

K1.1. Public works programmes in Slovakia

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In Slovakia, long-term unemployment is at a similar level as in Hungary: in 2012, it amounted to about 20 per cent of the working age population. Long-term joblessness is especially high among the uneducated: in Slovakia 61, while in Hungary 49 per cent of these were permanently unemployed.¹

In the past twenty years, the Visegrad countries

have used quite similar policies to tackle long-term unemployment, but centrally organised, state supported public works programmes have only reached a significant size in Hungary and Slovakia. *Table K1.1* summarises the magnitude of public works programmes, while their institutional characteristics are summarised in *Table K1.2*.

Table K1.1: Participants and spending on Public Works Programmes and PES staff in 2012

	Poland	Czech Republic	Slovakia	Hungary
Average number of public workers (head)	24,702	6,669	54,968	92,412
% of the registered unemployed	1.1	1.3	13.2	14.2
Government expenditure (million euro)	40.4	27.4	51.1	245.0-455.3*
Government expenditure (% of GDP)	0.01	0.02	0.07	0.22-0.47
Government expenditure on public employment agencies** (% of GDP)	0.08	0.11	0.07	0.12

* The higher value is the official one, the lower value was adjusted to be comparable with the Slovak figure: the latter excludes taxes and social security contributions paid on public works wages and exclude the potential cost of benefits as well, assuming that public workers would all be eligible for benefits.

** Job search assistance and administration pertaining

to benefits and services.

Note: The data from Poland include public works and “socially useful work” (*odbywający prace społecznie użyteczne*) programmes. The data from Slovakia are from December 2012.

Source: Eurostat online, *Mýtina Kureková et al.* (2013) p. 27. *MPIPS* (2012), *Scharle* (2014a).

Governments have used large-scale public works programmes in Hungary and Slovakia since the mid-2000s, partly for the retention of work capacities and stimulation of active job search, partly for the mitigation of poverty. In both countries, there may have also been latent political aims beside the officially declared ones, such as the appeasement of the working poor and of the middle class receptive to prejudice towards benefit recipients (among them Roma), as well as the mitigation of social ten-

sions in disadvantaged villages (*Guy-Gabal*, 2012, *Scharle et al*, 2011).

By 2012, the number of public works participants have reached an unprecedented size (13–14 per cent of the long-term unemployed). However, due to some differences in the regulations, the Slovak programme costs significantly less: the government allocates 0.07 per cent of the GDP from the central budget as opposed to 0.22 per cent in Hungary (*Table K1.1*). In the case of Slovakia, this is roughly equivalent to the amount the government spends on public employment services, while in Hungary, it is almost twice as much. The significant difference in the costs is largely attributable to the fact that the public workers in the Slovak system are not paid wages, but only a supplement (which is lower than the difference between the public worker wage and benefit in the case of Hun-

¹ Calculations for the 15–59 age group by Anna Orosz and Flóra Samu, based on European Labour Force Survey (EU LFS) data for 2012. The uneducated were defined as having completed maximum lower-secondary education, the long-term unemployed were defined as non-employed (either unemployed or inactive) at the time of the interview and one year earlier.

Table K1.2: Design of public works programmes in 2013

Programme	Hungary	Slovakia
Explicit aims	Activate the unemployed, prevent losing contact with the labour market, prevent loss of work habits, provide temporary relief to alleviate poverty	
Latent aims	Appease population that social assistance recipients, many of whom are Roma, have to work in order to receive support. Discourage black work	
Who can participate?	All registered unemployed, also rehabilitation allowance recipients	Only minimum income benefit recipients
Do participants stay on the unemployment register?	No	Yes
Working time per week	20-40 hours	10-20 hours
Maximum duration (month)	11	18, renewal after 6 months (for municipal contracts)
Compensation of public workers	Wage	Higher benefit (activation allowance)
Is it insured?*	Fully (P, H, A, U)	Partly (H)*
Who pays the compensation of workers?	Central government reimburses employer via PES (up to 100% of wage costs)	Central government pays the higher benefit via PES
Who pays the other costs (organisation, materials, etc)	Employer but managers can be public workers, subsidies are available for other costs	Organiser**
Supervision of use of government subsidy	Very weak	Weak

* Participants are covered by pension (P), health (H), accidents (A) and unemployment (U) as well. Unemployment insurance would imply that they can earn eligibility for insured unemployment benefit after a certain period of public works. In the Slovak case the entitlement for health insurance is based on

registered unemployed status not on participation in public works. LTU = long-term unemployed, PW = public works, SUW = socially useful work.

** In most cases this is the local government, but can also be the PES, in which case other costs are covered by the central budget.

gary) to their benefits and organisational costs are usually financed by the local municipalities.

In both countries, impact assessments conducted up to now have found that these large-scale public works programmes are not able to decrease long-term unemployment, but provide temporary relief to jobless households and may also help reduce social tensions at the local level (see the main text of this chapter, *Harvan, 2011, Duell–Mýtina Kureková, 2013*). Moreover, since the budget allocated for employment programmes is sparse, there are fewer resources for potentially more effective programmes, such as training.

According to international evidence, public works programmes can also decrease participants' chances of re-employment (see the main text of this chapter). This may arise, for instance, from the so-called lock-in effects. These may occur when job-

seekers can expect to be recalled on public works, as some may tend to take less effort to look for a job in the open labour market. The intensity of job search can also be decreased by the fact that in public works participants have less time to look for permanent and regular work, or they cannot attend a job interview.² In the Slovak case, the latter effect is slightly smaller, since public workers can work a minimum of 10 and a maximum of 20 hours a week. As of January 2014, this has been slightly modified to 64–80 hours per month (which is approximately 15–19 hours per week).

The opportunity for corruption is lower in the Slovak system. Since public workers receive a benefit (not a wage), this is paid directly to them by the

² Obviously, this effect is only significant in those regions where there are plenty of available jobs.

public employment agencies, without the involvement of municipalities. Thus there is no such incentive that, for example, the municipality might make the participants sign for more work days than they have actually worked and keep (or share with participants) the reimbursement received from the central budget. However, in both countries there exists an unlawful practice whereby municipalities increase their access to resources by replacing their employees in unskilled occupations (for instance, cleaners or kitchen assistants) by public workers (*Brutovská, 2006, Farkas et al, 2014*).

The incentives leading to the continuous enlargement of public works programmes are smaller in the Slovak case. This is because public workers are not removed from the unemployment register, but continue to receive a social benefit, which is not

paid by the municipality, but the local public employment service. By contrast, in the Hungarian system, it is the municipalities which pay the wages of the public workers, and authorities check the use of sources only sporadically. As a result, local municipalities have a strong interest in organising public works and expanding the available budget. Moreover, in contrast to the Slovak system, public workers improve statistics in two ways: they decrease the number of the registered unemployed, and increase that of the employed. This means that any attempt by the central government to cut spending on public works programmes is likely to be met by a strong opposition from mayors, and will additionally attract bad publicity, since a mass layoff of public workers will immediately increase registered unemployment.