# Payment of government benefits to unemployed persons

Audit report no. 2-5/3/136 December 4, 2003

**Executive summary**

Government benefits are paid to unemployed persons who have no right to receive unemployment insurance benefit or who have already received unemployment insurance benefit for the maximum period provided for by the law but who have not found work. In 2002 some 104.1 million kroons were paid in the form of benefits to unemployed persons and 105 million kroons are earmarked for that purpose in the state budget for 2003.

**Main findings**

The audit revealed that employment offices did not observe the requirements dealing with basic documents concerning unemployment benefits. There has been laid down a list of documents which have to be exacted and of which copies have to be made by officials before awarding a benefit. As a rule the copies of documents were not made as a result of which the auditors were uncertain whether the unemployment benefits were awarded on a legal basis. For example, in order to prove that a person was occupied with raising children, one has to submit a birth certificate of the child and a written agreement between parents as to which of them applies for the unemployment benefit. In Tallinn the agreements were lacking almost in every case. Analogous situation predominated with copies of birth certificates. It is very difficult to verify the name of the other parent without these documents.

As a rule the employment offices which pay out benefits have not checked information in other databases (e.g. population register, register of taxable persons, register of national pension insurance etc.) The main reason for not checking information is that employment offices lack access to the above mentioned registers since the Labour Market Board has not concluded agreements on access to the registers. For example, unemployment benefits have been paid even to those persons who have greater income compared with the received benefits although it is possible to check the information about income in the register of taxable persons. The population register was not used for verifying that a person was occupied with raising children.

A person who has registered himself/herself as unemployed is entitled to receive unemployment benefits on the condition that he/she appears at the employment office at a fixed date determined by an official at least once within 30 days. Employment offices have paid unemployment benefits even when they have failed to appear in the employment office at a fixed date, accepting various circumstances as good reasons, which extenuate failure to appear because of lack of clear provisions on good reasons.

Unemployed persons have misused imprecise legislation by not appearing in the employment office at a fixed date and after that have registered himself/herself once again as unemployed, as a result of which time reckoning for receiving unemployment benefits has started from the beginning (generally a person is entitled to receive benefits for 270 days). It is theoretically possible to follow the above-mentioned scheme until the condition of the Unemployed Persons Social Protection Act is met which means that the person has to be employed for at least 180 days during the last 12 months preceding registration as unemployed.

Employment offices have no right to refuse to pay benefits. Persons, who had received benefits over a longer period, included those who had repeatedly failed to appear at the employment office at a fixed date during the main period (270 days) of receiving benefits.

**Main proposals to the Minister of Social Affairs**

- To consider replacing the requirement in the statutes of the register of persons seeking work and employment services to make copies of the source documents with a requirement to enter requisite elements in an application for benefits and in the database, at the same time laying down rules for checking the submitted information and recording of the checking. Where appropriate, to establish by a Regulation the exact list of documents, which have to be preserved in any case, or from which copies have to be made.

- To establish facilities for officials awarding benefits and to require them to check information submitted by the persons applying for benefits by means of different databases.

- To supplement the procedure for paying unemployment benefits with a provision, which will not allow receiving benefits after suspending the search for work during a fixed period of time.

- To consider whether it is justified to prolong the payment of benefits to persons who have violated the conditions of payment of benefits and, where applicable, to supplement the payment procedure with the relevant sanction.

**Main proposals to the Director General of the Labour Market Board**

- To conclude contracts on cross-use of data of different registers in order to allow officials to carry out comprehensive checking of information submitted by persons applying for benefits, and to ensure the observance of relevant procedures by officials.

- To demand repayment of wrongfully paid benefits.

- To require suspension or termination of payments of benefits in cases where unemployed persons have failed to appear in employment offices at a fixed date; to develop a unified administrative practice concerning good reason which extenuate failure to appear in the employment office at a fixed date.

In his reply to the SAO, the Minister of Social Affairs agreed to the proposal to replace the requirement to submit copies of the source documents with the requirement to check information in different databases.

The Minister added that they have commenced developing the conception of labour market measures with the purpose of mapping the Estonian labour market system, whereby the opinions and proposals given in the audit report constitute valuable material for future analysis in order to amend the relevant legislation. In addition, a working group of specialists from the Ministry and Labour Market Board will be established in order to look through the statutes of the register of persons seeking work and employment services, and other provisions governing the payment of unemployment benefits and to propose necessary amendments by February 29, 2004.

In his reply, the Director General of the Labour Market Board undertook to examine the reasons that hindered making copies in the audited employment offices. The Board has introduced security measures in order to apply for a licence from the Data Protection Inspectorate to make inquiries to databases. Also, procedures have been initiated to recover benefits paid on the basis of false declarations. The Labour Market Board will require the employment offices to monitor the submission of all documents prescribed by the legislation.

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