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Public Employment Services, and Activation Policies

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Abstract

One of the responses to new challenges in the labor market has been the development and expansion of employment services and active labor market policies based on activation principles. The objective of this study is to document and review international experiences, predominantly from selected emerging market economies and developing countries, with the design and implementation of activation programs, provided by Public Employment Services, through the prism of incentives and sanctions. Employment promotion legislation from the reviewed countries is a major source of information. Participation of beneficiaries in relevant services and programs is also analyzed. The study finds that the countries use a variety of instruments, be it specific employment services, active labor market programs, or benefit and other sanctions, to “activate” jobseekers with an aim to encourage them to become more active in their efforts to find work and/or improve their employability. In practice, the activation policies vary considerably across countries.

JEL classification: H53, J21, J64, J68

Keywords: activation policies; incentives; sanctions; employment services; active labor market programs; unemployment benefits

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Abbreviations and Acronyms

ALMPs	Active labor market programs
AMCs	Arab Mediterranean Countries
CEE	Central Eastern Europe
CIS	Commonwealth of Independent States
CTC	Competences Test Center
CV	Curriculum vitae
ECA	Eastern Europe and Central Asia
EC	European Commission
ESA	Employment Service Agency
EU	European Union
FYR	Former Yugoslav Republic
GDP	Gross Domestic Product
ICT	Information and communication technology
ILO	International Labor Organization
LFS	Labor force survey
LMP	Labor market policy
MENA	Middle East and North Africa
NGOs	Nongovernmental organizations
OECD	Organization for Economic Cooperation and Development
PES	Public Employment Services
SMEs	Small and medium-size enterprises
WAPES	World Association of Public Employment Services
WPM	Worker Protection Measure

Introduction

As countries emerge from the financial crisis there are growing demands for advice regarding the design of policies and programs that can facilitate access to jobs and reduce dependency. Part of the concern is about reactivating individuals who have lost their jobs as a result of the economic downturn (some of whom avail of unemployment benefits) and helping new labor market entrants find jobs. But there are also concerns about how to improve the labor market and earnings opportunities of beneficiaries of welfare programs.

One of the responses to new challenges in the labor market has been the development and expansion of employment services and active labor market policies based on activation principles. In particular, welfare reform legislation in the United States (US) in 1996 and the Luxembourg Employment Guidelines adopted by the European Union (EU) in 1997 were key events defining the vision of such policies whereby benefit recipients are expected to look actively for work or participate in a program to promote their job prospects (OECD 2005).

“Activation policies” encourage jobseekers and other vulnerable groups to become more active in finding work and/or improving their employability, including investing in their own skills (see for example, OECD 2007).¹ The essence of activation is in many countries increasingly based on the principle of “mutual obligations.” The principle states that, in return for receiving income support (unemployment benefits and other related entitlements or social safety nets) and being offered a range of (re-)employment services, individuals must commit and comply with a set of eligibility requirements (for instance, active jobsearch behavior) and participate in training or other (re)employment programs. So, in order to ensure effective assistance, income support should be accompanied by an appropriate set of rights and duties.

The activation programs discussed in this study encompass actions at the local level by the public employment services (PES) and other government agencies (such as those providing social assistance) targeted at people of working age either to (i) incentivize and help individuals find jobs (when unemployed or inactive) or (ii) help individuals access better jobs (when

¹ Employability is a concept referring to terms used to assess the ability of a person to access a job. This concept is one element in the European Employment Strategy first adopted by the EU Member States in 1997.

underemployed or working in very low-productivity and low-paid activities) (see Almeida et al. 2012 for details).

Activation policies often take the form of incentives and sanctions. The incentive structure encompasses a broad range of features, from the rules for early registration to related activation and monitoring measures to eligibility rules for benefits and other entitlements (21 different benefits and entitlements in the reviewed countries were identified). Sanctions also take various forms, from non-granting of the unemployment insurance benefit to exclusion from the roster of unemployed. We have identified seven different forms of sanctions; their imposition largely depends on the institutional capacity of PES to monitor the activities of jobseekers and enforce rules and regulations.

The objective of this study is to document and review international experiences, predominantly from the emerging market economies and developing countries, with the design and implementation of activation programs through the prism of incentives and sanctions embedded in employment promotion legislation.² The participation of beneficiaries in relevant services and programs is also analyzed, as much as the available data allow. The data on program beneficiaries are mostly from the countries in Eastern Europe and Central Asia (ECA).

Sources of information for this report include, *inter alia*, employment promotion laws and relevant policies in the reviewed countries, and studies conducted by the Organization for Economic Co-operation and Development (OECD), the European Commission (EC), and the World Bank (the Bank). It should be noted that actual practices might deviate from what is written in the law since the PES may lack the ability or the resources to enforce the law.

More broadly, the target groups for activation policies are those persons who are registered by national public employment services as jobseekers, be it unemployed jobseekers or jobchangers, or persons who are currently employed but at risk of involuntary job loss due to

² Employment promotion legislation from the following countries was available to us: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Kyrgyz Republic, Estonia, Hungary, Republic of Korea, Latvia, Lithuania, Malta, Moldova, Mongolia, Montenegro, Morocco, Peru, Russia, Serbia, Slovakia, Slovenia, South Africa, Tunisia, Ukraine, and Uzbekistan.

difficult economic circumstances for their employer. Certain incentives but also sanctions have been established for employers participating in programs financed by PES.

Activation of jobseekers is a labor intensive activity. Moreover, activation policy interventions should be tailored to the needs of the labor market and jobseekers themselves. The composition and level of unemployment vary significantly depending on the country. What makes the policies challenging is that client groups are heterogeneous, with many “special cases.” Several major groups of jobseekers are especially difficult to employ, including, among others: (i) the long-term unemployed; (ii) youth; (iii) those with low levels of education, and with only general education (e.g., without vocational/professional skills); and (iv) those representing national minorities. In many countries, these groups form the major part of registered unemployment. Many of these jobless have no qualifications; they may have multiple employment barriers, including cognitive and health-related barriers, and difficult home lives (e.g., lack of transportation, many children, childcare problems, domestic violence).

Individuals may face many other constraints preventing their access to productive employment. These may relate to lack of the right skills set, information gaps, working capital constraints, or mobility constraints. Most often individuals face not one but rather multiple constraints (for the typology of barriers and constraints to work, see Almeida et al. 2012).

De facto, a significant portion of the long-term unemployed, if not working informally, have completely lost touch with the labor market. Some prefer to become inactive rather than having to participate in labor market programs to comply with activation policy requirements. Given the often-weak enforcement capacity of PES in implementing activation measures, reaching and monitoring these groups are especially problematic.

Nevertheless, the main target groups for activation programs are recipients (or claimants) of income-replacement benefits that are conditional on availability for work. In the reviewed countries, many incentives and sanctions associated with participation in employment services and alternative labor market programs (ALMP) have been established for jobseekers who may have access to entitlements other than unemployment benefits (e.g., health insurance or social

assistance) or for persons with no entitlements at all, such as, first-time jobseekers or the long-term unemployed.

Not all the countries with PES have unemployment benefit schemes that limit the scope of activation policies. According to the Doing Business Worker Protection Measure (WPM) 2012 survey, out of the total of 176 economies in the sample, only 86 have contributory unemployment benefit schemes; 33 economies have non-contributory arrangements to provide unemployment protection to workers not covered by the general provisions (unemployment assistance schemes), all of which have unemployment insurance in the first place.

The presence of unemployment benefit schemes is strongly related to the level of development. Out of 32 low income countries screened by the WPM survey, only Kyrgyz Republic, Liberia, Malawi, Nepal, Tajikistan, and Tanzania provide unemployment insurance; Tajikistan also has an unemployment assistance scheme. Among the lower middle income countries, 74 percent do not have an unemployment insurance scheme. In contrast, 79 percent of the high income countries and 62 percent of the upper middle income countries feature some unemployment benefit system.

In middle and low income countries, the design and implementation of activation programs face two other challenges. One is the fact that very few of the unemployed are registered in employment services and receiving unemployment benefits. But even among those countries that have implemented unemployment benefits schemes, take-up rates are often small. The other problem in most of the reviewed countries is that employment services and active labor market programs are, in general, underdeveloped and institutional capacity is weak. For instance, the staff caseload – the ratio of clients to employment counseling staff – is a critical constraint to PES performance in many countries. Therefore, stronger activation of jobseekers and especially of unemployment benefit recipients requires higher spending on PES offices and staff. Also common is the fact that monitoring systems are almost nonexistent and only a handful of programs have been evaluated rigorously.

Activation strategies to be discussed in this report feature, *inter alia*: (i) mechanisms to stimulate the early registration of jobseekers at PES and to expand the coverage of jobseekers by PES; (ii) early interventions by PES in the unemployment spell and a high contact density between jobseekers and employment counselors; (iii) incentives for regular reporting and monitoring of work availability and jobsearch actions; (iv) setting-up back-to-work agreements or individual action plans; (v) practices for the definition of a suitable job; (vi) incentives for participation in ALMPs, including in training, receiving wage subsidies or assistance for self-employment and entrepreneurship, participating in public works, and establishing special programs for high-risk groups of jobseekers; (vii) eligibility and entitlement rules for the benefits associated with activation measures; and (viii) and a wide range of sanctions imposed by law on those jobseekers who do not obey active job-search requirements.

The report is structured as follows. Chapter 1 focuses on the administration of labor market programs and the capacity of PES in implementing activation policies; incentives for jobseekers and employers associated with registration at PES, as well as incentives related to the provision of employment services, including the menu of services for various categories of beneficiaries. Chapter 2 examines incentives for jobseekers, service providers, and employers in the provision of and participation in ALMPs, and coverage of beneficiaries with relevant programs. Chapter 3 discusses eligibility for unemployment benefits, recipient rates, types of benefits available, and incentives to receive benefits and other entitlements. Chapter 4 examines benefits and other sanctions utilized in the reviewed countries. The report ends with some concluding remarks.

I. Employment Services in Support of Activation

1.1. Administration of Activation Policies and Institutional Constraints of PES

This chapter focuses on the administration of labor market programs, and the capacity of PES in implementing activation policies. Incentives for jobseekers and employers associated with registration at the PES will be discussed, as well as incentives related to the provision of employment services. The menu of services for various categories of beneficiaries will also be analyzed. In particular, a flexicurity approach implies that PES should adopt a preventive and proactive approach to support early identification of skills needs, jobsearch assistance, guidance, and training. Most European PES put great importance on a preventive approach based on early identification of needs and risks of unemployed people. Key measures towards this aim include early profiling of unemployed people, regular personalized follow-up procedures, and a broad spectrum of active labor market measures as a component of a rights- and duty-oriented labor market policy (see EC 2009).

Employment services to be discussed can be grouped into the following categories:

- (i) Placement services
- (ii) Counseling
- (iii) Specialized services
- (iv) ICT services
- (v) Services to employers.

Activation policies are constrained by the fact that public employment services in most of the reviewed countries are facing a number of severe problems. First, they increasingly face tight public budgets and lack funding for their normal operations. Second, they are often understaffed and heavily constrained by a fragmented network of employment offices. Third, in many countries, the set of functions available are dated and limited both in number and scope. Fourth, the PES often does not have access to labor market information and the wide range of modern ALMPs and techniques. Fifth, the lack of modern ICT severely limits the administration of benefits and programs as well as the potential for monitoring

and evaluation of service delivery. Sixth, program evaluation has been weak, and only in a few countries, has a net impact analysis of ALMPs provided by PES been conducted (Kuddo 2009a). In these circumstances the design and implementation of labor market policies based on activation principles is especially challenging.

In high-income countries and in the emerging market economies, it is public employment services (PES) – national public or governmental bodies – that are responsible for activities related to the implementation of labor market policies. PES deliver employment services free of charge to jobseekers (both unemployed and jobchangers) as well as some services to employers and the inactive population. PES in many countries are working in close cooperation with social benefits organizations, social partners, private service providers, temporary work agencies, educational institutions, and other public organizations and non-governmental organizations (NGO) (see EC 2009 for details).

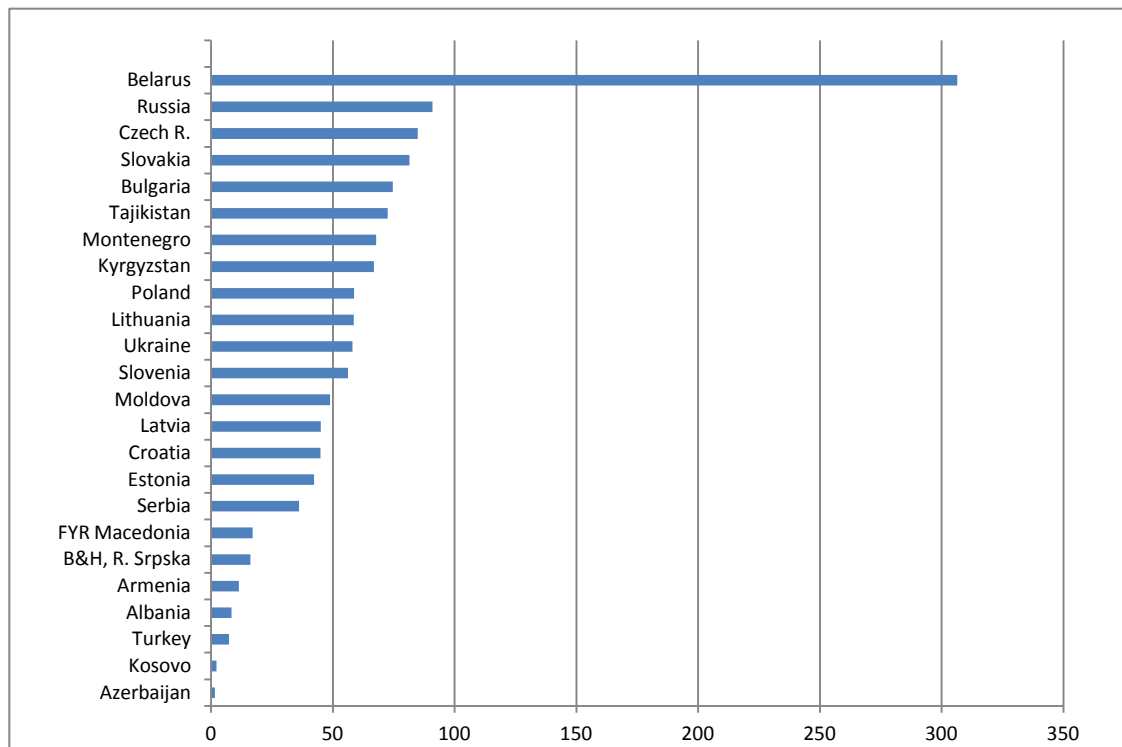
Public employment services typically function as an independent government implementing agency in the provision of relevant services. They operate quite autonomously within the established legal framework and operating budgets. Usually, the line ministry is responsible for policy-related issues, including the legislative framework and budgeting. While PES are structured differently in each country, all share the same basic task of contributing towards matching supply and demand in the labor market through the provision of information, counseling, placement services, and active labor market programs. Some PES are responsible for providing training to jobseekers and/or managing unemployment benefits (EC 2009; MISSOC 2009).

Public employment services emerged in the early 1990s in most of the transition countries, in response to massive labor market adjustments in the economy associated with restructuring and privatization of state-owned enterprises. Typically, PES in these countries are responsible for all aspects of employment services and programs: registering the unemployed, paying unemployment benefits, providing guidance and counseling to jobseekers, and coming up with ALMPs like training, wage subsidies, or public works.

In the developing countries, most active labor market programs, if any, are provided through either governmental/quasi-governmental bodies or NGOs. The former often suffer from limited efficiency, skewed targeting, and a heavy reliance on donor support while the latter usually are limited in scope or poorly integrated into a policy framework (Fargues and Martín 2009).

The role of PES in overall job placement tends to be rather limited in most of the reviewed countries, despite the fact that even at times of economic downturn in many countries, a significant portion of the registered jobseekers were able to find a job, mostly on their own. The best performer among the reviewed countries in this respect is Belarus, which was not impacted by the global crisis: the Belarusian PES registered the placement of 130,000 jobseekers in 2009 as compared to the average annual number of the registered jobseekers of 42,000 (Figure 1; Kuddo 2010). This was due to an abundant number of vacant jobs, predominantly in state-owned enterprises but also in the informal sector.

Figure 1: Ratio of Registered Jobseekers Placed in Job to Average Annual Number of Registered Jobseekers in Selected Countries, 2009 (%)



Source: Kuddo (2010).

However, PES have limits to what they can accomplish, and not every jobseeker can be supported to find appropriate placement or participate in labor market programs. Even in high income countries, the majority of workers rely solely on personal and family connections as the main way to find suitable employers, and many job placements occur without an intermediation role of PES. An example from Estonia follows.

In 2006 in Estonia, 16,324 unemployed persons were employed during the year, that is, 34 percent of all persons registered as unemployed; 10,533 unemployed persons or, 64 percent of the total, found work independently, of which 61 individuals started an independent business; 5,211 unemployed persons (32 percent) were placed in jobs following a referral by the Labor Market Board; and through services that enhance employment (wage subsidy, business start-up subsidy, working with a support person, and working with special aids and equipment), only 580 unemployed persons or, 4 percent, were employed.³ Therefore, the role of ALMPs in job placements, based on this example, is minimal.

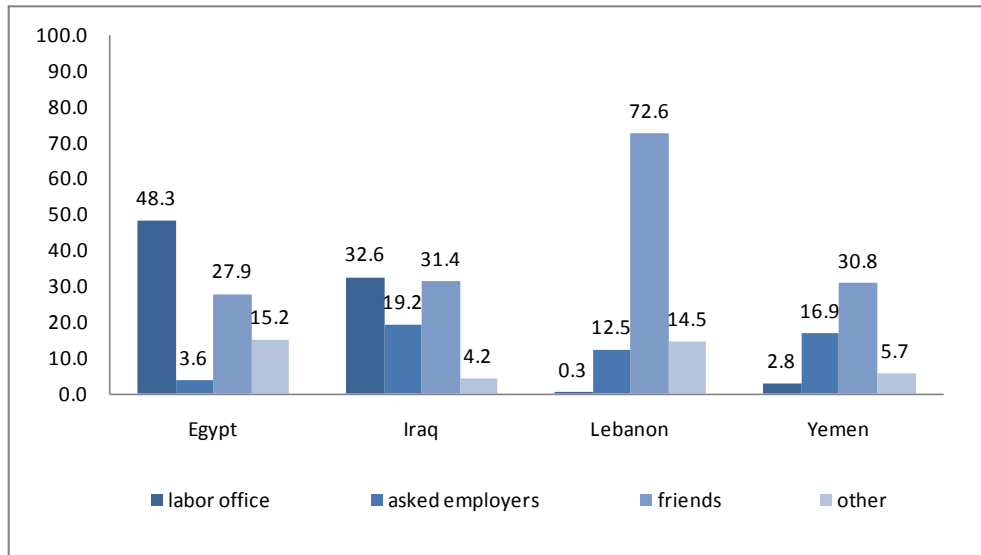
The number of jobseekers looking for a job through PES is low in most developing countries. For example, in Lebanon and Yemen only a fraction of all workers find a job through public or private labor offices (0.3 percent and 2.8 percent of the workers, respectively). In other countries, like Egypt and Iraq, between 30 and 50 percent of all workers find a job through intermediation services, highlighting the potential of labor intermediation to reduce frictional unemployment even in environments of generalized job scarcity (Figure 2).

Another challenge facing the most vulnerable is that the PES services are often geared towards activities with high unit costs, and relatively few jobseekers participate and benefit from these programs. Moreover, a recent study on ALMPs in Arab Mediterranean countries (AMC) indicated that skills enhancement programs mainly benefit highly-educated workers who might be more motivated to participate in the programs and, thus, contribute to even higher inequities in labor market opportunities and lower mobility (Angel-Urdinola, Semlali,

³ www.pesmonitor.eu.

and Broadman 2010). The study also found that in many countries, more cost-effective counseling and labor intermediation programs hardly exist.

Figure 2: How Do Workers Find Jobs in the MENA Region?

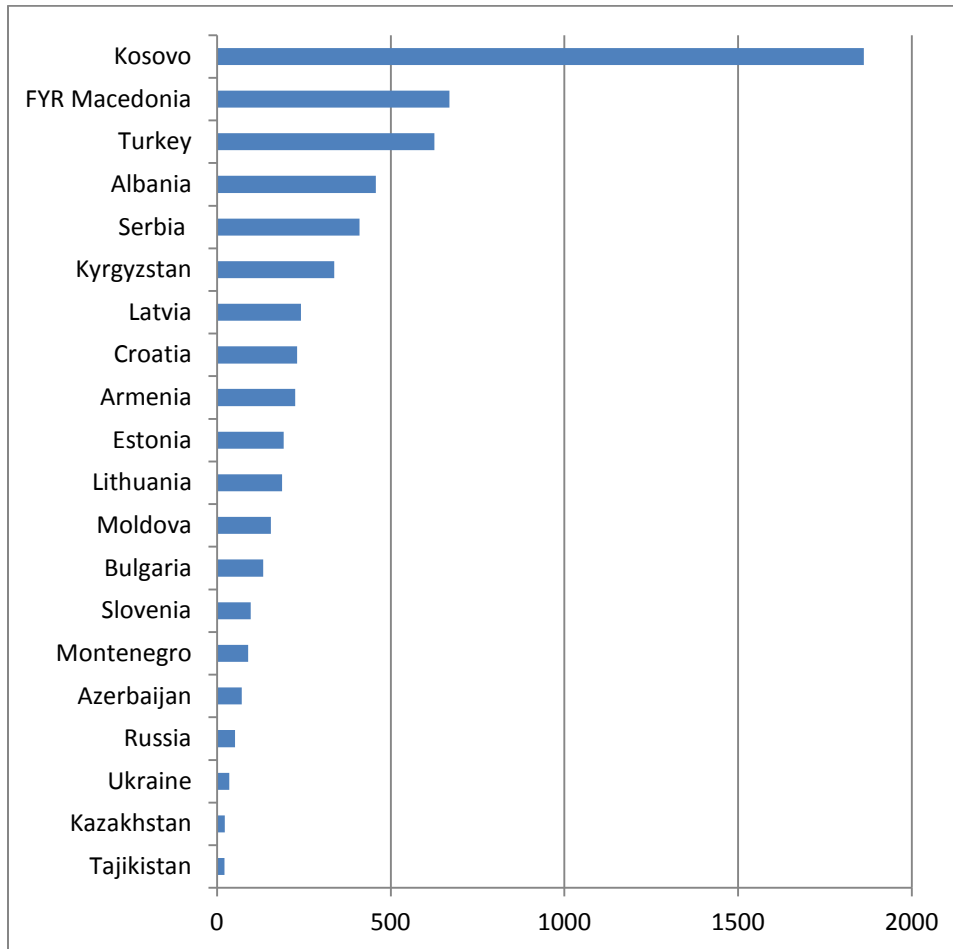


Source: World Bank (2012, forthcoming).

Staff of the PES. An important factor contributing to the success of activation policies is the institutional capacity of national employment services, including the network of offices, legal framework in which they operate, and especially the professional level of the staff at the local employment offices.

In particular, the staff caseload – the ratio of clients to employment counseling staff – is a critical constraint to PES performance in many countries. Within the European Union, the average staff caseload is around 1:150, while the figure recommended by the ILO is even lower, 1:100. In Kosovo, the staff caseload is enormous: close to 2,000 registered unemployed per 1 PES staff (Figure 3).

Figure 3: Staff Caseload* in Some ECA Countries, end-2009



Source: Kuddo (2010).

Note: * average number of registered unemployed per PES staff.

The situation might be much worse in developing countries. In 2009 in selected MENA countries, the highest staff caseload was reported in Syria, exceeding 14,000 registered jobseekers per one PES staff (young Syrians were queuing for employment in the public sector through PES), followed by Morocco, at over 1,500 jobseekers, and Lebanon at over 1,200 registered jobseekers per one staff. The high number of caseloads does not allow the PES to deliver personalized job intermediation services (Table 1).

Table 1: Number of Unemployed, Registered Jobseekers and PES Staff in Selected MENA Countries, 2009

	Total No. of Unemployed, by Latest Available LFS Data (000')	Number of Registered Jobseekers (000')	Total Number of PES Staff	No. of PES Staff in Contact with Jobseekers and Employers	Staff Case-Load***	Ratio of Front-line Counselors to Total PES Staff (%)
Egypt	254.1	895.1	1,600	1,550	577	97
Jordan	26.2	28.0	133	63	444	47
Lebanon	12.1	12.2*	32	10	1,222	31
Morocco	117.2	517.0	547	343	1507	63
Syria	54.6	1,703.8**	397	120	14,199	30
Tunisia	51.2	105.4	1,200	850	124	71
Yemen	87.1	60

Source: PES survey 2011.

Note: * Beirut only ** Public sector only; including individuals queuing for civil service/public sector jobs.

*** The average number of registered unemployed per PES staff.

As a result, the situation leaves little time to be spent on each unemployed person. In Bosnia and Herzegovina, the average varied from 4 to 6 minutes per unemployed person in the worst cases (Employment Services in Tuzla Canton, District of Brcko, and Una Sana Canton) and up to 19 minutes per unemployed person in Republika Srpska. The average staff size is three persons per office in both; whereas in many offices, there are only one to two employees (Kuddo 2008).

Available data show wide variations in the levels of staffing among ECA countries. The differences are explained by the types and quality of services offered. By the end of 2009, the highest staff caseload was reported in Kosovo—on average 1,862 registered unemployed per one PES staff, followed by FYR Macedonia, at 669 unemployed per one staff. In contrast, the staff caseload was only 35 registered unemployed per one PES staff in Belarus (2008), 52 unemployed in Russia (2009), and 56 unemployed in Ukraine per one PES staff (2008; Annex I, Tables AI.1 and AI.2). Compared to 2008, several ECA countries have found resources to increase the number of staff in the PES. For example, in Estonia, the number of staff increased from 352 to 455 in 2009 and in Russia, from 36,400 to 42,300.

What really matters for the delivery of services to the unemployed is the proportion of staff in direct contact with the clients (i.e., caseworkers and their workload). Out of the total PES staff in Croatia, FYR Macedonia, and Slovenia, only around half are front-line employment

counselors/advisors. In Azerbaijan, 90 percent of PES staff work directly with jobseekers and employers, in Moldova the number is 87 percent, and in Bulgaria the number is 84 percent. Instead of increasing the number of PES staff, several countries (Latvia, Bulgaria, Moldova, and Azerbaijan) have increased the number of front-liners out of the total.

Thereby, in many of the reviewed countries, the number of front-line counselors/advisers is inadequate for delivering ALMPs, specifically effective and personalized mediation services. High caseload limits the implementation of policies based on activation principles, including regular reporting and confirmation of unemployment status by jobseekers, as well as opportunities for job counselors to monitor and encourage jobsearch and deliver information.

The efficiency and quality of service could be improved markedly by placing more PES staff on the frontline, for example, through job rotation, dealing with clients and working in different specialized areas and by eliminating tasks not suitable for PES (registration of employment contracts, issuance of health insurance cards), and so on. Further improvements in efficiency could be achieved by setting up “monitorable” performance targets and improving collection of administrative data (Kuddo 2009b).

Financing of PES activities. Employment services in many countries operate in a very difficult environment of demand-deficient labor markets and in several countries, double-digit unemployment rates. Services are limited and programs are underfunded. Employment programs are often geared towards activities with high unit costs and low participation.

The efficiency of the state employment policy is to a large extent related to the resources available for financing labor market programs. While the funding of ALMPs was limited and did not exceed 0.1-0.2 percent of GDP in most of the reviewed countries (except EU 10), the emphasis should be put on improving the design and effectiveness of ALMPs, rather than on increasing spending levels only.

Table 2: Expenditures on Labor Market Policies in EU10 Countries, 2008 and 2009 (million Euro)

	Expenditures (Expend.) on Labor Market Policies (LMP)	Expend. on LMP	Expend. on LMP, (% of GDP)	Expend. on LMP, (% of GDP)	Share of Expend. on LM Measures (Cat. 2-7) Out of Total (%)	Average No. of Registered Unemployed (000')	Expend. on LMP per One Registered Unemployed (Euro)	Including on LMP measures (Cat. 2-7) (Euro)
	2009	2008	2009	2008	2008	2008	2008	2008
Czech R.	908.8	624.7	0.64	0.42	24.7	324.5	1,925	476
Hungary	908.2	679.7	1.00	0.64	31.3	442.5	1,589	497
Poland	4,943.9	3,285.8	1.59	0.90	51.7	1,525.8	2,153	1,114
Slovakia	564.2	446.9	0.90	0.69	21.7	230.4	1,940	421
Slovenia	340.6	166.1	0.96	0.45	20.8	63.2	2,628	546
Estonia	207.4	44.0	1.49	0.27	12.7	19.9	2,211	281
Latvia	248.9	110.4	1.35	0.48	16.3	57.7	1,913	312
Lithuania	242.3	120.8	0.91	0.37	37.3	73.4	1,646	613
Bulgaria	227.6	160.9	0.65	0.45	55.6	233.6	689	383
Romania	534.5	373.8	0.46	0.27	22.3	362.4	1,031	230

Source: Eurostat online.

The countries usually finance labor market policies through general revenues, payroll taxes, or a combination of the two. For example, most EU10 countries rely on earmarked employment taxes to finance labor market policies and programs. In Slovenia, programs are predominantly financed from the budget (around 90 percent of the costs). The Czech Republic, Poland, and Romania (until 2010) finance employment programs largely through the employment tax but shortfalls are covered from the state budget. In Estonia, unemployment insurance benefits are financed from contributions but noncontributory unemployment allowance is tax financed. In Malta, financing labor market programs is included in the overall social contribution.

Notably, during the peak of the crisis in 2009, Estonia increased the employment tax from 0.9 percent at the beginning of the year to 4.2 percent since August 2009 (Table 3). In Bulgaria, the state budget pays contributions (one percent gross earnings) on behalf of civil servants, soldiers and other military personnel, and the judiciary including judges, prosecutors, investigators, bailiffs, and court employees.

**Table 3: Employment Tax Rates in Selected Countries in 2008, 2009, and 2010
(% of Payroll/Wages)**

	Employers Contribution			Employees Contribution		
	2008	2009	2010	2008	2009	2010
Czech R.	1.2	1.2	1.2	0.4	0	0
Poland	0	0	0	2.45	2.45	2.45
Estonia	0.3	0.3* 1.0** 1.4***	1.4	0.6	0.6* 2.0** 2.8***	2.8
Romania	1.0	0.5	0.5	0.5	0.5	0.5

Source: Kuddo (2010).

Note: *- 01.01-31.05.2009; **- 01.06-31.07.2009; ***- 01.08.2009.

Some countries have an established assessment base ceiling for employment contributions. In Bulgaria, the minimum amount of the contributory income per month varies according to occupation and industrial branch; the maximum ceiling is set at BGN 2,000 (€ 1,023) per month. In the Czech Republic, the ceiling is established at 72 multiplied by the monthly average wage of CZK 1,781,280 (€ 73,465) per annum (MISSOC 2011).

Contrary to emerging market economies and developing countries, high income countries spend significant resources on labor market interventions. Across the EU, a total of € 256 billion, or 2.2 percent of EU-27 GDP, was spent on labor market policies (LMP) in 2009 – a year of economic downturn. There was, however, considerable variation between member states (see Table 4). A major part of its LMP expenditure (64 percent in 2009 or, € 164 billion) went to income support for out-of-work jobseekers, primarily in the form of unemployment benefits.

Expenditure on LMP services in 2009 represented around 11 percent of total LMP expenditure or, 0.23 percent of EU-27 GDP. The United Kingdom is the only country where about half of LMP expenditure is spent on LMP services. This reflects the policy approach to focus on support for active jobsearch and to reserve placement in full-time measures for those most in need.

Table 4: Labor Market Policy Expenditure by Type of Action in Selected EU Countries, 2009 (% of GDP)

	Total Expenditures	Including		
		Employment Services	Labor Market Measures	Labor Market Supports
EU 27	2.18	0.23	0.55	1.40
Denmark	3.19	0.30	1.17	1.72
Germany	2.54	0.37	0.63	1.54
Spain	3.77	0.13	0.66	2.98
France	2.42	0.26	0.73	1.43
Italy	1.74	0.03	0.33	1.38
Portugal	2.06	0.12	0.63	1.31
United Kingdom	0.66	0.29	0.04	0.33
Czech Republic	0.64	0.12	0.09	0.43
Hungary	1.00	0.10	0.36	0.54
Poland	1.59	0.09	1.16	0.34

Source: Eurostat online.

Registered vacancies. During the recent economic downturn, the surge in registered unemployment was accompanied by other negative trends. The number of job vacancies offered by employment services dropped significantly, and the ratio of jobseekers to one registered vacancy rapidly worsened. In December 2009 in Kosovo, it was reported that more than 800 jobseekers competed for one vacancy, and in Albania, Armenia, and Latvia, around 100 or more jobseekers were registered per one vacancy. The only exception was Belarus, where the number of registered vacancies in late 2009 almost equaled the number of registered jobseekers (Figure 4).

Many employers only register a vacancy if they believe that there are qualified, skilled workers who can apply for it. So too, employers may have enough applicants without ever advertizing job vacancies. Another reason is that employers, especially in SMEs, prefer to hire based on a referral from someone they trust.

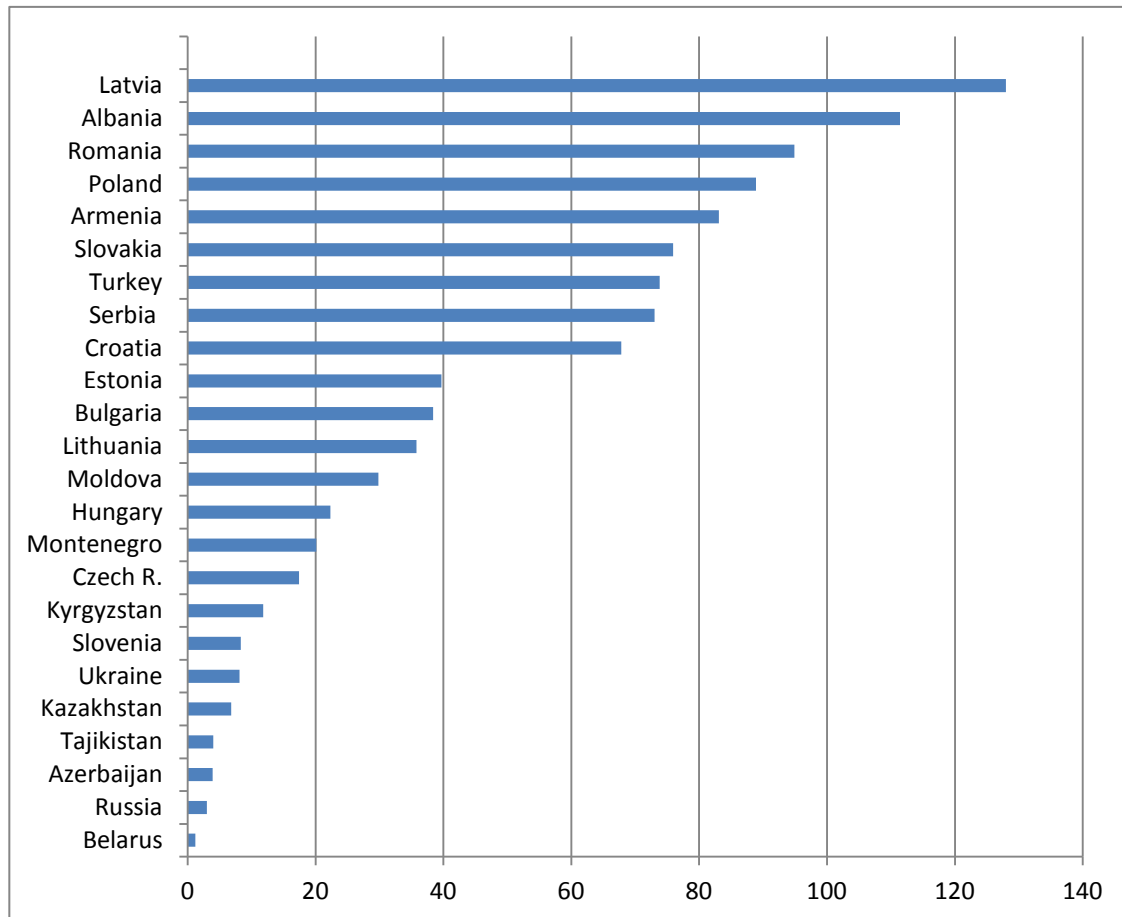
Moreover, according to available data, the bulk of PES-registered vacancies are for low-paid blue collar jobs offering around the minimum wage for unskilled labor, work under harmful conditions, and in public sector enterprises, which make them unattractive among jobseekers. Many job offers are not accepted because they do not fit the criteria of a

suitable job (see below). Often, there is a mismatch between the qualifications of jobseekers and proposed job offers. High wage expectations (reservation wage) might also limit acceptance of job offers proposed by the PES.

Thus, under the current circumstances, very few jobseekers have a chance not only of finding a good job but of finding any job at all. In Belarus, in late 2009, every fourth registered jobseeker found a job in one month, yet in most other countries, the ratio was much lower, not exceeding one to five percent per month (Annex I, Table AI.3).

The lack of job offers has a major impact on the efficacy of activation policies implemented by PES, but it also could lead to longer unemployment spells for many jobseekers in the coming years.

Figure 4: Registered Jobseekers-to-Vacancy Ratio in Selected Countries, December 2009



Source: Kuddo (2010).

Private sector involvement. Traditionally, PES had a near monopoly status in most countries, being the only institution providing job-brokering as the main employment service (Freedland et al. 2007). However, in the globalizing world, the labor market has become so complex that no single service provider can possibly deliver the range of expertise required for the diverse group of unemployed and employed jobseekers, inactive groups, and employers. PES increasingly need to cooperate with a plethora of institutions to deliver pro-active and preventive employment services, be it private employment agencies, training and education institutions, local authorities, employers' organizations, NGOs, etc. PES need to assume the role of manager of relations with the various institutions and external service providers (EC 2009).

Going forward, a more active involvement of the private sector in the provision of labor market services such as training, job brokerage, and other services, should be considered as an integral part of PES reform. This trend was recognized and further boosted by the Private Employment Agency Convention adopted by the International Labor Organization in 1997 (Convention 181 supported by Recommendation 188). It allows for lower pressure on public budgets and provides a wider array of options for a diverse range of clients.

As an example, the Netherlands has implemented a full-scale tendering model, meaning that all target groups of jobseekers are referred to external service providers and that the PES has stopped providing traditional employment services to the unemployed. Public authorities are instead used as gate-keepers in the quasi-market and to pay out social security benefits (Bredgaard and Larsen 2008). Australia has been outsourcing services to private and NGO-type agencies since the 1990s. Under its Job Network, hundreds of licensed job placement organizations in more than 2,700 locations across Australia offer placement services to the unemployed.

In 2003, the Australian government introduced the Active Participation Model (APM) for jobseekers, adopting a more intensive and individualized approach to placing jobseekers through Australia's Job Network service outsourcing system. Service providers are offered paid incentives to place jobseekers in work. Payments for the more difficult to place clients are higher than those for the short-term unemployed clients (Tergeist and Grubb 2006).

Service contracts with private providers typically include a performance-based element with placement incentives for providers. The rationale is to cover a provider's base costs but to offer a placement incentive through an outcome-dependent bonus. For instance, the British Jobcentre Plus pays contractors on the basis of the sustainability of jobs and the ability of contractors. The payments to contractors are composed of a range of criteria, including:

- Job outcome (off-flow from benefit into employment)
- Sustainability of jobs (customer still being in work after 13/26 weeks).

This "Work First Plus" model focuses not only on getting individuals off benefits into work but combines this with an emphasis on ensuring that the individuals stay in the job and progress in the labor market. Based on policy reviews, the model is expected to expand the sustainability of payments beyond 13 weeks (EC 2009).

Some countries in the ECA region are also actively moving in this direction. By 2009, according to the national PES, there were 587 private employment agencies registered in Bulgaria, 63 in Latvia, 41 in Lithuania, 51 in Slovenia, but 2,176 in the Czech Republic and over 2,800 in Poland.

Some developing countries are actively involving the private sector in the provision of labor market services such as training, job brokerage, and other services, as an integral part of PES reform. It allows for lower pressure on public budgets and provides a wider array of options for a diverse range of clients. By the PES survey data, there are 45 licensed private employment agencies in Jordan and 54 private agencies in Egypt. Labor market programs are subcontracted to external providers also in Lebanon, as well. In other countries, public-private partnerships are limited and in some cases even against the law (e.g., Tunisia). While in others, NGOs are active in the provision of employment services and ALMPs, such as in Yemen with 150 registered NGOs working in the field of employment.

Performance management. The efficiency of PES operations can be improved by setting up monitorable performance targets using the administrative data generated by PES activities (e.g., number of individuals served, types of interventions, follow-up, etc.) at various levels. Key performance indicators may include quantitative indicators: the number of visitors to

the local employment offices, registered jobseekers, participants in ALMPs, placements, and job vacancies filled within a certain time; increasing the PES market share of notified vacancies; and reducing the incidence of long-term (over one year) and very long-term (two years or more) unemployment. Key performance indicators also may include qualitative indicators: client satisfaction (jobseekers and employers) with PES services; establishment of a database of employers; and so on.⁴ A few examples follow.

The labor market in the United Kingdom is overseen and managed in a goal-oriented approach (management by objectives – MBO), under which annual targets are specified in operational terms on a quantitative basis. The goals and funding are defined by the government and set down in a Public Service Agreement. A differentiated system of ongoing monitoring of results and goal-related feedback on results enables the oversight entities to intervene early where needed, so as to take corrective or countering action. Goals and funding are decided annually by the government (DWP) and the Treasury, and set forth in the Public Service Agreement. Information about regional and national developments and events is updated weekly. Official reports are prepared monthly. Reports on the status of goal achievements are submitted to the DWP quarterly. Output indicators include unemployed persons placed (job entries)/placement counselor per week or persons placed (job entries)/registered job openings. The Diagnostic Tool Kit is designed to show an employment office's current placement performance relative to the average performance of comparable offices from the prior year. This instrument enables the Jobcentres to determine clearly where they stand.

Probably the most elaborate performance management system has been developed by the Austrian PES (*Arbeitsmarktservice* – AMS). The AMS scorecard integrates labor market policy goals with process and resource management, client and staff satisfaction, and the dimensions of management and equal opportunity at the AMS. Twenty-four indicators have been developed for the areas of jobseeker service, business service, job-market and career information, management, and support. Measurements are taken at the level of the local

⁴ For a review of best practices regarding performance-based financing of regional employment offices in OECD countries, see for example Ivory and Thomas (2007).

offices, which are grouped into six clusters (large cities, medium-sized cities, dynamic medium-sized towns, small towns, dynamic small towns, and towns of tourist interest).⁵

Evaluation of employment programs. Even if the employment services and measures are available, the performance of many of the programs has been disappointing. In particular, several authors have carried out meta evaluations of the international evaluation literature (Heckman et al. 1999, De Koning et al. 2005, Kluve 2006, De Koning and Peers 2007, Betcherman et al. 2007). The general outcome is that the net impacts found vary considerably (see also Table 5). On average, the effects found are close to zero. So, the overall picture emerging from the literature is not very positive.

Table 5: Efficacy of ALMPs

Type of Program	A. Costs B. Evidence on Effectiveness
A. Public Employment Services (“Job Brokerage”) and Administration	A. Relatively Cheap B. Highly Effective* (Unanimous)**
B. Labor Market Training	A. Relatively Very Expensive B. Effective (Mixed)***
C. Employment Incentives/Start-Up Incentives	A. Relatively Expensive B. Effective (Mixed)***
D. Direct Job Creation/Public Sector Employment	A. Relatively Expensive B. Ineffective (Unanimous)**

Source: Lehmann (2011).

Note: * “effective” means that the average employment or reemployment probability of a person participating in the indicated measure is increased. ** “unanimous” means that virtually all studies show the indicated effect. *** “mixed” means that some studies show the indicated effect but other studies do not.

On the other hand, international experience suggests that employment services (including career guidance counseling services and various jobsearch assistance programs, such as jobsearch skills training programs, job clubs, vacancy and job fairs) are the most cost-efficient and effective ALMPs, given that a reasonably buoyant supply of job vacancies is available (Kluve 2006, Betcherman et al. 2007, Lehmann and Kluve 2008).

⁵ Retrieved from: www.pesmonitor.eu.

However, even if labor market outcomes are not affected, it is still possible that the program entails positive effects for a participant (De Koning et al. 2008). Such effects could be:

- Increase in well-being as a result of the social contacts obtained during participation
- Increase in well-being as a result of the work done during the project in the case of a public works program
- increased skills obtained during the program that can be used in the personal sphere.

1.2. Registration of Jobseekers at PES

Motives and the level of registration. Registration for placement at PES is, in most countries, a precondition for unemployment benefit payment but also to gain access to employment services and labor market measures. Various reasons motivate individuals to register at employment service offices: to secure a new job through job listings and other employment services; to participate and benefit from active labor market programs; and to receive unemployment benefits and other entitlements, such as to maintain eligibility for health insurance benefits, even for many who are de facto inactive or informally employed.

Some reviewed countries (e.g., CEE, the Balkans) entice the registration of persons who are not actively looking for jobs. The incentives in other countries do are too low to be enticing (e.g., CIS). Getting the balance right so that the actual jobseekers “self-select” into registration is critical to employment services being effective in supporting jobseekers.

In about half of the countries in Eastern Europe and Central Asia (ECA), registered unemployment rates exceed survey-based unemployment, including in most countries in Central Eastern Europe and the Western Balkans, largely due to health insurance entitlements. For example, in Croatia in 2009, the number of registered unemployed was 65 percent higher than the number of survey-based active jobseekers (Figure 5; Kuddo 2011).

Several reasons explain this phenomenon. Unemployed persons who wish to retain eligibility for state-provided health insurance benefits (if not insured through employed family members) are often required to register at PES. In FYR Macedonia in 2009, around 25

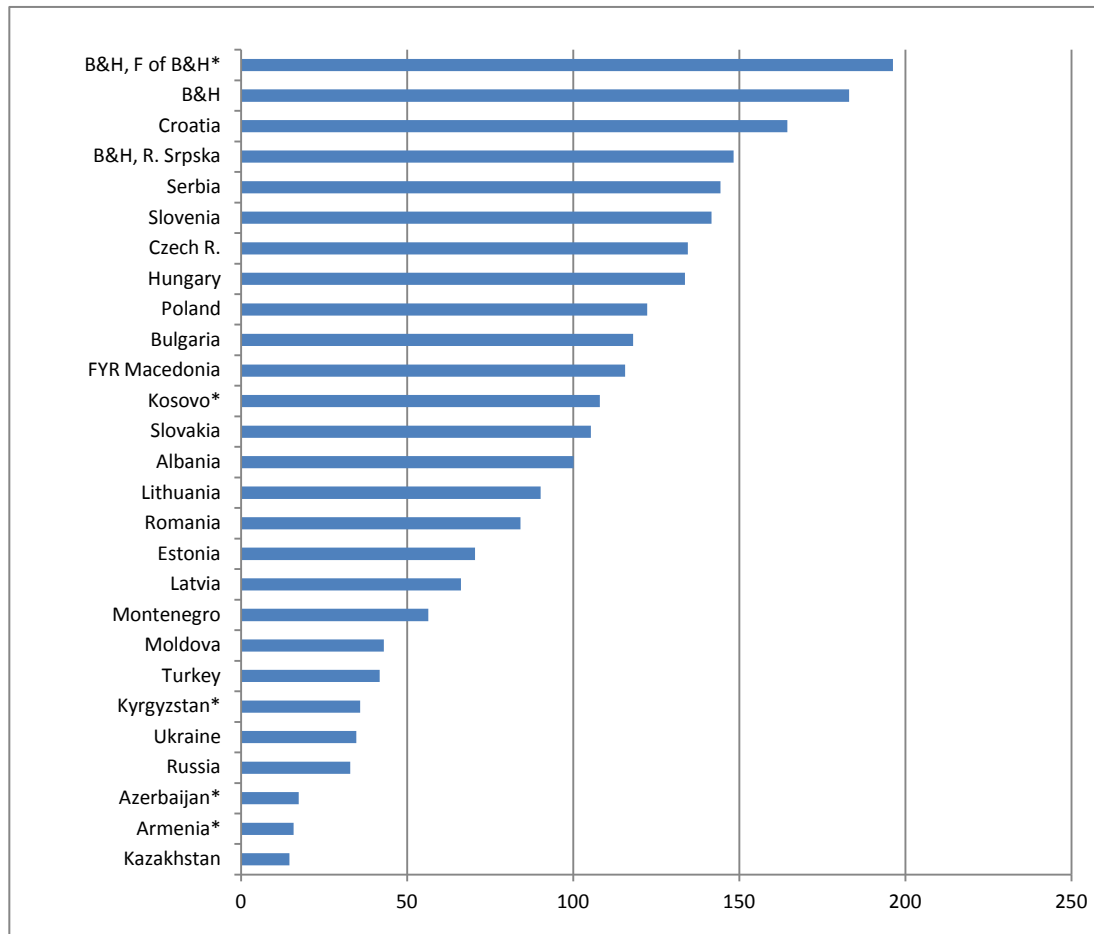
percent of the total registered unemployed were registering only for the purpose of receiving free health insurance and were not actively searching for a job.

In many emerging market economies, unemployed persons of working age who are eligible for income-conditioned support payments (social assistance) usually are required to register at PES. Respectively, the mandatory requirement of “unemployed status” required for obtaining the status of social welfare beneficiary is also causing the registration of persons who do not classify as unemployed according to international standards.

For example, in the Czech Republic, willingness to work is the basic condition of being treated as a person in material need. Recipients, unless employed or in a similar relationship, must register with the labor office as jobseekers actively look for a job, accept any (even short-term or less-well paid) employment, participate in active employment policy programs, public works, and public service etc. Participation in these activities is obligatory and is subject to examination. Refusal means that the person is expelled.

In Estonia, the local government may refuse to grant the subsistence benefit to those capable of working and between 18 years old and pensionable age, who are neither working nor studying and have repeatedly refused, without due cause, offers of suitable work or have refused to attend employment services, social services, or training courses (MISSOC 2011).

Figure 5: Ratio of Registered by PES Unemployment to Total Number of Unemployed Using Labor Force Survey Data, 2009 (%)



Source: Kuddo (2010).

Note: *- 2008. B&H- Bosnia and Herzegovina; F- Federation; R- Republika.

Also, employed individuals who are looking for another job can register as jobseekers, but they have limited access to the employment services (see below).

By comparison, in other countries, particularly in the Baltic States and Commonwealth of Independent States (CIS), registered unemployment is much lower than survey-based unemployment, predominantly due to low access to unemployment benefits and active labor market programs. For example, in Kazakhstan, only 15 percent of the unemployed register with PES (2009) and in Armenia, 16 percent (2008). In this group of countries, expenditures on labor market programs are especially low – as a rule, not exceeding 0.1 percent of GDP annually. Respectively, relatively few jobseekers benefit from the passive and active programs.

Protected categories of workers from contract termination. Many of the jobless are especially vulnerable in the labor market. They may have no qualifications and/or a low level of education. They may have multiple employment barriers, including cognitive and health-related barriers, and difficult home lives (e.g., lack of transportation, many children, childcare problems, domestic violence). Their placement in a job is not only a challenge to the jobseekers themselves but to the employment agency as well. The employability of population groups at risk might be a more serious problem for PES if policies to restrict an inflow of jobseekers had not already been embedded in the labor laws (for data on some of the vulnerable categories of the registered unemployed in ECA countries, see Annex I, Table AI.4).

In order to protect certain groups of workers still employed from falling into unemployment and to provide some relief to PES, in many countries, the labor laws stipulate restricted rights to terminate the employment of specially protected workers. In the Moldovan Labor Code, the list of protected employees includes 12 categories of individuals; in the Latvian Labor Law, 10 categories; and in the Ukrainian Labor Code, 9 categories (Kuddo 2009b).

A common group of protected categories of workers is a pregnant employee, a female employee on maternity leave, a female or male employee on parental leave, a single female or male employee caring for a child younger than three years of age, or an employee who personally cares for a close relative with severe disability (Estonia, Hungary, Lithuania, Slovakia). Older workers (within two to five years from pension entitlement depending on the country) are protected by an added burden on the employer to justify the dismissal: a particularly warranted reason has to be the grounds of such dismissals.

One of the ramifications of these restrictions is that during an economic downturn, employers, especially in SMEs, may have no other choice than to keep the protected individuals on the job and perhaps let some of the best professionals go. These priority rules for dismissals, on the one hand, may conflict with the economic needs of the company; on the other hand, they may avoid or postpone contract termination of the most vulnerable groups of workers – potentially long-term clients of the PES.

Incentives for early registration at the PES. Labor legislation may stipulate provisions aimed at stimulating early registration of workers made redundant and seeking a job at PES. In particular, in most CIS states, the duration of severance pay is conditional on finding a new job and/or registration at the employment service within a certain period of time, typically within 10 days after contract termination.

For example, in Russia, severance pay equals an average monthly wage. His or her average monthly wages are preserved for the period of taking up a job but not more than for two to three months from the date of dismissal (considering also a dismissal allowance) on the basis of the decision made by the employment agency. However, the employee should have applied to the employment agency within two weeks after dismissal and was not placed in a job.

In Kyrgyzstan, severance pay is normally not less than two monthly wages but can be extended for the period of up to three months if he or she is still looking for another job and has registered at the state employment service within 10 days of contract termination.

Rapid registration with PES allows the jobseeker/laid-off worker to be immediately offered available vacancies, provided employment services, such as job counseling and jobsearch assistance, or sent him/her to participate in ALMPs, thus shortening the transition from one job to another.

Employers in many countries are also requested to inform employment services about upcoming collective redundancies. Following the EU Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies, in all EU15 countries, companies must inform the responsible state labor institutions before notifying employees of dismissal. In several EU15 countries, the relevant authorities should not only be notified but also consulted (Austria, Finland, Ireland, the Netherlands and Portugal).

In addition, in Latvia, the Labor Law stipulates that in case of a reduction in the number of employees an employer must notify the State Employment Agency not later than one month in advance regarding the number and occupations of the employees to be dismissed.

In Armenia, in case of liquidation of the organization or reduction in the number of the employees, while terminating the employment contracts the employer must submit the information about the number of the dismissed employees to the State Employment Service not later than three months in advance. The criterion for collective dismissals to be reported is that two months notice must be given by the employer when envisaging the dismissal of more than ten percent of the total number of employees, provided it is not less than ten employees. These policy measures allow the PES to rapidly intervene and mitigate the impact of redundancies early on.

Criteria for being registered as unemployed or jobseeker. In the employment statistics, the definition of unemployed is straightforward. For example, based on the definition recommended by the International Labor Organization (ILO), Eurostat defines unemployed persons as persons aged 15 to 74 who:

- Are without work
- Are available to start work within the next two weeks
- Have actively sought employment at some time during the previous four weeks.

There are two other categories of jobless persons not considered as unemployed but as inactive according to the ILO definitions, who under certain circumstances might enter the labor market. First, persons seeking work but not immediately available consists mostly of people who do not qualify as unemployed because of their limited availability to start in a new job, despite their being jobseekers. Second, persons available to work but not seeking employment consists of persons wanting to work and available to do so, but who are not recorded as unemployed because they are not actively looking for a job. This includes, among others, discouraged jobseekers and persons prevented from seeking work by personal or family circumstances. For their part, individuals in the potential additional labor force have a lower attachment to the labor market than the unemployed but higher than other economically inactive persons (Eurostat 2011; Table 6). PES in many countries have some employment services available for these categories of population as well.

Table 6: Labor Categories in EU27, 2010 (000')

Employed, not underemployed	207,397
Underemployed part-time workers	8,539
Unemployed	22,906
Person seeking work but not immediately available	2,384
Persons available to work but not seeking	8,250
Other economically inactive persons	127,632

Source: Eurostat (2011).

In the employment promotion legislation, and in practice, the legal definitions and criteria of unemployed individuals are much more nuanced and are used for early profiling (categorization) of the unemployed; for filtering out certain categories of the jobseekers who may have other motives for registration and are actually not looking for a job; or for setting up incentives for their early registration as jobseekers following, for example, redundancy dismissal – in order to speed up their placement in jobs.

In the reviewed countries, the law often makes a distinction between the status of the unemployed and the status of the jobseeker. The latter may have access to a limited number of employment services, measures, and supports. The unemployed person who is eligible to qualify for the full package of benefits, employment services, and ALMPs typically should be of working age (which differs country by country); have a sufficient unemployment insurance record; and should not be a student at a daily school or retiree. Individuals with the status of jobseeker may include first-time jobseekers/new entrants; persons without the insurance record, among others. In Azerbaijan and Ukraine, first-time jobseekers cannot receive the status of the unemployed.

There are exceptions in the registration criteria. In Croatia, an exception is made for one group of retirees: in order to get the status of unemployed, the person should not receive a pension, except for a pension beneficiary who acquires entitlement to a disability pension resulting from professional work disability.

PES can also register other categories of individuals looking for a job and give them the status of jobseekers, such as employed persons who wish to change jobs or part-timers looking for full-time jobs; students who wish to work in their free time; or retired persons looking for extra income.

In some countries, as discussed below, the employees who have been given a notice of dismissal can also register at PES as jobseekers or even qualify as unemployed. These jobseekers have limited access to employment services and ALMPs but also have fewer obligations towards the PES as well.

Registration of potentially laid-off workers as jobseekers during the notice period and support for jobseeking activities. A proactive approach taken by PES, in the event of restructuring and mass redundancies, entails providing assistance to companies and employees before employees are made redundant. PES may utilize long-term relationships with employers/enterprises and offer advice, information, training, and/or counseling to employees facing redundancies.

Advance notice is a means to give workers ample warning of future layoffs and thus facilitate jobsearch. The ILO Termination of Employment Recommendation No. 166 suggests that the worker should, for the purpose of seeking other employment, be entitled to a reasonable amount of time off without loss of pay, taken at times that are convenient to both parties. This is the practice in many countries.

For example, in Poland, within a minimum two week period of notice, the worker has the right to take two to three days leave from work for the purpose of seeking new employment, depending on the duration of the notice period. In Lithuania, this length of time should not be less than 10 percent of the employee's rate of working time during the term of notice. Time off from work is granted in accordance with the procedure agreed between the employee and the employer (Kuddo 2009b).

In several countries, the employment legislation allows the registration of workers, as jobseekers, who were given a dismissal notice. In addition to job counseling and job referrals, they are entitled to participate in some ALMPs, such as training. In the Kyrgyz Republic, as of the dismissal notice in connection with the liquidation, reorganization, closure, and downsizing of state employees, redundant workers are entitled to apply to PES for the purpose of training, retraining, or upgrading skills. In Lithuania, local PES may register the employees who have been given a dismissal notice as jobseekers. An early start

to looking for a job may give to these workers an advantage in the labor market in finding alternative job offers.

Preferential groups. Some of unemployed jobseekers require minimal assistance from PES and use its computerized self-help services, while other more vulnerable clients need in-depth help from PES staff. Consequently, a personal service model involves the individualization and segmentation of PES services and interventions.

In some countries, legislation defines vulnerable groups of jobseekers who may receive preference in job referrals and gaining access to ALMPs. In Slovakia, as an example, a disadvantaged jobseeker is a person who is: (i) younger than 25 years of age, who continued training full-time less than two years ago and obtained first regular paid employment; (ii) older than 50 years of age; (iii) registered as a jobseeker for at least 12 months of the previous 16 months (the long-term unemployed); and (iv) disabled. The list of priority groups of jobseekers in selected countries is presented in Table 7.

Table 7: Special Target Groups of Jobseekers for Provision of Employment Services in Selected Countries

Hungary	Clients under rehabilitation; youth (including drop-outs); the long-term unemployed; citizens living in underdeveloped regions; those who are over 45 years old; women during and following maternity leave.
Romania	Young graduates of educational institutions; young people at risk of marginalization; Roma ethnic minority; persons from rural areas; unemployed aged over 45; persons with disabilities.
Slovenia	The long-term unemployed, unemployed youth (up to 24 years) without completed vocational education or without work experience; jobseekers over 50 years old; unemployment benefits and social benefits recipients; disabled persons.
Czech Republic	Parents returning to work following maternity leave or parental leave; young jobseekers under age 25; persons with health limitations; persons over age 50; the long-term unemployed.
Latvia	Persons 15-25 years old; disabled persons (persons for whom the invalidity has been determined); persons after parental leave; persons of pre-pension age (not more than 5 years until the age necessary to receive the state old age pension); the long-term unemployed (have been registered with PES for more than 1 year); ex-convicts (persons discharged from imprisonment); other target groups in accordance with the national employment plan, for instance, persons who have alcohol, drug, psychotropic, or toxic substance addiction; persons who take care for a member of a family.
Slovakia	Individuals who are over 50 years old; the long-term unemployed (registered as a jobseeker longer than 12 out of the last 15 months); younger than 25 years old,

	have completed training in the previous 2 years, and have not found regularly paid employment since, have neither been engaged in employment nor undergone an apprenticeship within a systematic training scheme due to parental commitments; parents or other persons who have been granted custody (permanent or temporary) of a child by court order and are responsible for up to 3 children until school-leaving age, or single parents who are responsible for at least 1 child until school-leaving age; are no longer able to continue their previous employment for health reasons; have moved residence from other EU member states to Slovakia; people with disabilities; foreigners who have been granted asylum; have a reduction in their fitness to work of between 20 and 40 percent; have had their employment terminated for organizational reasons, or due to a threatening occupational disease, or due to having been subjected to the maximum official limit of exposure to dangerous materials, or due to having reached the age limit for their particular line of employment; have no apprenticeship or school leaving certificates; had no regular employment before being sentenced to imprisonment; have completed a rehabilitation course (after alcohol or substance abuse), or have completed a prison sentence, or have completed a minimum period of 6 months as a result of other sanctions.
Albania	Mothers with many children; mothers over 50 years old; young people under 18 years old; the long-term unemployed; members of households at the poverty level; victims of trafficking; individuals who benefit from programs of financial support; individuals who become unemployed as a result of enterprise restructuring and privatization; single unemployed mothers; divorced women with social problems; individuals who returned from emigration and have economic problems; newly graduated individuals unfamiliar with the labor market; individuals who have served prison sentences; disabled individuals; Roma individuals; and unemployed orphans.
Montenegro	Disabled persons, persons seeking employment for more than 5 years, unemployed persons with over 25 years of pension insurance, and persons whose work is no longer needed due to enterprise downsizing, bankruptcy, or liquidation.

Source: Employment promotion legislation in selected countries.

Given the limited number of registered vacancies and low access to/coverage with ALMPs, “regular jobseekers” may have no chance to compete with these preferential groups. Employers, in turn, are looking for new recruits based on economic criteria, first of all, based on the skills and qualifications of jobseekers. Having such restrictions put in place, they may be looking for new recruitments elsewhere.

Waiting period. Some countries have established a waiting period after which the jobseeker can be attributed the status of unemployed and start receiving unemployment benefits. During this period, the jobseeker is offered, if available, a suitable vacancy from the vacancy databank.

In Azerbaijan, the PES may decide upon the status of the unemployed if a person who is registered as a jobseeker is not offered work within 10 days from the date of registration at PES. In Uzbekistan, unemployed persons are not recognized as unemployed if they twice declined a suitable job within 10 days from the date of registration at PES, or if they did not appear at the local PES, without good reason, within 10 days from the date of registration in order to find a suitable job. In Russia, the status is conferred by PES if it cannot provide suitable employment for jobseekers within 10 days from the date of their registration. These restrictions are used to immediately offer the jobseeker available job vacancies and/or to test the real unemployment status of jobseekers.

Other restrictions for registration. In many countries, owning land and subsequent income-earning activities, such as agricultural work or agro-business/farming, are considered to be an equivalent of a permanent job or as employment. Farmers cannot therefore be registered as unemployed or claim unemployment benefits. For example, in Azerbaijan, according to the Law on Employment, individuals who own agricultural land are considered to be employed and are not eligible to be classified as unemployed.

Performing agriculture activities also is considered as a restriction to registering as unemployed in Bosnia and Herzegovina. Furthermore, ownership of a registered company may cause similar restrictions if the person's revenues exceed, on a monthly basis, 25 percent of the average wage. Similar restrictions are stipulated in the employment legislation in Croatia. As a result of such restrictions, a significant portion of low income individuals, especially living in rural areas, are deprived of access to employment services.

Availability for employment and actively seeking employment. Availability for employment and active jobsearch are two of the key requirements to be considered unemployed. Employment legislation in the reviewed countries is quite vague with respect to the definition of availability and active jobsearch. However, in the employment promotion legislation of Bosnia and Herzegovina, we found the following criteria regarding actively seeking employment: the jobseeker (i) contacts PES regularly; (ii) submits applications to employers or publishes announcements and applies for vacancies and tenders; and (iii) acts in compliance with the professional orientation, training, and re-

training programs. In several countries, relevant conditionalities are regulated in the individual employment action plans or are decided at the discretion of employment officers. In Slovenia, an unemployed person is deemed available for employment if he/she is at the disposal of the Employment Service every working day for three hours at the permanent address or at the address agreed upon with the Employment Service. The time of being at the Employment Service disposal is set by the latter. An unemployed person has the right to be absent for personal or other valid reasons up to 18 working days per year. An unemployed person is deemed to be at the disposal also during the time of carrying out appropriate or suitable temporary or casual work or jobseeking in accordance with the referral or in agreement with the Employment Service (MISSOC 2011).

In practice, the definition of active search includes individuals with different jobsearch intensities. Some individuals search for jobs only by registering in PES. Other “semi-passive” seekers place an ad and/or check for jobs with family/friends, while “more active” seekers undertake several activities to seek employment. As an example, by the LFS data, in FYR Macedonia, 82 percent of the unemployed register at the Employment Service Agency (ESA) but only one third of the unemployed relied on being registered in the employment office as the only job-seeking mechanism, while 49 percent of the registered unemployed used other means. If we look at the most active jobsearch instruments, such as those individuals who placed an ad, answered an ad, contacted employers, and/or participated in job interviews, only 53 percent of the survey-based unemployed used such jobseeking mechanisms (Angel-Urdinola and Macias 2008).

1.3. Employment Services Available to Jobseekers, Employers, and Inactive Population

Services to Unemployed Jobseekers. Labor market services (client services) component of ALMPs provided by the PES encompasses the following groups of activities: (i) information services for jobseekers providing ad hoc information on and referrals to opportunities for work, training, and other forms of assistance, together with job brokerage services for employers; and (ii) individual case-management services of individualized assistance (e.g., intensive counseling and guidance, jobsearch assistance, personalized action plans) and

follow-up for unemployed persons provided as part of a planned path towards durable (re-)employment (EC/Eurostat 2006).

Employment services are at the heart of national ALMP strategies in most countries. The menu of employment services provided, as a rule, by the staff of PES but also increasingly by private providers, may include but are not limited to the following activities:

Job placement services:

- Job search assistance services
- Regular meetings with personal employment advisor (jobsearch follow-up, update of employment plan, identification of unemployed needs or special support within employment programs, etc.)
- Direct referral of jobseekers to vacancies
- Jobsearch skills training programs
- Job application and interview preparation
- CV composition and submittal
- Job clubs
- Job and vacancy fairs
- Informational interviews
- Employer contact (intermediation) services
- Small business advisory meetings
- Sessions on current labor market information and regional jobs
- Job motivation seminars.

Counseling services:

- Career/job counseling (individual or group-based)
- Vocational counseling
- Legal counseling on PES services and rights as well as obligations for newly registered unemployed
- Social counseling (how to handle the family budget, etc.)
- Medical counselling.

Specialized services:

- Vocational rehabilitation: services for the disabled include work capacity assessment and vocational planning, exploring employment options, evaluating aptitude, and promoting job placement
- Setting up of individual action plans
- Surveillance of independent jobsearch
- In-depth assessment of skills, abilities (aptitude testing), and occupational skills
- Referrals to ALMPs after a period of unsuccessful jobsearch
- Labor redeployment services (programs for workers who have received redundancy notice)
- Cooperation with all relevant stakeholders – the social partners, social benefit organizations, education and training providers, other public organizations, and private employment agencies.

ICT services:

- Internet: viewing jobs and training places
- National call center service: a jobseeker can find out about jobs, training, and unemployment security
- Email notification: provides clients with information on jobs and training options
- CV net: posting of CVs on a freely accessible online service.

These basic employment services can enhance job matching and reduce the waiting times for job-seekers to find work and for employers to fill vacancies. The key determinants of positive employment impacts of basic employment services are listed in Box 1. However, most of the countries in the sample provide only some of the employment services from the menu listed. Country examples will be discussed below.

Box 1: Lessons from Impact Evaluations on Keys to Effective Employment Services Program

Evaluations conclude that the key determinants of positive employment impacts of basic employment services include:

- “Work first strategy” extended over the whole organization of the public employment service
- Close dialogue and cooperation with the community and especially with employers
- Investment in staff skills, prioritizing the field positions
- Performance management system, with clear targets, performance indicators, and processes for monitoring of performances
- High-quality, up-to-date information and knowledge about the labor market conditions, including labor demand (a web based job vacancy databank of the highest quality being the core instrument)
- Pronounced client focus and client adjustment approach throughout all activities
- High-quality ICT support for all PES activities and functions, especially for client information and services
- Good infrastructure for provision of labor market information to employers and jobseekers and for communication between those two groups of clients
- A pro-active and systematic approach to following up on the registered job vacancies and the registered unemployed at the PES centers.

Source: World Bank (2010).

Individual action plans. As part of activation policies, PES in many countries provide each registered unemployed person with an “individual action plan” identifying the activities required by and responsibilities of the jobseeker to reach an employment target. An individual action plan is a document negotiated between the unemployed person and a PES officer, signed by the unemployed person, describing actions to be undertaken by both parties, after which the actions described in the plan become obligatory. The plan implies the assessment of an individual’s employability and sets up particular steps for jobseekers in their efforts to look for vacancies. This allows PES staff to monitor, and if necessary, revise

the plan. It is part of the policy that PES' relationship with jobseekers be increasingly based on the strong self-activity and self-responsibility of the jobseeker.⁶

Individual action plans are a particularly useful tool for those jobseekers who have multiple barriers to employment, such as a lack of skills, a lack of prior labor market experience, and social needs. Especially for young jobseekers, an individual action plan at some point in the unemployment spell may be required. Jobseekers who are not actively seeking jobs according to their individual plan might face benefit sanctions or might be even excluded from the PES roster of unemployed.

Examples of setting up individual action plans are found in Table 8. In a number of countries (Bulgaria, Poland, Macedonia, Serbia, Slovakia), individual action plans are offered to all unemployed persons within a certain period of initial registration; in others, it is offered on a voluntary basis, for instance, in Hungary (except for school leavers, for whom it is compulsory) and the Czech Republic.

⁶ As emphasized in the European Employment Guideline No 19, PES should adopt a preventive and proactive approach to the support of the unemployed including early identification of needs, jobsearch assistance, guidance, and training as part of personalized action plans.

Table 8: Schedule of Setting Up Individual Action Plans and Coverage in Selected Countries

Bulgaria	An action plan and a schedule of visits shall be prepared for each registered unemployed person.
Czech Republic	PES is obliged to offer jobseekers under the age of 25 and university graduates the opportunity to develop a plan.
Estonia	The first part of the Individual Action Plan shall be prepared, in cooperation between the unemployed person and the Estonian Unemployment Insurance Fund, within seven days of registration of the person as unemployed. The second part of the Individual Action Plan shall be prepared within 18 weeks after registration of a person as unemployed. If an unemployed person belongs to a risk group and due to that, his or her engagement in employment is difficult, the second part of the Individual Action Plan shall be prepared promptly but not later than five weeks after registration of the person as unemployed.
Slovakia	PES is obliged to offer an Individual Development Action Plan no later than four calendar months after the entry into force of the decision to classify the citizen by registration as jobseekers. For disadvantaged jobseekers, who are registered as jobseekers over 24 months, PES is obliged to offer an Individual Action Plan no later than four calendar months from the expiry of 24 months. For disadvantaged jobseekers, who asked in writing for an Individual Action Plan, PES is obliged to start preparing the plan within 30 calendar days of the written request.
Croatia	An individual action plan shall be prepared within 90 days from the day of registration of the unemployed person with the Employment Service.
Montenegro	An individual action plan shall be prepared within two months from the date of registration of unemployed persons.
Serbia	The individual employment plan is to be established, as a rule, no later than 90 days after registration by PES and the unemployed.

Source: Employment promotion legislation in selected countries.

As far as the content of the individual action plan is concerned, the Employment Law in Estonia, for instance, stipulates that the first part of the Individual Action Plan is to be filled in within seven days of registration of the person as unemployed and it should set out the following:

- Name and personal identification code or date of birth of the unemployed person
- Name and position of the person who prepared the plan
- Description of the professional and working skills of the unemployed person, and of his or her other skills which facilitate employment
- Activities necessary for finding work, persons required to perform such activities, and the schedule to perform the activities

- Frequency of visits to the Estonian Unemployment Insurance Fund or the frequency of contacting PES by phone. During each visit or phone call, the date of the next visit or phone call will be entered in the Individual Action Plan
- Labor market services necessary for employment
- Reporting by the unemployed person on compliance with the Individual Action Plan.

The second part of the Individual Action Plan to be filled in within 18 weeks after registration of a person as unemployed contains:

- Analysis of professional and working skills of the unemployed person, and of his or her other skills which facilitate employment
- Description of the circumstances that hinder the employment of the unemployed person
- Labor market services, including the services that are needed to eliminate or mitigate the circumstances hindering employment, and other measures that the person is required to take and the schedule for taking the measures.

Individual action plans are known to be highly labor intensive. Some employment services may lack office capacity to establish such plans and follow up on their implementation in accordance with official PES guidelines. In particular, high caseloads may limit frequent reporting and confirmation of unemployment status by jobseekers, as well as opportunities for job counselors to monitor the implementation of the action plan by the jobseeker.

Suitable employment. In many countries, the registered jobseekers-to-vacancy ratio is very high. As noted above, vacancies registered at PES tend to be largely for unskilled or semiskilled workers with low wages, in public sector jobs, or jobs with harmful working conditions; and they often go unfilled. Not surprisingly, even in an environment of high unemployment, there are still vacancies that are not attractive enough to be filled by the jobseekers of different qualification levels, previous earnings, or age and sex.

In this situation, the legal definition of suitable employment becomes acute. “Suitable work” means work that a registered jobseeker/unemployed cannot refuse a job offer without risking a benefit sanction or of being deleted from the roster of unemployed.

“Suitable job” criteria not only determine the nature of PES referrals to vacancies but can also be used to assess clients’ availability for work, in the sense that persons who appear unwilling to take up a job offer for particular reasons may be considered as not available for work and therefore be sanctioned (OECD 2000).

The concept of suitable employment is discussed in the ILO Employment Promotion and Protection against Unemployment Convention No. 168, 1988. In particular, Article 21 of the Convention states that “the benefit to which a protected person would have been entitled in the case of full unemployment may be refused, withdrawn, suspended or reduced, to the extent prescribed, when the person concerned refuses to accept suitable employment... In assessing the suitability of employment, account will be taken, in particular, under prescribed conditions and to an appropriate extent, of the age of unemployed persons, their length of service in their former occupation, their acquired experience, the length of their period of unemployment, the labor market situation, the impact of the employment in question on their personal and family situation, and whether the position is vacant as a direct result of a stoppage of work due to an ongoing labor dispute.”

Over time, the concept of suitable employment has become more restrictive in many countries. In particular, in its recent report the ILO Committee of Experts observes that, “in the last decade the move towards the active labor market policies was accompanied by the introduction into the legislation of several countries regulating unemployment insurance of the rule, according to which unemployment benefit shall not be paid to persons who without adequate reasons refuse to take up ‘reasonable employment’ offered to them. The overall purpose of the changes has been to ‘motivate’ the unemployed into having the necessary will and readiness to match, at any time, the requirements of the labor market. This ‘motivation’ was achieved, inter alia, by replacing the previously applicable rule by which a person could be disqualified from receiving unemployment benefit for having refused ‘suitable employment,’ by the more restrictive concept of withdrawing the benefit for refusing employment offered ‘without reasonable grounds.’” (ILO 2011).

This shift is largely explained by the mismatch between professional skills, qualifications, and acquired experience of the registered jobseekers, on the one hand, and actual state of

the labor market, on the other, including by the number and the structure of job vacancies registered at PES by employers.

Employment promotion legislation in the reviewed countries stipulates different criteria for determining suitable work. In particular, the following specifications may apply (Table 9):

Working conditions and type of work. In most of the reviewed countries, any paid work conforming to the requirements of labor laws, including shift work, is generally considered suitable. Depending on the category of jobseekers, many countries consider casual or temporary work or even public works to be suitable.

Categories of jobseekers. In some countries, different criteria of a suitable job are applied to different categories of jobseekers. First-time jobseekers and the long-term unemployed are asked to accept any job or face sanctions, such as being deleted from the list of registered unemployed.

In particular, in the Czech Republic and Estonia, the long-term unemployed may have to accept jobs which do not correspond to their education, profession, or previous work experience.

In Azerbaijan, any paid work, conforming to the requirements of labor laws, including temporary work, requiring or not requiring pre-employment preparation, and taking into account age and other personal characteristics, is considered as suitable work for the following persons: (i) first-time jobseekers, persons who have not worked more than three years, and persons with no profession (specialty); (ii) persons failing to upgrade their professional skills or initiate training in a related profession or study a new profession; and (iii) persons registered at PES over 18 months.

In Russia, any work including of temporary nature and public works is considered suitable for the following categories of jobseekers: (i) first-time jobseekers; (ii) non-professionals (without specialty); (iii) persons seeking to resume work after a long (more than one year) break; or (iv) persons dismissed more than once within one year prior to the beginning of unemployment for violation of labor discipline.

In typical cases, work involving up to two hours per day of travel-to-work time is considered suitable in Kyrgyzstan and Latvia, and up to three hours in Slovenia (exceptions are made for jobseekers with a child up to 15 years old). Several countries cite no specific figure, leaving it at the discretion of PES. For example, in Belarus, the maximum distance of suitable employment from the residence of the unemployed is determined by the local executive and administrative bodies, taking into account the transport accessibility of the new job.

Occupational protection. In Azerbaijan, initially suitable employment offered to the newly registered jobseeker should correspond to the jobseeker's previous profession but after six months, suitable employment is also considered to require a shift in profession. In Serbia, the job offers by PES could be in the acquired level and type of education within the first 12 months of registering with PES. After that period the jobseeker should accept job offers of a lower qualification level as suitable employment. In Slovenia, a position one level lower may be offered to an unemployed person after three months of the registered unemployment as a suitable job, and two levels lower position after six months of registered unemployment.

Wage protection. Legislation in several countries mentions particular salary levels as the criterion for job suitability. In Belarus, the proposed salary may be not more than 10 percent below the previous average earnings. In Kyrgyzstan and Moldova, the job is considered suitable if at least official minimum wages are guaranteed.

Table 9: Definition of a Suitable Job in Employment Promotion Legislation in Selected Countries

Kyrgyzstan	Suitable work is a job that a person is able to perform, according to gender, education, training, work experience, health status, a short distance from their place of residence (not more than one hour), and guaranteed wages not lower than the statutory minimum wage levels.
Moldova	Suitable work is a job corresponding to professional training, seniority, experience, health status, acceptable distance from place of residence, and guaranteeing a monthly salary of not less than the official legal minimum wage.
Czech Republic	<p>Suitable job: the working hours must be at least 80 percent of the stipulated weekly working hours, and the employment must be agreed for an indefinite period, or for a fixed term exceeding three months, and correspond to the jobseeker's state of health (confirmed by the relevant medical assessment opinions).</p> <p>Other aspects (e.g., qualifications, length of previous employment, etc.) are taken into consideration but are not considered to be essential. In practice, this means that if PES cannot offer a jobseeker a job according to her/his qualifications, it may offer her/him another job, which does not meet that qualification. If the jobseeker is registered with PES for more than one year, the job offered by PES does not have to fulfil all the above-mentioned requirements.</p>
Estonia	<p>Work suitable for an unemployed person during the first 20 weeks after registration as unemployed is deemed to be employment:</p> <p>Which is not contradicted due to health reasons;</p> <p>In the case of which the travel from the place of residence to the place of work of the unemployed person by public transport will not take longer than two hours a day and will not cost more than 15 percent of the person's monthly wages;</p> <p>Which corresponds to the education, profession, and previous work experience of the unemployed person;</p> <p>For which a salary offered is at least 60 percent of the person's average monthly income subject to social tax but not less than two times the minimum wage. In calculating a person's average income of one month subject to social tax, incomes of the first three months out of the six months before registration of the person as unemployed shall be taken into account.</p> <p>Work suitable for an unemployed person as of the 21 week after registration as unemployed is deemed to be employment:</p> <p>Which is not contradicted due to health reasons;</p> <p>Which may be temporary;</p> <p>In the case of which the travel from the place of residence to the place of work by public transport will not take longer than two hours a day and will not cost more than 15 percent of the person's monthly wages;</p> <p>For which a salary, upon full-time employment, is higher than the</p>

	<p>unemployment insurance benefit received by the person for the same period but not lower than the minimum monthly wage is offered;</p> <p>Which need not correspond to the education, profession, or earlier work experience of the unemployed person.</p>
Latvia	<p>Appropriate employment is an employment, which conforms to:</p> <p>The occupational preparedness of the unemployed person and his or her previous occupational activities, as well as the official language fluency level;</p> <p>The state of health of the unemployed person;</p> <p>Accessibility of the offered workplace (a place travelling to by means of public transport from the declared place of residence of the unemployed person shall take not more than one hour in one direction); and</p> <p>Average remuneration in an appropriate occupation in a particular sector (on the basis of the latest official data published by the Central Statistics Bureau), which is offered to the unemployed person.</p>
Slovenia	<p>Employment shall be deemed suitable if the one-way distance between an unemployed person's place of residence and his/her workplace does not exceed an hour and a half by public transport or transport provided by the employer, or the unemployed person is provided accommodation in another place.</p> <p>Suitable distance between the place of residence and the workplace for an unemployed person who lives alone in a common household with a child up to 15 years of age shall be up to an hour one-way travel by public transport or transport provided by the employer.</p> <p>An unemployed person shall not be absent from home due to work and commuting in the total duration exceeding eleven hours.</p> <p>One level lower position offered to an unemployed person after three months of the registered unemployment shall be considered as suitable provided there are no other unemployed persons for whom such a post would be appropriate employment.</p> <p>Two levels lower position offered to an unemployed person after six months of the registered unemployment shall be considered as suitable provided there are no other unemployed persons for whom such a post would be appropriate employment.</p>
Azerbaijan	<p>Paid work, conforming to the requirements of labor laws, including temporary work, requiring or not requiring pre-employment preparation, taking into account age and other personal characteristics, shall be considered as suitable work for the following persons:</p> <p>First-time jobseekers, persons who have not worked more than three years, and persons with no profession (specialty);</p> <p>Persons failing to upgrade their professional skills or take-up training in a related profession or study in a new profession by the end of the statutory period of payment of unemployment benefits;</p> <p>Registered at PES over 18 months.</p>

	<p>If PES is unable to provide suitable employment in a profession within six months, then suitable employment is considered to require a shift in professions, taking into account skills, health status, and professional expertise, availability of training, and vacancies in the labor market.</p> <p>For citizens who do not have a profession or those who held jobs that do not require special training and who are registered as unemployed for more than nine months, and for citizens who wish to resume employment after a long break (more than 12 months), except for citizens of pre-retirement age, suitable employment is also considered participation in paid public works.</p>
Uzbekistan	<p>For first-time jobseekers who do not have a profession (specialty), suitable work is considered a job that does not require pre-employment training, and in failing to provide it, other paid work, including work of a temporary nature, given the person's age and other characteristics.</p> <p>After an initial period of unemployment, in failing to provide a job in the person's own profession (specialty), a job that requires a change in profession (specialty) can be considered suitable work, taking into account the person's abilities, past experience, and resources available to learn a new profession.</p>
Russia	<p>Paid employment, including work of a temporary nature and public works, requiring or not requiring (according to age and other personal characteristics) preconditions that meet the requirements of labor laws and other normative legal acts is considered suitable for:</p> <p>First-time jobseekers and non-professionals (persons without specialty), seeking to resume work after a long (more than one year) break, dismissed more than once within one year prior to the beginning of unemployment in violation of labor discipline or other actions, ceased to be self-employed, as well as those sent by PES for training and expelled;</p> <p>Refused to increase qualifications (re-qualify) in a profession (specialty) in order to obtain a related profession, or refused to be retrained after the first period of unemployment benefits; and</p> <p>Registered with PES for more than 18 months and have not worked for more than three years.</p>
Serbia	<p>Within the first 12 months of registering with PES, suitable employment means employment in the acquired levels and types of education.</p> <p>After the first 12 months, suitable employment means employment in jobs at a lower level in the same or related fields of education, taking into account work experience and the state of the labor market.</p>
Belarus	<p>Work is suitable if the proposed salary is not more than 10 percent below the average earnings calculated over the last two calendar months at the last place of employment (service).</p> <p>After six months of being registered as unemployed, in failing to provide the unemployed employment in to his/her profession (specialty), employment can be considered suitable, if it requires changes in profession (specialty), taking into account the abilities of the unemployed, state of health, work experience in former profession (specialty), and available means of training.</p>

	<p>Suitable employment is any paid work, including the work of a temporary nature (except for paid public works), corresponding to the requirements of labor legislation, taking into account age and other characteristics, for the following categories of the unemployed:</p> <p>First-time jobseekers and persons without a profession (specialty); persons seeking to resume work after a long break (more than one year); or persons who terminated the employment contract for an indefinite period on his/her own will.</p> <p>The unemployed cannot be offered the same place of work (training) in the same profession (specialty) twice.</p> <p>The maximum distance of suitable employment from the residence of the unemployed is determined by the local executive and administrative bodies, taking into account the transport accessibility of the new job.</p>
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Source: Employment promotion legislation in selected countries.

In some countries, the jobseekers have an obligation to undergo a medical examination to determine their suitability for particular jobs. In the Czech Republic, labor offices may request an assessment to be made by a designated health institution of the health of a person for employment purposes. A jobseeker must undergo this examination. The labor office can, at its own expense, examine the state of health of a jobseeker who, for example, requests vocational rehabilitation or who gives various health reasons preventing her/him from taking up a particular job (MISSOC 2009).

As noted in the OECD study on activation policies, a strict jobsearch requirement does “make work pay” by bringing the unemployed into contact with adequate jobs more frequently, but a strict suitable work requirement forces the unemployed to accept lower-paid jobs (OECD 2007).

In sum, despite a large number of services available to jobseekers, the majority in the reviewed countries rely solely on personal and family connections as the main way to find suitable employers, and many job placements occur without an intermediation role by PES.

Services and incentives for employers. The review of employment promotion legislation in selected countries identified the following incentives for employers to register at PES and obtain access to services and benefits (for more detail the rights and obligations of the employers in selected countries, see Annex II, Table A2.1):

- Provision by PES of funding for projects and programs for employment, which are in the public benefit
- Provision of wage subsidies for hiring of unemployed individuals
- Reimbursement of training costs for training of jobseekers at the enterprise
- Reimbursement of funds for organizing and financing public works programs
- Co-financing for the creation of new jobs
- Partial compensation of costs for the preservation of jobs
- Loans for investments in new production entities
- Co-financing of costs of training and retraining redundant workers during the notice period and of costs of the reassignment and a salary for a worker recruited for the temporarily vacant job
- Provision of support for employers in case of bankruptcy or mass layoffs
- Reimbursement of employers' social contributions for hiring jobseekers from vulnerable groups
- Provision of tax breaks for hiring vulnerable groups in excess of established job quotas
- Provision of preferential credits to employers and unemployed individuals on a return basis
- Contribution to employers for transport costs of his/her workers to work and back
- Posting and managing vacancies
- Searching and consulting jobseekers profiles
- Subscribing for profiles and CVs
- Receiving selected applicants
- Sending job offers
- Online searches for candidates, CV net.

In order to participate in labor market programs, employers have to register at PES, and there are different practices. Employers might be obliged to register in connection with vacancies that they have to report to PES, or they might be interested in certain services and entitlements. Country examples follow.

In Slovenia, there are no formal procedures or requirements for employers to register with PES. However, for efficient work-flow as supported by IT, PES maintains a registry (database) of employers, which update automatically from the Business Register. Employers also have to register their job vacancies with the employment service, and can use its services, among others and most heavily, related to:

- Job-mediation
- Involvement in employment programs (training, public works, or wage subsidies)
- Managing the layoff procedures of a large number of redundant workers
- Managing the procedures in the case of planned layoffs of disabled workers
- Issuing work permits for foreigner workers outside the EU.

In Malta, there are also no formal procedures for registration. However, employers interested in browsing through the CVs of jobseekers on the PES website must register in advance with PES to protect the personal data of jobseekers.

In Poland, the regulations that specify the tasks of public employment services impose an obligation on labor offices to provide help to employers in selecting candidates for a job. Help to employers in recruiting workers through employment agency services and career guidance and information is the key task of the labor offices. Employers are also obliged to register a job offer at the labor office when they apply for a work permit for an alien – a third-country national.

In many countries, employers have to notify to the PES of all of their vacancies. According to the WAPES survey, among 70 public employment services worldwide,⁷ only one third have legislation stipulating that employers must register any vacancy arising within their establishment to PES. For example, in Romania, all employers are obliged to notify the territorial employment agencies of any available vacancies within five days.

Employers, in addition to the incentives, have certain obligations to PES. The review of employment promotion legislation identified the following employer obligations:

- Inform the PES about

⁷ WAPES express survey, May 2007.

- vacant positions
 - needs for training and their own capacity to organize such training
 - vacancies announced which were occupied or closed
 - persons employed who have been referred by the Employment Agency
 - unemployed persons who refused to accept the proposed suitable jobs
 - unemployed persons' refusal to employ the persons seeking jobs who have been referred to by the PES
- Employ jobseekers within the limits of established job quotas
 - Create jobs for the employment of disabled workers
 - Hire graduates of public institutions providing vocational, specialized secondary and higher education.

However, too many obligations associated with hiring from the pool of registered jobseekers may scare away some of the employers from PES.

As noted in the recent World Bank study, effective employment services rely on tight links between the local offices and the local employers. Various methods can be used to achieve this including extensive outreach by local office staff, job fairs, aggressive marketing campaigns, and regular labor demand surveys (World Bank 2010).

Services to inactive population. The inactive can be defined as persons who are not regarded as part of the workforce and who are normally on passive benefit schemes (e.g., disability pension, sickness allowance, early retirement schemes, and unconditional social assistance) with no or few obligations to look for work (EC 2009).

The primary target groups for PES in most countries are those who are registered as unemployed or who are currently employed but at risk of involuntary job loss due to difficult economic circumstances for their employer. However, labor market policies are increasingly focused not only on these groups but on a wider range of people who face disadvantages and barriers that may prevent them from joining or rejoining the labor force, for example, women re-entering work after a family break, young people looking for their first job, older workers, and disabled workers. Many want to work and would be ready to

start working, but for various reasons they are not actively looking for a job or are not available for work on short notice. Relevant incentives should be put in place to attract a portion of the currently inactive jobseekers to register at PES and benefit from employment services.

In most cases, the inactive may only receive information from PES about the labor market and job vacancies/skills needs. Also, in some countries, referrals to free (publicly funded) external training and education, and coaching for employability skills might be provided. The list of services for the inactive population in selected countries follows.⁸

In Poland, any person not registered as unemployed or as a jobseeker may use the so-called open job offers (i.e., those which indicate the employer). Such offers are displayed on a notice board in local labor offices, in the press or on the website of the office, during job fairs or exchanges, etc. Non-registered persons also have the right to obtain exhaustive information on the services of the labor office and possibly the rights to which he/she is entitled, including the right to obtain information on the conditions and rules of registration.

In the Czech Republic, the EURES information and counseling service also offers its facilities at no charge to clients who are not registered. This service has been introduced at all 77 labor Offices in the Czech Republic. EURES CR has 15 EURES counselors who were trained for their counseling and informational duties in special courses organized by the European Commission and the Czech Republic's Employment Service Administration.

In Latvia, non-registered clients can access only the database of vacancies on the PES webpage. In Hungary, non-registered clients also have a legal right to claim help and services in the local labor offices, but service is based on "remaining" PES capacities.

In Austria, unregistered persons may use the "ejob room," which is a self-service job placement internet platform. In Sweden, unregistered clients have free access to the self-

⁸ www.pesmonitor.eu

service system on the internet as well as telephone services provided by Arbetsförmedlingen.

In Malta, unregistered jobseekers can make use of job matching services offered at PES job centers and training services offered at the training centers. Unregistered jobseekers can input their CV into the PES database.

In the United Kingdom, customers who are not registered as a jobseekers (for benefits purposes) can still apply for jobs through the Jobcentre Plus website or through the electronic job kiosks that are available in offices, some libraries, and supermarkets. Although non-registered customers are unable to access Jobcentre Plus contracted training and support, they may be able to access similar, non-contracted services delivered by their local authorities, community groups, and not for profit organizations. In addition, Jobcentre Plus delivers a comprehensive range of benefits to inactive customers of working age, including benefits for lone parents. It ensures their benefits are accurate and on time; gives advice to parents on formal childcare; and, helps them understand the conditions for receiving benefits to help fraud and error.

In Europe, Bulgaria, the Czech Republic, and Denmark are the only countries that provide active job brokering (pre-selection of suitable candidates from the register for particular vacancies) to all inactive people. Germany, Hungary, Ireland, Latvia, Norway, and Sweden provide active job brokering to selected inactive groups (EC 2009).

Yet, inactive people are not a common key focus group of PES. Employment services and ALMPs like jobsearch assistance, training, and education programs, or referral to free (publicly funded) external support to remove barriers to employment, are only offered to inactive persons in a few countries.

Services and incentives for employed jobseekers (jobchangers). Services for employed persons are aimed to support occupational and job-to-job mobility (EC 2009). In the reviewed countries, jobchangers have access to a limited array of employment services although with no obligations to the PES. Only in the Serbian employment promotion legislation did we find the notion that a person seeking a change of employment is deleted

from the PES registry for failure to contact PES at least once every six months or to respond to calls from PES. Mostly, services for jobchangers are limited to the provision of labor market information (vacancies/skill needs) and employer-notified vacancy information through on-site computer terminals or through the website.

For example, in Bulgaria, employed persons who wish to change jobs (as well as students who wished to work in their free time) are entitled to the following services: (i) information on the vacant jobs announced; (ii) intermediation for the provision of information and employment; and (iii) professional provision of information, consulting, and orientation. In Bosnia and Herzegovina, currently-employed persons may register at PES in order to change employment, for the purpose of mediation, counseling, and information free of the obligation of regular contact. Jobchangers usually form two to three percent of the pool of jobseekers, and clearly are not the priority group for PES.

In sum, various incentives and mandatory requirements can be found in employment promotion legislation for jobseekers to actively participate and benefit from employment services, be it incentives for early registration at the PES, requirements to attend intensive interviews with employment counselors, to apply for job vacancies as directed by employment counselors, to independently search for job vacancies and apply for jobs, to accept offers of suitable work, or to participate in the formulation of an individual action plan.

Employment services are by far the most common and most cost-efficient labor market program offered by PES to almost all of the registered jobseekers. Selected services are provided to employers and groups of inactive population. The impact of employment services on job placements, however, depends on numerous other factors – from the institutional capacity of PES to monitor the activities of jobseekers and enforce rules and regulations to the overall situation in the labor market, including the availability of job vacancies.

II. Incentives for Participation in ALMPs

This section provides an overview of incentives for jobseekers, service providers, and employers (if any) to participate alternative labor market programs (ALMP) in selected countries, as envisaged in their employment promotion legislation. According to the European Commission (EC), Eurostat, and the Organization for Economic Co-operation and Development (OECD), the labor market policy (LMP) measures to be discussed in this section are classified into six detailed categories according to the type of action as follows:

- (i) Training programs;
- (ii) Programs that facilitate the insertion of the unemployed or other target groups into a work placement by substituting hours worked by an existing employee;
- (iii) Programs that facilitate the recruitment of the unemployed and other groups, or help to ensure the continued employment of persons at risk of involuntary job loss;
- (iv) Programs that aim to promote integration of disabled persons into the labor market
- (v) Programs that create additional jobs
- (vi) Programs that promote entrepreneurship by encouraging the unemployed and target groups to start their own business or to become self-employed (EC/Eurostat 2006).

ALMPs have two basic objectives: economic, by increasing the probability of the unemployed finding jobs, productivity, and earnings; and social, by improving inclusion and participation associated with productive employment. These interventions have the potential to significantly improve labor market performance if well designed, targeted, and implemented. However, the findings of various reviews of ALMPs indicate that the programs are not a panacea for large-scale unemployment and that expectations must be realistic. The impact of relevant incentives for participation in ALMPs tends to be limited as the fiscal and institutional constraints of PES produce low numbers of beneficiaries for particular programs and programs have low efficacy in terms of job placements. Also, ALMPs cannot substitute for structural labor market reforms, which aim to improve the functioning and efficiency of the labor market.

2.1. Role of ALMPs

Historical analysis of variations in spending on labor market programs indicates that spending on ALMPs does not vary significantly over the business cycle, implying that spending levels per unemployed person decline sharply in a deep recession (OECD 2009). However, there are exceptions. In 2009, Latvia and Slovenia tripled overall budgetary allocations for ALMPs compared to 2008; Armenia, Croatia, and Estonia almost doubled the budget for training; and FYR Macedonia significantly increased funding for programs on employment incentives and integration of disabled individuals (Kuddo 2010).

Judging from the number of beneficiaries, the most popular labor market programs tend to be career counseling, professional orientation and career guidance services (but students also benefit from the program), jobsearch assistance, training, and public works. Compared to 2008, in 2009 in Latvia, the number of participants in training programs increased from 8,600 to 29,200 and in Estonia, from 5,800 to 18,100. This reflects a shift in emphasis from a “work first” approach to a “train first approach” through training and work experience programs. Nevertheless, the number of ALMP beneficiaries (other than counseling) remains low in most cases (for details of participation in selected countries, see Annex I, Tables AI.5 and AI.6).

Some countries even mandate by law the norms for participation in ALMPs. During the recent economic downturn, in Russia, the normative penetration or coverage rate of jobseekers with training programs increased from 15.3 to 20 percent of the total number of registered unemployed, and with social adaptation courses, from 13 to 20 percent of the total unemployed. Overall, the normative coverage rate of the unemployed with ALMPs increased from 30 to 45 percent of the total registered unemployed (Kuddo 2010).

The countries have different priorities in the provision of ALMPs. According to the structure of budgetary allocations, in 2008, Bulgaria spent 68 percent of expenditure on active measures on job creation; the Czech Republic, 66 percent on supported employment and rehabilitation; Estonia spent 87 percent of total expenditure on ALMPs on training; Latvia spent 52 percent, and Romania 60 percent of expenditure on active measures on employment incentives (Annex

I, Table AI.7). The structure and level of expenditure on ALMPs is determined based on political and ethical considerations rather than the results of program evaluations.

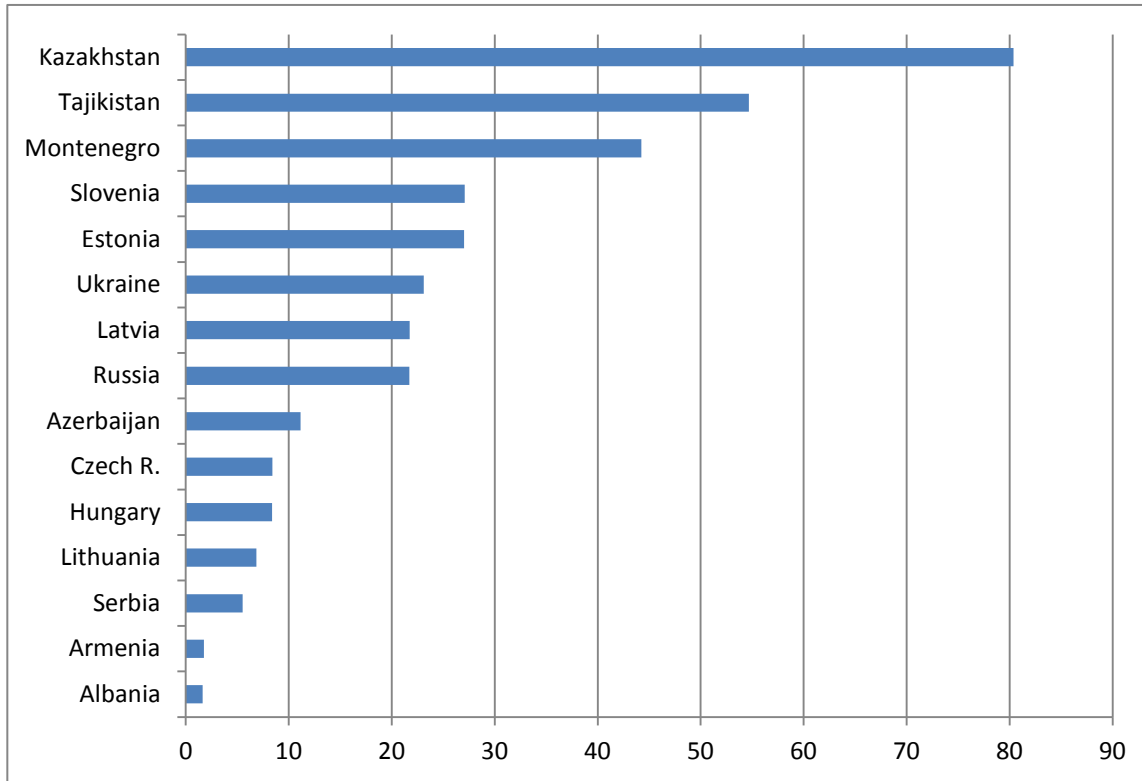
ALMPs are known to have two effects on jobsearch activity and job finding rates: a locking-in effect and a threat effect. The locking-in effects refer to the period a person participates in a program. During this period, jobsearch intensity may lower, because there is less time to search for a job, and also because the individual might want to complete, for example, an ongoing skill-enhancing activity (Calmfors 1994; Lalive et al. 2001). On the other hand, the threat effect distorts the behavior of unemployed individuals prior to enrolling in ALMPs. For some, participation in ALMPs might not be very attractive, perhaps because it is stigmatizing and the payoffs are clearly not very promising. To avoid participation, the unemployed will increase their jobsearch effort and lower their reservation wages, and as a consequence they will leave unemployment faster when faced with a threat of program participation than without the threat (Rosholm and Svarer 2004). The threat effect might be more prominent when the participation in ALMPs is mandatory, which is not the case in most of the reviewed countries.

2.2. Incentives in Provision of Training Programs

Training programs are the most widely used active labor market measure. Labor market training is aimed at those who have already left the formal schooling system. Their main objective is to increase the employability and productivity of participants. Training can also play an important role in combating skills shortages in specific sectors and occupations.

Training programs include measures such as classroom training, on-the-job training, and apprenticeships, and provide either general education (e.g., alternative high school certification, language skills, or computer skills) or specific vocational skills (firm- or industry-specific skills) for unemployed workers outside the education and training system. Some programs are designed to develop basic job readiness only.

Figure 6: Ratio of Number of Trainees to Average Annual Number of Registered Job Seekers in Selected Countries, 2009 (%)



Source: Kuddo (2010).

Training programs do have their limitations. First, they are relatively costly. Second, their impact will be limited when job opportunities for trained workers are scarce. Finally, training programs are also associated with deadweight losses (i.e., some workers would have found jobs without the training). In addition, labor market-related training organized or supported by PES cannot substitute for general education and cannot make up for the failings of the educational system.

A number of studies point to the observation that on-the-job training and employer involvement seem to be associated with more positive outcomes than classroom training and programs that do not have connections to the private sector. This type of training is demand-driven: it is based on strict and monitorable financial incentives; it allows combining the resources of the state, employers, and jobseekers themselves; and it secures much higher placement rates for graduates. Some studies also highlight the value of linking training with formal qualifications.

However, it is difficult to conduct a thorough cost–benefit analysis of training programs, as well as other ALMPs, because of problems in identifying long-term fiscal return from the programs to individuals and the society, and because of possible displacement and substitution effects. The impact evaluation studies usually include information on program participant costs, temporary income support savings, net impact on reemployment, and average monthly earnings. Other crucial information is usually not available: downstream wage impacts and returns to society (tax revenues, productivity gains, and long-term income support payments required by non-participants). In the reviewed countries, such a survey was recently done in Estonia; it found that each Euro invested by PES into the training and retraining programs of unemployed individuals returns to the society in a two-year period four Euros (Lauringson et al. 2011).

Studies from Europe and other OECD countries overwhelmingly find that training programs targeting youth are relatively unsuccessful as they undermine their capacity to actively search for employment (negative locking-in effects) (Betcherman et al. 2004 and Calmfors 1994). Furthermore, retraining programs are of limited applicability for older workers, as well as for workers with little formal education.

Figure 6 presents the coverage of registered jobseekers with training programs in countries for which data are available. In most countries, the ratio is relatively modest, including less than two percent of jobseekers in Albania and Armenia. On the other hand, the ratio of beneficiaries to the average annual number of registered jobseekers is very high in Kazakhstan and Tajikistan. This is largely explained by the fact that the number of registered unemployed out of the total number of unemployed is very small, and many on the roster receive training organized by PES. Employers, training providers, and beneficiaries may receive financial and other incentives to secure their active involvement and subsequent placement of jobseekers in jobs.

Incentives for beneficiaries. A training stipend/allowance is commonly provided to participants of training courses organized by PES, typically in the amount of the unemployment benefit or as the ratio of the minimum wage or the previous salary of the trainee (for the incentives to participate in training programs in some of the reviewed countries, see Annex II, Table A2.3).

The higher the training stipend is, the stronger the incentives to enter, stay, and successfully complete the training course. In many cases, the training stipend is differentiated depending on the category of jobseekers. In some countries, child supplements are paid to the trainees. Country examples follow.

In Moldova, unemployed persons receiving unemployment benefits and enrolled in training courses receive a stipend of 70 percent of the previously established unemployment benefits; in Ukraine, the stipend is the amount of the unemployment benefit; in the Kyrgyz Republic and Armenia, unemployed persons receive a stipend in the amount owed in unemployment benefits, increased by 20 percent.

In some countries the stipend is related to the previous wage of the jobseeker. In Uzbekistan, persons who have lost jobs and labor income, and are registered with PES for work, having children and other dependents, while in vocational training, retraining, and advanced training receive a stipend in an amount not less than 75 percent (without dependents, 50 percent) of their average monthly salary in the previous job, but not below the minimum wage set by law, and not above the average wage.

In Azerbaijan, the training stipend might reach 70 to 100 percent of the previous wage, depending on the category of the trainee. In Russia, for persons dismissed from an organization during the 12 months preceding the beginning of the course, and who had at that time paid work of at least 26 consecutive weeks of full-day (full-week) or part-time working day (shift) and (or) part-time working week equivalent to 26 consecutive weeks of full-time, the stipend equals 75 percent of average earnings calculated over the last three months at the last place of employment, but not above the maximum value of unemployment benefits and not below the minimum value of unemployment benefits.

In some other countries, the stipend is expressed as a ratio of minimum wages. For example, in Montenegro, the stipend equals 60 percent of the minimum wage; in Lithuania, the training stipend equals 70 to 100 percent of the minimum wage depending on the duration of training. In Peru, the monthly financial subsidy to trainees is not less than the minimum wage when recipients meet the regular training schedule established by the company.

First-time jobseekers and the long-term unemployed are usually not entitled to unemployment benefits. So their stipend, if any, might be determined by different formula. In Russia, for first-time jobseekers, individuals seeking to resume work after a long (more than one year) break, or individuals dismissed for violation of labor discipline or other actions, as well as dismissed for any reason during the 12 months preceding the beginning of training, and who had at that time paid work at least 26 consecutive weeks, the value of the stipend is established by the educational institutions, but not below the level of unemployment benefits provided for that category of jobseekers. In Armenia, for individuals not eligible to receive the unemployment benefit, the stipend is 50 percent of the minimum wages. The stipend in Azerbaijan includes a supplement for child support; the size of stipend for persons who have dependent children under 18 years of age increases by 10 percent for each child, but with the condition of the supplement not exceeding 50 percent of the total stipend.

In addition to the stipend, other benefits might exist for trainees. For example, in several countries in Eastern Europe, for jobseekers who are provided education and training for the labor market, in addition to training stipend/allowance, PES may provide reimbursement for food, accommodations, and travel expenses from the place of residence to the education and training venue. In Croatia, the trainees are reimbursed for public transportation, mandatory textbooks, food, and designated protective clothing, footwear, and other aid devices.

In Peru, the training provider may provide insurance covering sickness and accidents or directly assume the cost of these contingencies. In Slovenia, the participants have the right to health care if they are not insured on some other basis.

Employment legislation may establish penalties for those not regularly attending the training course. For example, in Belarus, the size of the stipend may be reduced by 25 percent for one month or a trainee may be deprived of the stipend for the same period due to irregular attendance, without good reason, or breach of discipline and internal regulations of the educational establishment. In Russia, stipends may be reduced by 25 percent for one month, or payment may be suspended for up to one month in the case of absence or irregular attendance without good reason.

Usually there is a mismatch between the huge demand for training among jobseekers and the number of training courses financed by PES. Some countries have established priority rules for participation in training. For example, in Russia, the following groups have priority to undergo training, retraining, and advanced training: the disabled unemployed, unemployed who have surpassed the six-month period of unemployment, jobseekers discharged from military service, spouses of military service members, and graduates of educational institutions, as well as first-time jobseekers (previously not employed) and non-professionals (without specialty).

Incentives for training providers. Very few public employment services possess their own training centers, and the role of PES in providing training is becoming increasingly contractual, seeking training services from other public and private sector agencies. This includes training that usually is supported through either direct provision (i.e., through public or private training institutes) or financial support (i.e., funding training costs and/or subsidizing trainees).

Many countries in the ECA region—Bulgaria, Hungary, Poland, Romania, Serbia, and Slovenia, for example—purchase training programs from various providers through public tenders, which ensures quality and fosters private sector participation. PES typically contract for a selected number of training slots or days of training. The training contractor may provide additional counseling services. In other countries like Ukraine and Azerbaijan, PES have training centers and the private training contractor provides flexible modular training. PES only provide the premises and cover operating and other related costs.

In some countries (Bulgaria), in order to improve the outcome of training programs, local organizations proposing training programs must show evidence of demand for trained workers and agree to a negotiated job placement rate which may be different for institutional training and for on-the-job training provided by the employer. Contracts are increasingly performance-based (e.g., the payment schedule is adjusted accordingly to meet the employment targets after completion of the program). Indeed, experience from Turkey confirms that performance-based contracting can be an effective incentive to ensure that training meets the needs of the labor market. The analysis suggests that placement rates are 20 points higher when providers must meet employment guarantees than when these guarantees do not exist (World Bank 2010).

Incentives for employers. In employment promotion legislation, various incentives have been established for employers in the provision of training services but also in the recruitment of trainees after completion of the program. A few country examples follow.

In the Czech Republic, by agreement with PES, retraining may be performed at the employer's premises with a view of trainees' further employment. Employers may receive full or partial compensation for the related costs. In Belarus, local Departments of Labor, Employment, and Social Protection can fully or partially offset the costs to employers for vocational training of employees who are going to be dismissed in connection with the liquidation or downsizing of the organization or while hiring first-time jobseekers.

In Estonia, employers can receive remuneration for supervising practice in the workplace. For each practice hour attended by an unemployed person, the employer receives remuneration for supervision in the amount of 100 percent of the minimum hourly wage established during the first month, 75 percent of the minimum hourly wage during the second month, and 50 percent of the minimum hourly wage during the third and fourth months the unemployed person participates in work practice.

In Tunisia, the company that hires the trainees receives a recruitment bonus. The premium is paid after one year of actual work from the date of recruitment. The private sector receives support from the National Employment Fund to pay the employer's contribution to statutory social security for trainees who are recruited as jobseekers and contracted as higher education graduates for seven years – from 100 percent of the contribution during the first and second year to 25 percent during the seventh year.

Despite various incentives for beneficiaries, service providers, and employers, the impact of training programs on job placement tends to be low, partially due to the limited availability of training programs.

2.3. Incentives Associated with Wage Subsidies

Interventions to directly create jobs are controversial since they can have significant costs and uncertain benefits, especially beyond the short term. In the EU 27, there was an average of just over 822,000 persons benefitting from direct job creation measures at any point during 2007.

That represents 7.1 percent of the 11.5 million persons participating in all types of LMP measures. The average cost of direct job creation measures across the EU is over € 10,000 per person-year, which is more than double the cost for all types of LMP measures (Eurostat 2009).

A large-scale direct job creation program is justified at times of economic downturn, when aggregate demand is depressed and vacancies are few (EC 2006). Direct job creation programs are sometimes intended to increase demand in the economy or to provide work experience with a view to improving employability or to achieve both of these objectives. They include wage subsidies, assistance to self-employed businesses, public sector work programs, and work trials. As is the case of training programs, the role of PES may simply involve referring participants to measures, or it may extend to organizing and sponsoring programs.

One of the main direct job creation measures are wage subsidies, for instance, subsidies to encourage employers to hire new workers or to keep employees who might otherwise have been laid-off for business reasons. Financial incentives are either provided directly (through direct wage subsidies) or indirectly (through social security waivers and reductions in labor taxes).

Wage subsidy programs can be scaled up relatively rapidly, making them particularly prominent during times of economic crises to temporarily sustain jobs and avoid layoffs. These programs typically are targeted at the long-term unemployed, areas/sectors with high unemployment, and special groups of workers (e.g., youth) to integrate them into real workplaces (ideally with some training) and, thus, providing a point of entrance into the labor market.

While these programs serve a social objective, it is difficult to design subsidies that actually meet the goal of creating jobs in a cost-effective manner. They are often associated with deadweight losses. They also can have unintended effects such as subsidized workers replacing unsubsidized ones (“substitution” effect) or employers hiring subsidized workers and laying them off once the subsidy period ends. Another issue is that how to safeguard against displacement that is, how to ensure that the employer would not have filled the new work place in any event.

Wage subsidies are costly labor market interventions and subsequently attract limited participation. In the countries for which the data are available, in 2009, the highest ratio of recipients of wage subsidies compared to the average annual pool of registered jobseekers was 8 percent in Slovenia, followed by Hungary and Lithuania at 7 percent (Annex I, Table A.1.6; Kuddo 2010).

Employment promotion legislation in many countries highlights the priority list of potential beneficiaries. In Lithuania, the priority list includes 13 categories of jobseekers, including the disabled, first-time jobseekers, the long-term unemployed, persons over 50 years of age who are capable of work, pregnant women, etc. In Estonia, a wage subsidy may be paid for the employment of unemployed persons who have been released from prison, the long-term unemployed, and unemployed person 16–24 years of age who have been registered as unemployed for more than six consecutive months and have not found work during that time.

There are limits in the size of the wage subsidy. For example, in Mongolia, an employer who hires unemployed persons who have not had a job for more than one year and are registered at PES, with sustainable employment for more than six months, receives a wage subsidy from the Employment Promotion Fund in the amount equal to 60 percent of the total wage paid to that employee during first six months of his/her employment. In Estonia, the wage subsidy is 50 percent of the wage or salary of the employee or public servant but not more than the minimum monthly wage. In Lithuania, the wage subsidy may not exceed the minimum monthly wage. The most generous wage subsidy was found in Ukraine: wage subsidy (grant) may be paid to employers in the amount of his/her expenditures on wages but not above the average wage in the related field in the national economy.

There might be time limits for the payment of the subsidy. In Lithuania, where fixed-term employment contracts are agreed with the employed persons, the period of payment of the subsidy may not be longer than three months.

Legislation might foresee the penalties for employers for early termination of the contract with subsidized workers. In Estonia, an employer must return a wage subsidy in full if the relevant

employment or service relationship is terminated at the initiative of the employer earlier than one year after entry into the contract of employment or appointment to the position.

2.4. Incentives for Public Works

Public works programs (also known as workfare programs) have been widely implemented both as safety net interventions and ALMPs. Countries have introduced public works with diverse objectives, such as to protect from large covariate shocks (e.g., natural disasters, economic downturn, or seasonal labor demand shortfalls), protect households from temporary job losses, fight against poverty, or help the poor gain temporary employment.

Public works programs provide direct and temporary employment opportunities at low-wage rate. These jobs comprise labor intensive infrastructure projects (e.g., road construction and maintenance, irrigation infrastructure, and soil conservation), as well as community activities and civic projects. Normally, they serve as a short-term bridge between more permanent jobs, especially in environments where jobs are few.

Public works for the unemployed can be combined with vocational training or non-formal education when an unemployed person does not have the qualifications, professional knowledge, or skills required or when such training is required for employment. For example, in Slovenia, a participant in public works may take part in training and education programs during no more than one fourth of their working hours, with full-time weekly working hours amounting to 30 hours.

Public works programs have proven to be an effective measure for creating short-term employment for truly jobless workers if they are carefully targeted and if the wage is set below the equilibrium wage for unskilled labor (for a stock-taking of these programs and their impacts, see Subbarao 2003; Betcherman et al. 2004; Ravallion 2008; Del Ninno, Subbarao, and Milazzo 2009).

Public works are also not a common program provided by PES. For example, around half of the ECA countries provide public works. In 2009, the highest ratio of participants to the average annual number of registered jobseekers was 41 percent in Kyrgyzstan, followed by 35 percent in Ukraine, 23 percent in Latvia, and 15 percent in Tajikistan (Kuddo 2010; Annex Table A1.6).

However, workers on administrative leave, often unpaid, and other categories, such as individuals on social assistance, might also participate in public works organized by PES.

In some countries, certain categories of jobseekers may have a preferential right to participate in public works. In Azerbaijan and the Kyrgyz Republic, non-recipients of unemployment benefits have priority. In Russia, unemployed citizens who have been registered at PES for over six months have also preferential rights for participation.

The level of wages is critical in securing participation in public works. In Estonia, the minimum hourly wage payable for public work is the official minimum hourly wage. In other countries, the minimum wages are so low that other benchmarks should be used, be it average wages or unemployment benefits. In Moldova, unemployed persons participating in community service (public works) receive the monthly benefit in the amount of 20 percent of the average wage in the economy over the previous year. In the Kyrgyz Republic, individuals engaged in paid public works receive remuneration for actual work performed, but not less than 50 percent of the unemployment benefits and not more than four times the basic unemployment benefit. The required amount is paid through the organizers of the public works.

In Uzbekistan, as additional incentives in carrying out public works, persons are guaranteed an amount for the work done, but not lower than the unemployment benefit, increased by 15 percent. The time in these jobs counts towards job tenure for pensions and allowances for temporary disability.

Other expenditures may be covered for employers and beneficiaries. In Lithuania, the employers/organizers of public works may receive compensation for the following expenses:

- Wage compensation for the time actually worked by the employee in public works, calculated according to the minimum hourly pay
- Compensation for compulsory state social insurance contributions;
- Monetary compensation for unused leave.

Employer compensation is paid by the local PES (50 percent) and the municipality (50 percent).

A local PES compensates the following expenses for persons carrying out public works:

- For those who are traveling from the place of residence to work using long-distance and/or local (suburban) transport, the traveling expenses to and from their workplace according to tariff rates for traveling by bus or railway carriage
- All the expenses related to the compulsory medical examination and vaccination against contagious diseases, provided this is stipulated in legal acts regulating safety and health at work.

Beneficiaries of public works might have other entitlements. In Slovenia, while employed in the program, the participants are entitled to annual leave with a duration of no less than four weeks; a meal allowance is provided; and social security contributions are paid for them. In Russia and in Azerbaijan, while participating in public works, the unemployed retain the right to receive unemployment benefits.

Funding of public works might have multiple sources. In Eastern Europe and Central Asia, the funding for the implementation of the public works programs is provided by PES and the public works contracting authority; it may also be provided by the public works provider. In developing countries, donor and NGO funding plays a key role.

2.5. Incentives for Self-employment and Entrepreneurship

Support for self-employment is usually an effective measure, helping the unemployed with the entrepreneurial skills (which is admittedly a relatively narrow group) necessary to start their own business and escape unemployment. Based on international experience, the strategy has been successfully used by only a small portion of the unemployed, given that such programs usually reach a higher-skilled segment of the unemployed (Betcherman et al. 2007).

Public employment services in very few of the reviewed countries provide entrepreneurship grants. In 2009, the highest ratio of grant recipients compared to the average annual number of registered jobseekers occurred in Russia, 11 percent, followed by Slovenia, 7 percent, and the Czech Republic, 4 percent (Annex I, Tables A1.5 and A1.6; Kuddo 2010). As far as micro credits are concerned, it is more efficient to deliver them through specialized financial institutions since it is outside the purview of PES. Among the reviewed countries, Serbia recently conducted an impact evaluation of self-employment subsidies; the program is run by the local National

Employment Service (NES) office and provides a subsidy of 130,000 dinars (approx. US\$2,400). Applicants submit a business plan to the NES branch office, and applicants with the highest number of points, by a specially designed scoring formula, receive the subsidy (Bozanic et al. 2011). Economic activity rates among applicants approved and not approved for the subsidy differ significantly (Table 10).

Table 10: Employment Characteristics of Applicants of Self-Employment Subsidy for National Employment Service In Serbia (%)

Selected Employment Characteristics	Not Approved	Approved
Employed	53.1	69.7
Unemployed	26.4	15.8
Inactive	20.5	14.5
Manufacturing	29.6	39.7
Wholesale, retail	15.7	14.6
Construction	16.2	11.7
Legislators, managers	22.7	30.3
Technicians and associate professionals	7.6	10.6
Service and sales workers	16.2	6.9
Craft and related trades workers	34.0	36.8

Source: Bozanic et al (2011).

Self-employment promotion ranges from measures that entail financial and advisory assistance for starting up small businesses to micro credit programs that function as a poverty alleviation strategy. These measures are often conditional on a successful review of a business plan and include direct financial assistance for business start-up, support in accessing venture capital, training in entrepreneurial skills, and mentoring. They have been offered either on a universal basis or to particular groups, such as the newly unemployed or the long-term unemployed.

Program conditions vary. Participants may receive assistance to set up their businesses as a lump-sum payment or periodic allowance, often supported by technical services such as training, counseling, and assistance in developing and implementing a business plan. "Screening" is commonplace, whereby potential beneficiaries undergo an assessment to evaluate their likelihood of success. In a number of OECD countries, attendance at an information or orientation seminar is mandatory before obtaining an application to participate in the relevant programs. Other countries conduct interviews. Some countries use pre-entry business advisory

services or counseling to improve the applicant's entrepreneurial skills and the quality of the business plan.

In the reviewed countries, various incentives have been established in the employment promotion legislation to attract participation in self-employment programs. Support for self-employment usually starts with the provision of basic information. In Lithuania, local PES provides information about the conditions for starting up a business, the employment of employees, and the opportunities for pursuing activities under a business certificate. They also organize basic business training for jobseekers pursuing self-employment.

Since self-employment programs are not an entitlement program, the target population must be screened to restrict the number served and to maximize the economic returns to the resources used. Most countries having such programs rely on self-screening mechanisms, including applications, use of pre-entry business advisory services and training, and development of business plans. In addition, the countries usually rely on the private sector to deliver self-employment programs, while the government's role is limited to program financing.

Priority is given to certain categories of jobseekers. In Estonia, jobseekers who have completed business training or who have vocational or higher education in economics or experience in business receive preferential treatment in receiving a business start-up subsidy. In Lithuania, social considerations are also taken into account; the disabled who are starting a business receive support covering at least 35 percent of the expenses related to the creation (adaptation) of workplaces.

Assistance and financial support might be given for business advisory services and training. In Bulgaria, persons who have received a loan under the Micro Credits Guarantee Fund project are entitled to use the training services to acquire professional qualifications. They also may be reimbursed for costs incurred for hired advisory services.

In Bulgaria, unemployed persons, who are entitled to financial compensation and who wish to start an economic activity for production of goods and/or rendering of services, are provided, on account of the Unemployment Fund, with lump-sum amounts after approval of his/her business plan by PES.

In the Czech Republic, PES may provide a financing to a person who is self-employed and who has ceased to be a jobseeker. A bridging contribution is provided for, at most, three months in a monthly amount equal to half the minimum subsistence.

In some countries, unemployment benefits serve as the source of funding for seed capital. In particular, in Croatia, Serbia, and Ukraine, a cash compensation (unemployment benefit) for the whole period of eligibility may be paid in a one-time (lump-sum) amount to launch self-employment at the request of the unemployed. In Mongolia, the Employment Promotion Fund may deliver small loans, conditional on being repaid, for purposes of purchasing raw materials, tools, or other required investments to the self-employed or persons running a business in the form of a partnership or cooperative.

Certain employment legislation might foresee penalties for early termination of the PES-supported economic activity. In Serbia, a contract is signed governing the mutual rights and obligations of PES and the unemployed person who becomes self-employed, and includes penalties for termination of the contract. In Slovakia, a person who has ceased to operate or carry out self-employment within two years of receiving PES funding is required to repay a proportion of the contribution attributable to the respective period of time.

The already functioning employers might receive targeted support in order to create jobs for jobseekers selected from the PES roster, be it through targeted funds or tax concessions. In the Czech Republic, contribution towards recruitment costs can be paid to an investor who, within two years, creates at least 10 jobs in economically depressed areas. The investor may receive financial support from the state for creating these jobs and also for retraining and training employees. The support amounts to CZK 200,000 per job. The amount of support for retraining and training is a maximum of CZK 30,000 per job.

In Bulgaria, employers and small enterprises may be provided with the funds for 12 months, with respect to the first five jobs opened, if an unemployed persons who was referred by PES is hired. The amount of support equals the minimum wage for each new worker.

In Ukraine, businesses, agencies, and organizations that create additional jobs for vulnerable categories of jobseekers (e.g., individuals who need social protection and are not able to

compete on equal terms in the labor market or exceed the established employment quotas for the disabled) are granted tax exemptions, which partially or fully compensate for the costs associated with the hiring of additional employees.

In Lithuania, support for job creation can be provided to employers who create new jobs for or adapt already-existing workplaces to the disabled unemployed person and who employ unemployed persons from the PES roster under an open-ended employment contract. Support for job creation is provided in the amount not to exceed 22-fold the last published national average monthly wages for the creation of one workplace. The employers must cover at least 35 percent of the expenses related to the creation (adaptation) of the workplace and maintain the created (adapted) workplace for at least 36 months from the time of employment of persons sent by the local PES. In the case that such workplace is liquidated, the employer has to repay to the local PES:

- Total amount of the subsidy where a workplace is liquidated during the first 12 months from its creation (adaptation)
- 80 percent of the subsidy where a workplace is liquidated 12-24 months from its creation (adaptation)
- 50 percent of the subsidy where a workplace is liquidated 24-36 months from its creation (adaptation).

In addition to employers, incentives can be provided to jobseekers to encourage their rapid return to work. In Serbia, a recipient of unemployment benefits for at least three months, who establishes an open-ended working relationship with PES, is entitled to a one-time incentive for employment in the amount of 30 percent of the total amount of monetary compensation, which would have been paid for the time remaining until the expiration of the right to financial compensation.

In Slovakia, employed or self-employed individuals can apply for a commuting allowance. It covers monthly travel expenses for commuting from the place of residence of the employee to the place of employment, as provided in the employment contract or implementation of self-employment. An allowance for commuting can be provided to persons who were registered as

jobseekers for at least three months and found a job. Relocation costs are refunded (mobility grant) in several ECA countries if the new place of work was referred to and agreed upon by PES.

Overall, micro finance institutions might be better positioned to assess, on behalf of PES, the feasibility of applicant business plans and deliver micro loans or small grants to unemployed individuals who want to start their own business. Moreover, existing evidence on interventions aimed at supporting micro and medium enterprises shows high deadweight losses and high business mortality (Betcherman et al. 2000).

2.6. Programs for Risk Groups in Labor Market

Special employment programs for risk groups aim to provide assistance in determining appropriate fields and employment opportunities. The following categories of jobseekers are considered risk groups in the labor market (EC 2009):

- Young and older unemployed persons (ages 16-24 and 50-74)
- Immigrants having problems entering the labor market
- Ex-prisoners who have not reinserted into the workforce
- Women returning to the workforce
- Single parents
- Physically or disabled persons with reduced work capacity or mental health problems
- Unemployed people with alcohol/drugs misuse
- Unemployed people with poor skills levels.

Relative to prime-age workers, youth are especially likely to be more affected by negative output shocks as their productivity is generally lower given differences in skills and experience.

The programs for relevant vulnerable groups typically include the provision of the employability and training plans, job and career counseling services, various aptitude tests and vocational assessment tests, and wage subsidies.

Many countries in Eastern Europe and Central Asia—Azerbaijan, Bulgaria, Czech Republic, Poland, Kyrgyz Republic, and Uzbekistan, for example—have established an employment quota

for the disabled, and in some countries, for other categories of workers. Employers have to create jobs for and accept the disabled without a probation (trial) period. In the Kyrgyz Republic, the Labor Code stipulates that employment quotas for disabled individuals should be not less than 5 percent of the employees in firms having at least 20 workers. However, in ECA the system has commonly not been strictly enforced and enterprises failing to fulfill the quota usually escape the penalty.

Although quotas on the employment of persons with disabilities also are applied by a number of high income countries, the level and terms of their application are different. For example, the quota level is set at 2 percent in Spain and South Korea, 6 percent in France, and 7 percent in Italy. In many cases, failure to comply entails imposition of fines; quotas are regulated according to the enterprise profile and the number of employees. For example, although the same quota rates are applied in Spain and South Korea, the scale of the respective enterprises differ significantly. Thus, while quotas are applied to enterprises with more than 300 employees in South Korea, that figure is limited to 50 employees in Spain (OECD 2003).

Turkey has a similar system of employment quotas for disabled individuals but new incentives for employers were introduced. The 2008 Employment Package of reforms regulates that the hiring quota for people with disabilities for firms with 50 or more employees be maintained (3 percent of the workforce) but that the Treasury will assume all employer's social security contribution payments within the quota. Also, as an additional incentive, the Treasury assumes half of the employer's social security contributions for people with disabilities hired beyond the firms' quota.

In addition to quotas, governments may consider other strategies for developing efficient activation programs for groups with limited work capacity, such as improving their jobsearch skills, vocational rehabilitation, subsidies to private employment, sheltered employment, or adaptation of the workplace and post-employment counseling. Country examples follow.

In Hungary, businesses with a high ratio of disabled employees might receive special subsidies. The labor market integration of people with disabilities is promoted by rehabilitation groups available in Rehabilitation Information Centers in 16 county labor centers.

Estonia has also introduced employment initiatives for people with disabilities. Registered disabled individuals are entitled to a personalized jobsearch plan. Measures also include support to employers for the adaptation of premises and equipment needed when hiring a disabled person, and support from public employment service employees to help the disabled at job interviews. In particular, communication support at interviews is provided to disabled unemployed persons who, due to their disability, need help in communicating with the employer during job interviews.

In addition, a support person could be hired for the disabled persons who, due to their disability, need help and direction while working. Alternatively, the Estonian Unemployment Insurance Fund covers relevant costs to the employer who ensures a disabled unemployed person the service of working with a support person. The service of working with a support person may be provided to a disabled unemployed person for a period of up to one year after the entry into an employment or service contract between the employer and the disabled unemployed person for up to:

- Eight hours per day during the first month
- Four hours per day during the second month
- Two hours per day during the third to the twelfth month.

All together, this type of support will be provided for not more than 700 hours per one unemployed person during a year.

In Eastern Europe, the most comprehensive package of support to employ disadvantaged jobseekers is probably provided in Slovakia. Among the measures, it includes the following:

- Contributions to support the employment of the disadvantaged jobseekers who have been registered as jobseekers for at least three months, for a maximum of 24 calendar months. The employer is required to maintain the job created and subsidized by the grant, for the employment of disadvantaged jobseekers at least 24 calendar months.
- Contributions to support employment of employees with low wages, reimbursement to the employers and employees of the costs of health insurance and social insurance premiums and contributions to retirement pensions.

- Support to employment of disadvantaged jobseekers in social enterprise in which the share of disabled jobseekers comprises at least 30 percent of the total number of employees.
- Support to graduate practice for jobseekers up to 25 years of age, a flat-rate contribution for the amount of the subsistence minimum and reimbursement of the necessary personal expenses associated with the implementation of graduate practice;
- Contribution to trigger activity in the form of voluntary service with the aim of jobseekers to obtain practical experience on the job market, an allowance in a lump-sum amount of the subsistence minimum to cover necessary expenses for meals, accommodations, and travel expenses from place of residence or temporary residence to place of voluntary service.
- Support to sheltered workshops or protected workplaces for reimbursement of necessary expenses for meals, accommodations, and travel expenses from place of residence to place of the workshop or sheltered employment.⁹ An employer who receives a subsidy in order to establish a sheltered workshop must maintain the new jobs for at least three years, or face a penalty.
- Contributions to individuals with disabilities to become self-employed: an allowance is provided for disabled individuals registered as jobseekers for at least three months, and who will be self-employed in a sheltered workshop or sheltered workplace continuously for at least two years.

In many countries, special measures have been established to support the employment of youth, older jobseekers, and the long-term unemployed. In Bulgaria, for each new job opened, for which an unemployed person up to the age of 29 years with deteriorated work-ability, or a young person from a social care facility who has completed his/her education, or an unemployed person whose registration has been maintained for at least 12 months, as well as unemployed women over the age of 50 and men over the age of 55 who are hired, employers

⁹ In protected (sheltered) workshops or protected workplaces, at least 50 percent of the workforce should be comprised of individuals with disabilities who are unable to find employment in the open labor market, or workplaces in which individuals with disabilities train or prepare for work, and where working conditions, including requirements for work performance, are adjusted according to the health status of the disabled.

shall be provided with the amounts equal to minimum wages for the time such person remained employed, however, for 12 months at the longest.

III. Eligibility for Unemployment Benefits, and Incentives for Receiving Benefits and Other Entitlements

This chapter discusses eligibility for unemployment benefits, reciprocity rates, types of benefits available, and incentives for receiving benefits and other entitlements by the jobseekers in the reviewed countries. Two essential functions of unemployment benefits are providing a degree of income maintenance during joblessness and facilitating an effective jobsearch. Unemployment benefits and early retirement schemes or labor market policy (LMP) support are the “first line of defense” for those experiencing a job loss. In the recent economic downturn, many countries extended unemployment schemes and/or expanded coverage. In addition to unemployment insurance or unemployment assistance benefits, registered jobseekers might be eligible for a myriad of other benefits and entitlements many of which, such as health insurance or social assistance to the family of a jobseeker, may have much higher coverage and value than the unemployment benefits themselves.

Employment promotion legislation in the reviewed ECA countries allows to identify at least 21 different types of benefits and other entitlements to the unemployed some of which were discussed above (Table 11).¹⁰ In most countries, registration with the PES is a requirement to receive any of the benefits listed, except social assistance in some countries.¹¹

Recent experience shows that moderately strict employment protection legislation, when combined with a well-designed system of unemployment benefits and a strong emphasis on active labor market programs, can help create a dynamic labor market while also providing adequate employment security to workers (OECD 2006). Therefore, instead of protecting jobs, governments and social partners should consider ways of protecting transitions, as this would help make the labor markets more flexible without accepting a loss of income security. Workers themselves feel better-protected by a support system in case of unemployment than by employment protection legislation (EC 2006; EC 2009).

¹⁰ The more detailed eligibility conditions from other countries in the sample were not available to us.

¹¹ Only benefits and other entitlements for the able-bodied population will be discussed here.

Table 11: Cash Benefits and Other Entitlements to Unemployed in ECA Countries¹²

1.	Additional severance pay for timely registration at PES following layoffs	Most CIS countries
2.	Unemployment insurance/assistance benefit	Most countries except Georgia and Kosovo
3.	Benefit for partially unemployed	Bulgaria
4.	Early retirement/older workers' benefit	Hungary, FYR Macedonia, Poland, Slovakia
5.	Social assistance	Most countries
6.	Health insurance	Most countries
7.	Pension and disability insurance	Bosnia and Herzegovina, Serbia Slovenia,
8.	Earnings from work	Czech Republic, Hungary, Poland
9.	Transport benefit	Azerbaijan, Bulgaria, Estonia, Montenegro, Slovakia, Slovenia
10.	Accommodation benefit	Estonia, Slovakia
11.	Allowance for commuting to work	Slovakia
12.	Refund of relocation costs	Armenia, Azerbaijan, Croatia, Moldova, Montenegro, Slovakia, Slovenia,
13.	Child supplement to unemployment benefit	Azerbaijan, Slovenia, Uzbekistan
14.	Training stipend/allowance	Most countries
15.	Salary/pay for participation in public works	Most countries
16.	Sick leave benefit	Kyrgyzstan
17.	Maternity leave benefit	Kyrgyzstan
18.	One-off financial assistance	Montenegro, Russia, Serbia
19.	One-time incentive for employment	Serbia
20.	Lump-sum unemployment benefit for self-employment	Croatia, Serbia, Ukraine
21.	Funeral benefit for the deceased unemployed person	Armenia, Latvia, Ukraine

Source: Kuddo 2011; MISSOC (2011).

3.1. Coverage of Jobseekers with Unemployment Protection Schemes

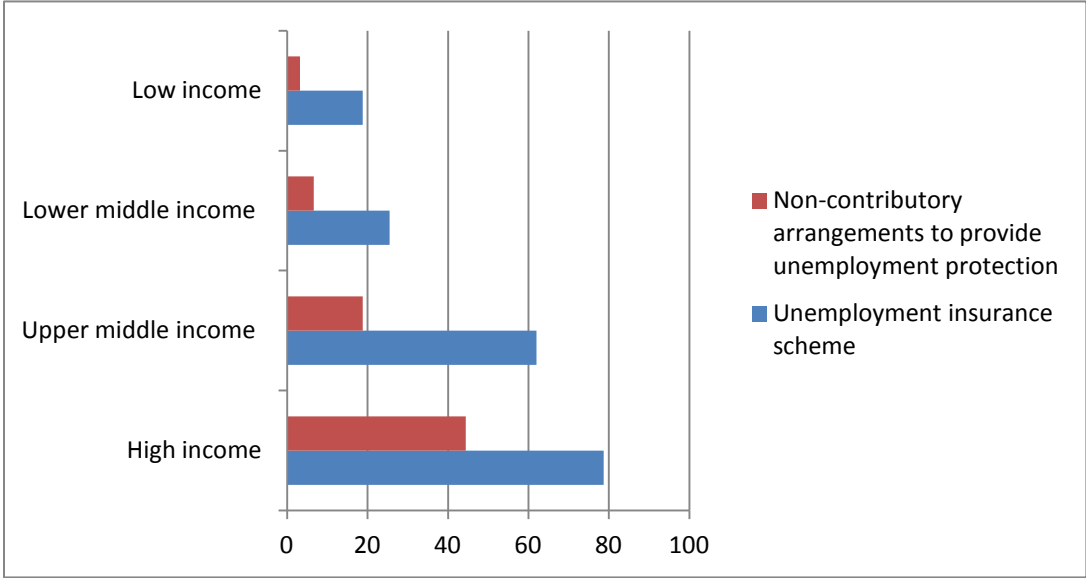
Worldwide, countries do not all have unemployment benefit schemes. According to the Doing Business Worker Protection Measure 2012 survey, out of the 176 total economies in the sample, 86 have contributory unemployment benefit schemes, and 33 have non-contributory arrangements to provide unemployment protection to workers not covered by the general provisions (unemployment assistance schemes), all of which have unemployment insurance in the first place (Figure 7).

¹² The list of countries with relevant benefits and other entitlements is not exhaustive.

The presence of unemployment benefit schemes is strongly related to the level of development. Out of the 32 screened low income countries, only the Kyrgyz Republic, Liberia, Malawi, Nepal, Tajikistan, and Tanzania provide unemployment insurance; Tajikistan has unemployment assistance scheme. Among the lower middle income countries, 74 percent do not have an unemployment insurance scheme. In contrast, 79 percent of the high income countries and 62 percent of the upper middle income countries feature some unemployment benefit system.

Regionally, excluding high income OECD countries since they all have contributory unemployment benefit schemes, in Eastern Europe, only Georgia and Kosovo do not have unemployment benefits. On the other hand, in Sub-Saharan Africa, only 15 percent of the countries; in the Middle East and North Africa and in South Asia, 25 percent; in Latin America and the Caribbean, 38 percent; and in East Asia and Pacific, 47 percent of the economies have unemployment benefit schemes.

Figure 7: Share of Economies with Unemployment Protection Schemes (%)



Source: Doing Business 2012 database.

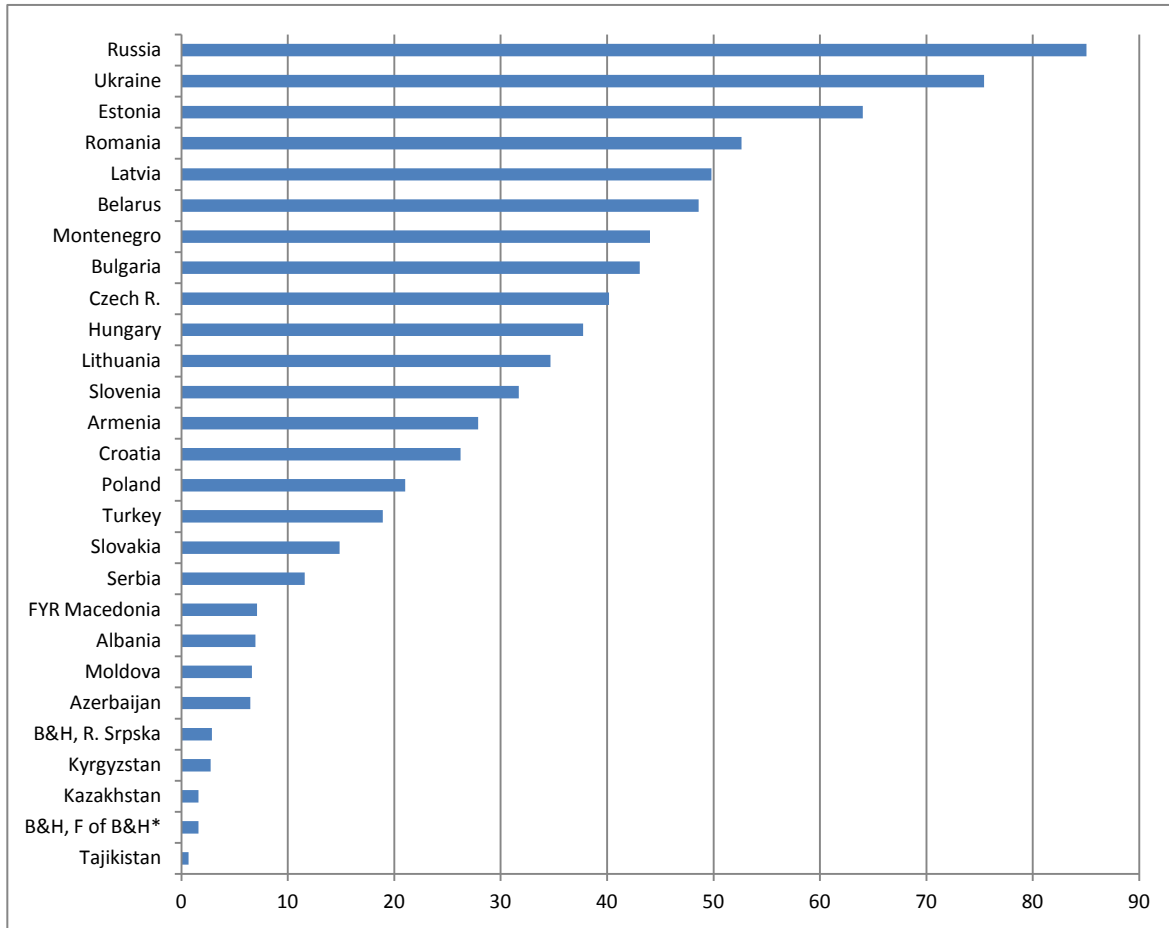
Even if an unemployment protection scheme has been implemented, many of the registered unemployed may not be eligible for unemployment benefits. The reason is that the long-term unemployed may have precedence over the registered unemployed whose entitlement is exhausted or many first-time jobseekers do not have a sufficient insurance record to claim

benefits. In the ECA region in December 2009, only 2 percent of the registered unemployed received unemployment benefits in Kyrgyzstan and Tajikistan; in Moldova, 3 percent received benefits; and in FYR Macedonia and Azerbaijan, 7 percent (Annex I, Table AI.4). For the 26 ECA countries, the overall average reciprocity rate was around 30 percent (Figure 8).

The reciprocity rate is much lower in developing countries with relevant benefits schemes. In Egypt, for example, during the period 2001-07 on average only 330 people received unemployment benefits. The factors contributing to the low utilization are: (i) a lack of public awareness about unemployment insurance benefits among plan members; (ii) restrictive eligibility conditions; (iii) difficulty (and the stigma attached to) documenting a “just-cause” firing decision; and (iv) low overall layoff risk among covered open-ended contract employees (World Bank 2008).

Across the EU, significantly less than two thirds of those who had been unemployed for at least one month during the year actually received unemployment benefits. If other types of benefits are taken into consideration, the proportion rises to around 70 percent. There are, however, considerable differences between countries. In Belgium, Austria, and Finland, more than 90 percent of those aged 25–59 years who were unemployed for more than six months received unemployment benefits (EC 2006).

Figure 8: Ratio of Unemployment Beneficiaries to Total Number of Registered Unemployed in ECA Countries, 2009 (%)



Source: Kuddo (2011).

Note: *-2008.

Despite the fact that both the fraction of the jobless who receive unemployment benefits (and, in some countries, an early retirement benefit for labor market reasons) and the average size of the benefit is very small, passive programs comprise a large share of total PES expenditures. For example, in 2009 in Croatia, cash payments accounted for 72 percent of total expenditures on labor market programs, although beneficiaries comprised only 26 percent of the total number of registered unemployed. In Serbia, 88 percent of funds was spent on benefits, yet beneficiaries accounted for only 11 percent of the registered unemployed. According to available data, only in Belarus is the situation reversed—unemployment beneficiaries consume only one fifth of total expenditures on relevant programs (Kuddo 2010).

Relatively high unemployment benefits tend to be associated with longer spells in unemployment, inter alia, because of the decline in the intensity of jobsearch (EC 2006). Financial disincentives may be counterbalanced by an appropriate design of unemployment benefits in terms of duration and sanctions and in combination with effective jobsearch assistance and activation policies.

3.2. Eligibility Criteria for Unemployment Benefits

Basic principles with respect to unemployment benefits are highlighted in the ILO Employment Promotion and Protection against Unemployment Convention No. 168, 1988. In particular, the Convention states that in cases of full unemployment, benefits will be provided in the form of periodical payments calculated in such a way as to provide the beneficiary with partial and transitional wage replacement and, at the same time, to avoid creating disincentives either to work or for employment creation.

In economic literature, most analysis has focused on the entitlement conditions of the unemployment benefit (e.g., the level and duration of benefit payments associated with the insurance record of contributions) and less attention has been paid to the labor market eligibility criteria for unemployment benefits.

“Entitlement” conditions restrict benefits to people who either (in the case of fixed-duration unemployment insurance (UI) benefits) have a sufficient record of contributions from work or an assimilated status and have been unemployed for a limited duration or (in the case of assistance-type unemployment benefits) have low total income.

“Eligibility” conditions, on the other hand, restrict unemployment benefits to people who:

- Are “unemployed” roughly in the sense of the ILO definition of unemployment, that is, not only out of work but also able to enter work at short notice and undertaking active steps to find work
- Meet administrative requirements, such as applying for benefits with the necessary documentation and attending interviews with an employment counselor and applying for vacancies as directed by PES (for a detailed discussion, see Grubb 2000).

In order to receive benefits, the applicant has to meet both entitlement and eligibility conditions.

3.3. Type of Contract Termination Affecting Benefit Payment

In many countries, entitlement to unemployment benefits is related not only to the insurance but depends on the circumstances of the separation from the company. The objective of such provisions is, first of all, to limit voluntary termination of the employment contract. For example, in Estonia, an insured person does not have the right to receive unemployment insurance benefits if the person's last employment or service relationship was terminated: (i) at the initiative of the employee or public servant; (ii) due to a breach of duties of employment or service, loss of confidence, an indecent act, or an act of corruption; or (iii) by agreement of the parties.

The list of restrictive provisions for contract termination is even longer in Slovenia; the right to a cash benefit may not be claimed by an insured person whose employment contract was terminated due to:

- Consensual cancellation
- Extraordinary termination of the employment contract by the employer
- If the worker refused to transfer to and actually carrying out work with the new employer
- Ordinary termination of the employment contract by the worker
- Ordinary termination of the employment contract by the employer because a worker violated a contractual or other obligation arising from the employment relationship
- Termination of the employment contract by the employer because the worker refused the employer's offer for a new employment contract for appropriate work and for an indefinite period
- Extraordinary termination of the employment contract by the employer for reasons having to do with the worker, except in case of extraordinary termination when a worker fails to pass the probationary period.

However, especially in the emerging market economies and developing countries, formal voluntary resignations remain the most common reason for leaving a job. According to the data from CIS states, voluntary resignation in which the workers are not entitled to most, if any, of the benefits represents a major part of all job separations, three fourths of separations in Russia and up to 90 percent in Tajikistan. The share of separations in connection with staff reductions is “only” 2 percent in Belarus and Moldova, 7 percent in Kyrgyzstan, and 11 percent in Uzbekistan (Kuddo 2009b).

The term “voluntary” is, nevertheless, misleading. There is a clear correlation between the rates and levels of voluntary resignation from sectors and firms, and the level of wages and wage growth: the lower the wages, the higher the “voluntary” resignation from jobs. In many cases, the firms have no funds for severance payment, thus forcing workers to leave “voluntarily.” So many de facto laid-off workers may lose their entitlement not only to severance pay but to unemployment benefits as well.

3.4. Conditions for Receiving and Types of Benefits

Active jobsearch. Typically, unemployment benefits are restricted to those who are available to start work at short notice, provide proof of their independent jobsearch (e.g., job applications), do not too easily reject job offers on the grounds of wages, working hours, places of work, or occupation, and attend interviews and training courses as required by PES.

In Montenegro, while receiving monetary compensation, the unemployed person is obliged to:

- Actively seek employment
- Be available for employment
- Accept appropriate employment or work engagement
- Include the appropriate application for the active employment policy; and
- File a monthly report with PES.

In Slovenia, an insured person may exercise the right to a cash benefit if:

- He/she was insured against unemployment prior to the unemployment
- No appropriate employment is available.

An insured person may retain the right to a cash benefit if:

- He/she is available for employment
- No appropriate employment is available
- After three months of entitlement to a cash benefit no suitable employment is available
- He/she actively seeks employment
- No appropriate active employment policy program is available.

In general, unemployment benefits should be available only to unemployed jobseekers who are actively looking for a job. Oftentimes, PES lack the capacity to monitor jobsearch activities by beneficiaries.

Waiting time for benefit payment. According to the ILO Employment Promotion and Protection against Unemployment Convention No. 168, 1988, a waiting period to receive the first payment may be established. In particular, Article 18 of the Convention states that:

- i. If the legislation of a Member provides that the payment of benefit in cases of full unemployment should begin only after the expiry of a waiting period, such period shall not exceed seven days.
- ii. Where a declaration made in virtue of Article 5 is in force, the length of the waiting period shall not exceed ten days.
- iii. In the case of seasonal workers the waiting period specified in paragraph 1 above may be adapted to their occupational circumstances.

Days of unemployment that generate entitlement to benefits may begin upon layoff from the previous job, or they may be counted as from the date of first contact with PES, subject in some countries to a waiting period (usually up to one week).

In Bosnia and Herzegovina and in Croatia, monetary compensation is awarded to an unemployed person from the first day upon the discontinuation of the labor relation, if he/she submits the application for monetary compensation within the given timeframe. In Montenegro, cash compensation is also awarded to the unemployed person as of the first day of termination of employment if a request to exercise this right has been submitted to PES within 30 days of termination of employment. If the unemployed person submits a request

after the deadline, cash compensation is awarded to the beneficiary as of the filing date of the request.

In Russia, unemployment benefits accrue to registered jobseekers from the first day of recognition as unemployed, and individuals who are dismissed in connection with the liquidation of an organization, the downsizing of state employees, or organizations recognized as officially unemployed, but not employed in the period which followed the last place of employment, the unemployment benefit is calculated from the first day after being made redundant.

In new EU member states (EU10), there is no waiting period for benefits in Bulgaria, the Czech Republic, Romania, Slovakia, and Slovenia, as well as in Hungary in case of involuntary unemployment. In Estonia and Poland, the waiting period is seven calendar days. The unemployment insurance benefit is calculated as of the eighth day after submission of an application for the unemployment insurance benefit in Ukraine and Moldova.

So depending on the country, the benefits payment may start from the first day after termination of the employment contract to the eighth day after submission of an application for benefits. In case of voluntary unemployment and summary dismissal, the waiting period might be longer: after registration with labor office, two months in Latvia, 90 calendar days in Hungary, and six months in Malta (MISSOC 2011).

Some countries have established time limits to register for unemployment benefits. In Bosnia and Herzegovina and in Croatia, an unemployed person acquires the right to monetary compensation if he/she registers and submits the application within the timeframe of 30 days from the day of termination of the labor relation or the date of de-registering his/her craft or activity. Monetary compensation will not be awarded to an unemployed person who submits an application after the expiry of the period of time for which the right to monetary compensation would have been awarded to him/her. If an unemployed person has submitted the application after the expiry of the timeframe, monetary compensation will be awarded to him/her from the date of submission of the application up to the expiry of the period for which the right to monetary compensation would have been awarded. In South Africa, the application

for unemployment benefits must be submitted, as a rule, within six months of termination of the employment contract. This measure also encourages speedy registration of jobseekers so that PES can offer them job vacancies, job counseling services, or participation in ALMPs.

Avoiding duplication of benefits. According to the ILO Termination of Employment Convention No. 158, 1982, a worker whose employment has been terminated is entitled, in accordance with national law and practice, to: (i) a severance allowance or other separation benefits, the amount of which shall be based inter alia on length of service and the level of wages, and paid directly by the employer or by a fund constituted by employers' contributions; (ii) benefits from unemployment insurance or assistance or other forms of social security, such as old age or invalidity benefits, under the normal conditions to which such benefits are subject; or (iii) a combination of such allowance and benefits. Respectively, the ILO Convention does not require both severance pay and unemployment benefits simultaneously. This is reflected in employment promotion legislation in several countries.

For example, in Lithuania, unemployed persons, who have been dismissed from work and are entitled to severance pay, are granted unemployment insurance benefits not earlier than one calendar month after the termination of the employment contract. Also, unemployed persons receiving social insurance sickness benefits, occupational rehabilitation, or maternity, paternity, or parental benefits granted prior to the registration at the local PES are granted unemployment insurance benefits not earlier than upon the expiry of the term of payment of these benefits.

Benefit supplements. In some countries, unemployment benefit supplements are granted for children and other dependents in the family. In Slovenia, an insured person caring for one or more children up to 18 years of age and/or children in regular schooling is entitled to an increase of benefits for every child amounting to 10 percent of the full amount of the entitled cash benefit.

In Azerbaijan, if the unemployed person has dependent children under 18 years of age, the unemployment benefit increases by 10 percent for each child, but with the condition of the supplement not exceeding 50 percent of the allowance. In Uzbekistan, for families with children

under the age of 16 years and other dependents, the unemployment benefit for recipients is also increased by 10 percent. Although these benefit supplements are small, they, to some extent, compensate families with dependents for hardships associated with unemployment.

Extended payment of benefits. Other benefits act as acquired rights that are politically hard to remove – with no particular objective to “activate” jobseekers. In several countries, jobseekers at pre-retirement age can maintain their unemployment benefits until they reach pensionable age, and their jobsearch requirements are relaxed. However, publicly-subsidized early-retirement benefits are largely maintained because other policies to absorb older unemployed workers are ineffective.

In Croatia, an unemployed man who has worked 35 years and an unemployed woman who has worked 30 years are entitled to financial compensation until he or she finds another job. However, at that age it is difficult to find new employment and most older jobseekers will be kept on unemployment benefits until they become eligible for retirement benefits.

With similar rules, by the end of 2007, Macedonia had 24,700 individuals receiving unemployment benefits, of which 21,300 received the allowance beyond the maximum duration of 12 months. This means that only 3,400 persons (less than 1 percent of the registered unemployed) received the “regular” unemployment benefit. The rest of the beneficiary pool is provided an early retirement allowance until they reach retirement age at which point they are entitled to an old age pension (World Bank 2008).

In Hungary, unemployed persons may apply for jobseeker aid (unemployment assistance) if they: (i) are within five years of reaching retirement age; (ii) have received jobseeker benefits for at least 140 days, and the period of payment of benefit comes to an end; (iii) will reach retirement age in not more than 5 years or within 3 years after the termination of the jobseeker benefits; and (iv) have a sufficient contribution period for retirement (normally 20 years).

Although established based on social considerations, there is a real risk that the early retirement scheme will increasingly crowd-out alternative expenditures, such as on ALMPs, which have a higher social priority.

Unemployment assistance. As noted above, 33 countries in the world have, in addition to unemployment insurance, unemployment assistance schemes for those who have exhausted their entitlement to contribution-based benefits or were not entitled to benefits in the first place. Unemployment assistance schemes are especially important for developing countries which, as the rule, do not have unemployment insurance systems in place. A few examples from the reviewed countries follow.

In Uzbekistan, persons who had previously not worked and first-time jobseekers are entitled to receive unemployment assistance benefits if job or training opportunities for which they are entitled to a training stipend cannot be provided by PES. The benefit amounts to not less than 75 percent of the minimum wage set by law. The unemployed person seeking to resume work after a long (more than one year) break is also guaranteed payment of unemployment assistance benefits in the amount of 75 to 100 percent of the minimum wage depending on the category of jobseekers. If 12 months after establishing the status of unemployed, the person is not provided a suitable job, he or she has the right to re-receive the unemployment benefit. The unemployment benefit is set at a minimum amount of the approved benefit.

In Estonia, the registered unemployed who are not entitled to unemployment insurance benefits might receive an unemployment allowance. To receive the allowance they should have been employed or engaged in work or an activity equal to work for at least 180 days during the 12 months prior to registration as unemployed and should have income less than the 31-fold daily unemployment allowance rate. Previous employment or engagement in an activity equal to work is not required of an unemployed person who, for at least 180 days during the 12 months prior to registration as unemployed: (i) raised, as a parent or a guardian, a child of up to 18 years of age with a moderate, severe, or profound disability, a child under 8 years of age, or a child 8 years of age until the child completed year one at school; (ii) undergone in-patient treatment; (iii) cared for a sick person, a person who is permanently incapacitated for work, or an elderly person; or (iv) cared for a disabled person. Unemployment allowance is paid for a period of up to 270 days, and the rate is established by the state budget for each budgetary year. A recipient of an unemployment allowance not only has the right to benefits but also to duties: he or she must appear in person at the Estonian Unemployment Insurance Fund at an

appointed time, comply with the terms and conditions, and perform the activities agreed upon in the Individual Action Plan.

One-off financial assistance. In some countries, an unemployed person can receive one-off financial assistance to cushion the blow of hardships or to cover the cost of extraordinary expenditures. For example, in Russia, unemployed individuals who have lost their right to unemployment benefits in connection with an expiration of the payment period, as well as individuals in a period of training, retraining, and advanced training at the direction of PES, could be provided financial assistance. In Montenegro, an unemployed person who is registered with PES and is provided employment outside the place of residence is entitled to one-off financial assistance. In Serbia, unemployed youth are also entitled to one-off financial assistance to pay for travel and relocation expenses upon new employment.

Extra earnings, and other benefits and entitlements. Some countries allow the unemployed to earn extra money. Hungary introduced a new social allowance system in 2006 that increased incentives for those receiving benefits to seek work. Benefit recipients are allowed to take temporary jobs without losing their entitlement to benefits, including to unemployment benefits. In the Czech Republic, since 2004, in order to stimulate attachment to jobs, jobseekers have the right to extra earnings even if they draw unemployment support, although earnings may not exceed half the minimum wage and work should not take up more than 20 hours a week. In Slovakia, accumulation of benefits with earnings from work is possible only if the monthly net income from occasional work is less than 65 percent of the subsistence minimum (plus income taxes and contributions). In Slovenia, accumulated work earnings is permissible up to € 200 per month (MISSOC 2011).

A rapid return to work is supported by other types of incentives and benefits. In Serbia, a recipient of unemployment benefits for at least three months, who establishes an open-ended working relationship with PES, is entitled to a one-time incentive for employment in the amount of 30 percent of the total amount of monetary compensation which would have been paid for the time remaining until the expiration of the right to financial compensation. In Croatia, Serbia, and Ukraine, as noted above, a cash compensation (unemployment benefit) for the whole period of eligibility may be paid in a one-time (lump-sum) amount to launch self-

employment at the request of the unemployed. Bulgaria has a benefit for partial unemployment: Persons who are hired to work part-time within the terms of the benefits payment and receive a remuneration less than the minimum national wage can receive 50 percent of the benefits they would receive if totally unemployed.

Several countries provide pension and disability insurance to recipients of unemployment benefits and pay social contributions to the relevant funds, ensuring that job tenure for pension purposes will not be interrupted.

In Slovakia, employed or self-employed individuals can apply for an allowance for commuting to work, which pays monthly travel expenses from the place of residence of the employee to the place of employment provided in the employment contract or implementation of self-employment. Allowance for commuting can be provided to those who were registered as jobseekers at least three months and found a job.

In Serbia, the beneficiary of unemployment benefits has the right to health, pension, and disability insurance while exercising the right to financial compensation. In addition, the whole family of the beneficiary has the right to health insurance if they are not insured on another basis.

In the Czech Republic, the state pays health insurance contributions for registered jobseekers, and jobseekers receive credit toward their pension insurance for a certain amount of time registered in the PES database. In Bosnia and Herzegovina, pension and disability insurance is ensured to unemployed persons lacking up to three years of pension history to meet the conditions for an old age pension.

Mobility grant. A refund for relocation costs (mobility grant) is provided in several ECA countries if the new place of work was referred to and agreed upon by PES. In Moldova, unemployed persons who have found a job and whose residence is more than 50 km from the place of employment may receive a lump-sum payment for resettlement in the amount of three average monthly salaries over the previous year.

Social support to the unemployed during temporary incapacity and for maternity leave. Other social benefits have been established for unemployed jobseekers. In Kyrgyzstan,

unemployment beneficiaries or individuals receiving a training stipend can apply for sick leave benefits and maternity leave benefits (females) during which the jobsearch requirements are relaxed and the benefits payment period is extended.

Funeral benefit. The family of the deceased person may receive funeral benefits in the case of death of the unemployed individual, for example, in Armenia for the person who had more than one year of social insurance. In Latvia, in the case of the death of an unemployed person, the family members or a designated person have a right to funeral benefits if the deceased unemployed person was a recipient of unemployment benefits or unemployment insurance contributions were made for such person for not less than 12 months within the time period of 36 months prior to the day when the status of an unemployed person was obtained. Funeral benefits are granted in the amount of triple the state social assistance benefit in effect on the day of the death of the unemployed person.

Taxation of benefits and social contributions on benefits. In some of the reviewed countries, such as Malta, Poland, Slovenia, and Hungary (except for the jobseeker aid for older persons), benefits are subject to taxation according to general taxation rules (i.e., there is no special relief for benefits).

In some countries, PES pay social security contributions from the benefits. In Estonia, the Unemployment Insurance Fund pays a social tax at the rate of 13 percent for health insurance and contributes 2 percent to the mandatory pension fund on the behalf of recipients of unemployment insurance benefits. The Fund pays a social tax at the rate of 13 percent for health insurance on behalf of recipients of an unemployment allowance as well as for those who do not receive it but have registered as unemployed. In Poland, contributions for health care, old age, invalidity, and survivors' insurance are paid on behalf of the recipients of unemployment allowance, and contributions are made for healthcare – for recipients of early retirement benefits and a bridge pension (MISSOC 2011).

In most other countries in the sample, no contributions were paid on behalf of the unemployed. All unemployed (both receiving and not receiving unemployment benefits)

received health insurance through the State. Often the recipients of unemployment benefits are also insured for their pension insurance by the State.

Despite the large number of various benefits and entitlements, in most countries the number of recipients is relatively small.

IV. Benefits and Other Sanctions

Countries are actively using benefits and other sanctions to discipline jobseekers for various violations of employment promotion laws, on the one hand, and to encourage active jobsearch, on the other. The types of sanctions in the reviewed countries to be analyzed in this chapter include:

- (i) Deletion from the unemployment records
- (ii) Suspension of benefits payment
- (iii) Shortening of the duration of benefits payment
- (iv) Waiting period to receive benefits
- (v) Reduction in the amount of benefits
- (vi) Premature termination of benefits payment
- (vii) Non-granting of unemployment insurance benefits.

The effect of sanctions of unemployment insurance benefits on the exit rate from unemployment might be significant, and even moderate sanctions increase the exit rate by more than 50 percent following the imposition of a sanction (Svarrer 2007). Lalive et al. (2002) show that there is a 28 percent increase in the hazard rate at the time when an unemployed person receives a written warning from the authorities that a sanction is pending due to suspicion of insufficient search activity. They also find indications that the sanctioning system affects the search intensity even before a warning is received.

The principle of conditionality is applied in most European countries, and receiving state unemployment benefits is dependent upon the participation in employment programs or the use of particular services. The applied criteria of conditionality typically include obligations to actively search for a job and participate in training or other employment measures to maintain unemployment benefits, or face sanctions. Additionally, the regular follow-up procedures, such as registration and frequent reporting obligations, supplement these obligations (EC 2009).

The ILO Employment Promotion and Protection against Unemployment Convention No. 168, 1988, highlights possible reasons for benefit sanctions as follows (Articles 20 and 21):

“The benefit to which a protected person would have been entitled in the cases of full or partial unemployment or suspension of earnings due to a temporary suspension of work without any break in the employment relationship may be refused, withdrawn, suspended or reduced to the extent prescribed:

- (a) For as long as the person concerned is absent from the territory of the Member
- (b) When it has been determined by the competent authority that the person concerned had deliberately contributed to his or her own dismissal
- (c) When it has been determined by the competent authority that the person concerned has left employment voluntarily without just cause
- (d) During the period of a labor dispute, when the person concerned has stopped work to part in a labor dispute or when he or she is prevented from working as a direct result of a stoppage of work due to this labor dispute
- (e) When the person concerned has attempted to obtain or has obtained benefits fraudulently
- (f) When the person concerned has failed without just cause to use the facilities available for placement, vocational guidance, training, retraining, or redeployment in suitable work
- (g) As long as the person concerned is in receipt of another income maintenance benefit provided for in the legislation of the Member concerned, except a family benefit, provided that the part of the benefit which is suspended does not exceed that other benefit.

The benefit to which a protected person would have been entitled in the case of full unemployment may be refused, withdrawn, suspended, or reduced, to the extent prescribed, when the person concerned refuses to accept suitable employment.”

The countries are activity using these guidelines in their national policy framework.

There might be different reasons for being deregistered from the roster of the unemployed: becoming employed, reaching retirement age, voluntary deregistration, etc. (see for example the case of Estonia in Table 12).

Table 12: Outflow of Registered Unemployed by Reasons in Estonia, 2010

Reason of deregistration	
Becoming employed	58,550
...Exit to work ¹³	57,519
...Becoming an entrepreneur (business start up subsidy)	674
...Becoming an entrepreneur (no subsidy)	357
Retirement age	1,011
Shift to another benefit	1,192
... Early retirement	949
... Caregivers allowance	243
... Disability	0
Voluntary deregistration	11,226
Sanction deregistration (job offer refusal, not visiting the Labor Market Bureau, etc)	41,502
Other reasons	2,103
Total outflow	115,584
Average annual number of registered unemployed	79,679

Source: <http://www.tootukassa.ee/index.php?id=11328>.

As noted in the previous chapter, in most of the reviewed countries only a small portion of the registered unemployed receive unemployment benefits, which limits the imposition of benefit sanctions. However, other types of sanctions are extensively used.

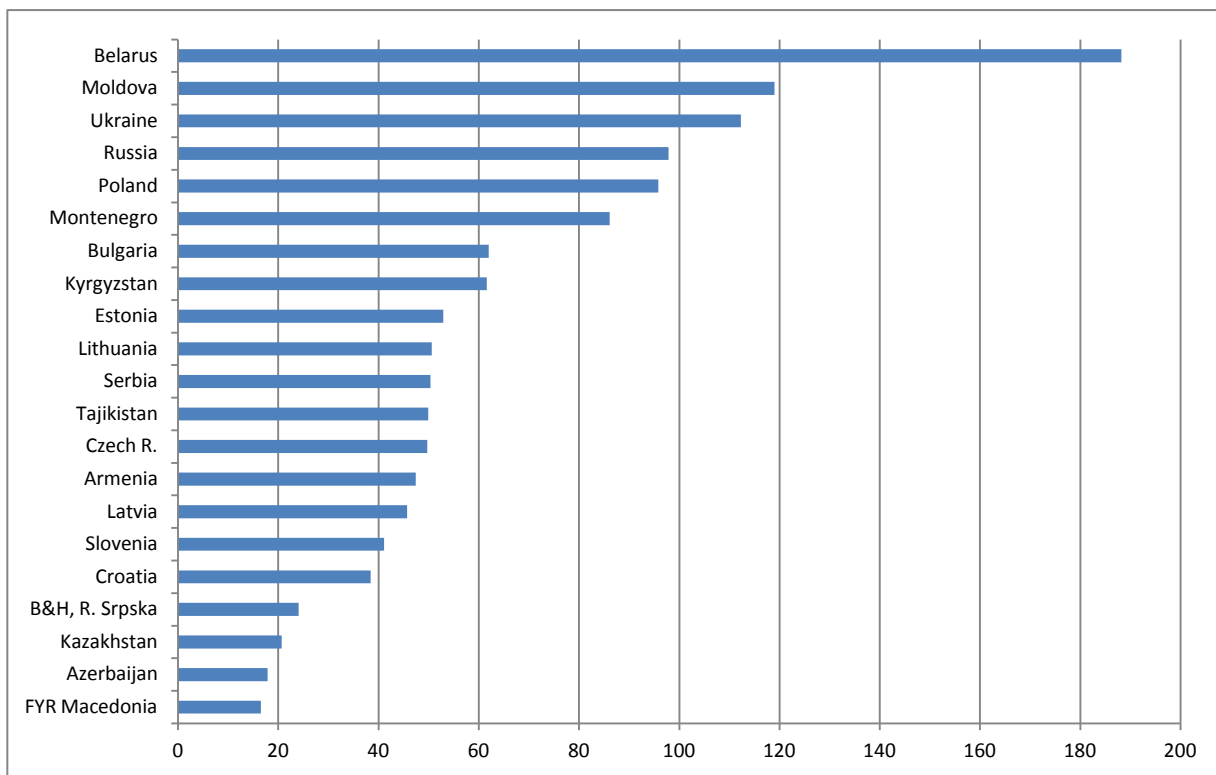
Deleted from the roster of unemployed. The most common sanction used by PES in the reviewed countries is deleting the person from the roster of unemployed for a period of time. Typical reasons are the failure to report to the PES without justification – for the first-time or repeatedly; refusal to accept a suitable job offer; failure to meet the conditions of actively seeking employment and availability for work; or working informally while registered as unemployed. The reason for termination of the status of the unemployed person might also be the refusal, without good reason, to participate in active labor market programs, such as training or public works (Belarus, Russia, etc.).

¹³ Exit to work is underestimated, because this cause only appears if a person reports his or her exit to work. Very likely quite some people who are deregistered because of not visiting the Unemployment Insurance Fund, have also started a job.

In Croatia, a person may lose the status of the unemployed if he/she registers a company or some other legal entity; or acquires a majority stake in a company or some other legal entity; or registers a craft, an independent professional activity, or activity in the field of agriculture and forestry; or becomes insured as a farmer pursuant to the pension insurance regulations (since farmers are prohibited from being registered as unemployed).

The data shows that this measure is used quite frequently by PES (Figure 9). In Belarus in 2009, around 80,000 jobseekers were deleted from the roster during the year while the average annual number of jobseekers was 42,000; in Moldova, 41,000 jobseekers were deleted while the average annual number of jobseekers was 35,000. A large portion of the inflows and outflows of jobseekers is related to deregistration and re-registration of the unemployed. When many of the registered jobseekers actually find a job, they do not respond to offers from PES or informed the PES about their employment status; as a result, they are erased from the roster.

Figure 9: Ratio of Number of Jobseekers Erased from Roster in 2009 to Average Number of Registered Jobseekers (%)



Source: Kuddo (2010).

Some countries have established time limits for remaining on the unemployed roster. For example, in Belarus, removal from the registry occurs 36 calendar months from the date of registration as an unemployed.

Following deregistration, the person must have the right to re-register. In the reviewed countries, this waiting period for re-registration varies from one month after being erased from the roster in Uzbekistan to the expiry of 12 months in Belarus and Bulgaria (see Table 13). Over the course of unemployment spell many jobseekers might be excluded from the roster multiple times.

There also are restrictions in which these rules do not apply. In Kyrgyzstan, for example, an unemployed person does not lose the status of unemployed during a temporary inability to work, during a pregnancy as based on a certificate from the physician, or during entitled maternity benefits after childbirth.

De-registration mechanisms and “exit” strategies are especially important in many developing countries that have public employment services. In several MENA countries, the number of registered jobseekers significantly exceeds the number of unemployed, by the labor force survey data, indicating that many registered jobseekers are de facto economically inactive or informally employed. In Egypt, the number of registered jobseekers exceeds survey data on unemployment by a factor of 3.5,¹⁴ in Morocco by a factor of 4.4, and in Tunisia by a factor of 2. In these countries, PES are overburdened in serving or keeping the roster of individuals who are not unemployed, by ILO criteria.

¹⁴ In Egypt, registration of jobseekers is mandatory by law. Jobseekers need to present a certification indicating their skills and educational level.

Table 13: Reasons for Termination of Unemployed Person and Terms for Re-registration in Selected Countries

Country	Reasons for Termination of Unemployed Person	Terms for Re-registration
Bosnia and Herzegovina	Jobseeker is not available to the PES authorities 2 consecutive times and fails to respond to a subsequent written request.	Cannot be re-registered for 6 months after he/she was erased from the records.
Bulgaria	Jobseeker fails to show on the day and time designated in the written invitation served by the sub-division of PES, or within a term of 3 business days after such date.	After the expiry of 12 months after termination of his/her previous registration.
Croatia	Jobseeker fails to report to the Employment Service without a justified reason for 2 consecutive months and does not inform the PES.	After expiration of 3-6 months depending on the cause of termination.
Kyrgyzstan	Jobseeker did not appear at PES, without good reason, within 1 month from the registration in order to find suitable employment.	Eligible to re-register at PES within 2 months in order to re-apply for the status of unemployed.
Uzbekistan	Unemployed persons are not recognized as unemployed if they twice declined a suitable job within 10 days from the registration at PES; did not appear at the local PES, without good reason, within 10 days from the date of registration in order to find a suitable job.	A person has the right to re-register as a jobseeker after 30 days from the date of rejection of the proposed work or failure to appear at PES, without a good reason, to find a suitable job
Serbia	Jobseeker does not respond to calls from PES; and performs work without a signed labor contract or agreement permitting the right to work outside regular employment. A person seeking a change of employment will be deleted from the PES registry for failure to contact PES at least once every 6 months or to respond calls from PES.	A person seeking employment who has been dropped from the PES registry has the right to re-register with PES 6 months from the date of being erased.
Belarus	Failure to appear, without good reason, for more than 1 month at PES, following the date of the last appearance at PES.	A jobseeker can be re-registered as unemployed after a 12-month period from the date of the last withdrawal from the registry.

Source: Employment promotion legislation in selected countries

Suspension of benefit payment. In some countries, the payment of unemployment benefits can be suspended. In Estonia, for example, benefits can be suspended for a period of 10 days if the unemployed person refuses suitable work for the first time without a good reason and for a period of 30 days, if the unemployed person receives an income in the amount equal to at least 31-fold of daily unemployment allowance rate.

In Russia, payment of unemployment benefits may be suspended for up to three months in the following cases: (i) failure to accept the two options of suitable work or (ii) failure after a three-month period of unemployment to participate in paid public works or training programs. The latter restriction concerns first-time jobseekers (previously not employed) and non-professionals (without specialty) or those individuals seeking to resume work after a long (more than one year) break.

In Kyrgyzstan, payment of unemployment benefits may be suspended for one month for failure to appear, without good reason, to negotiate employment with the employer selected by the PES within three days from the suggested by PES date.

Shortening of the duration of benefit payment. In Ukraine, the duration of payment of unemployment benefits or financial assistance during training, retraining, or training can be reduced for up to 90 days if the person is released from his/her last job at own will, without good reason, or by agreement of the parties.

Waiting period to renew the benefits payment. The waiting period might be established for renewing the benefits payment. In Armenia, unemployed individuals who have been granted the status of an unemployed more than once can receive benefits only one year after being dropped from the PES register.

Reduction in benefits. One of the sanctions in employment promotion legislation in some countries is a reduction in the amount of unemployment benefits. For example, in Ukraine, in the case of failure to participate in paid public works, without good reason, if such work is suitable, the amount of unemployment benefits may be reduced by 50 percent for up to three months. In Russia, the size of unemployment benefits may be reduced by 25 percent for up to one month for failure to appear, without good reason, to negotiate with the employer a new

job within three days of the indicated by PES date, and for failure, without good reason, to come to PES offices to obtain directions to work or training. In Montenegro, the recipient of the unemployment benefit who refuses appropriate temporary or casual work will have a 30 percent reduction of unemployment allowance for a period of two months.

Premature termination of benefit payments. Premature termination of benefits payments is also envisaged in the employment legislation in some countries. For example, in South Africa, an unemployed contributor is not entitled to benefits for failure to report at the times and dates stipulated by the claims officer, or for refusal, without just cause, to undergo training and vocational counseling for employment.

In Estonia, the benefits payment is suspended prematurely if the unemployed person fails to appear, without a good reason, at the Estonian Unemployment Insurance Fund for the second time; or the unemployed person refuses, without good reason, to comply with an Individual Action Plan for the second time; or the unemployed person refuses, without good reason, to accept suitable work for the second time.

Also in Uzbekistan, payment of the unemployment benefit ceases if the unemployed person fails to accept two proposals of suitable work, or an unemployed man at age less than 35 years and with less than three dependents refuses to participate in paid public works.

Non-granting of unemployment insurance benefit. In some countries, benefits may not be granted altogether even if the person is eligible. In Lithuania, the unemployment insurance benefit may not be granted if, prior to its granting, the unemployed person refused a job offer corresponding to his or her professional qualifications and state of health; refused for no good reason to participate in ALMP measures laid down in his Individual Employment Plan; failed, without good reason, to arrive at a set time at the local PES to accept a job offer or to participate in ALMP measures, laid down in his or her Individual Employment Plan; or refused to undergo a health check offered by the local PES in order to establish suitability for work.

In Belarus, the granting of unemployment benefits may be denied if termination of the employment contract that is concluded for an indefinite period occurred on his/her own will, by

agreement of the parties as well as due to the dismissal for violations of work discipline, or the loss (lack of) a source of income as a result of illegal actions.

In Montenegro, the right to financial compensation is denied when the insured individual has been dismissed:

- In agreement with the employer or the employee's written statement
- Because of unjustified absence from work five consecutive working days, or seven working days with interruptions over three months
- For refusing to transfer to another position or employer
- Due to the measures imposed for breach of obligations.

In sum, PES have multiple instruments available to sanction jobseekers, be it for failure to meet the conditions of actively seeking employment and availability for work; for working illegally; or for refusal, without good reason, to take up suitable employment; for refusal to undergo a medical examination; for failure to cooperate with PES or to fulfil the conditions stipulated in her/his Individual Employment Plan; or for other reasons. Most sanctions are benefit sanctions but due to limited reciprocity rates of unemployment benefits, have limited impact on the actions of jobseekers. The most commonly used sanction is temporary exclusion from the roster of unemployed, which is actively utilized in most of the reviewed countries.

V. Conclusions

The reviewed countries use a variety of instruments to “activate” jobseekers with an aim to encourage them to become more active in their efforts to find work and/or improve their employability. Jobseekers need to be made aware that individuals themselves are responsible for solving their own situation in the labor market. However, the practices on activation policies vary considerably across countries.

Numerous factors and constraints affect the firm implementation of activation policies, and the outcomes vary. The main findings and recommendations of the report are summarized below.

Difficult labor market situation. Employment services in many countries operate in a very difficult environment of demand-deficient labor markets and in several countries, double-digit unemployment rates. One of the consequences that impact activation is the large number of registered unemployed competing for the limited number of job vacancies offered by employment services. Moreover, the bulk of PES-registered vacancies are for low-paid blue collar jobs offering around the minimum wage for unskilled labor, working under harmful conditions, and in public sector enterprises, which make them unattractive among jobseekers. Also, many job offers are not accepted because they might not fit the criteria of suitable job for a particular jobseeker. As a result, many jobseekers in the reviewed countries rely solely on personal and family connections as the main way to find suitable employers, and many job placements occur without an intermediation role of PES.

Overburdened with clients who are not actively looking for a job. In many of the reviewed countries, registered unemployment significantly exceeds survey-based unemployment rates (mostly in Central Eastern Europe and the Western Balkans, and in some MENA countries). Cash benefits and other entitlements like health insurance or social assistance often act as incentives for jobseekers or even economically inactive individuals to register with PES. Thus, the PES staff in many countries is overburdened with serving registered jobseekers who are actually not actively looking for jobs. One of the goals of activation policies should be to select and self-select those individuals from “true” jobseekers using various policy instruments, including

incentives, such as one-time incentive for employment in case of early placement like in Serbia, or various benefits and other sanctions.

Reaching out to unemployed jobseekers. In some other countries, such as the Baltic states and CIS countries, registered unemployment is much lower than survey-based unemployment, primarily due to low access to unemployment benefits and active labor market programs. Low registration rates and low numbers of unemployed beneficiaries, especially in many CIS states, indicate that PES in these countries fail to reach the majority of jobseekers. Improving the coverage and efficacy of the programs – both employment services and ALMPs but also providing unemployment benefits – would improve the rate of registration of jobseekers and outcomes of the programs in terms of job placements.

Address staffing constraints. Policies based on activation principles require more skilled personnel for the provision of employment services and ALMPs. In the reviewed countries, most PES are understaffed both in terms of numbers and skills. The number of front-line counselors/advisers is inadequate for delivering ALMPs, specifically effective and personalized mediation services. High caseloads limit implementation of policies based on activation principles, including regular reporting and confirmation of unemployment status by jobseekers, as well as opportunities for job counselors to monitor and encourage jobsearch and deliver information. Countries should plan, hire and train their staff to meet demands for services, especially the demands for the most vulnerable who are the hardest to serve.

Broaden the menu of services. Activation policies increasingly include a range of new management approaches and services for the unemployed. Elements of enhanced services include individualized back-to-work action plans, regular monitoring and review of the client's jobsearch status (e.g., through regular meetings between the client and employment officer), and a widened set of active labor market programs, covering training, subsidized employment, work placement, public works, or special programs for relevant risk groups in the labor market. Many countries are also tightening unemployment benefit eligibility and sanctions in case of non-compliance with norms so as to incentivize jobsearch.

Early registration of jobseekers. A proactive approach of PES also entails that assistance to companies and employees in the event of restructuring and mass redundancies takes place before employees are made redundant. Rapid registration at the PES allows immediately offering the jobseeker/laid-off worker available vacancies, provide employment services, such as job counseling and jobsearch assistance, or send him/her to participate in ALMPs, thus shortening the transition from one job to another. These policy measures allow PES to rapidly intervene and mitigate the impact of redundancies early on.

Improving efficacy through individual approach. The diversity of needs of unemployed jobseekers requires a PES service model in which active labor market measures are tailored to these needs. Consequently, a personal service model involves the individualization and segmentation of PES services and interventions. While some people may not require participation in an active measure at all, active labor market measures are essential for others to gain skills or work experience to achieve sustainable integration in the labor market.

Focusing on priority groups of jobseekers. Some groups of jobseekers are especially vulnerable in the labor market and need specialized services and programs. ALMPs also tend to mainly help disadvantaged groups. PES should have tools (e.g., menu of services) and resources in hand to address these specific needs. On the other hand, given the limited number of registered vacancies and low access/coverage with ALMPs, “regular jobseekers” may have no chance to compete with these preferential groups in getting an access to employment services and ALMPs.

Activation through employment action plans. Many countries have established individual action plans for the registered jobseekers as a tool for activation, identifying the activities and responsibilities by the jobseeker to reach an employment target. However, some employment services may lack office capacity to establish such plans and follow up on their implementation. So selection is warranted to focusing on hard-to-place categories of jobseekers.

Enhance outreach and efficacy of ALMPs. Judging from the number of beneficiaries, the most popular labor market programs tend to be career counseling and professional orientation, jobsearch assistance, training, and public works. However, active programs do have their

limitations, including for usage as activation measures. To name a few, they are relatively costly and consequently of limited participation in most of the reviewed countries. Their impact is limited when job opportunities are scarce. As far as particular programs are concerned, they may have other limitations; for example, labor market-related training organized or supported by PES cannot substitute for general education and cannot make up for the failings of the educational system. Wage subsidies may serve a social objective but it is difficult to design subsidies that actually meet the goal of creating jobs in a cost-effective manner. Public works programs have proven to be an effective measure for creating short-term employment for truly jobless workers if they are carefully targeted and if the wage is set below the equilibrium wage for unskilled labor. On the other hand, employment services tend to be the most cost-effective intervention with positive outcomes, according to most of the evaluations. These services are mostly provided by the staff of the PES themselves. The menu and outreach of particular services could be enlarged in most of the reviewed countries focusing on particular needs of individual jobseekers.

Improve the coverage with unemployment benefits and other entitlements. Unemployment benefits are the “first line of defense” for those experiencing a job loss. However, by Doing Business Worker Protection Measure 2012 survey, out of the total of 176 economies in the sample, only 86 have unemployment benefit schemes. Moreover, unemployment protection schemes might have been put in place, yet many of the registered unemployed are not eligible for unemployment benefits. The reason is that the long-term unemployed dominate among the registered unemployed who have exhausted their entitlement, or many first-time jobseekers do not have a sufficient insurance record to claim benefits. So many jobseekers have limited if any incentives to register at the PES and participate in activation programs. Since unemployment insurance schemes are uncommon in most of the developing countries, unemployment assistance schemes might be introduced conditional on the participation of jobseekers in activation programs.

Link benefits to active jobsearch. The right to receive most types of unemployment benefits and other entitlements should be directly linked to the active status of jobseekers who are

actually looking for jobs. In order to achieve this, eligibility and entitlement rules of some of the benefits may need to be changed.

Use other benefits as incentives for activation. Due to low unemployment benefits reciprocity ratios in most reviewed countries, the usage of (or the threat of) financial sanctions to impose and enforce an obligation on the unemployed to actively search for work on the one hand and, on the other, to accept reasonable job offers, might be limited. However, other benefits, such as social assistance entitlements for the registered unemployed and their families can be utilized for the purpose of activation of jobseekers while taking into consideration limits in the number of job vacancies or availability of ALMPs.

Use sanctions wisely. The reviewed countries are actively using benefits and other sanctions to discipline jobseekers for various violations of the country's employment promotion law and to encourage active jobsearch. The most commonly used sanction is deleting passive jobseekers from the roster of unemployed. However, in many cases, passivity occurs at no fault of the jobseeker, especially if there are no appropriate vacancies available and no access to active labor market programs is provided. Following deregistration, the person must have the right to re-register.

Find the right balance between incentives and sanctions. A significant number of jobseekers seem to prefer to become inactive rather than having to participate in certain programs to comply with activation policy requirements. It has also been pointed out that imposing a too stringent (or too harsh) set of conditions on jobseekers, either in terms of benefits and other entitlements or program participation requirements, could eventually reduce the quality of jobs and put excessive pressure on jobseekers to accept job offers with lower re-employment earnings or a low quality job/match, which can be expected to be only of short duration (see for example OECD 2007). Activation policies should find the right balance between incentives to register at the PES, participate in services and programs, and receive benefits, on the one hand, and sanctions, on the other.

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ANNEX I

Table AI.1: Number of Registered Unemployed and PES Staff in ECA Countries, end-2008

	No. of Registered Unemployed (000')	Total Number of PES Staff	Number of PES Staff in Contact with Jobseekers and Employers	Staff Caseload*	Ratio of Front-line Counselors to Total PES Staff (%)
Czech Republic	480.0	5,991	2,286	80	38.2
Hungary	407.0	3,500	2,280	116	65.0
Poland	1,473.8	22,362		66	
Slovenia	66.2	861	432	77	50.2
Estonia	32.5	350	260	93	74.3
Latvia	76.4	780	513	98	65.8
Lithuania	95.0	1,476	1,090	64	73.8
Bulgaria	232.3	2,551	1,720	91	67.4
Romania	403.4	2,538	2,048	159	80.7
Albania	141.7	317	206	447	65.0
B&H, Federation of B&H	338.6	543	252	624	46.4
B&H, Republika Srpska	134.0	261	158	513	60.5
Croatia	240.0	1,251	651	192	52.0
Kosovo	335.9	182		1,846	
FYR Macedonia	343.4	525	276	654	52.6
Montenegro	28.4	345	250	82	72.5
Serbia	728.0	2,232	1,365	326	61.2
Belarus	37.3	1,078		35	
Moldova	28.1	249	166	113	66.6
Russian Federation	1,521.8	36,361		42	
Ukraine	844.9	15,000		56	
Armenia	74.7	405	370	184	91.4
Azerbaijan	44.5	577	430	77	74.5
Kazakhstan	48.4	2,449	652	20	26.6
Tajikistan	43.6	1,817	552	23	30.4
Turkey	987.8	2,517		392	

Source: PES survey 2009.

Note: * The average number of registered unemployed per PES staff.

Table AI.2: Number of Registered Unemployed and PES Staff in ECA Countries, end-2009

Countries	No. of Registered Unemployed (000')	Total Number of PES Staff	Number of PES Staff in Contact with Jobseekers and Employers	Staff Caseload*	Ratio of Front-line Counselors to Total PES Staff (%)
Czech Republic	539.1	6,135	2,399	88	39.1
Slovenia	96.7	998	488	97	48.9
Estonia	87.3	455	343	192	75.4
Latvia	179.2	744	540	241	72.6
Lithuania	268.8	1,434	1,081	187	75.4
Bulgaria	338.1	2,551	2,142	133	84.0
Romania	683.1	2,538	1,922	269	75.7
Albania	144.8	317	206	457	65.0
B&H, Republika Srpska	145.0	265	160	547	60.4
Croatia	291.5	1,266	663	230	52.4
Kosovo	338.9	182		1,862	
FYR Macedonia	341.3	510	271	669	53.1
Montenegro	30.2	340	250	89	73.5
Serbia	730.0	1,780	1,256	410	70.6
Moldova	38.7	249	217	155	87.1
Russian Federation	2,147.4	41,347		52	
Ukraine	531.6	15,000		35	
Armenia	83.1	370	250	225	67.6
Azerbaijan	41.1	577	519	71	89.9
Kazakhstan	53.4	2,461	657	22	26.7
Kyrgyzstan	61.4	182		337	
Tajikistan	44.5	2,126	552	21	26.0
Turkey	1,689.0	2,700		626	

Source: PES survey 2010.

Note: * The average number of registered unemployed per PES staff.

Table AI.3: Jobseekers-to-Vacancy Ratio, and Number of Job Placements per 1,000 Registered Jobseekers in ECA Countries, March 2008 to December 2009

	Ratio of Jobseekers per One Registered Vacancy					Job Placements per 1,000 Jobseekers during the Month				
	March2008	June2008	March2009	June2009	Dec2009	March2008	June2008	March2009	June2009	Dec2009
Czech Republic	2.2	2.0	8.1	10.8	17.4	115	89	72	75	41
Hungary	7.3	6.1	10.9	9.9	22.3					
Poland	24.0	18.0	38.2	40.5	88.9	55	63	42	54	40
Slovakia	11.1	10.6	39.0	51.3	75.9					
Slovenia	3.2	3.0	9.6	6.1	8.3	64	48	45	45	40
Estonia	2.6	3.1	18.7	30.0	39.7	61	67	23	31	24
Latvia	4.0	4.7	61.5	64.7	128.0	86	80	19	26	43
Lithuania	3.8	4.1	20.6	19.3	35.8	115	137	42	56	31
Bulgaria	9.6	13.3	11.9	13.9	38.4	94	60	75	69	28
Romania	19.1	29.6	48.5	57.8	94.9					
Albania	102.9	73.7	105.8	135.8	111.4	7	10	11	6	6
F B&H	184.2	132.5	234.6	244.0		16	19	12	15	
RS B&H	115.3	104.2	138.2	138.0	161.1	20	32	15	15	10
Croatia	17.0	18.5	20.5	27.4	67.8	46	63	33	62	25
Kosovo	899.5	595.6	501.6	347.9	847.3	1	2	2	2	1
FYR Macedonia						15	14	16	15	14
Montenegro	5.2	3.9	6.3	5.1	20.1	120	145	85	72	26
Serbia	12.0	11.1	13.1	12.7	73.0	34	38	27	37	25
Belarus	0.87	0.62	1.06	0.92	1.2	260	276	257	288	248
Moldova		1.3	9.6	10.3	29.8		121	53	50	36
Russian	1.2	0.9	2.4	1.8	3.0	79	91	124	331	64
Ukraine	3.3	2.6	10.4	8.7	8.1	89	94	43	69	31
Armenia	86.1	51.2	88.0	73.3	83.1	9	9	11	9	10
Azerbaijan	4.3	3.7	5.1	4.5	3.9	1	1	1	1	0.0
Kazakhstan	2.6	2.8	5.1	5.2	6.8	290	424	229	1,062	589
Kyrgyzstan	14.5	13.0	11.7	11.4	11.8	49	62	53	60	65
Tajikistan	3.8	3.0	2.6	3.1	4.0	45	56	68	84	56
Turkey	51.2	44.9	96.6	48.3	73.8	9	11	5	7	9

Source: PES survey 2010.

Note: F B&H = Federation of Bosnia and Herzegovina; RS B&H = Republika Srpska of Bosnia and Herzegovina.

Table AI.4: Share of Youth, Females, and Long-Term Unemployed among Registered Jobseekers in ECA, Dec. 2008, June&Dec. 2009

	Youth (%)			Females (%)			Long-term Unemployed (%)		
	Dec-2008	June 2009	Dec-2009	Dec-2008	June 2009	Dec-2009	Dec-2008	June 2009	Dec-2009
Czech Republic	17.2	17.0	18.1	52.1	50.0	47.9	28.8	21.9	23.0
Hungary	15.6	15.3	15.2	47.4	47.2	46.1	30.0	24.8	25.5
Poland	20.7*	21.6*	22.5*	56.5	52.4	51.1	34.0	27.4	25.8
Slovakia				51.8	48.0	46.6	43.2	33.2	36.9
Slovenia	12.7	12.1	11.9	50.9	49.1	48.2	46.5	35.3	40.7
Estonia	14.5**	16.2**	15.7**	49.0	44.6	45.4	30.6	29.4	41.0
Latvia	13.6	13.3	14.6	52.0	49.1	50.8	11.1	9.4	13.5
Lithuania	12.1	15.1	14.5	48.3	41.7	42.2	3.3***	5.6***	14.4
Bulgaria	8.0	8.6	9.0	62.7	57.6	55.1	39.1	28.0	25.8
Romania	17.6	11.8	15.5	46.4	43.8	42.6	18.9	16.0	13.4
Albania	21.7	20.8	19.9	49.5	50.1	50.8	64.9	64.2	64.5
B&H F B&H	19.4			51.8	51.7		8 1.0		
B&H RS B&H	12.3	11.2	13.1	48.0	47.6	46.9	73.0	71.7	71.7
Croatia	17.5	16.2	18.6	52.5	59.9	56.7	55.4	52.4	45.2
Kosovo	30.3	30.4			47.3				
FYR Macedonia	14.4	13.8	14.0	42.2	42.2	42.7		79.9	79.7
Montenegro	15.6	18.3	20.9	44.4	44.4	45.4	55.3	44.8	43.4
Serbia	16.9	14.2	14.0	54.0	52.9	52.9	76.9	61.7	64.4
Belarus	40.2*****	38.8*****	41.2	56.3	55.4	57.1	8.3	7.0	6.2
Moldova	27.5		19.1	59.7	53.5	55.3	15.7		8.3
Russian	19.2**	17.8**	17.8**	60.3	54.2	54.9	14.4	9.1	9.5
Ukraine	38.7*****	38.9*****	53.9*****	55.1	55.1	39.4	7.4	5.9	10.1
Armenia	6.0	7.1	6.9	75.5	71.2	72.0	63.9	57.9	54.5
Azerbaijan	16.1	15.5	15.6	47.0	45.8	44.0	63.5	63.2	63.3
Kazakhstan	18.2**		22.5**	67.8		64.2	47.7		41.2
Kyrgyzstan	59.8*****	56.9*****	59.1*****	50.1	49.8	51.0			
Tajikistan	25.9		62.9	53.4		53.9	31.2		22.7
Turkey	25.9	23.9	24.3	26.7	29.2	29.8	26.4		

Source: PES survey 2010.

Note: * 18–24. ** 16–24. *** Long-term unemployed: youth on the roster more than 6 months and older more than 12 months. **** 16–29. ***** At up to age 35. F B&H = Federation of Bosnia and Herzegovina; RS B&H = Republika Srpska of Bosnia and Herzegovina.

Table AI.5: Participation in Active Labor Market Programs (Number of Program Beneficiaries) in Selected ECA Countries, 2008

	Jobsearch assistance and counseling	Career counseling and professional orientation	Job clubs	Vacancy fairs	Training programs	Wage/tax subsidies	Entrepreneurship grants	Public works	Programs for disabled unemployed	Specially designed youth programs	Other (indicate)	Other (indicate)	Other (indicate)
Albania					1,857					280			
Armenia	144,854	21,647		9,700	5,075	2,141	62	12,434	63				
Azerbaijan		8,441		29,419	3,392			1,907					
Belarus		107,500					2,695	97,500 incl. 53,400 unemployed	643	1,500	39,500 a)		
B&H, R. Srpska	13,250			13,250		1,700	84			1,500			
Croatia	454,577	81,834		40,000	3,466	3,350		715	971				
Czech R.			543		36,451		12,756	16,246	974	118,602	16,584		
Estonia		12,046			5,801	116	162	592	30				
Hungary					57,064	53,269	7,126	63,100			10,638 (n)		
Kosovo	480				3,515			1,488	30		182		
Kazakhstan	130,675				26,873			100,738					
Kyrgyzstan	260,780						1,895	26,904					
Latvia	65,296	67,939			8,579	1,136	93	9,983		11,222	78 (b)	10 (c)	625 (d)
Lithuania	1,080,141		27,394		11,195	7,011		16,388	1,153	11,554			
Montenegro	168,424	3,988			4,843	2,076	3	1,190	266	29	1,335 (e)	24 (f)	
Russia		4,297,433			247,689		91,872	624,169		1,088,351	196,659 (g)	202,393 (h)	111,997 (i)
Serbia	612,424	28,763	2,614	63,027	44,100		3,386	10,184	173	6,054	182 (j)	8,668 (k)	
Slovenia	4,491	71,895	1,486	17 (l)	16,307	2,235	2,015	3,936		195			
Tajikistan	55,347	30,556			22,241			8,045					
Ukraine	409,900	3740800			245,200	44,700	31,000	429,800			1,508,200 (g)		

Source: PES survey 2010.

Note: (a) Temporary employment for youth; (b) Vocational training by employer; (c) Complex support measures for specific target groups; (d) Work trials; (e) Business start-up loans; (f) Education of management trainers; (g) Social adaptation in the labor market (adjustment courses); (h) Psychological support for unemployed; (i) Job placement on temporary job; (j) Services and training in the business center; (k) Subsidies for employers to create new jobs; (l) Number of vacancy fairs; (m) Participation in job counseling seminars; (n) Participants in job creating investments program.

Table AI.6: Participation in Active Labor Market Programs (Number of Program Beneficiaries) in Selected ECA Countries, 2009

	Jobsearch assistance and counseling	Career counseling and professional orientation	Job clubs	Vacancy fairs	Training programs	Wage/tax subsidies	Entrepreneurship grants	Public works	Programs for disabled unemployed	Specially designed youth programs	Other (indicate)	Other (indicate)	Other (indicate)
Albania					2,308					320			
Armenia			11	11 fairs	1,436	242	102	4,690	101	786			
Azerbaijan		6,344		24,181 participants	4,827			1,508					
Czech R.			560		39,831		20,208	19,794	1,231		10,789		
Estonia		23,785			18,110	194	495	1,577					
Hungary					47,112	39,750	6,827	15,761			16,870 (p)		
Kazakhstan	248,858				65,029			109,326					
Kyrgyzstan	325,001						2,120	27,130					
Latvia	171,762	55,084			29,238	609		31,179			441 (b)	7,515 (c)	3,253 (n)
Lithuania	2,107,205		33,614		13,929	13,439		18,834	1,057	6,573			
Montenegro	186,904	1,290	10		12,560			1,468	568	26	705 (o)	36 (f)	
Russia		3,908,458			452,729		221,534			988,188	236,127 (g)	232,001 (h)	103,560 (i)
Serbia	800,226	30,054	3,190	52,301	41,251		4,932	10,160	2,205	17,150	39,858 (j)	3,311 (k)	
Slovenia	7,885	91,973	2,227	15	23,411	6,652	6,261	4,188		230			
Tajikistan	597,022	23,414			24,440			6,951					
Ukraine	401,000	3,462,000			157,100			241,900		241,900	1,544,500 (g)		

Source: PES survey 2010.

Note: (a) Temporary employment for youth; (b) Vocational training by employer; (c) Complex support measures for specific target groups; (d) Work trials; (e) Business start-up loans; (f) Education of management trainers; (g) Social adaptation in the labor market (adjustment courses); (h) Psychological support for unemployed; (i) Job placement on temporary job; (j) Services and training in the business center; (k) Subsidies for employers to create new jobs; (l) Number of vacancy fairs; (m) Participation in job counseling seminars; (n) Participants in job creating investments program; (o) Programs for hard to employ individuals (p) Participants in job creating investments program.

Table AI.7: Share of Budget for ALMPs in Selected ECA Countries, 2008 (%)

Country	Training	Job Rotation and Job Sharing	Employment Incentives	Integration of Disabled	Direct Job Creation	Start-up Incentives	Total ALMPs
Armenia	15.9	0.1	5.4	1.6	76.8	0.2	100.0
Belarus	24.0	20.8	0.7	3.9	43.3	7.4	100.0
Ukraine	9.8	—	10.8	—	16.3	12.3	100.0
Bulgaria	7.1	—	10.8	2.7	70.5	9.0	100.0
Croatia	19.8	—	74.6	—	5.6	—	100.0
Estonia	70.7	—	1.2	1.0	—	10.3	100.0
Latvia	29.8	—	39.7	0.6	28.4	1.4	100.0
Lithuania	42.5	0.8	45.4	—	10.1	1.2	100.0
FYR Macedonia	7.5	—	3.2	14.2	2.8	72.2	100.0
Montenegro	17.2	1.2	29.4	0.4	20.7	31.2	100.0
Serbia	25.5	—	23.6	—	36.5	14.4	100.0

Source: National Employment Services.

Table AI.8: Recipients of Unemployment Benefits Out of Total Number of Unemployed, June 2008 to December 2009 (%)

Countries	June 2008	Dec. 2008	March 2009	June 2009	Dec. 2009
Czech Republic	32.4	39.3	45.2	45.1	35.2
Hungary	30.5	37.3	37.8	38.3	39.5
Poland	15.2	18.4	21.0	22.4	20.1
Slovakia	9.9	10.3	12.6	17.3	12.8
Slovenia	22.7	25.2	30.7	32.7	32.3
Estonia	56.0	55.1	56.1	63.7	60.1
Latvia	56.5	48.4	49.2	54.9	45.0
Lithuania	34.6	34.3	39.4	40.4	27.6
Bulgaria	26.2	29.7	43.6	42.1	43.8
Romania	27.1	35.6	44.7	52.9	58.7
Albania	6.4	6.0	7.1	6.7	6.1
F B&H	1.5	1.6	2.4	2.2	
RS B&H	1.8	2.8	3.0	3.0	3.0
Croatia	23.4	27.1	27.0	25.9	28.0
FYR Macedonia	6.8	6.9	7.2	7.2	7.2
Montenegro	32.4	36.9	42.1	47.5	41.1
Serbia	9.5	10.2	11.5	11.3	11.6
Belarus	53.5	46.6	49.0	48.0	49.4
Moldova	7.6	15.9	3.2	9.7	3.4
Russian Federation	78.6	82.4	85.4	84.7	87.2
Ukraine	72.8	77.2	71.3	76.0	76.9
Armenia	22.8	22.2	22.7	28.2	30.9
Azerbaijan	5.9	4.7	5.6	6.9	6.6
Kazakhstan	0.2	0.5	2.7	1.5	1.8
Kyrgyzstan	2.6	2.0	2.3	3.0	2.3
Tajikistan	1.4	1.8	0.2	0.0	2.2
Turkey	15.9	19.5	26.0	21.0	12.9

Source: PES survey 2010.

Note: * Recipients of unemployment benefits and jobseekers' assistance. F B&H = Federation of Bosnia and Herzegovina; RS B&H = Republika Srpska of Bosnia and Herzegovina.

ANNEX II

Table A2.1: Rights and Obligations of the Employer, by Employment Promotion Legislation in Selected Countries

Bulgaria	<p>Employers shall be entitled to avail of the following:</p> <ul style="list-style-type: none"> Information about the persons who are actively seeking jobs; Information about programs and measures for maintenance and promotion of employment; Intermediation for the employment of a workforce; Enrolment in programs and measures for employment; Preferences and bonuses related to maintenance and/or enhancement of employment; Bonuses for providing training for the acquisition of professional qualifications and/or internships. <p>Employers shall be entitled to announce in the sub-divisions of PES the following:</p> <ul style="list-style-type: none"> Their vacant positions; Their needs for training aiming at the professional qualification of the persons hired, and their own capacity to organize such training. <p>Within a term of seven business days, the Employers shall undertake to inform the sub-divisions of PES about the following:</p> <ul style="list-style-type: none"> The vacancies announced, which were occupied or closed; The persons employed, who have been referred by the Employment Agency; The unemployed persons, who refused to accept the proposed suitable jobs; Their refusal to employ the persons seeking jobs, who have been referred to by the sub-divisions of PES. <p>Employers shall file requests for training aiming at the acquisition of professional qualification of their hired personnel, as well as for their needs of workforce, broken down by types of specialties, under the conditions and in the manner determined with the Rules for Administration of this Act;</p> <p>Employers shall be entitled to make their own selection of the persons seeking jobs recommended by the sub-division of PES, as well as request PES to make its own selection in accordance with their request filed in advance.</p> <p>PES, jointly with the companies for employment of unemployed persons, shall develop and implement projects and programs for employment, which are in the public benefit, of both national and regional scope. The companies for employment of unemployed persons shall apply with the Ministry of Labor and Social Policy for funding of their projects and programs.</p> <p>For each unemployed person hired under a labor agreement, and referred to by the sub-divisions of PES under projects and programs, the amounts shall be provided for the actual time served within the term of the labor agreement, however, for 12</p>
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	<p>months at the longest.</p> <p>For each job opened for training for the acquisition of professional qualification and/or for probation, at which an unemployed person was hired until the age of 29, referred to by the sub-divisions of PES, employers shall be provided with the amounts for the term of the training and/or probation of the person admitted, however, for six months at the longest.</p>
Slovenia	<p>Within the limits of the funds earmarked for the implementation of employment programs, organizations and/or employers may be granted in particular:</p> <p>Co-financing for the creation of new productive jobs;</p> <p>Partial compensation of costs for the preservation of productive jobs;</p> <p>Loans for investments in new production capacities;</p> <p>Co-financing for the promotion of the year-round employment of workers engaged in seasonal sectors (construction, tourism, catering, etc.);</p> <p>Assistance for the training of newly-recruited workers;</p> <p>Co-financing for education and training;</p> <p>Co-financing costs of workers whose work became redundant and who are employed by an organization and/or employer with the aim of labor brokering.</p>
Moldova	<p>Employers who employ university graduates, whose studies were financed from the state budget for an indefinite period on the basis of an individual contract, receive monthly allocations from the budget over 12 calendar months for each graduate in the amount of one minimum wage.</p> <p>Employed graduates of the Disabilities III group shall be paid the amount specified in paragraph 1 within 18 months.</p> <p>Employers and employment conditions of graduates in Parts 1 and 2 require the employment contract to be maintained between these parties for at least three years from the date of signature.</p> <p>Employers who create new jobs and business organizations are granted preferential credits on a return basis. Loans are granted for up to three years with interest set at 50 percent of the basic rate of the National Bank with the grace period not exceeding one year for projects in the manufacturing and construction sectors and not more than six months for the provision of services to projects.</p> <p>Loans are granted to employers and unemployed persons who:</p> <p>Carry out activities in the manufacturing, construction, and tourism and services sectors.</p> <p>Undertake to recruit not less than 50 percent of new jobs among the unemployed persons registered with PES, and employ these recruits for a period not less than three years.</p> <p>Employers who employ graduates of educational institutions, including unemployed persons registered at PES, are entitled to a reduction in the contribution to compulsory social insurance for 12 months, subject to continuation of the employment relationship for at least two years. The education allocation is set</p>

	<p>annually by the Budget Law on social insurance.</p>
Azerbaijan	<p>Employers not later than five days after the appearance of job vacancies should notify PES.</p> <p>For employers who provide jobs to people in particular need of social protection, tax breaks can be provided for hiring in excess of the quotas.</p> <p>Employers who do not accept job quotas for individuals with disabilities and other persons in particular need of social protection and who do not provide work have to pay a penalty amounting to three times the amount of the average monthly wage in the economy for the disabled in the Social Welfare Fund and for others in the State Employment Fund.</p>
Ukraine	<p>For businesses and organizations that provide retraining of discharged employees in connection with changes in the organization of production and employment, in calculating the amount of tax revenues, the profit to be taxed will be reduced by the amount of expenses associated with the training of such workers.</p> <p>If within two years prior to the release, the employee had no opportunity to improve his skills or get a profession related to previous jobs, and if he needs to improve job skills or get professional training, the cost of these activities are to be carried out by enterprises, institutions, and organizations with which the discharged workers were employed. If necessary, PES can compensate businesses, institutions, and organizations for 50 percent of the cost of organizing training of recruited individuals discharged from other companies, institutions, and organizations on the grounds provided for in this article.</p>
Slovakia	<p>Contributions for Transport to Work Contributions for transport to work (hereinafter "post") may be provided by PES to employers who have concluded a written agreement, if the employer provides daily transportation to staff because public transport is not available or does not correspond to the needs of the employer. The contribution is 50 percent of the employee's transport costs to work and back.</p> <p>Contribution to a New Job An allowance may be granted for partial reimbursement of eligible expenses to the employer who creates new jobs in districts where the average registered unemployment rate, calculated from the number of available jobseekers per head, is higher than the national average.</p> <p>Obligations of the Employer in Employing Individuals with Disabilities The employer is obliged to: Provide suitable conditions to work for individuals with disabilities; Carry out training for individuals with disabilities and take special care in improving their skills during employment; Employ individuals with disabilities: if an organization has at least 20 employees, disabled individuals must represent 3.2 percent of the total number of employees.</p> <p>Deductions for Non-Compliance of Compulsory Share of Employment of Individuals</p>

	<p>with Disabilities</p> <p>When an employer fails to hire the statutory share of individuals with disabilities, the employer must pay a levy of 0.9 times the total labor costs, based on the average wage in the economy, for each disabled individual not hired.</p>
Mongolia	<p>Support to Employers</p> <p>Based on the recommendations of the relevant tax and social insurance authorities, the employer, who hired and provided the unemployed citizens, being without a job for more than one year and registered at PES, with sustainable employment for more than six months duration, shall receive from the Employment Promotion Fund a wage subsidy in amount equal to 60 percent of the total wage paid to that employee during first six months of his/her employment.</p> <p>The employers, who trained the unemployed citizen at their enterprises, based on a contract with PES and placed them in a job for a period longer than three months, shall receive reimbursement of training costs from the Employment Promotion Fund, upon presenting the documents verifying the involvement in training or acquisition of professional skills.</p> <p>Cost per trainee, referred to in provision 9.4 of this law and 40 percent of the total wages of the employee for three months, shall be reimbursed from the Employment Promotion Fund to the employers who retrained the citizens threatened by unemployment and retained their job.</p>
Armenia	Employers have the right of compensation for salaries in the case of taking on individuals who are not marketable (competitive) in labor market.
Montenegro	<p>For the employer who employs a full-time jobseeker who has been registered with PES for more than five years, PES refunds contributions for social insurance for a period of two years.</p> <p>For the employer who employs a full-time person who has at least 25 years of pension insurance, PES refunds contributions for social insurance for a period of three years to unlimited time, full time.</p>
Belarus	<p>The employer is obliged to:</p> <p>Employ jobseekers at the direction of the Departments of Labor, Employment, and Social Protection through the established job quotas;</p> <p>Hire graduates of public institutions providing vocational, specialized secondary and higher education, in accordance with the agreements (s) for training, concluded between these educational institutions and employers;</p> <p>Create jobs (including specialized work places for persons with disabilities) for the employment of persons. The minimum number of such jobs is established by local executive and administrative bodies or special government programs;</p> <p>Create jobs for the employment of workers receiving disability resulting from injury, occupational disease, or other harm to health associated with the performance of employment duties with the employer.</p>

Source: National employment promotion legislation (unofficial translation).

Table A2.2: Menu of Active Labor Market Programs in Selected ECA Countries

Bulgaria	<p>Persons who are actively seeking jobs shall be entitled to the following: Information on the vacant jobs announced; Information on the programs and measures for maintenance and promotion of employment; Intermediation for provision of information and employment; Professional provision of information, consulting, and orientation; Vocational and motivation training; Enrolment in programs and measures for employment; Scholarships for training for the acquisition of professional qualification.</p> <p>The persons who are actively seeking jobs shall be entitled to avail of the rights as follows: Unemployed persons – of the rights under Items 1 to 7; Employed persons who wish to change jobs, and the students who wish to work in their free time - of the rights under Items 1, 3 and 4; Retired persons - of the rights under Items 1 and 3.</p>
Estonia	<p>Types of labor market services: Provision of information on the situation in the labor market and of the labor market services and benefits; Job mediation; Labor market training; Career counseling; Work practices; Public work; Coaching for work life; Wage subsidy; Business start up subsidy; Adaptation of premises and equipment; Special aid and equipment; Communication support at interviews; Working with support person.</p>
Slovenia	<p>When deciding on the entry into the program of the active employment policy measures, the following shall be taken into particular consideration: The situation in the labor market within a particular area and particular occupation; Costs of the participation in the program; Personal, occupational, working, and other skills of the unemployed person concerned and his/her age; Prospects for a successful conclusion of the program; Wishes of the unemployed person concerning the type of the program in which he/she is to participate; whether the wishes are justified and whether it is reasonable to accommodate them, given the prospects of finding an employment in a particular environment and period; Possibilities of obtaining a certificate or other public document on the education or training; Family responsibilities for a child with a serious or severe physical or mental</p>

	<p>impairment who lives with the unemployed person; Obligation to support a minor.</p> <p>Priority in the entry into the Active Employment Policy Measures Program shall be given to persons from the target groups.</p>
Latvia	<p>Active employment measures shall be as follows: Occupational training, retraining, and raising of qualifications; Paid temporary works; Measures to increase competitiveness, especially measures to improve social and functional skills and psychological support measures, measures for basic skills and abilities necessary for the labor market, as well as the acquisition of work-finding techniques, acquisition of informal education, including the acquisition of the official language and the selection of further education, summer holiday employment measures for persons who are acquiring an education in general, special or vocational educational institutions, as well as other measures that facilitate the competitiveness of unemployed persons and persons seeking employment in the labor market; Measures for specified groups of persons, in particular for persons from age 15 to 24 (inclusive) years; for persons for whom the invalidity has been determined; for persons six months after the end of parental leave (period of childcare); for persons for whom not more than five years remain until reaching the age necessary for the granting of the State old age pension; for persons who have been in the records of PES for more than one year (hereinafter – the long-term unemployed); persons after serving a prison sentence, for persons addicted to alcohol, narcotics, psychotropic or toxic substances; for persons who care for a family member; for persons who are without work for longer than one year; other unemployed persons in conformity with the local labor market situation, as well as other target groups specified in policy planning documents; Measures to facilitate start-up of commercial activities and self-employment; Work practice in the workplace, which provides an opportunity to determine vocational suitability; Training with an employer; Complex support measures.</p>

Source: National employment promotion legislation (unofficial translation).

Table A2.3: Incentives for Participating in Training Programs, by Employment Promotion Legislation, in Selected Countries

Tunisia	<p>Introductory to Professional Life An initiation course to professional life intended to assist the recipient in acquiring professional skills to facilitate insertion into the working life.</p> <p>Those eligible for Introductory to Professional Life are first-time jobseekers of Tunisian nationality who have held a higher education or equivalent degree for at least six months.</p> <p>The duration of Introductory to Professional Life may not exceed one year.</p> <p>However, the Minister for Employment may, as an exception, extend the term for an additional maximum period of six months within the same host company, or authorize a second internship in another company.</p> <p>The overall duration of Introductory to Life Professional in no case is to exceed eighteen (18) months.</p> <p>The company provides the student with an obligatory additional monthly subsidy for the duration of the contract. The minimum amount of this subsidy is fixed by order of the Minister for Employment.</p> <p>The company is committed to recruiting the beneficiary who has completed the contract in the integration of higher education graduates.</p> <p>The company that hires the aforementioned intern receives a recruitment bonus in an amount equal to one thousand dinars. The premium is paid after one year of actual work from the date of recruitment.</p> <p>The private sector receives support from the National Employment Fund to pay the employer's contribution to statutory social security relative to the wages paid to trainees who are recruited as jobseekers and contracted as higher education graduates for seven years as follows:</p> <p>First and second year: 100 percent of the contribution; Third year: 85 percent; Fourth year: 70 percent; Fifth year: 55 percent; Sixth year: 40 percent; Seventh year: 25 percent.</p> <p>The monthly subsidy is one hundred fifty (150) dinars, and it is granted to students throughout the internship period. The National Employment Fund can support a portion not exceeding 60 percent.</p>
Peru	<p>Youth job training Youth job training is aimed at young people between 16 and 25 years old who have not completed studies or who have done technical studies and who lack the</p>

	<p>knowledge and skills necessary to the work in a specific occupation.</p> <p>The companies or entities whose workers are subject to the terms of employment of the private sector can provide youth job training through agreements with young people.</p> <p>The youth job training agreement shall be made in writing and shall contain the following information: Name or trade name of the person or company sponsoring the job training; Name, age, and personal details of the training sponsor and legal representative in the case of minors; Occupation-specific training materials; A monthly financial subsidy of not less than the minimum living wage when they meet the regular training schedule established by the company; Grounds for modification, suspension, and termination of the agreement.</p> <p>Obligations of the Company Provide technical direction and the means necessary for systematic and comprehensive job training in the agreed occupation area; Promptly pay the agreed monthly subsidy; Not charge any fees for training; Provide insurance covering sickness and accidents or directly assume the cost of these contingencies; Provide the relevant vocational training certificate.</p> <p>The holder of a job training certificate may obtain the corresponding technical skills, after fulfilling the requirements set by the Ministry of Education.</p> <p>The number of young people in job training may not exceed 30 percent of total company staff, including permanent and all forms of contract staff.</p> <p>The Learning Contract requires that the apprentice serve a company for a specified period in exchange for the means to acquire systematic and comprehensive training in the agreed occupation and paid at the agreed monthly subsidy.</p>
Czech Rep.	<p>Retraining PES can offer retraining if this is essential for the jobseeker's future employment. PES pays the retraining costs on the jobseeker's behalf and can give her/him a contribution towards necessary retraining-related costs. By agreement with PES, retraining may also be performed at the employer's premises with a view to her/his employees further employment. Employers may receive full or partial compensation for retraining-related costs.</p>
Estonia	<p>Employers shall receive remuneration for supervising work practice. For each practice hour attended by an unemployed person, the employer shall receive remuneration for supervision in the amount of 100 percent of the minimum hourly wage established during the first month, 75 percent of the minimum hourly wage during the second month, and 50 percent of the minimum hourly wage during the third and fourth month the unemployed person participates in work practice.</p>

Lithuania	<p>During the period of training, which cannot be longer than that established in the training programs, the unemployed persons shall be granted an education grant in the amount of 0.7 of the minimum monthly wage approved by the government during the first three months of training and during the remaining period of training – one minimum monthly wage; the travelling expenses to and from the place of training and the accommodation expenses shall also be reimbursed.</p> <p>Employers, who have employed persons for acquiring professional skills, each month shall receive a subsidy for each employed person and shall be partially compensated for the expenses of organising the acquisition of professional skills directly at the workplace, but not more than 20 percent of the total amount of the subsidy.</p>
Slovakia	<p>PES may provide a contribution to education and training and cover 100 percent of the costs of education and training under a written agreement concluded between: PES and jobseekers; PES and a service supplier of education and training for the labor market; PES and a legal person or natural person.</p> <p>PES may provide jobseekers an allowance for education and training up to 100 percent of the costs of education and training.</p> <p>For jobseekers, who are provided education and training for the labor market, PES may provide reimbursement for food, accommodations, and travel expenses from place of residence or temporary residence to the education venue and training for work and back under a special regulation.</p>
Slovenia	<p>An unemployed person who cannot be provided with appropriate or suitable employment may, with a view to improving his/her position in the labor market, enter a training program on the basis of the Individual Employment Plan and in compliance with the regulations governing this field.</p> <p>Upon the entry into the program, the participant shall have the right to health care, if not insured on some other basis, to a scholarship and reimbursement of expenses set out in the program.</p>
Croatia	<p>An unemployed person instructed by the Employment Service to participate in educational activities shall be entitled to financial assistance in the course of his or her education in the amount of the lowest financial compensation paid out by the Employment Service.</p> <p>An unemployed person instructed by the Employment Service to participate in educational activities shall be entitled to reimbursement of travel expenses in duration of these activities in the amount of real expenses of use of public transportation, real expenses for mandatory textbooks, food expenses, and expenses for designated protective clothing, footwear, and other aid devices.</p>
Moldova	<p>Unemployed persons receiving unemployment benefits and enrolled in training courses receive a stipend of 70 percent of the previously established unemployment benefits, the payment of which shall not exceed the benefit period for</p>

	unemployment.
Azerbaijan	The size of stipend for persons participating in training who have dependent children under 18 years of age increases by 10 percent for each child, but with the condition of the supplement not exceeding 50 percent of total stipend.
Malta	<p>Training</p> <p>The PES may:</p> <p>Make grants or loans to persons providing courses or other schemes approved by PES;</p> <p>Pay fees to persons providing further education to recipients in association with their training in courses or other schemes provided or approved by PES;</p> <p>Make payments to persons in connection with arrangements under which they or their employees make use of courses or other schemes provided or approved by PES.</p>
Ukraine	<p>Financial Assistance during Training, Retraining, or Training</p> <p>Insured persons in the period of training, retraining, or training for civil service employment shall be paid financial aid during the training, retraining, or civil service training in the amount of the unemployment benefit.</p>
Kyrgyz R.	During the training, retraining, and skills upgrading at the direction of PES, unemployed persons receive a stipend in the amount owed in unemployment benefits, increased by 20 percent.
Uzbekistan	<p>The Right to Professional Advice Training, Retraining, and Information</p> <p>Persons looking for jobs and applied to PES are entitled to free professional consultation, training, retraining, skills upgrading, and obtaining relevant information in order to obtain, by free choice, employment, a place of employment, and working conditions.</p> <p>Persons who have lost jobs and income (labor income), and registered with agencies for work, having minor children and other dependents, while in vocational training, retraining, and advanced training receive a stipend in an amount not less than 75 percent (without dependents - about 50 percent) of their average monthly salary in the previous job, but not below the minimum wage set by law and not above the average prevailing wage.</p> <p>For the long-term (over one year) unemployed and first-time jobseekers who need training, retraining, and advanced training, scholarships will be awarded at a rate not lower than unemployment benefits, provided to this population, and not higher than the minimum wage, prescribed by law.</p>
Albania	<p>1..0...1.1.1.1 Jobseekers who have finished secondary/higher school in the country or abroad participate in internship programs.</p> <p>Employers who employ at their enterprises or institutions individuals may receive funds from the local PES for professional practices.</p> <p>Jobseekers may be financially supported according to criteria set during the period of performing the professional practice.</p>

	<p>Any employer may request that the local PES provide funds, subsidies, or loans in order to ensure vocational training for the employees or other candidates for employment. The employers are also entitled to ask for support for the organization of the training courses.</p> <p>Unemployed individuals, who registered for employment at the local PES and were accepted to participate in vocational training organized by the national PES, receive a stipend, which is set by the Ministry upon condition that they do not benefit from <i>ndihma ekonomike</i> (social assistance), or unemployment payment during this period, for participation in the course.</p> <p>The local PES pays the training fund after the vocational training center submits a declaration that participation in vocational training program is regular and satisfactory.</p>
Armenia	<p>Jobless individuals and disabled jobseekers have the right to free vocational training, rehabilitation of job skills, and job placement, as well as financial assistance aimed at starting entrepreneurial activities.</p> <p>Unemployed individuals nominated by the PES for initial vocational and industrial training, training for a new profession, and upgrading of qualifications are paid a monthly stipend during the whole training period.</p> <p>The monthly stipend is defined: For individuals receiving the unemployment benefit, 120 percent of the benefit. For individuals not eligible to receive the unemployment benefit, 50 percent of the minimum monthly wages.</p>
Montenegro	<p>The unemployed person who is sent to training or retraining and does not receive monetary compensation is entitled to financial assistance during training amounting to 60 percent of the minimum wage.</p>
Serbia	<p>Additional education and training are the activities where an employee was made redundant and in unemployment gains the opportunity, through theoretical and practical training, to acquire new knowledge and skills, creating opportunities for employment and self-employment.</p> <p>Additional education and training is organized by PES, at the request of the employer, or according to labor market needs.</p> <p>PES bears the cost of the additional education and training organized by PES at the request of the employer.</p> <p>The unemployed is obliged to take appropriate further education and training recommended by PES in order to increase employment or opportunities for employment.</p> <p>The contract concluded between PES and the unemployed is determined by the pertinent law and obligations.</p> <p>Unemployed youth who addressed PES for additional education and training have the</p>

	<p>right to compulsory textbooks and transportation costs in the amount determined by the agreement referred to in Paragraph 2 of this Article.</p> <p>Persons who complete further education and training receive a document indicating their capacity to perform the tasks for which they were trained.</p>
Belarus	<p>The Departments of Labor, Employment, and Social Protection can fully or partially offset the costs to employers for vocational training of employees to be dismissed in connection with the liquidation of the organization, termination of the individual entrepreneur, downsizing of state employees, or hiring a number of redundant first-time jobseekers, obligated persons from other employers.</p> <p>If during the five years preceding the release of an employee (except those employed in unskilled jobs, as well as women under the age of 45 years and men under 50 years) from the last job, the employee did not pass retraining and skills upgrading, the employer fully indemnifies bodies, labor, employment, and social security costs for her/his training.</p>
Belarus	<p>Stipends that are awarded to jobseekers by the Departments of Labor, Employment, and Social Protection for training, retraining, and advanced training are appointed and paid by these bodies.</p> <p>Stipends for the appointed persons equal 50 percent, and for those with children under the age of 14 or a disabled child under 18 years - 75 percent of the average wage (income) at the last place of work, but not less than one and a half times the value of the minimum unemployment benefits for the unemployed and not more than three times the basic unit.</p> <p>The size of stipends may be reduced by 25 percent for one month or a citizen may be deprived of the stipend for the same period due to failure or irregular attendance, without good reason, or breach of discipline and internal regulations of the educational establishment.</p>

Source: National employment promotion legislation (unofficial translation).

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Abstract

One of the responses to new challenges in the labor market has been the development and expansion of employment services and active labor market policies based on activation principles. The objective of this study is to document and review international experiences, predominantly from selected emerging market economies and developing countries, with the design and implementation of activation programs, provided by Public Employment Services, through the prism of incentives and sanctions. Employment promotion legislation from the reviewed countries is a major source of information. Participation of beneficiaries in relevant services and programs is also analyzed. The study finds that the countries use a variety of instruments, be it specific employment services, active labor market programs, or benefit and other sanctions, to “activate” jobseekers with an aim to encourage them to become more active in their efforts to find work and/or improve their employability. In practice, the activation policies vary considerably across countries.

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