



Audit Report

18/28

Funds earmarked for the implementation of the measures of the 2014-2020 Operational Programme Employment to increase employment and adaptability of the workforce

The audit was included in the audit plan of the Supreme Audit Office (hereinafter the “SAO”) for 2018 under number 18/28. The audit was headed and the Audit Report drawn up by the SAO member Mr. Adolf Beznoska.

The aim of the audit was to verify whether the audited entities provided and drew funds for the implementation of selected measures in accordance with legal regulations, effectively, economically and efficiently, and whether the selected projects promoting employment and adaptability of the workforce contributed to meeting the goal of youth employment set in the *Europe 2020* strategy.

The audited period was from 2014 to 2018; both the previous and subsequent periods were also considered for contextual reasons. Audits were conducted at three audited entities between December 2018 and May 2019.

Audited entities:

Ministry of Labour and Social Affairs (hereinafter the “MoLSA”); Labour Office of the Czech Republic, Prague (hereinafter the “LO” or “Labour Office”); Ústí Region, Ústí nad Labem (hereinafter the “ÚR”).

At its XII meeting held on 19 August 2019, **the Board of the SAO** adopted Resolution no 3/XII/2019 whereby it **approved** the following wording of the audit report:

Key facts

CZK 1,305 million

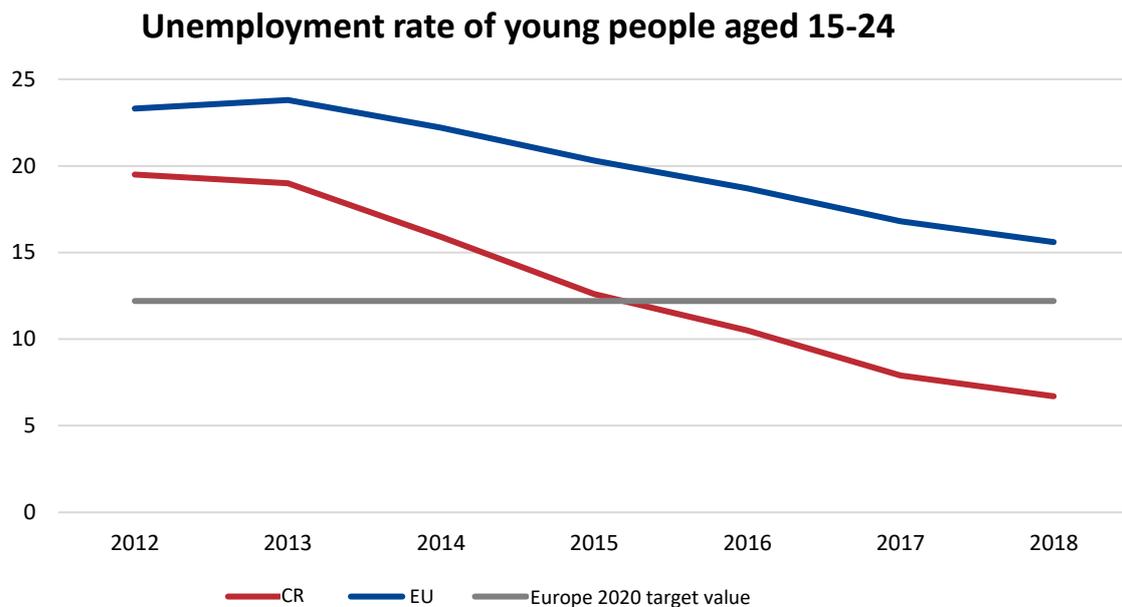
Funds spent on promoting the employment of young people under the Operational Programme *Employment 2014-2020*¹.

10,226

The number of young people involved in the projects².

CZK 128 thousand

Average costs per project participant.



Source: CZSO (data for the Czech Republic), Eurostat (data for the EU).

Benefit of the projects

The SAO identified serious shortcomings in setting objectives and monitoring indicators that had an impact on evaluating the effectiveness and efficiency of projects.

83.1 %

Proportion of young people aged 15-24 who received a good offer of a job, further education, training or traineeship from the LO within four months of becoming unemployed, completing formal education or leaving the formal education system.³

19.54 %

Proportion of young people who accepted the offer from the LO.

CZK 139 thousand

Average amount of aid for subsidised employment per participant over a period of 12 months.

¹ Audited calls nos 15_003, 15_004, 15_116 and 18_091, situation as of 9 July 2019 in the amount of CZK 1,305,427,613.36.

² Audited calls nos 15_003, 15_004, 15_116 and 18_091, achieved value of the monitoring indicator 6 00 00 *Total number of participants* as of 9 July 2019.

³ LO data for the period of March 2015 – August 2018.

I. Summary and Evaluation

The SAO performed an audit aimed at providing and drawing on funds intended for the implementation of measures of the Operational Programme *Employment 2014-2020* (hereinafter the "OPEm") to increase employment and adaptability of the workforce aged 15-29.

The aim of the audit was to verify whether the audited entities provided and drew funds for the implementation of selected measures in accordance with legal regulations, effectively, economically and efficiently, and whether the selected projects promoting employment and adaptability of the workforce contributed to meeting the goal of youth employment set out in the *Europe 2020* strategy.

Main findings:

The SAO ascertained a number of shortcomings at the MoLSA and the LO both at the system level and especially in drawing aid aimed at employing young people under the OPEm. The shortcomings mainly concerned its effectiveness and efficiency.

The SAO found serious errors in setting project objectives and monitoring indicators. The MoLSA had not set measurable targets for the projects which would enable the assessment whether the OPEm projects met their purpose. At the same time, the effectiveness of the funds spent cannot be evaluated for none of the audited projects. The reason is that the LO does not monitor the project participants and their further professional employment in the labour market after the end of the project.⁴ Statistics, which are regularly prepared by the LO, do not record the impact of implemented projects on the development of youth unemployment in the relevant region.

The youth unemployment rate in the Czech Republic was steadily decreasing from 2013 and reached 6.7 % at the end of the SAO audit in 2018. Compared to the EU average (currently around 15 %), it has been at a very low level in the long term. Despite this favourable situation, the MoLSA continued to provide aid to the same extent as at the time of launching the operational programme, i.e. during the fading economic crisis of 2008-2013.

In 2017, the MoLSA even decided to increase aid for young people aged 15-29 by CZK 339 million without concentrating the aid on a group of young people with disabilities (as recommended by the results of external evaluation). The MoLSA did not respond to the low youth unemployment rate until 2019.

The MoLSA is unable to objectively quantify the total costs of the *Youth Guarantee* Programme, as the Treasury Information System does not allow this.

The SAO did not find any violations of legal regulations in the audited projects.

⁴ The European Court of Auditors came to similar conclusions in its Special Reports nos 3/2015 and 5/2017 in screening youth employment projects in other EU Member States.

Other findings:

The MoLSA did not carry out any intended updates to the 2014 *Youth Guarantee* Programme, did not define the responsibilities of individual institutions for the programming period of 2014-2020, and did not determine the financial costs of the key initiatives.

The MoLSA does not provide the European Commission with all the required data on how the situation of young people has changed after joining the *Youth Guarantee* Programme in the longer term.

The SAO found that there was no significant difference between client care in the project and the standard active employment policy regime. At the same time, there is no continuous coordinated support for socially useful jobs that allows assistance to be provided even after the project is over.

The absence of barriers to employment in the labour market was evident for some clients in the audited sample. These young people found a traineeship or a job themselves. The SAO considers this an example of the so-called “deadweight effect”⁵.

Paradoxically, in the framework of the TRANSFER project intended primarily for persons not registered at the LO, clients who were registered with the LO prevailed.

The SAO found cases where persons were aided under two projects at the same time. The MoLSA had not taken adequate measures to prevent these undesirable duplications.

Partial shortcomings were found by the SAO in information systems, especially in the MS2014+ information system.

One of the national targets under the *Europe 2020* strategy is to “reduce the youth unemployment rate (15-24 years) by one-third compared to 2010”. According to MoLSA data, the Czech Republic already achieved this target in August 2015.

The SAO compared the actual cost of working with the client identified in the audited projects with the analysis carried out by the Eurofound European Foundation.

Note: The legal regulations referred to in this Audit Report are applied as effective in the period under review.

II. Information on the Audited Area

The Operational Programme *Employment 2014-2020* is an operational programme of the programming period of 2014-2020 aimed at improving the human capital of the population and public administration in the Czech Republic (hereinafter the “CR” or “Czech Republic”). The OPEm consists of five priority axes (hereinafter the “PA”).

The SAO audit concerned PA 1 *Promoting Employment and Workforce Adaptability*, and within it, measures aimed at promoting employment of young people. In particular, these were the investment priorities and specific objectives of the OPEm highlighted in the following table.

⁵ A situation where the subsidy is drawn by a beneficiary who would have carried out its activity/investment even without the participation of state funds (in this case, mediation of employment in a subsidised job for a client who is able to find employment/experience/traineeship himself/herself).

Table 1: Overview of OPEm PA 1 measures aimed only at young people

Investment priority	Specific objective
8i Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility	<p>1.1.1 Increase employment of supported persons, particularly older, low-qualified and disadvantaged people</p> <p>1.1.2 Increase employment of supported young people by the Youth Guarantee Programme</p>
8ii Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee	1.5.1 Increase employment of young supported people who are not in employment, education or vocational training in the NUTS II Northwest region

Source: OPEm programming document.

These OPEm measures should contribute to the implementation of the *Europe 2020*⁶ strategy and the Council Recommendation on the introduction of the Youth Guarantee⁷.

One of the national sub-targets under the *Europe 2020* strategy is to **reduce the youth unemployment rate (15-24 years) by one-third compared to 2010**.⁸

The **Youth Guarantee Programme** is based on the Council recommendation that Member States ensure that:

every young person under the age of 25 years receives an offer of employment, further education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed.

In December 2013, the MoLSA prepared the *Implementation Plan of the Youth Guarantee Programme of the Czech Republic* (hereinafter the “IP of the YG Programme”) for the *Youth Guarantee Programme of the Czech Republic* (hereinafter the “YG Programme”). At the time of the SAO audit commencement, an updated version of the IP of the YG Programme from April 2014 was available.

The YG Programme is implemented in the whole territory of the Czech Republic. In the Karlovy Vary and Ústí Regions (the NUTS II Northwest region), the measures are also financed from the funds that the Czech Republic will receive under the YEI initiative to promote youth employment⁹.

The YEI is a reaction of the European Commission (hereinafter the “Commission”) to the high level of youth unemployment in the European Union (hereinafter the “EU”), which has been¹⁰ a major problem in some Member States (e.g. Greece, Spain and Italy).

⁶ Communication from the Commission: EUROPE 2020 – A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final of 3 March 2010.

⁷ Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (2013/C 120/01).

⁸ See <https://www.vlada.cz/cz/evropske-zalezitosti/evropske-politiky/strategie-evropa-2020/cr/eu-2020-a-cr-78696/> (12 December 2018).

⁹ Abbreviation of the Youth Employment Initiative.

¹⁰ Eurostat data show that the current youth unemployment rate in these countries is as follows: Greece 37.9 %, Spain 34.3 % and Italy 31.6 %.

In the Czech Republic, only the NUTS II Northwest region (Ústí and Karlovy Vary Regions) fulfilled the requirement for inclusion in the YEI, as the youth unemployment rate under the age of 25 reached 28.2 % there in the reference period¹¹. The Czech Republic made use of the possibility in the proposal for a Regulation on the *European Social Fund*¹² (hereinafter the “ESF”) and expanded the target group (hereinafter the “TG”) to include persons aged 25-29 years.

Measures to promote youth employment under the OPEm

So far, the MoLSA has announced four calls for the promotion of youth employment with a total allocation of CZK 2.21 billion. Three of these calls were announced in 2015. The last of the calls YEI (18_091) was announced in 2017.

Projects under call 15_004 meet specific objective 1.1.2 *Increase employment of supported young people by the Youth Guarantee Programme*. Projects under calls 15_003, 15_116 and 18_091 meet specific objective 1.5.1 *Increase employment of young supported people who are not in employment, education or vocational training in the NUTS II Northwest region*.

Table 2: Basic data on the OPEm calls for young people

Call number	Number of projects	Approved subsidy under the OPE (in CZK)	Source of funding
15_003	2	639,359,258	YEI
15_004	13	1,334,430,460	ESF
15_116	3	150,611,983	YEI
18_091	2	31,398,920	YEI
Total	20	2,155,800,621	–

Source: MS2014+, situation as of 9 July 2019.

Strategic starting points for promoting youth employment at national level

The main comprehensive strategic document at national level for the period under review is the *Employment Policy Strategy 2020* dated 2014¹³ (hereinafter the “Strategy”). The Strategy is based on the situation existing in the year of its creation, i.e. in the time of the fading economic crisis. According to the Strategy, one of the main problems of the labour market was insufficient job creation, i.e. high excess of labour supply over demand. This situation had an uneven impact on individual groups of people. The most affected were disadvantaged groups, including young people. Inadequate qualification structure and lack of practical experience as well as inadequate ideas of young people were identified as the main causes in the Strategy. All these factors resulted in a worse situation in the labour market.

The *Youth Guarantee Programme* was to be a key instrument for addressing this unfavourable situation, containing both a preventive component (information campaign in

¹¹ The YEI is intended for regions at NUTS II level in which the unemployment rate of young people under 25 exceeded 25 % in 2012.

¹² Regulation (EU) no 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006.

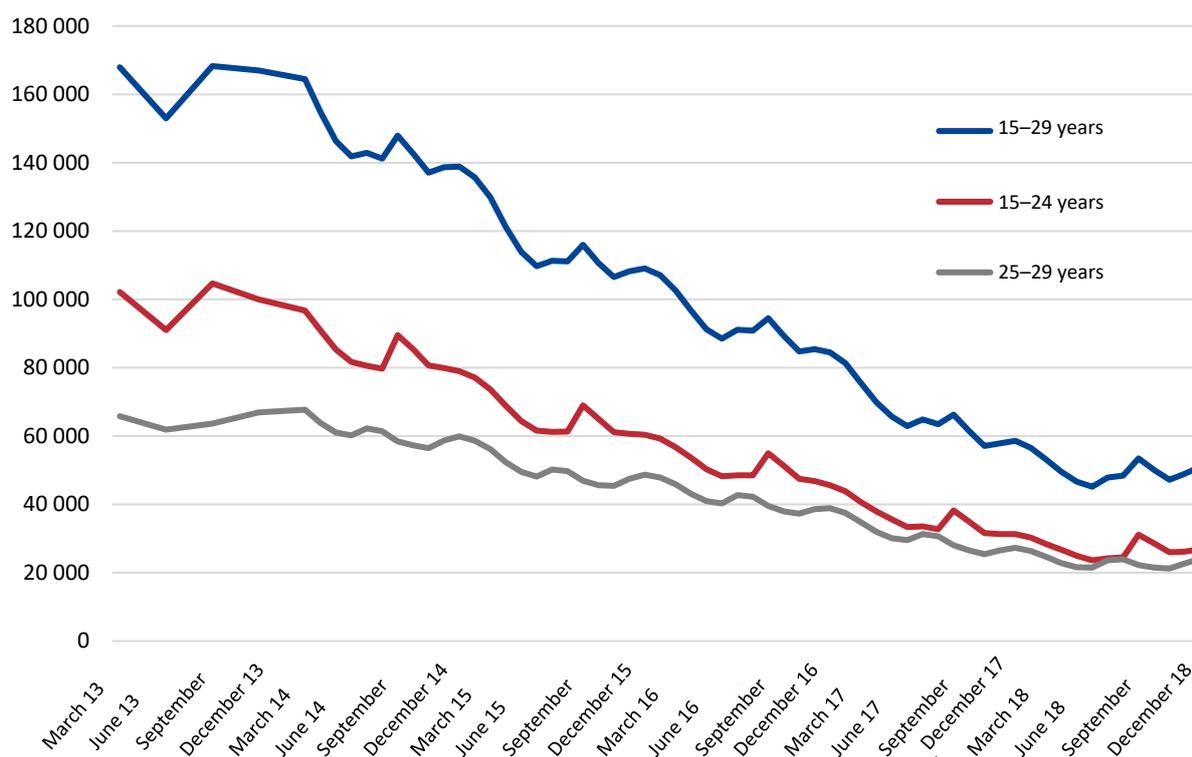
¹³ The Strategy under the auspices of the MoLSA was approved by Resolution of the Government of the Czech Republic no 835 of 15 October 2014 *on the Employment Policy Strategy 2020*.

the form of career guidance etc.) and solutions to increase labour market applicability (job creation, retraining etc.).

In December 2017, the Strategy Update¹⁴ was prepared; it states that the Czech economy is in a phase of economic boom. The updated Strategy also states that all employment policy objectives linked to the *Europe 2020* strategy were achieved by the fourth quarter of 2016 at the latest.

The situation has changed compared to 2014 and, compared to the baseline period of the Strategy, the Czech labour market is below the level of natural unemployment rate¹⁵, on the border of exhaustion of available workforce.

Chart 1: Development of the number of job applicants in the Czech Republic by age category



Source: MoLSA integrated portal.

III. Scope of Audit

Audit no 18/28 examined whether the audited entities provided and drew funds for the implementation of selected measures in accordance with legal regulations, effectively, economically and efficiently, and whether the selected projects promoting employment and

¹⁴ *Updating the Employment Policy Strategy 2020 in the context of ongoing labour market changes*. MoLSA December 2017.

¹⁵ According to <https://www.ekonomickyslovník.cz>, the unemployment rate is such that the labour market is in a state of general equilibrium. If the economy achieves a natural rate of unemployment, then all individuals who want to work at a given wage rate are employed. As a result, the economy has achieved the state which is known as full employment.

adaptability of the workforce contributed to meeting the goal of youth employment set out in the *Europe 2020* strategy.

The criterion of effectiveness was primarily to assess how the resources spent had contributed to the achievement of the set objectives and other parameters determined by the aid provider. In the case of the efficiency criterion, it was a comparison of the benefits of the projects and implemented activities with the volume of money spent. The criterion of economy was primarily compliance with the conditions for the selection of suppliers and respect for prices usual at the given place and time.

The audited period was from 2014 to 2018; both the previous and subsequent periods were also considered for contextual reasons.

The Supreme Audit Office audited the following:

- Fulfilment of the duties of the MoLSA as the OPEm Managing Authority, in particular the evaluation, selection and approval of projects, implementation of project changes, project inspections, reporting and investigation of irregularities. The SAO also audited the activities of the MoLSA related to the strategic management of the OPEm and the coordination of the *Youth Guarantee* Programme.
- Three projects for which the MoLSA provided a total of CZK 469,634,509.30 are as follows:
 - a. CZ.03.1.48/0.0/0.0/15_004/0000002 *Youth Guarantee in the Liberec Region* (hereinafter the “GUARANTEE”),
 - b. CZ.03.1.49/0.0/0.0/15_003/0000051 *Youth Employment Promotion Initiative for the NUTS 2 Northwest Region in the Ústí Region* (hereinafter the “INITIATIVE”),
 - c. CZ.03.1.49/0.0/0.0/15_116/0001786 *Comprehensive Programme of Promoting Young People in the Labour Market of the Ústí Region – TRANSFER* (hereinafter the “TRANSFER”).

Table 3: Basic information on the audited projects

Short name of the project	Call number	Project end date	Volume of funds reimbursed from the ESF	Volume of funds reimbursed from the SB	Volume of funds reimbursed under the OPEm in total
GUARANTEE	04	31 December 2020	24,305,041.58	4,289,124.98	28,594,166.56
INITIATIVE	03	31 July 2019	322,884,931.74	28,489,846.98	351,374,778.72
TRANSFER	116	31 December 2018	86,730,196.61	2,935,367.41	89,665,564.02
Total			433,920,169.93	35,714,339.37	469,634,509.30

Source: MS2014+, data as at 31 December 2018 and 31 January 2019 (for the GUARANTEE project).

The SAO selected the sample of audited projects to cover projects financed under the *Youth Guarantee* Programme as well as projects under the *Youth Employment Initiative*. At the same time, the SAO took into account both types of aid beneficiaries (the LO and regions). The audit focused on the fulfilment of conditions set for the beneficiaries by the MoLSA.

IV. Details of the Findings

1. Providing funds to promote the employment of young people

The project objectives were not fully SMART

On a sample of audited projects, the SAO found that the MoLSA had not approved any project with fully SMART¹⁶ objectives and linked to the specific objectives of PA 1 of the OPEm¹⁷.

The beneficiaries identified the measurable targets as the number of persons aided or the number of persons who would receive education or who would be placed in a subsidised job. **However, no target values were set for the objectives following the specific objective of the OPEm Priority Axis 1, i.e. to increase the employment of aided young people.**

In the case of the GUARANTEE and TRANSFER projects, the MoLSA was notified of the insufficient setting of objectives by the Evaluation (Selection) Committee; however, the SAO notes that even after their completion by the applicants, the objectives were not sufficiently defined.

Example 1: Improperly defined objectives in the GUARANTEE project

- Reducing the share of unemployed young people in the labour market
- Reducing recurring registration rates
- Reducing the average registration period
- Increasing responsibility and access to work

There are no target values for these objectives in the project; these objectives are not set sufficiently specifically, and therefore are not measurable.

The SAO also found that the modifications (e.g. completion of objectives and the method of their measurement), which had been a requirement of the Evaluation/Selection Committee for the project to be approved, could be approved by the project manager in accordance with the relevant MoLSA working procedure. In this way, the project manager actually assumed part of the competences and decision-making powers of the Evaluation Committee and the Selection Committee. In the case of more technically complex modifications, there was a risk that the assessment would not be carried out correctly. **The SAO considers this shortcoming to be a system risk that could lead to the implementation of projects that do not qualify for aid.**

The MoLSA did not set a starting or target value which the projects were supposed to contribute to the fulfilment of the required purpose.

¹⁶ Specific, Measurable, Achievable, Relevant and Time-bound.

¹⁷ Specific objectives 1.1.2: *Increase employment of supported young people by the Youth Guarantee Programme* and 1.5.1: *Increase employment of young supported people who are not in employment, education or vocational training in the NUTS II Northwest region.*

Employing relatives poses a risk

One of the key activities of all three projects audited by the SAO was the provision of subsidised jobs for young people. The SAO analysed the lists containing information on the employers involved and the names of the clients employed and found cases where the employer's surname (in the case of individuals) or the employer's business name (in the case of legal entities) coincided with the surname of the employee/client of the project.

Table 4: Numbers of identical surnames found

Project	Total number of participants – employees	Number of matches	Share of matches (in %)
GUARANTEE	216	2	0.93
INITIATIVE	2,295	96	4.18
TRANSFER	240	12	5.00

Source: MS2014+ data.

The SAO analysis shows that some of the aided clients of the project were employed by employers who were related to them. According to the MoLSA, the family relationship between the employer and the employee, except in the cases specified in the Labour Code¹⁸, is not an obstacle to drawing the contribution to the subsidised job.

The SAO notes that it considers the drawing of contributions to subsidised jobs occupied by relatives as a source of increased risk of the aid's misuse, which the MoLSA should take into account when determining the audit sample in planning its on-site inspection.

Data in MS2014+ have a reduced information value

The *monitoring system of the European Structural and Investment Funds for the programming period of 2014-2020* (hereinafter "MS2014+") plays a key role within the operational programmes of the European Structural and Investment Funds and thus also within the OPEm. Among other things, MS2014+ is used in the field of inspections, including public procurement audits. **The SAO found shortcomings in this area, which reduce the information value of data in this system, and thus make work difficult for all users including the MoLSA itself.** Specifically:

- From the launch of the OPEm until 22 August 2017, the beneficiaries could not enter documents for public contracts into a specialised module, where individual contracts were kept as separate items. Instead, the beneficiaries sent documents in the form of the so-called dispatches¹⁹. As a result of this practice, there were communication errors where the results of the inspection related to another contract of the same project were sent to the beneficiary from the position of the MoLSA. Moreover, the MoLSA committed the beneficiaries to use the *Public Procurement* module in MS2014+ only four months after its deployment.
- The SAO found that information on inspections of some public contracts had not corresponded to reality. In MS2014+, the inspections were kept as being in progress

¹⁸ Pursuant to Section 318 of Act no 262/2006 Coll., the Labour Code, the basic employment relationship referred to in Section 3 cannot be established between spouses or partners.

¹⁹ Dispatches serve primarily for general communication between the provider and the aid applicant/beneficiary.

even though the Managing Authority had already completed them. The reason for this was that the inspection had been transferred to the “completed” state only after the filling in of data that had not even been used by the Managing Authority. The MoLSA stated that it favoured more efficient use of staff capacity than supplementing records that were not used. This procedure of the MoLSA does not violate the methodological guideline for performance of inspections²⁰ issued by the Ministry of Finance. The Managing Authority has an overview of the status of inspections from parallel records, which also serve to monitor deadlines, as MS2014+ lacks this function.

- A part of the projects, in particular the LO projects, used the performances under public contracts awarded for several projects jointly or contracts awarded at the level of the MoLSA (e.g. the provision of telecommunication services). The SAO found that in such cases the documentation from the inspection of the contract was stored in MS2014+ for only one of the projects concerned and for the remaining projects there was no information on where the relevant documentation could be found. The *Public Procurement* module in MS2014+ offers the possibility to mark such contracts and identify where the documentation is stored.

The corrective measures to the findings from Audit no 12/19 in relation to the MoLSA were not complete

The SAO audited whether the MoLSA had taken corrective measures concerning the object of Audit no 18/28, to which it had committed itself in the annex to Government Resolution no 653 of 21 August 2013 concerning Audit no 12/19²¹. One of these findings was also a breach of the obligation to record in the information system of the *Central Register of Subsidies from the Budget* (hereinafter the “CEDR”)²² data on beneficiaries of aid, including its amount. **For the TRANSFER project, the SAO found that the mandatory data had not been available in the CEDR at the time of the audit and the found shortcoming thus persists. Although these data are to be transmitted from MS2014+, which is the responsibility of the Ministry of Regional Development, the MoLSA is responsible for recording data according to the legislation²³.**

²⁰ The *Methodological Guideline for the Performance of Inspections under the Responsibility of Managing Authorities in the Implementation of the European Structural and Investment Funds for 2014-2020* states, in clause 2.13, that: “inspection workflow states may not correspond to the actual inspection state. For example, in a monitoring system, an inspection may be recorded as started, but in fact it may already be completed.”

²¹ SAO Audit no 12/19 – Funds earmarked for the implementation of the Operational Programme *Human Resources and Employment*.

²² The CEDR information system serves as a supporting tool for monitoring, recording, evaluation and control of subsidies, repayable financial assistance and similar transfers provided from the state budget, EU funds and other financial mechanisms.

²³ Section 75b of Act no 218/2000 Coll., on Budgetary Rules and on Amendments to Certain Related Acts (Budgetary Rules), and Section 3(1) and (2) of Decree No. 286/2007 Coll., on Central Register of Subsidies.

Sustainable promotion of socially useful jobs is not guaranteed

To a large extent, the LO projects included activities that constituted standard tools of the active employment policy defined by the Employment Act²⁴. These include, for example, employing the LO clients in socially useful jobs (hereinafter the “SUJ”) in the activities of the projects *Trial Work* and *Professional Experience*. The assignment to these subsidised jobs for some clients regularly alternates with the return to the LO register.

The MoLSA did not establish sustainability for these types of activities in the sense that, for some clients, aid could continue smoothly after the end of the project using an analogous instrument within the active employment policy financed from the state budget. Continuous coordinated support for sustainable, socially useful jobs is not guaranteed in such a way as to ensure continuous work with clients and to prevent repeated returns to the LO register.

The MoLSA coordinated the Youth Guarantee Programme only to a limited extent

Coordination took place at the strategic level between the main coordinator (MoLSA) and the main partner (MoEYS) through the complementarity coordination group²⁵. At the implementation level, the MoLSA ensured the coordination of the programme through six diverse forms of cooperation focusing on individual parts, such as further education, cooperation with employers etc. The partners of the YG Programme carry out activities independently of each other within the framework of their professional responsibilities, and thus the factual and time progress of the programme is evaluated.

The Implementation Plan of the YG Programme assumes regular annual updates based on an evaluation of the efficiency and effectiveness of the individual measures. However, the MoLSA did not update the programme. The form of the programme thus remained preserved as it was approved in April 2014. This applies, in particular, to the programme implementation schedule and financial costs. **The work schedules and responsibilities of the institutions for the programming period of 2014-2020, as well as the determination of financial cost of key initiatives, are thus missing.**

The MoLSA did not carry out an overall assessment of the progress of the programme, which should have been based not only on the data of the LO and the OPEm, but also on indicators of other operational programmes and analytical documents. The MoLSA carried out monitoring by means of *reports on the implementation and updating of the YG Programme*, prepared by Section 4 of the MoLSA, which, however, only covered activities performed by the Labour Office, so no evaluation was prepared, for example, for education.

The SAO also found that the MoLSA could not determine the amount of the costs of implementing the programme. At the MoLSA level, the programme is largely financed under the OPEm, and to a lesser extent within the framework of active employment policy measures financed from national sources. The provided contributions are monitored by the LO in the Treasury Information System. However, the Treasury does not allow for a

²⁴ Act no 435/2004 Coll., on Employment.

²⁵ Based on an *agreement on cooperation in the implementation of operational programmes* dated 23 October 2015. The agreement builds on the previous memorandum on cooperation in the preparation and future implementation of operational programmes.

breakdown by age category, and the MoLSA thus cannot ascertain what proportion it has spent on young people.

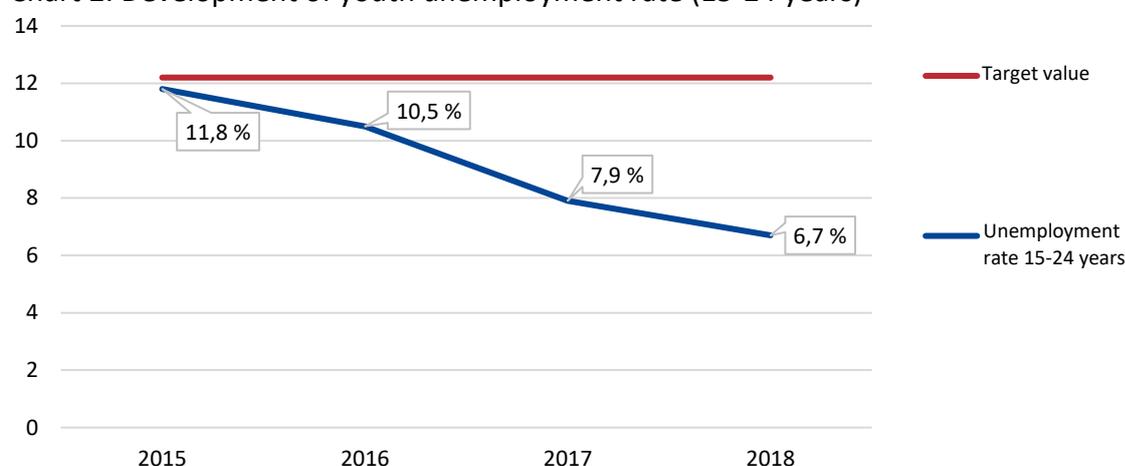
On the basis of the above findings, the SAO notes that the coordination of the *Youth Guarantee Programme* shows some shortcomings.

Deadweight effect risk: the *Europe 2020* target was met before the start of the projects

***Europe 2020* national target**

One of the national targets under the *Europe 2020* strategy is to “reduce the youth unemployment rate (15-24 years) by one-third compared to 2010”. According to the Implementation Plan of the YG Programme, this target unemployment rate was set at 12.2 %. **According to MoLSA data, the Czech Republic already achieved the target in August 2015.**

Chart 2: Development of youth unemployment rate (15-24 years)



Source: MoLSA response of 6 February 2019.

Note: The Chart shows the development since August 2015.

The implementation of projects audited by the SAO started between November 2015 and June 2016, i.e. at a time when the above-mentioned *Europe 2020* national target had already been achieved.

Youth Guarantee

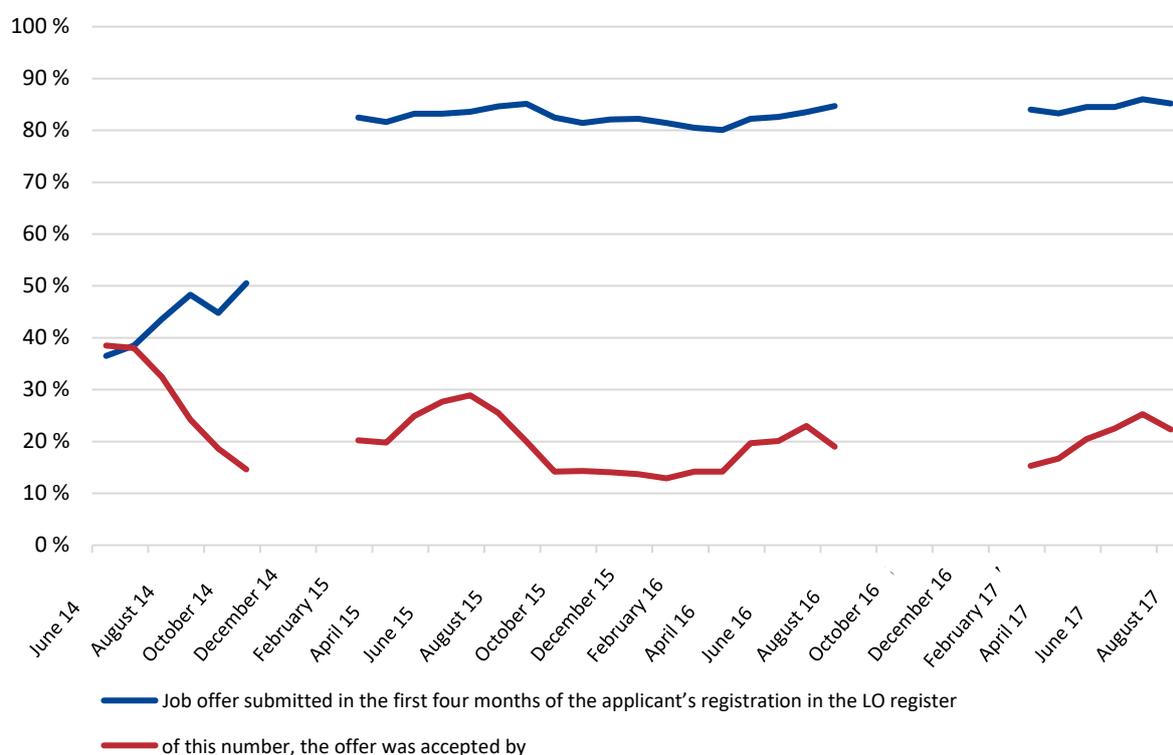
The Implementation Plan of the *Youth Guarantee Programme* states the guarantee of the Government of the Czech Republic that “every young person aged 15-24 will receive a good offer of a job, further education, training or traineeship within four months of becoming unemployed, completing formal education or leaving the formal education system. The *Youth Guarantee Programme* is implemented throughout the Czech Republic.”

During the audit, the SAO asked the MoLSA for information on the fulfilment of the guarantee in individual years. The MoLSA did not provide an answer.

However, the MoLSA submitted to the SAO monthly reports on the implementation of the *YG Programme* prepared by the LO between August 2014 and September 2017 (the MoLSA did

not submit data for partial months²⁶). Based on the available reports, the SAO analysed the level of programme implementation.

Chart 3: Fulfilment of the Youth Guarantee according to available data



Source: MoLSA data.

According to the submitted data, starting in March 2015, more than 80 % of young people registered with the LO received an offer within four months. However, only less than 20 % of them actually used the offer.

The MoLSA set the calculation of the monitoring indicator contrary to its definition

The precondition for drawing the aid by beneficiaries was to achieve the value of binding monitoring indicators. One of them was indicator 6 00 00 *Total number of participants*²⁷. The MoLSA further stipulated that only a person who participated in activities implemented within the aided project for target groups and whose extent of involvement in the aided project exceeded the so-called trivial aid may be a participant. The MoLSA set the limit for this aid at 40 hours.

²⁶ December 2014 to February 2015; September 2016 to February 2017.

²⁷ The indicator definition was as follows: "The total number of persons/participants (employees, staff of the implementation structure, persons of the target groups etc.) who received any form of aid under the project, regardless of the number of provided aid. Each aided person is counted only once within the project, irrespective of the amount of aid received. Aid is any activity financed under the project budget from which the target groups benefit; the aid may take the form of, for example, an educational or retraining course, traineeship, expert consultation, counselling, training, professional experience etc."

The SAO found that the MoLSA had made it possible to count in those 40 hours also the hours worked by the project's clients in unsubsidised jobs (i.e. jobs without financial contribution from state funds), which is in conflict with the definition of the indicator where aid involves only activities funded by the project budget. Work in unsubsidised jobs was not funded by the project.

Example 2: Determining the value of indicator 6 00 00

The client of the LO project completed three half-hour meetings within the activity of individual counselling (i.e. 1.5 hours). Within the framework of individual counselling, the LO staff provided the client with an unsubsidised job with an indefinite contract. According to the rules laid down by the MoLSA, the number of hours of aid was calculated as follows:

- 1.5 hours of individual counselling,
- 17,226 hours of unsubsidised employment for an indefinite period (99 months x 174 hours per month)²⁸;
- The client thus reached a total of 17,227.5 hours of aid, thus exceeding the set limit of 40 hours and the LO could count him/her as an aided person.

In the GUARANTEE project, this concerns 160 out of the 498 reported participants. Without including the hours of aid in an unsubsidised job, the aforesaid 160 participants could not have been counted in the value of the mandatory indicator, and consequently the aid would have been reduced accordingly.

The MoLSA did not document how it had determined the amount of funds for the Youth Guarantee

In 2015, the MoLSA announced a call for projects entitled *Youth Guarantee*²⁹ for the LO, to which it allocated one billion CZK under the OPEm. **The MoLSA does not have any analyses that contain a more precise definition of allocations, so the MoLSA was not able to substantiate to the SAO on what basis it had determined that amount.**

The MoLSA took into account the results of the strategic evaluation only after two years

At the end of March 2017, the MoLSA had a final report from the strategic external evaluation of the OPEm³⁰, which was to verify the validity of the operational programme strategy (e.g. the timeliness of identified problems and needs and the correct setting of objectives).

Among other things, the evaluation mentions that there has been a radical fall in unemployment, an increase in the number of vacancies and a change in the need for individual target groups. **According to the evaluation, the group of persons under 25 years of age has ceased to be a vulnerable group and there is no need to launch calls specifically for this age group.** The evaluation notes that if unemployed young people have other

²⁸ For ease of identification, 99 months were chosen as a number not interchangeable with a definite period value for indefinite-term aid. 174 hours was a monthly working time fund.

²⁹ Call no 15_004 *Youth Guarantee* of 8 June 2015.

³⁰ *Strategic Evaluation of OPEm I – Relevance – Final Report*, 30 March 2017.

handicaps (disabilities, low qualifications etc.), their needs will be covered under specific objective 1.1.1 of the OPEm³¹.

The MoLSA accepted these recommendations from the evaluation as relevant, but did not make the recommended changes in the targeting of aid. Instead, the MoLSA **decided only to increase the allocation of the already announced call³² by CZK 339 million in order to approve two new projects and to extend projects that would otherwise be ended at the turn of 2018 and 2019.**

The SAO compared one of the ongoing projects with a newly approved project and one extended project and found that they did not indicate a higher individualisation or concentration of aid for young people with cumulative handicaps. **In both cases, the changes made are not in line with the recommendations arising from the evaluation and even contradict the planned measures.**

Some of the reasons **given by the LO concerning the necessity of continuing its projects largely imply that the projects are not an instrument for tackling the high level of youth unemployment but rather an instrument for supporting employers without taking into account the objective situation in the labour market.**

Example 3: Justification of the LO for project extension

- *The biggest problem of the project is now very low unemployment in our region, which results in a decrease in potential clients of the project. The project is highly demanded by employers and there are often situations where we cannot find suitable clients for the jobs requested. By extending the project, we increase the chances of filling these positions and thus achieving or increasing the number of Professional Experience and achieving the planned number of Trial Work.*
- *Employers are mostly small and medium-sized enterprises, often individuals doing business without employees, for whom the contribution is a considerable financial relief. As participation in the project is voluntary, the employer can also assume that the participant chosen through the project is an active person who wants to do something about his/her situation and not just idly stay in the register.*
- *Employers are usually not interested in employing this target group because these young people do not have work experience, professional knowledge and work habits. Employers who often do not want to hire young people without work experience are motivated to employ a young person under the project through a financial contribution. (up to CZK 18 thousand per month)*

A study by the Research Institute for Labour and Social Affairs (hereinafter the “RILSA”) dated 2018³³, which dealt with the programme *Professional Experience for Young People Aged 15-29*, which is a predecessor of the audited OPEm projects, did not prove that the

³¹ Specific objective 1.1.1: *Increase employment of supported persons, particularly older, low-qualified and disadvantaged people.*

³² Call no. 15_004 announced on 8 June 2015.

³³ Research Institute for Labour and Social Affairs: *Evaluation of short-term and medium-term impacts of selected AEP programmes implemented in 2014 with emphasis on the situation of the long-term unemployed.* Prague, RILSA 2018. ISBN 978-80-7416-336-4.

aided participants had been significantly more successful in the labour market than the reference group of unaided persons. The study also states that young people (especially high-school and university students) are very well placed in the labour market. **As the labour market situation in the Czech Republic for young people has continued to improve since the analysis, the SAO does not expect the effects of the projects to be fundamentally different from those stated by the RILSA.**

The MoLSA did not regulate the conditions for providing aid for socially useful jobs until early 2019 (i.e. during the SAO audit), when it significantly reduced the amount of the contribution in case a person aged 15-29 did not have other handicaps (e.g. disability, low qualification or long-term unemployment). **However, this modification was implemented by the MoLSA almost two years after the evaluation report that recommended it. This delay had a negative impact on the effectiveness of the funds spent.**

Data for the European Commission showed shortcomings

The monitoring of youth promotion was carried out both within the framework of the Operational Programme *Employment 2014-2020* and through the specific methodology of the European Commission.

Monitoring indicators are observed in MS2014+ for projects financed under the OPEm. However, there is no indicator monitoring the Youth Guarantee, i.e. whether a young person aged 15-24 will receive a good offer of a job, further education, training or traineeship within four months of becoming unemployed, completing formal education or leaving the formal education system.

Separate monitoring of the *Youth Guarantee* Programme is carried out on an annual basis according to the Commission methodology³⁴. The data required include, in particular, data concerning the entry of young people into the programme, their inclusion in activities and their situation after leaving the programme. The methodology requires Member States to report the situation of participants 6, 12 and 18 months after the end of their participation. **The MoLSA has not included these data in any of the reports prepared so far³⁵, as it does not have the linking of the respective registers** available. France, the Netherlands, Finland and the United Kingdom of Great Britain and Northern Ireland have not yet transmitted these data either. The SAO found that part of these missing data is stored in MS2014+.

Other shortcomings of information transmitted by the Czech Republic also result from Commission materials³⁶. In the Czech Republic, for example, a procedure has been proposed to monitor young people entering the programme only for 12 months after registration at the LO. Participants who receive an offer more than a year after the registration are not included and data are biased. Offers (e.g. education) which do not lead to termination of registration at the LO are not recorded either. The MoLSA continues reporting such persons in the group of persons who are still waiting for an offer.

³⁴ Indicator Framework for Monitoring the Youth Guarantee.

³⁵ The SAO worked with reports for 2014-2017. The required data on the situation of programme participants after leaving the programme should have been provided by Member States as of 2015.

³⁶ *Data collection for monitoring of Youth Guarantee schemes 2017 Country fiche: Czech Republic*, December 2018.

The monitoring of the programme is also made more difficult by the fact that the Commission methodology does not set parameters that define a quality job offer, i.e. quality further education, training or traineeship. The MoLSA did not elaborate a more exact definition either. In its projects, the Labour Office proceeded according to standard procedures, i.e. according to the Employment Act, which defines only the concept of suitable employment³⁷.

The SAO found cases of duplicate aid in the projects

The SAO found that aid for young people had not been limited to projects designed exclusively for this age group, but that the MoLSA had also aided them under other OPEm calls. The definition of the target group was carried out by the MoLSA in an inconsistent manner in the calls, so that, for example, Call no 32 also aided persons aged 30 years (elsewhere only 15-29 years) and Call no 46 aided applicants and job seekers and inactive persons under 25 years of age. The aided activities were either identical or very similar. Aid for young people was fragmented into multiple calls and projects within PA1 of the OPEm.

The data of the ESF2014+ information system³⁸ provided by the MoLSA to the SAO show that a total of 13,385 young people were aided under the OPEm, of which 157 received aid from several projects.

In Calls nos 116 and 091 addressed to selected regions for YEI projects, the MoLSA stipulated a prohibition of duplication with LO projects³⁹. To identify duplicate persons, the MoLSA referred to the ESF2014+ report ZA-1 *Persons aided across projects*. **The SAO found out from that report that 19 persons had participated simultaneously in the INITIATIVE and TRANSFER projects and the above condition was therefore violated.**

Example 4: Duplicate participant in the INITIATIVE and TRANSFER projects

On 29 April 2016, the client entered the INITIATIVE project, where he completed career counselling and diagnostics (2 hours) and field-specific training (300 hours). The client terminated his participation in the INITIATIVE project on 9 May 2018.

From 13 March 2017, the client also participated in the TRANSFER project, where he completed career counselling and diagnostics (96.5 hours) and support of basic competencies for finding work (35 hours). The client terminated his participation in the TRANSFER project on 31 December 2018.

The MoLSA itself did not use the above report in practice and relied on the check of duplication by the LO (checking the person's involvement in the project of the Labour Office through the *OKpráce* information system). This check can only capture a part of the

³⁷ According to Section 20(1)b)-d) of Act No. 435/2004 Coll., on Employment, suitable employment, unless this Act stipulates otherwise, is employment whose working time is at least 80 % of the set weekly working time, which is concluded for an indefinite period, or for a definite period longer than 3 months, and which corresponds to the physical fitness of the individual and, if possible, to his/her qualifications, abilities, the current length of employment, accommodation and transport accessibility of the job.

³⁸ The ESF2014+ information system is used by representatives of beneficiaries to register aided persons and calculate indicators for the purpose of preparing reports on project implementation.

³⁹ Within the projects under this call, there must be no duplication with LO projects (inclusion of the same persons under the same or similar activities).

possible types of duplications.⁴⁰ In the remaining cases, there is no check at the LO level either. **This practice may lead to the existence of ineligible expenditure which the MoLSA's control system will not detect.**

Data quality in the ESF2014+ information system

The SAO found that some of the data from the ESF2014+ information system contained some unreliable data. This concerns 28 cases in which the beneficiaries incorrectly filled in the scope of the aid (the beneficiaries filled in data in hours instead of months). The MoLSA has already added an automatic control mechanism to the system but it did not affect older records.

2. Drawing funds to promote the employment of young people

The direct impact of promoting youth employment cannot be assessed

The audited GUARANTEE and INITIATIVE projects were approved within the framework of the so-called non-competitive calls⁴¹, where the MoLSA designated the Labour Office as the only eligible applicant. In these projects, the LO acts due to its statutory competence in the field of employment and implements project activities most of which are identical to the normal LO activities.

The TRANSFER project, which is implemented by the Ústí Region, was approved within the framework of the call⁴² which identified the Ústí and Karlovy Vary Regions as eligible applicants. The Labour Office was also involved in the TRANSFER project as a partner without any financial contribution.

The objectives of all three projects audited are consistent with increasing the employment rate of young people under 29 years of age. The partial objectives of the TRANSFER project related to the number of clients involved, i.e. aided persons, were met. It can be stated that the specific objectives expressed in the number of aided persons will also be fulfilled in the case of the Labour Office projects GUARANTEE and INITIATIVE.

The LO did not set criteria for assessing the impact of the project on the fulfilment of the value of the specific objective *“to increase the employment rate of aided young people”*; none of the indicators for measuring the fulfilment of the project objectives relates to the target group of unemployed young people aged 15-24 years or 15-29 years. **The direct impact of the aid provided on the employment of the target group of young people cannot be evaluated** for any of the audited projects.

⁴⁰ A check of this type is effective in the case of duplicate involvement of the same person in two LO projects and in cases where the beneficiary asks the LO for information on the involvement of the person in its projects. Conversely, it is ineffective when involving a person in multiple projects of applicants other than the LO, or where the person enters the LO project as the second project in a row.

⁴¹ Calls no 03_15_004 for submitting projects under the *Youth Guarantee* and no 03_15_003 for the *Youth Employment Initiative* projects.

⁴² Call no 03_15_116 for submitting projects under the *Youth Employment Initiative*.

The SAO did not ascertain the declared intensive individual work with the target group

The target group aided under the GUARANTEE and INITIATIVE projects are clients of the Labour Office who are listed in the LO register as job seekers.

The target group defined in the TRANSFER project of the Ústí Region has its specifics. **Unlike the GUARANTEE and INITIATIVE projects, the TRANSFER project was supposed to include, in particular, those clients who were not registered job seekers.** During the implementation of the project, it became apparent that when entering the TRANSFER project, **clients from the LO register prevailed (58.9 %), while there were fewer inactive clients (41.1 %).**

All the audited projects included a key activity aimed at contacting and selecting participants for the projects. Out of the total number of contacted representatives of the target group of young people aged 15-29, the following numbers entered the individual projects:

- ✓ GUARANTEE project – 726 contacted clients,
- ✓ INITIATIVE project – 4,507 contacted clients,
- ✓ TRANSFER – 1,122 contacted TG representatives.

In the projects of the Labour Office and the Ústí Region, **clients' participation was and still is being prematurely terminated.** For all the audited projects, **the number of unsuccessful participants was around 20 %.** Details on the involvement of TG in the projects are given in Table 5. The data are not final in the case of the GUARANTEE and INITIATIVE projects, as some of the clients have not terminated the agreement on participation in the project and the project activities are still ongoing. Data on the TRANSFER project will be unchanged.

Table 5: Overview of participants involved in the audited projects

Audited project	Contacted representatives of the TG	Participants who entered the project	Participants who entered the project after having been contacted (in %)	Participants who terminated the project early	Participants who terminated the project early (in %)
GUARANTEE	1,338	726	54	142	20
INITIATIVE	7,399	4,507	61	1,173	26
TRANSFER	N/A*	1,122	N/A*	251	22

Source: Reports on project implementation, documents from the LO.

* Data not included in the TRANSFER monitoring reports.

The LO includes in the GUARANTEE and INITIATIVE projects practically all job applicants who meet the set conditions:

- ✓ Age of the clients up to and including 29;
- ✓ Registered at the Labour Office for at least 3 months;
- ✓ Work experience of maximum 3 years in total.

The LO did not use any other aspects (e.g. clients' handicaps) when including the clients in the projects. The LO did not even set specific criteria for the inclusion of project participants in individual project activities.

The key activities aided in the GUARANTEE and INITIATIVE projects implemented by the LO are, in particular, *professional experience* and *trial work* (inclusion of clients for subsidised

socially useful jobs), *retraining* and *individual counselling*. **These activities are standard tools of the active employment policy (hereinafter the “AEP”), which the LO provides according to the law⁴³.** Within the audited projects, the LO also provided educational activities⁴⁴.

The LO declares intensive individual work with the project participant in projects promoting the target group of young people aged 15-29. The SAO did not ascertain any such intensive individual work from the records.

According to the SAO analysis, the scope of individual client care provided under the GUARANTEE and INITIATIVE projects does not exceed the standard framework of services provided by the Labour Office within the AEP.

Example 5: Time allocation of individual consultancy for the GUARANTEE project

In the case of the GUARANTEE project, the LO assumed the implementation of individual counselling of 3 hours per 1 participant, but in reality the average length of individual counselling per 1 participant in this project is less than 1.25 hours.

Selected key activities

All key activities of the audited projects **contribute to young people’s ability to succeed in the labour market, in particular by eliminating the lack of work experience and work habits.**

The benefits of professional experience for some of the LO clients are not clear

Jobs created or reserved by employers on the basis of an agreement with the LO **should be filled by jobseekers who cannot be assured of employment in any other way⁴³.**

Given the austerity of some LO records from individual counselling with clients, it is not clear how it was decided on individual job applicants. **Some clients should not have been included in the project, and for some others there are also doubts about the benefits of the activities they participated in for their career growth.**

The LO has laid down requirements for at least the minimum potential of career growth for a given employer as regards professional experience. The SAO analysis of the components of selected clients showed that the **benefits of professional experience for some of the clients of the LO were not visible.**

⁴³ Act no 435/2004 Coll., on Employment.

⁴⁴ Financial literacy, labour minimum etc.

Example 6: Inappropriate inclusion of a client in the SUJ in the INITIATIVE project

The LO client completed his university studies at the Faculty of Law in the field of international law. During his studies, he gained professional experience in the field of human rights and asylum policy in various internships.

The LO has placed the client in a subsidised position for professional experience, including the assistance of a mentor in a private dental office.

In the end, the client himself evaluated the experience as monotonous and insufficient for his further professional growth.

Already in the course of professional experience, the client received “competitive offers” of unsubsidised employment; the entry of the LO employee in the contact sheet of the client confirmed that, after completing his professional experience, the client had started working in the field he studied.

Traineeships abroad had limited effectiveness

Traineeships abroad are a specific key activity in the audited projects of the Labour Office, GUARANTEE and INITIATIVE. These traineeships could last a minimum of three months and no maximum duration was set. However, the accommodation allowance was limited to a maximum of six months. The Labour Office defines traineeships abroad in its internal regulations and in the description of projects as a working stay abroad, whose purpose is not only to gain experience but also to **increase qualifications. However, in some cases such a purpose could not be fulfilled.**

Example 7: Traineeships abroad with limited effectiveness in the GUARANTEE project

The project participants were high-school-educated young people with a school-leaving exam who had already completed their professional experience.

The Labour Office included the clients in a traineeship abroad for unspecialised work of an auxiliary character; the clients worked, for example, as pizza makers, waitresses, hotel maids, assistant installers or bartenders.

Upgrading qualifications was thus limited to deepening the knowledge of a foreign language.

In the LO projects, there was a lower interest of participants in the activity *traineeships abroad* compared to the original assumption. This activity includes direct aid for participants, for whom mainly travel expenses, accommodation (or meals) are paid. **However, direct aid for participants in the activity *traineeships abroad* is not the most important item; that item is the costs associated with the administration of this activity.** For example, in the INITIATIVE project, **as at 31 December 2018, the costs of direct aid for the target group were only 26.27 %, overhead costs 6.61 % and LO personnel costs reached 67.12 %** of the total amount spent on this key activity in the amount of CZK 6.74 million. The highest share of costs was represented by the items *specialist – traineeships abroad* and *coordinator for traineeships abroad*. The related administrative costs exceed the expenses of the target group in the activity *traineeships abroad* also for the GUARANTEE project. **Given the above-mentioned ratio of administrative costs of this activity, the SAO does not consider the expenses spent on *traineeships abroad* as economical.**

The SAO notes that some LO clients/project participants **may constitute the so-called “deadweight effect”**, as some clients included in the project could easily find employment themselves. It is evident that those **clients did not really encounter any barriers in finding employment in the labour market** (they found a traineeship or “their employer” themselves).

The content focus of the courses in most cases fulfilled the purpose of the project

Retraining and vocational training was a key activity in all the audited projects. The content focus of the courses in most cases fulfilled the purpose of the project, with the exception of the educational activity in the TRANSFER project.

Example 8: Inappropriate change in the content focus of educational activities

In the TRANSFER project for the key activity *vocational training and retraining*, which was intended to help clients of the project with missing or unsatisfactory qualifications⁴⁵, the MoLSA approved an expansion with a *social skills course* that did not include retraining. The content of the course in the scope of 30 hours was mostly theoretical and practical information about the system of social aid / social benefits and the system of unemployment benefits⁴⁶. **The SAO notes that this course does not materially belong under an activity focused on vocational and retraining education and did not aim at acquiring new qualifications, but has rather become an advisory activity with a completely different objective.**

In this context, the SAO draws attention to the possible negative effects that it described in its study⁴⁷ funded by the RILSA OPEm, where part of the clients of the Labour Office are not interested in working and can stay in the register and qualify for benefits thanks to an effective use of good knowledge of the system. The same study also mentions the notion of *unemployment trap*, where the lack of interest in work stems from the financial disadvantage of working compared to remaining in the register of the Labour Office.

Physical checks by the LO are of a rather formal nature

The LO carries out physical inspections of employers who have reserved a socially useful job for the LO clients; **such physical inspections are of a rather formal nature**. The verification mainly focuses on making statutory contributions, the existence of statutory documentation and employee attendance. In such on-site inspections, the LO **does not check, for example, the presence of mentors⁴⁸ or aided persons**.

⁴⁵ The key activity description states, among other things: “*In cooperation between the client and the personal consultant, the interest of individual clients in potential vocational or retraining education as well as the needs of individual clients for this kind of education will be mapped. Based on that mapping, optimal training and retraining courses will then be determined taking into account the level of client interest, the optimal size of study groups, the regional composition of the candidates and the budget options of the project.*”

⁴⁶ To a limited extent, information on homelessness and addiction risks.

⁴⁷ Research Institute for Labour and Social Affairs: *Implementation of Selected Programmes of Active Employment Policy and Evaluation of their Effectiveness and Efficiency from the Perspective of Employees of the LO of the CR in 2017, partial background study I*. Prague, RILSA 2019. ISBN 978-80-7416-338-8.

⁴⁸ An employee of the employer who is entrusted with the training of the participant in the SUJ under the *professional experience*.

1. **The Labour Office did not stipulate in the project participation agreements any condition that would restrict or prohibit the concurrence of employment when working in a socially useful job.** The LO did not monitor the possible concurrence of employment among participants included in the SUJ, did not check it as part of inspections of employers, and did not request any information about it.
2. **The LO did not verify in any way the employment of relatives in aided jobs;** for example, the LO did not even take advantage of the institute of affidavit of the project participant or employer prior to the conclusion of the SUJ reservation agreement. There is thus a risk of purposeful use or misuse of subsidies provided for socially useful jobs with employers who are related to the LO clients. **The LO did not check these possible links even in the framework of physical on-site inspections at employers.**

This practice is also mentioned, for example, by the “partial background study I”⁴⁹ prepared by the RILSA. It states that LO employees recommend motivated clients to actively notify potential employers from among relatives about the fact that they fulfil the conditions for receiving aid.⁵⁰

The SAO audit did not prove this practice; nevertheless, on a sample of project participants, it was found, on the basis of an analysis of personal files, that **some clients worked at SUJ with employers with whom they were related.**

Example 9: Employment of a relative in a subsidised job under the INITIATIVE project

As part of the INITIATIVE project, the LO client was placed in a subsidised socially useful job with her relative after she had repeatedly worked on another project with him.

The SAO also considers retraining acquired by the same client assigned to the SUJ with a relative engaged in agriculture as part of the project by completing a retraining course with the aim of obtaining an “E” driving licence for a tractor to be purpose-built.

The SAO notes on all the audited projects (GUARANTEE, INITIATIVE and TRANSFER) that the practice of employing clients at subsidised jobs with employers who are related to the aided persons creates a risk of purposeful misuse of the set conditions for obtaining a subsidy.

Monitoring the impact of key project activities is limited

The LO and the ÚR use the MS2014+ and ESF2014+ systems and also their own records for project monitoring. In addition to the *OKpráce* IS, the LO processes its own supporting records in a spreadsheet. The ÚR kept its own web database of project participants. Within

⁴⁹ See: <https://www.vupsv.cz/2019/04/17/nova-publikace-vupsv-19/>.

⁵⁰ The RILSA study points out, on page 22 of the chapter Motivation of a job-seeker, the practice used by the Labour Office, which resulted from focus interviews with LO staff. Quotation: “...when working with them for a long time, we say to them: it would be good to find an employer in your area who would not normally hire you because it costs them more money and they do not count with it but maybe they would find a job for you. Try to reach out to relatives, acquaintances, neighbours who have a business, that if they get a contribution from the Labour Office, maybe they would hire you.”

the TRANSFER project, the ÚR also monitors data provided by the Labour Office and the Czech Statistical Office (hereinafter the “CZSO”).

Monitoring of the impact of key project activities on increasing the employment rate of young people is limited by focusing only on the number of mediated jobs or publicly available statistical data of the CZSO. **The LO or the ÚR do not have any system of evaluation of the direct impact of the provided aid in the form of implemented key activities on increasing the employment rate of the target group of young people.**

The LO does not monitor the participants of the project and their further job placement or application in the labour market after 6 months from the end of their practice in the activity *professional experience*. The LO only monitors the aspect of “returning to the LO register”. **The statistics which are regularly processed by the LO do not capture the impact of the implemented projects on the development of youth unemployment** in the relevant region, i.e. the contribution of project activities and spent funds to the fulfilment of the goal of “*reducing youth unemployment*” is not evaluated.

In some cases, the records of the participants of the GUARANTEE project kept by the LO did not contain up-to-date information; several participants were registered in duplicate, some data were incomplete.

Given the above-mentioned shortcomings in impact monitoring, it is not possible to evaluate the efficiency of the funds spent on any of the audited projects.

There is no managed and coordinated **follow-up of other AEP measures to the already provided aid through the OPEm projects;** this means that the sustainability of project activities provided by the LO to its clients as part of aided projects is not addressed. According to the LO communication, such sustainability is not realistic, mainly due to the lower budget of the AEP compared to the OPEm allocations.

Cost-effectiveness and compliance with legal regulations

By checking on samples of expenditure items for the selected GUARANTEE, INITIATIVE and TRANSFER projects, the SAO verified that the **expenditure in the projects had been incurred in compliance with legal regulations**, in accordance with the eligibility rules set out in the conditions of use of aid and in accordance with the OPEm rules. The LO and the ÚR as beneficiaries duly accounted for all project expenditure. In terms of economy, no shortcomings were found in the TRANSFER project of the Ústí Region in the area of public procurement, or in cases of purchases of supplies and services based on orders⁵¹. In the case of the INITIATIVE and GUARANTEE projects, the shortcomings in the area of economy are stated in the previous text of the Audit Report.

⁵¹ The SAO only audited the area of public procurement for the TRANSFER project, as in the GUARANTEE and INITIATIVE projects the Labour Office had not awarded any contracts.

The corrective measures to the findings from Audit no 12/19 in relation to the LO were not complete

The SAO Audit no 12/19 identified some shortcomings in project administration. The SAO has now re-examined this area and found that some shortcomings persist despite the corrective measures taken. The persisting shortcomings linked to Audit no 12/19 can be summarised as follows:

- ✓ The projects involve TG representatives fulfilling the criteria of the calls for PA 1 of the OPEm but the LO has not set further criteria for the inclusion of clients in the projects or in individual specific key activities.
- ✓ The LO as the aid beneficiary did not keep accurate and complete records of participants in the GUARANTEE project; the LO reported incorrect data concerning monitoring indicators and key activities to the subsidy provider in the project implementation reports.
- ✓ After completing the project participation, the LO does not monitor whether and in what way the project participation has manifested itself in the clients' working life.

Target group costs for selected project activities

It can be stated that a significant part of the costs of all three audited projects is directed to key activities for the target group. **The most significant item in terms of volume are wage contributions to subsidised jobs**, i.e. direct aid to project participants:

- GUARANTEE project: **expenditure on direct TG aid amounts to 67.42 %** of the approved budget;
- INITIATIVE project: **expenditure on direct TG aid amounts to 65.13 %** of the approved budget;
- TRANSFER project: **expenditure on direct TG aid amounts to 51.99 %** of the approved budget.

As at 31 December 2018, the GUARANTEE, INITIATIVE and TRANSFER projects facilitated employment in socially useful jobs for 2,725 clients. The wage costs associated with this activity (wage contributions) amounted to approximately CZK 379 million. Details on the number of jobs provided are given in Table 6.

Table 6: Mediated SUJ in the audited projects

Project	Number of clients included in a subsidised job (SUJ – professional experience)	Wage contributions (in CZK)	Average amount of contribution per aided person (in CZK)
GUARANTEE	216	18,117,819	83,879
INITIATIVE	2,272	317,412,421	139,706
TRANSFER	237	43,214,678	182,340
TOTAL	2,725	378,744,918	138,989

Source: Documents from the Labour Office and the Ústí Region.

Note: The data are based on approved applications for payment as at 30 November 2018 (GUARANTEE project), 30 August 2018 (INITIATIVE project) and 31 December 2018 (TRANSFER project).

The duration of professional experience in the SUJ under the projects is 12 months. The wage expenditure per 1 client included in the SUJ in the key activity *professional experience* in the audited projects depends on the amount of aid limit of CZK 18 thousand/month for the LO projects and in the amount of CZK 20.8 thousand/month for the TRANSFER project. **The average annual wage expenditure per aided young person is almost CZK 139 thousand.**

Retraining and vocational training were the key activities carried out in all three projects. These activities constitute a less significant expenditure item compared to wage contributions under direct aid of the target group.

Table 7: Comparison of actual costs* for participants in retraining and education courses

Project – activity	Expenditure on retraining courses and vocational training		
	Total expenditure (in CZK)	Number of participants	Price for 1 participant (in CZK)
GUARANTEE – retraining	643,595	21	30,647
– specialised trainings	925,978	353	2,623
INITIATIVE – retraining	2,475,775	208	11,903
TRANSFER – training activities	1,769,607	218	8,117
Total	5,814,955	800	7,269

Source: Data from the Labour Office and the Ústí Region.

* Expenditure per participant also includes related personnel, administrative and overhead expenses of beneficiaries (the LO and the ÚR), travel expenses etc.

The costs of retraining courses in the audited LO projects differ significantly, while the costs of retraining were higher in the GUARANTEE project.⁵²

The Labour Office also included in the GUARANTEE and INITIATIVE projects the key activity *traineeships abroad*. Participation of clients in traineeships abroad is low especially in the GUARANTEE project.

Table 8: Comparison of actual expenditure on trainees abroad

Project	Traineeship expenditure abroad (claimed in applications for payment)		
	Total expenditure (in CZK)	Number of participants	Price for 1 participant (in CZK)
GUARANTEE	618,735	11	56,249
INITIATIVE	5,692,809	172	33,098

Source: Labour Office documents.

* Expenditure according to the *application for payment* as at 31 August 2018 (INITIATIVE project) and 30 November 2018 (GUARANTEE project).

⁵² The LO set the unit price in the aid application at CZK 28,000; this threshold will be respected provided that the average price of retraining is adjusted for related administrative and overhead expenses to CZK 22,398 per 1 participant.

International view

Eurofound's 2015 study⁵³ looked at the cost of extending interventions for young people, among other things. Based on a cost analysis of more than 300 measures in 10 different countries in 2011-2014, the study presents average costs per type of assistance (e.g. training, subsidised jobs, direct job creation and start-up assistance). According to the study, the costs of training after taking into account the price level in the Czech Republic amounted to EUR 3,685 (i.e. CZK 93,957⁵⁴) per person and the amount of employment promotion costs⁵⁵ ranged from EUR 2,663 to EUR 3,592 (i.e. from about CZK 67,917 to CZK 91,600) per person.

The SAO compared the actual cost of working with the client in the audited projects with the estimated cost for the Czech Republic according to the Eurofound study. The comparison shows considerable differences.

Type of activity	Average costs in the audited projects	Costs estimated for the Czech Republic according to a Eurofound study
Retraining and vocational training	CZK 7,269	CZK 93,957
Subsidised jobs	CZK 138,989	From CZK 67,917 to CZK 91,600

Source: SAO; Eurofound (2015), *Social inclusion of young people*, Publications Office of the European Union, Luxembourg.

⁵³ Eurofound (2015), *Social inclusion of young people*, Publications Office of the European Union, Luxembourg.

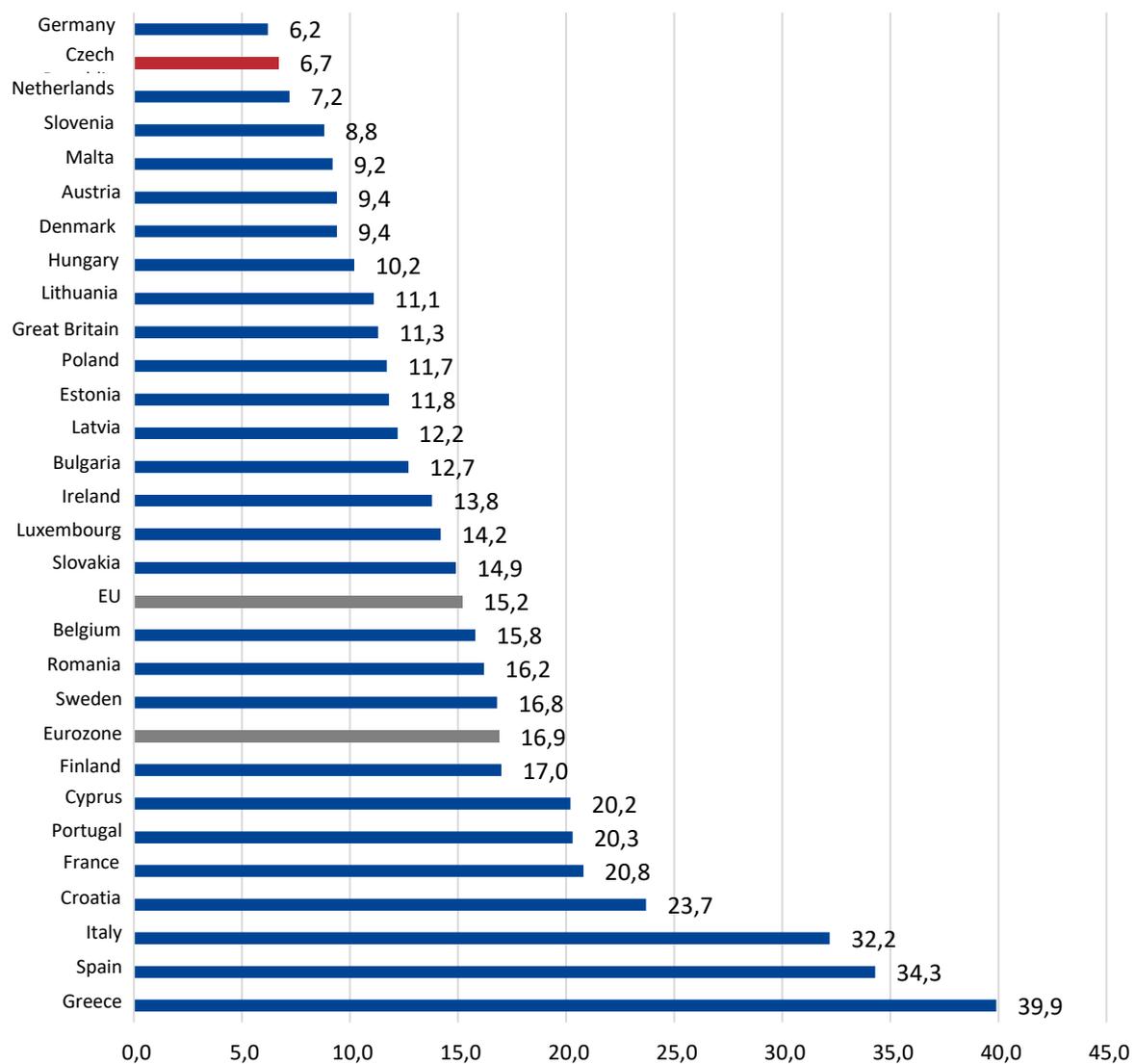
⁵⁴ Exchange rate of CZK 25.50/EUR.

⁵⁵ The amount of EUR 2,663 relates to *employment incentives*, which include, for example, wage compensation related to the employment of young unemployed people, the amount of EUR 3,592 are activities of *supported/sheltered employment and rehabilitation*, which include, in particular, costs related to the employment of people with handicaps (disabilities, drug addiction etc.).

List of terms and abbreviations used

2014+	2014-2020 Programming period
AEP	Active employment policy
Audit	Audit by the Supreme Audit Office
CEDR	Information system of the <i>Central Register of Subsidies from the Budget</i>
Commission	European Commission
CR	Czech Republic
CZSO	Czech Statistical Office
ESF	European Social Fund
EU	European Union
GUARANTEE	Project CZ.03.1.48/0.0/0.0/15_004/0000002 <i>Youth Guarantee in the Liberec Region</i>
INITIATIVE	Project CZ.03.1.49/0.0/0.0/15_003/0000051 <i>Youth Employment Promotion Initiative for the NUTS 2 Northwest Region in the Ústí Region</i>
IP of the YG Programme	Implementation Plan of the Youth Guarantee Programme of the Czech Republic
IS	Information system
LO	Labour Office of the Czech Republic
MoLSA	Ministry of Labour and Social Affairs
MS2014+	Monitoring system of the European Structural and Investment Funds for the programming period of 2014-2020
OPeM	Operational Programme <i>Employment 2014-2020</i>
PA	Priority axis
RILSA	Research Institute for Labour and Social Affairs
SAO	Supreme Audit Office
SB	State budget
Strategy	Employment Policy Strategy 2020
SUJ	Socially useful job
TG	Target group
TRANSFER	Project CZ.03.1.49/0.0/0.0/15_116/0001786 <i>Comprehensive Programme of Promoting Young People in the Labour Market of the Ústí Region – TRANSFER</i>
ÚR	Ústí Region
YEI	Youth Employment Initiative
YG Programme	Youth Guarantee Programme of the Czech Republic

Annex 1: Unemployment rate of young people aged 15-24 in selected European countries in 2018 (in %)



Source: Eurostat.