

Implementation of the new policies of activation and their effects for labour market inclusion of the vulnerable groups in the Czech Republic

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Abstract

After the Czech Republic joined the EU, the Open coordination method gained more influence in the field of employment thanks to the measures of National Action Employment Plans (currently National Reform Programs) as well as through the projects supported by the European Social Fund; this is apparent both at the national as well as regional/local level in program documents, in policy discourse, in scope and structure of the labour market measures. The question in focus of this paper is how these new measures are implemented in the specific governance framework and what would be then their impacts. Specifically we assess how some of the most important new measures, specifically the new methods of early prevention and activation (Individual Action Plans) and the projects financed by ESF have changed the national employment policy in terms of 'value added' and labour market inclusion of the vulnerable groups of the unemployed in the labour market. The way how the measures have been implemented at the local level is reflected as a crucial factor behind their effects.

We combine the following methods: statistical analysis of individual register data of a large sample of the unemployed covering the whole country (scope, targeting, quality and estimate of net effects of the new measures in comparison with traditional tools – i.e. training programs) with use of quasi-experimental methods; institutional analysis of the changes in active labour market policy (legislation, governance, financing) at the national level; and local case studies on implementation of the new measures of activation conducted in several local settings.

We argue that there is only modest impact of the above discussed European Employment Strategy in the Czech Republic, with activation strategy being very selective with respect to the EES and the general institutional reform of labour market regulation being neglected. The European Employment strategy, as well as the programmes of ESF are substantially redefined in the national context of the policy priorities, governance framework and implementation conditions. Their added value seems to be rather low.

Introduction

The developments of the welfare states in Europe exhibit some signs of their convergence, although at the same time the ‘national patterns’ are obviously persistent (e.g. Castles 2004). Among other factors like common social, demographic and economic challenges, the role of the EU as a driving force of this convergence process has been discussed, especially in field of employment and activation policies which are considered as central to the current paradigm of the changes of the welfare state (compare Serrano Pascual 2004, van Berkel and Møller 2002, Zetlin and Trubek 2005). However, the evidence about the developments in the new (post-communist) member states in this respect is scarce. The process of ‘Europeanization’ of the national policies is being confronted with the very different economic and social context as well as with different institutional setting when compared to the ‘old’ EU member states.

In this paper we will focus on the question to what extent the European Employment Strategy has influenced the policies of activation in the labour market in the Czech Republic. Apart from assessing the main policy changes in this field we concentrate on those measures which we consider as the most important as well as most suitable to indicate the progress in this policy field. Specifically, these are, firstly, the measures and projects financed by the ESF and, secondly, the new methods of early prevention and activation (Individual Action Plans). We discuss the ‘value added’ to the development of policies and to employment of the vulnerable groups of the unemployed. The governance framework and implementation conditions are reflected as factors which trace the way how the measures have been implemented at the national and local level and impacted the effects of these measures on employment of the vulnerable groups.

Since the knowledge about the discussed issues and available information are currently scarce due to insufficient monitoring and missing data, our analytical insight is limited. This is why, aiming to be able to examine the contextual conditions which influenced the effects of the policies, we carry some kind of ‘meta-analysis’ when combining several methodological exercises. Our assessment is based above all on macro-analysis which includes the institutional analysis of the changes in active labour market policy (legislation, financing, governance) at the national level; on the statistical analysis of individual register data of the large sample of the unemployed, covering the whole country (scope, targeting, and effects of the measures are in focus, in comparison with the traditional tools, with use of quasi-experimental methods); and finally we use the results of the local case studies on

implementation of the individual contracts conducted in several local settings¹ as well as the knowledge gained through ‘participant observation’ when assisting some specific projects in the role of experts/advisors. This combination of various empirical procedures should enable us to interpret the findings on the effects of the measures with respect to the national context (governance, implementation conditions and implementation process of the policies at the national and local level).

The paper is structured as follows: in the first paragraph we discuss the general assumptions regarding the overall context of the implementation of activation policies in the Czech Republic and the role of European Employment Strategy. In the second paragraph we explain the recent developments in activation policies in the Czech Republic from different angles (legislation, financing, governance, implementation at the local level). In the third paragraph we evaluate the impacts of the selected activation policies and we try to explain their effects with close eye on their on governance and implementation conditions at the national and local level. In the last concluding part we summarize the main findings.

General assumptions

The general changes of social policies which are underway, towards ‘active’ welfare states like promotion of labour market participation and employability of people dependent on social assistance, the paradigm shift from social citizenship to social contract, from conventional solidarity to conditional solidarity (van Berkel 2007) are among other mirrored in the principles (objectives, targets and guidelines) of the European Employment Strategy. Since this policy agenda attempts to respond the common challenges faced by contemporary European states. On the other hand, the national socio-economic and cultural contexts imply the national variations in the implementation of these principles, and correspondingly the EES is promoted through the ‘soft’ Open method of coordination. This method not only anticipates the variations in implementation of the policies but also specification and redefinition of the common goals and guidelines at the national level. From this reason the role of ‘soft’ coordination method and the impact of EES on the national employment policies have been repeatedly questioned.

¹ These local case studies were carried as separate research project as case studies on implementation of the individual action plans at five local employment offices in 2003 and were repeated them at three local labour offices in 2006. Each study included the expert report elaborated by employment offices’ responsible managers according to given guidelines, and 6-10 in-depth interviews with front line staff and the managers.

The power of the OMC to influence the national policies has been already recognized in several respects. The crucial point of departure is the ‘discursive change’ which provides language codes and understanding to the problems (Jepsen and Serrano Pascual 2005), therefore generating a considerable potential of cognitive effect and institutional learning (e.g. de la Porte and Pochet 2004) which can gradually lead towards convergence at the level of ideas - ideational convergence (Radaelli 2003). Similarly the legitimating function is important ‘...in policy areas that are either politically sensitive or in any case not amenable to the classic Community method’. Radaelli (2003: 7). At the same time new system of governance is being applied, grounded on cooperation, political bargaining, establishing policy guidelines, setting benchmarks and qualitative indicators, concrete national targets, and monitoring system via peer-group review and transfer of good practice. This system creates space for participation and bottom-up making, learning and experimenting (Begg and Berghman 2002). Goetschy (2005: 69) emphasizes the ‘iterative nature’ of the process ‘which allows employment issues to be tackled in a medium-term perspective as well as from the use of a multi-step procedure involving targets, deadlines and evaluations.

On the other hand, it is argued that the Open Method of Coordination cannot have a great influence over national decision making since it lacks sanctions and enforcement mechanisms (Goetschy 1999) as well as formal EU-level competence: ‘...problem-solving capacity is severely constrained (through the globalization and the transnational integration of markets) while European policy is restricted by lack of intergovernmental agreement’ (Scharpf: 2002: 157-158).

Be that as it may, Serrano Pascual (2007) brings evidence that in relation to activation policies in the framework of the EES three tools are important and may exert some influence: first, ideological persuasion by the adoption of discourse of EU institutions (changes in policy thinking, agenda setting, legitimation of changes), second, the EES as a political resource in the hands of civil society (awareness-raising, providing political tools and strategic resources, institutional innovations, empowerment of certain social groups) and third, reflexive deliberation (by enhancing policy learning by means of policy transfer). In this line, Seeleib-Kaiser and Fleckenstein (2007) explain the reforms of employment policies (in case of Germany) by the influence of the discursive change and policy learning.

With regard to the post-communist countries, it has been discussed that during the accession period and even after, the asymmetry between economic and social agendas is particularly relevant in view of the Union’s requirement concerning the meeting of convergence economic criteria before joining the European single currency. These

circumstances imply rather deviation from the process of Europeanization of social policy (Potůček 2004) and until 2004, no signs of reorientation of the policy towards ‘active welfare state’ has been observed (Sirovátka 2007).

However, in view of the discussion above, we might anticipate policy change over time, facilitated by the process of institutional learning due to the effects of the Open Method of Coordination (new policy discourse, benchmarking and peer review of the policies) and due to the effects of the access to European structural funds that foster resources available for activation measures. Moreover, we assume that the OMC (policy learning) and access to ESF may change the governance framework of activation policies. The transformations of governance (towards new governance) are equally important as transformation of social policy (activation, the active welfare state) in welfare state change (van Berkel 2007). These are represented mainly by individualization of social services and introduction of new forms of governance like use of private sector management models, plural models of provision of the services, ‘steering not rowing’ principle etc. (van Berkel 2007). In spite the policy learning process might be slow, thanks to resources of European Social Fund the policy process, especially at the local level is becoming much more open to the broader spectrum of actors, including private agencies, NGOs, local authorities. This changed governance framework should implicitly lead the national and local Public employment services towards the adoption of multi-level and indirect methods of governance by involvement of broader society in the process of governing, self-organizing networks, and policy communities – the shift towards the principles of ‘new governance’ (e.g. Pierre and Peters 2000; Salamon 2002; 2005).

Within the process of policy formation and implementation, the distinct loci in the policy-making process – “the political administrative system” (planning and administration of policy institutions, inter-governmental relations, legislation, designing policy frameworks and governing policy processes); mediating “institutional relations” (maintaining systems, planning and governing inter-organizational relations); and the street-level (planning local institutions, local implementation policies, and governing internal and external contracts) (Hill and Hupe 2002: 183) – may produce diverse and contradictory strategies and policies due to both ambiguity of goals, and/or contradictions between goals and specific implementation conditions.² Our interest is therefore to understand the process of matching

² Following van Meter and van Horn (1975) - we can take into consideration the following variable clusters as implementation conditions: policy goals and their legitimacy, the legal and institutional framework (the rules, the structure of actors and their relationships), and resources (financial, personnel, power and influence).

the different levels of governance during implementation of measures and specific programmes of activation, since we are aware that governance and implementation conditions influence the policies implemented at the local level and their results. For this reason we combine various methodological approaches with the aim to interpret the findings about the effects of policies within a broader context of governance and policy reforms.

The labour market developments and discourse on activation in the Czech Republic

In the Czech Republic, thanks to the ‘soft’ version of transformation, the unemployment rate³ did not exceed the threshold of 5 % until after 1996 – and increased up to 9.4 % by the end of 1999. The main reason of this acceleration of unemployment growth was the country’s foreign trade deficit, economic slowdown and a consequent privatization of the bank sector. The bank sector then put an end to tolerating companies’ debts which triggered a wave of bankruptcy. After 2000 the unemployment rate stabilized at around 9-10 % for about five years, in spite of a stable economic growth of about 3 %, due to the accelerated process of economic restructuring. Between 2005 and 2007, the unemployment rate dropped to 6 % in consequence of strong economic growth (5-6 % per annum).

In spite of the fast economic growth, the problem remains of the relatively high proportion of long-term unemployment (about 40 %) and very-long-term unemployment (about 26 %). Long-term unemployment is mostly associated with specific categories like unskilled, disabled or elderly workers (over 50 years)⁴, women with small children and the Roma (these categories, of course, often overlap). The reasons of their labour market marginalization seem to be quite complex (economic restructuring, individual factors - lack of human and social capital, discrimination by employers, weak work incentives, high non-wage labour costs etc.).

³ We refer here to the registered unemployment rate.

⁴ Their share in unemployment is increasing rapidly within last period.

Table 1: Labour market in the Czech Republic (trends, 1999-2007)

| | XII.99 | XII.00 | XII.01 | XII.02 | XII.03 | XII.04 | XII.05 | XII.06 | XII.07 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GDP (real, %) | 1,3 | 3,6 | 2,5 | 1,9 | 3,6 | 4,5 | 6,4 | 6,4 | 6,5 |
| Unemployment rate (%) | 9,4 | 8,8 | 8,9 | 9,8 | 10,3 | 9,5 | 8,9 | 7,7 | 6,0 |
| Inflow (% of LF) | 11,9 | 11,4 | 11,4 | 10,7 | 10,6 | 11,5 | 11,1 | 11,5 | 12,6 |
| Outflow (% of LF) | 7,5 | 8,1 | 6,5 | 5,9 | 6,6 | 7,1 | 7,2 | 7,9 | 8,8 |
| Number of the unemployed per one vacancy | 13,9 | 8,8 | 8,9 | 12,6 | 13,5 | 10,6 | 9,8 | 4,8 | 2,5 |
| Average duration of unemployment (days) | X | x | x | 484 | 530 | 567 | 610 | 649 | 659 |
| Regional disparities - Unemployment rate (StD.) | 3,7 | 4,1 | 4,0 | 4,1 | 4,3 | 3,9 | 3,8 | 3,5 | 2,8 |
| Unemployed with benefits (% of unemployment) | 42,4 | 35,9 | 36,6 | 37,4 | 34,9 | 26,4 | 27,8 | 29,0 | 31,8 |
| Over 50y. (% of unemployment) | 14,7 | 16,2 | 17,1 | 19,4 | 20,8 | 22,4 | 25,2 | 27,1 | 30,6 |
| Average Age (% of the unemployed) | 34,3 | 35,1 | 35,3 | 35,8 | 36,3 | 37,1 | 38,6 | 39,2 | 40,4 |
| Elementary school (% of unemployment) | 30,0 | 31,6 | 32,1 | 31,5 | 31,4 | 30,6 | 30,7 | 31,4 | 31,6 |
| LTU (>12m.) (% of unemployment) | 29,7 | 38,4 | 37,1 | 37,2 | 40,3 | 40,6 | 41,7 | 41,2 | 38,6 |
| LTU (>24m.) (% of unemployment) | 11,9 | 19,1 | 22,0 | 21,3 | 23,1 | 24,9 | 26,1 | 27,2 | 25,9 |

Note: Source of all above mentioned indicators: <http://portal.mpsv.cz/sz/stat>, except GDP: <http://www.czso.cz/>

The high proportion of the long-term unemployed (associated with a significant role played by the shadow economy) has always been perceived as a challenge for policy makers – and this perception deepened under conditions of improved economic performance after 2000. Thus the main stream of the policy discourse and (consequently) of policy making has been based on the already widely held assumption of individual failures and insufficient incentives to work as the main causes of long-term unemployment and welfare dependency. Public opinion regarding the misuse of benefits and welfare dependency as crucial problems and supportive of stricter policies to eliminate these phenomena has been identified since the beginning of the nineties (Rabušic, Sirovátka 1999). Hence the policy discourse emphasizing individual failures and lack of self-responsibility and motivation prevailed in the Czech Republic, presented by key politicians (opinion leaders), reproduced by key media and adopted by the public as well as by policy makers.⁵

It is then not surprising that the Czech unemployment benefits system was continuously being redesigned during the nineties and made ever stricter. Benefits were provided only for the period of 6 months, at relatively low replacement rates 60 % (3 months) and 50 % (3 months). Since 1997 it was only 50 % and 40 % (the latter was increased to 45 %

⁵ In mid 2003, we conducted an exhaustive inquiry among 344 employees occupying decisive posts at all 77 Local Employment Offices. When interviewed, these directors and heads of key divisions defined as the most momentous cause of high unemployment “*insufficient motivation to take up a job as a consequence of low wages, but high social benefits*” (the average answer on the scale from 1 to 7 was 2.29). It is worthy of notice that this cause greatly outdistanced the other considered causes (“*profound structural change*” was given the average mark 2.81, and “*temporary economic recession*” the mark 3.11). (Sirovátka et al., 2003).

in 2004).⁶ At the same time, the definition of a suitable job was rather strict, providing nearly no room for respect for qualification or previous profession. Sanctions for non-compliance with the requirement to accept a suitable job or to cooperate with Public Employment Services were severe – exclusion from registers of the unemployed for the period of three months with a subsequent loss of benefits entitlements.

The Czech Republic formally started the process of institutional learning in the field of employment policies even before entering the EU, following the example of other EU countries. It accepted the first National Action Plan on Employment in 1999 and continued to elaborate a national conception based on the European Employment Strategy (EES) during the following period. Since 2004 (the year of the Czech Republic's accession to the EU) the formal process associated with adopting the ESS through the OMC has intensified. However, we can see that in spite of the complex factors behind long-term unemployment, and in spite of the corresponding complex approach of the EES to the problems of unemployment, the policy discourse in the Czech Republic has been largely selective with respect to the EES. The Czech Republic has adopted some of the guidelines (measures) of the EES, but has neglected many other aspects. Recently, the Employment Act from 2004, the National Reform Programme 2005-2008 and National Action Plan on Social Inclusion 2006-2008⁷ entail the strong preference for the measures improving work incentives, provided in different policy fields and adopt the approach of the individualization of the problem of unemployment and social exclusion (expressed as the assumption of the individual failure of the unemployed to gain a job). Hence the economic incentives and/or support of the individual competences for job search are considered as the crucial issue. The emphasis put on work incentives even increased in 2007, as announced in the new right-centre government's declaration from January 2007 (Programové 2007). The Implementation Report on the NRP (2007) refers that the reforms of social system decided in August 2007 are designed *'to prevent the overall effects of changes to the fiscal and welfare system from harming the interests of any social group, except for those citizens who have grown accustomed to living on social benefits, have no motivation to adopt a more proactive approach in their search for employment and would continue trying to abuse the welfare system at the expense of others.'*

The above commitments entailed in programme documents had been greatly underpinned by preferences of the general public as well as policy makers. According to data by Eurobarometer (2007) the Czechs are strongly emphasizing the individual causes of

⁶ The duration of benefits was increased for the unemployed over 50 years in 2004 to 9 (12) months.

⁷ This is part 2 of National Report on Social Protection and Social Inclusion 2006-2008.

poverty (56%) while least reflecting the social causes (34%) among the European nations.⁸ At the same time the Czechs seem to share an assumption about a relatively significant proportion of passive claimants or people active in shadow economy. In September 2007 37.5 % of Czechs agreed that social assistance benefits are being misused while 36% were undecided and 21% were against.⁹

At these circumstances, it seems that we can identify only selective, rather weak influence of EES on the policy discourse: the measures aimed to improve incentives to work and to activate the passive part of the unemployed are very much preferred, which would be probably preferred anyway, while the other measures did not gain much attention.

Measures aiming to improve incentives: an illustration of the reform in the Czech Republic

The changes in real policies have corresponded to the above mentioned discourse. The adopted measures to improve the economic activity represent a combination of ‘positive incentives’ (like raising the minimum wage, tax bonuses, back-to-work and in-work benefits/tax credits), ‘negative incentives’ (like delayed revaluation of the subsistence minimum, introduction of the ‘existence minimum’, increased conditionality of benefit entitlements, a stricter definition of suitable job etc.), and finally, individual case work with the unemployed.

Minimum wage has been increasing regularly (each year between 2000 – 2006) from 31.2 to 39.4% of average wage (own calculation based on data by RILSA 2007). A new Employment Act came into effect in September 2004 (Act no 435/2004). Most of the changes implemented there are aiming to improve work incentives: stricter definition of a ‘suitable job’ has been applied, that describes as suitable also temporary jobs - such jobs that last for longer than 3 months and amount to 80 % of full time. In the case of long-term unemployed persons the job may last for even a shorter period of time, provided it corresponds to no less than 50 % of full time.¹⁰ Refusal to participate in a temporary job (including subsidised jobs such as public work), refusal to undergo medical examination organised by the Employment Office or non-compliance with the IAP commitments may therefore result in sanctioning the

⁸ In EU 15 countries the responses about the causes of poverty were in average as follows: *lack of luck* 21%, *laziness* 18%, *injustice in society* 36% and *inevitable because of progress in society* 13%; in 12 new member states it was in average as follows: *lack of luck* 14%, *laziness* 26%, *injustice in society* 42% and *inevitable because of progress in society* 10%.

⁹ Missing answers to 100% – those who did not responded. The survey ‘Social inclusion and social policy’ conducted by Sirovátka and Mareš (agency FOCUS, random sampling, N= 1,300).

¹⁰ It is not necessary to take into account qualification, abilities, possibilities, accommodation and accessibility by transport (only health status must be considered).

unemployed (the loss of the benefit entitlements for the period of three months). School graduates are no longer entitled to unemployment benefits unless they fulfil the employment record condition (i.e. 12 months within the last three years). The law has also introduced agency employment. Finally, the Act also permits the unemployed to retain their entitlement to unemployment benefits while having a temporary part-time job, as long as their earnings do not exceed half the minimum wage.

Important changes of social assistance benefits have been adopted by Parliament in the first half of 2006 and came into effect since January 2007 (Act on the Existence Minimum and Subsistence Minimum, Act on Assistance in Material Need - Act no 110/2006, Act no 111/2006). Firstly, 'Existence minimum' was implemented, amounting to about 2/3 of the subsistence minimum for a single person, applied in cases where willingness to work or cooperation on improving income is assessed as deficient. Secondly, adult children and parents sharing accommodation are considered a household when testing means of subsistence what excludes the youth from benefit entitlements. Thirdly, only 70 % of income from work and 80 % of income from sickness and unemployment benefits is taken into account when testing means of subsistence – this increases social assistance benefits available to 'the active'. Fourthly, an activation plan should be elaborated for those who are welfare dependent for more than 6 months, and a plan of individual motivation for those whose situation requires immediate assistance.¹¹ Lastly, only personal needs are covered by the national subsistence minimum, contributions towards housing costs are at discretion of municipalities, assessed in relation to real costs of housing in municipalities. The new right centre government accepted in August 2007 another important changes as a part of the austerity package implemented in order to stabilise public budget, which are in effect since January 2008. Automatic revaluation of subsistence and existence minimum was cancelled and is now only at discretion of the government.¹²

Summed-up, the measures to improve incentives through benefits and their conditionality seems to be quite complex, combining the elements of curtailing the benefits with increased conditionality (definition of suitable job, existence minimum) with positive incentives and in-work benefits/bonuses implemented. Incentive issue remains to be the core

¹¹ This measure is not realized in practice due to insufficient staffing of social departments at municipalities and is planned to be removed from legislation.

¹² It must be noted that subsistence minimum was in past years re-valued only when consumer price index increased by 5% without any reference to wages what means that for example replacement rate of the subsistence minimum for a single person to average net wage decreased between 2000 to 2006 from 34.6 % to 28.3% and replacement rate of the subsistence minimum for a family of four (two adults and two children 10-15 years old) from 103,1% to 81,1% (own computations based on data by RILSA 2007).

of activating strategy, with the prevailing emphasis on enforcement (implementation of existence minimum, abolishment of the revaluing rules for subsistence minimum).

The governance: absence of the institutional reforms

In the Czech Republic, governance of labour market policies is concentrated in the hands of the Public Employment Service (PES) as a branch of the Ministry of Labour and Social Affairs. The PES is responsible for designing the National Action Plan for Employment (NAPE), for implementing active labour market policies (ALMP) as well as for administering unemployment benefits and, finally, for monitoring and evaluating ALMP.¹³ The other actors (inter-ministerial commission established with the task of designing the NAPE 2004-2006 and NRP 2006-2008, National Tripartite Council, Parliamentary Commission for Health Care and Social Issues) in the field of ALMP only fulfil an advisory role. Degree of decentralisation is, however, considerable: although Local Employment Offices are fully dependent on resources for active labour market policy measures and staff allocated by the ministry, they are provided with a high degree of discretion in designing and implementing measures in the local labour market.

The Czech Republic has witnessed two processes in connection with new methods of governance in 2004-2006. Firstly, an attempt to shift towards the *management by objectives* approach in ALMP governance has been visible in PES in the recent two years, as expressed in the continued specification of the NAPE guidelines and targets. In 2004, the PES formulated "*A plan of institutional, merit and timely preconditions for the realisation of the NAPE measures in 2005-2006*". This plan applied quantified targets: it specified the number of Individual Action Plans to be realised (both for the young and the long-term unemployed) and the number of long-term unemployed and other disadvantaged people to participate in the ALMP measures. Additionally, the PES subjected Local Employment Offices to meeting the quantified targets since 2005, in the form of ALMP targeting and also specified the targets in application of selected tools (vocational training and work rehabilitation of disabled people).

Secondly, the PES took initiative to invite other parties into the process of policy-making: selected employment offices were appointed "regional methodical centres" - their main role is to coordinate and to administer the measures supported through ESF. They also co-operate more closely with Regional Offices (regional public government and administration), Regional Chambers of Commerce, and Regional Boards for Human

¹³ The PES consists of the central office and 77 district employment offices (about 5 thousand employees).

Resources Development. Finally, the new Employment Act (2004) strengthened the role of private parties by allowing agency employment in addition to agency job mediation which was possible since early nineties.

However, we can characterize these developments as absence of reforms in the governance. Firstly, the intended shift towards “*managerial approach*” in public management has not as yet significantly affected the prevailing bureaucratic-administrative style of policy-making – given the weak conceptual and control capacity of the centre and given that the set goals were neither ambitious, nor strictly required and evaluated. Second, implementation conditions have not been created for the introduction of individualized service due to insufficient staffing (and training) in Public Employment Services. Data on client/staff ratio are difficult to achieve - but we can refer to the study by Commission (2003) which identified 236 unemployed persons workload per one employment office staff which is in direct contact with the unemployed in the Czech Republic¹⁴ - this of course makes individual assistance in job search, as well as screening of job-search efforts problematic.¹⁵ Unlike in Germany or Austria no professional education system for Public Employment Service staff exists, however, they take part time by time in short-term courses or seminars, some study part-time at high schools or universities. In spite of the increase in unemployment and in the number of welfare state’s clients during the late nineties, the government did not allow an increase in public administration staff in general, with no exception for public employment services. These factors are very crucial in the case of activation strategy (especially in form of individual action plans) since they limit both the possibilities to support unemployed people’s capabilities and/or possibilities to exercise effective discretion, control and coercion.

On the other hand the “regionalization” of employment policy, together with the expansion of projects financed from the European Social Fund, have clearly reinforced the process of further decentralization of employment policy and pluralization of parties involved in it. Similarly, the resources of ESF and the involvement of private agencies and NGOs enabled to outsource many activities including individual diagnostics, counseling, motivation programmes, vocational training etc. We can label the process as ‘spontaneous transformation of governance framework’. At the same time, the availability of the new resources and opportunities for participation of various actors confronted central authorities of Public

¹⁴ While the workload of 300-500 clients per member of staff who has direct contact with clients was referred to us in the interviews in five surveyed local offices.

¹⁵ And if we compare (see ILO 2003) the number of the unemployed to the total number of Public Employment Services staff, we see that this is about three times as high in the Czech Republic when compared to Germany and Sweden and even higher when compared the United Kingdom.

Employment Services with a serious challenge concerning their coordinating ability, and made their managerial and capacity deficits more transparent. On the other hand, it seems that coordination by means of objectives and/or performance standards still represent only a challenge. However, in 2007, the MLSA (PES) has started a project (supported under the ESF) '*Labour Market Institute*' – the aim is to establish a body involving the central as well as regional units, whose mission would be to raise the capacity of the Czech PES (Public Employment Services) to absorb the resources of the ESF in the field of employment policy.

Increasing scope of active labour market policies: measures financed through ESF

Traditionally, active labour market measures are among least developed policies in the Czech Republic - this follows from the above discussed assumption of the policy makers that disincentives are the most important problem. In response to a threefold rise in registered unemployment in late 1990s, the Czech Republic slightly increased active labour market policy expenditure, but still did not reach the standards common in the EU countries – the expenditure came only to about 0.12 % of GDP in past years, which is five or even seven times less than in countries with a comparable unemployment rate (see OECD, 2007). The public finance reform carried out in 2003 lowered the social insurance allocation to labour market policies from 3.6 % to 1.6 % of the payroll in favour of the deficient pension fund and fixed that pattern.

This implied very modest scope of active labour market policy measures (the number of participants in all active labour market measures represents only a smaller fraction of unemployment figures – less than 20%) until 2006. An important intention of the NAPE 2004-2006 was to improve the offer of active employment policy measures by raising resources allocated to this sector (MLSA, 2004: 41). However, although a new Employment Act implemented some new instruments of active labour market policy, the impact of the newly introduced tools has been insignificant and their usage has therefore been negligible during 2004-2005 (see data by MLSA, 2006:55).

Since 2004, the possibility to carry out the ESF's projects, under the Operational Programme Human Resources Development, opened new opportunities for activation. First of all, it broadened the offer of programmes suitable for activating unemployed people. The projects are delivered through the so called national schemes where Regional Units of PES are responsible for their implementation and through the so called grant schemes, where any subject (public, private or civic sector may be in charge of implementing the measures). However, the scope and character of the projects financed through ESF varies very much

depending on local conditions, mainly on the involvement of broader community of the actors and their ability to apply for the grants.¹⁶

These new options prepared the ground for a greater degree of individualisation of interventions and enlargement of available choices in favour of the unemployed. The projects utilise a broad range of measures in parallel: they combine counselling, including individual diagnostics, motivation courses and vocational training, work experience with employers. They provide the unemployed with new choices, encouraging their chances in the labour market. Also, these projects represent in most cases local and individualised strategies, more sensitive to the needs of unemployed people with multiple handicaps.¹⁷ Institutional regionalisation together with the emergence of the ESF projects has brought further decentralisation, as well as pluralisation of the involved parties. The activation measures are ever more powerfully shaped from the *bottom up* through involvement of coalitions of local actors. This has initiated improvements in disadvantaged people's access to the labour market and measures aimed to strengthen their capabilities. Hence, we can see that some ESF projects implemented at the local level bring new quality in terms of improved individual approach, better quality of the measures and more effective implementation of measures.

The scope of the ALMP financed through ESF continues to increase. Thanks to the measures financed through ESF (and also thanks to the declining numbers of the unemployed the share of the active labour market participants on unemployment stock increased during 2005-2007 from 19 to 39 %. However, their absolute number has declined in 2007 compared to 2006 and there are signs that ESF measures are to some degree simply substituting the measures of the national ALMP. Seemingly, the assumptions about individual causes of unemployment underlying policy discourse do not allow a qualitative shift and there is not a strong commitment to institutional change either.

¹⁶ For example, in one of the surveyed regions, as many as 20 ESF projects involving 800 participants were carried out during 2004-2005. This number comes to about a quarter of the unemployment stock, which is an extraordinary proportion.

¹⁷ When interviewed, the counsellors for job-mediation largely agreed that it is precisely these projects (apart from individual job offers) that they believe to be an effective form of activation.

Table 2: Active policy measures and unemployment (Czech Republic), PES data

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>Unemployed</i> | <i>487,600</i> | <i>457,400</i> | <i>461,900</i> | <i>514,400</i> | <i>542,400</i> | <i>541,700</i> | <i>510.416</i> | <i>448.545</i> | <i>354.878</i> |
| ALMP participants | | | | | | | | | |
| Public works | 16,069 | 20,034 | 19,977 | 16,573 | 15,378 | 18,246 | 16,846 | 18,011 | 12,374 |
| Job creation in private sector | 15,804 | 26,721 | 21,767 | 14,123 | 17,618 | 25,010 | 25,129 | 25,417 | 16,706 |
| Practice for school graduates | 10,945 | 11,316 | 9,645 | 7,945 | 8,658 | 7,170 | 28 | 2 | - |
| Sheltered workshops - creation | 951 | 1,368 | 1,043 | 1,063 | 1,221 | 1,638 | 1,592 | 1,606 | 1,284 |
| Sheltered workshops – maintenance | : | : | : | : | 8,230 | 9,806 | 7,914 | 9,608 | 8,235 |
| Subsidy for starting-up | | | | | | | 1,051 | 1,234 | 898 |
| Recruitment subsidy | | | | | | | 310 | 193 | 156 |
| Transport subsidy | | | | | | | 3,609 | 2,085 | 1,350 |
| Vocational training | 22,136 | 32,260 | 34,771 | 34,898 | 42,753 | 44,089 | 41,318 | 53,504 | 57,031 |
| Local projects | | | | | | | | 2,323 | 868 |
| Programs ESF | | | | | | | | 27,227 | 37,655 |
| Total ALMP participants | 65,905 | 62,665 | 87,203 | 74,602 | 93,858 | 105,959 | 97,797 | 141,210 | 136,649 |
| (as % of unemployment stock | 13.5 | 13.7 | 18.9 | 14.5 | 17.3 | 19.6 | 19.2 | 31.5 | 38.5 |
| Expenditure in thousands CZK | 1,921,750 | 3,406,154 | 4,063,277 | 3,483,250 | 3,190,810 | 3,937,882 | 4,027,853 | 5,300,675 | : |

Source: MLSA 2004, MLSA 2006

Note: expenditure includes also investment stimuli and purchase of services.

Despite that the absolute number of participants increased by about 40 %, the unchanged discourse, unchanged priorities, unchanged implementation conditions such as staffing and the unchanged governance framework imply a rather weak coordination of activation policies both between the national and the local level and, similarly, between national policies and the ESF programmes: this is apparent for example in the vast differences in the use of the measures at the local level in terms of their scope, targeting and qualitative characteristics, as well as in managerial failures of implementation of the ESF projects (the timing of financial flows, formal conditions etc.).

Individual action plans as individual case work

Since individual contracts which were strongly recommended by EES in guideline 1 (prevention and early activation) appeared to the policy makers of Public Employment Services to be a convenient and ‘inexpensive’ instrument for eliminating passivity and benefits dependency or abuse, National Action Plan for Employment 2004-2006 therefore laid down that all employment offices should, beginning in 2004, launch the Individual Action Plans (First Opportunity) for unemployed people under 25 years of age, with the prospect of extending the offer to unemployed people over the age of 25 beginning in 2006 (New Start)¹⁸ and the Parliament embedded this instrument in the new Employment Act no 435 from Sept. 2004 obliging the Employment Offices to offer the Individual Action Plan (IAP) to every unemployed person under 25 after certain period of unemployment.

However, this change was not underpinned by institutional reforms, although the employment offices spontaneously restructured their activities by separating counselling for job mediation from administrative tasks related to benefits administration. Both these areas were previously a responsibility of a single front-line worker. The main problems from implementation point of view were the deficient counselling capacities. It was to some extent eliminated by instituting the principle of voluntary participation and by allowing the purchase of individual diagnostics of the unemployed from external firms.

Employment offices within the implementation phase primarily accentuated increased responsibility, independence and pro-activity in job search in line with the original idea to mobilize the unemployed. Nevertheless, while the original intention was to invite high numbers of the unemployed to participate in IAPs, Employment Offices in locations with a high unemployment, where this goal was beyond the capacity of available staff, immediately

¹⁸ First, Individual Action Plans were implemented as a pilot project at 15 selected Employment Offices (out of 77 Employment Offices in the country) during 2003.

deviated from this target. Local Employment Offices were, already in the pilot phase, aware of their insufficient personal resources and responded to the situation by further narrowing down the goals of IAP and the target group: they targeted IAPs at those unemployed “*who are willing and who desire a job as quickly as possible, but are at a loss, disorientated or have poor self-confidence; some are happy to let others decide for them*”. At the same time, they stopped urging that IAPs should be signed (“*in the past, we would sign the IAP with almost everyone who did not say no*”) and only do so where “*it makes sense*”. The gap thus widened between the original IAP’s goal – “*to motivate and activate*”, which would imply targeting at the less motivated and less active unemployed people, and the actual targeting at a rather narrow group of relatively sufficiently motivated (although not well orientated) unemployed people. Selective recruiting of the unemployed who corresponds very well to the classic strategy of rationing the resources (cf. Lipsky, 1980) proceeded in the form of self-selection (and the resulting rather low number of participants in the IAP programme).¹⁹

Not only the planned impacts of the programme did not come due to the limited numbers of the participants who agreed to contract the IAP (see next paragraph on targeting of active labour market policies) but also the bureaucratic style of ‘individual counselling’ prevailed. The formal approach of the most of employment offices has narrowed to the signature of the contract and reporting quite standard job-mediation process there: Some of the counselors - mediators said: ‘*there was hardly anything to write down.*’ However, we have identified great variations in implementation of IAPs. One Employment Office, with a clearly higher level of professional competence of both the management and counselors-mediators, did successfully use the method of IAPs in consciously improving individual work with the most disadvantaged unemployed (although the method was applied selectively and in a limited scope).

¹⁹ Also, within the implementation phase, the contradiction between voluntary participation in the IAP on the one hand, and the threat of sanctions in the case of non-compliance with the IAP established in the new Employment Act on the other hand, was seen by the employment offices’ staff as a complication in gaining the unemployed people over for co-operation on the IAP. They shared a strong opinion that this threat discourages the unemployed from participation which is as already mentioned - voluntary.

Impacts of the active labour market programmes

For assessing the targeting and effects of the policies we use individual register data on the unemployed.²⁰ In this case we work with a sub-sample of people who were registered as unemployed prior to January 1st 2006. When assessing the targeting of active labour market policies we examine all entries into the active labour market policy programmes during 2006. When assessing the effects of the ALMP we concentrate on those participants who completed ALMP programmes²¹ during 2006 and we monitor their possible reappearance in the register in the period of 12 months after the programme was terminated/completed.

The estimate of the programmes' net effects is based mainly on a quasi-experimental comparison with non-participants (matched pairs) although we also use other techniques like comparison of similar groups. In the text below we will compare the targeting and effects of the national ALMP programmes and of the programmes financed under the ESF, and we will also assess the targeting and effects of the Individual action plans.

Targeting of the programmes

About 13.3 % of the unemployed registered prior to January 2006 entered some kind of an active labour market programme during 2006 (6.7 % in vocational training, about 2.9 % in public works, 3.1 % in subsidized jobs in the private sector, 0.4 % in subsidized self-employment, and 0.2 % in sheltered workshops). Besides, 3.3 % participated in programmes financed through the ESF and 3.1 % participated in Individual action plans. Another 12.2 % were removed from the register due to misconduct and/or weak job search activity.

In general, when we look at the targeting of the national active labour market policy measures (see Table 3 and also Table A1) we identify strong creaming off effects, as it is evident that people with basic education, elderly, long-term unemployed and disabled people (or people classified as 'invalid') are underrepresented in active labour market policy programmes. These creaming off-effects are most apparent in programmes of vocational training. These programmes are attended by 3.8 % of the unemployed with basic education, against 10 % of university educated unemployed, only 4.3 % of the unemployed over 50 years, and 3.8 % of the unemployed with (partial) invalidity. Similarly, only 1.5 % of the

²⁰ These are collected in a large database 'OK-prace'. Due to technical problems with the selection of data for analysis – as this is obtained from several 'modules' of the database -, about 15 % of cases are lost. However, the comparison of the structure of the unemployed in the sub-sample with that in the original sample shows that this selection error is random and should not influence the results.

²¹ As a moment of completion/termination of the programme we consider in case of job creation the date when job subsidy is over (in spite of the fact that the participants leave register even when they start their subsidized job).

unemployed with basic education or 2 % of the unemployed with (partial) invalidity participate in programmes of subsidized jobs in the private sector, and so on.

Table 3: Targeting of the programs on risk groups in 2006

| | No programme | R-T | PJ | SJ | Disable | Self | Total (100 %) | IAP | ESF |
|---|--------------|------|------|------|---------|------|---------------|------|------|
| Elementary education | 90,3% | 3,8% | 4,2% | 1,5% | 0,1% | 0,1% | 120386 | 2,5% | 3,5% |
| Age 50+ | 89,4% | 4,3% | 3,5% | 2,5% | 0,2% | 0,2% | 119362 | 1,8% | 2,4% |
| Insufficient health status | 89,4% | 4,5% | 2,8% | 2,3% | 0,9% | 0,1% | 66102 | 1,7% | 3,0% |
| LTU (over 12 months) | 89,4% | 4,5% | 2,8% | 2,3% | 0,9% | 0,1% | 370317 | 1,7% | 3,0% |
| Repeated unemployment (3 and more) | 82,4% | 7,1% | 6,9% | 3,1% | 0,2% | 0,3% | 133360 | 3,6% | 2,7% |

Notes:

P.jobs – public jobs

S.jobs – subsidized jobs

Disable – schemes for disabled

Self – selfemployment support

IAP – individual action plans

ESF – European social funds programs

Table 4 shows the results of logistic regression assessing the weight of individual factors of participation in the programmes, while controlling the other variables. It shows that it is mainly the level of education and the total duration of unemployment²² that play a significant role, in addition to age, disability/invalidity, former participation in the programme and repeated unemployment. The most disadvantaged people are the least represented in programmes of vocational training but also in programmes of job creation, including self-employment and sheltered workshops: see for example the coefficients $Exp(B)$ for the unemployed with higher than basic education in comparison with the reference category of those with basic education, which are nearly four times as high. Similarly, the coefficient is about fifty times as high when we compare short-term unemployed people with the (very) long-term unemployed.²³ The only exception are public works where the unemployed with basic education are overrepresented, as are also men and older people. We can also see that ever more often it is the unemployed who already took part in a programme of active labour market policy and those who were in the register before who enter active measures. This may

²² We work here with the total duration of unemployment spells within individual history of the unemployed rather than with the duration of the actual unemployment spell, since there are many indications that the total duration of unemployment spells represents more suitable indication of the position of the person in the labour market.

²³ We also see that sanctions (exclusion from register) are most often used in case of the unemployed men, with basic education, rather young.

indicate that the impact of the programme on employability and job retention is not very strong.

The creaming effect of the ESF programmes and IAPs is evidently smaller, especially when we assess the differences in participation based on education. Also the difference in participation depending on the total duration of individual unemployment spells is not so big when compared to other active labour market measures. On the other hand, we need to note that self-selection plays a significant role in the case of IAPs (as we have already explained), with only those unemployed motivated to closer cooperation participating in the programme (the principle of voluntary participation is applied). With regard to the ESF, the entering of projects supported under the programme is a process consisting of several steps: initial in-take into the programme is followed by further negotiations between the unemployed (participant), the employment office staff and also the employer. Data shows that about 29 % of participants leave the programme in result of closer negotiations after the ESF programme started. In addition, about 38 % of persons terminate their participations upon decision of the potential employer. This indicates a broad room for self-selection and selection by employers. Hence, the creaming-off effects both between and within groups might be remarkable.

Table 4: Estimation of factors of participation in employment programs (logistic regression)

| Var. | Values | Training | P.jobs | S.jobs | Disable | Self | IAP | ESF |
|---------------------------------------|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Exp(B) | Exp(B) | Exp(B) | Exp(B) | Exp(B) | Exp(B) | Exp(B) |
| Gender (women) | (Males as.ref.) | 1,46 | 0,64 | 1,35 | 1,57 | 0,82 | 1,45 | 1,68 |
| Age | (till 18 incl.ref) | | | | | | | |
| | 19 – 24 years | 0,57 | n.s. | 5,43 | n.s. | n.s. | 1,61 | n.s. |
| | 25 - 34 years | 0,51 | n.s. | 2,76 | n.s. | n.s. | 0,66 | 0,74 |
| | 35 - 49 years | 0,55 | n.s. | 2,54 | n.s. | n.s. | 0,56 | n.s. |
| | 50+ incl. | 0,33 | 1,71 | 2,83 | n.s. | n.s. | 0,43 | 0,55 |
| Health status | (good ref.) | | | | | | | |
| | subjective problems | 1,23 | 0,75 | 0,90 | 8,23 | 0,80 | 1,28 | 1,55 |
| | changed employability | 1,64 | 1,19 | 1,72 | 1121,87 | n.s. | 1,68 | 1,81 |
| | Disability schemes | 0,81 | 0,93 | n.s. | 721,50 | 0,38 | 1,11 | 0,91 |
| Education | (elementary ref.) | | | | | | | |
| | Less then secondary | 1,63 | 0,69 | 1,94 | 1,55 | 3,24 | n.s. | n.s. |
| | secondary | 3,86 | 0,42 | 2,88 | 1,77 | 5,77 | 1,22 | 1,52 |
| | University | 3,39 | 0,21 | 2,24 | n.s. | 6,59 | n.s. | 1,32 |
| School leavers | (No. Ref) | 0,36 | 0,41 | 0,92 | n.s. | 0,43 | 0,71 | n.s. |
| Special care | (No. Ref) | 1,49 | 1,22 | 1,25 | n.s. | n.s. | 1,77 | 1,57 |
| Special support | (No. Ref) | 0,54 | 0,62 | 0,49 | 0,47 | 0,25 | 0,31 | n.s. |
| Total duration of unemployment | Less then 6 m. | | | | | | | |
| | 6 - 12 m. | 0,14 | 0,44 | 0,31 | n.s. | 0,37 | 0,05 | 0,21 |
| | 12 - 24 m. | 0,02 | 0,10 | 0,04 | 0,06 | 0,07 | 0,01 | 0,04 |
| | over 24 m. | 0,02 | 0,07 | 0,04 | 0,03 | 0,07 | 0,00 | 0,10 |
| Repeated unemployment | Only one evidence | | | | | n.s. | | |
| | 1 or 2 further evidences | 1,60 | 4,54 | 1,40 | 2,61 | | 2,27 | 1,12 |
| | 3 and more evidences | 2,54 | 32,32 | 2,08 | 5,03 | | 6,04 | 1,41 |
| Further ALMP's | (No. Ref) | 14,16 | 29,85 | 33,50 | 25,46 | 13,55 | 8,97 | 6,72 |
| Constant | | n.s. | 0,05 | 0,07 | n.s. | n.s. | 1,49 | 0,17 |
| (N) | | 342272 | 326975 | 327888 | 316239 | 317258 | 327895 | 325371 |

Note. All Exp(B) are statistically significant at the level of 0,05, n.s. - not significant.

P.jobs – public jobs

S.jobs – subsidized jobs

Disable – schemes for disabled

Self – selfemployment support

IAP – individual action plans

ESF – European social funds programs

In this context and with respect to the findings of implementation case studies we may conclude that the IAPs do not represent a ‘massive’ programme stimulating job-search activities of the unemployed. Instead, they are quite limited in scope and targeted at those unemployed people more ready to have a job. Similarly, the programmes of the ESF did not bring a substantial shift in the targeting of activation policies - although according to the set

conditions the programmes should be aimed primarily at the ‘vulnerable groups’ (the definition of the target group is one of the projects’ key characteristics). However, when looking at the actual specifications of the target groups under the ESF projects we can see that the definition is mostly so broad that it makes selection between or within groups, in favour of fit unemployed, rather easy.

The duration and the contents of the programme

While programmes of vocational training are rather short-term, nearly 80 % last less than 3 months, most job-creation programmes (typically a job subsidy) last more than half a year. About 60 % of the ESF programmes are shorter than 3 months (see Table 5). Although vocational training of some kind always dominates in the ESF programmes, the programmes typically consist (in contrast to the standard ALMP programmes) of a combination of more than one intervention, usually two or even three of them: counselling, individual diagnostics, motivation programmes, vocational training, on-the-job training, and sometimes subsidized jobs. Interventions under IAPs last even longer. For that reason we might expect that the effect of the ESF programmes might be stronger than, for example, the effect of re-qualifications/vocational training.²⁴

Table 5: Duration of ALMP’s

| | Training | P.jobs | S.jobs | Disabled | Self | IAP | ESF |
|-------------------------|-----------------|---------------|---------------|-----------------|-------------|--------------|-------------|
| Week | 6,0 % | 1,1 % | 0,7 % | 0,6 % | 0,1 % | 1,9 % | 6,5 % |
| Month | 40,0 % | 2,9 % | 1,7 % | 1,5 % | 0,1 % | 6,4 % | 22,8 % |
| ¼ of year | 31,9 % | 10,2 % | 5,7 % | 4,7 % | 0,3 % | 21,5 % | 30,0 % |
| ½ of year | 15,5 % | 17,3 % | 14,8 % | 5,3 % | 0,8 % | 31,7 % | 27,8 % |
| One year | 6,1 % | 57,6 % | 44,4 % | 8,0 % | 1,3 % | 30,2 % | 11,2 % |
| More then a year | 0,5 % | 10,9 % | 32,8 % | 79,9 % | 97,4 % | 8,3 % | 1,7 % |
| Total (100 %) | 42308 | 15380 | 30989 | 1949 | 6220 | 15652 | 6585 |

P.jobs – public jobs

S.jobs – subsidized jobs

Disable – schemes for disabled

Self – selfemployment support

IAP – individual action plans

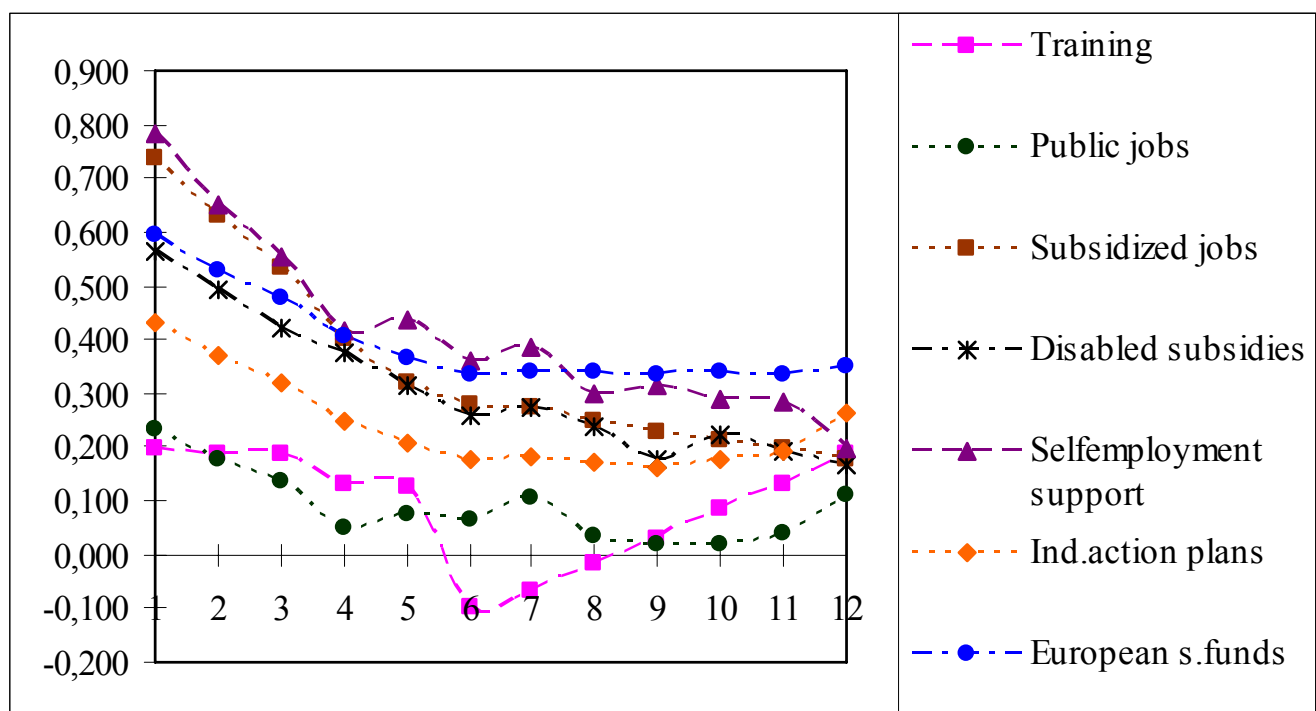
ESF – European social funds programs

²⁴ The category of re-qualifications/vocational training includes several kinds of programmes: for example both motivation courses and vocational training programmes.

Effects of the programmes

When comparing the outflows of the participants from registers during the 12 months after the programme with those of non-participants (matched pairs)²⁵ we see that the effects are stronger in the case of job creation measures in the private sector than re-qualification programmes or public works (see Graph 1). These effects are very strong in the first two months after termination of the programme (when the participants have roughly an 80 % higher chance compared with non-participants of not reappearing in the register) however, decline later. In the case of re-qualifications this figure is about 20% only and the decline is remarkable 5 months after the programme, when the participants return back to the register more often. On the other hand, outflows prevail over inflows among them in the subsequent months. Twelve months after the termination of the programmes the estimated net positive effect (based on a comparison between participants and non-participants) of both job creation and re-qualification is about 20 %. In the case of public works it is 10 %.

Graph 1: Differences in the unemployment risks (in %) (differences between a control group and the rate of the programs) – matching pairs methods.



²⁵ The controlled variables were: gender, age, education, disability, duration of the previous unemployment spells, membership in a specific category of the unemployed requiring special care, participation in a programme before the assessed period; propensity scores on participation in the programme have been estimated with use of these variables and then propensity scores for programme participation served as base for matching the pairs of the participants and non-participants.

As regards the ESF programmes and IAPs, the effects are much better than in the case of re-qualifications (about 60 % and 40 %, respectively, after the termination of the programme). Besides, the later decline is not so marked. Their effects are better than those of the national ALMP 12 months after the programme: 40 % in the case of the ESF and 30 % in that of IAPs. The results of logistic regression (see **Table A2** in the appendix) confirm that the contribution of the ESF programmes is really strong, particularly 12 months after termination of the programme (see coefficients *Exp(B)*), stronger than the contribution of any other ALMP measure, including subsidised self-employment. The effects of IAPs are comparable with the effects of subsidized jobs in the private sector.

When we compare the effects of the programmes on specific categories of the unemployed like unskilled, elderly, disabled/invalid or long-term unemployed people (see **Table 6.1 a Table 6.2**), they are also consistently strong. Half a year after the programme they are about twice as strong as the effects of vocational training and even stronger than the effects of job creation in the private sector. The effects of IAPs are less marked, but still better than the effects of job creation in the private sector.

Table 6.1: Unemployment rate in the given period (180 days) after the end of ALMP's – simple comparison of the risk groups

| STATUS | Insufficient health state | Age 50+ | Low education (elementary and less) | LTU (over 12 months) | Repeated unemployment (3 and more in the history) |
|--------------------------------|----------------------------------|----------------|--|-----------------------------|--|
| No programme | 0,758 | 0,633 | 0,685 | 0,556 | 0,502 |
| Training | 0,659 | 0,574 | 0,519 | 0,523 | 0,483 |
| Public jobs | 0,431 | 0,436 | 0,483 | 0,458 | 0,474 |
| Subsidized jobs | 0,259 | 0,254 | 0,283 | 0,205 | 0,346 |
| Disabled subsidies | 0,459 | 0,44 | 0,5 | 0,484 | 0,626 |
| Selfemployment support | 0 | 0,143 | 0,167 | 0,192 | 0,303 |
| Individual action plans | 0,448 | 0,371 | 0,396 | 0,34 | 0,311 |
| European Social Fund | 0,256 | 0,236 | 0,244 | 0,223 | 0,231 |
| Total | 0,728 | 0,612 | 0,654 | 0,537 | 0,484 |

Table 6.2: Unemployment rate in the given period (180 days) after the end of ALMP's – simple comparison of groups with the less risks of unemployment

| STATUS | Sufficient health state | Age 25-34 years | 2nd complete level of education (maturity) | STU (less than 6 months) | Non-repeated unemployment (only one spell in the history) |
|--------------------------------|--------------------------------|------------------------|--|---------------------------------|--|
| No programme | 0,448 | 0,461 | 0,425 | 0,006 | 0,572 |
| Training | 0,419 | 0,445 | 0,443 | 0,243 | 0,436 |
| Public jobs | 0,427 | 0,456 | 0,386 | 0,190 | 0,020 |
| Subsidized jobs | 0,148 | 0,145 | 0,116 | 0,043 | 0,003 |
| Disabled subsidies | 1,000 | 0,480 | 0,474 | 0,500 | 0,000 |
| Selfemployment support | 0,182 | 0,074 | 0,211 | 0,200 | 0,000 |
| Individual action plans | 0,277 | 0,295 | 0,248 | 0,263 | 0,283 |
| European Social Fund | 0,186 | 0,210 | 0,183 | 0,094 | 0,187 |
| Total | 0,429 | 0,444 | 0,405 | 0,196 | 0,542 |
| (N) | 255 835 | 89 348 | 75 420 | 6 876 | 105647 |

To sum up, the effects of the 'European programmes' seem to be outstanding when compared to the standard ALMP tools. However, we need to interpret them within the specific context of their implementation. As we have already discussed, IAPs are used as a rather formal measure applied in the case of a narrow group of the unemployed who are mostly well motivated towards cooperation. This means that the self-selection of participants predetermines their relatively good results. A similar hypothesis may be articulated even in the case of the ESF programmes where we can see a tough selection procedure after the participants enter the programme (see previous paragraph). Specifically, what is most important in the case of IAPs and the ESF programmes is that the creaming-off effects are at place throughout their implementation (although targeting at less motivated and/or vulnerable groups is one of the objectives of these programmes) and, on top of that, creaming - along with the uncontrolled variables in our data (i.e. motivation and employability of the unemployed) - plays a more substantial role than in any other measure.

On the other hand, we may also consider the hypothesis that the intensified individual approach under the ESF programmes (individual diagnostics, combination of several interventions, pluralisation of actors providing services and participation of private agencies and NGOs) also contributes to the positive results. Both hypotheses may be relevant, which implies the need for a more in-depth research on the matter.

Table 7: Estimation of the factors of success of ALMP's (logistic regression) – Comparison of unemployment risks in the group of the ALMP's participants (dependent var.), after 180 days, EXP(B)

| | | Training | P.jobs | S.jobs | IAP | ESF |
|---|------------------------------|-----------------|---------------|---------------|------------|------------|
| Gender | (Males as.ref.) | 1,89 | 1,23 | 1,18 | 1,6 | 1,41 |
| | (till 18 incl.ref) | | n.s. | n.s. | | |
| | 19 – 24 years | 0,36 | | | 0,51 | 0,35 |
| | 25 - 34 years | 0,47 | | | 0,32 | n.s. |
| | 35 - 49 years | 0,53 | | | 0,29 | n.s. |
| Age | 50+ incl. | 0,77 | | | 0,36 | n.s. |
| | (good ref.) | | | | | |
| | subjective problems | 1,78 | 1,67 | 1,87 | 2,14 | 1,84 |
| | changed employability | 1,83 | n.s. | n.s. | 1,4 | 1,96 |
| Health status | Disability schemes | 2,01 | 1,19 | 1,27 | 2,24 | 1,82 |
| | (elementary ref.) | | | | | |
| | Less then secondary | 0,74 | 0,87 | 0,8 | 0,77 | 0,84 |
| | secondary | 0,84 | 0,72 | 0,79 | 0,59 | 0,69 |
| Education | University | 0,83 | n.s. | n.s. | 0,68 | n.s. |
| | Less then 6 m. | | | | | |
| | 6 – 12 m. | 1,47 | n.s. | 0,61 | n.s. | 1,55 |
| | 12 – 24 m. | 1,82 | n.s. | 0,46 | 1,37 | 2,6 |
| | over 24 m. | 3,84 | 2,4 | 0,49 | 2,28 | 6,47 |
| Repeated unemployment Duration of the ALMP's | Only one evidence | | | | | |
| | 1-2 other spells | 0,7 | 26,32 | 108,93 | n.s. | 0,6 |
| | 3 and more spells | 0,61 | 45,51 | 590,67 | 0,86 | 0,54 |
| Previous programme | (No as ref.) | n.s. | n.s. | n.s. | 1,88 | n.s. |
| Duration of programme | Week | | | | | |
| | Month | 1,41 | n.s. | 0,6 | 0,63 | n.s. |
| | ¼ of year | 1,43 | n.s. | 0,46 | n.s. | 0,65 |
| | ½ of year | 1,22 | n.s. | 0,24 | n.s. | 0,69 |
| | One year | n.s. | 0,54 | 0,15 | 2,41 | n.s. |
| | More then a year | n.s. | 0,42 | 0,08 | 3,36 | n.s. |
| Cost of the programme | 1 – 3000Kc | | | n.s. | | |
| | 3001 – 5000Kc | 0,71 | 0,04 | | | |
| | 5001 – 10000Kc | n.s. | 0,08 | | | |
| | 10001 - 15000 | 0,64 | 0,11 | | | |
| | 15001 – 30000Kc | 0,52 | n.s. | | | |
| | 30000 Kc and over | 0,54 | 0,04 | | | |
| Constant | | n.s. | n.s. | n.s. | 0,46 | n.s. |
| (N) | | 24641 | 10929 | 15825 | 11515 | 3980 |

Note. All Exp(B) are statistically significant at the level of 0,05, n.s. not significant.

P.jobs – public jobs

S.jobs – subsidized jobs

Disable – schemes for disabled

Self – self-employment support

IAP – individual action plans

ESF – European social fund programmes

Nevertheless, data on the factors influencing the effects of measures on the participants convinces us that the ESF programmes are not so different in terms of their qualitative impact, since participation in these programmes does not outweigh the other independent variables that indicate human and social capital of the unemployed – like education, disability, age, duration of unemployment and so on (see **Table 7 – and also cf. Tables 6.1 and 6.2**).

As regards the ESF programmes we can see that their effect is relatively weak in the case of unemployed people experiencing periods of unemployment longer than 12 months - see table 7 above (this variable well indicates their position in the labour market when plotted/correlated with the probability of inflow/outflow to/from unemployment). Since the variance in effect is greater in the case of this variable than it is in the case of the national ALMP measures we conclude that the hypothesis about the relevance of creaming-off during a programme for the programme's effects is more applicable than the hypothesis about the positive effects of the programme's quality.

Conclusions: the role of governance and implementation conditions

The findings show rather modest impacts of the EES in the Czech Republic: incentive-oriented measures prevail, which would have probably been adopted in a broad scope in any case, while the institutional reform is still delayed. Some instruments, like individual contracts, have not been well established in the implementation process, and the measures financed through the ESF have brought only little added value for labour market inclusion of the vulnerable groups.

What has definitely been applied effectively under the activation strategy of labour market reforms during recent four years are the principles and guidelines of 'making work pay' strategies. However, this stream of policies was in fact well backed by the national policy discourse and priorities and was in line with the original 'strict' design of the unemployment scheme. The reforms of employment policies were much less influenced by other principles, while a more 'active' approach was being blocked by a lack of political commitment to increase the personnel or financial resources for active labour market policies. It is interesting to see that the impact of 'incentive-oriented' measures was in fact rather weak – despite the marked GHP growth and job creation efforts (see Table 1), the proportion of long-term unemployment dropped only little after the implementation of these measures during 2004-2007.

What has been completely missing from the reforms of activation is the institutional reform of labour market regulation. The coordination and managerial capacity of the centre is rather weak: coordination by objectives and performance measures between the national and local level, as well as rules for involvement of other actors are insufficient. At the same time, the implementation capacity of the local public employment offices to meet more demanding tasks is also inadequate. For that reason, the programme of IAPs has in fact collapsed, when considering that its scope has remarkably shrunk during implementation and its targeting and contents fail to meet the original objectives.

The ESF projects have brought, if nothing else, an increased scope of active labour market policy measures. Yet, although their effects seem to be positive, their added value is doubtful since they have not greatly improved the poor targeting of activation policies. Instead, they increased the selective, creaming-off processes during implementation. On the other hand, certain spontaneous processes of policy learning have emerged from the ‘spontaneous reforms of the governance framework’, associated with the increased scope of activation measures, new methods and pluralisation of the actors involved. In our local case studies on the implementation of IAPs we have found out that in some cases innovative counselling methods were adopted, although used selectively and in a limited scope. Institutional regionalisation together with the emergence of the ESF projects has brought further decentralisation, as well as pluralisation of the involved parties. The activation measures are ever more powerfully shaped from the *bottom up* through involvement of coalitions of local actors. This has initiated improvements in disadvantaged people’s access to the labour market and measures aimed to strengthen their capabilities. Hence, we can see that some ESF projects implemented at the local level bring new quality in terms of improved individual approach, better quality of the measures and more effective implementation of measures, although we can also see vast regional differences (similarly as in the case of implementation of national activation policies) attributable to weak governance and coordination.

Further research is needed to better identify the contribution of the new methods and measures of the ESF, as well as the impact of the EES. However, our preliminary conclusion is that the European Employment Strategy, as well as the programmes of the ESF are being significantly ‘filtered’ and redefined in the national context: the formerly defined policy priorities of key national actors, as well as the rigid governance structures and implementation conditions do not allow a substantial policy change induced by the EES.

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Appendix

Table A1: Targeting of the programs on groups – simple comparison of groups with the less risks of unemployment (in 2006)

| | No programme | R-T | PJ | SJ | Disable | Self | Total (100 %) | IAP | ESF |
|---|--------------|--------|-------|--------|---------|-------|---------------|--------|-------|
| 2 nd complete level of education (maturity) | 79,8 % | 12,8 % | 1,1 % | 5,2 % | 0,1 % | 0,8 % | 82000 | 3,9 % | 4,2 % |
| Age 25-34 years | 86,2 % | 7,7 % | 2,3 % | 3,0 % | 0,1 % | 0,6 % | 94587 | 3,1 % | 3,7 % |
| Sufficient health state | 85,5 % | 7,4 % | 3,0 % | 3,5 % | 0,0 % | 0,5 % | 271991 | 3,6 % | 3,2 % |
| STU (less then 6 months) | 55,1 % | 30,8 % | 2,8 % | 10,4 % | 0,1 % | 0,8 % | 7638 | 38,9 % | 4,1 % |
| Non-repeated unemployment (only one spell in the history) | 90,0 % | 6,0 % | 0,3 % | 3,1 % | 0,1 % | 0,4 % | 109843 | 2,6 % | 1,9 % |

Notes:

P.jobs – public jobs

S.jobs – subsidized jobs

Disable – schemes for disabled

Self – selfemployment support

IAP – individual action plans

ESF – European social funds programs

Table A2: Unemployment rate in a given period after the end of ALMP's – simple comparison

| Status | 30 days | 60 days | 90 days | 120 days | 150 days | 180 days | 210 days | 240 days | 270 days | 300 days | 330 days | 360 days |
|-------------------------|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Control group | 0,897 | 0,816 | 0,742 | 0,640 | 0,581 | 0,544 | 0,525 | 0,499 | 0,465 | 0,446 | 0,437 | 0,450 |
| Training | 0,759 | 0,659 | 0,583 | 0,524 | 0,478 | 0,470 | 0,437 | 0,403 | 0,380 | 0,355 | 0,334 | 0,316 |
| Public jobs | 0,671 | 0,651 | 0,605 | 0,554 | 0,464 | 0,445 | 0,390 | 0,438 | 0,432 | 0,418 | 0,419 | 0,410 |
| Subsidized jobs | 0,140 | 0,145 | 0,153 | 0,159 | 0,167 | 0,168 | 0,161 | 0,164 | 0,157 | 0,159 | 0,170 | 0,210 |
| Disabled subsidies | 0,422 | 0,432 | 0,457 | 0,445 | 0,444 | 0,463 | 0,446 | 0,448 | 0,463 | 0,435 | 0,500 | 0,478 |
| Selfemployment support | 0,102 | 0,094 | 0,108 | 0,121 | 0,127 | 0,177 | 0,179 | 0,176 | 0,111 | 0,083 | 0,038 | 0,133 |
| Individual action plans | 0,437 | 0,400 | 0,367 | 0,338 | 0,313 | 0,307 | 0,290 | 0,275 | 0,262 | 0,245 | 0,228 | 0,205 |
| European Social Fund | 0,297 | 0,277 | 0,257 | 0,236 | 0,220 | 0,212 | 0,189 | 0,163 | 0,138 | 0,117 | 0,105 | 0,092 |
| Total | 0,833 | 0,758 | 0,691 | 0,601 | 0,548 | 0,518 | 0,499 | 0,476 | 0,446 | 0,428 | 0,420 | 0,432 |