

Sustainability of Employment Using the Tools of Active Labor Market Policy

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Abstract—The government of each state strives for the decrease of the unemployment to the lowest level possible, and thus for achieving of the natural unemployment rate. Slovakia, after joining the European Union, also had to adapt to this trend and to develop even more effort for solving the issue of a high unemployment rate. One of the possible approaches to promoting the employment of people without work is the use of active labor market policy instruments. The tools are intended for enterprises and individuals and should encourage enterprises to create new jobs or individuals to show more initiatives. An example for Slovakia, as well as for other EU states, is represented by the Nordic countries. In these countries, the active labor market policies have been functioning for long years. In the paper, the approaches of Slovakia, Sweden, EU and OECD countries are identified and analyzed pertaining to the tools of active labor market policies in the context of sustainability. Based on the analysis of available foreign and domestic statistics, we found that Slovakia spends little finance on labor market policy compared to EU or OECD countries. Most of the resources are dedicated to passive labor market policy, i.e. unemployment support or early retirement, and only a minority of active programs. Slovakia has the most support for active labor market policy subsidies for enterprises and activation work for long-term unemployed, but attention has also to be paid to education that is under-funded in the long run.

Keywords—sustainability, unemployment, active labor market policies, tools

I. INTRODUCTION

In the labor market, as a consequence of multiple factors, there is an imbalance between the supply from the households and the demand from the enterprises, and this imbalance causes the emergence of unemployment. The unemployment represents a serious economic as well as social issue. The unemployment is a situation where the labor force is the untapped human capital of the citizens of the country. This brings significant financial losses to enterprises, individuals and the entire economy.

The experts from the field of economic theory and practice are still looking for such approaches and tools that would mitigate this problem the most and alleviate its impacts on the national economy. One of the possible approaches is the practical application of the tools of active labor market policies (ALMP).

The aim of the ALMP is to support the unemployed citizens in being able to find employment. The funding of the ALMP is thus one of the ways how to decrease the unemployment in the country.

When studying the unemployment [1] from 2004, Slovakia clearly stands out in a negative way when compared with other analyzed countries and the Sweden. After 2014, unemployment in Slovakia decreased as a result of increased sales in the automotive industry. By continuing to build motorways, production has also increased in construction. In Slovakia, the unemployment rate (6.6%) was approximately the same as in Sweden (6.3%) in 2018, which was below the EU average (7.0%). (Fig. 1).

Due to the rich experience with the APLM implementation and the comparable level of unemployment, we also specially selected Sweden for the comparison of APLM application, apart from the EU and OECD countries.

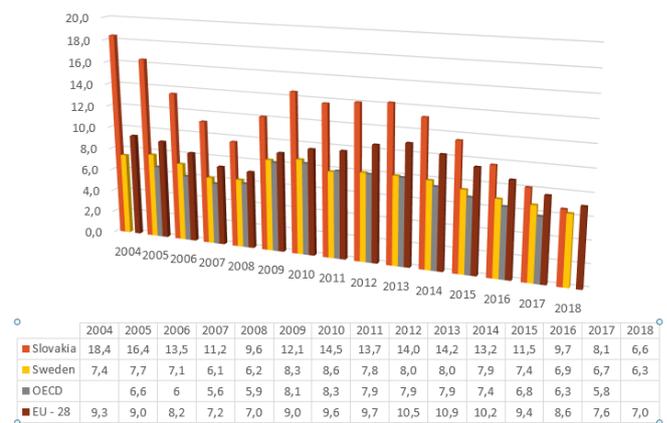


Fig. 1. The unemployment rate in Slovakia, Sweden, OECD and EU in % (2009-2018). (source: [1])

II. ACTIVE LABOR MARKET POLICY

The active labor market policy (ALMP) is the part of the labor market policies. Contrary to the passive labor market policy (PLMP) that is focused on the financial security during the periods when the income from the employment is lost, active labor market policies represent the programs and measures targeted towards the maintaining of the employment or repeated inclusion of the unemployed persons in the labor market. Their tools are designed both for unemployed persons and for employers, for enterprises. It follows that ALMP has not only a corrective but also a preventive function and it is also the focus on sustainability.

The Organization for Economic Co-operation and Development (OECD) defines the active labor market policies as the programs for the labor market that include all social expenditures (except those spent on education) focused on the improvement of the prospects of the receivers for finding a

gainful employment or on the increase of their ability to earn income otherwise. This category encompasses the expenditures on the public services of employment and the administration, training, special programs for the youths that are transiting from school into employment, the support of the unemployed, and the provision of special programs for the disabled people [2].

The decreasing of the unemployment is connected to the programs, initiatives and measures that need to be financed. International labor market policy statistics are conducted by both the EU and the OECD, but some data are only available to the EU, others to the OECD. For this reason, we used the EU and OECD comparisons in the article, although not always all the necessary data are available for comparison.

In the case of financing the expenditures on the labor market policy, there are significant differences in this field among the countries of the European Union. In 2016 (the last year of available international statistical data), the highest amounts of funds for the labor market policies were spent by countries such as France (66,449 mill. Euros), Germany (45,310 mill. Euros), and Spain (25,781 mill. Euros). On the other hand, Malta (44 mill. Euros) and Latvia (48 mill. Euros) were the countries with the lowest amounts of funds spent on the labor market policies.

The same situation repeats in the case of the active labor market policies. The highest amounts of funds were spent by France (21,031 mill. Euros), Germany (19,633 mill. Euros), and Spain (6,494 mill. Euros). The lowest amounts of funds were spent by Malta (33 mill. Euros) and Latvia (48 mill. Euros).

For the annual comparison, the indicator expressing the amount of expenditures on the employment policy in relation to the amount of the gross domestic product of the given country is more suitable. In the member countries, usually, the funding of the passive labor market policies exceeds the funding of the active ones. An exception is represented by Malta, Lithuania, Poland, Hungary, the Czech Republic, the Sweden. In Denmark, the dominance of the expenditures on the ALMPs in comparison with those on the PLMPs is the highest – 0.92% of the GDP followed by Sweden (0.62%).

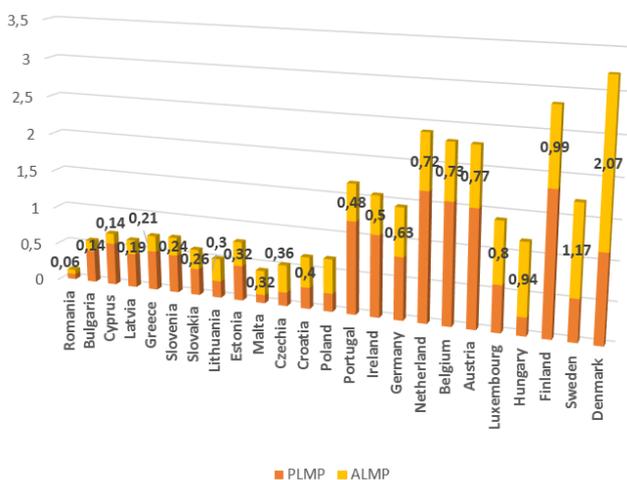


Fig. 2. The structure of expenditures on passive and active labor market policy (PLMP, ALMP) in the EU in 2016 (% of GDP). (source: [1], [6])

Using this indicator, the highest ratio of expenditures on the labor market policy and GDP among the EU countries in 2016 was achieved by Denmark (3.22%), France (2.98%) and Finland (2.84%). The worst situation was in Romania (0.13%), Malta (0.43%) and Lithuania (0.52%). The average of the countries of the European Union is 1.83%, but the latest published figures are from 2012. When it comes to the ratio of the active labor market policies, the best situation was in Denmark (2.07%) and Sweden (1.17%), and the worst in Romania (0.06%), Bulgaria (0.14%) and Cyprus (0.14%). The average of the countries of the European Union (2012) is 0.58% and Slovakia (0.26%) was placed in the 6th worst place in this rating. The structure of the expenditures on the labor market policy is depicted in Figure 2.

To compare and analyze the use of APTP tools, we chose Slovakia and Sweden, which achieved approximately equal unemployment in 2018, while at the same time being at the forefront of the APTP funding ranks among EU countries. In spite of the high influx of migrants, Sweden continues to keep unemployment low.

III. IDENTIFICATION THE ACTIVE LABOUR MARKET POLICIES TOOLS IN EU, OECD, SLOVAKIA AND SWEDEN

The active policies are being applied in a general practice via direct and indirect tools. The direct tools are being performed by the employment services bodies. Among these tools, there belong the reskilling courses, measures for the support of the disabled people, and the financial and material incentives necessary for the generation of job vacancies. The direct tools affect directly a particular demand and supply of a job post. The implementer of the active measures is represented by the employment services bodies in cooperation with other participants in the labor market. The scope of the tools is very large, while the unemployed participate in it to a great extent.

The indirect tools are also being denoted as the macro tools – determined for different segments of the market. They are the tax, fiscal and payroll measures and the measures of other policies that stimulate the growth of the demand for the work, or the decrease of the supply. These tools are the part of the economic policy of the given country [3].

APLM effects are different [4] and therefore each state has a different approach to the active labor market policies, which is exhibiting in the application of tools and in the implementation of the programs supporting the increase of employment. The selection of the programs and tools also depends on the state's situation and the options of investing the funds in the generation of new job vacancies.

A. The European Union and OECD

While implementing the ALMP tools in the practice, the countries or international communities can use various combinations of them, and these can change in time. The types and the combination of the tools, as they are classified by the OECD and the European Union, were also changing in time. Since 2005, both these economic institutions have been using a unified classification of the ALMP tools. There is a lot of different ALMP tools being implemented by the EU or OECD member countries. These tools can be classified into six categories.

Category 1: labor market policy services, covering the costs of the public employment service (PES) and all other publicly funded services for jobseekers. Counselling and job-search assistance are mostly useful for short-term unemployed.

Category 2: education (training) is usually found to have the strongest positive long-term effects, but it is expensive. On-the-job training, general programs and vocational training are all suitable but for different purposes. Studies show that general programs contribute to a better matching of skills, particularly after the first entry into the labor market, while (certified) vocational training programs (workplace-based or combined with school-based training) have been shown to be very effective in facilitating the transition from education to work

Category 3-4: job rotation and job sharing and employment incentives. There are subsidies to employers which are relatively costly and are typically targeted at the most disadvantaged groups, for whom other measures have proved ineffective.

Category 5: supported employment and rehabilitation, includes the measures with the aim to support the integration of people with the reduced working ability in the labor market via the sheltered and supported employment and rehabilitation.

Category 6: direct creation of job posts, there are targeted at the medium- and longer term unemployed to avoid perverse employment effects on the short-term unemployed. These are such measures that create the additional job posts, usually beneficial for the municipalities or beneficial in the social context, with the purpose to employ the long-term unemployed or to employ people that are difficult to deploy.

Category 7: start-up incentives are the subsidies for the start of the self-employment [5], [6].

B. The Slovak Republic

The active labor market policies are determined in the Act on the Employment Services n. 5/2004 Coll. as amended [7]. The Ministry of Labor, Social Affairs and Family is the central body of the state administration for the employment strategy, its coordination and the creation of the employment policy. The practical implementation of the ALMPs is being performed via the Central Office of Labor, Social Affairs and Family (COLSAF) and its regional offices. At present, a wide range of tools, the so-called active labor market measures (ALMMs) is being applied in Slovakia. These are divided into five groups, while each group has the appertaining funds defined in the Act on the Employment Services.

1. The allowances for the citizen are the allowances that shall motivate the unemployed citizens to look for a job post or to start making business independently.
2. The allowances for the employer are being provided for the employers to support the creation of new job vacancies, to support the employment of a disadvantaged job seeker, or to support the maintenance of the existing job posts.
3. The education and training for the labor market (reskilling)

- Reskilling: the reskilling represents the training of the job seekers for the deployment in the labor market with the aim to gain the theoretical and practical knowledge, skills and abilities in the selected accredited education course that is conducted by the provider of the reskilling.

- Programs of the education and training of a job seeker for the labor market: this is the theoretical or practical training of the job seeker which will help him to be deployed in the labor market more easily. This education is being provided by the COLSAF or on the own initiative of the job seeker.

- Programs of the education and training of employees for the labor market: these programs are being conducted by the employer for the further employment of his employees.

4. Programs of the support of the employment of persons with disabilities – these are the subsidies being provided for the establishment of a sheltered workshop or a sheltered workplace where the people with disabilities are employed, or for the reimbursement of the operating costs of such workshop. Besides this, the employment of the people with disabilities is being supported by the subsidy for the work of a work assistant or by the subsidy for the maintenance of such citizen in the employment.
5. Allowances for the activation activity – these are the allowances being provided for the performing of the activation activity in the form of smaller municipal services for the municipality, or in the form of smaller services for the self-governing region. Besides this, it is possible to provide the allowance for the performing of the activation activity in the form of a voluntary service. During the performing of this activity, the job seeker provides help in the care of the unemployed persons, immigrants, drug addicts and other addicts, as well as in the case of natural or ecologic disasters [8].

The aim of the activation activity is to maintain the working habits of the long-term unemployed citizens. The aim of all of the active labor market policies tools is to help to create the balance in the labor market and to utilize the workforce efficiently.

C. The Kingdom of Sweden

Sweden is a country in which the application of active labor market policies tools has a long tradition. These measures started to be applied there as early as in the 1960s. In the 1980s, the most important types of programs were: the measure pertaining to the qualification, the measure pertaining to the finding of a job, and the allowances for the initial training. At the beginning of the 1990s, the unemployment was rising together with the number of people participating in the ALMPs, which supported the number of different types of programs strengthening the individualization of the ALMPs. The programs led mainly to the integration of elements of qualification based on the work experience. These were the programs of job rotation where the employees were being trained for various positions in the enterprise. Then there were the programs focused on the practice where the long-term unemployed were working in the public or private sector for a

certain period. Later, the training measures were established, combining the qualification and work experience. Since 1995, the programs related to computers have been operational, where the unemployed work with the information technology [9].

Since 2015, the Swedish government has been engaged in the decreasing of the unemployment mainly via the initiative in the following fields that are being implemented via various specific programs:

1. Work for the young people

- The trainee work opportunities for the young people – designed for the people between 20 and 24 years of age, 50% are created by the employment and 50% are created by the vocational education and training.
- Educational contracts for the young unemployed people – the return to the studying of people between 20 and 24 years of age, leading to a higher education.
- Support of a local cooperation against the unemployment of young people – it is important that the young people are engaged in work, therefore various companies and self-governing regions are being addressed with the possibility of helping to fight the unemployment of young people.
- Full utilization of the EU resources for the employment and the initiative of national social funds – since the unemployment is still high and Sweden wants to continuously decrease it, the next tool is the maximal utilization of the EU resources and other funds so that the unemployment of the risk groups of people is continuously decreasing.

2. Modern working life

- The investment in the working environment for the modern and sustainable working life – during the last two decades, the number of people getting an occupational disease or being injured in work has risen. The government decided to solve this via the investment in the working environment which has been changing and acquiring a global structure during the past years.

3. Active labor market policies

- The increase of the maximal limit of the unemployment benefits – the government decided to change the level of the daily allowance for the insurance, which indicates the security of the individual in the case of unemployment.
- Extra work – the government is in the third phase with this tool when the participants will be offered the positions in the main fields of the social care. These positions will be for a long-term employment for the 75%; the rest of the time will the participants dedicate to studying (such support will be available for 12 months, with a possibility to prolong it for other 12 months).

- The initiative of educating the adults – this is oriented on the support of education in the form of short-term courses with the maximal duration of 1 year when the unemployed shall fulfil the employers' requirements and become competitive in the labor market via this.

- The increase of funds for the Swedish Public Employment Service – the government passed a reform for the Swedish Public Employment Service for the development and modernization. This service mediates the work for people that are seeking it.

4. Additional package

- The additional package is mainly focused on the immigrants and incomers that are coming to Sweden. Sweden is very actively engaged in the adaptation of incomers; therefore, the following pro-incomers programs are focused on their inclusion.

- The initiative of a sensitive society for enabling the new citizens to gain income – the incomers should get into contact with the Swedish that are willing to share their knowledge and experience, which will help them to adapt. The government also prepared a plan on how the society can play an important role in the acceptance of the incomers.

- Increase of the compensation for the self-governments (Sweden for immigrants) for the people living in the accommodation centers – this compensation pertains to the people with the allowed stay, living in hostels of the Migration Board. It is important that the incomers can engage in the SFI while they are waiting for the initiative from the civil society.

- Funds for the growth of the capacity for immigrants – it is important to increase the possible capacity of acceptance of the refugees, to develop the cooperation, but also to facilitate the process of adaptation of refugees into the society.

- Acceleration of the adaptation of new citizens – the government wants to work with the social partners and offices so that they identify the possibilities of the best choice for the refugees in relation to the education and acquiring of experience in the short time for them to be able to faster adapt to the companies' needs.

- The pilot scheme of the accommodation centers – the government wants to assign the Swedish Public Service the task of creating a pilot scheme of tests that will measure the capabilities of the incomers while they are staying in the accommodation facilities of the Migration Board. It is substantial that the time the incomers spend in the accommodation facilities is utilized in the best way possible, helping with an early inclusion in the labor market.

- The review of the compensations for the self-governments – all of the Swedish self-governments and offices must take the responsibility for the acceptance of refugees and incomers. They must create stable conditions and a plan of activities.

5. Labor Market

- More places in the programs – it is one of the government’s goals to create more places in the programs of the labor market. The capability of the Swedish Public Service of Employment shall offer the places in the programs already during the initial phases of unemployment of the individuals.
- Stricter requirements for the acquiring of the job – the state of the collective agreements must be protected and the persons working within the new regime must be entitled to the protection of employment given in the collective conditions [10].

The listed developed states of the European Union represent different approaches to the solving of the unemployment. In the countries of the European Union, an emphasis is being put on the transition from the passive policy focused on the ensuring of the income during the time when an individual is unemployed towards the active policy with the aim of keeping the worker in the labor market. There is a substantial change in the perception of the approach from the solving of the unemployment issue to seeking the tools for the support of employment.

IV. STRUCTURE OF EXPENDITURES ON THE ACTIVE LABOR MARKET POLICIES

Slovakia spent an average of 0.26% of GDP on ALMP in the monitored period 2004-2016. This is approximately half the average annual expenditure of OECD countries (0.53%) and about 1/5 of the Swedish average (1.36%). This is a very low amount of funds, given that in this period there was also a relatively high unemployment rate in Slovakia (Fig. 3).

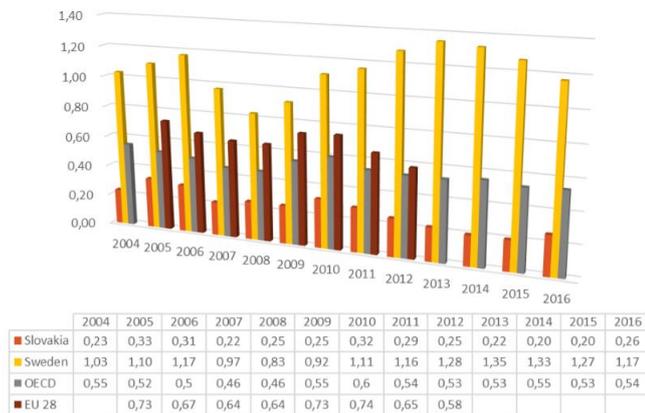


Fig. 3. Public expenditures on active labor market policies in % of GDP (2004 - 2016). (source: [1])

Slovakia tries to decrease the unemployment, especially the long-term one, also via active labor market policies, which lead to the improvement of access of the unemployed to

employment. However, in the Slovak Republic, more funds are being spent on passive labor market policies.



Fig. 4. The course of the expenditures on active labor market policies in Slovakia in millions of Euros (2004 - 2016). (source: [6])

The lowest expenditures on active policies were recorded for the first year of the studied period, in 2004, with the value of 56 mill. Euros. The highest expenditures were in 2010 with the value of 228.5 mill. Euros, which is related to the dealing with the impacts of the economic crisis in 2008. Since then, APTP spending has fallen steadily. The government has been more focused on providing investment incentives to foreign investors who have created new jobs (Fig. 4).

At the beginning of the studied period, in 2004, the highest expenditures were on the support and maintaining of the income during the unemployment, and on the support of start-ups. At the end of the studied period, in 2016, the biggest part of the expenditures went to the support of the employment and sheltered workshops.

In relation to the expenditures on active labor market policies in Sweden, the most attention is paid to the support of employment. The highest value was reached in 2013 (5722.5 mill. Euros). This service is being performed by the Swedish Public Employment Service (PES). The Swedish PES is divided into 68 regions of the labor market. This division is based on the commuting patterns of the employees and on the regional preferences of a company in relation to the hiring of new employees. The expenditures are targeted mainly towards the aid in seeking suitable job posts for the job seekers (Fig. 5).

The expenditures on ALMPs in Sweden were studied also for the years of 2004 till 2016. They are significantly influenced by the unemployment rate in the country. This considerably increased in 2008, which was caused by the effects of the economic crisis. In the same year, the increase of expenditures on active labor market policies was recorded as well. The expenditures on active policies exceed those on passive policies. The highest amount of funds was spent on the creation of new job vacancies [10], [11].

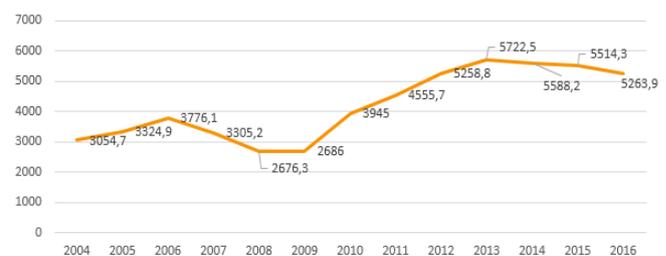


Figure 5 The course of expenditures on active labor market policies in Sweden in millions of Euros (2004 - 2016). (source: [6])

Since 2008, spending on APTPs has grown significantly, which may be caused by the crisis, but also by the fact that the Liberal Law on Migration [12] has been in force since this year, bringing a large number of immigrants to the labor market. It is not enough to monitor the development of APLM spending, its structure is important. Sweden and Slovakia spend most of their funding on subsidies for enterprises to create and maintain jobs (category 3-4). In Slovakia, it is primarily about financing activation work. Several authors note that the activation work is the least effective [13]. In 2016, Sweden wanted to focus on the investment related to the overcoming of the long-term unemployment, the people with disabilities that have a decreased ability to work, faster deployment of newcomers, a better income in the whole country, support of the employment of young people, modern working life [10], [11].

In OECD and EU countries, it is the most supported training and counselling services for the unemployed (category 1 and 2). Education and retraining is currently financed by Slovakia at least as long as it can be seen as a significant lack of APLM implementation. According to many studies and research, educational programs have significant long-term positive impacts on the labor market and the whole economy (Table 1).

TABLE I. THE STRUCTURE OF EXPENDITURES ON THE ALMP IN % OF GDP (2016)

Category/ country	PES and admini- stration (1)	Train- ing (2)	Employ- ment incenti- ves (3-4)	Shelter ed and support ed employ- ment (5)	Direct job crea- tion (6)	Start- up incenti- ve (7)	Total ALMP (1-7)
Slovakia	0.05	0.01	0.12	0.04	0.02	0.01	0.26
Sweden	0.27	0.13	0.50	0.26	0.00	0.01	1.17
OECD	0.13	0.13	0.10	0.09	0.07	0.01	0.54
EU 28 (2012)	0.17	0.17	0.09	0.08	0.04	0.03	0.58

Source: [1]

Based on the facts listed, it can be stated that at a relatively high unemployment rate, Slovakia spends up to twice the amount of funds on passive labor market policies in comparison with the active ones. According to a regression analysis performed by Tvrdň [14], within the conditions of the European Union members, the expenditures on ALMPs significantly lower the unemployment rate. The expenditures oriented on the employment services, as well as the education programs, have a decreasing tendency.

V. CONCLUSIONS

The unemployment is an issue which each state tries to solve. To make the unemployment rate the lowest possible, states spend also some funds on the tools of active labor market policies. The active programs can improve the effectiveness of the creation of job vacancies via the transfer of information on job opportunities and via building of relationships between the employers and job seekers. They can fill the gap when the employers or workers invest in the professional training as a consequence of various failures of the market, and they can mitigate the impacts of the economic recession via providing the workers with a temporary employment or creating the incentives for the employers to create new job vacancies.

It is also necessary to mention that the European Commission devised a strategic document called the Europe

2020 Strategy. In it, there are entrenched the main attitudes of the European Union, among other things, to the solving of the unemployment issue. The Europe 2020 Strategy represents a complex vision of the market economy and a strategy of the economic growth of the member states of the EU till 2020. The aim is to eliminate the impacts of the economic crisis, but also to create a certain model of growth of the market economies of the member states of the EU. The strategy is focused on five main goals. One of them in the employment area is to ensure the employment at the level of 75% within the age group between 20 and 64 years.

Besides the goals in the area of innovations and research, social security and poverty, energetics and environment, there is also an emphasis on the education that would lead to the decrease of poverty. A way to achievement of these goals should lead via an intelligent, inclusive and sustainable growth. The task for the member states is to apply these goals into the countries' policies [15].

The priorities of the Europe 2020 Strategy are transformed at the national level into the National Programs of reforms and into national strategies. In Slovakia, the National Strategy of Employment was elaborated, based on 8 basic fields: support of the creation of job vacancies, innovations as a tool of the support of employment, development of social economy as an innovative tool of the support of regional and local employment, flexibility of working relationships, working conditions, occupational safety and working culture, effective solution of the long-term unemployment, capacities, networking and development of public employment services, support of the supply side of the labor market via qualifications for better employment, above-department coordination of policies with a positive impact on employment [16].

However, there is also an important fact that the achieving of all main goals of the Europe 2020 Strategy directly or indirectly influences the field of support and growth of employment. The basic principles in the field of support of employment in the EU include flexible and reliable working contacts, broad system of life-long education, modern system of social security, and the effective active labor market policies.

Slovakia spends little finance on labor market policy compared to EU or OECD countries. Most of the resources are dedicated to passive labor market policy, i.e. unemployment support or early retirement, and only a minority of active programs.

Slovakia has the most support for APLM subsidies for enterprises and activation work for long-term unemployed, but attention has also to be paid to education that is under-funded in the long run. At the same time, there is currently a shortage of skilled labor in enterprises, and the automotive industry is starting to employ foreigners from Serbia, Ukraine, Romania. Citizens from these countries are at higher pay to raise their standard of living [17], but their level of education is mostly low.

At the present period of globalization, the education as a form of investment in human capital represents an ideal platform for the improvement of position of the unemployed on the labor market in the long term as well [18].

As a tool with positive impacts on the labor market, education programs and unemployment services are the most common [19], [20]. Learning programs have long-term effects [21], [22]. Also, educational programs are considered the most effective [23]. Education helps to increase the value of human capital and to prepare a flexible workforce for rapidly changing labor market conditions.

Of course, it is important that labor market actors do not only rely on state initiatives [24]. A bigger initiative is also expected from individuals and enterprises. Individuals as human capital bearers should themselves demonstrate more initiatives in finding and using tools to increase the value of their human capital as they improve their labor market situation.

In the case of enterprises, it is important in terms of their performance [25]: the recruitment of employees, appropriate access to employees [26]–[28], correct motivation [29,30], stimulating business culture [31], [32] people have been able to adapt quickly to new working conditions and not to increase fluctuations.

This is of course also influenced by the quality of teaching and access of lecturers [33], the suitability of the methods used [34], or the use of technologies that support the education of disadvantaged people in the labor market, for example people with disabilities [35], [36].

The aim of the article was to identify and analyze approaches to the use of APLM tools in Slovakia, Sweden and the EU and OECD countries. At the same time, we pointed out the shortcomings, reserves and possible ways of financing APLM in Slovakia in order to support the sustainability of employment in the long-term.

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