educated
- Incentives for education and employment in social entrepreneurship

#### Self-employment promoting

- Stimulate self-employment for unemployed persons with business ideas
- Special focus and programs for promoting entrepreneurship among young and women

As an example, in the period January to April 2019, 3,682 of the long-term unemployed persons were participating in the programs of the active employment policies.

## 5. Potential target group of the Social Impact Vouchers program in Slovenia

### 5.1. General considerations concerning the target group of the Social Impact Vouchers

Based on the analysis, experiences and some preliminary meetings with potential stakeholders, the most suitable group for pilot testing the SIV program in Slovenia would be the **lowly educated long-term unemployed** group including:

- People with primary school or less (13,886 persons)
- People with lower secondary school (11,055 persons) (ZRSZ 2019b).

There are enough potential job seekers in this group in order to sufficiently test the SIV program and we also see the possibility to find some interested employers at the other end.

The main challenge in Slovenia will be finding potential investors.

### 5.2. Defining the target group of the Social Impact Vouchers

The main reasons for selecting the group of lowly educated long-term unemployed are as follows:

- The existence of motivation within this group to participate in the pilot project (readiness to collaborate and find a job)
- This group is interesting and attractive for stakeholders as well
- Re-integration into education programs
- Long-term prospect of successful employment.

An issue among unemployed is that the unemployment allowance they are receiving is not substantially lower than a minimum wage. This is often the reason why they are not willing to accept any jobs. This causes a risk that a share of this group will not accept any job offers regardless of the efforts made by means of the SIV program. Here, the Ministry of Labour should be involved in creating some changes within the unemployment policy.

#### Potential benefits from the SIV program

- *For job seekers:*
  - Getting training, education, improving specific needed skills
  - Getting permanent jobs
- *For employers:*
  - Employers, which are faced with an increasing shortage of qualified workers, can get new employees
- *For investors:*
  - social impact (social benefit)

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Based on experiences from some other projects linked to unemployed people, there need to be incentives for job seekers and employers in order to make the SIV scheme successful.

How could these groups be reached?

In a first step, we will attempt to get in contact with the following players:

- **Stakeholders:**
  - Zavod RS za zaposlovanje (public labour agency Employment Service of Slovenia )
  - Trade unions: ZSSS, Pergam
  - IER - Inštitut za ekonomska raziskovanja (Institut for economic researches)
  - Regional development agencies
  - Local Government Associations
  - Education institutions - Tretja univerza, ...
  - Employers organisations: ZDS, OOKranj
  - Združenje socialna ekonomija Slovenije (Association Social economy Slovenia)
  
- **Decision makers:**
  - MDDSZ (Ministry of Labour)
  - MGRT (Ministry of Economic development and Technology)
  
- **Financial stakeholders:**
  - Feelsgood - Impact fund
  - Združenje bank Slovenije (The bank association of Slovenia)
  - Slovenski podjetniški sklad (Slovene Enterprise Fund)
  - Služba vlade za razvoj in kohezijo SVRK (government office for development and European cohesion policy)
  - MDDSZ Evropski socialni sklad (Ministry of Labour - European social fund)

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Figure 6: Summary infographic of unemployment in Slovenia

