



**МІНІСТЕРСТВО ПРАЦІ УКРАЇНИ
ПРОГРАМА TACIS ES
MINISTRY OF LABOUR OF UKRAINE
TACIS ES PROGRAM**



МІЖНАРОДНА КОНФЕРЕНЦІЯ

Державна політика зайнятості в Україні.

Управління ринком праці.

м.Київ, 23-24 січня 1997 року

INTERNATIONAL CONFERENCE

State Employment Policy in Ukraine.

Management of the Labour Market.

Kiev, January 23-24, 1997

THE FINANCING MEASURES HYPOTHESIS

Nelly DIJOLS

1 Observations

Insofar as the Ukraine is concerned, in 1991 the State opted for a system in which the Employment Services are entrusted with the management of the Employment Fund.

In the past as today, this Fund has been allotted with the collection and payment of unemployment benefits and the additional financial aids given to the unemployed, paying for training, reconversion and other active measures, and the management of the functioning needs of the Employment services.

Its functioning expenses were covered by a State budget allowance, while everything else was essentially taken care by an employers' contribution based on the enterprise's salary fund (see schema 1).

The Supreme Soviet entitled the Cabinet of Ministers in February 1996 to include these funds in the country's budget so as to be able to meet its obligations.

This led to the situation shown in schema 2.

As first sight, this appears as very complex overtime, it resulted in the malfunctioning of the employment fund's management for the entire duration of the 1996 exercise.

To summarise :

- A Whereas the department of the Ministry of finance's Treasury is now in charge of allocating the financial means for its functioning, the Employment services has to meet the Employment Fund's commitments.

Over a nine months' exercise, and for an expenditures' budget originally fixed at 287 800 000 grivnas, in the end, the global amount allocated to the Services corresponded to 82 600 000, ie. 35.13 %.

This raises the issue of the gap between effective re-allocation and the waiting delays with respect to resources, and hence that of the quality of the Treasury's and the Employment Services' management (see Annex 3).

B The Employment Services must primarily meet their responsibility vis-a-vis the unemployed, but they also hold responsibilities vis-a-vis those sub-contractors with which they work, notably training institutions.

Therefore, the Services contract a number of engagements with respect to the services rendered to job-seekers, ie paying services.

The Employment Services must also respect the monthly deadlines of job seekers.

As a result, subsequent to an exercise of nine months for which a global amount corresponding to 75 469 000 had been perceived, the engagements entered upon by the Employment Services amounted to 106 068 500.

The Services' engagements were only covered for up to 59.45 %.

This resulted primarily in a delay in the payment of unemployment benefits.

C In order to send money, one must first worry about obtaining it. Here lies the notch of the problem relative to the efficiency of the collection of contributions.

Once again, a gap is apparent here between the expectations set at the beginning of 1996 and the reality towards the end of the same year.

For an expected amount of 387 800 000 grivnas only 235 100 000 were actually paid, ie, 60.62 %

2 The Debates

It would seem then, that, insofar as the issue relative to the financing of the Employment Fund is concerned, the Ukrainian Government has embarked on an economic and social development choice that could be elucidated by answering a few inquiries.

It is thus necessary to:

Define if social protection which comprises a number of risks (unemployment, health, oldage) is the financial responsibility of all (collective and joint responsibility) or if it is the responsibility of the individual who freely covers himself with respect to each risk (insurance system) .

The general financing mode is directly conditioned by the first choice.

To simplify, then insurance option presupposes a contributory financing mode different from a joint participation through taxes.

Define if a passive compensation policy has been planned for job seekers in order to address the unemployment problem, or if a priority has been set for **active measures** aimed at putting the unemployed back to work, or both.

Define what falls under the care and responsibility of the State : what is it financially responsible for ?

For example, are the Employment Services' functioning needs financed through a budget allowance ?

Do the various employment aids' measures (subventions, loans for the creation of new businesses, pre-retirement) fall under its responsibility, given that the State intervenes on the labour market through the laws it votes ?

Define if the Employment Fund is responsible for both the payment of unemployment benefits and the financing of the employment policy's implementation, like vocational training or the services provided by the Employment Services

As a way of comparison, for a long time France had opted for a two-headed system. Unemployment benefits were managed by a different institution from the one in charge of professional re-orientation.

Contrary to this, in Germany, the Federal Employment Office is designated by law to carry out the tasks proper to job placement, professional counseling and vocational training as well as the management of the unemployment insurance.

Define the role envisaged for the social partners who might be involved, to a greater or lesser extent, in administrative responsibilities or the management of the Employment Fund.

A public management example exists, where the State directly manages the Employment Fund or entrusts this task to a public institution.

A tripartite system comprises, instead, the State, employers and employees, as well as those individuals participating in social dialogue and those parties that direct the management of the unemployment insurance and the implementation of the employment policy through the directive structures of the Employment Services.

These same social partners are held responsible for the management of the unemployment insurance, notably by the court having jurisdiction over the accounts of public entities.

It is no merely a question of participating in a series of intellectual exchanges, here, but of concurring in a responsible fashion to the management of the employment problem and of providing solutions.

The two-headed system intervenes at a more advanced stage of the process towards autonomy. It implies that the management of the Employment Fund is entirely reverted to the social partners, the State intervening only on questions related to financial aid or the enactment of laws concerning the labour market.

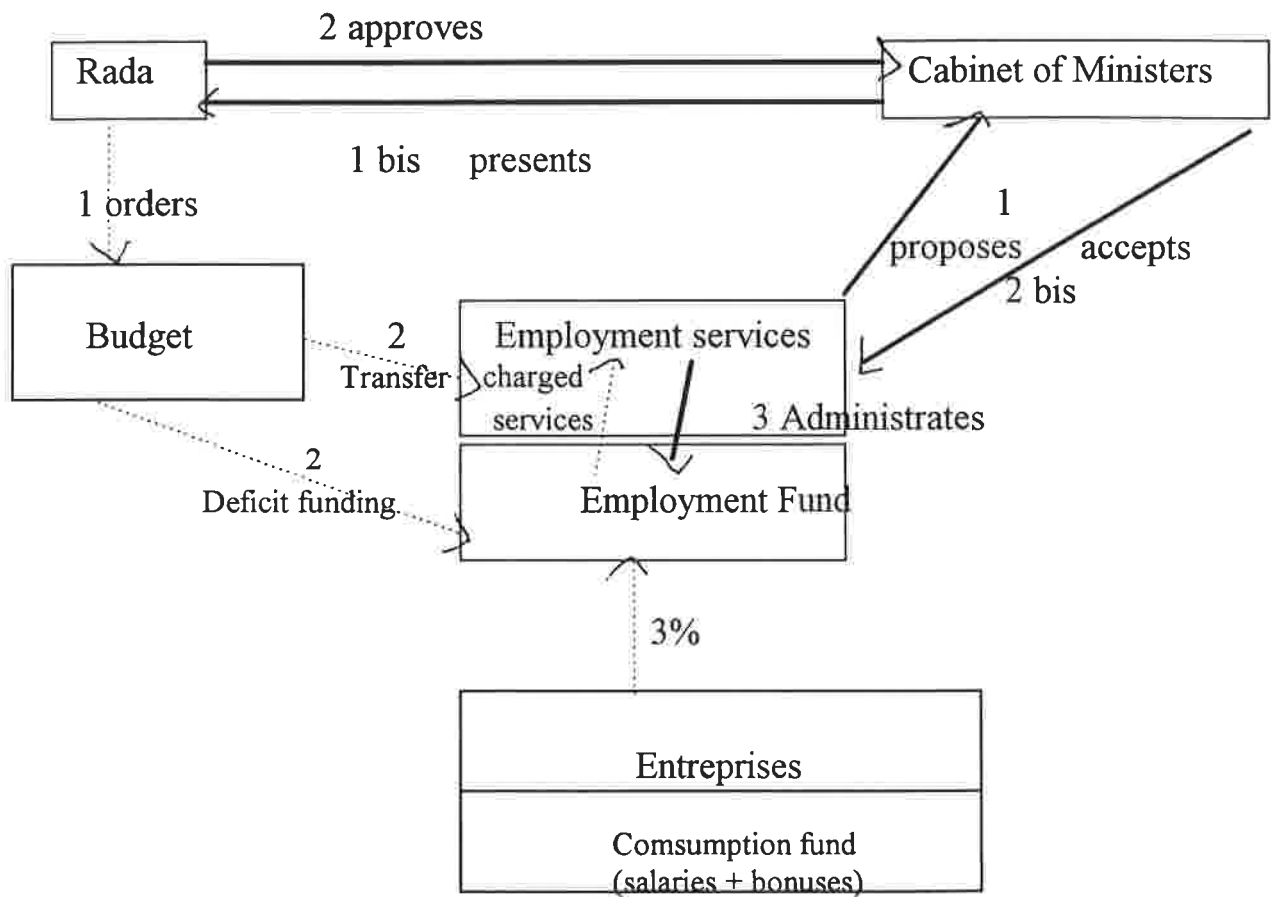
Define the public or private status of the structures managing the financial means and the implementation of the employment policy.

We have been lead, by our activities during the last months, to measure the path travelled by the Ukraine. We have noted the real concern expressed by various officials to find a solution to the problem of the Employment Fund. This concern is a pledge for success.

SCHEMA 1

Employment Fund administration entrusted by the Ukrainian State to the Employment services

Financial management and ratifying process of the Employment Fund UKRAINE 1991



Légend

- Employment Funds' ratifying
- Financial Management

Схема 1.

Спосіб фінансування Фонду зайнятості та затвердження бюджету в Україні з 1991 року



Позначення

- спосіб затвердження бюджету
- спосіб фінансування Фонду

Схема 2.

Інтеграція соціальних фондів в Державний бюджет України. Постанова Верховної Ради, лютий 96

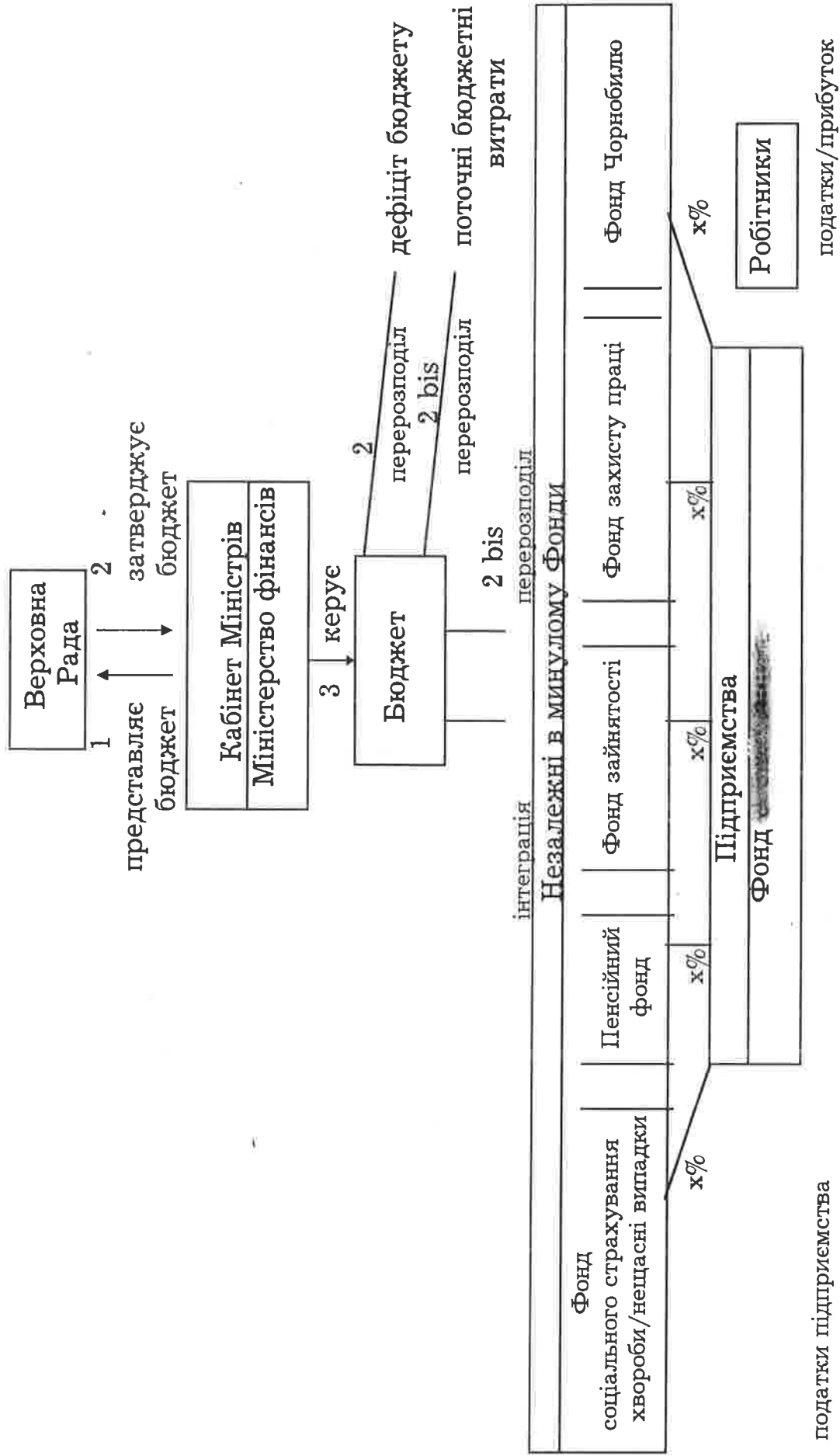


СХЕМА 3

ПЕРЕРАСПРЕДЕЛЕНИЕ БЮДЖЕТА/СЛУЖБА ЗАНЯТОСТИ/ФОНД ЗАНЯТОСТИ

RE - ALLOCATION OF THE EMPLOYMENT FUND BETWEEN THE NATIONAL BUDGET AND THE EMPLOYMENT SERVICES

Дата <i>Dates</i>	Общее количество поступлений <i>Total resources</i>	Часть в бюджет <i>Budget</i>	% общего количества <i>% Total</i>	Часть в службу занятости <i>Employment services</i>	% общего количества <i>% Total</i>
Принятый бюджет на 1996 Adoption of the budget 02/96	387,800,000	100,000,000	25,79%	287,800,000	74,21%
Фактически на ноябрь 1996 Real at December 96	235,100,000	152,500,000	64,87%	82,600,000	35,13%
Разница Difference in %	-39,38%		+39,08%		-39,08%

ПЕРЕРАСПРЕДЕЛЕНИЕ БЮДЖЕТА/СЛУЖБА ЗАНЯТОСТИ/ФОНД ЗАНЯТОСТИ

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Схема 4