

Measures taken by the state to bring back those excluded from the labour market

Have the opportunities of the unemployed at risk to return to the labour market improved?

Report of the National Audit Office to the Riigikogu. Tallinn, 27 March 2008

A summary of audit results

The National Audit Office audited the measures that the state has taken to help those excluded from the labour market to find employment. For the purposes of the audit report, persons excluded from the labour market are deemed to include people who find it difficult to find jobs and who, therefore, are considered to be at risk, such as the unemployed with disabilities and long-term unemployed. In its audit the National Audit Office presumed that the state has been successful if it has determined the risk groups who face more difficulties in entering the labour market and created special incentive measures and/or services to support the risk groups; also, if it has established fixed-term objectives of increasing the employment of people in risk groups, and these objectives have been attained; and if the unemployed at risk are in the field of sight of the state and/or local governments.

Being employed is the best way of ensuring independent subsistence. Thus, it is important for the state to aspire to the labour market inclusion of all target groups. The state spends annually approximately 300 million kroons on helping the unemployed to find jobs (labour market services, unemployment allowances and other benefits, operating costs of the Labour Market Board). The groups at risk, i.e. those in the weakest position in the labour market, need special support. It is important to know whether the funds spent have contributed to the re-inclusion of persons excluded from the labour market. In 2007, total 40,247 unemployed persons were registered with the Labour Market Board, of whom 26,154 belonged to different risk groups.

The state has established objectives of increasing employment and generally attained these thanks to the rapid economic growth of the recent years. The overall employment rate is high in Estonia and the objectives set in the Lisbon Strategy for growth and jobs have been attained.

The new Labour Market Services and Benefits Act took effect on 1 January 2006 by which many new labour market services and principles were implemented. As a result of the implementation of the principle of case management and the addition of new services, preconditions have been created for the unemployed at risk to find jobs more easily. It appeared during the audit that the newly implemented system still contains many shortcomings and issues that need to be addressed.

- **There is no comprehensive overview of the unemployed at risk.** While the state has an overview of the unemployed registered with the Labour Market Board, there are lots of people who do not register themselves as unemployed or who have lost hope and given up seeking employment altogether. Local governments could have an overview of such inactive people. However, it appeared in the course of the audit that basically only small local governments are aware of such unemployed.
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- **All local governments are not capable of offering rehabilitation opportunities to the unemployed who have difficulties in managing their everyday lives (or who have other problems).** Before turning to the Labour Market Board and starting active searches for employment, these unemployed need supporting services that would prepare them for the receipt of labour market services. The level and range of the services offered varies by local governments.
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- **Individual action plans for seeking employment have not been prepared for all the employed.** For each unemployed person his or her individual action plan must be prepared. The second part of such a plan specifies a strategy of seeking employment and supporting services. The National Audit Office ascertained that on many occasions the second part of such plans had not been prepared on time or at all and that the measures specified in the plans and the services actually offered were incompatible.
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- **Of the unemployed at risk, 30% have received other labour market services in addition to job mediation services and career counselling services.** Labour market training was the prevailing labour market service offered. New services (e.g. coaching for working life and the services designed only for the unemployed with disabilities) and public work were used to a lesser extent. The small extent of coaching for working life is due to the insufficiency of the relevant service providers. Engaging the unemployed in public work is hindered by the lack of funding from the state budget. The small amount of services designated for the disabled results from complicated administrative procedures and the lack of interest on the part of employers. It was also explained that the disabled find help from other services. The reason for the small extent of using the wage subsidy service is the circumstance that most of the unemployed must have been registered as unemployed for at least a year to be able to use the service. Regarding the business start-up subsidy it was stated that as the amount of the subsidy is relatively small, the unemployed do not care to fulfil the requirements for being eligible to receive the subsidy. The provision of labour market services must be based upon individual needs which are specified in the action plans for seeking employment. The individual action plans set out the services agreed upon between the Labour Market Board and the unemployed person. As the individual action plans do not indicate all the services offered to the unemployed, it is impossible to ascertain whether some of the unemployed persons were left without the services that they actually needed.
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- **The Ministry of Social Affairs has failed to assess the impact of labour market measures in recent years.** The most recent assessment of the active labour policy was carried out in 2003. The Ministry of Social Affairs intended to conduct a survey of the efficiency of labour market measures within the scope of the National Employment Programme 2005-2006, but failed to do so because just a few new labour market measures had been implemented and there were problems in using the labour market information system.
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Response of the Minister of Social Affairs: The Minister of Social Affairs thanked the National Audit Office for its observations and recommendations. The Minister agreed with the recommendations set out in the audit report and explained how these would be acted upon. The Minister admitted considering it important to assess the impact of labour market measures on a regular basis and, once again, explained the reasons why this had not been done yet. The Minister also deemed it necessary to focus on the development of measures that would support the labour market inclusion of the unemployed who have difficulties in managing their everyday lives and/or addiction problems and who therefore need various services before returning to the labour market.

Response of the acting Director General of the Labour Market Board: The acting Director General of the Labour Market Board agreed with the recommendations of the National Audit Office and presented an action plan for solving problems.

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