



bmask

FEDERAL MINISTRY OF
LABOUR, SOCIAL AFFAIRS AND
CONSUMER PROTECTION

How to reduce unemployment in Slovakia?

Lessons from Austrian experiences

Joint Seminar of EU-COM in Slovakia and INEKO

13/02/2014

Representation of EU-COM in Slovak Republic, Palisady 29

Bratislava

Johannes Schweighofer

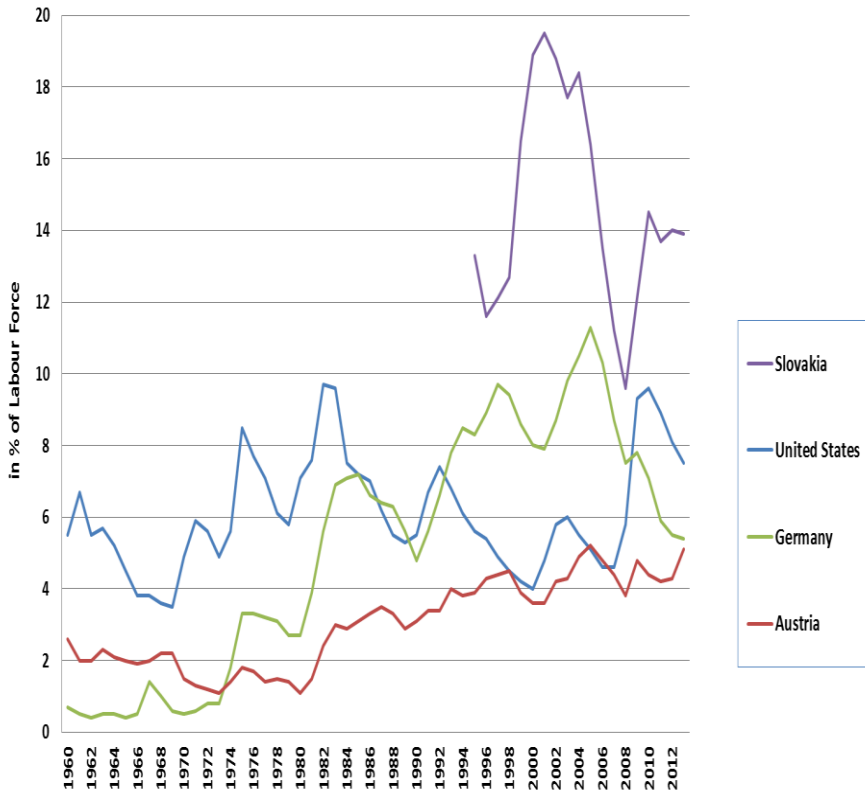
February 2014

Content

- **Empirical Facts and Figures
(Slovakia – Austria)**
- **Policy Conclusions - Lessons to be
learnd**

Unemployment and Growth

Unemployment Rates - Longterm Perspective!

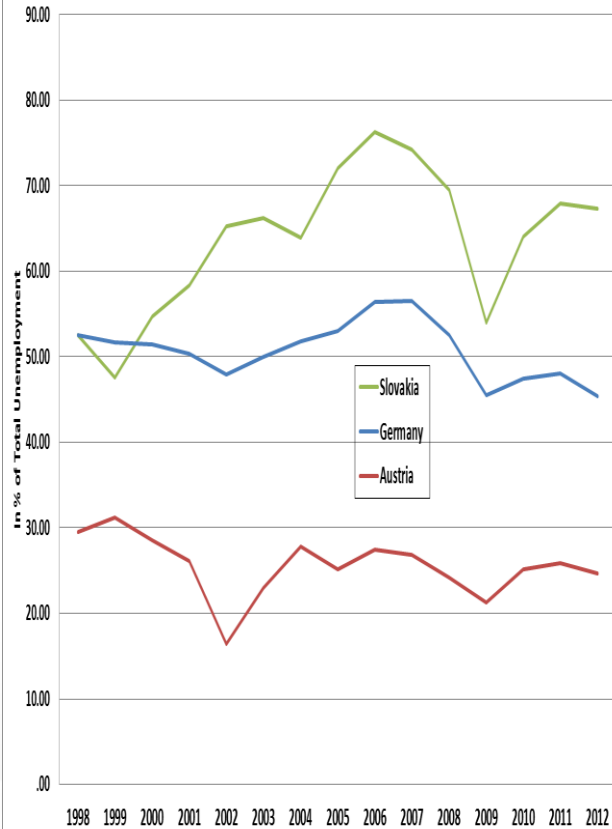


Real Growth in Slovakia and Austria

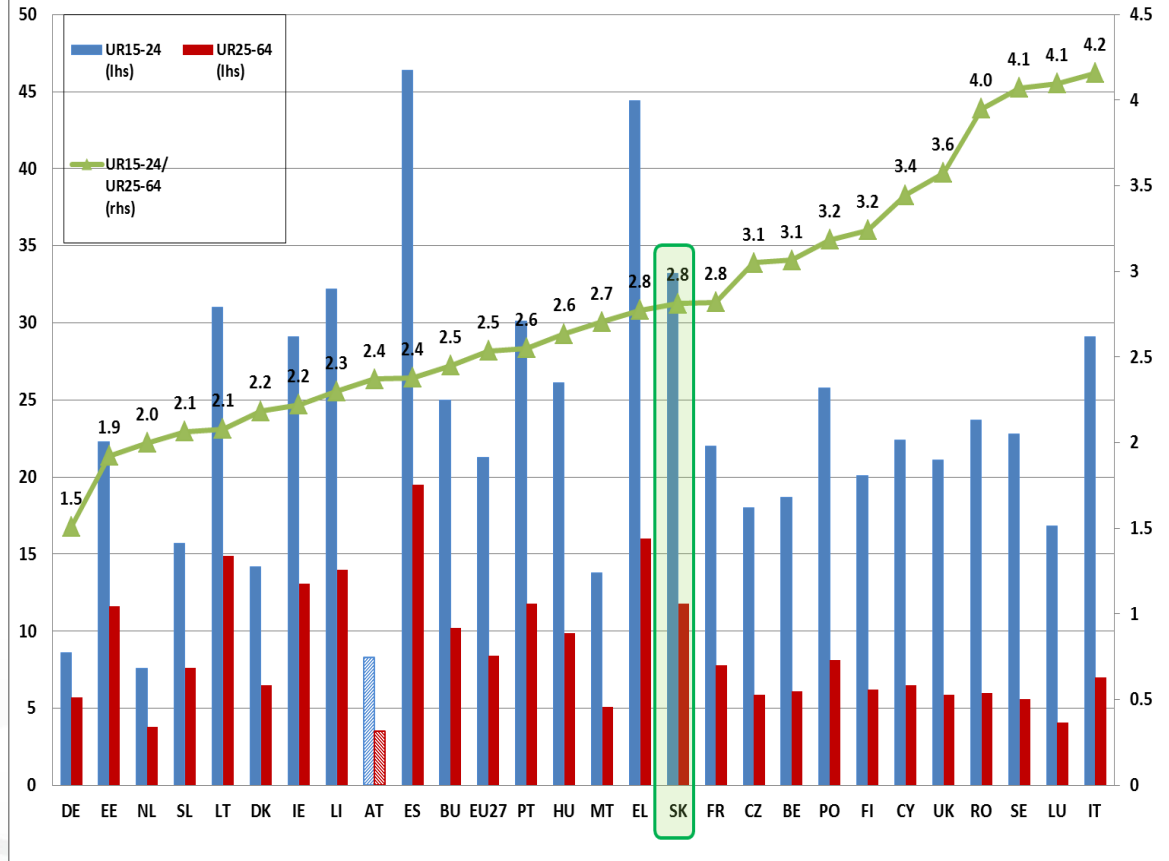


LTU and Youth

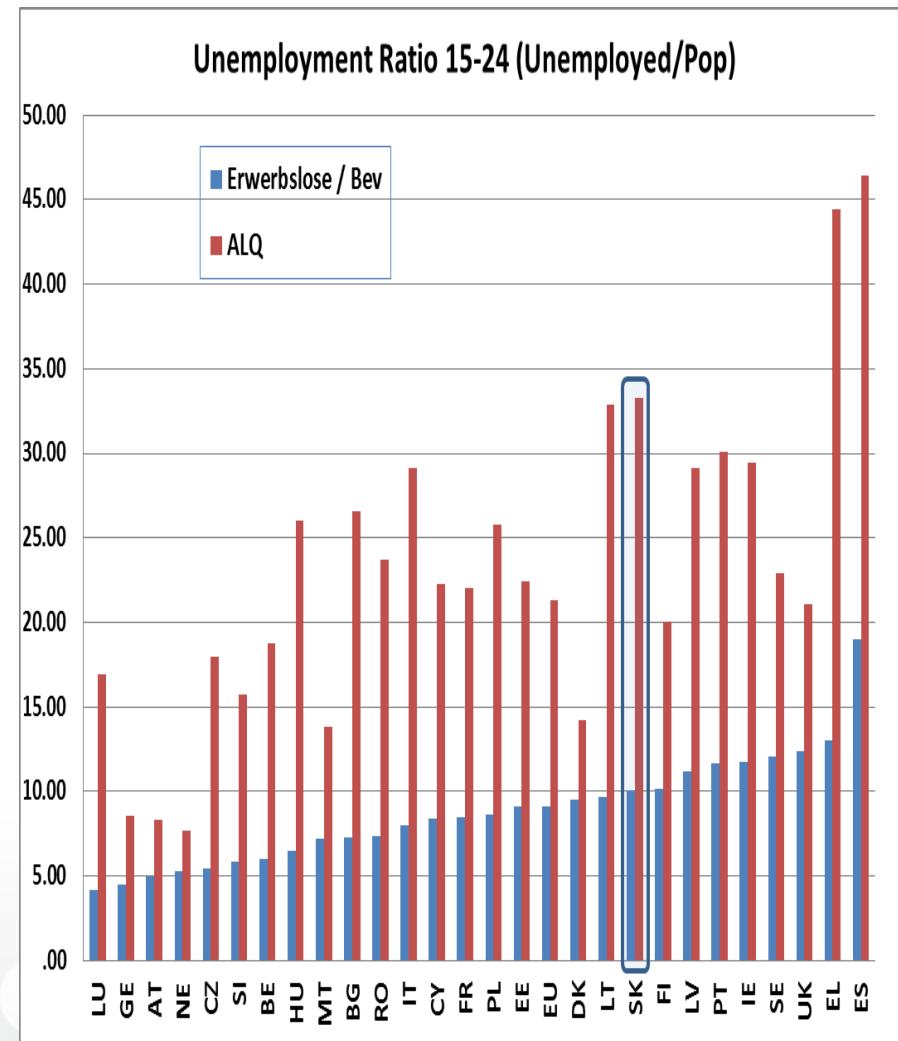
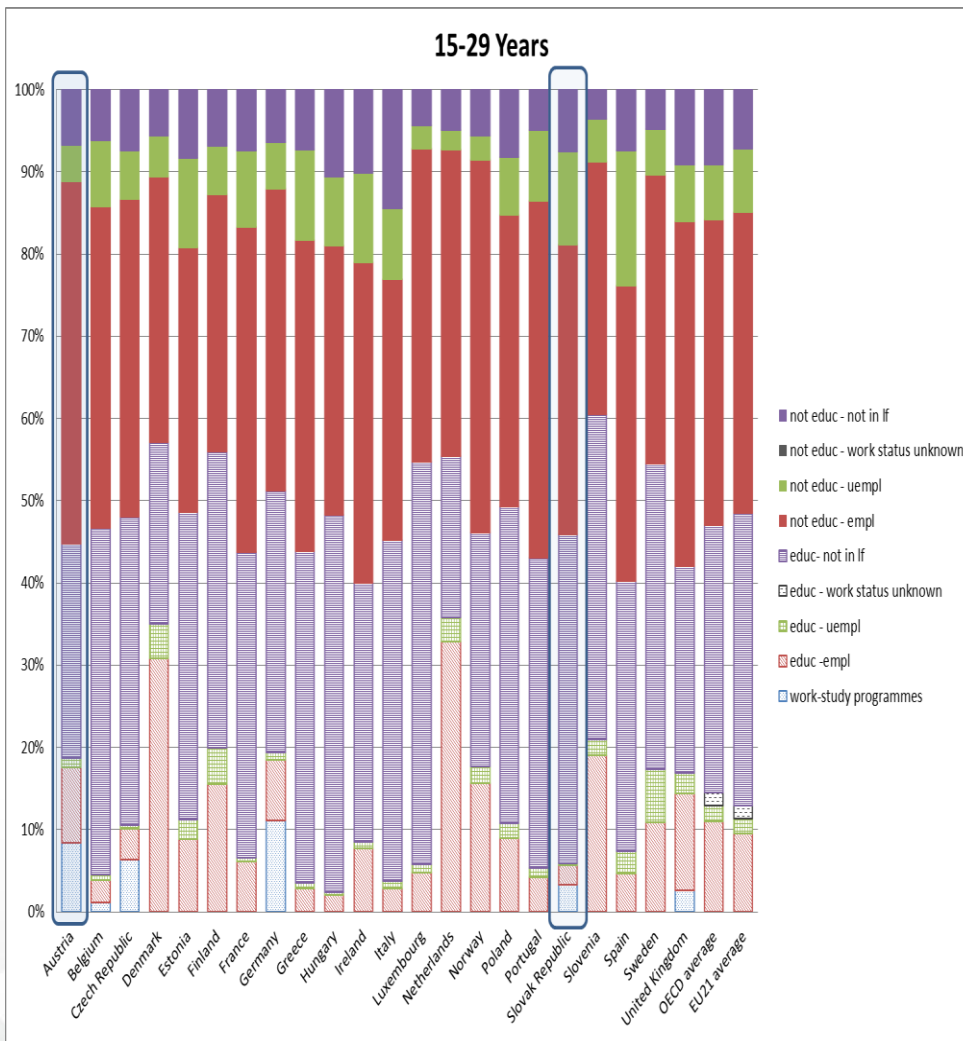
Share of Longterm Unemployment (12 months or more)



Relation of Unemployment Rates of Youth and Adults (2011)



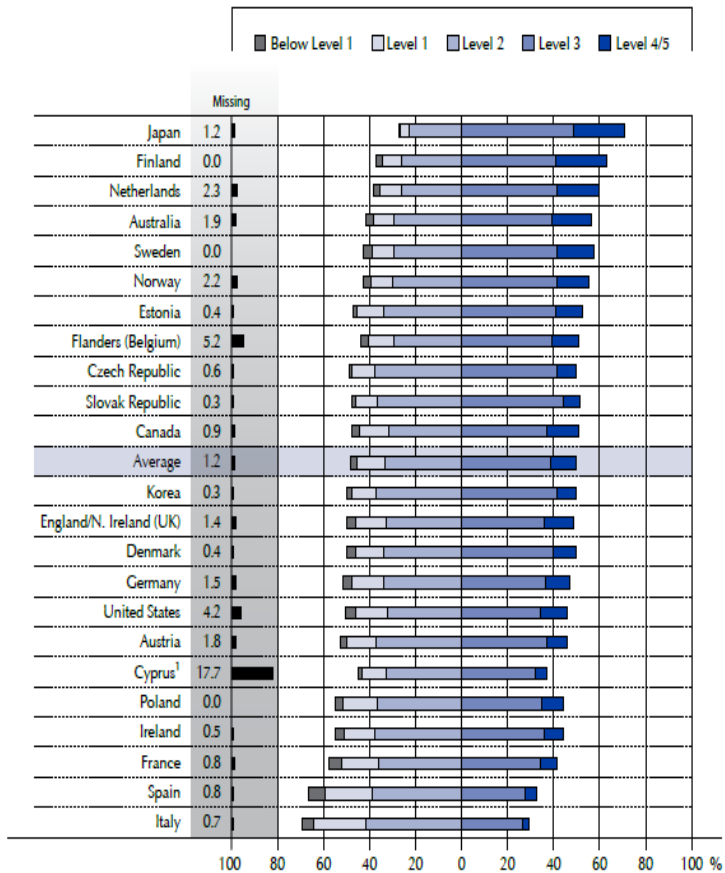
Youth alternative measures



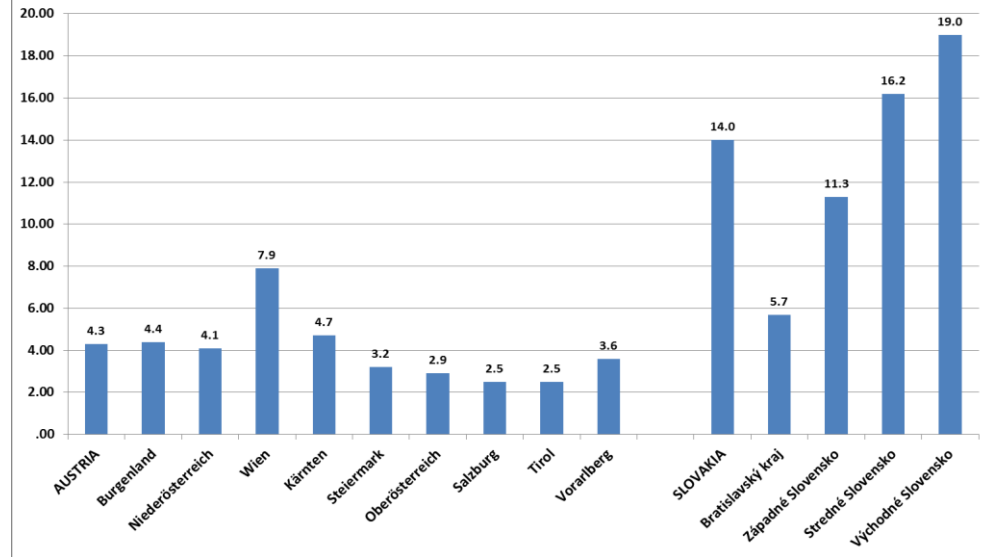
PIAAC-Results and Unemployment

Literacy proficiency among 16-65 year-olds

Percentage of adults scoring at each proficiency level in literacy



Regional Unemployment Rates

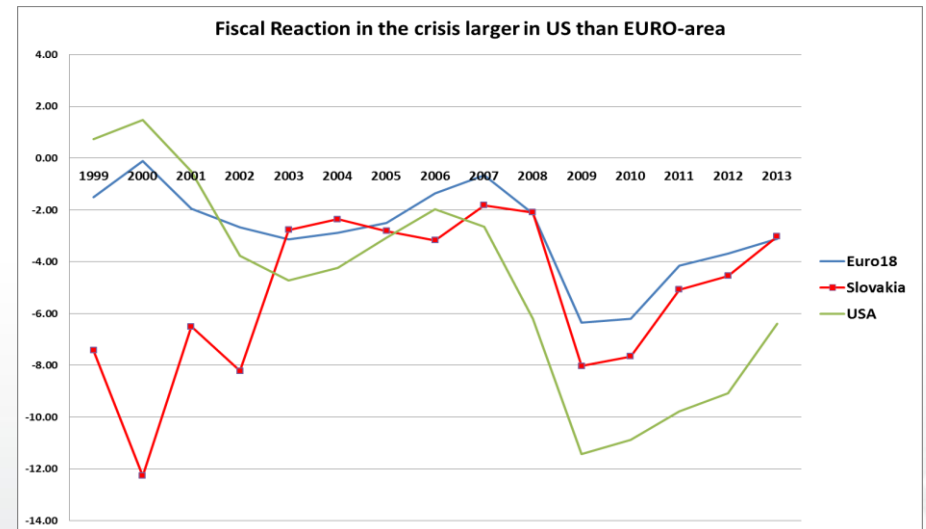
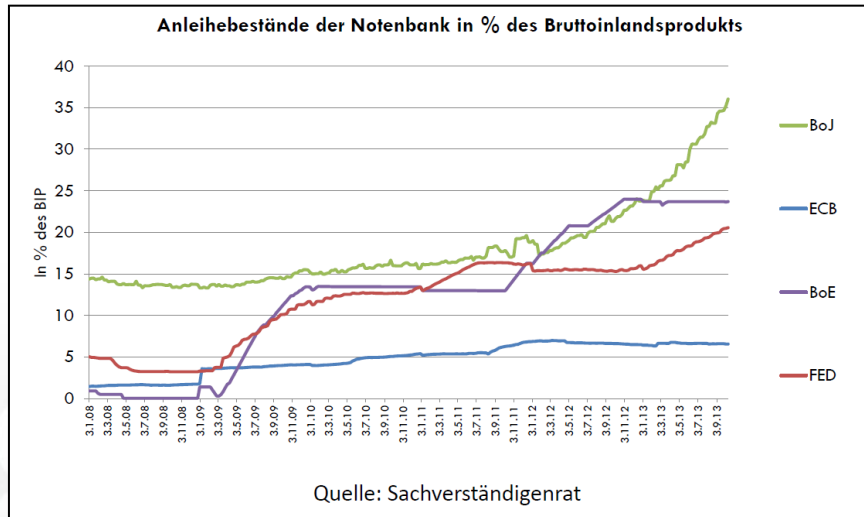
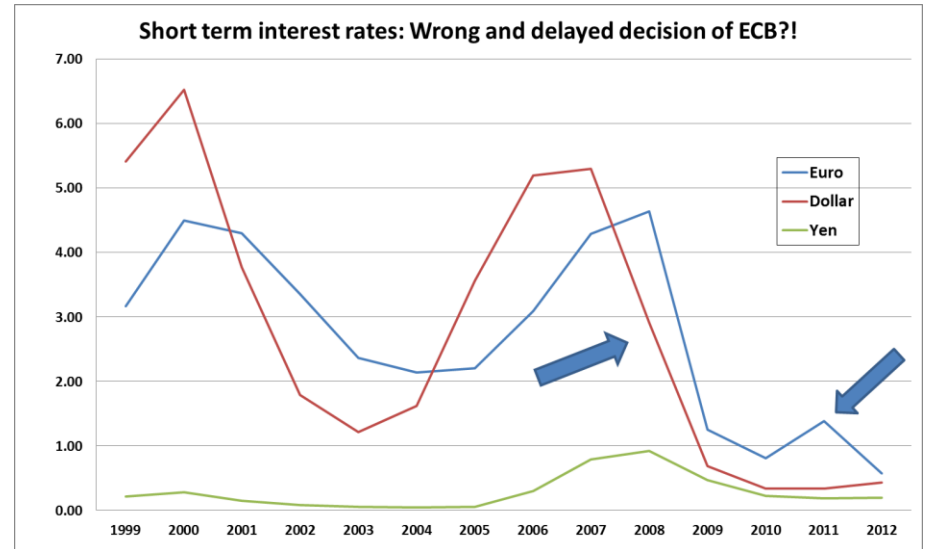
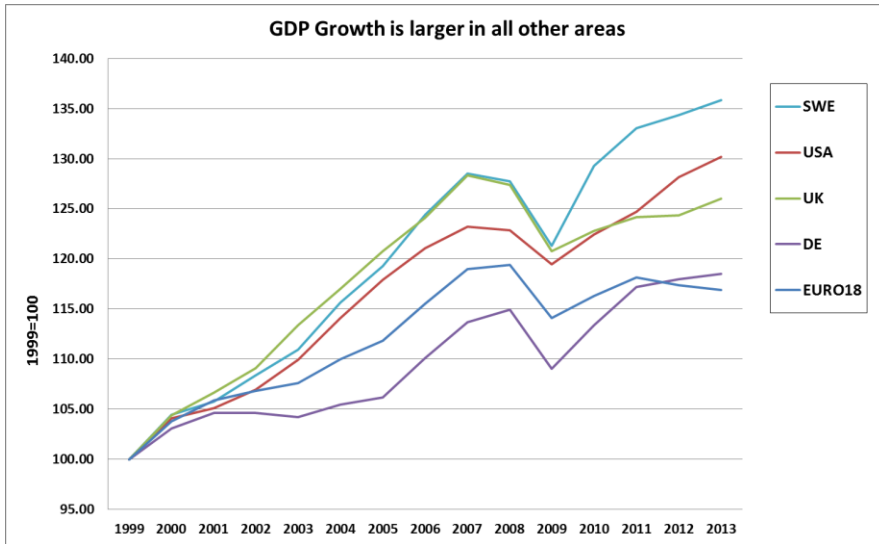


Unemployment Rates by Age and Educational Attainment

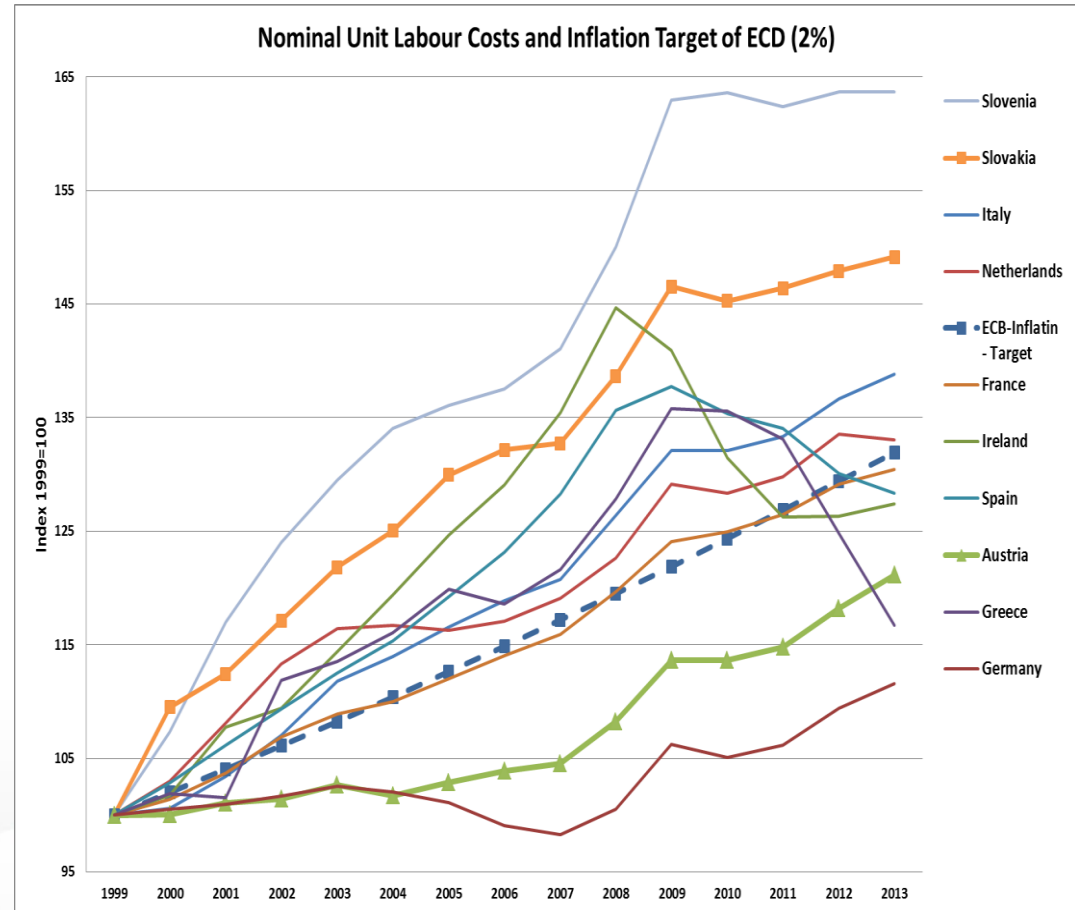
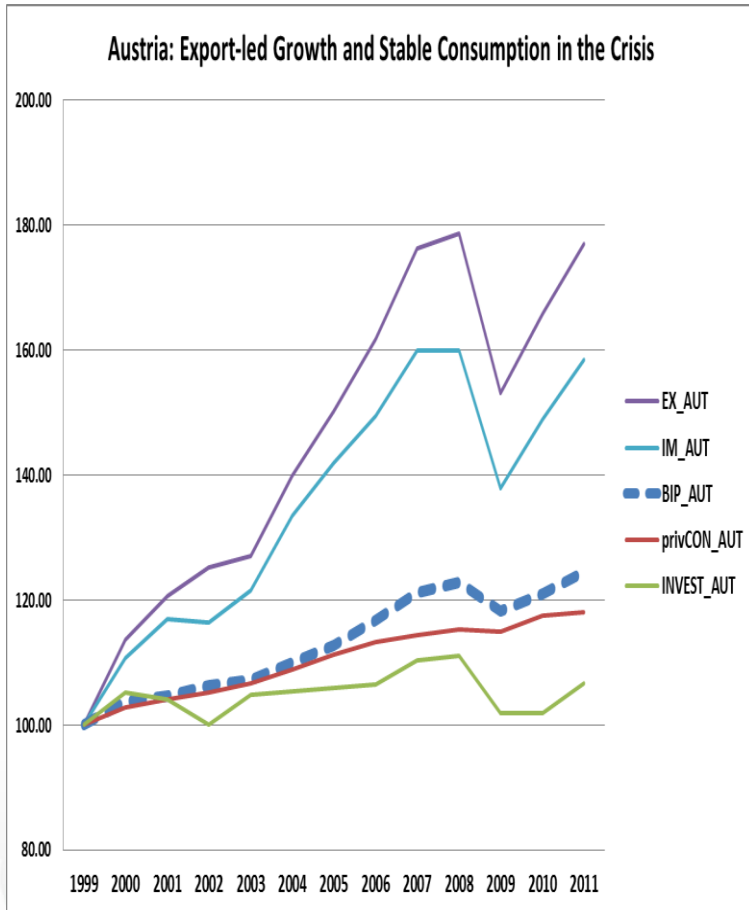
2012	SEX	Total	Total	Total	Total
AGE		All ISCED	ISCED 0-2	ISCED 3-4	ISCED 5-6
From 15 to 24 years	Austria	8.7	12.4	6.9	
From 15 to 24 years	Slovakia	34.0	66.0	31.0	29.1
From 15 to 64 years	Austria	4.4	9.1	3.9	2.1
From 15 to 64 years	Slovakia	14.0	44.7	13.5	6.9
From 55 to 64 years	Austria	3.0	4.5	3.4	:
From 55 to 64 years	Slovakia	11.2	30.8	11.0	3.2



Macroeconomic Policies (1)



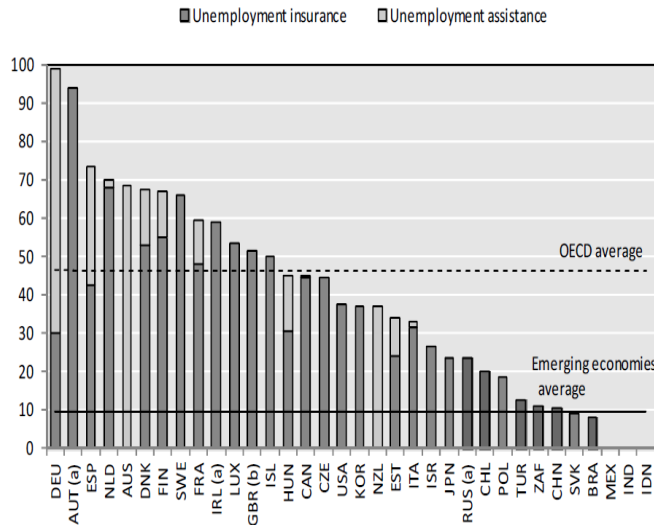
Macroeconomic Policies (2)



Incentive Problems (1) ?

Figure 2.5. Unemployment benefit recipiency rates

Percentage of total unemployed, 2007/2008



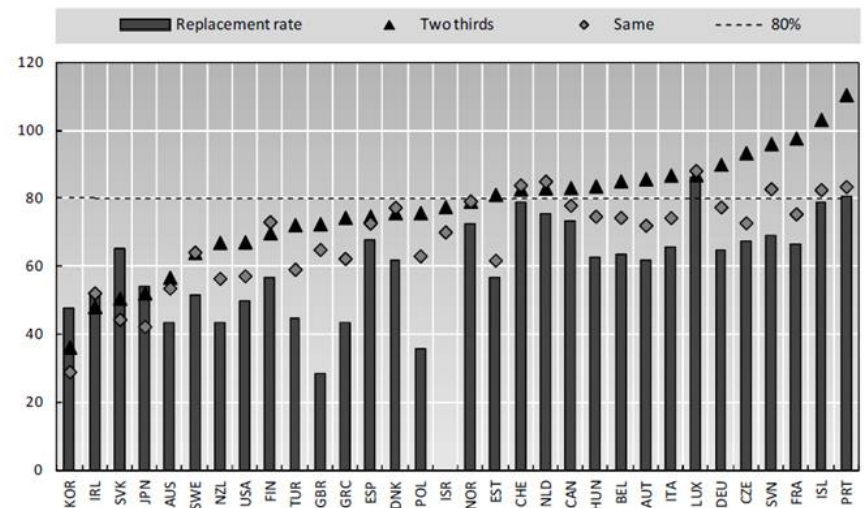
a) Data are not available for recipients of unemployment assistance which exists in case the unemployed do not meet minimum eligibility conditions for UI or exhausted the right to UI benefits. The overall percentage of covered unemployed is underestimated.

b) Includes Jobseeker's allowance (social insurance and social assistance)

Source: ILO Social Security Inquiry database and national sources.

Figure 1.24. Incentives to re-enter employment: transition from unemployment benefits to work, 2009

Average effective tax rate and replacement rates, average of singles and one-earner couples with or without children at 100% of AW level^a



a. Results relate to the situation of a person who has just become unemployed and receives unemployment benefits (following any waiting period) based on previous earnings equal to the average wage (AW). Hourly earnings following the subsequent transition into work correspond to the AW level throughout so that a person making a transition into a half-time job would have total earnings equal to 50% of AW. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months. See Annex A for details. Given the transition into employment, in-work benefits that depend on the transition are available. Children are assumed to be aged four and six years and neither childcare benefits nor childcare costs are considered. For married couples, the percentage of APW relates to one spouse only; the second spouse is assumed to be inactive with no earnings in a one-earner couple.

Source: OECD tax-benefit models (www.oecd.org/els/social/workincentives).

Incentive Problems (2)?

OECD-Employment Protection Legislation: Permanent Workers against individual and collective dismissal

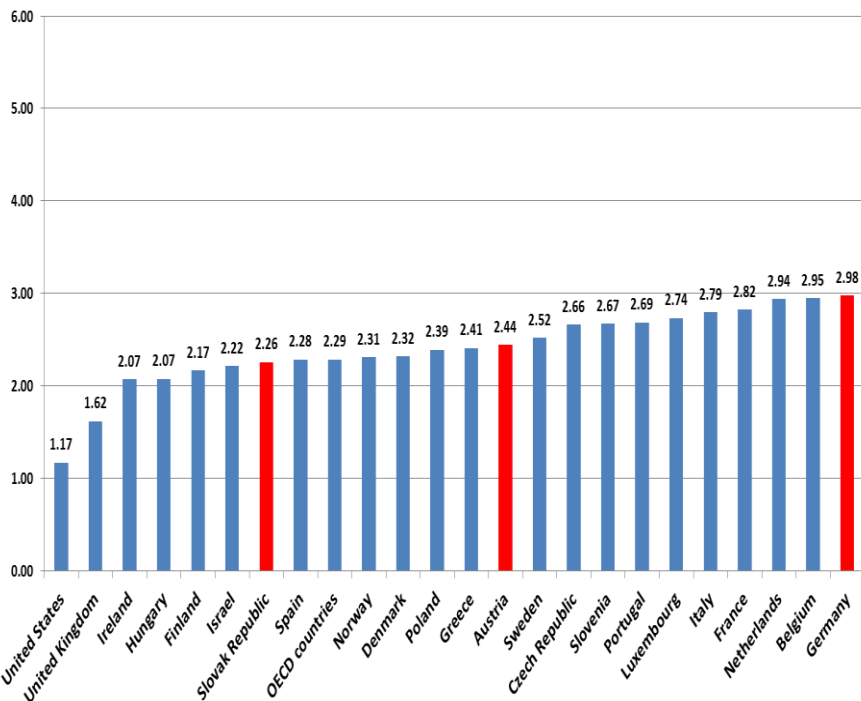


Tabelle 23

Institutionelle Arbeitsmarktindikatoren für das Jahr 2008

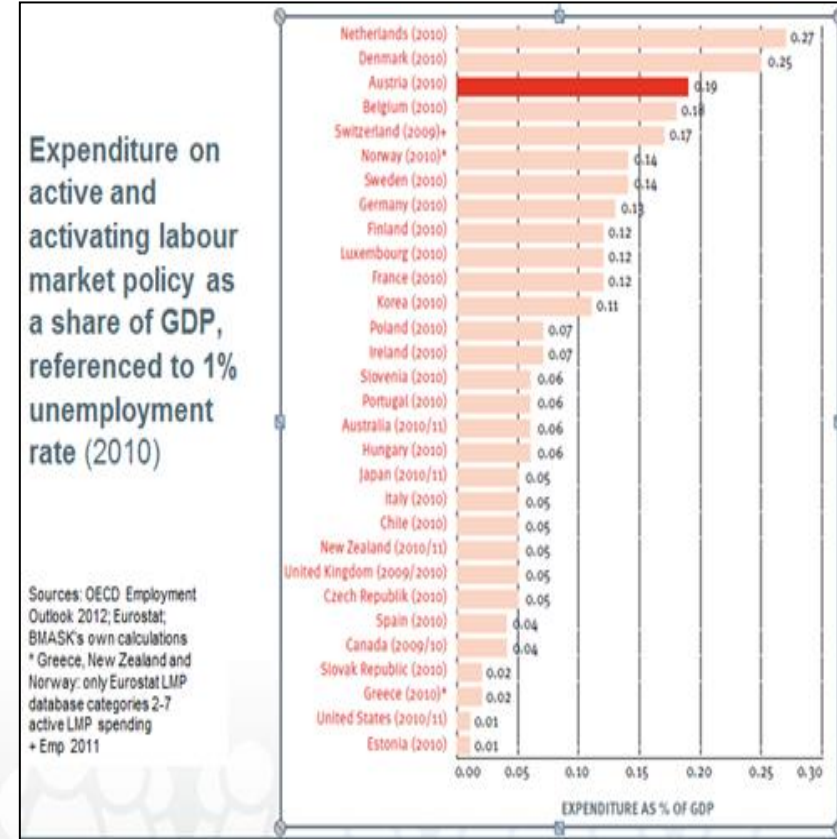
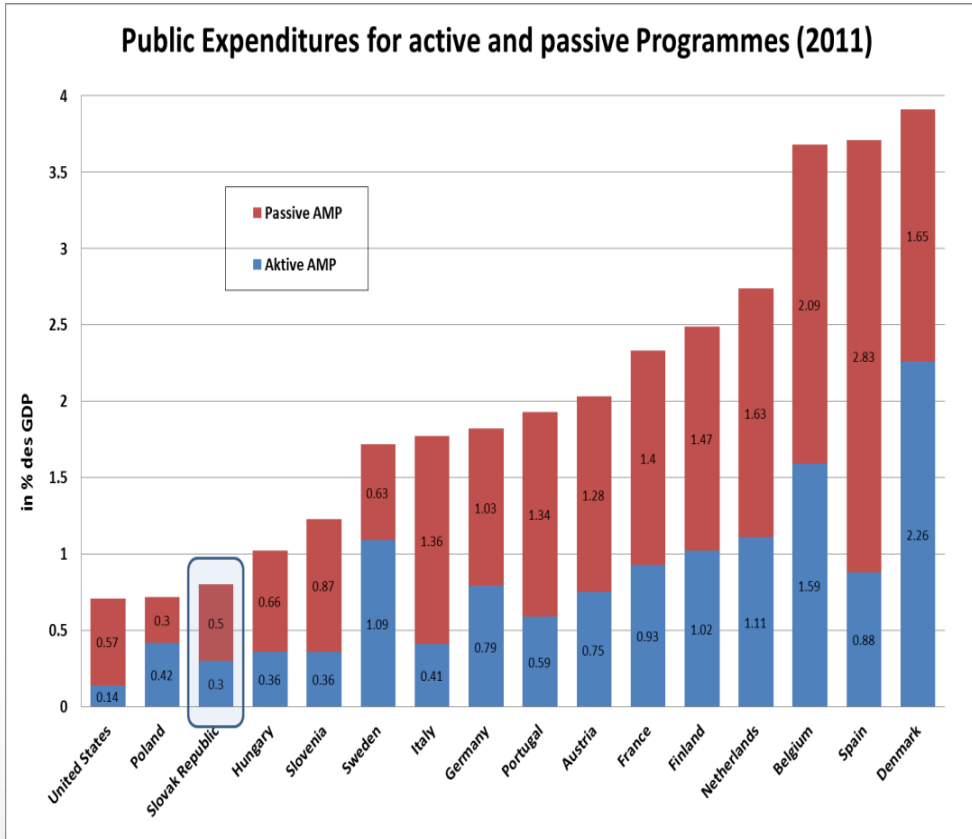
Rangplatz im Ländervergleich¹⁾

Land ²⁾	Einzelindikatoren ³⁾						Aggregierte Indikatoren	
	Kündigungs-schutz ⁴⁾	Befristete Beschäftigung ⁵⁾	Lohnersatz-rate ⁶⁾	Mindest-lohn ⁷⁾	Tarif-bindung ⁸⁾	Steuer-keil ⁹⁾	GCI Arbeitsmarkt-effizienz ¹⁰⁾	EFOw Arbeitsmarkt-regulierung ¹¹⁾
Republik Korea	9	3	5	13	1	1	17	26
Japan	6	11	9	10	3	5	7	4
Vereinigte Staaten	1	26	6	9	2	6	1	1
Polen	14	2	3	16	7	10	21	13
Schweiz	7	13	25	1	12	2	2	6
Vereinigtes Königreich	4	23	1	19	6	8	5	5
Kanada	2	14	21	15	5	7	4	3
Australien	3	24	4	24	8	4	6	2
Irland	5	19	8	25	11	3	9	9
Finland	8	8	12	1	22	21	10	23
Schweden	16	7	7	1	24	22	11	22
Dänemark	11	18	14	1	18	17	3	10
Norwegen	12	16	23	1	17	12	8	24
Estland	13	27	13	12	4	14	13	17
Spanien	18	1	20	18	21	13	24	21
Griechenland	22	15	2	21	15	18	26	25
Tschechische Republik	21	21	11	11	10	20	12	7
Deutschland	26	10	18	1	14	26	19	27
Italien	27	12	16	1	18	23	27	14
Österreich	15	17	15	1	27	24	16	15
Slowakei	17	25	22	17	8	15	15	8
Luxemburg	20	22	27	14	13	9	18	19
Portugal	28	4	25	25	15	11	23	20
Niederlande	24	5	24	20	20	16	14	12
Slowenien	19	6	19	22	25	19	20	18
Frankreich	23	9	17	27	22	25	25	16
Belgien	25	20	10	23	26	27	22	11

1) Illustriert durch den Farbverlauf von grün (Rang 1) über gelb zu rot (Rang 27). – 2) Geordnet nach dem durchschnittlichen Rangplatz der Einzelindikatoren. – 3) Rangfolge auf Basis theoretischer Überlegungen, wie die jeweilige Institution – isoliert betrachtet – das Arbeitsmarktgleichgewicht beeinflusst. Je höher das zu erwartende Beschäftigungsniveau, desto besser die Platzierung. – 4) Schutz von regulär Beschäftigten vor persönlicher Kündigung und Massenentlassungen; gemessen anhand des EPRC-Index der OECD. – 5) Anteil der befristet Beschäftigten an allen abhängig Beschäftigten. – 6) Nettoeinkommensersatzraten für Durchschnittsverdiener bei Arbeitslosigkeit. – 7) Verhältnis von Mindestlohn zum Medianlohn von Vollzeitbeschäftigten. – 8) Anteil der tarifgebundenen Beschäftigten an allen abhängig Beschäftigten. – 9) Durchschnittliche Steuer- und Sozialabgabenbelastung eines durchschnittlichen Bruttoeinkommens. – 10) Säule 7 des Global Competitiveness Index (GCI) „Arbeitsmarkteffizienz“, bestehend aus zwei Bereichen: 7.A „Flexibilität“ und 7.B „Effizienter Einsatz von Talenten“, siehe Schaubild 66, Fußnote 2. – 11) Index zur Arbeitsmarktregulierung der Economic Freedom of the World (EFOw) Studie.

Quellen: OECD, Eurostat, World Economic Forum und Fraser Institute

Active and Passive LMP-Measures



Apprenticeship System: Pros and Cons

Pro

- 3- 4 years training on the job (relevant skills!), 4:1 job:school
- Strong legal basis – standardized Curricula (ISCED 3B)
- Fair balance Employer - Employee (Social Partnership!)
- Low entry wages (12-46% of average)
- Careers opportunities for low achievers in schools

Con

- * Employer are reluctant
- * 0,2% of GDP public money
- * high drop-out rates (lack of quality assurance)
- * migrants discrimination access

Table 2.7 Distribution of students by levels of reading competencies

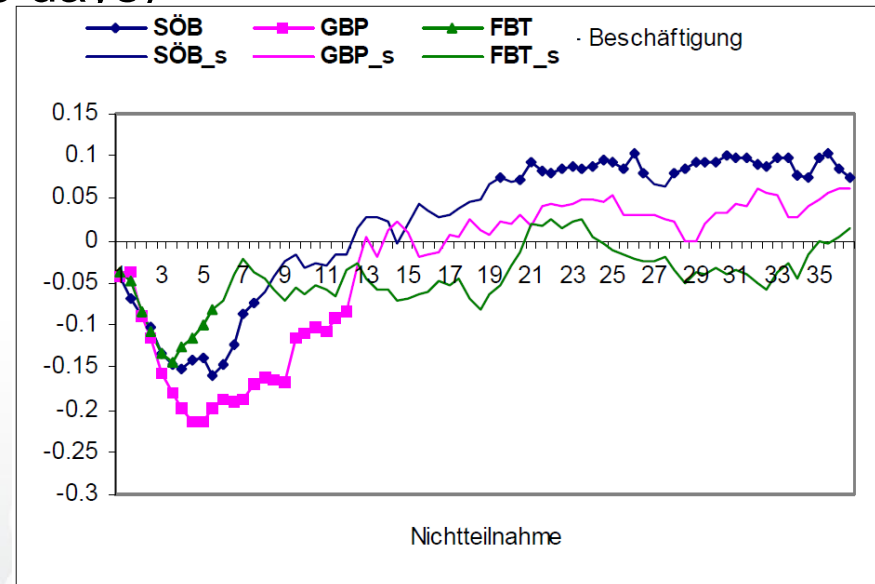
Distribution of students aged 15-16 by levels of reading competence in Austria, in %

Type of school	Proficiency levels, PISA 2003					
	5	4	3	2	1	<1
Academic secondary schools	23	39	27	8	2	0
Higher technical and vocational colleges	11	34	37	15	3	0
Intermediate technical and vocational schools	0	9	33	37	17	4
Vocational schools for apprentices (part-time)	0	5	21	35	26	13
Compulsory schools	0	2	11	33	34	20
Total	8	21	27	23	13	7

Source: Haider, G. and C. Reiter (eds.) (2004), PISA 2003 – *Internationaler Vergleich von Schülerleistungen; Nationaler Bericht – Mathematik, Lesekompetenz, Naturwissenschaft, Problemlösen*, commissioned by the BMBWK, Graz.

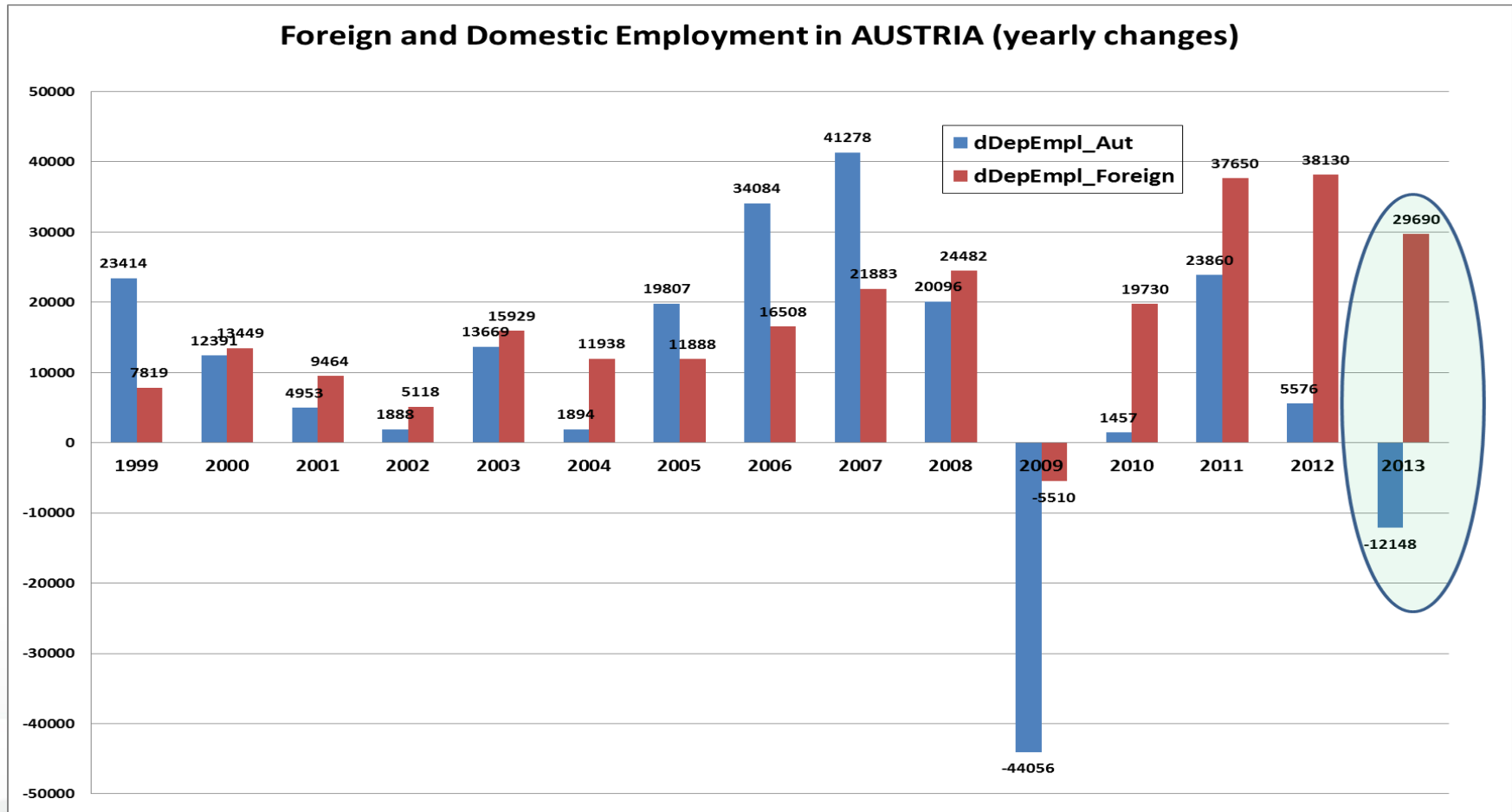
Successful Programme for LTU (SÖB)

- Subsidised intermediate labour market for LTU, handi-capped, older and other disadvantaged groups
- Work in enterprises (environmental protection, social care, repair, crafts, recycling, services, transport, art, catering, homeservices) produce goods and services close to markets (20% of cost)
- 66% of wage cost for participants, 100% for key personal (supervisors)
- Max duration: 1 year (average 78 days)
- Programme selection: PES-counselor
- Wage rate: € 1300 (minimum Wage = € 1000)
- Job+intensive counselling, Training, socio-pedagogical support
- 26.000 part., € 115 mio (0,05%)



The Role of Migration in the receiving country:

- + Qualified Workers with low reservation wages
- + Substitution effects



Policy Conclusions (1)

- **Right Balance of Flexibility and Security** (AUT: Export-lead growth, hard currency strategy; Social Partnership)
- **Social Partnership: Difficult compromises**
- **Dual System – Youth** (see: „*Why is youth unemployment so low in Austria? A critical assessment*“, Social-europe 04/3013)
- **Policy commitment**

Policy Conclusions (2) „Modern Approach for Fair, Inclusive, Pro-active LMP – Lessons learned from Austrian Experiences“ (Social Europe 11/2012)

- **Policies** matter (not only markets)
- Macroeconomic Policies **are key for employment**
- Muddling through – **trial an error**
- **Innovation, Protection, Coordination**
- **Rights and Duties** of PES clients
- Active and passive LMP (Replacement Rates, Evaluations)
- Only natural resources – **skills** and **competences** (invest!)
- Do not aim for a large deregulated low-wage sector (**India**)
- Labour market policies in times of crisis (inject **confidence, domestic demand** – short time working)

Thanks for Attention!!!

For further work see:

In English

<http://www.social-europe.eu/author/johannes-schweighofer/>

In German

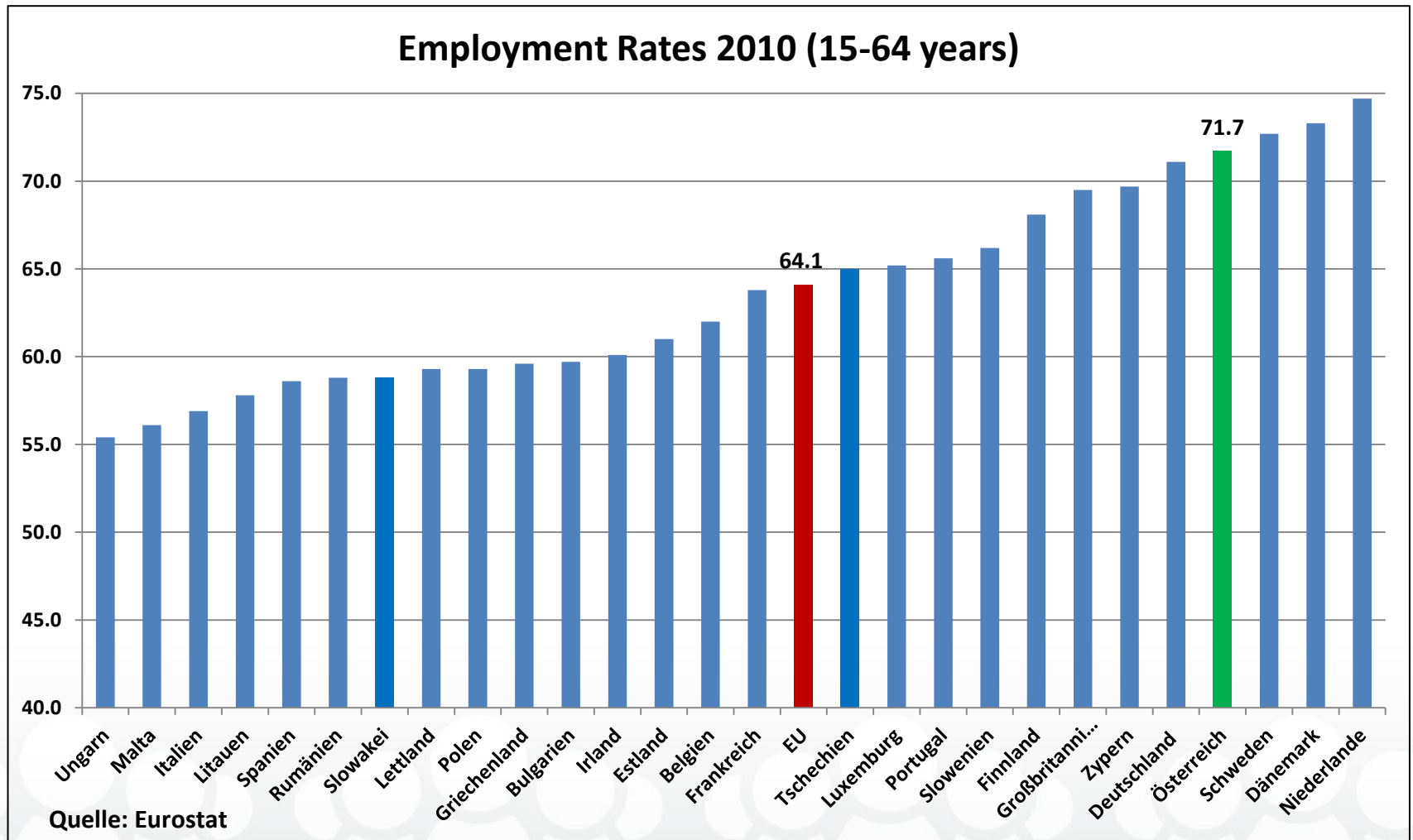
<http://johannes-schweighofer.at/publikationen.htm>

<http://johannes-schweighofer.at/vortraege.htm>

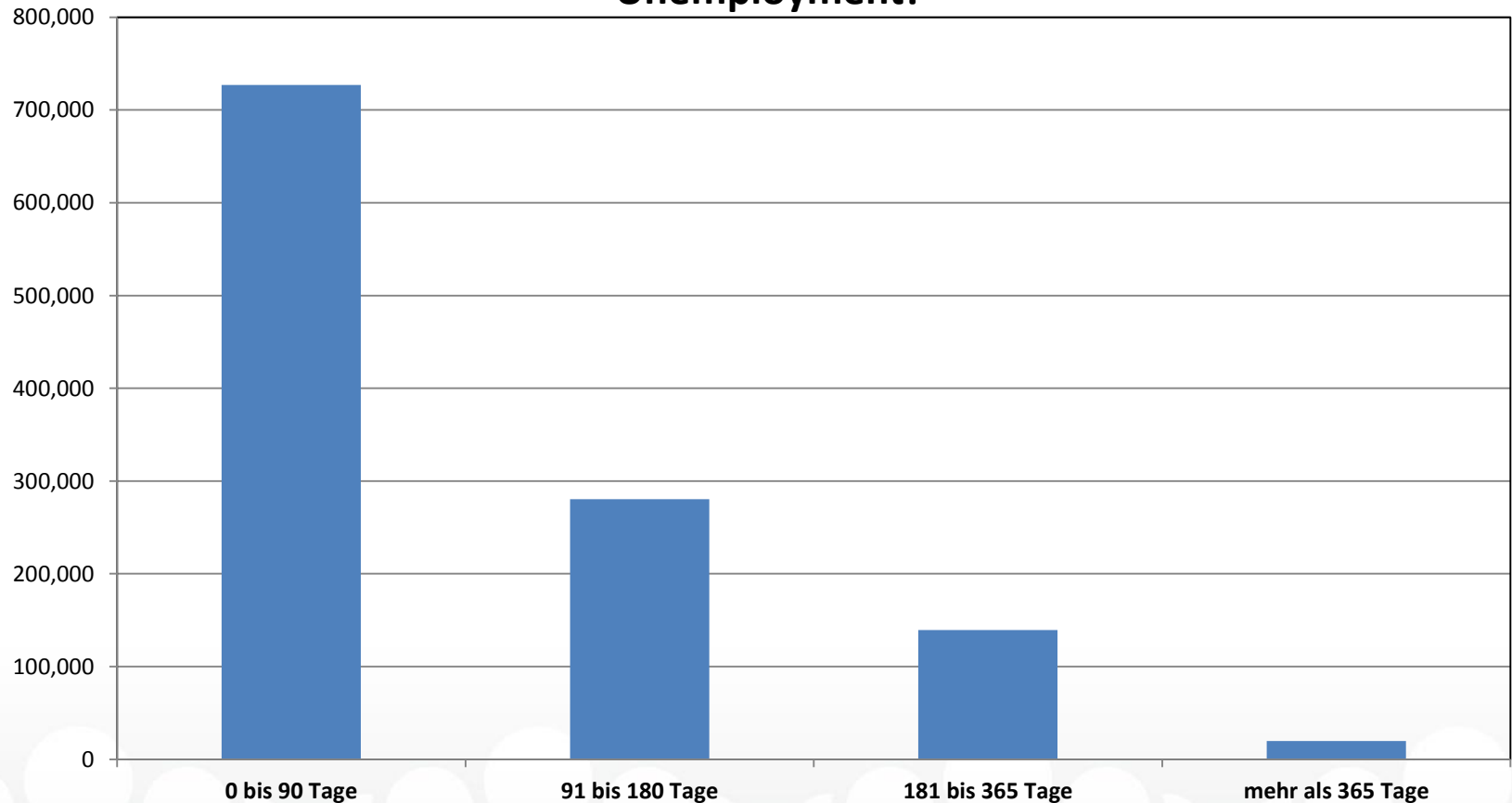
Further Material



Integration in the Labour Market

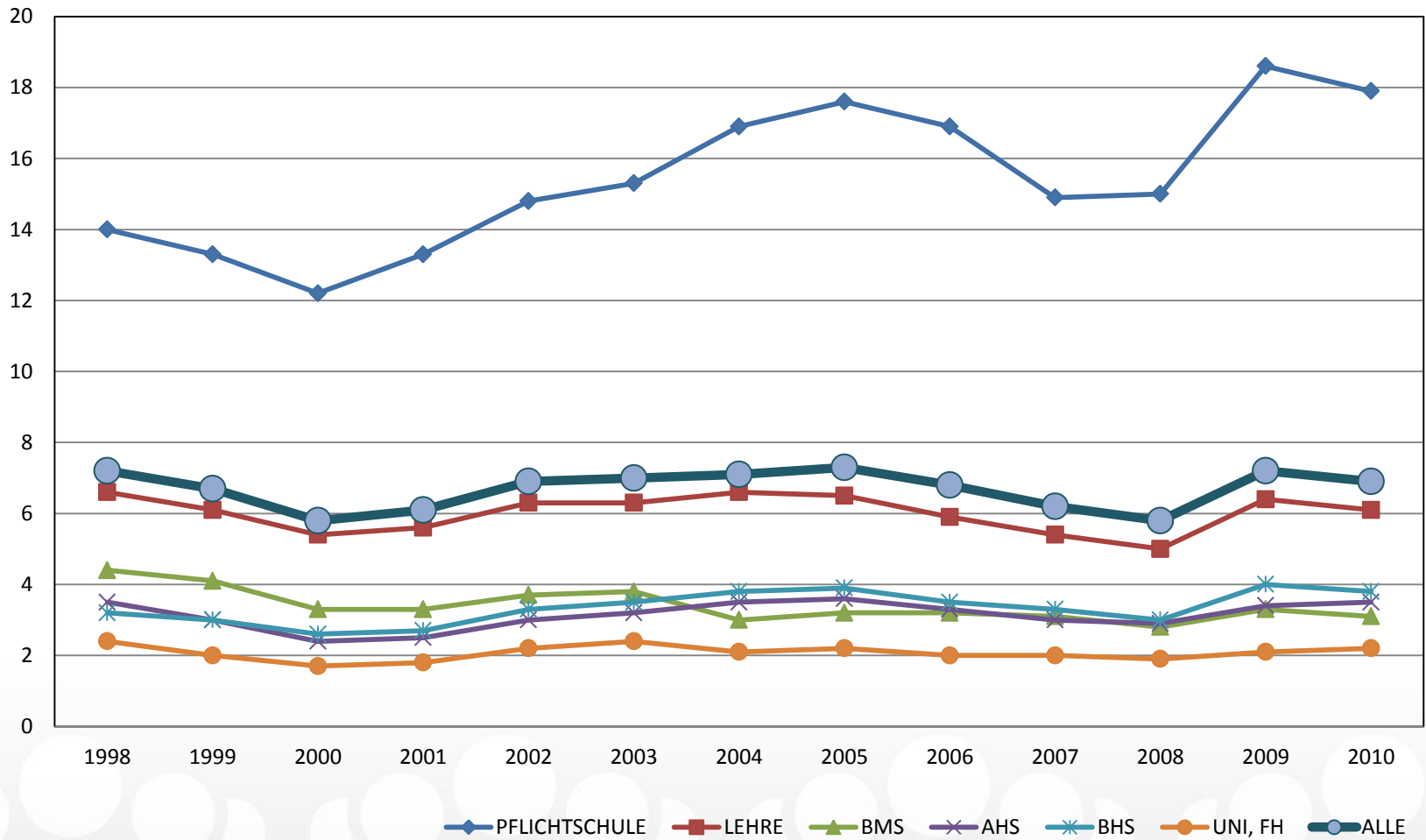


Unemployment Duration (completed spells): 62,3% leave the register within 3 Months, 86,3% within 6 Months from Unemployment!



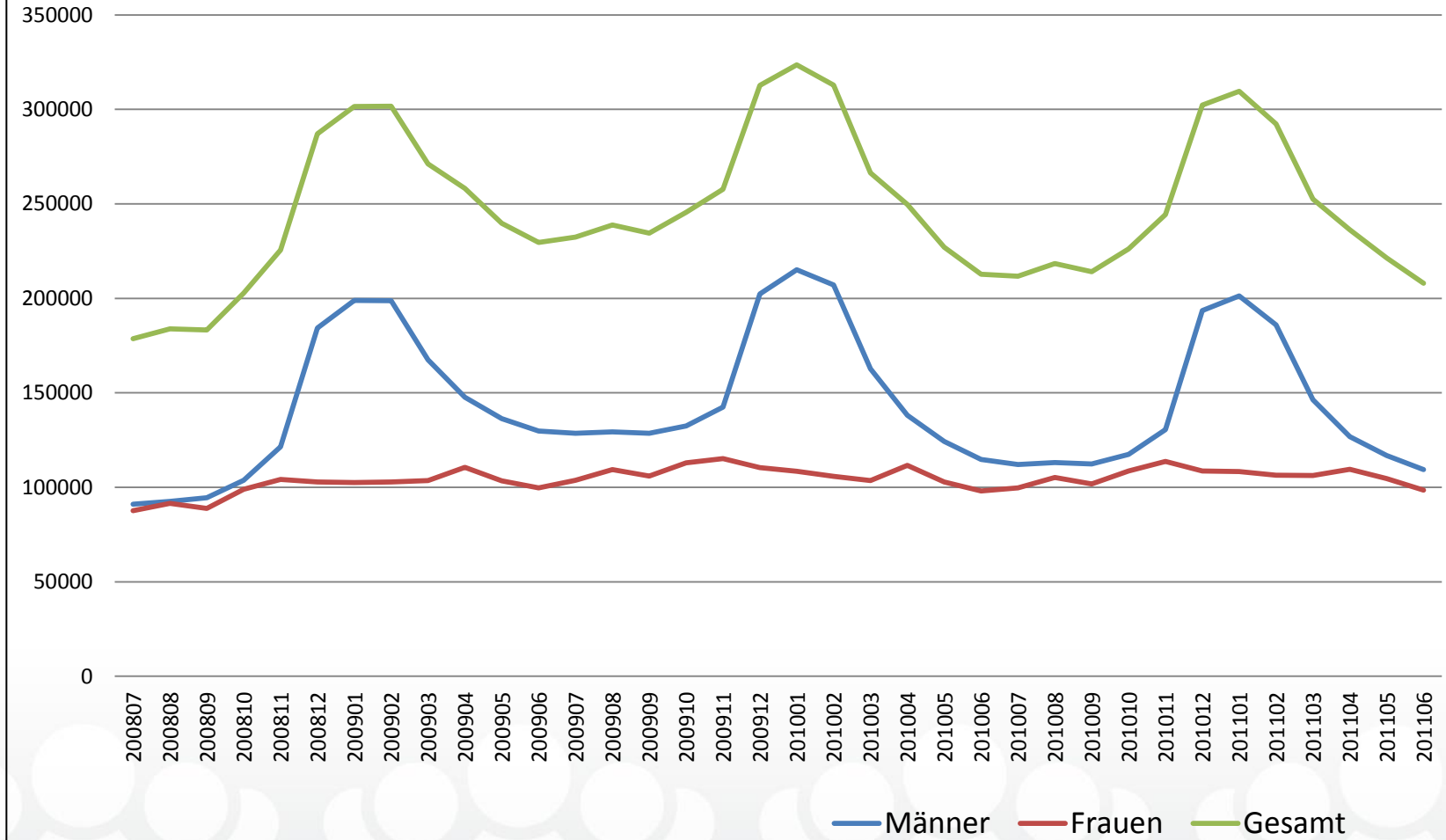
Quelle: AMS

Unemployment by Educational Attainment



Quelle: AMS

Saisonal Unemployment in Austria (July 2008-June 2011)

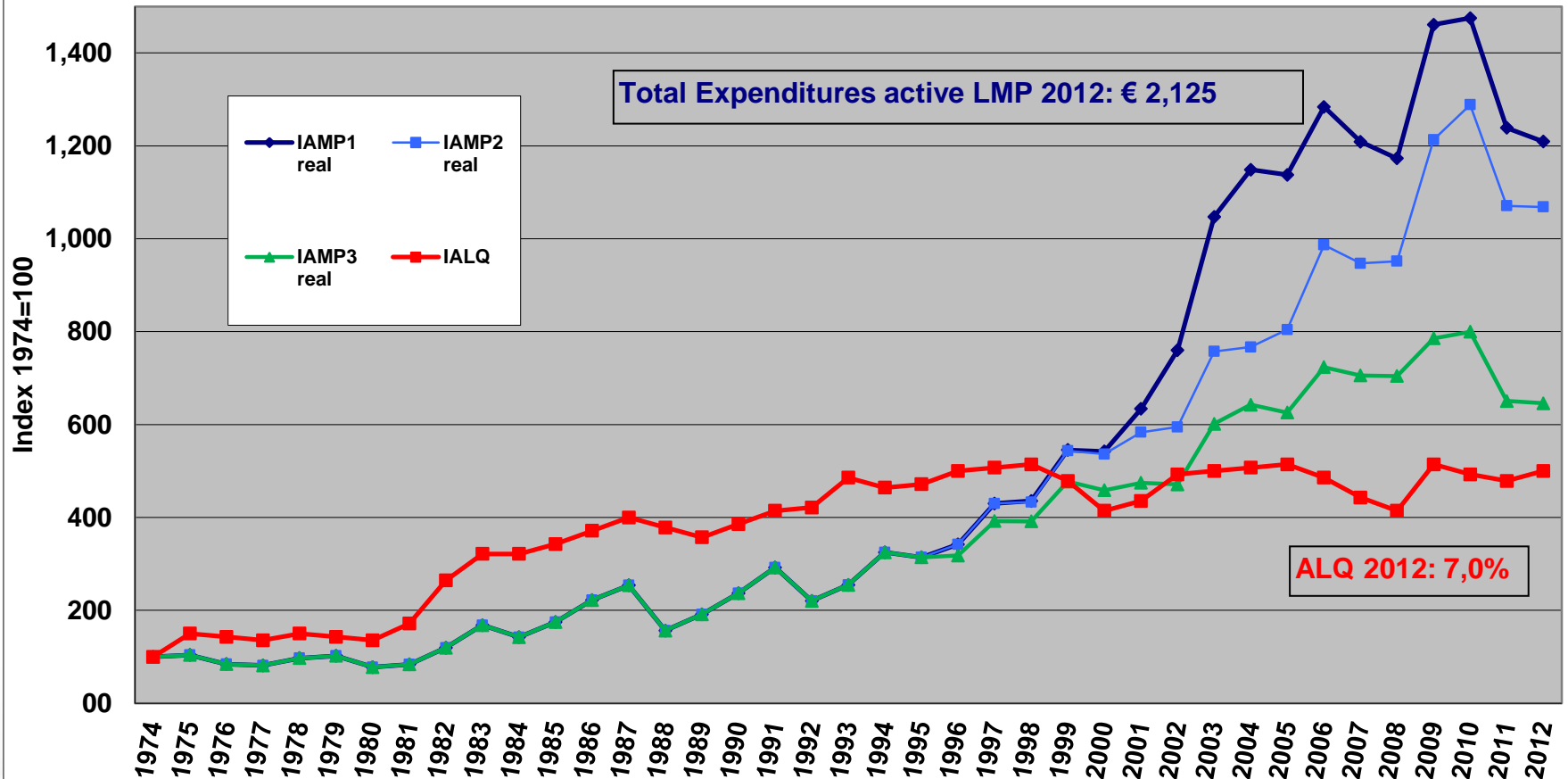


Quelle: AMS



Active Labour Market Policies

Real Expenditures for active LMP and Unemployment Rate 1974-2012



IAMP1real: Aktive + Aktivierete (Qualifizierung, ATZG) + JASG + KUA
 IAMP2real: Aktive + Aktivierete Qualifizierung + JASG (ohne ATZG, ohne KUA)
 IAMP3real: Aktive (ohne KUA) + JASG

Incentives to take up a Job

Net Replacement Rates for six family types: initial phase of unemployment 2009, different earnings levels ¹																		
	67% of AW						100% of AW						150% of AW					
	No children			2 children			No children			2 children			No children			2 children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
OECD countries																		
Australia	43	63	55	60	71	69	31	49	46	52	60	60	22	35	37	42	48	51
Austria	55	57	80	71	73	85	55	56	77	67	69	81	43	44	64	51	52	68
Belgium	89	77	85	87	77	87	67	58	73	69	60	75	49	44	60	53	47	63
Canada	64	65	81	75	76	85	63	65	77	83	84	81	44	46	61	64	64	66
Czech Republic	75	76	87	82	79	92	66	69	83	74	67	87	52	50	70	54	51	72
Denmark	84	85	91	90	88	93	60	63	74	75	73	77	46	48	61	64	59	64
Estonia	54	56	77	62	56	79	53	55	72	60	59	74	53	54	68	57	57	69
Finland	64	75	78	85	83	83	52	60	72	74	72	76	44	47	63	60	57	67
France	70	72	84	82	82	84	67	66	80	71	71	82	69	67	77	68	67	78
Germany	60	64	88	82	81	92	60	59	85	73	76	89	57	57	79	65	67	85
Greece	65	70	83	78	83	92	52	56	69	57	60	75	37	40	56	47	49	61
Hungary	73	75	86	81	79	89	58	60	76	68	67	80	43	44	63	53	53	68
Iceland	77	72	89	84	77	91	77	80	86	83	83	88	56	61	71	65	67	74
Ireland	46	72	73	67	76	77	33	52	61	60	63	65	25	39	50	48	49	55
Israel ²	74	74	86	66	70	89	66	66	80	64	67	83	58	58	72	59	59	76
Italy	72	75	86	77	74	88	59	64	75	72	71	77	43	47	61	57	56	65
Japan	67	66	85	70	65	85	55	54	74	54	54	75	46	45	64	45	45	64
Korea	55	55	77	57	54	78	48	48	69	49	47	69	33	33	55	34	33	54
Luxembourg	82	81	89	88	89	93	84	82	88	91	88	92	76	74	82	80	77	84
Netherlands	76	88	84	75	84	81	74	76	82	77	86	80	57	59	69	57	62	68
New Zealand	52	71	57	70	75	64	36	54	46	55	59	55	26	39	37	44	48	46
Norway	67	69	84	88	89	86	65	67	80	87	71	82	47	49	65	65	52	67
Poland	66	69	71	86	62	77	45	47	58	65	49	63	31	32	45	45	35	50
Portugal	78	75	91	79	77	91	84	78	92	82	78	93	82	76	88	82	76	88
Slovak Republic	60	58	83	69	61	84	64	58	81	80	60	82	66	61	79	78	63	80
Slovenia	76	83	88	82	83	92	65	73	79	87	83	82	46	52	64	67	66	67
Spain	78	74	89	75	75	88	60	60	77	75	75	85	41	41	61	53	53	68
Sweden	69	69	85	83	80	86	48	48	69	65	58	71	36	36	58	51	44	60
Switzerland	81	82	88	83	83	89	71	72	81	86	87	88	72	70	79	81	81	86
Turkey ³	65	64	86	64	63	86	45	45	70	45	44	70	31	31	55	31	31	55
United Kingdom	55	66	59	74	79	68	38	46	49	64	71	57	26	32	39	46	51	46
United States	60	58	82	52	49	85	51	51	73	50	47	74	37	36	58	35	34	59
Non-OECD countries																		
Bulgaria	77	77	88	81	81	89	54	54	72	60	60	75	36	36	56	42	42	59
Cyprus ⁴	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	83	78	94	76	73	95	84	80	93	78	75	93	84	82	91	80	78	92
Lithuania	83	83	91	81	81	92	68	68	81	68	68	82	46	46	63	47	47	67
Malta	48	65	73	70	70	77	36	49	60	57	57	64	25	34	49	41	41	52
Romania	64	63	82	67	66	83	48	47	69	53	52	73	36	36	57	43	42	60

1. Initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months. See Annex A for details. For married couples the percentage of AW relates to one spouse only; the second spouse is assumed to be "inactive" with no earnings in a one-earner couple and to have full-time earnings equal to 67% of AW in a two-earner couple. Children are aged 4 and 6 and neither childcare benefits nor childcare costs are considered.

2. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

3. AW value is not available. Calculations are based on APW.

4. * Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

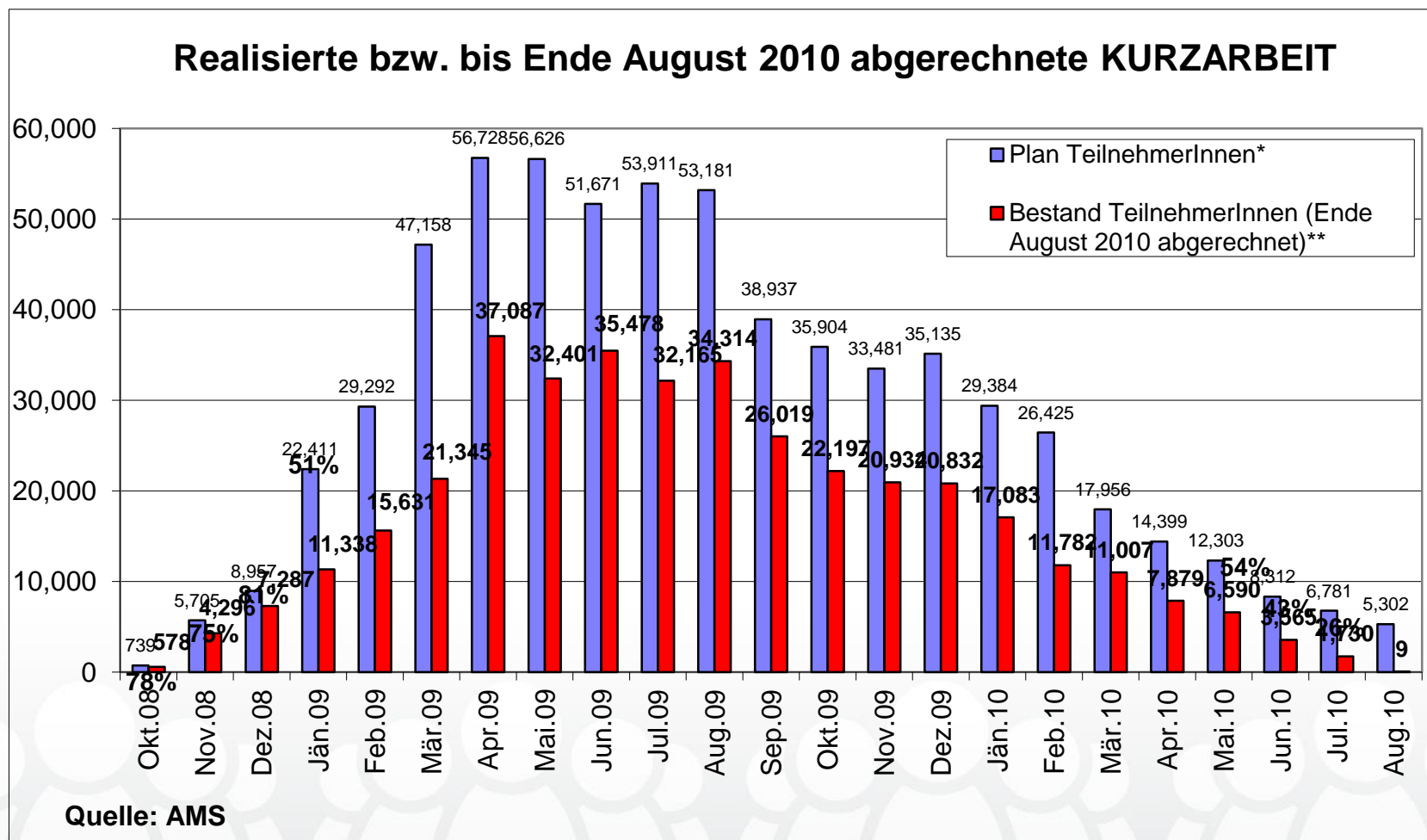
* Footnote by all the European Union Member States of the OECD and the European Commission: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Source: OECD, Tax-Benefit Models. www.oecd.org/els/social/workincentives



Social Partnership – Short Term Work

2009: Ca. 66.000 effektiv Kurzarbeitende (durchschnittl. ca. 26.000; ca. 20% Frauen) in 300 Betrieben; 113 Mio. € (=0,05% BIP) , durchschnittl. 24% AZ-Reduktion (13 Mio. Stunden von 5,6 Mrd., 0,25% AZ-Reduktion)



Unemployment Rates by Educational Attainment (2012)

