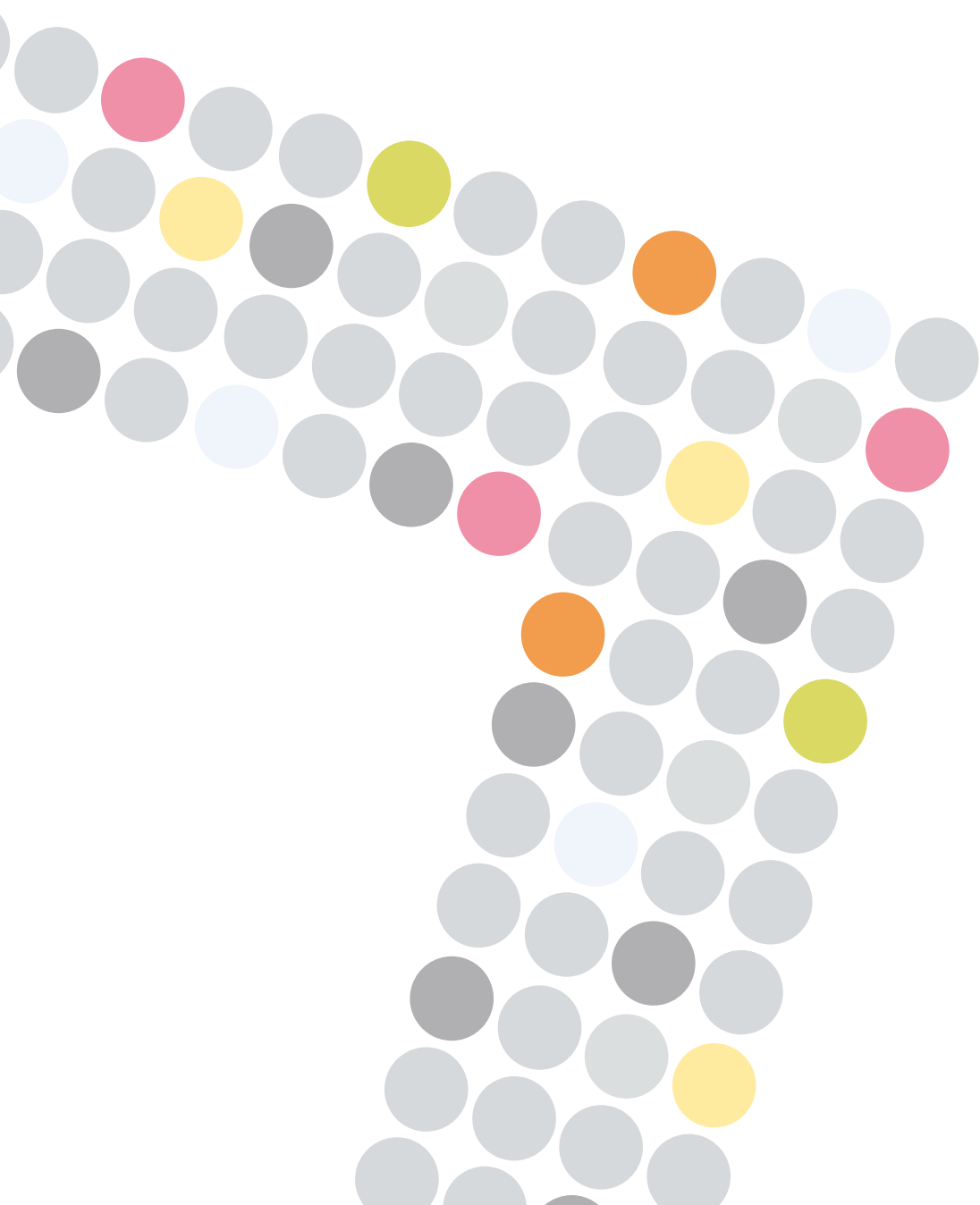


Implementation of Activation Works in Slovakia

Evaluation and Recommendations for Policy Change
Final Report



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December 2013

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List of Abbreviations

AFM	Anti-flood measures
ALMP	Active Labor Market Policies
AW	Activation Works
BMN	Benefit in Material Need
CEE	Central and Eastern Europe
COLSAF	Central Office of Labor, Social Affairs and Family
ESF	European Social Fund
LFS	Labor Force Survey
MOLSAF	Ministry of Labor, Social Affairs and Family
MRC	Marginalized Roma Communities
PES	Public Employment Services
UNDP	United Nations Development Program

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Background

This report **evaluates implementation of Activation Works – a key mainstream labor market policy measure** implemented in Slovakia. The main focus is on its **specific effects on Roma facing social exclusion**. The research was commissioned and funded by the Making the Most of EU Funds for Roma program of Open Society Foundations with the goal of informing policy makers in the process of strategic planning and programming for the upcoming EU structural funds programming period. Findings build on **field work** in 11 localities carried out in spring and summer 2013 and **statistical analysis** using Slovak Labor Force Survey data.

The Activation Works program was introduced in Slovakia in 2004 as part of social benefits reform, replacing previously used publicly beneficial works. Over the decade of implementation, Activation Works have become a strong part of the active labor market policy framework in Slovakia. **According to data from COLSAF for 2012, 753,853 activation benefits were paid out in total, which equals €47.54 mil paid out from the state budget. Additional €3.5 mil. were paid out in 2012 from European Social Fund** to cover expenses for tools and coordinators. Overall, on average about 55,000 activation allowances continue to be paid out monthly in 2013, making **Activation Works** the active labor market policy measure with the **highest number of participants**.

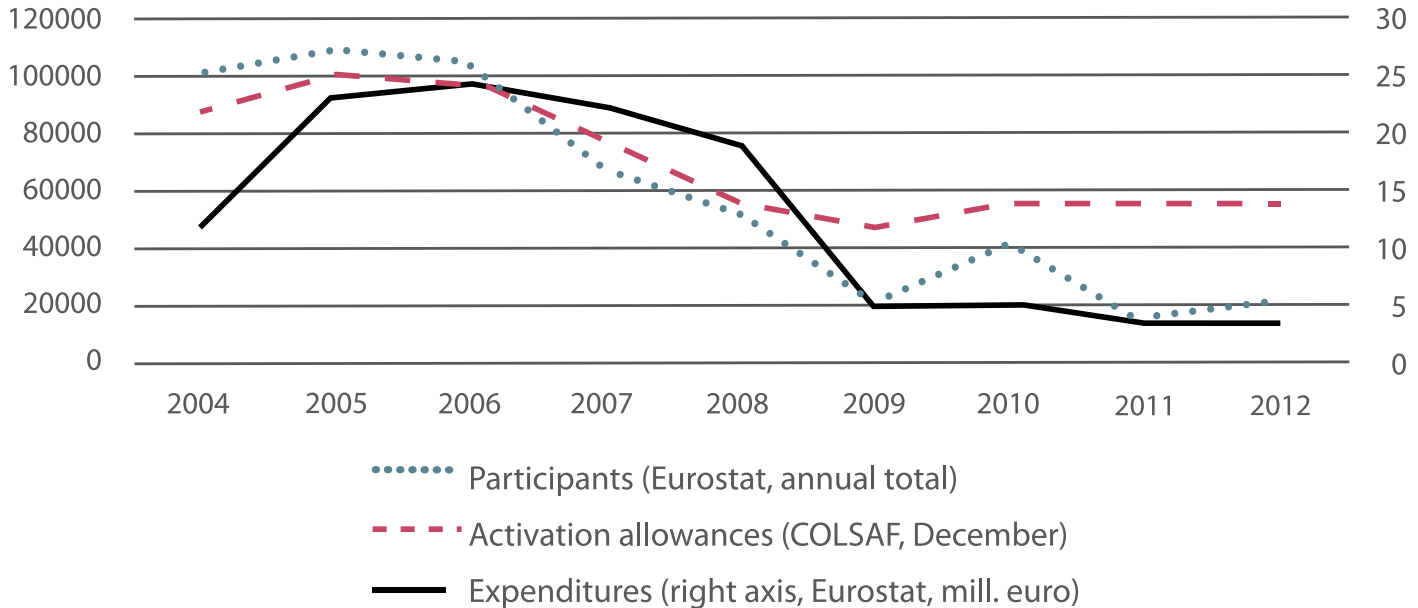
The key message of this report is that Activation Works are strongly embedded in and impact local socio-economies. They increase the income of participants and provide labor services to municipal governments at no direct cost but also have a number of other effects. **The measure is not very effective at improving the chances of participants to gain sustainable employment. There are wider effects – benefits and costs - to both participants and other stakeholders.** These should be taken into account in analyses and decisions on Activation Works. Importantly, **Activation Works fulfill a social policy function, which goes beyond employment creation *per se*.** They serve as an important **social policy instrument** for people in poverty, with low education and other characteristics of exclusion. Roma are generally highly overrepresented in this group.

Key design features

The objective of Activation Works defined in law is to **promote and maintain working habits of long-term unemployed**. Activation Works are implemented under two parallel laws: Law 5/2004 on Employment Services which sets the basis for Activation Works based on contract between the worker and Labor Office and Law 369/1990 on Local Self-Government which legislates Activation Works contracted between the worker and the municipality. This in effect creates two types of Activation Works. Important details of implementation of both types are legislated by Law 599/2003 on Material Need.

Parallel stipulation of the design and implementation of Activation Works in two key legal norms (labor market norm and social policy norm) **suggests that while the declared objective of the measure relates to increasing employability by preserving work habits, the objectives of Activation Works go beyond this more narrow interpretation as an ALMP tool. Activation Works effectively serve as a social policy tool too.**

Activation Works: participants (left axis) and annual budget (right axis)



In order to take part in Activation Works, participants have to be recipients of Benefit in Material Need (BMN) and be registered unemployed (long-term unemployed in the case of Activation Works contracted by Labor Offices). When these requirements are met, the decision whether to enter or not to enter into a contract with the unemployed rests with the Labor Office or with the municipality. Once the contract is signed, the unemployed are **required to work 10 – 20 hours a week**. Their participation **does not result in a formal employment contract** and therefore no social security contributions are accrued towards pensions or social insurance.

The existence of the contract and participation in Activation Works sets the right for the **payment of the Activation Allowance** (Aktivačný príspevok), a top-up benefit to persons and families who receive BMN. The amount of activation allowance in 2004 was set at 1,500 SKK (approximately €50) and has since then increased only slightly. The allowance in 2013 consists of **€63.07** and is paid monthly for the period of participation in Activation Works. This represents an increase in social benefit amount of even more than 100% (over the €60.50 basic benefit paid to an individual). Regardless of the hours worked (10 or 20), **all participants receive less than the statutory minimum hourly wage** which was just below €1.90 per hour in 2013. In November 2013 Slovak Parliament approved a reform requiring some social benefits recipients to participate in activation works as conditionality for payment of basic social benefit.

There are currently **many long-term unemployed recipients of benefit in material need who are eligible and would like to take part in Activation Works but do not have an available position**. The number of positions created is fully at the discretion of the labor office or municipality. In municipalities with lower unemployment and lower share of Roma often positions were created for all eligible unemployed individuals.

Profiles of participants

The measure targets prime age workers (75% of participants are 25-54 y.o.), but also youth (16% are 15-24 y.o.). **Participants have low levels of education:** 88% have attained only up to lower secondary education (ISCED 0-2). **The measure by design targets long-term unemployed: 92% of participants have been unemployed for longer than 12 months.** Close to a fifth are people considered disadvantaged by age (over 50 y.o). **The key features** which distinguished Activation Works participants from non-participants are **low education, residence in Banská Bystrica, Košice or Prešov regions and non-Slovak ethnicity**. Quantitative analysis of selectivity of participants showed that an individual who is low-educated, lives in a deprived region, is Roma, and has been long-term unemployed, the prospects of BMN receipt and activation are much higher compared to an individual with more favorable education background, of Slovak ethnicity, and residence in Bratislava or Western regions.

Roma constitute a large share of participants in Activation Works. The exact share is impossible to quantify but in many localities where there are a lot of Roma the share can be close to 100%. A 2010 UNDP survey of Roma households found that 47% of Roma had participated compared to 5% of the general population (See Box 1). **Being Roma increases probability of participation in Activation Works seven times compared to a non-Roma with similar characteristics.**

Box 1: How many Roma are involved in Activation Works

A precise measurement of the scale of Roma involvement in the measure is not available, as administrative data collected do not include information on ethnicity. Our discussion during the process of trying to gain administrative micro-data revealed that COLSAF estimates that approximately 80% of Activation Works participants are Roma. Survey organized by UNDP in 2010 about living conditions of Roma households also contained a question about participation of Roma households in the Activation Works (Filadelfiová & Gerbery, 2012).

The survey is not representative of the general population, but fairly representative of Roma population and population living in the vicinity to Roma settlements. It found that 47% of working age Roma have ever participated in an activation program, and no differences in participation existed based on the type of settlement (segregated, separated, spread). This compares to only 5% of general population which had ever participated in an activation program. Compared to 2005 when the previous survey was conducted, the share of Roma who have ever joined the activation rose by approximately 10 percentage points (from 37.2% to 46.6%). Roma men are more likely to participate, and gender gap in participation is the highest (17%) in segregated settlements. The highest participation rate was found for Roma aged 40-49 (62%) and 30-39 years (57%). **Interestingly, these shares are approaching employment rates of general population in an open labour market.**

The survey also investigated past participation based on present labour market status (employed, unemployed, inactive). The highest participation rate of 67% was found among currently unemployed Roma, this compared to only 44% previous participation rate of unemployed general population. Previous experience with activation was also identified among currently employed Roma – 49%, which however compares to only 3% among general population currently employed. Previous participation of currently inactive reached 22% of Roma, and 2% of general population.

Source: UNDP Survey, 2010

Dual system of activation

Activation Works are **implemented by two parallel systems: on the basis of contract with Labor Office and on the basis of contract with municipality** (Table 1). The extent of Activation Works offered by labor offices as part of ALMP measures co-funded by European Social Fund has declined significantly since 2008. This is a result of reform which limited maximum duration of Labor Office-contracted Activation Works to 18 months within one spell of unemployment, effectively shifting the demand to Activation Works contracted by municipalities. As of 2013, **Activation Works contracted by labor office comprise roughly only about 10-20% of total Activation Works activity**, while majority of Activation Works are organized on the basis of contract with municipality.¹

¹ For reasons of simplicity and consistency, we use the term Activation Works throughout this text to denote both models as either 'organized by labor office' or 'organized by municipality'. Across labor offices and other stakeholders there is a lot of variation and confusion over the names of the two schemes in Slovak and the terms Activation Works and Small Municipal Works are often used interchangeably.

Table 1: Field work municipalities: overview

Table 1	Contracted by Labor Office	Contracted by municipality
<i>Law</i>	Law 5/2004 on Employment Services (Section 52) and Law 599/2003 on Material Need (Section 12)	Law 369/1990 on Local Self-Government (Section 3 paragraph 3 subparagraph a)) and Law 599/2003 on Material Need (Section 12)
<i>Conditions to participate</i>	- Recipient of BMN - long-term unemployed, registered for at least 12 months	- Recipient of BMN - unemployed
<i>Activation Allowance</i>	€63.07	€63.07
<i>Work time</i>	Max. 20 hours per week	Min.10 hours and max. 20 hours per week
<i>Maximum duration of participation</i>	18 months: 6 plus 12 months; applies to one unemployment spell, person cannot be activated again in this unemployment spell	After 18 months a 6-month break has to follow, a person can be activated again
<i>Salary of coordinators and work tools refunded to municipality by Labor Office</i>	Yes	No
<i>Audit/Oversight by Labor Offices</i>	Yes	No

Source: Authors

There are many **implementation set-backs** stemming from the existing organization of Activation Works and division of powers and obligations among public bodies. **The bulk of implementation burden has been transferred onto the municipal actors** but without providing them with appropriate powers (and finance). Nevertheless, municipal governments are key beneficiaries of Activation Works.

Major inefficiencies appear, however: overall **efficiency of the work performed is reduced by a lack of coordinators; mayors lack instruments to motivate** Activation Works participants and to use existing workforce in a wider range of more meaningful tasks; **displacement of regular full-time positions takes place** to some extent, as the existing design does not prevent job displacement.

Effects such as substitution (of one job seeker for another) and displacement effects (on businesses providing the kinds of services provided by Activation Works) are not unique to Slovakia, as they are key concerns in similar types of public job creation measures elsewhere.

Implementation practice

Large **differences exist in implementation** practices of Activation Works across different regions and cities or villages within them. **The size of municipality and the number of eligible unemployed affect the implementation practice the most.** In larger municipalities (cities), activation workers were often integrated into municipal enterprises (technical services/technické služby) where they could perform more meaningful tasks and at times progress into regular employment. In small municipalities with large number of people who could be activated, mayors typically had difficulties to organize such large number of people in meaningful way.

Although the law allows a wide variety of activities to be performed majority of Activation Works participants did **simple cleaning jobs, grounds keeping or snow removal in the winter.** Sometimes, building upkeep and construction tasks were performed by the more manually skilled workers. We found **cases where Roma participants were in effect treated differently from other participants – e.g. assigned harder or lower status jobs,** consistent with earlier critique of the program.

Motivations to participate and disincentives to work

The key motivation to participation in Activation Works, especially for the poorest households, is to increase family income. For most poor Roma and non-Roma households, Activation Works provide the only opportunity to gain additional legal income, especially during the period of economic downturn.

There appear to be two profiles of Activation Works participants: one group which participates out of necessity and another group, which could find other employment but to whom Activation Works represent an alternative for reconciling family and work demands. **Under certain conditions, Activation Works present a convenient alternative to low-paid employment requiring travel away from municipality because of limited transport connections and the cost of travel.**

We found that **Roma participants mostly belonged to the first group of clients, for whom participation in Activation Works represented the only possibility to supplement their social benefits** and who would take up full time employment at a decent pay, if offered. **Different motivations to participate in Activation Works should be taken into account when assessing impact of the measure** on enabling more sustainable employment prospects. Only for a smaller group of people, a desire to find a job on the open market is lacking.

Motivations to organize Activation Works also need to be considered. Especially for **small municipalities** Activation Works presented a **valuable and sometimes indispensable source of labor** which they would not be able to pay for under “normal” circumstances. Another motivation to organize Activation Works lied in **the effort to maintain social peace and to improve social situation of families.**

Impact, efficiency and effectiveness

Slovak legislation only articulates limited objectives for the measure: **“to preserve participants’ working habits”**. While “working habits” are not easily defined or measurable, the measure for participants significantly approximates standard part-time work. In this sense, the **explicitly formulated objective is met**.

Participation in Activation Works does not contribute to finding sustainable employment for Roma but also does not prevent Roma from finding employment in primary labor market, as has been argued by several evaluation studies to date. **The key factors contributing to persistent unemployment of Roma** are poor **labor market conditions** overlapping with regions with higher share of Roma, **lack of skills** of most Roma due to their low education levels, and **ethnic discrimination** in local labor markets. In field research in rural localities we came across very few cases of individuals reintegrated in the open labor market after participating.

Implications of 2014 reform of Law on Material Need

In November 2013 the Slovak parliament passed a new Law on Material Need (“Zákon o hmotnej núdzi”) with direct implications on the implementation of Activation Works. The new Law **pushes the system more strongly towards a workfare design**, introducing **mandatory activation** at the local government’s discretion to receive basic amount of benefit in material need. Findings of this project imply that **such condition will not be implementable in municipalities with very high unemployment and many persons relying on social assistance**. Even with the planned increase in the number of coordinators it is unlikely there will be enough capacity to supervise and organize Activation Works in their present extent, let alone if the numbers of participants increase significantly. **The approved reform fails to incorporate training element into Activation Works and addresses very few weaknesses of the design and implementation** of the system described here.

Recommendations

There is wide scope for improvement of the implementation of the measure, much of which can be done at no or low cost. On the ground, we saw examples of **improvisation and innovation in implementation, some of which can be shared across municipalities as good practice**. In making policy decisions on Activation Works, including decisions on 2014-2020 European Social Fund programming, the government and other stakeholders should consider not only the employment aspects but other effects – social policy implications, effects on non-participants and business, and effects on municipalities. It is important to acknowledge that in the most deprived localities, poor people often have no other means to legally increase their income; the situation might be different in more affluent regions in the country.

Should opportunities to take part in Activation Works be reduced without otherwise supplementing incomes of people living in poverty there are multiple side effects on the functioning of local labor markets and social peace. **Any change to the existing system will disproportionately affect Roma and other ethnic minorities in Slovakia**.

Broad recommendations include these areas:

Review the dual system of Activation Works organized by Labor Offices and municipalities – neither of these is an ideal model but the provision of coordinators and work tools seems important to effectiveness and efficiency of Activation Works.

It is not widely recognized that the Activation Works organized by municipalities are the dominant modality of the measure used. This option rests fully on the capacity and discretion of local governments, and is neither assisted nor monitored by Labor Offices. These Activation Works are often without coordinators, leading to inefficiencies, which could be eliminated at relatively low cost even without broader changes to the program.

Based on international findings, an explicit skill upgrading element is essential to improve effectiveness of the measure; while the legal framework makes major systemic change complicated, informal training and skill development can be integrated into the existing system and should be targeted especially at the younger cohorts. Pairing-up young workers with more experienced workers in order to enhance scope for skill upgrading and on-the-job training and learning is a no/low cost first step to enhanced skill element in the implementation of the measure.

Consider a multi-level system of 'Activation Works'; this could start by giving at least a limited number of opportunities for hard-working individuals to graduate to a regular full-time or part-time employment position; some municipalities selected workers for anti-flood measures on the basis of their performance in Activation works; offering fixed term public employment contract, such as the former Publicly Beneficial Works, could represent another option.

Demand for Activation Works in western regions of Slovakia seems to be unfilled; while internal migration and commuting greater distances is a problem, for certain group of Activation Workers (young, single), working on activation works for a different municipality might be an attractive option.

Cost-benefit analysis of the possibility of direct budget transfer to municipalities instead of activation allowance to individuals should be considered; a strong benefit of such framework would be an improved incentive structure for mayors and possibility for better organization of work; in order to have employment effects, direct transfer would need to be tied to the creation of public employment but also could be tied to paying contractors employing local persons who are benefit in material need recipients, long-term unemployed or disadvantaged in other ways.

Changes in the design could lead to creation of full time employment, although far fewer places would be created than the current number of activated workers. Potential for further job creation exists, if conditions are created to go beyond the provision of basic upkeep services in the municipalities. Examples provided in our interviews included better usage of municipal land for agricultural production for local consumption or availability of funds for reconstruction and renovation of municipal property. Further demand stems from the rising need for increased provision of municipal social services and care for elderly. These services are currently underprovided relative to need. Social enterprises or other forms of innovative business activities started by local governments may provide significant

benefits beyond those to the people directly employed by them to wider community through spillover and multiplier effects.

A monitoring and evaluation framework should be put in place and data should be shared with researchers for evaluation; improved monitoring and evaluation practice would allow ongoing improvement of the implemented measures.



I. Introduction

The aim of this report is to analyze the implementation practices and effects of a key mainstream Active Labor Market Policy (ALMP) measure implemented in Slovakia – Activation Works (“aktivačné práce”), also known as Small Municipal Works (“menšie obecné služby”). We in particular study the contribution of the measure towards sustainable employment outcomes of Roma in Slovakia. The study was commissioned by Open Society Foundations as part of ‘Making the Most of EU Funds for the Roma’ program. In addition to evaluating contribution of Activation Works to Roma employability, we also present a detailed analysis of design and implementation of the measure contextualized in diverse local settings across Slovakia. Lastly, we identify reasons for low impact of the measure on improving labor market outcomes of participants.

Roma in Slovakia face poor labor market outcomes and their situation has worsened over time (European Union Agency for Fundamental Rights, 2012; Messing, Brozovicova, Fabo & Kahanec, 2013). Compared to the other countries in Central and Eastern Europe (CEE), they fare the worst, even though Roma in Slovakia are on average better educated than in other CEE countries (except for Hungary). The structure of the economy with weak demand for low-skilled workers combined with stigmatization of low-skilled workers (Kureková, Haita, & Beblavý, 2012) and de facto discrimination on the labor market contribute to this situation (Messing, 2012). In addition to limited labor market opportunities for low-skilled, recent research has also highlighted significant weaknesses in the provision of Public Employment Services (PES) and active labor market policy (ALMP) measures (Duell & Kureková, 2013; Kureková & Kontseková, 2013a, 2013b; World Bank, 2012b).

The existing studies about Activation Works tend to view the measure as generally ineffective, possibly having even negative impact on labor market outcomes of participants (Bořík & Caban, 2013; Harvan, 2011). However, a robust evaluation of the impact of Activation Works on Roma specifically has not been carried out. Moreover, existing assessments of Activation Works typically do not contextualize the measure into a broader institutional and labor market context. Given that Activation Works are only available to people receiving the benefit in material need (BMN), there is a strong correlation between levels of participation in Activation Works and labor market conditions across Slovak administrative districts. Moreover, poverty and dependence on social assistance disproportionately affect Roma. Therefore, finding a negative impact of the measure might be confounded by various other parameters (e.g. ‘Roma effect’ – effect of the participant being of Roma ethnicity – or ‘labor market effect’ – effect of local or regional labor market situation). Establishing the relative effects of this set of factors would enable a more balanced evaluation of the measure and in turn provide for more relevant input into policy adjustment. To this aim, we combine a statistical analysis of selectivity of people into Activation Works with qualitative research based on field work in a quasi-random stratified sample of 11 municipalities in three Slovak regions.

The findings and recommendations of the report can inform policy-makers considering further changes to the existing system of activation and provision of social assistance as well as researchers and analysts. We point out that Activation Works are strongly embedded in and impact local socio-economies. On one hand, they increase the income of participants and provide labor services to municipal governments at no direct cost along with a number of other beneficial effects. On the other hand, the measure is not very effective at improving the likelihood that participants gain sustainable employment.

The key reason is the fact that take-up of the measure is concentrated in the poorest areas in Slovakia with high concentration of unemployment and poverty, essentially without employment opportunities in the primary labor market. Activation Works have wider and more complex effects – benefits and costs – to both participants and other stakeholders. These effects should be taken into account in analyses and policy changes to Activation Works.

Since their introduction in 2004, Activation Works have become a significant part of the active labor market policy framework in Slovakia. In November 2013 the government passed a new Law on Material Need (“Zákon o hmotnej núdzi”) with direct implications on the implementation of Activation Works. The new Law pushes the system more strongly towards a workfare design. It does not introduce the missing training element or address the other notable shortcomings of Activation Works design and implementation identified in this research project. In the final parts of this report we relate findings of our research to the legal changes to be effective from January 2014.

II. Methodology and data

Our approach to evaluating Activation Works combines qualitative and quantitative analysis. In order to assess differential impact of Activation Works on Roma and non-Roma, we originally proposed to work with a micro-level administrative dataset about participants collected by COLSAF, merged with data about labor market outcomes collected by Social Insurance Agency (Sociálna poisťovňa). As we were unable to gain access to this data source in due time, we extended the qualitative part to cover a wider typology of municipalities. In addition, we analyzed Labor Force Survey (LFS) data to study selectivity of participants and their key characteristics. We relied on the following data sources to guide us in the site selection and to provide us with complementary information about Roma participation in Activation Works.

Data

Central Labor Office Administrative Data

The main source of available data is the administrative database of jobseekers and participants in active labor market measures collected by respective labor offices and stored by the Central Office of Labor, Social Affairs and Family (COLSAF). Database tracks key information on all ALMP participants and unemployed, and is provided to public in aggregate form as monthly or early summaries. Information on ethnicity of participants is not collected.

Labor Force Survey

Labor Force Survey is a labor market representative survey widely used to study aspects of the labor market. The Slovak LFS dataset also includes information about working in Activation Works and receiving activation benefits. We merged quarterly data for 2009-2011 to provide pooled cross-section suitable for analysis of factors affecting probability of participation in Activation Works.

UNDP Regional Survey 2011

In 2011 the UNDP and EU Fundamental Rights Agency carried out a survey on a sample of 750 marginalized Slovak Roma families and 250 non-Roma families living in their vicinity. The survey covers various aspects of living conditions and employment of Roma.

Atlas of Roma Communities 2004

The 2004 mapping aimed to locate all Roma communities across Slovak municipalities, collecting secondary information on inhabitants, accommodation units and infrastructure. It does not account for fully integrated Roma. To date it is a widely used source of information about living conditions of Roma on municipal level. Updated version was under preparation but not yet released at the time of this research.

Selection of localities for field work

For field research we applied the method of quasi-random stratified selection based on two criteria: economic conditions and share of Roma in the population. We first selected three regions across Slovakia with some known share of Roma: Prešovský in the East of Slovakia with high number of segregated communities and medium level of unemployment, Banskobystrický in Central Slovakia mostly with more integrated Roma communities and high level of unemployment and Nitriansky in the West, with the lowest unemployment and within commuting distance of the national capital. We then randomly selected specific municipalities in each district, applying information from the 2004 Atlas of Roma Communities as the second criterion.

Selecting municipalities from different regions and districts across Slovakia helps us to contextualize implementation of the measure in significantly different socio-economic environments. On average, far fewer Activation Works are organized in the Western and/or economically more affluent parts of the country. This is important in order to see whether potential for labor market inclusion rises with better labor market conditions. It also enables us to map better potential disincentives to work and the extent to which they stem from the social assistance system. In turn, by selecting municipalities (cities or villages) with a high share of Roma and low share of Roma located in the same district, we are better able to identify varied implementation practices and gain cross-sectional information on outcomes of Activation Works.

Table 2 outlines the proposed selection and shows basic economic and demographic conditions and share of Roma. We anonymize the municipalities to protect sensitive information gathered during the interviews and focus group discussions.

Table 2: Activation Works contracted by labor offices and by municipalities: key characteristics

Table 2			
Locality (City or village)	Population as per Census (2011)	Share (number) of Roma as per Census (2011)	Share (number) of Roma as per Field Research (2013)
Central Slovakia			
District capital city (UR = 35.59%)	24 640	1.0% (247)	-
Village with high share of Roma	735	13.2% (97)	100% (772)
Village with medium share of Roma	2 193	10.9% (240)	29.2% (640)
Village with low share or no Roma	869	0.1% (1)	0

Table 2 continued

Locality (City or village)	Population as per Census (2011)	Share (number) of Roma as per Census (2011)	Share (number) of Roma as per Field Research (2013)
Eastern Slovakia			
District capital city (UR = 22.35%)	33 696	2.4 % (800)	-
Village with high share of Roma	1 058	56% (593)	61.4% (650)
Village with medium share of Roma	586	15.5% (91)	43.5% (255)
Village with low share or no Roma	1 176	0	0
Western Slovakia			
District capital city (UR= 10.37%)	78 916	0.7% (521)	-
Village with high share of Roma	2 838	0.3% (8)	15.9% (450)
Village with low share or no Roma	990	0.1% (1)	5.1% (50)

Source: Slovak Statistical Office and own data based on field work. Note: UR = unemployment rate, data from March 2013, COLSAF

Interviews and focus groups

The field research was conducted between May and July 2013 and was based on semi-structured interviews with a variety of stakeholders and focus groups with Activation Works participants. Interviews and focus groups covered key aspects of organization and implementation of Activation Works, especially selection, motivations, tasks, typical work trajectories, alternatives to Activations Works (for municipal officials and for participants) and implementation difficulties.

In the rural sites we interviewed mayors, coordinators of activation works, and field social workers. In the urban sites, Labor Office staff and representatives of regional offices of the Office of Plenipotentiary of Government for Roma Communities were also approached. In the final stages of the research, we interviewed staff at the COLSAF in Bratislava to gain additional information about the functioning of the measure and to validate initial research findings.

To collect views of the Activation Works participants we organized 11 focus groups composed of 92 present or recent participants of Activation Works. In one of the rural municipalities with medium unemployment rate two focus groups took place – one Roma and one non-Roma. In another rural municipality with low unemployment rate we were unable to organize a focus group due to logistics constraints (at the time when the researchers visited the locality activation workers were in the field). Interviews and focus groups sessions lasted 20 to 90 minutes. All of them were recorded and conducted in a uniform manner in line with the prepared interview guides.² Semi-structured interviews were conducted with officials in municipalities – mayors, relevant regional labor office staff and staff of regional office of the Plenipotentiary for Roma Communities.

² Full versions of interview guides can be shared on request.

The size of focus groups was between 4-13 participants. Focus groups were organized with the help of mayors or municipal staff who were asked to approach activation works participants of different gender, age, ethnicity and previous working experience. During the focus groups, none of the mayors was present, but in some instances, organizers of Activation Works attended as well. In no instance did their presence create noticeable negative dynamics. Generally we were able to conduct focus groups with open discussion and gathered a wide range of experiences and opinions.

On average, men and women were represented equally in the focus groups. About two thirds of participants were over 40, the remaining thirds was younger than 40 years. Most of the participants had long-term experience with Activation Works or similar public employment programs (2-12 years) but non-Roma had typically spent fewer years on Activation Works than Roma. The older generation in most cases reported rich previous working experience; some younger participants had no previous working experience. Younger participants were more commonly found in the rural localities. The share of Roma and non-Roma in the focus groups generally mapped on the typology of localities, i.e. Roma prevailed in focus groups organized in municipalities with higher resident share of Roma, while in non-Roma villages, Roma represented a very small minority in the focus groups or were completely absent. Overall based on assessment of local stakeholders (mostly organizers of Activation Works or mayors), 58 (64%) participants were Roma and 34 (37%) were non-Roma.

In some instances there were identifiable biases in the process of selection of focus group participants. In one locality where residents almost exclusively spoke Hungarian, only people speaking some Slovak were selected to participate, to accommodate our research team. There was one locality where only the most active activation workers were present and they were not representative of all the groups reportedly living in the village. Lastly, one focus group was almost exclusively composed of women even though it was men who represented the majority of participants in Activation Works in the given village.

Roma identification strategy

Public institutions do not collect ethnic data on labor market participants. We were able to gauge share of Roma on the overall number of Activation Works participants during field research as mayors and Activation Works coordinators (both Roma and non-Roma) know the ethnic composition of their local population and were generally willing to share this information. Ethnicity was openly discussed during focus groups when participants identified themselves as Roma or non-Roma in the discussions. Labor Force Survey which was used for statistical analysis includes a nationality variable where some participants reported Roma ethnicity/nationality. Given that Roma ethnicity is widely underreported, the results underestimate the 'Roma effect'. For a more detailed picture of the ethnic aspect of activation, we relied on existing data sources focused on Roma, namely UNDP Regional Roma Survey 2011, which included a question about participation in Activation Works. Combining these sources and approaches, we achieved relatively comprehensive mapping of the ethnic aspect in Activation Works.

Hypotheses and expectations

The existing studies about Activation Works tend to view the measure as generally ineffective, possibly having even a negative impact on labor market outcomes of participants in the measure (Harvan, 2011). However, a robust evaluation of the impact on Roma specifically has not been carried out. In addition, what has been missing in the existing works is contextualizing the application of the measure into a broader institutional and labor market context. Given that Activation Works are only available to people receiving the benefit in material need (BMN), there is a strong correlation between participation in Activation Works and labor market conditions across the Slovak districts. Moreover, poverty and dependence on social assistance disproportionately impact Roma. Therefore, finding that Activation Works do not increase chances of participants on labor market inclusion or that they might even affect it negatively might be actually capturing a 'Roma effect' (possibly the effect of discrimination) or 'labor market effect'. Establishing the relative importance of these factors would enable a more balanced evaluation of the measure. We also seek to identify which factors contribute to the poor impact of Activation Works on labor market inclusion of participants.

Limitations and strengths of our approach

The strength of our approach lies in gathering rich field evidence across very different socio-economic backgrounds and from all the involved stakeholders and in using diversified methodological approaches (Woolcock, 2013). First, by means of random selection of municipalities from areas with varied economic performance, we were able to contextualize implementation of the measure in different opportunity structures for individual participants. Second, in the case of a lack of administrative or other data with information on ethnicity covering a large number of individuals, field research appears useful to gain more precise understanding of the importance of ethnicity in shaping the impact of the measure. On the municipal level we were able to gain quite precise information about ethnic composition of participants in Activation Works and to gauge how ethnicity might be affecting motivations to participate or to organize Activation Works, as well as disincentives to seek or find employment in the open labor market. Lastly, we also tried to work with a counterfactual scenario of "no Activation Works", which prompted stakeholders and participants to consider alternatives to the existing framework. The counter-factual scenario of non-existence of activation works reflected existing policy debates characterized by statements about ineffectiveness of Activation Works and calls for abolishing the measure were made both by the European Commission staff in public and COLSAF staff in the interviews.

Our analysis has several limitations. First, it is not based on administrative data which would enable to compare participants with non-participants, and to quantify net impact of the intervention, which is the state of the art of current micro-level quantitative impact evaluation studies (Lehmann & Kluge, 2010). This standard evaluation strategy was not possible as we were not granted access to administrative data by official authorities. Second, our focus groups by design only captured participants in Activation Works. We partially dealt with this limitation by inquiring in the course of the field work about possible motivations not to participate and by attempting to reconstruct trajectories of successful participants by identifying factors which seem to increase chances of finding a job after participating in the measure. An important analytical strategy was prompting our interviewees (mayors and participants during focus groups) to consider a scenario when Activation Works would not exist. Third, focus groups were arranged by mayors or Activation Works organizers, which could have affected sample selection. In some instances we recognized that the

participants present were selected on the basis of perceived motivation, skills or other important characteristics. These limitations were kept in mind when interpreting empirical data gathered in the field.

III. ALMP framework in Slovakia

General background

The existing framework of labor market policies was set up by a major reform of the Slovak welfare system introduced in the early 2000s. The core legal norm which defines active labor market policy framework is the Act on Employment Services (no.5/2004). In 2003 and 2004 social assistance system was also reformed in a significant manner. The core of the changes rested in significant reductions in the level of payments and incorporation of stronger pro-work incentives into the provision of the Benefit in Material Need (BMN), the key income support scheme in the Slovak Republic. In response to social upheaval following the radical reform, a system was put in place whereby the level of social assistance benefits was set at a base that can be increased by an activation allowance for participating in Activation Works, or by protection allowance granted on the basis of health or age criteria (World Bank, 2012a).

The existing active labor market policies framework has been amended multiple times since 2004, but most changes were not systemic and typically related to minor adjustments in the functioning of the existing measures. A range of new measures ('paragraphs') were established especially during the 2008-2009 crisis in response to the rising unemployment problem, some of which are no longer actively used. In May 2013 the most extensive amendment of the Act on Employment Services came into force, which abolished a number of measures and changed quite substantially how the Public Employment Services work (Duell & Kureková, 2013). The May 2013 reform kept most of the previous provisions of Activation Works as defined in par. 52 in place.

While working on this project, the reform of the Law on Material Need was approved in November 2013 with direct implications on the implementation of Activation Works. The new Law pushes the system more strongly towards a workfare design, introducing mandatory activation at the local government's discretion to receive basic amount of benefit in material need. Some key changes regarding benefits in material need and activation are summarized in Box 2 below. Based on findings of this project, we anticipate that such condition will not be implementable in municipalities with very high unemployment and many persons relying on social assistance. Even with the planned increase in the number of coordinators it is unlikely there will be enough capacity to supervise and organize Activation Works in their present extent, let alone if the numbers of participants increase significantly. The approved reform fails to incorporate training element into Activation Works and addresses very few weaknesses of the design and implementation of the system described here.

Box 2: Changes regarding activation in Law on Assistance in Material Need

The law was approved on October 29, 2013, then vetoed by the President and again approved by parliament on November 26, 2013. The new law goes into effect on January 1, 2014.

The law establishes the level of benefits in material need (the amount represents a 1.8% increase over previous levels) – basic individual benefit is EUR 61.60. Benefits for couples and households for children are defined separately.

For adults, the law establishes a new **obligation to work for a minimum of 32 hours per month** on contract

A. for small municipal services with a municipality or municipal firm/institution,

B. for volunteer work based on Law 406/2011 on Volunteering,

C. for work on preventing emergencies, during emergencies or eliminating the consequences of emergencies defined by Law 42/1994 on Civil Defense.

If a recipient of benefit in material need has been **offered and refused such a contract**, the amount of **benefit in material need is reduced** by the full amount of EUR 61.60 per adult.

The benefit is not reduced under certain conditions such as when the individual is continuously on sick leave approved by medical doctor for 15 days (in which case the 32-hour requirement is reduced pro rata) or when he or she takes part in activation works.

A minimum requirement of 64 hours per month is established for activation works (replacing previous minimum of 40 hours per month) with a maximum of 80 hours per month. This hourly requirement is additional to obligation to work in order to gain the basic benefit.

Source: Authors

Spending and financing

Compared to OECD countries, Slovakia has very low expenditures on active labor market policies (ALMPs). In 2010, they amounted only to 0.23% of GDP as compared to 0.54% EU27 average in 2009. Slovakia differs from other OECD countries quite markedly in the structure of expenditures towards different objectives (World Bank, 2012c). Very little is spent on training measures, while a higher share of GDP compared to many other countries is spent for start-up incentives. The spending in the recent years has been biased towards the support of start-ups and self-employment and against training measures. This reduces the benefits to the Roma minority and other disadvantaged groups, mostly handicapped by a lack of skills and therefore unable to benefit from measures that target unemployed with more limited or no disadvantages (World Bank, 2012a).

Since 2004, ALMPs in Slovakia have been co-financed through the European Social Fund. The key employment focused program in 2007-2013 financing period is the Operational Program "Employment and Social Inclusion" (OP E&SI), which was allocated 881.8 million EUR,

with 155.6 million EUR national co-financing, amounting to 1,037 billion EUR. About half of these funds were envisaged to be spent on priorities targeting employment (Vašečka, 2011). Across this and other operational programs, horizontal priority 'Marginalized Roma Communities' (MRC) should ensure allocation of funds to Roma minority (for more details about institutional set-up see Kureková & Kontsekova (2013a)). The implementation has been problematic and results have not been measured (Kumanová & Škobla, 2012; Salner, Košťál, Hojsík, & Poláčková, 2013).

IV. Activation Works as key labor market policy targeting Roma

Key design features

The objective of Activation Works defined in law is to promote and maintain working habits of long-term unemployed. Activation Works are implemented under two parallel laws: Law 5/2004 on Employment Services which sets the basis for Activation Works based on contract between the worker and Labor Office and Law 369/1990 on Local Self-Government which legislates Activation Works contracted between the worker and the municipality. This in effect creates two types of Activation Works. Important details of implementation of both types are legislated by Law 599/2003 on Material Need. Parallel stipulation of the design and implementation of Activation Works in two key legal norms (labor market norm and social policy norm) suggests that while the declared objective of the measure relates to increasing employability by preserving work habits, the objectives of Activation Works go beyond this more narrow interpretation as an ALMP tool and can be viewed as a social policy tool, too.

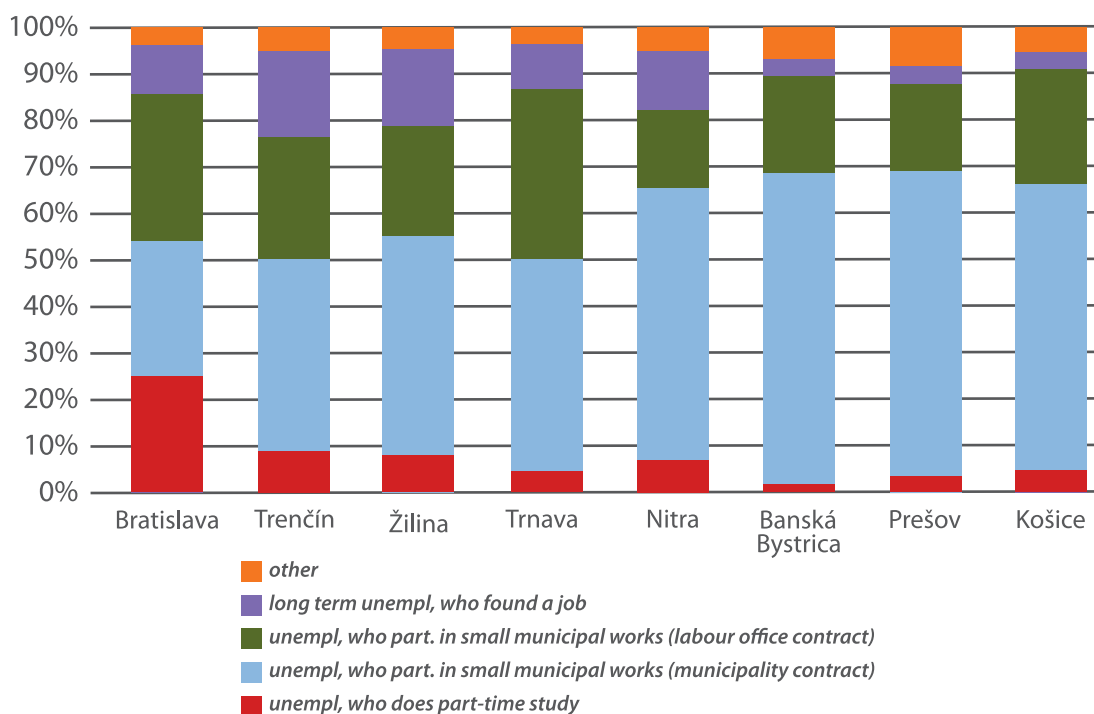
In practice the two forms of Activation Works – contracted by Labor Office or contracted by municipality (Table 2) - are considered very similar by municipal actors and participants. In order to qualify for both types of the measure, participants have to be recipients of Benefit in Material Need (BMN) and be registered unemployed (long-term unemployed in the case of Activation Works contracted by Labor Offices). When these requirements are met, the decision whether to enter or not to enter into a contract with the unemployed rests with the Labor Office or with the municipality. The existence of the contract and participation in Activation Works sets the right for the payment of the Activation Allowance ("Aktivačný príspevok"), a top-up benefit to persons and families who receive BMN.

Our field work showed that activation allowance is the key motivation to participate in Activation Works. The amount of activation allowance in 2004 was set at 1,500 SKK (approximately €50) and has since then only slightly increased. The allowance in 2013 consists of €63.07 and is paid monthly for the period of participation in Activation Works. The unemployed are required to work 10 – 20 hours a week, but their participation does not result in a formal employment contract and therefore no contributions are accrued towards pensions or social insurance. In this sense activation works represent a "workfare" approach.

In addition to participation in Activation Works, activation allowance can be earned also by participation in continued education and training (Figure 1). If unemployed finds employment or starts self-employment, s/he is entitled for a receipt of activation allowance for additional 6 months, subject to income caps. However, in 2011 a large majority (89%) of BMN recipients getting activation allowance participated in small municipal works schemes. Only 7% got an allowance for starting a job after having been long-term unemployed and only 3% were enrolled in further education. In addition, there is quite large regional variation in this aspect. Long-term unemployed who started

to work and receive allowance are on average much more present in regions with better labor market outcomes, whereas the regions facing the worst conditions – Banská Bystrica, Prešov and Košice - have only few of such workers (Figure 1).

Figure 1: Activation allowances by basis for receipt and region, September 2011



Source: Ministry of Labor, Social Affairs and Family in (World Bank, 2012a)

Activation Works are implemented in two parallel forms which result in important differences in implementation practices, and might also affect selection into the measure (Table 2). First, in order to qualify for Activation Works contracted by Labor Offices the applicant has to be a long-term unemployed and registered with the Labor Office for a minimum of 12 months. The length of registration with labor office is not set a precondition in order to take part in Activation Works contracted by municipality. Second, minimum work time is only set by law for Activation Works contracted by municipalities, although we found that everywhere minimum working time of 10 hours was observed. Third, the duration of participation is limited in different ways. For Activation Works contracted by Labor Offices one can only participate 18 months within one spell of unemployment period. When taking part in Activation Works contracted by municipalities, 18 months of participation have to be interrupted by a six months break, but the unemployed can then re-enroll in Activation Works (provided that a place is made available).

Fourth, financial and personnel support from Labor Offices to municipalities for implementing the measures differs. For Activation Works contracted by Labor Offices municipalities receive extra funding for the salaries of coordinators and work tools. In the case of Activation Works contracted by municipality, there is no contribution to municipalities towards implementation costs (coordinator, instruments). In 2013, Activation Works contracted by labor office comprised roughly only about 10-20% of total Activation Works activity, while majority of Activation Works are organized on the basis of contract with municipality.³ Hence, many municipalities had to cover implementation costs from their own sources or in some cases not fund them at all. Lastly, Labor Offices cannot supervise and audit the implementation of Activation Works contracted by municipalities.

Municipalities have been complaining about a lack of funds, while media often report cases when formally many people participate, but in reality works are not carried out, contributing to negative public perception of the measure (Kornajová, 2013; Pacherová, 2012; Sinuová, 2011). Field work revealed that the lack of coordinators, supervisory staff and funding for equipment prevented municipalities from engaging Activation Works participants in more varied and sophisticated tasks, which would better approximate open labor market conditions. Lack of resources also prevented better coordination and oversight of activated workers.

³ For reasons of simplicity and consistency, we use the term Activation Works throughout this text to denote both models as either 'organized by labor office' or 'organized by municipality'. Across labor offices and other stakeholders there is a lot of variation and confusion over the names of the two schemes in Slovak and the terms Activation Works and Small Municipal Works are often used interchangeably.

Table 1: Field work municipalities: overview

Table 1	Contracted by Labor Office	Contracted by municipality
Law	Law 5/2004 on Employment Services (Section 52) and Law 599/2003 on Material Need (Section 12)	Law 369/1990 on Local Self-Government (Section 3 paragraph 3 subparagraph a)) and Law 599/2003 on Material Need (Section 12)
Conditions to participate	- Recipient of BMN - long-term unemployed, registered for at least 12 months	- Recipient of BMN - unemployed
Activation Allowance	€63.07	€63.07
Work time	Max. 20 hours per week	Min.10 hours and max. 20 hours per week
Maximum duration of participation	18 months: 6 plus 12 months; applies to one unemployment spell, person cannot be activated again in this unemployment spell	After 18 months a 6-month break has to follow, a person can be activated again
Salary of coordinators and work tools refunded to municipality by Labor Office	Yes	No
Audit/Oversight by Labor Offices	Yes	No

Source: Authors

Municipalities as the key actor and public beneficiary

The major implementing actors of activation works are municipalities. These cooperate with Labor Office, which provides them with a list of unemployed eligible to participate in the measure. Information on the participation in the measure is exchanged on a monthly basis with the Labor Office and regular meetings between the municipalities and the Labor Offices take place. Mayors or in larger cities people in charge of organizing activation works have discretion in deciding the form and extent of the Activation Works. They can usually choose among a high number of applicants. Criteria can be manifold: motivation for work, distribution of activation works among families in need, previous work experience, eligibility rules.

The Act on Employment services defines a range of activities in the following areas: improvement of living conditions, social and cultural conditions, protection of the environment, preservation of cultural heritage, improvement of economic conditions of the municipality, delivery of social services and education as well as other community activities. In spite of the wide range of fields where activation workers could be involved, low-skilled or unskilled manual activities prevail.

In effect, Activation Works are mainly used for street cleaning and maintenance, road maintenance, or environmental tasks, such as tree cutting, lawn-mowing and creating green spaces in the municipality. With lesser frequency other functions are covered, e.g. the construction of municipal areas (e.g. camping grounds, memorials), reconstruction of municipal buildings, helping the elderly,

or working in municipality-run cafeteria or hotel (cook, cleaner, launderer) (Kureková & Kontseková, 2013b).

The law does not stipulate that the activity has to be additional, contrary to established practice in other OECD countries (Duell & Kureková, 2013). While it is not trivial to disentangle which of these activities would have been performed anyway and to what extent the activities are additional, there are reasons to believe that crowding-out of low-skilled open market employment is taking place (Duell & Kureková, 2013; Kureková & Kontseková, 2013b).

Evolution of spending and participants in Activation Works

The number of participants and spending on Activation Works has seen important shifts since the launch of the measure in 2004 (Table 3, Table 4). While the available data about number of participants and expenditures vary depending on the data source, generally the absolute numbers as well as the relative importance of the program in the overall design of ALMPs have declined over time.

The confusion in statistics stems from the dual model of implementation of Activation Works where only those participants and expenses which were incurred in the framework of active labor market policies are typically presented (e.g. Eurostat data, Table 3). This is corroborated by information we gained from public officials who confirmed that national statistics about ALMP measures only present Activation Works participants contracted by labor office, which is currently about 10-20% of all Activation Works organized. According to Eurostat, in 2004 close to 90% of all participants in ALMPs participated in Activation Works, absorbing close to half of total ALMP budget. By 2011, only about one fifth of total ALMP participants belonged to this measure and absorbed only 2% of the total ALMP budget.

According to data from COLSAF for 2012, 753,853 activation benefits were paid out in total, which equals €47.54 mil. Additional €3.5 mil. were paid out in 2012 from European Social Funds to cover expenses for tools and coordinators. 18,814 places in total were created in 2012 on the basis of the contract with the Labor Office (Table 3).

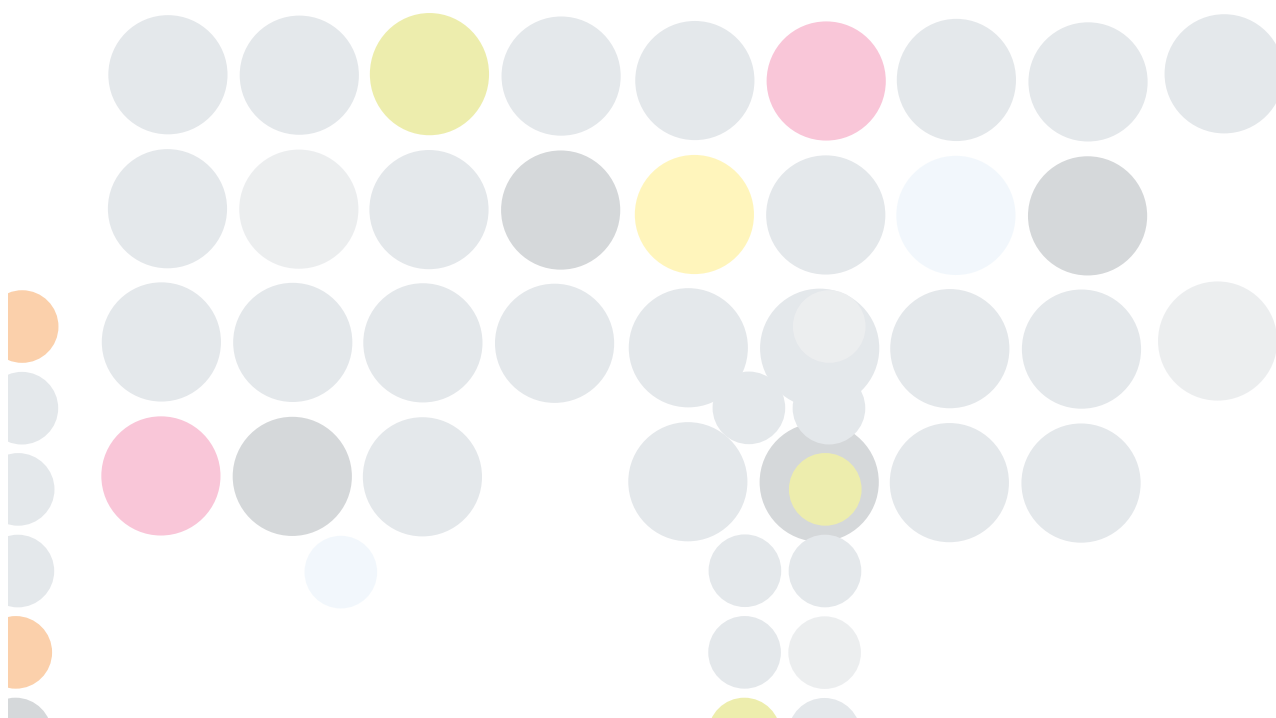


Table 3: Number of participants and budget allocation to Activation Works, per year

Table 3	2004	2005	2006	2007	2008	2009	2010	2011	2012
Partici- pants on AW	100,316	106,315	104,552	65,217	49,975	18,598	40,325	13,180	18,814
Total partici- pants in ALMP	113,787	137,890	142,384	93,838	90,801	63,936	103,529	73,290	94,043
Share AW/ ALMP	88%	77%	73%	69%	55%	29%	39%	18%	20%
Expendi- ture on AW (€ mil.)	11.64	23.09	24.28	22.40	18.81	5.12	5.16	3.81	3.53
Total expendi- ture on ALMP (€ mil.)	24.35	64.85	63.71	63.96	96.92	94.58	152.66	154.16	136.07
Share AW/ ALMP	48%	36%	38%	35%	19%	5%	3%	2%	3%

Source: Eurostat. 2012 data, COLSAF

The actual decline in participant numbers, however, is much lower than ALMP statistics alone would suggest. This is due to the fact that most Activation Works are now implemented on the basis of municipality contract. We collected data about the number of activation allowances paid out (Table 4). Monthly number of activation allowances quite precisely measures the number of Activation Works participants per month. Since 2011, data are presented also separately based on the type of contract (municipality or labor office). According to this data source, decline has been much less marked. We can infer that the number of participants on Activation Works stood at around 55,000 per month between 2008 and 2012. This nevertheless represents a decline in participants by about 50% compared to the inception of the measure in 2004.

Table 4 : Number of participants, December of a given year (monthly statistics)

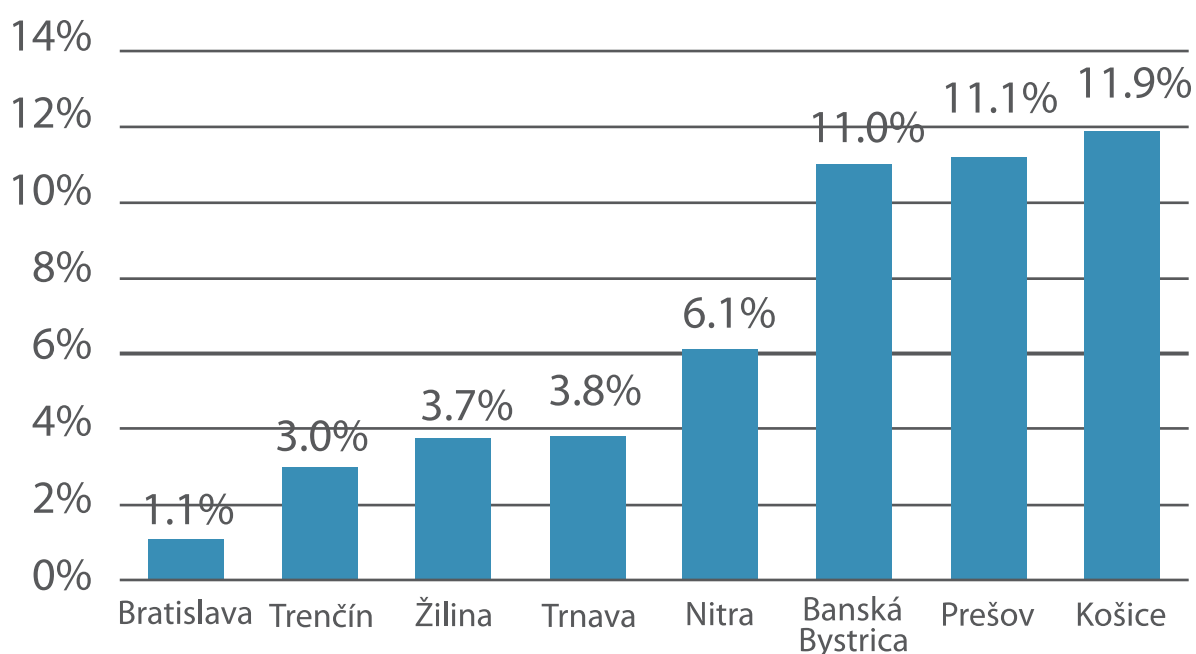
Table 4	2004	2005	2006	2007	2008	2009	2010	2011	2012
Activation allow- ances per month *	88 675	100 520	96 348	78 924	56 201	46 771	55 588	54 857	54 968
Municipality contract	n/a	n/a	n/a	n/a	n/a	n/a	n/a	46 661	46 713
Labor office con- tract	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8 196	8 255
Participants on paragraph 52 **	n/a	n/a	n/a	79 355	10 804	6 857	15 573	6 482	6 046

Source: COLSAF. Note: * 'Social statistics', number of activation allowances paid for participation in small municipal works monthly, December each year; ** ALMP statistics, stock of created work-places, December each year

The observed decline in participant numbers in the labor-office-contracted Activation Works is a result of changes to the administrative conditions. The most significant changes were implemented in 2008, when the duration of participation was limited to 18 months (6+12) during a single unemployment spell. The goal of this change was to prevent Activation Works trap by repeated instances of participation (field work interviews). However, given that incidence is not limited for municipality contracted activation (only a break is required after 6 months), this has effectively shifted the existing demand into Activation Works organized by municipality. Overall, on average about 55,000 activation allowances continued to be paid out monthly in 2013, making Activation Works the ALMP measure with the highest number of participants.

The aggregate data hide that Activation Works are unevenly distributed across the country. This stems from regional disparities reflected in diverse unemployment and poverty rates across Slovakia. Most BMN recipients are concentrated in Central and Eastern Slovakia, the regions of Banská Bystrica, Prešov and Košice, which also suffer from highest unemployment rates (Figure 2). Activation works are therefore mostly concentrated in municipalities within these regions. In 2012, most activation works were organized in the southern districts of Banská Bystrica region – Lučenec and Rožňava, which suffered highest unemployment rates in the country. In such municipalities we found that demand to participate was unsatisfied and that many BMN would have liked to participate but were unable to do so due to a limited number of places.

Figure 2: Percent of total population receiving BMN by region (2011)



Source: COLSAF

Large variation across the country and villages is apparent also in description of localities selected for the field research (Table 5). The share of eligible people participating in Activation Works rises with worsening local labor market proxied by district level unemployment rate but also by rural-urban difference. Additional important factor, as expected, is the share of Roma living in the given municipality. On average, higher share of BMN recipients participates in Activation Works in municipalities with higher share of Roma. These descriptive observations already suggest that labor market performance and Roma background are important factors affecting participation in Activation Works.

Table 5: Field work municipalities: overview of labor market situation and Activation Works incidence

Table 5					
Locality (City or village)	Share of Roma as per Field Research (2013)	Number of Unemployed (2012)	Number of Households* Receiving BNM (2013)	Number of People Participating in AWs (2013)**	Share of AW participants on total unemployed
Central Slovakia					
District capital city	-	2706	1205	427	15.7%
High Roma density	100% (772)	281	154	224	79%
Medium Roma density	29.2% (640)	431	203	156	36.1%
Low density/No Roma	0	112	54	20	17.8%
Eastern Slovakia					
District capital city	-	2845	850	150	5.2%
High Roma density	61.4% (650)	248	120	170	68.5%
Medium Roma density	43.5% (255)	98	53	42	42.8%
Low density/No Roma	0	83	26	8	9.6%
Western Slovakia					
District capital city	-	4177	1715	95	2.2%
High Roma density	15.9% (450)	186	122	18	9.6%
Low Roma density	5.1% (50)	54	32	9	16.6%

Source: Authors based on statistical data received from labor offices and field research

*Notes: *Jointly assessed persons: spouses; parents and dependent children living in the same household; parents and their children below the age of 25 without income or with a maximum income in the amount of living wage living together in the same household (Law 599/2003 on Material Need, Section 4); **All participants, except for 25 participants in the district capital city of Central Slovakia and except for 150 participants in the district capital city of Eastern Slovakia, have been contracted by municipalities.*

Existing assessments and evaluations

No comprehensive quantitative or qualitative evaluation of the impact of Activations Works on labor market participation of Roma in particular exists. This is both due to the lack of in-built evaluation processes in the design and implementation of publicly funded employment schemes, but also reflects a lack of collection of ethnically disaggregated data. We review the existing more general studies, reports or opinions which have mapped outcomes of the program to date.

General assessments of ALMP measures are produced annually by Central Labor Office (COLSAF). These generally point out to very low effectiveness. In 2011 a mere 2.74% of participants found work one month after the end of activation (COLSAF, 2012), while only 5.5% of participants were able to find employment within six months after leaving the measure. In 2012, these outcomes seem to be even worse whereby 3.3% were in employment within six months of activation (COLSAF).

Such deteriorating outcomes could be related to the worsening of general economic situation in the country with rising unemployment rates. The outcomes appear marginally better for males than for females and in regions with better general economic environment (Table 6). Two to three times more participants were on the labor market within six months if they lived in Western regions or in Bratislava region. Without conducting an in-depth statistical analysis, we cannot distinguish whether those who found employment would have done so even without the participation in the measure. In any case, employment outcomes of participants vary significantly based on region's labor market performance suggesting again that local labor market conditions mediate strongly the effect of the measure (see also (Lehmann & Kluge, 2010)). In addition, the potential role of Activation Works as an intermediary step for other ALMP programs is not being fulfilled; the 2012 administrative figures show that only about 1% of participants were placed in a different ALMP measure.

Table 6 : Share of participants in Activation Works placed on the labor market in total number of participants who finished the measure in 2010 (%)

Table 6	Within 6 months	6-12 months	After 12 months
All beneficiaries out of which:	4.44	3.30	2.24
Female	2.90	1.82	1.10
Male	5.82	4.62	3.25
16-24 years old	4.60	3.92	3.26
25 -34 years old	5.18	3.71	2.27
35-44 years old	4.11	3.03	2.37
45-54 years old	4.33	3.25	2.04
55-62 years old	4.03	2.82	1.53
Bratislava region	12.84	1.35	1.01
Trnava region	11.09	5.50	1.40
Trenčín region	7.33	4.00	0.83
Nitra region	6.28	3.65	1.32
Žilina region	5.96	4.20	3.06
Banská Bystrica region	3.67	2.58	2.44
Prešov region	4.36	4.79	3.22
Košice region	3.46	2.49	1.68

Source: COLSAF in (World Bank, 2012a)

Using individual-level administrative data from COLSAF linked to Social Insurance data about labor market outcomes Bořík and Caban (2013) conduct a pilot assessment of impact of selected ALMP measures. They find that within two years of intervention up to 25% of all ALMP participants find some type of employment, and the likelihood is higher in more affluent regions of the country. Only a small share of participants on Activation Works finds sustainable employment - about 7% are placed on the open labor market and work more than a year. Close to half of all jobs are in the public sector, which represents a much higher share than in other ALMP interventions. Most employment is therefore likely to take place in the municipality where the unemployed was activated, suggesting that Activation Works serve as a screening mechanism.

Further evidence on employment outcomes is given by the study conducted by Harvan (2011) who found that a very low share of participants in activation works found employment after the termination of the measure. The study found indications that probability of employment of participants was lower than of non-participants with similar characteristics.

World Bank research (World Bank, 2012a) found several weaknesses in the design and implementation of Activation Works. Lajčáková (2013) argues that activation works have a dehumanizing effect and strong ethic component, cause job substitution, stigmatization, and lack a contribution to sustainable employment.

Already in 2006 Oravec & Bošelošová (2006) pointed out a range of malpractices in Activation Works implementation. We identified similar issues in our research, which points to policy failure in adjustment of the policy tool with clear long-term implementation problems. The authors acknowledge the social role of the intervention grounded in the context of the reform of social assistance system and its introduction to counter-balance decreased levels of support, but conclude that “activation policy evolved from a short-term active labor market policy tool into a new form of a long-term social dependency”.

In spite of generally negative public perceptions presented in the media as well as in expert and academic evaluations (Inštitút zamestnanosti, 2013; Lajčáková, 2013; van Baar, 2012), some positive aspects of Activation Works have been proposed. Activation Works provide a temporary opportunity to increase family income and fulfill a social function (Gyrfášová et al., 2006; Kureková & Kontseková, 2013b; Oravec & Bošelošová, 2006; World Bank, 2012a). Participation in the measure might provide ‘soft’ individual benefits, such as a sense of meaningfulness and self-esteem or restoration of social contacts (Kureková & Kontseková, 2013b).

V. Profiles of participants and analysis of participant selectivity

Profiles of participants – administrative data

Aggregate administrative data for 2012 show the general demographic profile of Activation Works participants.¹ The measure targets prime age workers: 75% of participants are 25-54 y.o. while additional 16% are youth (15-24 y.o.). Participants are characterized by low levels of education: 88% have attained up to lower secondary education (ISCED 0-2) which corresponds to complete second stage of primary education, practical school or apprentice center, not leading to vocational license or certificate. Additional 10% attained a vocational license or secondary school with “maturita” (ISCED 3). The measure by design targets long-term unemployed: 92% of participants have been unemployed for longer than 12 months. Close to a fifth are people considered disadvantaged by age (over 50 y.o).

Importantly, Activation Works reach workers with low education and skills much more than other major measures implemented in Slovakia (Table 7). As education and skills are key predictors of positive employment outcomes and low-skilled workers face particular barriers in the Slovak labor market (Kureková et al., 2012; Messing et al., 2013), such disadvantaged profiles are likely to affect the effectiveness of the measure, especially if it fails to include any training element or is implemented in areas with poor employment prospects.

Table 7: Profiles of clients in selected ALMP measures, 2010: inflows into the measure

Table 7	Total	Fe- male (%)	Age structure (%)			Education structure (%)			
			15-24	25-54	55-64	ISCED 1-2	ISCED 3	ISCED 4	ISCED 5-6
§ 47 Education and training for the labor market	20,381	49.3	3.8	74.7	13.7	N/A	N/A	N/A	N/A
§ 49 Contribution to self-employment	15,033	33.3	14.9	80.7	4.3	34.0	45.0	3.5	17.4
§ 50j Anti-flood measures	159	10.0	6.2	80.5	13.2	64.1	30.8	5.0	0.0
§ 51 Graduate Practice	21,199	61.9	99.5	0.4	0.0	12.7	65.3	3.1	18.7
§52 Activation Program - Small municipal work	51,882	46.2	9.8	77.9	12.2	89.8	9.5	0.12	0.52
§52a Voluntary Work	3,995	67.7	17.8	73.6	8.4	43.0	41.7	1.6	13.5
§56 Sheltered workplace	1,838	60.6	4.0	81.7	14.1	55.8	36.0	4.1	3.9

Source: COLSAF. Authors' calculations

A precise measurement of the scale of Roma involvement in the measure is not available, as administrative data collected do not include information on ethnicity. Our discussion during the process of trying to gain administrative micro-data revealed that COLSAF estimates that approximately 80% of Activation Works participants are Roma. The survey by UNDP in 2010 about living conditions of Roma households also contained a question about participation in the Activation Works.

The survey is not representative of the general population, but fairly representative of Roma population and population living in the vicinity to Roma settlements. It found that 47% of working age Roma have ever participated in an activation program, and no differences in participation existed based on the type of settlement (segregated, separated, dispersed) (Filadelfiová & Gerbery, 2012). This compares to only 5% of general population which had ever participated in an activation program. Compared to 2005 when the previous survey was conducted, the share of Roma who have ever joined the activation rose by approximately 10 percentage points (from 37.2% to 46.6%). Roma men are more likely to participate, and gender gap in participation is the highest (17%) in segregated settlements. The highest participation rate was found for Roma aged 40-49 (62%) and 30-39 years (57%). Interestingly, these shares are approaching employment rates of general population in the open labor market. The overrepresentation of Roma in Activation Works has led some observers to view this measure as ethnically targeted and biased (Lajčáková, 2013; Oravec & Bošelořová, 2006).

Selectivity of participants: quantitative analysis

While general description of profiles of Activation Works participants is known, we also test how the participants stand relative to general population. Using Slovak Labor Force Survey data, which is a representative individual-level survey studying labor market, we study the key characteristics of participants and how they compare to general population.⁵ This can help us to better understand barriers to labor market integration and measure a relative importance of individual (demographic) and structural (labor market performance) factors.

We conduct binary logistic regression using pooled cross-section dataset merging quarterly data for three years: 2009-2011. We test the effect of various factors on probability of doing Activation Works.⁶ Given the conditionality of Activation Works on the receipt of BMN, the regression effectively measures factors of falling into the system of social assistance, at least for those who actively attempt to increase their income.

Taking the years 2009-2011 helps us to cover period of economic decline and relative upturn; we use the year controls as proxies of structural conditions, namely economic performance on the country level. The analysis includes regions in Slovakia which differ significantly in economic performance and – subsequently – the number of unemployed, BMN recipients and Activation Workers. The region variable serves as a measure of economic opportunities on regional level. In addition to these structural variables, a set of demographic, human capital, family and labor market status variables are included in different specifications of the model.

Results are presented in Table A1 in the Annex; we focus on interpretation of the full model (Model 4).⁷ Results show that the probability to participate in Activation Works is affected by a combination of individual and structural factors. Older people are more likely to participate in Activation Works, in particular males close to retirement age. We also find that single people are 3 times more likely than married and 1.5 times more likely than widowed/divorced to be activated. While this findings might appear contradictory on the first sight, it rather corroborates field research findings and previous works, which have pointed out diversity of profiles of BMN beneficiaries (World Bank, 2012f). The fact that being a student a year prior to the survey significantly increases likelihood of activation (30 times) confirms findings of World Bank studies which pointed out that social assistance system also serves as social insurance for many young people who do not qualify for unemployment benefits (World Bank, 2012c).

From among individual-level factors, education variable has a strong effect on the likelihood of participating in Activation Works. Relative to people with university education, those who completed primary and lower secondary education (ISCED 0-2) are 57 times more likely to be activated. We would also like to highlight that Roma ethnicity has an independent and statistically significant effect on probability of activation. Being Roma increases likelihood of activation eight times relative to being Slovak. This effect is likely to be underestimated as Roma generally do not declare their ethnicity and align with Slovak nationality.

5 The analysis was conducted in the premises of CELSI, which was given access to data by the Slovak Statistical Office. Lucia Mýtina Kureková is an affiliated researcher of CELSI.

6 Activation Works participation is measured by two questions: no. 12 – asking type of employment (activation works) and no. 76 asking about receipt of state social support (activation benefit). While not all activation benefits are paid for participation in activation works, the majority is (about 90%). We therefore consider this a good proxy, which helps us to enlarge number of observations in the dataset. Using this approach, 1 666 people on activation works were identified

7 Models 1-4 present different specifications and show generally consistent results across these. The full model (Modal 4) is then also tested separately for males and females as a robustness check. Models are significant and no colinearity between variables was identified. The full model is able to explain a fair share of variance, over 60%.

Regional variable, which we take as a proxy of structural factors, namely the performance of labor markets across regions in Slovakia, is statistically significant and has a strong effect. In particular, residing in Banská Bystrica, Košice or Prešov regions significantly increases likelihood of being activated. Previous unemployment status is an additional key predictor of activation as those who were unemployed 1 year before the survey are 300 times for likely to be activated. While this partly reflects conditionality for activation, it also points to the existence of 'activation trap' (Lajčáková, 2013; Oravec & Bošeľová, 2006; World Bank, 2012c).

To sum up, quantitative results show that the probability an individual participated in Activation Works is affected by a combination of individual and structural factors. In particular, low education (below completion of at least lowest levels of secondary education, ISCED 0-2), residence in Banská Bystrica, Košice or Prešov region and non-Slovak ethnicity are the key features which distinguished Activation Works participants from non-participants (i.e. the general population). This is important from the perspective of public and policy-making discourse which generally attributes Roma unemployment and social assistance reliance on unwillingness of this ethnic group to work and preference for receipt of 'free' money from the government. Our analysis highlights that in addition to demographic characteristics (low-education and poor skills, ethnicity), poor regional labor market performance further increases the probability of activation. For an individual who is low-educated, lives in a deprived region, is Roma, and has been long-term unemployed, the prospects of BMN receipt and activation are much higher compared to an individual with more favorable education background, Slovak ethnicity, and residence in Bratislava or Western regions.

VI. Comparative interpretation of qualitative analysis

Overall, we visited 11 urban and rural localities in three regions with different unemployment rates across Slovakia – Central, Eastern and Western, as presented in Section II (Table 1). The main lines of enquiry about Activation Works related to motivations, selection procedures, organization, work trajectories, work disincentives and difficulties with implementation. What follows now is their comparative interpretation illustrated with direct quotes from the stakeholder interviews and focus groups.

Motivations to participate and to organize AWs

Across all regions we found that the key motivation to participation in Activation Works, especially for the poorest households, was to increase the family income. The activation benefit represented an important share of family budgets, as the current level of social benefits is below the subsistence minimum as defined by law.⁸ Many people, including some Roma respondents and people residing in localities with very high unemployment rates, were employed in the past but economic crisis and the loss of employment worsened their economic and social situation. For many such people, Activation Works currently represented the only available legal 'work' income.

⁸ Subsistence minimum is defined as the socially accepted minimum income level under which a person/household falls in material need. It was initially calculated based on a consumption basket and is valorized annually. For current levels see: <http://www.employment.gov.sk/zivotne-minimum-od-172013.html>. Based on a simple back-of-an-envelope calculation, for a household of two adults with two children in August 2013 the benefit in material need fell about €102 short of the subsistence minimum, assuming that the household qualified for the housing benefit, activation benefit for two persons, health allowance and child allowance for two school-aged children. The negative difference has been rising because the BMN does not undergo regular valorization, while the subsistence minimum has been valorized annually.

“We do jobs nobody else would be willing to do for this money. But for me this money is very important. I could not afford not to come. ”

Source: Non-Roma woman, 33-years old, municipality with low share of Roma/no Roma, Southern Slovakia

“If Activation Works were stopped, it would be very problematic for some families where e.g. four people are on Activation Works. That is a big amount of money for one family. The municipality could only hire about 15 people and that only during the summer. The others would have nothing.”

Source: Mayor, municipality with medium share of Roma, Southern Slovakia

“There are no job opportunities in the villages. These are very small municipalities. Whole families are receiving benefits in material need and are participating in Activation Works.”

Source: Labor Office representative, district capital city, Southern Slovakia

In rural areas some (but certainly not all) long-term unemployed owned or had access to gardens to grow some of their food; this was far less common among the Roma who frequently owned no land. Agricultural production and forestry in and around the villages sometimes provided opportunities to earn unofficial income reducing motivation to take part in Activation Works.

Some participants caring for children or older family members preferred Activation Works as part-time local work to part-time or full-time work away from home. This was also the preferred alternative for some people nearing retirement age. They found it hard to find employment and were sometimes more reluctant to travel or undergo other inconveniences of working far from home. For younger generations, Activation Works did not offer much potential or prospects.

Not all eligible unemployed took up the opportunity to participate in Activation Works while others did not have that opportunity at all. On the side of the worker, reasons for not participating included the stigma attached to Activation Works (more educated tended to abstain) or a lack of economic urgency (sources of unofficial income). On the side of the employer there were cases of fewer available Activation Works workplaces created than activation workers available.

Especially for small municipalities Activation Works presented a valuable and sometimes indispensable source of labor which they would not be able to pay for under “normal” circumstances. Another motivation to organize Activation Works lied in the effort to maintain social peace and to improve social situation of families. Mayors in two rural municipalities with medium and high unemployment rates and high shares of Roma openly admitted that it was out of these two reasons they accepted more Activation Works participants than actually needed.

“The situation would be very bad without Activation Works. And not just for our village but for every village. E.g. how could you do all the mowing with one person [who is presently employed by the municipality]?”

Source: Mayor, municipality with low share of Roma/no Roma, Southern Slovakia

“It is difficult with so many unemployed people...But, if I do not accept them for Activation Works... what will happen? They will be stealing. So, I prefer this option. 63 euros is very important to them. Sometimes five people from one family are on Activation Works. Families are big.”

Source: Roma Mayor, municipality with high share of Roma, Southern Slovakia

In order to qualify for Activation Works contracted either by Labor Office or by municipality, participants have to be recipients of Benefit in Material Need (BMN) and be registered unemployed (long-term unemployed in the case of Activation Works contracted by Labor Offices).⁹ Once these requirements are met, the decision to enter or not to enter into a contract with the unemployed rests with the Labor Office or with the municipality, as by law no formal rules are set in terms of further selection procedure. In practice, this means that there is no guarantee that everyone who fulfills the criteria for participation and is interested to participate will be accepted.

In the field, differences in selection did not occur across regions but they could rather be observed between localities with no or low shares of Roma on the one hand, and medium or high shares of Roma, on the other hand. In rural municipalities with no or low share of Roma usually everyone who was interested in Activation Works was accepted and even more people would qualify. In rural municipalities with medium or high share of Roma majority of applicants were accepted, even though some mayors set various informal selection criteria. These included the mayor's previous experience with a particular Activation Works candidate (arriving and leaving on time, appropriate use of working tools, good interaction with other workers etc.), not having arrears on the payment of local taxes and fees or possessing specific skills.

“Usually, the mayor tries to find a solution for everyone. If people do not qualify through Labor Office anymore, he contracts them through the municipality.”

Source: Roma woman, 43-years old, municipality with medium share of Roma, Southern Slovakia

“Our mayor mostly accepts the “social cases”. If there were two people from one family, he usually took at least one person.”

Source: Woman, municipality with low share of Roma/no Roma, Eastern Slovakia

“In our village people who want to participate in Activation Works cannot have any debts with the village; local taxes have to be paid. And I would even condition the payment of activation allowance upon kindergarten and school attendance.”

Source: Mayor, municipality with high share of Roma, Eastern Slovakia

Mayors often said they took into account the social situation of families and attempted to select at least one Activation Works participant per family. In one of the district capitals with high unemployment rate no selection criteria applied at the time of field research but would be considered

⁹ Law 5/2004 on Employment Services (Section 52), Law 369/1990 on Local Self-Government (Section 3 paragraph 3 subparagraph a)) and Law 599/2003 on Material Need (Section 12)

in the future due. Local officials cited two reasons: the high number of applicants and the lack of coordinators to supervise Activation Works. In most of the rural localities, anti-flood measures (AFM), a fixed term public employment program paying the minimum wage, were offered as a “reward” to those Activation Works participants considered the most hard working. In the district capital city with medium unemployment rate focus group participants claimed that cronyism was the method of selection for the more desirable AFM program.

Organization of AWs (activities, work time, coordinators and tools)

Activities

Although the law allows a wide variety of activities to be performed, in practice most localities only held a limited set of activities. Across all regions majority of Activation Works participants did simple cleaning jobs, ground-keeping or snow removal in the winter. Sometimes, more sophisticated or higher value added activities were performed: building upkeep and construction tasks were often performed by the more manually skilled workers; in two localities with medium and high shares of Roma Activation Works participants worked as patrols in their settlements. In one of the municipalities with a medium share of Roma, two female activation workers worked in the kindergarten, one male participant performed errands for pensioners and another person helped a handicapped girl with commuting to school.

In terms of allocated tasks, no differences were made between Roma and non-Roma in rural areas. In the district capital city with medium unemployment Roma said they had to always work outside and do the more “dirty” work. In this locality, Activation Works participants worked separately from other employees of the city. On the other hand, in the district capital city with high unemployment some Activation Works participants (across ethnic groups), were placed on teams with more experienced long-term municipal employees, creating an opportunity for learning.

Work time

20 hours per week is set by law as the maximum work time for both Activation Works modalities; minimum of 10 hours per week applies only to Activation Works contracted by municipalities (a new mandatory minimum of 64 hours will be introduced as of January 2014 based on the new 2013 law on benefit in material need).¹⁰ In practice, minimum of 10 hours per week was observed everywhere. Generally, participants worked less in localities with high number of Activation Workers, which typically had more difficulties in providing work. In general, Activation Works participants worked two days per week and their shifts lasted up to half a day so as not to lead to entitlements to benefits provided by Labor Code to full time workers such as access to food on site. Some participants saw work conditions as inadequate or unfair – they complained that they were not provided drinks during work hours or protective equipment – the labor code mandates this for full-time employees but only after working a certain number of hours. In some instances, participants were asked or even required to supply their own work tools and protective equipment.

Despite the differences in work time, all activated participants received the same amount of money – €63.07 per month. Another qualitative difference observed was that in the region with medium unemployment rate Activation Works were organized by Labor Office only during the months of June to November. Some municipalities in this district also only held Activation Works in the summer. Recipients of benefit in material need had no opportunity for Activation Works in these cases one half of each year.

¹⁰ Law 5/2004 on Employment Services (Section 52 Paragraph 4) and Law 599/2003 on Material Need (Section 12 Paragraph 4 Subparagraph c)). As of January 1, 2014 the new Law on Benefit in Material Need passed in late 2013 will introduce a mandatory minimum of 64 hours per month for Activation Works.

¹¹ Law 5/2004 on Employment Services (Section 52 Paragraph 4)

¹² Law 448/2008 on Social Services

“The money people are being paid for participation in Activation Works is too little. They should get more. Otherwise, we cannot expect them to work properly or to try harder. But sometimes, I rather close my eyes; the most important thing is the preservation of working habits.”

Source: Mayor, municipality with low share of Roma/no Roma, Western Slovakia

Coordinators and tools

Municipalities are entitled to receive extra funding for coordinators and work tools only for Activation Works participants contracted by Labor Offices.¹¹ When Activation Works participants are contracted by municipalities, funding is not provided. Out of 1,319 Activation Works participants in the 11 localities we visited only 175 were contracted by Labor Offices (25 participants in the district capital city with high unemployment rate and 150 participants in the district capital city with medium unemployment rate). These cities also had paid coordinators even though municipal officials still said there numbers were insufficient. In the remaining rural municipalities work was allocated by mayors or other municipal employees and usually supervised by informal coordinators/natural leaders among the participants. Even though the main role of field social workers is to provide social service and counseling in the natural environment of their clients¹², in the rural municipalities with medium or high share of Roma, they also helped out with organization of Activation Works.

Work trajectories of participants

The main objective of Activation Works as stated by law is the preservation, acquirement or enhancement of working skills of participants with the implied objective to increase participants' chances of finding employment in the open labor market.

In most cases Activation Works seemed to meet their objective stated in the Slovak legislation to preserve participants' working habits, though there is no common definition of working habits to give that judgment a firm base. Many of the mayors interviewed suggested that the Activation Works would contribute even more to this objective, if participants could work every day, more hours and at least for minimum wage because this would better emulate open labor market conditions.

“Even if they do not work perfectly, they still help. And they wake up and stay at work. You know, some of these people had not been working for six years before they applied for Activation Works.”

Source: Non-Roma coordinator, district capital city, Eastern Slovakia

Acquirement or enhancement of skills occurred in cases when the group of activated people included more experienced workers with specific skills which created opportunities for learning for the younger or less experienced participants.

There was a consensus among all stakeholders interviewed that Activation Works did not help people re-integrate into the labor market to a significant extent. In the district cities a few cases existed when activation workers were offered formal employment in the city (e.g. technical services units) or could work on temporary contract (“dohoda”) with higher remuneration at times of work peaks.

In the rural areas the most common examples of progression into employment of former activation workers were public employment in anti-flood measures.¹³ We did not encounter cases of activation works used as a screening mechanism in the rural areas possibly due to generally low number of jobs created. Rather, they were perceived as a stigma, some participants said they did not mention this experience in their CVs and employers were not interested whether the unemployed participated in Activation Works or not. Only in one of the rural municipalities in the region with low unemployment rate there was a case of workers being contracted by a private company based on their work performance in Activation Works.

In the local labor markets, crisis was perceived by participants and some labor office staff to impact more significantly non-Roma than Roma. The negative impact on Roma was more notable in terms of fewer job opportunities in the capital city or in the neighboring countries where Roma used to commute for work.

“I am a single mother with two kids and it is almost impossible for me to find a job. Most of the jobs offered here include shift work and the offered salary is a minimum wage. I would have to pay somebody to take care of my children and I would not be able to afford that.”

Source: Non-Roma woman, 33-years old, municipality with low share of Roma/No Roma, Southern Slovakia

“We would have never been hired by the factory where we work at the moment, if friends of mine had not put in a good word for us.”

Source: Roma woman, 40-years old, municipality with high share of Roma, Southern Slovakia

“I have friends who have completed secondary education, e.g. bakers, waiters and hairdressers, and nobody will hire them. Another friend of mine is a teaching assistant. He found a job in a Roma school but he would have never found a job here in the city.”

Source: Roma man, 25-years old, district capital city, Eastern Slovakia

“We work together without problems. We know each other, we went to school together.”

Source: Non-Roma man, 55-years old, municipality with high share of Roma, Eastern Slovak

Work disincentives

Under certain conditions, Activation Works presented a convenient alternative to low-paid employment away from municipality. The incentive structure was affected by the cost and inconvenience of travel (compared to Activation Works which are by definition local), cost of clothing, meals on the job and some child-related benefits accruing from BMN recipient family status (contribution for the transport to primary school, free meals in primary school; see Annex 2. These participants were generally satisfied with the present set up of Activation Works, aside from the level of activation benefit paid, especially if they supported a family.

¹³ Anti-flood measures were used during the crisis peak as an ALMP measure and were based on regulation of rivers and municipal water areas with the aim to prevent flooding incidence. They were based on six month contract for minimum wage.

“I am a single mother with two kids and it is almost impossible for me to find a job. Most of the jobs offered here include shift work and the offered salary is a minimum wage. I would have to pay somebody to take care of my children and I would not be able to afford that.”

Source: Non-Roma woman, 33-years old, municipality with low share of Roma/No Roma, Southern Slovakia

Many participants tried to find seasonal part-time employment while being on Activation Works. However, the extra income earned counted towards the subsistence minimum leading to a reduction in benefits.

Commuting to work was also problematic in some areas. In two rural municipalities direct bus or train connections to the district seats were not available. That either discouraged (costs of traveling by car were too high or prohibitive) or prevented (car not available) people from commuting even when jobs were available.

Roma participants generally approved of Activation Works and viewed them as an opportunity and often the only option for increasing their family income. However, when asked to compare Activation Works to other types of public works measures (publicly beneficial works, anti-flood measures), they expressed clear preference for measures which resulted in formal employment, better working conditions and more favorable status.

Difficulties with implementation of AWs

Lack of funding for coordinators was seen by local officials as the main implementation problem limiting the effectiveness of the measure. By 2013 only very few municipalities had unemployed people who would qualify for Activation Works contracted by Labor Offices, which provide additional funding for coordinator salaries. The key limitation was that most long-term unemployed had already held the Activation Works contract for the 18 months cumulative maximum.

“There are too many people on Activation Works. Gradually, we will need to decrease the amount. Coordinators are not capable of supervising everyone. Sometimes it happens that we need to give one task to more people even though fewer people would be able to complete it. Soon we will need to select people on the basis of the quality of their work.”

Source: Non-Roma male coordinator, 61-years old, district capital city, Southern Slovakia

“More people would be interested in Activation Works but I cannot afford to take them due to missing coordinators. I definitely perceive Activation Works positively but they need”

Source: Mayor, municipality with high share of Roma, Eastern Slovakia

As a result some municipalities also did not have funds to purchase work tools and Activation Works participants were asked or required to provide their own. On the other hand, some mayors from smaller municipalities considered the administrative burden linked to Activation Works contracted by Labor Offices too big. They were willing to sacrifice the funding they could receive (mainly for tools, not for coordinators due to the low number of people on Activation Works) and preferred to contract activation workers directly.

Some mayors felt a need to differentiate the pay of participants perceived as more hard working from the others. However, the current legislation formally does not provide such a possibility and any extra income paid to the worker is included in the BMN means test. Mayors found this frustrating as they could not reward or punish participants according to their perceived performance. At the same time, the low level of effective remuneration¹⁴ of participants was also cited as the reason why some mayors did not feel entitled to expect high performance of participants at all times.

Recommendations from the field

Both local officials managing Activation Works and work participants considered the system of public works and anti-flood measures better than Activation Works. The main reasons cited were that participants had employment contracts, could be allocated more meaningful and qualified work, were provided protective equipment, tools and were entitled to food allowance (meal vouchers). Within the current system of Activation Works limited time per day and per week does not enable to integrate activation workers in the daily routine of full time workers, protective equipment and tools are missing and participants are not under the protection of the Labor Code.

Some mayors said they would prefer to receive the funds directly rather than as a subsidy through “cheap labor”. If resources were provided for the purchase of material and appliances, more meaningful work could be done and people (albeit far fewer) could be employed on a full time basis and at least for a minimum wage.

Lack of ability to differentiate the pay of participants was another issue that mayors considered problematic. They were unable to reward better performance or sanction poor performance. Smaller villages were discouraged by the administrative burden of contracting workers through the Labor Office. In these cases the villages decided to forego the extra funds for tools they could have received from the Labor Office and chose to organize Activation Works themselves (due to the small number of people participating in Activation Works they would not qualify for the extra pay for coordinators anyway).

Participants also made suggestions about activities with higher sophistication and value added, which could be organized through Activation Works, e.g. using public land to grow supplies for school dining, cultivate land for other purposes, formalize social help/work for elderly and clean forests around the villages.

We have very skilled women who would like to do more gardening. We already discussed that it would be useful if some municipal land was utilised in this way. People on Activation Works could be growing plants for school dining hall, etc. But this did not work out. Investments are needed and the municipality does not have money.”

Source: Roma man, 48-years old, village with medium share of Roma, Southern Slovakia

Referring to foreign examples, representatives of one district Labor Office suggested that participation in Activation Works should be limited to 24 months (the exact limit is subject to discussion), if the activated person does not find employment.

¹⁴ All participants of the program received less than the statutory minimum wage per hour worked (€ 1.82). Participants working 20 hours per week received less than half (€ 0.78) and participants working 10 hours per week received more than three quarters (€ 1.58) of the statutory minimum wage.

VII. *Additionality analysis*

To make a reliable assessment of the benefits of Activation Works we must make comparisons with a reference case – either to a counterfactual case of no intervention or to some other counterfactual alternative. This is difficult by design as the reference case has not actually occurred in practice and must be estimated rather than measured.

In the case of activation works we choose a basic scenario of no specific active labor market intervention.¹⁵ In other words in this analysis we try to assess what additional benefits would accrue to stakeholders and on the other hand what benefits would be lost if the intervention did not take place at all.

To guide the analysis we use a framework referred to as the “Additionality Framework”. This is a general framework to assess economic benefits of interventions developed for the use in assessing structural funds interventions in the United Kingdom (BIS, 2009a, 2009b; Scottish enterprise, 2008) but is grounded in simple economic theory.

The framework tries to distinguish between gross direct effects – observed effects on an outcome variable targeted by the intervention and total net additional (local) effects. The difference between these two variables consists of the following:

Subtracting **substitution** and **displacement** effects

Adding **multiplier effects**

Subtracting effects in a reference (baseline) case – in our analysis this is the no intervention case and represents dead weight loss

Subtracting **leakages** of benefits outside target group or area

With the information available from the qualitative research we can make observations and some very broad estimates of some of these effects but we lack data to quantify them with any degree of precision. Nonetheless this analysis of additionality allows us to think in a structured way about additional stakeholders affected by the intervention and the variables influencing the net effects. Based on information from qualitative research the two most significant effects affecting additionality of the Activation Works intervention are displacement – where activation works displace a certain number of other workers or contractors who would be providing some of the services obtained by municipalities at no direct cost using activation workers and multiplier effects stemming from increase in incomes from social benefits particularly significant in areas with high unemployment.

¹⁵ In comments on an earlier version of this document a reviewer proposed comparing to a reference case of increased social benefit payments not being conditional on activation. This is also difficult as there are numerous additional effects beyond those direct income effects on participants such as (positive or negative) psychological effects, effects on other job seekers, effects on businesses providing services to municipalities displaced by Activation Works.

Table 8 : Additionality analysis - summary

Effect and direction	General definition	Application to activation works	Estimated magnitude
Dead weight - negative	share of outputs that would take place without the intervention	long-term unemployed who would find employment in municipal services without the Activation Works scheme	Very low
Leakages – negative	benefits accruing outside of the geographic target area	does not apply as AWs target whole country	-
Substitution - negative	where an intervention stimulates actors to replace existing workers with a program participant	if a municipality laid off employees (including employees of subordinated institutions such as schools) to replace them with Activation Workers	Low
Displacement - negative	portion of outputs or outcomes that are reduced elsewhere in the target area	an activation worker being employed where otherwise other persons would gain employment or a company would be contracted	~6% to 50%*
Multiplier effects - positive	second order effects of benefits of program	additional economic activity from the additional income of participants	-
Effects on non-participants – positive and negative	effects of program on non-participants	benefits of work carried out on municipal property, effects on reservations wage for non-skilled workers	-

Source: Authors

* The estimated magnitude based on fieldwork seems plausible in comparison with the range reported in BIS 2009b of 0% to 80% with a mean of 21.5% for a variety of economic development and regeneration interventions across the UK.

Dead weight

In general dead weight refers to the share of outputs that would take place without the intervention. To assess dead weight in the case of Activation Works we would be looking for numbers of long-term unemployed who would find employment in municipal services without the Activation Works scheme.

Based on information from qualitative research the level of dead weight (share of program beneficiaries who would be employed by municipality in the absence of the program) in Activation Works was very low – only mentioned as an exception.

Leakages

These represent benefits accruing outside of the geographic target area. Since Activation Works are targeted at the whole country and do not directly benefit people outside of Slovakia there is no concern about leakages.

Substitution

Substitution effects refer to situations where an intervention stimulates actors to replace existing workers with a program participant. In the context of Activation Works substitution would be if a municipality laid off employees (including employees of subordinated institutions such as schools) to replace them with Activation Works participants.

In one of the urban localities respondents cited a case of substitution: cleaners in schools were in part replaced by activation workers. It is therefore clear the phenomenon of substitution exists but our qualitative research has not provided sufficient evidence to estimate its magnitude.

Displacement

Displacement can exist both in product markets and factor markets, including labor. It concerns the portion of outputs or outcomes that are reduced elsewhere in the target area – e.g. an activation worker being employed where otherwise other persons would gain employment or a company would be contracted (again in turn hiring workers).

In labor market displacement the benefit to one participant is therefore offset by another non-participant not receiving the same benefit. Substitution discussed above can be considered a special case of displacement. It is not automatically clear that giving preference to one individual over another is not in the public interest but a strong case would need to be made (e.g. providing work to an older long-term unemployed woman with disability may be seen as more desirable than providing it to a healthy young man who will find other opportunities more easily but this may not be clear cut for other groups).

In qualitative research we found some degree of labor market displacement in Activation Works: some part of the work being performed, municipal officials said, would be performed in the absence of the Activation Works program by others.

Often cited were the tasks of mowing – several mayors said that in the absence of Activation Works the public grounds would have to be mowed. They listed various options for performing this service: hiring part-timers from among local retirees or other local part-timers or contracting a company, which in turn would use local or outside labor for the task. For some tasks, in particular in municipalities with high number of Activation Works participants, it was clear that in the absence of Activation Works these would simply not be performed at all.

In most interviews with mayors or Activation Works organizers we asked for estimates of displacement ratios between Activation Works participants and other employees (Table 9). The estimated displacement ratios are in four cases between 1:2 and 1:5 and at 1:15 in one case. This does not account for the difference in wages as Activation Works depending on number of hours may work at less than half of the official minimum wage.

Table 9: Estimates of labor displacement in Activation Works in selected localities

Type of municipality	Number of Activation Workers	Full time equivalent activation workers	Number of positions substituted*	Full time equivalent**
Central Slovakia – high unemployment				
Medium share of Roma	156	39.	15 full-time seasonally	7.5
Eastern Slovakia – medium unemployment				
High share of Roma with segregated Roma settlement	170	43	2-3 full time	2-3
High share of Roma	42	21	4 part-time	2
Western Slovakia – low unemployment				
High share of Roma	18	9	5 part-time	5
Low density/No Roma	9	4.5	2-3 part-time	1-1.5

Source: Authors based on field research

Note: * Estimates by local officials reported in units as stated by them; ** Authors' estimate of full time equivalent

Multiplier effects

This form of effects concerns the additional economic activity from the additional income of participants (BIS, 2009b, p. 1) Estimating the multiplier effects is beyond the scope of this evaluation but it should be recognized that these effects exist. Depending on the size of household and other specifics the activation allowance can more than double the total BMN paid. Therefore in municipalities where larger share of the local population are BMN-recipients the activation benefits can add up to significant additional local spending.

Other effects on non-participants

There are other possible effects on non-participants, which came up as anecdotal evidence in focus groups and individual interviews.

There are benefits (externalities) from activation works activities to the broader population in the form of unpaid services provided: e.g. improved cleanliness of public spaces or reduced risk of flood damage. The value of these could be estimated by looking at the willingness of local government (or even private stakeholders) to pay for the services performed through activation works directly. Respondents indicated they would only pay for a small share of the work performed in most cases.

Further effects may be on employers: by providing an alternative to low-paying jobs for some participants Activation Works may reduce labor supply or raise reservation wages for certain part-time tasks.

VIII. Synthesis of findings

Impact of Activation Works on sustainable employment of Roma (and non-Roma)

Regardless of ethnicity, Activation Works seem to have very limited success in reaching the outcome of placing a long-term unemployed participant in the open labor market.

This is a standard finding of earlier quantitative analyses by Harvan (2011) (finding possibly even negative impact on labor market outcomes) and Bořík and Caban (2013) (only 7% are enter the labor market and work more than one year) and is also in line of low effectiveness of this type of measure (subsidized public employment) found in assessments in other developed countries (Card, Kluve, & Weber, 2010; Lehmann & Kluve, 2010; Subbarao, del Ninno, Andrews, & Rodriguez-Alas, 2013; van Ours, 2004).

In our qualitative research we looked for information about specific people who found a job in the open labor market after taking part in Activation Works including cases where it was possible to trace a causal link between participation and employment (such as cases where employers hired one of their Activation Works participants, using the measure as a screening mechanism).

In rural localities we encountered very few examples of participants being reintegrated in the labor market. There were a few cases of hiring of Activation Works participants, including Roma, for other ALMP measures such as the anti-flood works offering temporarily a full time job at minimum wage. In the cities we encountered a few non-Roma people who went from Activation Works to regular employment by the municipality itself or its institutions.

Activation Works were not seen by participants or other respondents as favorably perceived by potential employers. We encountered only one case of workers being contracted by a private employer based on their work performance in Activation Works in a rural municipality in the region with low unemployment.

Results of assessments in other countries indicated a skill upgrading element would contribute to positive effects (Lehmann & Kluve, 2010). Skill upgrading was not explicitly built into the Activation Works program but there was evidence it took place in some localities, usually as a result of local innovation in implementation where participants worked in teams with more skilled regular workers.

Efficiency

To assess efficiency of the measure we need to review evidence on whether either the same outcomes could be accomplished with lesser inputs or the given level of input could generate greater benefits for the target group. Another aspect of efficiency is how efficiently the program was administered.

In addition to participants the measure brings benefits to local governments and indirectly to other non-participants through the provision of services. Municipal officials do not see this as efficient in the view of the financial allocation.

It is not clear whether Activation Benefit is the most efficient way of providing a payment to participants. An alternative set up would be to provide the same or higher level of benefit in material need without Activation Works participation or provide a direct transfer to the municipality to be used with certain conditions. Without fully specifying such alternatives we cannot easily estimate whether they would be preferable to the current policy.

Effectiveness of Activation Works in reaching defined objectives

Slovak legislation does not formulate clear outcome objectives for Activation Works beyond preservation of working habits of participants. The problem with the concept of working habits is that there is no generally accepted definition allowing rigorous measurement.

Nonetheless there is some stakeholder consensus around the construct most often based on the notion of approximating open labor market conditions to stimulate participants to get up regularly, leave home to go to work, work under direction and so on.

In this sense, most of the stakeholders agreed that if Activation Works were organized in a suitable way (e.g. five times instead of two times per week), they did contribute to the preservation of participants' working habits. In some localities, work was organized in this manner.

Given that Activation Works are formally part of active labor market policy framework, there are expectations that they will also contribute to increasing employability of participants. Contribution to this objective is limited. We argue, however, that the design of the measure (no training element), its application in most deprived areas of Slovakia with very limited work opportunities and poor support provided to long-term unemployed by Public Employment Services minimize potential of the measure to significantly contribute to improved labor market status.

Other benefits of the system/measure identified

Owing to the currently low level of social benefits and limited job opportunities across the country, for majority of participants, activation allowance represented an indispensable share of family budgets.

In focus group discussions we looked for evidence of benefits to other actors. Clearly, Activation Works brought benefits to participating local governments and through them to non-participants. Activation Works participants performed services not directly paid by the municipality but through a combination of the state budget (for top up to benefit in material need) and in some cases European Union funds (European Social Fund support for National Projects covering the wages of coordinators and work tools).

Qualitative research showed that Activation Works performed a combination of tasks considered essential (for example mowing of grass in public spaces, clearing of drainage or shoveling snow, cemetery upkeep) and tasks that would at present likely not be performed with such frequency or at all (most often cleaning of public spaces).

For the essential tasks we collected estimates of the work force that would otherwise be hired directly or through outside contractors. The other tasks also bring a benefit to the public though are hard to enumerate specifically.

We can assume a multiplier effect for the increased benefit in material need payments for the local economies as some portion are spent to purchased goods locally. In some localities the sum of activation payments constitutes a significant share of local incomes.

Other costs/negative effects identified

On the cost side there was direct financial cost to the state budget for the increased Benefit in Material Need of participants. In historic context this is not an additional cost since Activation Works were introduced in parallel with a reduction in basic benefit to allow households in material need to increase their income.

There are clearly substitution effects – where some jobs shift in favor of Activation Works participants from other individuals.

There is also displacement – in some cases the activities would be performed by private contractors who would in turn employ other individuals.

With available data we can provide limited evidence for these effects hypothesized on the basis of standard procedures to assess net additionality of interventions. However, we do not have sufficient information to provide reasonable estimates of these negative effects. Evidence from other countries, however, indicates these effects can be up to tens of percent of gross benefits (outputs) of programs (see e.g. BIS, 2009b for UK or Crépon, Duflo, Gurgand, Rathelot, & Zamora, 2013 for randomized experiment in France).

Key factors limiting the impact of Activation Works

Overall our findings are in line with earlier national assessments and international assessments that Activation Works are a measure with limited positive impact on employability. Some of these works also point out that Activation Works or Public Employment Programs more generally often fulfill important social policy function (Oravec & Bošelová, 2006; Subbarao et al., 2013). Due to historical context of how Activation Works were implemented and their legislative anchoring across labor market and social policy areas points out that the role of this measure should be evaluated and considered from multiple perspectives.

Without having the ambition of substituting for rigorous impact measurement we can identify elements of the program and the environment, which would be expected to improve overall positive impact. First, the program would benefit from an explicit training or skills upgrading element. This would in theory improve the employability of participants (as long as the skills learned are relevant to labor market needs). The participants (and long-term unemployed in general) are on average much less educated, which reduces their labor market opportunities.

Second, facilitating transfer of some participants into more stable and higher-pay public sector jobs could increase long-term benefits. This could be accomplished by building a graduated system of public employment programs for ALMP beneficiaries.

Third, there was strong evidence of labor market discrimination from qualitative research: Roma respondents and other respondents agreed particularly in localities in higher unemployment regions that employers systematically did not want to employ Roma. Focus group participants shared both personal stories of discrimination and information about other people's experience.

Lastly, the local labor market situation showed to be a strong explanatory factor for the limited positive impact of Activation Works – participants in regions with higher unemployment simply had no opportunity to find paid work following participation. Similar findings were corroborated by statistical analysis which tested selectivity of participants and showed that low education, residence in regions with higher unemployment rate, Roma ethnicity and previous unemployment strongly determine probability of participation in the measure.

IX. Policy recommendations

Given the nature of this evaluation it is hard to make firm recommendations that would be based on evidence. Rather, we aggregate explicitly formulated recommendations provided by stakeholders in interviews and formulate a cautious and limited set of recommendations including policy options to consider in making short-term adjustments to the Activation Works system and exploring possibilities of more complex reform of active labor market policies in the Slovak Republic.

Recommendations collected from stakeholders

Stakeholders clearly preferred active public labor market interventions that provided full time positions and benefits closer to standard labor market employment conditions. In this sense they considered the Publicly Beneficial Works, predecessor to Activation Works used prior to 2004, as more suitable. Also they preferred the currently used but limited Anti-Flood Works, which also offered full-time contract for a fixed term along with standard benefits such as pension contributions.

Representatives of local governments said repeatedly that the program should enable more types of tasks to be fulfilled to bring even greater benefit to municipalities. This would require technical changes and addressing the issues such as training, insurance and availability of tools. Public land could be used for growing food for school dining, municipalities could extend services to the elderly and participants could help with the clean-up of the extensive forests. These new activities could be conducted as part of Activation Works or – even better – within new innovative areas of creation of public employment or support of employment of disadvantaged workers by private enterprises.

Mayor interviewed often demanded changes in design that would allow them to vary the level of remuneration of Activation Works participants to provide stronger incentives.

Finally and unsurprisingly most local government representatives said they would prefer a direct transfer of some equivalent of the cost of Activation Works, believing they could administer some form of the program, allocating funding to workers, tools and other purposes and bring about the benefits more efficiently.

Recommendations from researchers

Any change to the existing system will disproportionately affect Roma and other ethnic minorities as well as people already living in poverty and material deprivations; any reform therefore should be carefully designed in view of its likely multiple side effects on the functioning of local labor markets and social peace.

Since Roma clearly form the majority of Activation Works participants even after correcting for some of their individual characteristics, program reductions will affect them disproportionately. For many participants including the most vulnerable Roma participants the program represents the only legal opportunity in their region to increase household income. Even with the increased benefit in material need, their overall benefit fails to reach the state-calculated minimum subsistence level.

Review the dual system of Activation Works organized by Labor Offices and municipalities.

It is not widely recognized that the Activation Works organized by municipalities are the dominant modality of the measure used. This option rests fully on the capacity and discretion of local governments, is neither assisted nor monitored by Labor Offices. These Activation Works are often without coordinators, leading to inefficiencies, which could be eliminated at relatively low cost even without broader changes to the program.

An explicit skill upgrading element is essential to improve effectiveness of the measure; while the legal framework makes major systemic change complicated, informal training and skill development can be integrated into the existing system and should be targeted especially at the younger cohorts.

The measure could be more effective in helping participants find employment in the open labor market if it directly involved training and development of skills.

In the present Slovak legal framework it is difficult to recognize informal training, it would be possible to introduce informal training and skill development in the present system for the sake of learning itself. This may require in some instances as little as adjusting working hours for participants to allow them to overlap with other, full-time workers to perform some tasks jointly. In particular, this is likely to bring benefits for the younger cohorts of Activation Works participants.

A monitoring and evaluation framework should be put in place and data should be shared with researchers for evaluation; improved monitoring and evaluation practice would allow ongoing improvement of the implemented measures.

At present public institutions do not have reliable data to assess the effects and value for money of Activation Works (and most other ALMP measures). Even following the implementation of a new data collection system within COLSAF, which had promised improvement, there is no systematic monitoring and evaluation in place.

There are clear incentives and disincentives regarding move between Activation Works participation and part-time or full-time work in the open labor market. These incentives could be improved.

We also recommend participatory monitoring and evaluation approaches where participants and other stakeholders are involved.

Activation Works are strongly embedded in and impact local socio-economies. Their effect goes beyond the net monetary income to participant. While acknowledging obvious inefficiencies of the measure to contribute to sustainable employment of participants, wider benefits and costs of Activation Works need to be recognized.

In comparing Activation Works to other alternatives, notably the alternative under discussion of reducing the availability of the measure due to inefficiency without offering another program, it is important to recognize the other benefits they bring in areas other than employment.

There are significant social policy implications and the overall income from activation allowance is important to families of participants. There are other recognizable positive and negative effects on non-participant individuals, businesses and local governments.

In the poorer regions people at present do not have another legal alternative for increasing their incomes.

Redesigning the existing system is non-trivial and warrants further analysis and research. We propose a few initial options to consider, where we see an indication that they may increase positive effects as employment policy and social policy:

We propose creating a system of public employment programs with multiple levels or modalities, where some participants based on performance could move to a more stable full-time or part-time position, similar to the sometimes possible transfer of participants to Anti-Flood measures. Younger workers without working experience or with limited experience could be paired up on purpose with more skilled participants to allow them to upgrade their skills and learn on the job. A geographic mismatch exists with supply of Activation Workers exceeding available positions in higher unemployment regions, while in lower unemployment regions municipalities could provide meaningful work to more participants than interested available long-term unemployed living there. There may be opportunities for matching these particularly for some workers with higher mobility (e.g. young and single).

The costs and benefits of alternative uses of funds presently allocated for Activation Works should be calculated and considered. One option would be to transfer funds to municipalities directly for the purposes of employing target groups similar to those eligible for Activation Works or by contractors required to employ local BMN recipients, long-term unemployed or other disadvantaged job seekers.

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ANNEX 1

Table A1: Selectivity of Activation Works Participants: Binary logistic regression, pooled cross-section 2009-2011

	Model 1		Model 2		Model 3		Model 4 - all		Model 5 - male		Model 6 - female	
	Exp (B)	Sig.	Exp (B)	Sig.	Exp (B)	Sig.	Exp (B)	Sig.	Exp (B)	Sig.	Exp (B)	Sig.
Female (ref. male)	0.697	0.000	0.725	0.000	0.863	0.067	0.861	0.064				
Age (ref. 15-24)												
25-34	0.823	0.105	1.175	0.184	2.167	0.000	2.158	0.000	1.566	0.016	3.027	0.000
35-44	1.157	0.200	2.305	0.000	8.074	0.000	8.156	0.000	9.753	0.000	5.464	0.000
45-54	0.852	0.151	1.821	0.000	9.116	0.000	9.166	0.000	13.1	0.000	5.015	0.000
55-64	0.679	0.002	1.480	0.005	10.685	0.000	10.738	0.000	18.424	0.000	3.142	0.001
above 65	0.000	0.990	0.000	0.990	0.000	0.992	0.000	0.992	0.000	0.995	0.000	0.994
Nationality (ref. Slovak)												
Czech	2.749	0.178	3.012	0.135	3.367	0.222	3.285	0.239	0.000	0.997	2.337	0.519
Hungarian	4.389	0.000	4.796	0.000	3.685	0.000	3.764	0.000	4.483	0.000	2.756	0.000
Roma	12.603	0.000	15.778	0.000	7.975	0.000	7.993	0.000	9.736	0.000	7.828	0.000
Other	5.611	0.000	6.187	0.000	2.988	0.007	2.977	0.006	1.916	0.225	6.542	0.001
Education (ref. tertiary)												
Primary	146.606	0.000	158.030	0.000	56.680	0.000	57.415	0.000	57.384	0.000	78.105	0.000
Secondary	7.129	0.000	7.435	0.000	5.302	0.000	5.342	0.000	4.690	0.000	6.938	0.000
Family status (ref. Single)												
Married			0.337	0.000	0.359	0.000	0.357	0.000	0.248	0.000	0.644	0.011
Widowed			0.684	0.001	0.614	0.001	0.610	0.001	0.543	0.003	0.960	0.849
Region (ref. BA)												
TT	1.392	0.270	1.366	0.301	1.748	0.089	1.749	0.089	1.266	0.595	2.530	0.070
TR	2.561	0.002	2.773	0.001	2.309	0.014	2.272	0.016	2.235	0.066	1.889	0.267
NI	1.885	0.027	1.878	0.028	3.317	0.000	3.365	0.000	3.336	0.003	2.368	0.111
ZI	4.112	0.000	4.268	0.000	5.003	0.000	5.058	0.000	4.929	0.000	4.410	0.004
BB	40.873	0.000	44.888	0.000	37.637	0.000	37.020	0.000	31.002	0.000	47.727	0.000
PR	13.514	0.000	15.601	0.000	14.464	0.000	14.790	0.000	12.185	0.000	18.185	0.000
KE	14.713	0.000	16.266	0.000	16.174	0.000	16.036	0.000	13.704	0.000	18.986	0.000

Table A1 continued

Economic status 1 year ago (ref. employed)												
unemployed					309.465	0.000	302.614	0.000	294.562	0.000	331.211	0.000
maternity. housewife. disabled. retired. other					15.164	0.000	15.287	0.000	10.540	0.000	17.266	0.000
student					85.937	0.000	87.364	0.000	29.908	0.000	202.560	0.000
Year (ref. 2009)												
2010							1.163	0.139	1.187	0.204	1.189	0.286
2011							1.305	0.007	1.039	0.775	1.911	0.000
Nagelkerke R Square	0.411	0.424	0.717	0.718	0.721	0.728						
Predicted	28.30%	30.40%	60.20%	60.90%	62.8%	62.7%						
N	108267	108267	108267	108267	54311	53953						

Notes:

Notes: Odds ratios (Exp B) presented: coefficient lower than 1 implies lower probability, coefficient higher than 1 higher probability, relative to given reference category. Significance levels: < 0.000 = 1% level, < 0.005 = 5% level, <0.01 = 10% level.

All independent variables are categorical, reference profile is: male, 15-24 year of age, of Slovak nationality, with tertiary education, single, from Bratislavský region, employed, and the year 2009.

ANNEX 2

Benefit in Material Need: Levels and Qualification Criteria

The Benefit in Material Need (BMN) is the main means tested program in Slovakia, defined in the Law on Material Need 599/2003. Income test is the key tool to determine the eligibility for BMN. Should the individual's or family's income fall below the subsistence minimum, the unit becomes eligible for the income support. Subsistence minimum, regulated by separate legislation (Law 601/2003 on Subsistence Minimum), sets the amounts of subsistence minimum used for determining the situation of material need as €189.83 per month for the first adult, €132.42 per month for every further adult, and €86.65 per month for a dependent child or non-dependent child up to the age of 18.

The actual amount of BMN is calculated as the difference between the sum of claims as described below and the income of the claimant/unit of assistance. It consists of basic benefit and supplements. Basic benefit is granted with no further conditions attached, while most supplements are conditioned on behavioral criteria.¹⁶

The basic BMN claim is determined as a fixed amount for single individuals and jointly assessed persons as follows:

Individual with no children: €60.50; Individual and 1-4 children: €115.10; Individual with 5 or more children: €168.20

Couple with no children: €105.20; Couple with 1-4 children: €157.60; Couple with 5 or more children: €212.30

The supplements to the basic BMN might include:

health care allowance: €2 per each person receiving BMN

activation benefit: €63.07 provided that conditions for receiving it are fulfilled (conditioned on participation in activation works according to §52, or in continued education and training)

protection allowance: €63.07 (€34.69) available to people who for health, age and other reasons cannot be activated (conditioned on demonstration of disability or long-term illness certificate)

housing benefit: €55.80 for one person in material need, €89.20 for more persons in material need, and provided that conditions for receiving it are fulfilled (conditioned on regular payment for legal housing or an agreed payment calendar of housing payment arrears)

allowance for pregnant woman: €13.50 (conditioned on regular doctor visits)

allowance for child under one year of age: €13.50 (conditioned on regular doctor visits)

allowance for school-aged child: €17.20 (conditioned on regular school-attendance of child)

¹⁶ This has changed with the new Law on Material Need approved in late 2013, where the basic benefit is conditioned on participation in activation work or volunteer work, if offered. See Box 2 in the text.

The maximum level of BMN equals the sum of claims, which in effect in most instances do not reach the levels of subsistence minimum. The legally determined amount of the subsistence minimum is not used to set the actual benefits the family will receive, while disregarding certain sources of income as defined by Law on Social Services 599/2003 as amended. In essence, although families whose income falls under the subsistence minimum qualify for the BMN, the actual amount that they receive is often much lower than the subsistence minimum. This creates a system in which more people qualify but in effect receive less financial help. The calculation of BMN level is not related to minimum wage, which in 2012 stood at €327.20. The World Bank study which studied tax-benefit disincentives to work found that when the claimant receives activation allowance, the system might be disincentivizing part-time low-paid work but that relative to country's median income, the minimum-income levels belong to the lowest among the OECD countries and do not act as major disincentives to work.

Source: (World Bank, 2012d, 2012e)



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