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Planning Guidelines for Active Labor Programs in Hungary

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Planning Guidelines for Active Labor Programs in Hungary

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Planning Guidelines for Active Labor Programs in Hungary

A report on activity B.2 in the project to provide technical assistance to improve labor market analyses in Hungary, under the agreement between the United States Department of Labor and the Hungarian Ministry of Labor.

October, 1996

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Here at the W. E. Upjohn Institute for Employment Research, I thank the Executive Director Dr. Randall Eberts, and my colleagues Craig Schreuder and Bob Straits and all others who contributed to the success of the project.

Finally, as author of this report, I accept responsibility for any shortcomings of my attempt to document the planning guidelines for active labor programs operated from the decentralized Employment Fund in Hungary.

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October, 1996

PLANNING GUIDELINES FOR ACTIVE LABOR PROGRAMS IN HUNGARY

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1. INTRODUCTION

Employment policy in Hungary is carried out through two separate sets of programs. Active labor programs (ALPs) are paid for out of the Employment Fund. These programs are operated on a discretionary basis and include: retraining, self employment assistance, wage subsidies for hiring long term unemployed, public service employment, and work sharing. The Employment Fund mainly receives money from the national budget.

Other employment programs, which may be termed entitlements, include unemployment compensation, unemployment assistance--which is for the long term unemployed, and the employment exchange. These entitlements are paid for out of a separate budget called the Solidarity Fund. The Solidarity Fund also pays for the costs of operating the nation-wide system of labor centers which administer employment programs. The Solidarity Fund is financed by payroll taxes on the total wages paid by enterprises and earned by workers.

Active labor programs in Hungary may be further subdivided into centralized and decentralized. Centralized programs are designed and supervised from the Ministry of Labor in Budapest. Such centralized programs are usually targeted to regions with high rates of unemployment.

This report concerns management practices for ALPs which are decentralized. The underlying management principle is that decisions can be best made closest to the problem. In this report a planning model is summarized which allows the Ministry of Labor to unobtrusively monitor the cost effectiveness of employment policy operations throughout the country.

1.1 Background

In 1990, the W. E. Upjohn Institute for Employment Research submitted to the Hungarian Ministry of Labor a comprehensive plan entitled *Evaluation Criteria and Planning Guidelines for Employment Fund Programs in the Republic of Hungary* (O'Leary, 1990). This plan, based on two months of study in Hungary, proposed a practical system for the coordinated assessment and planning of Employment Fund programs. In March of 1991 a new Employment Law was enacted in Hungary. The new law changed the collection of programs for labor market support in Hungary and the relationship between the local employment centers, the county employment centers, and the Ministry of Labor.

In the Spring of 1992, the United States Department of Labor entered into an agreement with the Hungarian Ministry of Labor to provide technical assistance to improve labor market analyses in Hungary. The United States Department of Labor sub-contracted with the W. E. Upjohn Institute for Employment Research to provide services under activity B.2 of the project. The project is being paid for with money from a World Bank loan to the Hungarian Ministry of Labor, and by supplementary funding from the United States Department of Labor. Services provided under this contract were coordinated by the Bureau of International Labor Affairs in the United States Department of Labor.

Starting in May of 1992, work to revise and implement a system for monitoring the cost effectiveness of Employment Fund programs began. Under the supervision of the Ministry of Labor and the National Labor Office in Hungary, the W.E. Upjohn Institute for Employment Research worked with representatives from Borsod-Abaúj-Zemplén, Hajdú-Bihar, and Somogy counties to develop and pilot test a practical system of performance indicators for active labor programs. In October of 1993 nation-wide training in how to conduct surveys, record data, and compute performance indicators was carried out. Nation-wide implementation of the performance indicators system began in January, 1994. In that same month the W. E. Upjohn Institute for Employment Research submitted to the Hungarian Ministry of Labor a report entitled *A System for Evaluating Employment Programs in Hungary* summarizing all aspects of the performance indicators system (O'Leary, 1994).

Since 1994 the W. E. Upjohn Institute for Employment Research with has worked with the Borsod-Abauj-Zemplen county labor center and the Financial Planning Department of the Ministry of Labor in Hungary to develop a management system for active labor programs based on the performance indicators recently implemented.

1.2 Active Labor Programs in Hungary

The planning system presented in this report focuses on the five most important active labor programs. These are: retraining, self employment assistance, wage subsidies for hiring long term unemployed, public service employment, and work sharing. A brief description of each follows.

Retraining - Occupational skill retraining may be provided to persons who are either unemployed, expected to become unemployed, or currently involved in public works. Unemployed recent school leavers may also qualify. Training support may include a supplement to earnings or a benefit in lieu of earnings equal to 110 percent of the unemployment compensation otherwise payable, plus reimbursement of direct costs.

Self-employment Assistance - Self employment assistance is possible for persons who are eligible for unemployment compensation. The support may include up to 6 monthly payments of unemployment compensation beyond the basic one year eligibility as soon as the unemployed person starts his business. Support may also include reimbursement of up to half the cost of professional entrepreneurial counseling services, and half the cost of training courses required for engaging in the entrepreneurial activity. Up to half the premium on loan insurance for funds borrowed to start the enterprise may be paid for one year.

Wage Subsidy for Hiring Long Term Unemployed - A wage subsidy of up to 50 percent is possible for up to one year. The payment is made directly to the employer and applies to total labor costs for hiring persons unemployed for more than 6 months (3 months for school leavers), provided the employer has not laid off anyone involved in the same line

of work in the previous 6 months and after the assistance has ended, he further employs the unemployed persons at least as long as he received assistance.

Public Service Employment - Workers hired for public maintenance and infrastructure projects or public social services may have direct costs of employment (wages, overhead, tools, clothes, and transportation) subsidized by up to 70 percent from the Employment Fund provided that the employer does not receive any net income as a result of the activity.

Work Sharing - When due to a temporary decrease in production an enterprise employs all or some of its full-time workers on a part-time basis to avoid layoffs, and hours are reduced by at least one-third of the full working time, up to 50 percent of the personal basic wages lost due to the hours reduction may be reimbursed to employers who pay their workers for the lost hours of work. Such payment may be made for up to one year provided the employer does not resort to a layoff, in which case the amount of any aid granted must be repaid.

1.3 Performance Indicators of Program Effectiveness

The approach adopted in Hungary to monitor the effectiveness of Employment Fund programs focuses on timely measures which can be readily implemented and are a natural part of the management system. The monitoring process centers on what are called performance indicators.

Performance indicators (PI) allow standardized assessment of performance across programs and counties not provided by other methods of evaluation. Furthermore, the information from the PI system is timely so that results may be used in the annual planning and budget allocation process.¹

¹The link between performance indicators and budget allocation is suggested in the materials contained in Appendix C.

Among the evaluation methods available, which also include experimental, quasi-experimental, and econometric approaches, the monitoring approach using PI was chosen as being particularly practical at the early stage of program development.² The monitoring approach to evaluation which uses PI has been endorsed by senior officials in the Hungarian Ministry of Labor, the National Labor Center in Hungary, and the Labor Research Institute of the Hungarian Ministry of Labor.

Values of the performance indicators computed with county data for a calendar year may be used to establish national standards called performance targets for the following year. County performance on each program may then be compared to the performance targets annually. The performance targets can be updated annually to reflect national trends.

Using data on client characteristics and some regional economic information, it will be possible to design an adjustment methodology to adapt national standards to local conditions and provide incentives for directing services to special target groups. The Ministry of Labor may choose to designate certain groups for special attention in reemployment services (perhaps persons with eight or less years of schooling, persons not covered by unemployment compensation, the physically handicapped, and long term unemployed might be targeted for services). If this is done, methods for adjusting the performance targets by service to these target groups could be incorporated into the adjustment methodology to provide an incentive for providing service to these groups.³

The performance indicators system represents real innovation in public management in two important ways: (1) it is an application of designing results oriented government based on performance indicators as advocated recently by Osborne and Gaebler (1992), and (2)

²Frey (1992) surveyed evaluation methods used around the world and concluded that the monitoring approach is best for labor market programs in Hungary.

³O'Leary (1995) provides an example of how to adjust performance standards to local conditions and participant characteristics.

among all nations it represents the first comprehensive attempt to manage active labor market programs in a unified way which will clearly reveal the tradeoffs involved in policy decisions. Table 1 lists performance indicators for active labor programs in Hungary.⁴

1.4 Aims of the Planning Model

The overall objective of this project is to improve the cost-effective utilization of the Employment Fund in Hungary. The planning model is intended to provide a regular mechanism and process to achieve this aim. The model includes specific instructions for counties to prepare plans for the efficient management of active labor programs. The next section of this report overviews the various components of the planning process and suggests a sequence of events in the implementation of planning.

⁴O'Leary (1995) provides an overview of performance indicators systems for active labor programs in Hungary and Poland.

Table 1. Performance Indicators for Active Labor Programs in Hungary

RETRAINING

Average cost per trainee employed at follow-up
Proportion of trainees who are employed at follow-up
Average cost per training program entrant
Average cost per trainee per hour of training
Proportion of entrants who successfully complete training courses
Proportion of employed trainees working in occupation of training at follow-up

SELF EMPLOYMENT ASSISTANCE

Average assistance per person still self-employed at follow-up
Proportion of persons still self employed at follow-up
Average subsidy per self-employed
Average monthly subsidy per self-employed
Average added employment resulting from self employment assistance at follow-up

WAGE SUBSIDY FOR HIRING LONG TERM UNEMPLOYED

Subsidy per worker in regular employment at follow-up
Proportion of subsidized workers who are in regular employment at follow-up
Proportion of subsidized workers retained by subsidized employer at follow-up
Average monthly cost of wage subsidy per subsidized employee
Average duration of subsidy per subsidized employee

PUBLIC SERVICE EMPLOYMENT

Average monthly subsidy per worker
Average monthly direct cost per worker
Average monthly gross earnings per worker
Proportion of Employment Fund subsidy within direct costs
Proportion of workers not subsidized by the Employment Fund

WORK SHARING (PART-TIME EMPLOYMENT)

Average subsidy per person involved in work sharing
Average subsidy per job at risk
Average subsidy per job saved
Proportion of jobs at risk which are saved

2. COMPONENTS OF THE PLANNING PROCESS

This section overviews the materials to be used during the regular planning cycle for active labor programs. The cycle is based in part on the performance indicators systems. The system operates according to "master plans" established by the county labor administrations and the Ministry of Labor and includes "annual plans" as well. This section concludes with an outline for how the planning process might unfold over the period of several months.

2.1 The County Employment Fund Master Plan

A master plan serves as the long-term guide on basic matters of operations, management, and evaluation of labor market programs. The plan should include details about how performance indicators information would be gathered and used.

The County Employment Fund Master Plan serves as the long-term agreement between the Ministry of Labor and a county on basic matters of operations, management, and evaluation. Once there is agreement between a county and the Ministry of Labor on a Master Plan, it would be in effect indefinitely. However, it should be updated periodically as important details change.

The master plan fosters a unified view of Employment Fund programs and allows a minimum of redundancy in the annual plan which covers individual Employment Fund programs. The master plan establishes procedures for things which are relevant to several different Employment Fund programs. Since the master plan identifies goals for Employment Fund programs, the substance of the master plan is to be determined before an attempt is made to finalize the content of the annual plan. That is to say, a clear statement of general Employment Fund goals must be made before specific short term targets can be specified for individual Employment Fund program activities. *Guidelines for Preparing A County Employment Fund Master Plan* is included as Appendix A to this report.

2.2 The County Employment Fund Annual Plan

The Employment Fund Annual Plan serves as the official agreement between the County and the Ministry of Labor on how the specific Employment Fund programs will be operated in the coming year. The annual plan gives details concerning program management and monitoring. It also presents annual reports on program activity and performance indicators. The annual plan establishes an activity forecast which is a prediction concerning the volume of clients to be served. The annual plan also sets county performance targets, and provides a forecast of direct costs for each program.

The annual plan presents a unified financial plan which considers the direct costs of all ALPs as well as related administrative costs. This financial plan also includes a unified budget estimate and a funding request for the coming year. *Guidelines for Preparing A County Employment Fund Annual Plan* is included as Appendix B to this report.

2.3 County Preliminary Plans

Prior to preparing a full annual plan, in June of each year counties should be required to file reports on actual expenditures in the prior year, forecast expenditures for the current year and two alternative plans for the coming year.

Estimates should be provided for each active labor program. The alternative plans for the coming year should be prepared under two separate funding assumptions: the first is that the level of funding remains constant, and the second is that funding will change to accommodate the employment conditions in the county. In addition to providing monetary estimates, these preliminary reports should include estimates of the number of program participants, the cost per participant and basic demographic information on the characteristics of registered unemployed in the county.

This exercise was first carried out in June of 1996 by the Financial Management Department in the Ministry of Labor. The materials prepared by the head of that department, Dr. Anna Matoricz, and her staff are included in Appendix C to this report.

2.4 The Ministry of Labor Employment Fund Master Plan

The Ministry of Labor Employment Fund Master Plan will start with a statement of the relevant laws and ministerial decrees governing Employment Fund programs. This will be followed by the Ministry's clear statement of goals for active labor programs. The nature of the relationship between county and local employment center offices should also be clearly stated. In addition to laws and decrees governing Employment Fund programs, the Ministry Employment Fund Master Plan should specify which other labor laws are to be explicitly observed by parties using Employment Fund money.

Just as for the county master plan, the Ministry Employment Fund Master Plan must cover matters of operations, management, evaluation, and finance--including the algorithm to be recommended to the National Labor Market Committee for the annual budget allocation process.⁵ Since the Ministry wishes the counties to consider the collection of Employment Fund programs as a unified set of services which should be used collectively to address program goals in a cost effective fashion, the Ministry must administer Employment Fund programs to the counties in a consistent and uniform way. The Ministry Employment Fund Master Plan should detail the processes for review of the County Employment Fund Master Plans and modifications, the County Employment Fund Annual Plans, and the County Preliminary Plans.

⁵The National Labor Market Committee is a tri-partite body with representatives from business, labor, and government which makes general recommendations regarding the direction of labor market policy, and which also annually approves the formula for allocation of the decentralized Employment Fund budget to the counties.

The importance of clearly specifying authority for Employment Fund program decisions, and the processes for review of Employment Fund materials from the counties cannot be overemphasized. For the county and local employment centers to operate efficiently and consistently, they must receive efficient and consistent treatment in their interactions with the Ministry of Labor (MOL) on Employment Fund matters.

The Ministry Employment Fund Master Plan should also specify procedures for making announcements to the county and local employment centers about changes in legal statutes affecting the operation or financing of Employment Fund programs. Dates should be set for filing of reports and plans by the county and response from MOL. The calendar of these dates should be specified and the schedule should be strictly maintained.

2.5 The Ministry of Labor Employment Fund Annual Plan

The Ministry of Labor Employment Fund Annual Plan must cover three important matters. First, procedures for review of county annual plans. Second, revision of Employment Fund program performance indicators (PI) and performance targets. And third, development of the annual decentralized Employment Fund budget allocation algorithm to be recommended to the National Labor Market Committee.

The calendar for preparing and reviewing the county annual plans is established in the Ministry of Labor Employment Fund Master Plan, the details of the review process should be specified in the Ministry of Labor Employment Fund Annual Plan. This plan should also include a description of the procedures for reviewing achievement of performance targets by the counties for the previous year.

In the annual plans submitted by each county, a unified financial plan is presented. These should be evaluated and used in preparing the Employment Fund annual financial plan which is the basis for (1) budget requests from parliament, and (2) budget allocation of the decentralized Employment Fund among the counties.

2.6 Implementation of the Planning and Evaluation Process

The following are suggested steps in the unified evaluation and planning process:

(1) Starting from the Employment Fund program rules, the Ministry of Labor (MOL), in consultation with the National Labor Market Committee, specifies Employment Fund programs goals. These goals are included in the Ministry of Labor Employment Fund Master Plan, and are announced to the counties in the *Instructions for Preparing a County Employment Fund Master Plan*.

(2) After considering the Employment Fund program rules and MOL goals, county labor administrations set their Employment Fund program goals in consultation with their County Labor Market Committee.⁶ The county goals for Employment Fund programs are stated in the *County Employment Fund Master Plan*, which also details the relationship between the county and the MOL on Employment Fund program matters.⁷

(3) MOL in cooperation with the National Labor Center estimates the "Number of registered unemployed" for the planning year for each county.⁸ The estimate of registered unemployed is the county basis for estimates of activity in other

⁶The County Labor Market Committee is a tri-partite body with representatives from business, labor, and government which makes general recommendations regarding the direction of county labor market policy, and which also annually approves the formula for allocation of the decentralized MOIL appropriation received to the various MOIL programs operated in the county.

⁷A one day conference or seminar will be held annually with the planning representative from each county in attendance to review the *Instructions for Preparing a County Master Plan*.

⁸These estimates could be based on the short term forecasts prepared twice per year by Lázár György and Székely Judit of the National Labor Center and based on nation-wide surveys.

Employment Fund programs. These items are communicated to the counties in the *Instructions for Preparing a County Employment Fund Annual Plan*.

(4) The *County Employment Fund Annual Plan* summarizes program activity and achievement of performance targets. It describes the management, monitoring, and planning procedures used in the county. Counties consider the National Labor Center estimate of registered unemployed for the planning year and other details of their economic situation and specify performance targets for each Employment Fund program for the coming year. Counties also prepare a financial forecast of the cost associated with planned activities. All of this is included in the *County Employment Fund Annual Plan* submitted to the MOL.

(5) The Financial Management Department in the Ministry of Labor reviews the annual plans submitted by the counties and prepares a summary plan for the coming year. This summary report becomes the basis for the Employment Fund budget request from Parliament and recommendations for allocation of the decentralized Employment Fund by the National Labor Market Committee.

(6) MOL reviews county performance on the previous year's PI and specifies national performance targets and adjustment weights for the coming program year. The MOL informs the county about funding available for their Employment Fund programs for the coming year.

(7) The counties solicit retraining, PSE, and job creation investment proposals and prepare for the process of proposal review and project award.

This sequence is appropriate for the first year of planning and evaluation under the new system. After county master plans are in place, only steps (3) through (7) would be repeated annually. Any revisions to county Employment Fund master plans are to be agreed on by the MOL and the counties as circumstances change.

3. SUMMARY

This report documents the contents of a system to plan for the cost effective management of active labor market programs in Hungary. The report begins by summarizing the important features of Hungarian active labor market programs and then describes the system of performance indicators in place to monitor the cost effective operation of those programs. Materials to be used by counties in the planning process are then presented. Finally, the report gives an outline describing how the sequence of events in the planning process might unfold.

Appendix A:
Instructions for Preparing a County EF Master Plan

**Instructions for Preparing
A County Employment Fund Master Plan**

October 1996

Prepared for:

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Introduction

A County Employment Fund (EF) Master Plan serves as a long-term agreement between the county and the Ministry of Labor (MOL) on matters relating to administration of the EF. The master plan covers the basic issues of planning, management, and monitoring the effectiveness of programs paid for by the EF. The master plan should be prepared in five sections corresponding to the five sections of these guidelines. Once there is agreement between a county and the Ministry of Labor on a Master Plan, it would be in effect indefinitely. However, it should be updated periodically as important details change.

The master plan fosters a unified view of EF programs and allows a minimum of redundancy in the EF annual plan. The master plan establishes procedures for things which are relevant to several different EF programs. Since the master plan identifies goals for EF programs, the substance of the master plan should be determined before an attempt is made to finalize the content of the annual plan. That is, a clear statement of general EF goals must be made before specific short term targets can be specified for individual EF program activities.

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A. INTRODUCTION

1. Master Plan Overview

Prepare a brief overview statement of the County EF Master Plan which covers the following four points:

- a. The master plan serves as the long-term agreement on basic program planning and administrative matters between the county and the Department of Unified Labor Market Fund Operation in the Ministry of Labor (MOL).
- b. The master plan shall be prepared in five sections corresponding to the five sections of the instructions for preparing a county EF master plan.
- c. Once there is agreement between a county and the Ministry of Labor on a Master Plan, it is in effect indefinitely.
- d. The Master Plan should be revised periodically as important details change. Changes in the EF master plan are to be formally recognized by county and Ministry with the model agreement presented in Section E of these instructions for preparing a county EF master plan.

2. County Goals for EF Programs

The statement of goals specifies the general outcomes that the county wishes to achieve using EF programs. The county's goals should be consistent with those of the Ministry of Labor. Of great importance, is the listing of goals in the order of priority, because this provides the basis for making choices in establishing annual targets for each program. Targets are the specific outcomes to be achieved during each planning period. In setting targets consideration must be given to both the goals of the EF programs and the economic conditions facing the county.

The Ministry of Labor goals for EF Programs, in order of priority, are:

- a. To promote return to regular work of persons who are unemployed.
- b. To provide persons with income support during periods of temporary unemployment.

- c. To operate EF programs cost effectively. That is, to achieve a high level of reemployment success at a reasonable level of cost per person employed.
- d. To coordinate EF programs, and their interaction with other human services programs available in counties and local areas, so as to maximize reemployment and support of the unemployed.
- e. To provide for decentralization of decision making on the use of EF funds, with cost effectiveness encouraged through the regular monitoring of Effectiveness Criteria (EC).
- f. To encourage service to special target groups including persons with less than eight years of schooling, the low skilled unemployed, school leavers, and the long term unemployed.

3. County Identification

Provide complete information on each of the following:

- a. County Name:
- b. County Employment Council (CEC) Identification: List the name, title, business address, and constituency of all members.
- c. Director of the County Labor Center (CLC): List the name and business address of the CLC Director.
- d. Authorized Signatures: Identify who in addition to the CLC Director is authorized to sign agreements on behalf of the CLC Director.
- e. County EF Programs Contact Person: Identify the primary person in the CLC Director's office to contact to discuss details of the EF Master Plan.
- f. Information on Local Labor Centers: The names of areas served by each local labor center, the names of local labor center managers, the local labor center number, and the proportion of county EE registrations in each local labor center.

4. Geographic Description

List total land area of county. State the geographic boundaries of the area served by county EF programs. Discuss any labor market overlap which may exist with nearby counties. Describe any important geographic segmentation of labor markets within the county.

5. Population Characteristics

Provide the most recently available county data on the following variables:

total population

female population aged 15 to 55 years

male population aged 15 to 60 years

the economically active population

the proportion of the economically active population which is female

the distribution of educational attainment for the population 15 years of age and older using the nine EE education categories

average monthly wages by industrial sectors

Include similar data disaggregated by local districts (areas served by local employment centers) if it is available.

6. Special Instructions for Counties Sharing a Labor Market

If more than one county provides services within a given labor market served by the reporting county, the EF Master Plan must describe special arrangements for coordinating services among counties.

B. MANAGEMENT SYSTEM

1. Administrative System

Provide descriptions of how the county handles each of the following informational matters for each EF program:

- a. Outreach and recruitment efforts to inform potential participants of the availability of programs.
- b. Participant eligibility determination and verification.
- c. Procedures for identifying and selecting program participants.
- d. Procedures for directing applicants to services. Include a flow chart which describes the system for processing applicants for services at local employment centers.
- e. Procedures for completing, processing, and maintaining participant records. A list or flow chart detailing the steps for each program should be included. (This documentation of procedures will be particularly useful for training new staff at the local labor office.)
- f. Describe the procedure for reporting participant data to the National Labor Center (Országos Munkaugyi Kozpont - OMK).
- g. Describe the participant tracking system to ensure duration limits are not exceeded by participants where applicable.
- h. Participant follow-up system. Include as attachments to this section copies of the brief mail surveys which will be sent to recent program participants three months after their program experience. Also provide a description of procedures for recording responses to these surveys.
- i. Describe procedures for emphasizing service to targeted populations, for example: unemployed persons with less than 8 years of schooling, low skilled unemployed, long term unemployed, and school leavers.

2. Financial Information System

Provide descriptions of how the county handles each of the following financial aspects of EF program management.

- a. Procedures to ensure that Employment Fund money is managed in compliance with procedures listed in the codex on public administration.
- b. Procedures for determining reasonableness, allowability, and allocability of costs in accordance with principles defined by the Employment Law and the Ministry of Labor.
- c. Procedures and records for maintaining internal cash control.
- d. Reporting procedures for providing accurate, current, and complete disclosure of the financial results of each grant and contract in accordance with reporting requirements established by the Ministry of Labor.
- e. Procedures for effectively controlling and accounting for all project funds and other assets.
- f. Systematic methods to assure timely and appropriate resolution of audit findings and recommendations.
- g. Identify who is responsible for record keeping including accounting ledgers, check processing, and cash control.
- h. Describe the methodology for allocating operational costs across active labor programs.
- i. Describe the procedures for preparing required financial reports.

3. Procedures for Soliciting Proposals for using EF Funds

Describe the procedures used to select contractors for retraining, public service employment, and wage subsidies for long term unemployed. At a minimum these guidelines should include:

- a. A description of the public notification process used to determine the availability of potential qualified service providers.
- b. A copy of the county Equal Employment Opportunity policy. An example is given in Section D as Figure D.1.
- c. A description of procedures used to afford special consideration to special target groups (for example, unemployed persons with eight or fewer years of schooling, the low skilled, school leavers, and the long term unemployed);

- d. Procedures for soliciting proposals from both state and private enterprises to be service providers;
- e. A description of procedures which takes into account past performance of service providers (contractors) in EF funded activities;
- f. Procedures for evaluating the eligibility of establishments to serve as EF project contractors, e.g. proper facilities, licences, and adherence to labor law.

4. Fiscal and Participant Monitoring

Provide descriptions of the procedures the county has developed to implement program monitoring within county operations and at contractors. The descriptions should address the following points:

- a. The frequency at which contracts, activities, and worksites will be monitored.
- b. The participant, programmatic, and fiscal compliance requirements to be monitored (including effectiveness criteria stated in Section C of these planning guidelines).
- c. Justification for the frequency of monitoring contractors. This should be a function of things like funding level, number of participants, and contract complexity (contracts should be as simple as possible).
- d. The mechanisms established to ensure that appropriate corrective action will be initiated upon evidence of a possible violation of national, county, or local requirements.
- e. The mechanisms established for documenting monitoring activities.

5. Grievance Procedures

Include a copy of the procedures the county has developed for handling complaints filed by program participants, and contractors.

6. Audit Procedures

Annual financial audits are to be done by the internal auditor, the results of audits may be reviewed by the Ministry of Labor. Outline procedures for annual audit of county financial records for all EF programs and contractors receiving EF money.

- a. List the beginning and ending dates of the audit year.

- b. List the organizations to be audited.
- c. List the dates audits will be completed.
- d. Describe audit procedures for detecting payment errors.

7. Coordination with other Human Service Programs

The EF programs are intended to promote employment and income security. In the counties there may be human services programs which assist in achieving these goals. For example local school districts which provide adult remedial education, labor unions may offer retraining programs, or there may be family crisis counseling services.

To most effectively use EF money, EF programs should be coordinated with other human service programs in the counties. Two work sheets are provided to identify programs for coordination. These should be completed and included in the Master Plan. Modifications and extensions of the coordination summary should be incorporated when circumstances change. The first instrument, the Coordination Summary Worksheet, presented as Table B.1, helps in identifying agencies and programs to be coordinated. The second, the Program Coordination Detail, presented as Table B.2 is used to document the ways programs are coordinated among agencies. Instructions for completing these worksheets are given here.

8. EF Annual Plan Overview

The EF Master plan shall include a statement which declares that the county will prepare an EF Annual Plan for the coming calendar year and submit it to the Ministry of Labor by (a specified date, for example) June 1 each year. While general matters governing management and monitoring are covered in the EF Master Plan, details unique to each EF program are specified in the EF Annual Plan. A separate set of instructions will be provided by the Ministry of Labor to guide preparation of the County EF Annual Plan.

The EF Annual Plan serves as the official County/Ministry of Labor agreement on how specific EF program targets will be met in the coming year. The plan also addresses coordination of EF programs. For each program, the annual plan covers management, finance, auditing, monitoring, and reporting.

The EF Annual Plan will have seven sections. The first is the overview of the plan. This will include a general narrative describing the plan, a statement of targets for EF programs, a plan for coordinating the delivery of EF programs to clients, current data on the county labor market, and a discussion of procedures for monitoring program cost effectiveness.

The next four sections of the EF Annual Plan will discuss the four programs which receive funding from the decentralized EF. These are: Retraining, Self-employment, Wage subsidy for long term unemployed, and Public Service Employment. Each of these sections of the Annual Plan will cover targets, management, financing, auditing, monitoring, and reporting.

The sixth section presents a unified financial plan for the coming year. The seventh and final section of the Annual Plan is the Agreement between the county and the Ministry of Labor on the plan. This section includes original signatures of all responsible parties to the agreement. It states that the Annual Plan was developed to address the economic circumstances existing in the county, and stipulates that the conditions for conduct detailed in the Master Plan will be respected.

9. The Annual Report to the Ministry of Labor

In reference to the annual report the master plan shall contain:

- a. A statement that the annual report shall be submitted by (specify a date) _____ of each year for the previous calendar year to:

Director, Department of Labor Funds Management
Ministry of Labor
H-1051 Budapest
Roosevelt ter 7-8

- b. A description of the procedures established by the county for the preparation and submittal of the annual report.

The annual report shall include:

- a. A verbal description of activities conducted during the previous calendar year.
- b. Data on the demographic characteristics of individuals served by EF funded programs, including data on special target groups: persons with less than eight years of schooling, low skilled unemployed, school leavers, and the long term unemployed.
- c. Data on required summary statistics and effectiveness criteria for each EF funded program.
- d. An assessment and discussion of the extent to which activities exceeded or failed to meet relevant Effectiveness Standards (ES).

Instructions for Completing Table B.1

COORDINATION SUMMARY WORKSHEET INSTRUCTIONS

- A. Program - Column A identifies programs for job retraining and related services which may be available in the county.
- B. Administering Agency - Column B identifies the federal, state or local administering agency.
- C. Availability of Program in the County - For each program listed in column A, indicate whether or not it is available in your county in column C.
- D. Coordination with Programs - For each program identified in column C as being available in the county, indicate whether EF programs administered by the county are coordinated with this program.

Instructions for Completing Table B.2:

PROGRAM COORDINATION DETAIL INSTRUCTIONS

A Coordination Detail form must be completed for each program identified in the Coordination Summary Worksheet (Column D) as being one that the county works with. Items included in the Coordination Detail are to include:

1. Name of County - Indicate county name.
2. Program - Identify the program listed in the Coordination Summary Worksheet.
3. Local Agency Administering the Program - Identify the local agency administering the program, the contact person and phone number.
4. Nature of Coordination - Indicate all the areas that describe the nature of the counties coordination with the program.
5. Type of Coordination - Indicate whether the coordination is through formal or informal agreement. If coordination is through a formal agreement, indicate whether it is financial, non-financial or both.

Table B.1
PROGRAM COORDINATION SUMMARY WORKSHEET
 _____ County

A. Program	B. Administering Agency	C. Is this program available			D. Does the county coordinate EF with this program?	
		Yes	No	D/K	Yes	No
1. Adult Literacy Education						
2. Adult Secondary Education						
3. Programs for Physically Disabled						
4. Programs for Mentally Handicapped						
5. Programs for Resident Aliens						
6. Local Social Services						
7. Family Assistance Centers						
8. Et cetera						

Table B.2
PROGRAM COORDINATION DETAIL

1. County: _____
2. Program: _____
3. Local agency administering program: _____
4. Contact person: _____
5. Telephone number: _____

6. Nature of Coordination (Check all appropriate categories)	7. Type of Coordination						
				Formal			Informal
	Yes	No	D/K	Financial	Non-financial	Both	Agreement
a. Share Office Space							
b. Share Staff							
c. Staffs meet to share info							
d. Staffs share info by mail							
e. Staffs share info by phone							
f. Do joint surveys							
g. Do joint planning							
h. Et cetera							

C. MONITORING THE EFFECTIVENESS OF EF PROGRAMS

1. General Comments

Monitoring the effectiveness of ALPs funded by the EF focuses on timely measures which can be readily implemented and will become a natural part of the management system. The process centers on what are called performance indicators (PI). These measures will allow establishment of baseline performance standards (PS) for monitoring.

In addition to reporting on performance indicators, the EF annual plan includes reports on county and local labor market conditions. This section of the guidelines for preparing a county employment fund master plan describes the principles behind the PI.

In preparing this section of the master plan counties should provide comment on their ability to provide the required reports on ALPs and PI in the Annual Plan so that the Ministry of Labor (MOL) may design appropriate technical assistance.

Values of the PI computed with 1995 county data for the twelve months of 1995 will be used to establish baseline performance standards (PS). County performance on each program will be compared to the PS annually. The PS will be updated annually to reflect national trends.

Programs paid for by the decentralized EF are: Retraining, Self-employment, Wage subsidies for long term unemployed, Public Service Employment, and Work Sharing. Counties have significant ability to control the cost effectiveness of these discretionary programs. The Ministry of Labor encourages counties to view the collection of EF programs as a group which may be used in various combinations to achieve EF goals. Using active measures to promote reemployment and thereby reduce the burden on passive measures is encouraged.

In the following, the PI listed are those currently in use. They were selected because they are both simple and informative. The following sub-sections separately consider each of the main programs which receive funding from the decentralized EF. For each program, program objectives and associated PI are presented. Summary statistics which are to be reported in the EF Annual Plan are also listed for each program.

Again, in preparing Section C of the EF Master Plan, counties should comment on their ability to report on the listed items.

2. Demographic, Previous Job, and Reemployment Job Information

Since the majority of Employment Fund (EF) benefit programs are entered following registration with the Employment Exchange (EE), basic demographic data need to be collected only once--at the time of EE registration. Complete registration with EE should be required of all persons who receive financial payments from EF programs, other users of EE services should be encouraged to provide complete information.

The demographic data on: age, sex, and education; and previous job information on: skill level, wages, hours, and industry type; allows examination of program results by subgroup. It also aids the development of an adjustment method for PI, and may allow quasi-experimental net impact evaluations. The following should be recorded for clients at the time of EE registration:

Demographic Data Required:

Personal identity number
EE office identification number
Date of most recent EE registration
Date of most recent EE visit
Level of educational attainment
Economic status
Past military service indicator

Previous Job Information

Previous job skill group
Previous job industry group
Previous job termination date
Previous job monthly wage in forints
Average weekly hours on previous job
Total months worked on previous job
Year first entered the labor force
Total years of work experience

In this section of the Master Plan, please report on how the above information is gathered in the county.

For those who participate in an active labor program, information on the reemployment job will be available from follow-up surveys. Information from the follow-up surveys will be used to report on performance indicators summarized in the following subsections for each of the active labor programs.

For those who do not leave to participate in an active labor program, an attempt should be made to gather the following information on the reemployment job at the time a client leaves EF program services. Part of this could be gathered by making additional use of the EE job referral slip.

Reemployment Job Information:

Employed in a job not supported by the EF since registering with the EE?
Date of first job not supported by the EF since registering with the EE
Skill group of first job not supported by the EF since registering with the EE
Industry type of first job not supported by the EF since registering with the EE
Monthly wage in forints on first job not supported by the EF since registering with the EE
Average weekly hours on first job not supported by the EF since registering with the EE

3. Retraining Allowance

Program Objectives: Retraining is intended to improve the skills of persons who are unemployed or whose jobs are at risk, so that they may obtain secure employment. The use of adequate and appropriate resources is necessary, but the retraining should be operated efficiently. Also, retraining should be effective, that is it should improve return to work.

Retraining may be composed of a single class or a series of classes and experience. Retraining may be given to employed or to unemployed people. Employed people may take retraining within an establishment in order to change jobs, or outside the establishment because of an expected layoff.

A natural PI for retraining is cost per person who participated in retraining. Other PI focus on the cost for persons who complete the course and persons who become reemployed.

Because retraining for different skills requires different lengths of time and different amounts of equipment and materials, PI for retraining can also be examined by course instead of being simply aggregated across all courses in the county. It is also possible for retraining contracts to include performance targets such as the percentage of participants reemployed after retraining.

Retraining County Summary Statistics

Number of participants
Average length of participation
Average cost per participant
Total financing
Expected number of participants in the planning year
Total expected financing in the planning year

Retraining Performance Indicators

Average cost per trainee employed at follow-up
Proportion of trainees who are employed at follow-up
Average cost per training program entrant
Average cost per trainee per hour of training
Proportion of entrants who successfully complete training courses
Proportion of employed trainees working in occupation of training

(the same PI are used for retraining of unemployed and employed)

4. Self-employment Assistance

Program Objectives: To create a stable employment situation for the recipient of assistance, and perhaps new employment opportunities for others. To have the biggest possible employment effect for the dollars expended.

If the objective of the self-employment assistance program were simply to give an opportunity to entrepreneurs who were otherwise unable to arrange financing, evaluation would be quite complex. In a self-employment program it is important to monitor the survival rate. The hope is that many new entrepreneurs will be successful, however a very high survival rate in a self-employment program means that many projects could have been successful without a subsidy. Indeed, among first time entrepreneurs business failure is highly likely, with the lasting value of the undertaking being the learning which took place during the attempt to start a business.

Since the EF seeks to serve as many citizens in need as possible, the cost per Self-employment recipient is basic monitoring information for ongoing planning.

Self-employment Assistance County Summary Statistics

Number of participants
Average length of participation
Average cost per participant
Total financing
Expected number of participants in the planning year
Total expected financing in the planning year

Self-employment Performance Indicators

Average assistance per person still self-employed at follow-up
Proportion of persons still self employed at follow-up
Average subsidy per self-employed
Average monthly subsidy per self-employed
Average added employment resulting from self employment assistance

5. Wage Subsidies for Long-term Unemployed

Program Objectives: Wage Subsidies for long term unemployed is intended to provide on-the-job training for persons who have been separated from work for an extended period. Subsidy payments are made directly to employers with whom workers may establish long term employment relations.

Wage Subsidies summary statistics

Number of participants
Average length of participation
Average cost per participant
Total financing
Expected number of participants in the planning year
Total expected financing in the planning year

Wage Subsidy Performance Indicators

Subsidy per worker in regular employment at follow-up
Proportion of subsidized workers who are in regular employment
Proportion of subsidized workers retained by subsidized employer
Average monthly cost of wage subsidy per subsidized employee
Average duration of subsidy per subsidized employee

6. Public Service Employment

Program Objectives: Public Service Employment is intended to provide workplace experience and income support to Public Service Employment workers, and services to the community. The usual hierarchy of objectives is: (1) Maximize jobs created for a given budget, (2) Provide income to persons with none, (3) Provide work experience, (4) Provide services to the community, (5) Promote transition to regular employment.

Public Service Employment projects are established by the counties with Ministry of Labor consent. Usually Public Service Employment is considered to be the last resort in employment policy. That is, when no placement, compensation, wage subsidies, or retraining is available the last resort is placement on a job created through Public Service Employment. As defined in the decree on Public Service Employment, work must be on specified tasks for the public interest. For Public Service Employment to have a net impact in reducing unemployment, it is important that Public Service Employment jobs do not displace existing employment or potential employment growth.

Public Service Employment County Summary Statistics

Number of participants
Average length of participation
Average cost per participant
Total financing
Expected number of participants in the planning year
Total expected financing in the planning year

Public Service Employment Performance Indicators

Average monthly subsidy per worker
Average monthly direct cost per worker
Average monthly gross earnings per worker
Proportion of Employment Fund subsidy with indirect costs
Proportion of workers not subsidized by the Employment Fund

7. Work Sharing

Program Objectives: Work Sharing is an active measure which aims to prevent unemployment, by helping to partially replace the lost wages of workers who have their hours temporarily reduced by an employer who spreads a work reduction across a group of employees rather than laying off workers. In cases where hours are reduced by at least one-third of the full working time, up to 50 percent of the personal basic wages lost due to the hours reduction may be provided by the EF to employers who pay their workers for the lost hours of work. Such payment may be made for up to one year provided the employer does not resort to a layoff, in which case the amount of any aid granted shall be repaid by the employer.

Work Sharing County Summary Statistics

Number of participants

Average length of participation

Average cost per participant

Total financing

Expected number of participants in the planning year

Total expected financing in the planning year

Work Sharing Performance Indicators

Average subsidy per person involved in work sharing

Average subsidy per job at risk

Average subsidy per job saved

Proportion of jobs at risk which are saved

SECTION D - ASSURANCES, CERTIFICATIONS,
AND SPECIAL PROVISIONS

Instructions: The County Labor Administrator shall review and agree to the attached assurances and certifications. This section shall be returned without change and be incorporated as part of the County EF Master Plan.

D. ASSURANCES, CERTIFICATIONS AND SPECIAL PROVISIONS

1. General Assurances

The county assures and certifies that all administration of EF programs, all programs operated by the county with EF money, and all programs operated for the county with EF money will comply with and be granted only to establishments that comply with the following legal statutes:

- a. Statutes which prohibit discrimination because of age, race, sex, religion, national origin, or political affiliation.
- b. Statutes which require holding jobs for those on maternity leave or military service leave.
- c. Statutes which set quotas for hiring the physically handicapped.
- d. Youth employment standards laws.
- e. Minimum wage laws.
- f. Overtime compensation laws.
- g. Worker's disability laws.
- h. Occupational safety laws.

Further, the county assures that:

- i. Participation in programs operated using EF money shall be open to all persons legally entitled to work. This includes permanent resident aliens, and ex-convicts.
- j. Programs operated using EF money will be administered with safeguards against fraud and abuse.
- k. Appropriate labor market and demographic analyses have been used as the basis for planning programs to ensure that programs funded are appropriate to the needs of workers and employers in the county.

2. Requirements of Contract and Grant Recipients

The county shall ensure that contract and grant recipients maintain:

- a. Social security tax contributions for EF program participants.
- b. A record of each person's participation in EF funded activities shall be kept for at least three years following completion of the plan period, plus time necessary for an audit.

3. Ministry of Labor Held Harmless

EF grant and contract recipients shall defend and indemnify the County, the Ministry of Labor, its officers, agents and employees from any and all claims and losses incurred by or resulting to any person, or enterprise who may be damaged or injured by the EF grant or contract recipient while engaged in EF funded activities. Notice shall be promptly submitted to the County and the Ministry of Labor of any action being brought against an EF grant or contract recipient. Indemnification shall include, but not be limited to, attorney's fees and administrative costs.

4. Fiscal Requirements

All EF program costs incurred by the county shall be in accordance with guidelines furnished by the Ministry of Labor. The county is liable for all costs found to be not allowable under EF program decrees.

5. Records and Reports

The county shall:

- a. Implement management, fiscal, and participant monitoring procedures adequate to report on achievement of Performance Standards (PS) set by the Ministry of Labor. Guidelines provided in Section C.
- b. Maintain financial records adequate to assure a complete accounting of all EF funds distributed within the county.

c. Provide access and the right to examine and audit all records, books, papers, computer disks, or documents related to EF programs to the Ministry of Labor or its designated investigators.

d. Record all EF program costs incurred, and report these costs quarterly to the Ministry of Labor in a manner and format prescribed by the Ministry of Labor. Guidelines provided in Section C.

e. Retain all records pertinent to EF funded programs for a period of three years from the end of the plan period unless stated otherwise in particular statutes. If an audit or investigation is initiated prior to the end of a financial records retention period, the county shall keep the records until the litigation, audit findings, or claim has been resolved.

f. Agree that all data reported on a quarterly basis to Ministry of Labor shall be current, complete, and reflect all activity during the reporting period. Guidelines provided in Section C.

6. Participant Eligibility Determination and Verification

The county shall ensure that EF program services are provided only to eligible applicants.

7. Monitoring and Evaluation of EF Program Contractors

The county shall continuously monitor the performance of EF program contractors to guarantee compliance with EF program regulations. Guidelines provided in Section C.

8. Modifications/Revisions

The county shall:

a. Cooperate fully and promptly with the Ministry of Labor in replanning or modification of county EF plans, should circumstances require change.

b. Implement modifications in the operation or monitoring of EF programs with written concurrence and approval by the Ministry of Labor.

9. Disputes and Grievances

The county shall develop a system for the handling of disputes/grievances in accordance with Ministry of Labor and EF program guidelines and regulations.

10. Equal Employment Opportunity

The county shall assure Equal Employment Opportunity (EEO) in accordance with federal, county, and local laws. This regards all EF program operations and all activities funded by EF money and includes, but is not limited to: recruitment, hiring, transfer, promotions, retraining, compensation, benefits, layoffs, placements and selection of contractors. The county should prepare a statement of EEO policy to be posted in county facilities and distributed to EF Program contractors. An example is given as Figure D.1.

Figure D.1

EQUAL EMPLOYMENT OPPORTUNITY POLICY

Name of County Labor Center/Contractor

1. The County Labor Center Director (CLC Director) has an established policy of equal opportunity without regard to race, color, religion, national origin, political affiliation age, sex or handicap. The CLC Director agrees to take steps necessary to correct any under-representation of minorities or women, and maintain a reasonably representative work force at all levels of employment.
2. The CLC Director has an established policy to provide equal opportunity to participate in and benefit from all programs, activities, and services without regard to race, color, religion, national origin, political affiliation, age, sex or handicap.
3. The CLC Director guarantees that all recruiting materials and advertisements will state that all applicants will receive equal consideration for employment without regard to race, color, religion, national origin, political affiliation, age, sex or handicap.
4. The CLC Director guarantees that all promotional materials and advertisements will state that all programs, activities, and services will be provided equally without regard to race, color, religion, national origin, political affiliation, age, sex or handicap.

County Labor Center Director

Date

SECTION E

COUNTY/MINISTRY OF LABOR AGREEMENT ON THE EF MASTER PLAN

Instructions: This section is simply a signature sheet and directions for completing it to formalize the agreement between the county and the Ministry of Labor on use of the EF.

1. County/Ministry of Labor Agreement on the EF Master Plan

COUNTY/MINISTRY OF LABOR AGREEMENT ON THE EF MASTER PLAN

This EF Master Plan serves as the long-term agreement on basic program planning, administration, and monitoring between the Ministry of Labor and the county. Preparation of an acceptable EF Master Plan is required by the President of the Ministry of Labor in his capacity as chief EF administrator as designated by Ministerial Decree No. 143/1989 (XII.22) MT. Failure to comply with an EF Master Plan accepted by the Ministry of Labor can result in loss of funding for county EF programs.

The signatories to this document attest that they have jointly participated in the development of the attached EF Master Plan and voluntarily agree to follow the procedures which it specifies.

Title: EF Master Plan

County Name: _____

County Number: ____

Effective Date of Plan: January 1, 1997

COUNTY SIGNATURES: County authorities responsible for appropriate use of EF program funds.

County Labor Center Director

Date

Ministry of Labor SIGNATURE: The Minister of Labor acknowledges acceptance of the attached EF Master Plan. The Ministry of Labor and _____ County hereby enter into agreement on procedures for administration, monitoring and evaluation of EF programs.

Minister of Labor

Date

2. County/Ministry of Labor EF Master Plan Agreement Instructions

COUNTY/MINISTRY OF LABOR EF MASTER PLAN AGREEMENT INSTRUCTIONS

General

All counties must prepare an EF Master Plan as a prerequisite to preparing an EF Annual Plan. Annual Plans are called for by Council of Ministers Decree No. 143/1989 (XII.22) MT, with responsibility of administration of EF programs vested in the President of the Ministry of Labor. The Ministry of Labor president will not authorize release of EF money to counties that have not received Ministry of Labor approval of their EF Master Plan.

Identifying Information

EF Title: Title of the EF document being submitted, in this case it is the EF Master Plan.

County Name: Enter the name of the county.

County Number: Enter the county (capital city). Throughout this document, administrative districts which include 19 counties and the capital city of Budapest will be referred to as counties. See the attached sheet for a listing of county numbers.

Effective Date of Plan: It is expected that all counties will have Ministry of Labor approved EF Master Plans in Place by January 1, 1997.

County Signatures

The county authorities responsible for appropriate use of EF program funds must sign and date the EF Master Plan Agreement in the spaces provided. The County Labor Center Director, must sign the agreement. If there are other persons with important county authority over EF programs, their names may be added, and they may sign and date the agreement.

Ministry of Labor Signature:

After Ministry of Labor review of the county EF Master Plan, the Minister of Labor will sign and return copies of approved plans. Inadequate plans will be returned unsigned with comprehensive suggestions for revision.

4. County/Ministry of Labor EF Master Plan Revision Instructions

COUNTY/Ministry of Labor EF MASTER PLAN REVISION INSTRUCTIONS

General

When significant changes occur in matters governed by the County EF Master Plan a formal revision of the plan should be done. The relevant sections should be rewritten and submitted to the Ministry of Labor for approval along with a signed County/Ministry of Labor Agreement on REVISION of the EF Master Plan. The Agreement on revision covers the same material as the original agreement.

Identifying Information

EF Title: Title of the EF document being submitted, in this case it is the EF Master Plan.

County Name: Enter the name of the county.

County Number: Enter the county (capital city) number. Throughout this document, administrative districts which include 19 counties and the capital city of Budapest will be referred to as counties. See the attached sheet for a listing of county numbers.

Effective Date of Plan: It is expected that all counties will have Ministry of Labor approved EF Master Plans in Place by January 1, 1997.

County Signatures

The county authorities responsible for appropriate use of EF program funds must sign and date the EF Master Plan Agreement in the spaces provided. The County Labor Center Director, must sign the agreement. If there are other persons with important county authority over EF programs, their names may be added, and they may sign and date the agreement.

Ministry of Labor Signature:

After Ministry of Labor review of the county EF Master Plan, the the Minister of Labor will sign and return copies of approved plans. Inadequate plans will be returned unsigned with comprehensive suggestions for revision.

Attachments:

Revised parts of the EF Master Plan submitted for approval, labeled by section and number.

Appendix B:
Instructions for Preparing a County EF Annual Plan

**Instructions for Preparing
A County Employment Fund Annual Plan**

October, 1996

Prepared for:

Ministry of Labor
Budapest, V.,
Roosevelt ter 7-8. H-1051
Hungary

Prepared by:

Christopher J. O'Leary, Senior Economist
W. E. Upjohn Institute for Employment Research
300 South Westnedge Avenue
Kalamazoo, Michigan 49007
USA

PREFACE

These materials are instructions for preparing an annual plan of use of money from the decentralized employment fund on active labor programs. The County Employment Fund (EF) Annual Plan serves as the official report by a county labor center to the Labor Market Fund Department in the Ministry of Labor on how the specific EF programs performed in the previous or reporting year and what is anticipated for the next year or planning year.

Throughout these instructions for preparing an Annual Plan three calendar years are referred to: the reporting year, the current year, the planning year. For example, in the current year of 1996, we will report on 1995 and plan for 1997.

A main function of the annual planning process is to develop a unified financial plan for the planning year which anticipates expenditures on all active labor programs. These instructions guide preparation of a complete financial plan for county active labor programs. The collected results of county annual plans will be used to prepare a funding request from parliament for the planning year.

To support the unified financial request presented in the Annual Plan, counties will report on active labor programs operated during the previous year in an appendix to the annual plan.

The final section of the annual plan is the formal agreement between the county and the Ministry of Labor on the annual plan.

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A. Annual Plan Overview and Labor Market Summary

A.1. County Labor Market Conditions

To provide a picture of current labor market conditions in the county, list county data on the number of registered unemployed in December and May of the most recent 24 month period and offer projections for the current year and the planning year for the groups listed below. You should use the format of Table 1 provided on the next page.

Total Number of registered unemployed
Number of Male registered unemployed by sex
Number of registered unemployed by education group
 less than 8 years, more than 8 years
Number of registered unemployed by age group
 20 and under, 21-25
Number of registered unemployed by duration registration group
 between 1 and 2 years, more than 2 years
Eligible for unemployment compensation
Eligible for unemployment assistance
Not receiving any income support
Rate of unemployment

A.2. Local Labor Market Conditions

Report actual data and estimates of the number of layoffs or new hires in December and May of the most recent 24 month period and offer projections for the current year and the planning year. Also report the number of actual or estimated establishment openings and closings in these same periods. You should draw on information gathered in March for the short term forecast prepared twice per year by Lázár György and Székely Judit of the National Labor Center. Also list the number of registered unemployed by local labor center (LLC) for these same periods and offer projections for the current year and the planning year using the format of Table 2.

Table 1. Recent and Expected Registered Unemployed in the County by Various Characteristics

	Actual Dec 1994	Actual May 1995	Actual Dec 1995	Actual May 1996	Planned Dec 1996	Planned May 1997	Planned Dec 1997
Total Registered Unemployed							
Males							
# of individuals							
Share							
Less than 8 yrs education							
# of individuals							
Share							
8 or more yrs education							
# of individuals							
Share							
20 yrs of age or under							
# of individuals							
Share							
21-25 yrs of age							
# of individuals							
Share							
Registered as unemployed for 1-2 years							
# of individuals							
Share							
Registered as unemployed for more than 2 years							
# of individuals							
Share							
Eligible for unemployment compensation							
# of Individuals							
Share							
Eligible for unemployment assistance							
# of individuals							
Share							
Not receiving any income support							
# of individuals							
Share							
Rate of Unemployment							

Table 2. Recent and Expected Employee and Employer Turnover and Local Unemployment

	Actual Dec 1994	Actual May 1995	Actual Dec 1995	Actual May 1996	Planned Dec 1996	Planned May 1997	Planned Dec 1997
Number of Newly Hired Workers							
Number of Layoffs							
Number of Business Start-ups							
Number of Business Closures							
Registered Unemployed by Local Labor Center (LLC)							
LLC1							
LLC2							
LLC3							
LLC4							
LLC5							
LLC6							
LLC7							
LLC8							
LLC9							

B. County Financial Plan for the Decentralized Employment Fund

B.1. Principles of Financial Planning

The county financial plan for the decentralized EF is to be organized by active labor programs. The five active labor programs are: retraining, self-employment, wage subsidies, public works, and work sharing. Costs are reported and projected on the basis of historical costs and expected participants.

B.2. Costs by Program

In this section, report the number of participants and the cost per participant for each EF program for the current reporting year, and then estimate the same quantities for the planning year. Also, be sure to account for carry over cost commitments between years. The required format is presented as Table 3.

The figures on participants in each program for the reporting year should be the same as reported in the tables of Appendix A. The estimates of participants for the planning year should bear a proportionate relationship to the reporting year levels which reflects the expected change in employment exchange registrations.

The total actual and estimated costs should be listed at the bottom of Table 3.

B.3. Funding Request

The bottom row of Table 3 summarizes what should be the funding request by the county from the Ministry of Labor. It is based on the sum of entries in Table 3 under the planning year heading. The request is thereby based on estimated program activity which depends on the expected number of registered unemployed and cost factors which depend on recent experience.

To support the funding request, Table 4 presents a comparison of assistance per person for each active labor program for the reporting year, the current year, and the planning year.

Table 3. Financial Report and Plan for Active Labor Programs

Programs	Current year: 1996					Planning year: 1997					
	Carry over from reporting year 1995	New programs			Total	Carry over from previous year 1996	New programs			Total	
		Total	from total				Total	Total	from total		
			commitments for reporting year	carry over to planning year					commitments for reporting year		carry over to planning year
1a. Retraining of unemployed											
- number											
- cost per participant											
- financial request											
1b. Retraining of employed											
- number											
- cost per participant											
- financial request											
2. Self-employment											
- number											
- cost per subsidized participant											
- financial request											
3. Wage subsidy											
- number											
- cost per subsidized participant											
- financial request											
4. Public Works											
- number											
- cost per subsidized participant											
- financial request											
5. Work sharing											
- number											
- cost per subsidized participant											
- financial request											
Total of active programs											
- number											
- cost per subsidized participant											
- financial request											

Table 4. Comparison of Assistance Per Person

Programs	Reporting Year (1995)		Current Year (1996)	Planning Year (1997)
	Completed Programs	New Programs		
1a. Retraining of unemployed				
1b. Retraining of employed				
2. Self-employment				
3. Wage subsidy of long-term unemployed				
4. Public works				
5. Work sharing				
TOTAL				

C. AGREEMENT ON THE EF ANNUAL PLAN BETWEEN THE MINISTRY OF LABOR AND COUNTY

This presents signature sheets and directions for completing them to formalize the agreement between the county and the Labor Market Fund Management Department in the Ministry of Labor on use of the decentralized EF for the coming year.

**C.2. County/Ministry of Labor
EF Annual Plan Agreement Instructions**

All counties must prepare an EF Annual Plan. Annual Plans are called for by Council of Ministers Decree No. 143/1989 (XII.22) MT, with responsibility of administration of EF programs vested in the President of the Ministry of Labor. The Minister of Labor will not authorize release of EF money to counties that have not received Ministry of Labor approval of their EF Annual Plan.

Identifying Information

Title: Title of the EF document being submitted, in this case it is the EF Annual Plan.

County Name: Enter the name of the county.

Effective Date of Plan:

It is expected that all counties will have Ministry of Labor approved EF Annual Plans in Place by January 1, 1997.

County Signatures:

The chief county administrator responsible for appropriate use of EF program funds must sign and date the EF Annual Plan Agreement in the spaces provided. The agreement is prepared for the signature of the County Labor Center Director. If for some reason there is no director, or the director is unavailable, signature by the deputy director is acceptable.

Ministry of Labor Signature:

After Ministry of Labor review of the county EF Annual Plan, the director of the Department of Labor Market Fund Management will sign and return copies of approved plans. Inadequate plans will be returned unsigned with comprehensive suggestions for revision.

C.4. County/Ministry of Labor EF Annual Plan Revision Instructions

COUNTY/MINISTRY OF LABOR EF ANNUAL PLAN REVISION INSTRUCTIONS

General

When significant changes occur in matters governed by the County EF Annual Plan a formal revision of the plan should be done. The relevant sections should be rewritten and submitted to the Ministry of Labor for approval along with a signed County/Ministry of Labor Agreement on REVISION of the EF Annual Plan. The Agreement on revision covers the same material as the original agreement.

Identifying Information

EF Title: Title of the EF document being submitted, in this case it is the EF Annual Plan.

County Name: Enter the name of the county.

Effective Date of Plan:

It is expected that all counties will have Ministry of Labor approved EF Annual Plans in Place by January 1, 1997.

County Signatures

The chief county administrator responsible for appropriate use of EF program funds must sign and date the EF Annual Plan Agreement in the spaces provided. The agreement is prepared for the signature of the County Labor Center Director. If for some reason there is no director, or the director is unavailable, signature by the deputy director is acceptable.

Ministry of Labor Signature:

After Ministry of Labor review of the county EF Annual Plan, the director of the Department of Labor Market Fund Management will sign and return copies of approved plans. Inadequate plans will be returned unsigned with comprehensive suggestions for revision.

Attachments:

Revised parts of the EF Annual Plan submitted for approval, labeled by section and number.

APPENDIX

Annual Report on Management, Monitoring and Performance Indicators
for Active Labor Programs

1. Annual Report on County Management of Active Labor Programs

In Table A-1 please list the name, job title, and fax number for the person responsible for direct management of each EF funded active labor program in the county. This information must be revised yearly to ensure quick and easy communication if funding and/or program rules change.

In the tables of this appendix, active labor programs are divided into six groups: two categories of retraining, self-employment, wage subsidy, public works, and work sharing.

2. Annual Report on County Monitoring of Active Labor Programs

In Table A-2 please list the name, job title, and fax number for the person responsible for monitoring of each EF funded active labor program in the county. For each active labor program briefly describe county procedures for the following:

- conducting follow-up surveys of program participants.**
- compiling follow-up survey information.**
- schedule for follow-up surveys.**
- monitoring the content and delivery services to participants in active labor programs.**

3. Annual Report on Participation in Active Labor Programs

In Table A-3 please report on participation in each EF funded active labor program in the county during the reporting year and forecast the expected number of participants in the planning year. Table A-3 also asks for a report on the average length of participation in each active labor program and the average cost per participant in each program.

4. Annual Report on Performance Indicators

Table A-4 presents a simplified format for reporting on performance indicators for active labor programs. Entries in columns are as follows:

- (1) county actual measure of performance for each indicator**
- (2) national averages, provided by the OMK or MüM**
- (3) column 1 minus column 2 to yield deviation from national**
- (4) county target, set in the previous year's annual plan**
- (5) column 1 minus column 4 to yield deviation from plan**
- (6) county target for planning year.**

Table A-1. MANAGEMENT OF ACTIVE LABOR PROGRAMS CONTACT INFORMATION

Program Name	Name of Program Manager	Job Title	Fax Number
RETRAINING OF UNEMPLOYED			
RETRAINING OF EMPLOYED			
SELF EMPLOYMENT ASSISTANCE			
WAGE SUBSIDY FOR HIRING LONG TERM UNEMPLOYED			
PUBLIC WORKS			
WORK SHARING (PART-TIME EMPLOYMENT)			

Table A-2. MONITORING OF ACTIVE LABOR PROGRAMS CONTACT INFORMATION

Program Name	Name of Monitoring Director	Job Title	Fax Number
RETRAINING OF UNEMPLOYED			
RETRAINING OF EMPLOYED			
SELF EMPLOYMENT ASSISTANCE			
WAGE SUBSIDY FOR HIRING LONG TERM UNEMPLOYED			
PUBLIC WORKS			
WORK SHARING (PART-TIME EMPLOYMENT)			

Table A-3. REPORT ON PARTICIPATION IN ACTIVE LABOR PROGRAMS

	Reporting Year 1995			Planning Year 1997
	Number of Participants	Average Length of Participation	Average Cost per Participant	Expected Number of Participants
RETRAINING OF UNEMPLOYED				
RETRAINING OF EMPLOYED				
SELF EMPLOYMENT ASSISTANCE				
WAGE SUBSIDY FOR HIRING LONG TERM UNEMPLOYED				
PUBLIC WORKS				
WORK SHARING (PART-TIME EMPLOYMENT)				

Table A-4. REPORT ON PERFORMANCE INDICATORS

	Reporting Year 1995					1997
	County Actual	National Average	Actual minus National	County Target	Actual minus Target	Planning Year Target
RETRAINING OF UNEMPLOYED						
Average cost per trainee employed at follow-up						
Proportion of trainees who are employed at follow-up						
Average cost per training program entrant						
Average cost per trainee per hour of training						
Proportion of entrants who successfully complete training courses						
Proportion of employed trainees working in occupation of training						
RETRAINING OF EMPLOYED						
Average cost per trainee employed at follow-up						
Proportion of trainees who are employed at follow-up						
Average cost per training program entrant						
Average cost per trainee per hour of training						
Proportion of entrants who successfully complete training courses						
Proportion of employed trainees working in occupation of training						
SELF EMPLOYMENT ASSISTANCE						
Average assistance per person still self-employed at follow-up						
Proportion of persons still self employed at follow-up						
Average subsidy per self-employed						
Average monthly subsidy per self-employed						
Average added employment resulting from self employment assistance						
WAGE SUBSIDY FOR HIRING LONG TERM UNEMPLOYED						
Subsidy per worker in regular employment at follow-up						
Proportion of subsidized workers who are in regular employment						
Proportion of subsidized workers retained by subsidized employer						
Average monthly cost of wage subsidy per subsidized employee						
Average duration of subsidy per subsidized employee						
PUBLIC SERVICE EMPLOYMENT						
Average monthly subsidy per worker						
Average monthly direct cost per worker						
Average monthly gross earnings per worker						
Proportion of Employment Fund subsidy within direct costs						
Proportion of workers not subsidized by the Employment Fund						
WORK SHARING (PART-TIME EMPLOYMENT)						
Average subsidy per person involved in work sharing						
Average subsidy per job at risk						
Average subsidy per job saved						
Proportion of jobs at risk which are saved						

Appendix C:
Department of Financial Management,
Pilot Planning Module

DRAFT

**Ministry of Labor
Department of Financial Management**

For All County Labor Chiefs:

To be able to plan the decentralized Employment Fund for 1997, and to do new planning from the bottom up would you please fill in the attached tables together with a short description. Return these things to this department by June 30, 1996.

We request that you submit plans for 1997 by Actual Labor Programs in two versions: (1) assuming the same funding level as 1996; and (2) based on the funding level you would like to request given your employment conditions, target groups, and performance requirements. For both plans, assume that money allocated from the central Employment Fund is the same as in 1996.

The new mechanism for allocation of money to the counties will give an added 10 to 15 percent more to good plans, which are clearly prioritized, and have demonstrated a high level of cost effectiveness as shown by performance indicators measured in the previous year.

The information provided in the attached tables is the first step in a new planning model which was pilot tested but needs further refinement. After reviewing the tables we will consult with the county centers before making final allocations for 1997.

Budapest, 1996

**Dr. Matoricz Anna
Head of Department**

Table 1. 1997 Financial Plan for ALPs financed from the Decentralized Employment Fund.

Program	million HuF				Share			
	1995 Actual	1996 Forecast	1997 Planned I	1997 Planned II	1995 Actual	1996 Forecast	1997 Planned I	1997 Planned II
1. Retraining								
2. Public Service Employment								
3. Wage Subsidy								
4. Self Employment								
5. Work Sharing								
6. Job Creation Investments								
7. Early Retirement								
8. Other								
TOTAL								

Table 2. Two Versions of the 1997 Financial Plan

	RT (1)	PSE (2)	WS (3)	SE (4)	PT (5)	JCI (6)	ER (7)	Other (8)	Total
A. Expected 1996 Expenditures									
1. Commitment from previous years									
2. 1996 New Start Program Money Request									
a. Paid in 1996									
b. Carryover to 1997									
3. % of 1996 total cost (1+2a)									
B. Planned 1997 Expenditures									
4. Carryover from previous year									
5. 1997 New Start Program Money Request									
a. Paid in 1997									
b. Carryover to 1998									
6. % of 1997 total planned (4+5a)									

- (1) RT: Retraining
- (2) PSE: Public Service Employment
- (3) WS: Wage Subsidy for Long-Term Unemployed
- (4) SE: Self-employment
- (5) PT: Part-Time Employment/Work Sharing
- (6) JCI: Job Creation Investments
- (7) ER: Early Retirement

Table 3. Number of Participants in Active Labor Programs financed from the Decentralized Employment Fund

	RT (1)	PSE (2)	WS (3)	SE (4)	PT (5)	JCI (6)	ER (7)	Other (8)	Total
A. Expected 1996									
1. Carryover from 1995									
2. New 1996 Entrants									
3. 1996 Involved (1+2)									
4. Annual Average									
B. Planned 1997									
5. Carryover from 1997									
6. New in 1997									
7. 1997 Involved									
8. Annual Average									

- (1) RT: Retraining
- (2) PSE: Public Service Employment
- (3) WS: Wage Subsidy for Long-Term Unemployed
- (4) SE: Self-employment
- (5) PT: Part-Time Employment/Work Sharing
- (6) JCI: Job Creation Investments
- (7) ER: Early Retirement

Table 4. Comparison of assistance per person in Active Labor Programs financed from the Decentralized Employment Fund

(HuF/person)

	Program Finished in 1994	Program Finished in 1995	New Program 1996	Planned New Programs in 1997	
				Plan I	Plan II
1. Retraining					
2. Public Service Employment					
3. Wage Subsidy					
4. Self Employment					
5. Work Sharing					
6. Job Creation Investments					
7. Early Retirement					
8. Other					
TOTAL					

Table 5. Background Information Characteristics on Number and Composition of Registered Unemployed

	Actual Dec 1994	Actual May 1995	Actual Dec 1995	Actual May 1996	Planned Dec 1996	Planned May 1997	Planned Dec 1997
Total Registered Unemployed							
Males							
# of individuals							
Share							
Less than 8 yrs education							
# of individuals							
Share							
8 or more yrs education							
# of individuals							
Share							
20 years of age and under							
# of individuals							
Share							
21-25 years of age							
# of individuals							
Share							
Registered as unemployed for 1-2 years							
# of individuals							
Share							
Registered as unemployed for more than 2 years							
# of individuals							
Share							
Eligible for unemployment compensation							
# of Individuals							
Share							
Eligible for unemployment assistance							
# of individuals							
Share							
Not receiving any income support							
# of individuals							
Share							
Rate of Unemployment							

REFERENCES

- Frey, Maria (1992), *Guidelines for Evaluation Tasks of Labor Market Programs for the Short Run in Hungary*, Budapest: Labor Research Institute (April).
- O'Leary, Christopher J. (1990), *Evaluation Criteria and Planning Guidelines for Employment Fund Programs in the Republic of Hungary*, Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research (August).
- _____ (1994), *A System for Evaluating Labor Market Programs in Hungary*, a report to the Hungarian Ministry of Labor, Upjohn Institute Technical Report 94-005, January, 1994.
- _____ (1995) "Performance indicators: A management tool for active labour programmes in Hungary and Poland," *International Labour Review*, Volume 134, Number 6, 1995.
- Osborne, David and Ted Gaebler (1992), *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Reading, Massachusetts: Addison-Wesley.