CONTRIBUTION FOR SELF-EMPLOYMENT IN THE SYSTEM OF ACTIVE LABOUR MARKET MEASURES

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ABSTRACT
The aim of this study is, on the basis of the theoretical grounds, to acquaint the reader with the issue of Contribution for Self-Employment, to identify the individual determinants and to highlight the disparity within the Slovak Republic. Consequently, on the basis of the received secondary data, it aims to highlight the development of agreed and created jobs within the period of 15 months, i.e. from January 2011 till March 2012 within the Slovak Republic, and separately within the Prešov self-governing region.

KEY WORDS

JEL classification: J59.

INTRODUCTION
This study identifies the status of Contribution for Self-Employment (hereinafter referred to as “Contribution”) within the system of Active Labour Market Measures. This issue is primarily illustrated within the Employment Services Act No. 5/2004 and this act forms the basis for the first part of this study. Consequently, on the basis this act, a calculation of the maximum amount of this Contribution as well as its individual determinants, are discussed. The last part of the study deals with the amount of financial resources of the Contribution in the Slovak Republic, and separately in the Prešov self-governing region.

1. Active labour market measures
The state has its own system of tools which should improve the position of the disadvantaged groups on the labour market. Active labour market measures (hereinafter referred to as “Measures”) are defined within the Employment Services Act No. 5/2004.
Chart 1: Active labour market measures

| § 32 | Mediation of Employment |
| § 42 | Information and Advisory Services |
| § 43 | Professional Consultancy |
| § 44 | Education and Preparation for the Labour Market |
| § 46 | Education and Preparation for the Labour Market of the Job Seeker and Person Interested in Employment |
| § 47 | Education and Preparation for the Labour Market of Employee |
| § 49 | Contribution for Self-Employment |
| § 50 | Contribution for Employing a Disadvantaged Job Seeker |
| § 51 | Contribution for the Graduate Practice |
| § 52 | Contribution for Activation Activity |
| § 53 | Contribution for commuting to work |
| § 54 | Projects and Programmes |
| § 55 | Sheltered Workshop and Sheltered Workplace |
| § 56 | Contribution for Establishing and Maintaining the Sheltered Workshop or Sheltered Workplace |
| § 57 | Contribution for Operating or Performing Self-Employment to Disabled Citizens |
| § 58 | Agency for Supported Employing |
| § 59 | Contribution for Activities of the Assistant at Work |
| § 60 | Contribution to Cover Operating Costs of the Sheltered Workshop or Sheltered Workplace and Employees´ Transport Costs |
| § 61 | Accumulation of granted contributions |

Source: Author’s own processing of data on the basis of the Employment Services Act 5/2004.

Centre for education of the Ministry of Labour, Social Affairs and Family of the Slovak Republic (2012), in Methodology for measuring the effects within the Operational Programme of Employment and Social Inclusion, divides the Measures, in terms of their content, into three groups:

**A. Measures implemented during the registered period of job seekers:**

§ 46 - Education and Preparation for the Labour Market of the Job Seeker and Person Interested in Employment,
§ 49a - Contribution for Incorporation a Disadvantaged Job Seeker,
§ 51 - Contribution for the Graduate Practice,
§ 52 - Contribution for Activation Activity by small municipal services to the community,
§ 52a - Contribution for Activation Activity by volunteering,
§ 54 - Projects and Programmes, object of assessing the effectiveness depends on the orientation of the approved project,
§ 55a – Preparation for employment for persons with disabilities.

**B. Measures directly raising the employment- creation of new jobs for Job Seekers:**

§ 49 - Contribution for Self-Employment,
§ 50 - Contribution for Employing a Disadvantaged Job Seeker,
§ 50c - Contribution for the employment of disadvantaged jobseekers in social enterprise,
§ 50i - Contribution for supporting regional and local employment,
§ 50j - Contribution for employment support for the implementation of measures to prevent, flooding and the consequences of emergency - a measure earmarked for implementation of flood control measures,
§ 54 - Projects and Programmes - object of assessing the effectiveness depends on the orientation of the approved project,
§ 56 - Contribution for Establishing and Maintaining the Sheltered Workshop or Sheltered Workplace,
§ 57 - Contribution for Operating or Performing Self-Employment to Disabled Citizens.

**C. Measures aimed at maintenance of employment for already working people:**

§ 47 - Education and Preparation for the Labour Market of Employee,
§ 50a - Contribution for help maintain jobs for low-wage workers,
§ 50d - Contribution for supporting the maintenance of employment,
§ 53 - Contribution for commuting to work,
§ 53a – Contribution for relocate for work,
§ 53b - Contribution for transport to work,
§ 54 - Projects and Programmes - object of assessing the effectiveness depends on the orientation of the approved project,
§ 56a - Contribution for keeping citizens with disabilities in employment,
§ 57a - Contribution for restoration and technical upgrade physical assets sheltered workshop or sheltered workplace,
§ 60 - Contribution to Cover Operating Costs of the Sheltered Workshop or Sheltered Workplace and Employees’ Transport Costs.

2. Contribution for Self-Employment

Contribution for Self-Employment (hereinafter referred to as “Contribution”) is discussed within the Employment Services Act no. 5/2004, §49, which defines self-employment as an “activity which is carried out or operated by a self-employed person”.

Pursuant to Employment Services Act no. 2004/5, a self-employed person is (2004, §5):

a) Natural person engaged in agricultural production including use of forests and water systems, and registered pursuant to a special regulation,

b) Natural person operating or performing a trade pursuant to a special regulation,

c) Natural person carrying out activity pursuant to special regulations,

d) Natural person who is a partner of a general commercial partnership, a partner of a limited partnership, or a partner of a limited liability company pursuant to a special regulation,

e) Natural person executing fee of charging mediation of employment pursuant to §25,

f) Natural person carrying out temporary employing pursuant to §29,

g) Natural person carrying out supported employing pursuant to §58.

The following three conditions shall be fulfilled for the Contribution to be provided:

a) Job seeker shall be on file for at least three months in the register of job seekers,

b) Job seeker shall commence and continue performing self-employing activities for at least two years,

c) Job seeker shall request the Contribution in a written form.

For the Contribution to be provided, pursuant to the Employment Services Act No. 5/2004 (2004, §49), the following condition shall be fulfilled: “The Job Seeker shall complete preparatory courses organized by the Office for his/her self-employment operation or performance, and he/she shall submit a business plan, which would include the estimated costs of commencing the operation or performance of his/her self-employment activities.”

The Employment Services Act No. 5/2004 further regulates the failure to comply with the agreed period for providing of the Contribution:
“The citizen having terminated the operation or performance of self-employment before lapse of two years shall return the proportional part of the contribution falling on the period when self-employment had not been operated or performed within three calendar months from the termination, unless a different period was agreed with the Office and he/she can be included into the register of job-seekers since the day following after lapse of two years since the start of the operation or performance the self-employment. Return of the contribution is not required, when the operation or the performance of self-employment is terminated for reasons of decease, or for reasons of health assessed pursuant to § 19. The Citizen having terminated the operation or performance of self-employment before lapse of two years due to reasons of health can be included into the register of job-seekers since the day following after termination of operation or performance the self-employment.”

“The Contribution shall be repeatedly provided no earlier than after the lapse of three years from the day following after the lapse of the period of two years from commencing of the operation or performance of self-employment for which the Contribution was granted.”

The amount of Contribution is pursuant to the Employment Services Act No. 2004/5 (2004, § 49) as follows:

a) “in the region of Bratislava, up to 35% of the sum corresponding to 16 times of total price of work, calculated from the average wage of an employee in the Slovak Republic’s economy for the first three quarters of the calendar year preceding the calendar year of disbursement of the contribution,

b) in other regions, up to 45% of the sum corresponding to 16 times of total price of work, calculated from the average wage of an employee in the Slovak Republic’s economy for the first three quarters of the calendar year preceding the calendar year of disbursement of the contribution.”

2.1. The total price of work and the maximum amount of the Contribution for self-employment

The maximum amount of the Contribution is determined by two factors:

a) the total price of work, including levies,

b) unemployment rate.

“The minimum price of work is defined as the sum of the minimum wage, and the advances of the health insurance premiums, social insurance premiums as well as of their contribution to their
old-age pension savings, payable by the employer.” (Employment Services Act No. 5/2004, 2004, § 49)

As mentioned above, in order to calculate the total price of work, it is necessary to be acquainted with the levy system of the Slovak Republic. As of January 1, 2012, both the employee and the employer shall pay the following levies:

Chart. 2: Levies as of January 1, 2012

<table>
<thead>
<tr>
<th>Insurance</th>
<th>Employer</th>
<th>Employee</th>
<th>Total</th>
<th>Total EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health Insurance</strong></td>
<td>10 % of AB of employee</td>
<td>4 % of AB of employee</td>
<td>14 %</td>
<td>Min: 32,72 + 13,08, Max: 230,70 + 92,28</td>
</tr>
<tr>
<td><strong>Sickness Insurance</strong></td>
<td>1,4 % of AB of employee</td>
<td>1,4 % of AB of employee</td>
<td>2,8 %</td>
<td>Min: 4,58 + 4,58, Max: 16,14 + 16,14</td>
</tr>
<tr>
<td><strong>Old-age Insurance</strong></td>
<td>14 % of AB of employee</td>
<td>4 % of AB of employee</td>
<td>18 %</td>
<td>Min: 45,80 + 13,08, Max: 430,64 + 123,04</td>
</tr>
<tr>
<td><strong>(5 + 9) % of AB of employee</strong></td>
<td>4 % of AB of employee</td>
<td>18 %</td>
<td>Min: 16,36 + 29,44 + 13,08, Max: 153,80 + 276,84 + 123,04</td>
<td></td>
</tr>
<tr>
<td><strong>Disability Insurance</strong></td>
<td>3 % of AB of employee</td>
<td>3 % of AB of employee</td>
<td>6 %</td>
<td>Min: 9,81 + 9,81, Max: 92,28 + 92,28</td>
</tr>
<tr>
<td><strong>Accident Insurance</strong></td>
<td>0,8 % of AB of employee</td>
<td>not pay</td>
<td>0,8 %</td>
<td>Min: 2,61, Max: without limit</td>
</tr>
<tr>
<td><strong>Unemployment benefit</strong></td>
<td>1 % of AB of employee</td>
<td>1 % of AB of employee</td>
<td>2 %</td>
<td>Min: 3,27 + 3,27, Max: 30,76 + 30,76</td>
</tr>
<tr>
<td><strong>Guarantee Insurance</strong></td>
<td>0,25 % of AB of employee</td>
<td>not pay</td>
<td>0,25 %</td>
<td>Min: 0,81, Max: 2,88</td>
</tr>
<tr>
<td><strong>Solidarity Reserve Fund</strong></td>
<td>4,75 % of AB of employee</td>
<td>not pay</td>
<td>4,75 %</td>
<td>Min: 15,54, Max: 146,11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>35,2 %</td>
<td>13,4 %</td>
<td>48,6 %</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own data processing based on [www.mup.sk](http://www.mup.sk)
Minimum assessment base for the calculation of levies of both, the employee and the employer, is realized by the minimum wage. Pursuant to Government Regulation 343/2011, the minimum wage for the year 2012 was agreed on 327, 20 EUR.

The employer shall pay the old-age insurance, depending on whether the employee contributes to the first (first alternative in the chart) or the second pension pillar (second alternative in the chart).

The total price of work, calculated under Employment Services Act No. 2004/5, given that the previous calendar year is considered to be the relevant period, is as follows:

<table>
<thead>
<tr>
<th>Average wage (EUR)</th>
<th>786</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy (EUR)</td>
<td>276,67</td>
</tr>
<tr>
<td>Total price of work (EUR)</td>
<td>1062,76</td>
</tr>
<tr>
<td>Maximum contribution (EUR)</td>
<td>Bratislava: (16x1062,76)x0,35 = 5951,46</td>
</tr>
</tbody>
</table>

Source: Author’s own calculations based on Statistical Office of the Slovak Republic (2012)

Since the corresponding period, which forms the basis for the calculation of the maximum contribution, is not exactly defined within the above mentioned act, the following chart illustrates the average wage of an employee within the economy of the Slovak Republic for the most recent period as stated by the Statistical Office. The chart no. 4 also illustrates how the change in the minimum wage influences the amount of the maximum contribution:

<table>
<thead>
<tr>
<th>Average wage (EUR)</th>
<th>2012</th>
<th>Half of 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Q</td>
<td>770</td>
<td>781</td>
</tr>
<tr>
<td>2. Q</td>
<td>793</td>
<td>793</td>
</tr>
<tr>
<td>Levy (EUR)</td>
<td>271,04</td>
<td>274,91</td>
</tr>
<tr>
<td>Total price of work (EUR)</td>
<td>1041,04</td>
<td>1055,91</td>
</tr>
<tr>
<td>Maximum contribution (EUR)</td>
<td>5829,82</td>
<td>5913,10</td>
</tr>
<tr>
<td></td>
<td>7495,49</td>
<td>7602,55</td>
</tr>
</tbody>
</table>

Source: Author’s own calculations based on Statistical Office of the Slovak Republic (2012)

Employment Services Act No. 2004/5 further adds that “the sum of the contribution depends on the average of unemployment rate in the relevant district”. However, it does not define the interdependence between the amount of the provided contribution and the average registered unemployment rate in the district. To illustrate this interdependence, the following chart contains the particular amounts in the selected districts:
On the basis of the chart no. 5, it is possible, apart from the district of Trebišov, to monitor how the particular districts are divided into groups based on the registered unemployment rate. On the basis of this criterion, which is also discussed within the Employment Services Act No. 5/2004, districts are divided into particular groups. The absolute difference among the groups included in the chart no. 5 is 1489.35 EUR.

**MATERIALS AND METHOD**

For its analysis, this study takes advantage of the secondary data received from several sources. These include, among others, Statistical Office of the Slovak Republic, the Internet portal Wage Accountancy and Personnel (www.mup.sk), and The Ministry of Labour, Social Affairs and Family of the Slovak Republic. The above mentioned sources provided the data for identification of the maximum amount of Contribution, the total price of work for the year 2012 as well as the maximum amount of Contribution in the selected districts of the Prešov self-governing region.

On the basis of the received secondary data within the period from January 2011 until March 2012, the second half of this study analyzed the amount of agreed and created jobs within the Slovak Republic, and separately within the Prešov self-governing region.

The analyses were processed through Microsoft Excel 2010.

**RESULTS AND DISCUSSION**

Central Office of Labour, Social Affair and Family of the Slovak Republic (herein after referred to as “Central Office of Labour”) has available statistics dealing with Active Labour
Market Measurers. Central Office of Labour provides statistical data within the period of 15 months, from 2011 until March 2012. The next chapter will deal with the volume of financial resources, agreed and created jobs within the Slovak Republic, and separately within the Prešov self-governing region as compared to the Košice self-governing region.

**Contribution for Self-Employment**

As mentioned in the previous chapter, the amount of maximum Contribution for self-employment is determined by the following 2 factors:

a) total price of work, including levies,

b) the unemployment rate.

The total price of work is the same for all regions. The total maximum Contribution for self-employment is primarily determined by the latter mentioned factor, i.e. the registered unemployment rate, depending on particular the self-governing region. The chart no.1 illustrates the registered unemployment rate:

![Figure 1: The unemployment rate in Slovakia](image)

Source: Author’s own processing based on data from Statistical Office of the Slovak Republic (2012)

The chart indicates that within the monitored period, no remarkable deviation was recorded as far as the registered unemployment rate is concerned, with the average of 13.63%.
In the following outline of the development of implementation of one of the active Measures, the representation of agreed and created jobs will be taken into account alongside the representation of the volume of financial resources. Since the Employment Services Act 5/2004, which deals with this issue, does not delimit these terms, for the purposes of this study, they may be delimited as follows:

a) agreed job - a job which has undergone a certain approval process in the previous period of time and it is planned to be filled by someone,

b) created job - a job which has already been created in a real subject and has already been filled by someone.

On the basis of the available statistical data, it is obvious that all created jobs were filled by job seekers.

Within the theoretical level, created jobs should form up to 100% of agreed jobs. However, as the chart no. 1 indicates, this assumption is not right and the factual created jobs within some monitored months exceeded the agreed jobs (e.g. January, April, August). This phenomenon may be caused by the fact that some jobs did not undergo “classic” approval process and they were of operative character, e.g. technical workers, workers performing manual and additional activities, etc.

**Contribution for Self-Employment Slovakia**

Pursuant to Employment Services Act No. 5/2004, § 49, active labour market measures, i.e. contribution for self-employment within the Slovak Republic within the monitored period of 15 months (January 2011- March 2012) increased in the form of agreed jobs at the level of approximately 48,5 million EUR and in the form of created jobs at the level of approximately 49,4 million EUR. The increase was in the particular months as follows:
Within the monitored period of 15 months, remarkable differences were recorded for both indicators. The lowest figures were achieved in both, agreed as well as created jobs, at the beginning of the year 2012. The level of agreed jobs was approximately 740 000 EUR in January and the level of created jobs was approximately 935 000 EUR in February, which represented 22,79%, or 28,4% of maximum figures within the monitored period. On the basis of these data, it may be concluded that the development of created jobs is, to a certain extent, (with a delay of one month) identical with the development of agreed jobs.

The development of the amount of agreed and created jobs copies the development of financial representation, which is illustrated in the chart no.2. The number of created jobs reached its peak in April 2012, on the other hand, the lowest number of created jobs was measured in February 2012. Since the number of created jobs, with a month delay, reflects the development of agreed jobs, the latter reached their minimum in January 2012.

The average amount of money per one created job was 3404,61 EUR, the average amount of money per one agreed job was 3419,20 EUR.

The representation of the particular regions during the monitored period (January 2011-March 2012) within the total financial increase is illustrated in the following chart:
The particular regions were equally represented in both of the monitored indicators. The highest increase of finances within the monitored period was recorded in the self-governing regions of Žilina, Banská Bystrica and Prešov. Those self-governing regions gained from 18 to 19% of the total volume of finances. On the other hand, the least money was allocated to the self-governing regions of Trnava (approximately 2,5 million EUR) and Bratislava (approximately 2,77 million EUR).

**Contribution for self-employment within the Prešov self-region**

As it was mentioned above, the Prešov self-governing region belonged among the three regions which gained the highest financial increase. Since this rigorous thesis deals with this particular region, the next chapter will deal with this region only, particularly with the allocation of financial resources among its particular districts.
Similarly to the total increase within the Slovak Republic, within the Prešov self-governing region, the development of created jobs, with a month delay, copied the development of agreed jobs. The volume of finances for created jobs in several months exceeded the volume of finances for agreed jobs, which was reflected by the fact that the created jobs were of operative character, i.e. these jobs were not planned within the short-term period. The most remarkable deviation may be monitored at the beginning of the monitored period, when within the period of three months, both indicators increased by approximately 800 000 EUR (to be precise 1 million EUR). In the following months, the financial increase stabilized. On average, the financial increase of agreed jobs within the period of 15 months reached approximately 784 000 EUR, the financial increase of created jobs reached approximately 632 000 EUR.
Figure 5: Prešov self-governing region- the average in districts
Source: Author’s own data processing from Central Office of Labour, Social Affairs and Family of the Slovak Republic (2012)

The above mentioned chart no.5 illustrates the average representation of the particular districts within the total financial increase of Prešov self-governing region within the monitored period (January 2012- March 2012). Except for few districts such as Bardejov or Svidník, the number of agreed jobs was identical with the number of created jobs. The highest financial volume was allocated to the districts of Prešov and Kežmarok, approximately 90 000 EUR in both. The lowest financial volume was, on the other hand, allocated to the district of Medzilaborce, reaching the amount of approximately 12 000 EUR. The only district with positive figures (above zero) in every single month was the district of Vranov nad Topľou.

CONCLUSION

The issue of Contribution for self-employment is basically illustrated in the Employment Services Act 5/2004. However, this act does not contain all the relevant pieces of information. The act itself refers to indicators such as total price of work, for the calculation of which the act does not provide any concrete relation. For this reason, it is not sufficient to be acquainted with this act only in order to fully understand the given issue.

The total increase of volume of financial resources within the monitored period (January 2011- March 2012) was nearly 50 million EUR for both indicators. The highest proportion of these resources was allocated within the Prešov self-governing region (19%), with the districts of Prešov and Kežmarok receiving the highest amount of money, both approximately 90 000 EUR.
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