

State's activity in helping the unemployed find work

Have the problems in the field been solved?

Summary of audit results

What did we audit?

Pursuant to the Constitution, the state is obliged to help job-seekers find work. The National Audit Office has regularly assessed the effectiveness of the performance of this obligation, the last time in 2012 when it completed the audit 'State's activity in bringing the unemployed to the labour market'. According to main conclusions made as a result of the audit, the system for supporting the unemployed needed to be changed, because it did not help solve the problem of structural unemployment adequately, prevent long-term unemployment or provide support to all unemployed people who needed it.

In this follow-up audit the National Audit Office assessed

- whether the recommendations made in the audit of 2012 have been implemented;
- whether labour market services help reduce unemployment in all regions of Estonia;
- whether planning and offering training is based on labour shortages and whether the unemployed have access to professional in-service training and retraining

Why is this important to taxpayers?

The highest possible level of employment is a premise of guaranteeing economic growth. It is therefore important that everyone who wants to work is guaranteed with opportunities and support in finding a suitable job. The rate of unemployment in the age group from 16 to retirement age in Estonia in 2015 was 6.4%, i.e. there were 42,300 unemployed persons who wanted to start working immediately.

The Unemployment Insurance Fund will spend 176.6 million euros on helping the unemployed and job-seekers in 2016. The Foundation Innove provided assistance for the unemployed to find work for ca 125 million euros in the EU budget period 2007-2013

What did we find and conclude on the basis of the audit?

The National Audit Office is of the opinion that many of the recommendations made in 2012, which would make finding jobs requiring qualifications easier for the unemployed, have not been implemented. Employment can be improved if the creation of jobs in regions of higher unemployment was promoted alongside the provision of labour market services. The skills and knowledge of the unemployed can be made to correspond to the needs of the labour market by offering professional skills training followed by a professional examination.

Implementation of the recommendations made in the audit 'State's activity in bringing the unemployed to the labour market' has started, but only a few of them have been implemented. In 2012 the National Audit Office advised using national databases to find out how the registered unemployed were doing after unemployment, and to create a system for registering employees (a so-called employee register). Both of the recommendations had been complied with by the time this audit was completed. The Ministry of Social Affairs has linked the implementation of many recommendations with the development of the part of the Social Code that concerns work, but it is not known when this will be completed. As a result of this, no solutions have been found to problems

concerning the low motivation of the unemployed to go to work during the period when they are receiving the unemployment insurance benefit, or the creation of a system that would allow an unemployed person to learn a new profession over a longer period of time.

Providing more labour market services does not guarantee that more unemployed persons find jobs in all counties. Although the principles of providing labour market services are the same nationwide, unemployed persons are in an unequal position in regional terms. For example, labour market services were provided to 88.5% of registered unemployed persons in Valga County and 35.9% of them found jobs. At the same time, the share of labour market service recipients in Harju County was 74.1% and 42.0% of them found jobs.

The effectiveness of labour market services in regions of high unemployment is reduced by the lack of jobs. The number of existing enterprises and increase in the number of enterprises are the premises to the creation of paid jobs. The analysis carried out by the National Audit Office indicated that both of these indicators are considerably lower than the Estonian average in counties where unemployment is high. For example, there were 2.7 times fewer companies in Ida-Viru County by 2014 than the Estonian average. At the same time, according to Statistics Estonia, there were 3.5 times more unemployed persons per vacancy in Ida-Viru County than the average in Estonia. The number of enterprises, and consequently the number of vacancies, was considerably lower than the average in all other counties of high unemployment – Valga, Võru and Põlva. In recent years, the number of enterprises and jobs in regions of high unemployment has not remarkably increased. For example, the increase in the number of enterprises in Ida-Viru County and Valga County from 2010-2014 has been slower by a half than the Estonian average.

The unemployed have received services from different agencies. Unemployed persons can receive similar services from the Unemployment Insurance Fund, local governments and via projects that have received support from the Foundation Innove in open calls for proposals. For example, almost a quarter of local governments offered coaching for working life and one-fifth offer practical training. The target groups of the persons who received the services also overlap, because registered unemployed persons received services from the Unemployment Insurance Fund, local governments and via projects that have received support from the Foundation Innove in open calls for proposals. The added value offered by the project-based services that are similar to the services of the Unemployment Insurance Fund and financed by the Foundation Innove is not always clear.

Training the unemployed primarily entails in-service training rather than retraining. Although many unemployed persons have received training, a significant number of the trainings offered is aimed at general education (e.g. computer training, work-related motivation training, language training on different levels), the duration of the training is often short and no professional certificate or certificate of proficiency is obtained once the training is completed. However, the audit revealed that passing a professional examination successfully increases the chances of finding a job. Comparing the persons who passed a professional examination with those who did not, we see that 6.7% of the persons who passed the examination were subsequently employed. However, only few passed professional examinations – 6.5% of the registered unemployed.

The options of the unemployed to receive long-term retraining from the Unemployment Insurance Fund are limited due to restrictions arising from law. One of the goals the state has set itself is to reduce the number of adults with no professional or vocational education. However, the Labour Market Services and Benefits Act prohibits registering persons who study full-time with the Unemployment Insurance Fund. Also, the same Act has established a restriction on the Unemployment Insurance Fund, which states that labour market training may not last longer than one year. In order to move towards the achievement of this goal, it is necessary to review the restrictions and agree on the division of the functions of the Unemployment Insurance Fund and other institutions in offering retraining to the unemployed.

The state has no regional forecast of labour needs. In the situation, where entrepreneurs have highlighted the lack of qualified labour as the main issue that holds back economic development and

42.4% of the unemployed have no professional qualifications, i.e. they only have general secondary education or a lower level of education, the state has no information about the number of people needed in different regions or the skills and knowledge these people should have. There are also no plans to start preparing forecasts of the labour needs of different regions within the scope of the skill development coordination system (OSKA system) that will be created.

What did we recommend?

The main recommendations made by the National Audit Office are as follows:

- to develop a programme by the end of 2017, which would guarantee the coordinated regional development of enterprise considering the specific features of each region, the promotion of creating new jobs and the provision of labour market services;
- to initiate an amendment of the Labour Market Services and Benefits Act, which would give unemployed persons, whose knowledge and skills are insufficient considering the labour market needs, and the persons who need retraining in order to find jobs, the opportunity to acquire the necessary education either via formal education or labour market training that lasts longer than a year; and to clearly define the responsibilities of the Unemployment Insurance Fund in providing long-term retraining;
- after the completion of the OSKA system, to use an analysis of labour needs to assess the extent to which the qualifications of the registered unemployed comply with labour needs, and to proceed from this information when planning training for the unemployed.