EFFECT OF ACTIVE LABOUR MARKET POLICIES ON EMPLOYMENT AND QUALITY OF LIFE

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Abstract. Gross domestic product (GDP) is the most popular measure of macroeconomic activity. However, it is increasingly recognised that GDP should be associated with additional data and indicators. In 2010, the European Statistical System Committee recommended a set of indicators to measure quality of life. Some of these indicators are already prepared by the EU Member States’ and Lithuania’s statistical offices. Active labour market policies are increasingly applied in recent times for the purpose of broadening macroeconomic, employment and social policy. These tools are especially useful for the disadvantage groups, such as the long-term unemployed and older people to return to the labour market. Rising employment level is the most effective tonic for economic growth and social inclusion. Employment is a very important factor to guarantee equal opportunities, which is contributing to the full participation of citizens in economic, cultural and social life. This improves quality of life.

This paper explores the major Lithuanian ALMP indicators and their relationship with the indicators of employment and quality of life.

JEL classification: C10, J21, P46.

Keywords: labour market, active social policy, economic indicators, foreign direct investments, unemployment, active labor market policy’s measures, indicators of quality of life, GDP, social policy.

Reikšminiai žodžiai: darbo rinka, aktyvi socialinė politika, ekonomikos rodikliai, tiesioginės užsienio investicijos, nedarbas, aktyvios darbo rinkos politikos priemonės, gyvenimo kokybė, rodikliai, BVP, socialinė politika.

Introduction

Quality of life involves a very extensive area of political and economic interests. The working programme of the European Foundation for the Improvement of Living and Working Conditions notes that the need for assessment of the quality of life be associated with employment and work-life balance and social cohesion (Second European Quality of Life Survey, 2009). “Achieving social cohesion, a major policy priority of the EU’s Renewed Social Agenda, That Means All Citizens of Member States have equal access to a good standard...
of quality of life” (European Foundation ..., 2009). It is noted (Juozulynas et al., 2010) that good life requires financial well-being, health, education, social integration, etc.

Social processes are inseparable from economic changes, they affect each other. Since 2011 the Lisbon Strategy has been replaced by Europe 2020, European Union (EU) economic growth strategy to be implemented by 2020. Europe 2020 includes five key objectives on employment, innovation, education, social inclusion, climate and energy (European Commission, 2011). The new strategy has demonstrated once again that the EU gives priority to the development of social policy, labour, employment and human resources.

In 2010, the European Statistical System Committee formed a team “Measurement of advance, well-being and sustainable development”, which was tasked to prepare a special set of indicators to assess these effects. The Group report states: “Another key message, and unifying theme of the report, is that the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people’s well-being. Changing emphasis does not mean dismissing GDP and production measures. They emerged from concerns about market production and employment; they continue to provide answers to many important questions such as monitoring economic activity. But emphasising well-being is important because there appears to be an increasing gap between the information contained in aggregate GDP data and what counts for common people’s well-being” (Stiglitz et al., 2009).

Prosperity of a State depends on its economic and labour market policies and the ability to guarantee the income of the population. Increasing employment level is the most effective means of economic growth and social inclusion, economic incentive arrangement (Rudzkienë, Burinskienë, 2007). Employment is closely tied to the quality of life, because it allows realising one’s personal potential and ensuring adequate living standards. Measures of active labour market policies (ALMP) provide the ability to integrate the long-term unemployed and other risk groups into the labour market. Lately, they are increasingly applied aiming for broader social and employment policy purposes (Aktyvios darbo rinkos..., 2007).

This paper analyses the statistics of the Statistics Lithuania (Statistics Lithuania, 2013) and of the Lithuanian Labour Exchange (Lietuvos darbo birža, 2010, 2012, 2013). By calculating the correlation coefficients, the ALMP connection with indicators of employment and quality of life are determined.

1. A new approach to the assessment of quality of life

Social policy is one of the measures for economic regulation, an essential tool for the creation of state welfare, because the state has to ensure not only civil and political rights but also social rights (Vaidelytė, 2007, Dromantienė, 2008). The European Union gives priority to social policy, labour and employment, human resource development.

World Scientists (Camfield, 2005; Stiglitz et al., 2009; Gylys, 2008; Servetkiene, Rakauskienė, 2011) increasingly take the view that economic progress indicators – GDP growth, GDP per capita, do not reflect the real wealth of the country and the individual person’s life level. Quality of life indicators are often independent of the macro-economic indicators and can even negatively correlate with them. Therefore, the assessment of the quality of life in addition to economic indicators has a huge role to play
for social, ecological, sustainable economic well-being indicators (Lisauskaitė, 2010). The Commission on the Measurement of Economic Performance and Social Progress has decided that: “GDP is the main indicator which makes it possible to take account of differing socioeconomic characteristics at European level, and has to remain the main criterion of the level of financial allocations in the future cohesion policy, but emphasises the need to take greater account of environmental and social factors at national and regional level and to determine suitable criteria for that purpose as well” (European Parliament, 2010).

European Economic and Social Committee (EESC) (Opinion of the European Economic..., 2012) has stated that in the last decade the requirement to assess the progress of public welfare was detained. The European Statistical System Committee in 2010 recommended a set of indicators to measure quality of life. Some of these indicators are already being prepared by the EU Statistical Office, the list of them is given on the Statistics Lithuania website.

2. Active social policy

Employment is the key to full, active and equal participation in the society. The more people participate in the labour market, the greater is their contribution to the availability of adequate social security. Work is not only an indicator of economic growth, but also of people’s income, social status and self-satisfaction (Simonavičienė, Užkurytė, 2009; Melnikas, 2010). “The EU’s Europe 2020 strategy for smart, sustainable and inclusive growth includes a commitment to fostering high levels of employment and productivity. More jobs are needed to address the problem of lengthening unemployment queues which are approaching levels in some Member States that pose a real threat to social peace as well as sustainable economic growth” (Employment polarisation..., 2013). The Programme of the Lithuanian Sixteenth Government for 2012-2016 (Lietuvos Respublikos..., 2012) states that more new and better jobs would stop the outflow of skilled manpower abroad. The 2014-2020 employment increase programme was designed to solve the existing complex and very topical employment issues (Lietuvos Respublikos..., 2013).

It is especially difficult to integrate persons with poverty and social exclusion risk experience into the labour market. The EU employment policy focuses on the problems of socially vulnerable groups. “Member states should adopt arrangements covering persons whose condition renders them fit for work to ensure they receive effective help to enter or re-enter and stay in employment that corresponds to their work capacity, address the needs of people excluded from the labour market in order to facilitate their progressive reintegration into society and into the labour market and to enhance their employability” (Commission Recommendation..., 2008). Social policy focused on employment and reduction of unemployment, wage and income growth is one of the most important investment and growth factors. Recently, measures of active labour market policies (ALMP) are increasingly applied to the wider employment and social policy. The European Commission recommends: “Ensure the effectiveness of integrated active inclusion policies through: comprehensive policy design defining the right mix of the three strands of the active inclusion strategy, taking account of their joint impact on the social and economic integration
of disadvantaged people and their possible interrelationships, including synergies and trade-offs; integrated implementation across the three strands of the active inclusion strategy to effectively address the multifaceted causes of poverty and social exclusion and enhance coordination between public agencies and services which deliver active inclusion policies” (Commission Recommendation..., 2008).

3. Lithuania’s active labour market policies

Order on active labour market policies and the implementation of its conditions (Lietuvos Respublikos..., 2009) provides for the vocational training of the unemployed and employees of working age who have received a notice of dismissal, including supported employment (subsidised employment, job skills promotion, job rotation, public works) and support for job creation (job creation subsidies, local employment initiatives in the implementation of projects, support for self-employment) and mobility conditions and procedures of unemployed persons. A research on the effectiveness of active labour market policy (Aktyvios darbo rinkos..., 2007) commissioned by the Lithuanian Labour Exchange demonstrated the cost-effectiveness of ALMP variation from 19.7% to 48.1%. This showed that investment in ALMP measures was one of the most effective investments in labour market policy.

Figure 1. Dynamics of employment factors

Dynamics of employment factors in Lithuania (see Figure 1) shows that active labour policy improvement is necessary. While from 2009 to 2011, the number of
employed people rose and the number of designated unemployment insurance benefits fell (in 2012, the situation changed slightly), the number of persons involved in active labour market policy measures remained almost the same \( i_{2012/2008} = 1.78 \), and this does not restore the failure of the previous ratio \( i_{2008/2003} = 0.25 \).

2014-2020 Employment Increase Programme (Lietuvos Respublikos..., 2013) states that recently the part of unqualified or qualified unemployed people who have lost qualification has increased, and the number of long-term unemployed unable to compete in the labour market is growing. The total coverage of active labour market measures and funding instruments is weak, thus it is necessary to devote resources to active labour market policies, while increasing their effectiveness.

4. ALMP impact on employment and quality of life in Lithuania

The statistical data of Statistics Lithuania (Statistics Lithuania, 2013) and of the Lithuanian Labour Exchange (Lietuvos darbo birža, 2010, 2012, 2013) is used for evaluating the connection of ALMP indicators with employment and quality of life. In response to the Stiglitz-Sen-Fitoussi Commission and the European Commission initiatives, Statistics Lithuania provides a summary of quality of life indicators of Lithuania in 2005-2012 (Statistics Lithuania, 2013). We have selected indicators that can be linked to employment and labour market.

A correlation analysis of the GDP per capita and quality of life indicators in Lithuania was made earlier (Bilevičienė, 2012). The analyses showed that only some of the quality of life indicators are related to GDP. It was not possible to establish a direct link between the quality of life and GDP per capita. In examining this relationship, the strength of connection and connection dynamics must be assessed. GDP and the included ALMP have strong negative correlation \( r = -0.85, p = 0.0000 \), which shows the need to strengthen ALMP if manufacturing decreases (Bilevičienė, Bilevičiūtė, 2011).

Active labour market policies must cover the whole variety of purposes, such as: job creation, job reallocation, skills and human capital strengthening, behavioural (regulations) changes in overcoming timidity of job seekers and the alienation of labour income, broader macroeconomic objectives, such as potential labour supply, structural unemployment. The indicator of “active labour market policies” and strength of employment and quality of life determined the use of Kendall’s tau–c coefficient, \( p = 0.0000 \). The results (see Figure 2) show that this index has a negative correlation with employment indicators “Unemployed receiving unemployment benefits”, “Unemployment benefits assigned”, “Registered unemployment”. It confirms that the more unemployment is rising, the more ALMP measures are applied in Lithuania. Effectiveness of application of these measures is showed by average positive correlation with the indicator “Jobs created”. We could note strong positive correlation with the indicator of quality of life “A part of those employed under a fixed-term contract”. This shows that ALMP measures do not guarantee permanent employment, although employment after their application is mandatory. There is a correlation with the indicators “Severe material deprivation rate”, “Persons living in households with low work intensity”, “Lifelong learning rate”. This indicates that active participation in the labour market is necessary in order to improve the quality of life.
Figure 2. Indicator “Active labour market policies” correlation with employment and quality of life indicators

The most frequently used ALMP measures are: “Staff training of unemployed and those facing redundancy” and “Subsidised placement”. It is therefore understandable that these indicators have a connection with employment and quality of life indicators. The strength of connection of these indicators with employment and quality of life indicators was determined using Kendall’s tau-c coefficient, \( p = 0.0000 \).

The goal of vocational training of the unemployed and persons of working age on notice of dismissal is to provide training or to gain expertise if this is necessary for employment. The setting of correlations of the indicator “Staff training of the unemployed and those facing redundancy” provides interesting information (see Table 1).

Table 1. Correlation of the indicator “Staff training of the unemployed and those facing redundancy” with employment and quality of life indicators

<table>
<thead>
<tr>
<th>The indicator “Staff training of the unemployed and those facing redundancy” has a correlation with:</th>
<th>Quality of life indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at birth, male (years)</td>
<td>-0.810 Early leavers from education and training</td>
</tr>
<tr>
<td>Life expectancy at birth, female (years)</td>
<td>-0.714 Unemployment rate</td>
</tr>
<tr>
<td>Healthy life expectancy, male (years)</td>
<td>-0.714 Lifelong learning rate</td>
</tr>
<tr>
<td>Healthy life expectancy, female (years)</td>
<td>-0.714 At-risk-of-poverty rate</td>
</tr>
</tbody>
</table>
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The average negative correlation with employment indicators shows that the more unemployed people that could be employed without further preparation, the less vocational training measures are needed. However, vocational training application reduces the number of the unemployed. Older people lack skills and motivation to remain in the labour market. The status of these people in the labour market is instable, the level of their education or general skills often fails to fully meet the needs of the labour market, they lack confidence and motivation to improve their knowledge and skills so as to retain their professional qualification. A strong negative correlation with life expectancy rates shows a lack of elderly person training. It is necessary to promote lifelong learning initiative in the field of employer tolerance for older workers.

Positive correlation with the indicators “Part of population with average education attainment”, “Part of population with lower education” and “Early leavers from education and training” and negative correlation with the indicators “Part of population with the highest degree” and “Lifelong learning rate” show the need for high-skilled labour. Negative correlation with the indicator “Unemployment rate” shows that training reduces unemployment and improves the quality of life. A strong positive correlation with the indicators “At-risk-of-poverty rate” and “Poverty level of housing” shows that the risk of poverty encourages people to participate in vocational training programmes, because they want to improve their skills and find a better-paid job.

The goal of subsidised employment is to help the labour market, also to assist persons registered with the labour exchange to settle in the labour market or take up temporary employment, and to provide special treatment for individuals with the level of working capacity not exceeding 40% or those with severe level of disability, in order for them to remain in the labour market. Currently, there are about 170 thousands of working-age people with disabilities in Lithuania, of them only 28% are working. People with disabilities can work according to the type of their disability, but if the public and the working environment is not fully adapted for people with disabilities, this limits the opportunities of such persons to be in the labour market and in the education system and reduces their opportunities to obtain professional qualifications. It is necessary to encourage employer and public tolerance for workers with disabilities (Lietuvos Respublikos..., 2013).
The establishment of correlations of the indicator “Subsidised employment” is presented in Table 2. The average positive correlation with employment figures shows a weak intensity of application of this measure. Positive correlation with indicators “Part of population with average education attainment”, “Part of population with lower education” and the negative correlation with the indicator “Part of population with the highest degree” shows that subsidised employment is applicable to persons with better education as they have a better chance to retain the created workplace. Positive correlation with life length shows that this measure has been applied both for elderly persons.

**Table 2.** Correlation of the indicator “Subsidised employment” with employment and quality of life indicators

<table>
<thead>
<tr>
<th>The indicator “Subsidised employment” has a correlation with:</th>
<th>Quality of life indicators</th>
<th>Employment indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at birth, female (years)</td>
<td>0.467 Part of population with lower education</td>
<td>0.429 Employed job seekers with open-ended contracts</td>
</tr>
<tr>
<td>Healthy life expectancy, male (years)</td>
<td>0.467 Part of population with the average educational attainment</td>
<td>0.429 Activity by reduced business license</td>
</tr>
<tr>
<td>Healthy life expectancy, female (years)</td>
<td>0.467 Part of the population with the highest degree</td>
<td>0.429</td>
</tr>
</tbody>
</table>

The goal of job skills support is to provide opportunities for job seekers to acquire the missing skills directly at the workplaces. Although the ALMP measure is applied quite often, there was no connection established neither with employment nor with the quality of life indicators.

Subsidy of job creation is organised by the Labour Exchange based on registered job seekers to support their permanent employment. The subsidy is paid to employers who employ people belonging to additional support groups on permanent contracts. From 2005 to 2012, the application of this measure significantly decreased ($i_{2012/2005} = 0.06$). Employment established in subsidised jobs makes up a small part of the ALMP measures, it is therefore not appropriate to analyse the connection of this indicator with employment figures. The strength of connection of the indicator “Employment to set up on subsidised jobs” and quality of life indicators was determined using Kendall’s tau-c coefficient, $p = 0.0000$. The results (see Table 3) show a strong positive correlation with the indicators “Part of population with average educational attainment”, “Part of population with lower education” and the negative connection with the indicator “Part of population with the highest education degree”. It shows the application of this measure for individuals with lower education. This measure is not applied to older people, because of the negative correlation with life expectancy. However, this measure reduces unemployment rate (average negative correlation with the indicator “Unemployment rate”).
Table 3. Correlation of the indicator “Employment to set up on subsidised jobs” with quality of life indicators

<table>
<thead>
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<th>Indicator “Employment to set up on subsidised jobs” has a correlation with:</th>
<th>Quality of life indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment rate</td>
<td>-0,571 Part of population with lower education</td>
</tr>
<tr>
<td>Life expectancy at birth, male (years)</td>
<td>-0,714 Part of population with average educational attainment</td>
</tr>
<tr>
<td>Life expectancy at birth, female (years)</td>
<td>-0,81 Part of population with the highest education degree</td>
</tr>
</tbody>
</table>

Employment in positions established under the Local Employment Initiatives by development can be compared to the employment created in subsidised jobs. Therefore, it is not purposeful to analyse this indicator’s connection with the employment figures. The strength of correlation of the indicator “Employment to set up on subsidised jobs” and quality of life indicators was determined using Kendall’s tau-c coefficient, \( p = 0.0000 \). The results (see Table 4) show negative correlation of this indicator with quality of life indicators “Level of poverty risk of employed population”, “Poverty rate”, “Part of the young early school leavers”. It can be argued that local employment project implementation reduces the level of poverty of the local population.

Table 4. Correlation of the indicator “Employment in positions established under the Local Employment Initiatives” with quality of life indicators

<table>
<thead>
<tr>
<th>Indicator “Employment in positions established under the Local Employment Initiatives” has a correlation with:</th>
<th>Quality of life indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of poverty risk of employed population</td>
<td>-0,6 Early leavers from education and training</td>
</tr>
<tr>
<td>At-risk-of-poverty rate</td>
<td>-0,32</td>
</tr>
</tbody>
</table>

Other ALMP measures represent a small part of these measures, and some of them can be found in relation to employment and quality of life indicators, however, it could be said that the connection is significant.

Conclusions

European Union social policy is concentrated on active participation of citizens in the labour market, social and economic life. Much attention is paid to employment and quality of life. The more people are participating in the labour market, the greater their contribution to the availability of adequate social security. Active labour market policy measures are applied to the unemployed and those of the working age who have received a notice of dismissal, they are also used for vocational training, supported employment
and for supporting job creation. These measures stimulate the process of economic and social inclusion.

A new approach to the assessment of quality of life provides an opportunity to link economic and social indicators. The study of correlation of ALMP measures with employment and quality of life indicators shows that while unemployment is increasing in Lithuania, more ALMP are applied, although their scope has not yet reached the pre-crisis level. The average positive correlation with the indicator “Jobs created” shows the effectiveness of application of these measures. It must be noted that the ALMP measures do not guarantee permanent employment, although employment after their application is mandatory. There is a correlation with the indicators “Severe Material Deprivation circle”, “Persons living in households with low work intensity”, “Lifelong learning rate”. This shows that active participation in the labour market is necessary in order to improve the quality of life.

The most frequently used ALMP measures are: “Staff training of the unemployed and those facing redundancy” and “Subsidised employment”. The average negative correlation with employment indicators shows that the more unemployed people that could be employed without further preparation, the less vocational training measures are needed. However, vocational training application reduces the number of the unemployed. A strong negative correlation with life expectancy rates shows that there is a lack of training for elderly persons. It is necessary to promote the lifelong learning initiative and employer tolerance for older workers. Negative correlation with the indicator “Unemployment rate” shows that training reduces unemployment and improves the quality of life. A strong positive correlation with the indicators “At-risk-of-poverty rate” and “Poverty level of housing” shows that the risk of poverty encourages people to participate in vocational training programmes, because they want to improve their skills and find a better paid job.

The study has showed that there is a strong and average ALMP connection with the quality of life indicators. This suggests that such measures improve the quality of life, and their development is necessary. This is emphasised in the EU and Lithuania’s programming documents.

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References

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**AKTYVIOS DARBO RINKOS POLITIKOS PRIEMONIŲ ĮTAKA UŽIMTUMUI IR GYVENIMO KOKYBEI**

**Santrauka.** Bendras ir visuomenės sveikatos mastas. Šiuo metu BVP taip pat laikomas netiesioginiu visuomenės rados ir pažangos plėtimo prasmė rodikliu. Tačiau vis plėčiau pripažįstama, kad BVP turi būti siejamas su papildomais duo-
menimis ir rodikliais. Piliečiams rūpi jų gyvenimo kokybė ir gerovė. Europos ekonomikos ir soci-
alinį reikalu komitetą pripažįsta, kad pastaraisiais metais padaryta pažanga pasaulio ir Europos
lygmeniu kuriant bendrąjį vidaus produktą papildančius rodiklius, ypač tuos, kurie atspindi žmonių
gyvenimo kokybę ir socialines sąlygas, susijusias su ekonominių sistemų tvarumui. Europos sta-
tistikos sistemos komitetas 2010 m. pateikė rekomenduojamą rodiklių rinkinį gyvenimo kokybei
matuoti. Dalį šių rodiklių jau rengia ES šalių ir Lietuvos statistikos tarnybos. Aktyvios darbo rinkos
politis politikos priemonės pastaruoju metu vis dažniau taikomos siekiant platiųjų makroekonominių,
užimtumo bei socialinės politikos tikslų. Šios priemonės ypač naudingos, norint grąžinti į darbo
rinką socialinės rizikos grupių atstovus, ilgalaikius bedarbius, vyresnio amžiaus žmones. Užimtumo
lygio didinimas yra veiksmingiausia ekonomikos augimą ir socialinę įtraukti skatinanti priemonė.
Garantuojant visiems lygias galimybes, užimtumas yra labai svarbus reiškinys, prisidedantis prie
visapusiško piliečių dalyvavimo ekonominiame, kultūriname ir socialiniame gyvenime bei jų gal-
mybių įgyvendinimo. Tai gerina gyvenimo kokybę. Straipsnyje nagrinėjami pagrindiniai Lietuvos
ADRP rodikliai, jų ryšys su užimtumo ir gyvenimo kokybės rodikliais.

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