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| 2

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COST-BENEFIT STUDY OF SLOVENIAN COMPANIES EMPLOYING PERSONS WITH DISABILITIES: IS EMPLOYING PERSONS WITH DISABILITIES BENEFICIAL FOR THE STATE?

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Abstract

The article presents a cost-benefit study of financing companies employing persons with disabilities, which are a part of social economy in Slovenia. The main objective was to find out financial inputs and outputs for those companies in relation to state-aid. An overview has been prepared regarding the state-aid benefits compared to taxes paid by companies employing persons with disabilities. These companies have existed in Slovenia for more than 65 years. First companies employing persons with disabilities were established in the 1950s and their status was originally determined in the Vocational Rehabilitation and Employment of Disabled Persons Act. In 2016 they employed more than 11.000 persons in Slovenia and are complementary to other options for employment of persons with disabilities in the open labour market.

Key words: persons with disabilities, employment, companies employing persons with disabilities, cost-benefit, state-aid.

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Introduction

Persons with disabilities are one of the most vulnerable groups in the labour market. In Slovenia, the number of unemployed persons with disabilities represents thousands of them in spite of measures for their employment. Beside the measures aimed at all unemployed persons, persons with disabilities have additional measures for increasing their employment opportunities – vocational rehabilitation, companies employing persons with disabilities and employment centers.

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Data from the Employment Service of Slovenia shows that persons with disabilities represent about 13,5-15,8% of all unemployed persons. From 2009, when 13,6% persons with disabilities were unemployed, their rate of unemployment increased to 15,8% in 2016. The share of persons with disabilities in the unemployed population is therefore growing, yet statistics for Slovenia show number of unemployed persons (also persons with disabilities) is decreasing.

Table 1: Data on unemployment in Slovenia

| Year | No. of all unemployed | No. of unemployed persons with disabilities | % of unemployed PwD |
|------|-----------------------|---|---------------------|
| 2009 | 96.672 | 13.132 | 13,6 |
| 2010 | 110.021 | 14.920 | 13,5 |
| 2011 | 112.754 | 16.873 | 14,9 |
| 2012 | 118.061 | 17.454 | 14,8 |
| 2013 | 124.015 | 17.936 | 14,5 |
| 2014 | 119.458 | 17.646 | 14,7 |
| 2015 | 107.412 | 16.797 | 15,6 |
| 2016 | 99.615 | 15.836 | 15,8 |

Source: Employment Service of Slovenia (Sept. 2017)

In December 2016 the rate of unemployment in Slovenia was 10,67% (Table 2); there were 833.570 employed persons at that time. Only 32.143 persons with disabilities were employed, which represents 3,86% of persons with employment. 15.836 persons with disabilities were unemployed, thus making the rate of unemployment for persons with disabilities 33%. Compared to 10,67% in overall population, persons with disabilities are more than 3 times more unemployable than average.

Table 2: Labour Market Additional data (31.12. 2016)

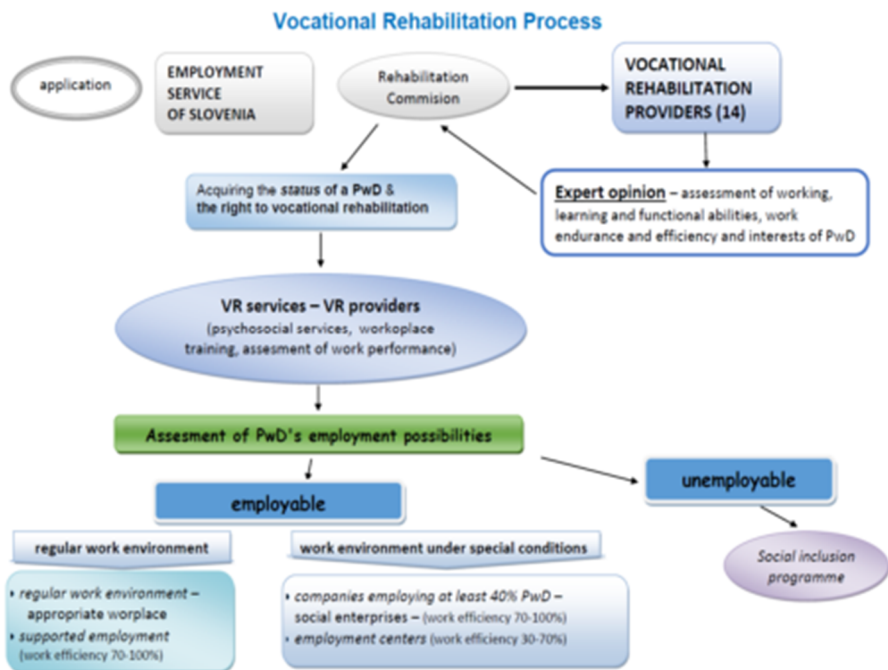
| | | |
|--|---------|--|
| Employed persons in Slovenia | 833.570 | |
| Employed persons with disabilities in Slovenia | 32.143 | 3,86% of the total workforce |
| Unemployed persons in Slovenia | 99.615 | 10,67% unemployment rate |
| Unemployed PwD | 15.836 | 15,89% of all unemployed and 33,00% of all employable PwDs |

Source: Employment Service of Slovenia

Vocational rehabilitation process, which begins at Employment Service of Slovenia, offers the following employment options for person with disabilities:

- they can be employed at the open labour market,
- at the open labour market with the support (supported employment),
- under special conditions in the companies employing persons with disabilities or
- in the employment centers.

Figure 1: Vocational rehabilitation process



Source: Ministry of Labor, Family, Social Affairs and Equal Opportunities (2004)

Persons with disabilities entering vocational rehabilitation have been monitored and evaluated regarding the outcome of rehabilitation. In Table 3, data shows the outcomes. The data indicates, that out of 417 PwDs, 112 found employment in the companies employing persons with disabilities (i.e., 26,85% of all employment possibilities).

Table 3: Employment outcomes of persons with disabilities after vocational rehabilitation

| | Type of employment | Total |
|-------------------------|--|-------|
| Employment 31. 12. 2016 | Employment in open labour market | 145 |
| | <i>...out of this, in the public works programme</i> | 70 |
| | Employment in open labour market, with support (supported employment) | 63 |
| | <i>...out of this, in public works programmes</i> | 5 |
| | Employment in companies employing persons with disabilities | 81 |
| | <i>...From that, in the public works programme</i> | 9 |
| | Employment in the companies employing persons with disabilities in protected workplace | 31 |
| | Employment in employment centers (protected work places) | 97 |
| | Total | 417 |

Source: Evaluation of Vocational Rehabilitation, 2017, p. 47

Companies employing persons with disabilities

In 31 December 2016 there were 145 companies employing persons with disabilities in the Republic of Slovenia employing 11.330 persons, of which 5.735 are disabled. Almost one fifth of all disabled workers are employed in “companies employing persons with disabilities”, therefore this form of corporate entity represents an important opportunity for employing disabled persons in Slovenia. With their specific economic and social function these companies enable the disabled persons – who would have otherwise remained unemployed and dependent on social transfers – to achieve social security on their own. Employment is definitely one of the most effective measures for normalising their lives.

It should be noted that companies employing persons with disabilities are based on the social-economy principle, which is an integral part of the European Union's economic and social policy. They employ disabled persons under specially adapted conditions, which enable them to achieve better quality of life and equal social integration.

The definition of a company employing persons with disabilities, whose primary goal is not the profit, but to train and employ persons with disabilities, create new and preserve existing jobs for disabled people, is written in the Article 52 of Vocational Rehabilitation and Employment of Disabled Persons Act.

“A company employing persons with disabilities is any corporate entity which is organised and operated as a company with share capital in line with the provisions of the law governing companies, unless certain aspects related to its legal status, management and operations are governed differently by this Act.”

In addition to the above conditions Article 53 of the Vocational Rehabilitation and Employment of Disabled Persons Act stipulates that companies with share capital have to:

- train and employ persons with disabilities for at least 40% of the total jobs during the whole business year;
- have a business plan drawn up;
- employ and train persons with disabilities who cannot find or maintain employment with employers in the usual working environment due to their disability because such employers cannot provide them appropriate workplace; and
- employ at least one professional staff member, if the company employs and trains more than 3 persons with disabilities, or one professional per every 20 persons with disabilities employed.

Companies employing persons with disabilities train and employ persons with disabilities who cannot find or maintain employment with employers in the usual working environment because such employers cannot provide them appropriate workplace. As such companies perform double function: on one hand they train persons with disabilities to integrate them in the labour market and also they enable them to find employment and work that suit their abilities and interests.

In order to achieve that goal, companies constantly accommodate the working environment, carry out numerous supporting activities, and implement production programmes that constitute market economy.

A company employing persons with disabilities also meets the condition of employing the appropriate number of professional staff members in view of the number of disabled employees. According to the Article 9 of the above Act professional staff members every year have to attend professional training and gain new knowledge in the field of vocational rehabilitation in order to be able to work with disabled workers.

At least 80% of profit generated by a company employing persons with disabilities has to be allocated to increase the company's share capital, statutory reserves, or spend for the same purpose as other forms of state aid.

Any important events that may have an effect on operating the company and the preservation of jobs have to be reported to the Ministry of Labour, Family, Social Affairs and Equal Opportunities. All companies employing persons with disabilities are obliged to audit their financial statements even in cases when the Companies Act does not oblige them to do so.

Amendments to the Vocational Rehabilitation and Employment of Disabled Persons Act have also changed the basis for obtaining relief from social contributions. Until the end of 2011, companies were entitled to a relief from social contributions for all employees if their total workforce included at least 40% of persons with disabilities which is also a legal condition for the establishment of a company employing persons with disabilities.

Relief from social contributions was newly defined in Article 74 of Vocational Rehabilitation and Employment of Disabled Persons Act in 2011. Its amount depends on the percentage of persons with disabilities employed in the company or the type of their disability:

- companies employing at least 50% of persons with disabilities in their workforce are exempt from paying compulsory pension and disability insurance contributions, as well as health care and health insurance contributions and parental protection contributions for all their employees;
- the same applies to companies employing in their workforce 40% to 50% of persons with disabilities of which at least one third must be disabled workers with added years of service on the basis of personal circumstances;
- companies employing in their workforce less than 50% of persons with disabilities who are disabled workers of categories II and III under Pension and Disability Insurance Act are exempt from paying contributions only for the disabled employees.

The highest relief from social contributions is thus enjoyed by companies that provide “sheltered employment” as laid down in the EU Regulation (COMMISSION REGULATION (EU) No 651/2014), i.e. companies employing in their workforce at least 50% of disabled workers and companies employing in their workforce 40-50% of disabled workers of which at least one third suffer from a severe form of disability (with added years of service on the basis of personal circumstances: paraplegics, persons with muscular dystrophy, deaf, blind, persons with mental health issues and intellectual disabilities).

Companies employing persons with disabilities may spend state aid for covering: 75% of the cost of wages for the employed disabled workers (Article 33), costs of adapting premises, costs of employing staff for the time spent only on the assistance to disabled workers, costs of adapting or acquiring equipment or acquiring and validating software for use by disabled workers, including adapted or assistive technology facilities, which are additional to those, which the beneficiary would have incurred if it employed workers who are not disabled, and where the company employs 30% of disabled workers in its workforce (sheltered employment) also the costs of constructing, installing or expanding the establishment concerned, and any costs of administration and transport which result directly from the employment of disabled workers (Article 34).

From the above stated, it is evident that the companies employing persons with disabilities cannot spend state aid for all the purposes listed in the Regulation if it does not employ 30% of disabled workers in its workforce.

Before the legislative amendments entered into force, companies employing persons with disabilities were able to spend state aid among other for improving the working conditions for disabled workers, maintaining existing jobs and creating new jobs for disabled workers, education and training of employees, auditing financial statements and other development goals leading to higher employability of disabled people as well as for covering the loss of income due to significant difficulties in current business operations and due to longer periods of sick leave.

Vocational Rehabilitation and Employment of Disabled Persons Act from 2011 contains a new provision requiring that state aid, which remains unused within three years from the day it was granted, must be returned together with interests. Only funds that are actually spent by the companies employing persons with disabilities are therefore regarded as state aid, which means that the amount of received funds is not the only important factor.

Article 68 of the above Act lays down the right to wage subsidy for disabled workers employed by the company employing persons with disabilities. The amount of wage subsidy depends on the worker's degree of disability or his/her ability to achieve the planned results. The basis for calculating wage subsidy is the minimum wage.

Disabled workers employed in the company employing persons with disabilities are entitled to wage subsidy in the amount of 5% to 30% of the minimum wage. The subsidy is paid to the company employing persons with disabilities in the form of monthly refundation by the Public Guarantee, Maintenance and Disability Fund of the Republic of Slovenia.

The part of wage paid to the disabled worker by the companies employing persons with disabilities and the subsidised part of wage paid pursuant to the above Act together represent the wage for the workplace for which the disabled worker has concluded employment contract or at least the minimum wage laid down by law or collective agreement. Although they are remitted to the company's current account wage subsidies represent individual rights of disabled workers employed in companies employing persons with disabilities.

Pursuant to the Public Procurement Act companies employing persons with disabilities are under certain conditions entitled to priority treatment in awarding reserved contracts. The contracting authority must state the intended award of reserved contract already in the publication of the award notice. Unfortunately this possibility is not used very often and the number of tenders for reserved contracts is still low.

Employers who employ at least 20 workers are – with the exception of foreign diplomatic and consular missions, companies employing persons with disabilities and employment centres – obliged to employ certain quota of persons with disabilities in their workforce. The quota may vary depending on the activity carried out by the employer, but it cannot be less than 2% or more than 6% of the total number of employees. The quota can also be fulfilled by concluding a contract on business cooperation with an employment centre or a company employing persons with disabilities, in which it is laid down that labour costs equal to the amount of 15 minimum wages annually for each disabled person that the employer should employ in line with the prescribed quota.

The amount of financial reliefs received by companies employing persons with disabilities other than wage subsidies depends on the wages paid to employees in those companies (based on professional education, difficulty of work, number of working hours per month) which in turn reflect the business performance of those companies. Most financial reliefs for the companies employing persons with disabilities in Slovenia are realised only after the company generates income through its market operations. In most cases there are therefore no cash benefits provided for disabled workers in advance except for wage subsidies.

Financial reliefs received by companies employing persons with disabilities cover productivity loss due to employing at least 40% of disabled workers and compensate for the reduced performance of disabled workers as well as for the additional costs required for their training and employment.

For example:

- in order to enable part-time work (4 hours), the company must employ two disabled persons to carry out work at one workplace, which increases the costs (two annual leave allowances, double travel costs etc.);
- employment of a person with progressive disability requires constant adaptations of the workplace as well as auxiliary activities (such as physical assistance) in order to enable the disabled person to retain employment.

Companies employing persons with disabilities operate on the basis of entrepreneurial strategies and market principles while their aim to realise the social goals through employment and training of disabled workers entitles them to financial relief. The primary mission of companies employing persons with disabilities is to train and employ disabled people under specially accommodated conditions, therefore they carry out the tasks related to the integration or reintegration of disabled persons in the working and living environment, providing them professional treatment, humanity of work and better quality of living. The product and service programmes carried out by those companies are therefore guided by that primary mission.

With incentives for the employment of disabled people the state improves the situation for this difficult-to-employ social group. Due to reduced capacity to work and the limitations related to regular employment this group is placed in a disadvantaged position which becomes all the more difficult if they are unemployed and socially excluded.

Companies employing persons with disabilities play an important role in providing employment to persons with disabilities in Slovenia by combining market economy and social integration of disabled persons who work alongside non-disabled workers. They represent an integral and indispensable part of the general active employment policy and a constituent element of a harmonised disability protection policy.

Table 4: Number of companies employing persons with disabilities, total number of employees in those companies, disabled workers, non-disabled workers and percentage of disabled workers

| Year | Number of companies employing persons with disabilities | Number of employees in companies employing persons with disabilities | Number of disabled workers | Percentage of disabled workers |
|------|---|--|----------------------------|--------------------------------|
| 2008 | 165 | 14.599 | 6.358 | 43,6 |
| 2009 | 159 | 13.266 | 5.706 | 43,0 |
| 2010 | 153 | 12.343 | 5.364 | 43,5 |
| 2011 | 142 | 11.795 | 5.449 | 46,2 |
| 2012 | 144 | 11.320 | 5.672 | 50,1 |
| 2013 | 139 | 11.212 | 5.623 | 50,2 |
| 2014 | 141 | 10.565 | 5.323 | 50,4 |
| 2015 | 145 | 10.707 | 5.398 | 50,4 |
| 2016 | 145 | 11.330 | 5.735 | 50,6 |

Source: Ministry of Labour, Family and Social Affairs

Companies employing persons with disabilities employ almost 19% of all disabled workers in Slovenia.

In Table 5 data presents cost-benefit analysis for companies employing persons with disabilities. In the second column, input from the state-aids is written. In the third column, taxes paid from companies are presented. In the fourth column, the relation between inputs (state-aids) and outputs (taxes) are calculated. It is clearly seen, that for years of economic crisis in Slovenia 2010-2012, the share of taxes dropped down. In years prior to economic crisis, companies employing persons with disabilities paid even more taxes comparing to the given state-aids. In 2008, they gave to the state 14% more taxes in relation to the given state-aids. In 2009, this relationship was 7% more taxes comparing to given state aids.

In the last column the average costs per person with disability were calculated per month, paid from the state-aids. The numbers varied from year to year. In 2008, the state paid 126,90 euros per month per person with disability, in 2009 66,70 euros, in 2010 77,73 euros, in 2011 6,84 euros, in 2012 41,40 euros. Comparing to social supports and other unemployment benefits these numbers seem to be low. When we presented data to the Ministry of Labour, we put on the table also data for comparison, costs for unemployed young person (Eurofound 2012).

For Slovenia, it was assessed, that in 2008, this costs for youth not in employment, training or education, represented 0,92% of GDP – or has been assessed as 9.937 euros per person (p. 76). Assessment for 2011 was 1,31% GDP or 10.766 euros per person (p. 79). Therefore, the operating of the companies employing persons with disabilities is beneficial for the state also in the view of financial matters, not only as the human rights issues or equality question.

Table 5: Cost-benefit analysis of companies employing persons with disabilities related to state-aids and taxes

| Year | Input from the state - total | Paid taxes from enterprises - total | Paid taxes comparing to input from the state | Average costs per employee with disabilities per month, paid from the state |
|------|------------------------------|-------------------------------------|--|---|
| 2008 | 62.460.788,00 | 71.347.980,75 | 114% | 126,90 |
| 2009 | 57.750.608,00 | 61.962.209,81 | 107% | 66,70 |
| 2010 | 62.979.170,00 | 58.603.854,32 | 93% | 77,73 |
| 2011 | 58.937.921,00 | 58.533.084,87 | 99% | 6,84 |
| 2012 | 53.677.224,00 | 51.228.211,52 | 95% | 41,40 |

Source: Tabaj et al (2013)

In Table 6, business results for companies employing persons with disabilities are presented from 2008 to 2012. State-aids are vital for positive business results. When calculated without state-aids, companies employing persons with disabilities would have negative business results, if state-aids were taken from them, for all years 2008-2012.

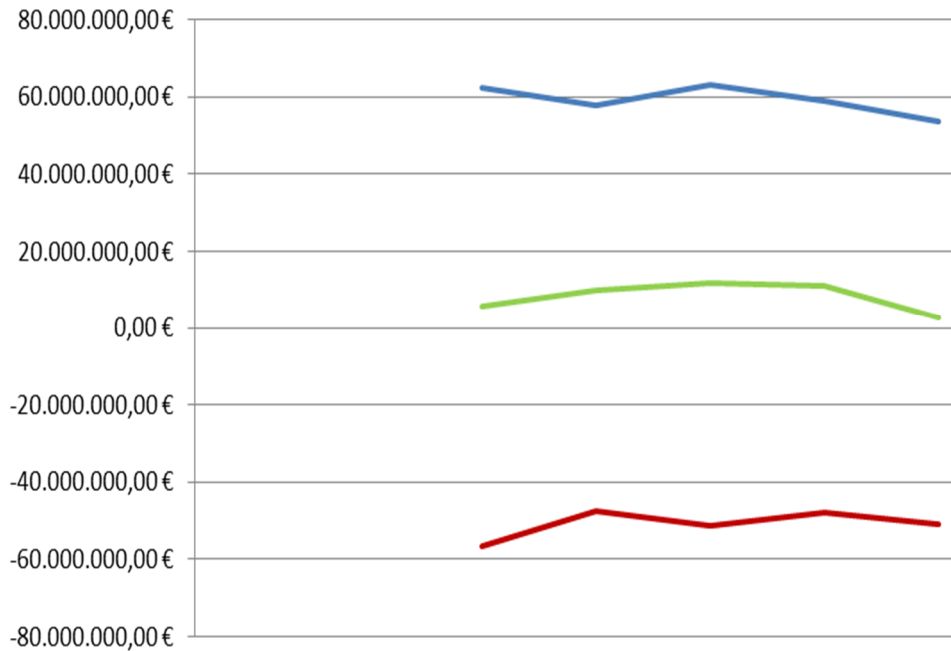
Table 6: Companies business results with/without State-Aids

| Year | State Aids | Profit / Loss | Profit / Loss without State Aids |
|------|--------------|---------------|----------------------------------|
| 2008 | 62.460.788 € | 5.829.891 € | -56.630.897 € |
| 2009 | 57.750.608 € | 10.071.322 € | -47.679.286 € |
| 2010 | 62.979.170 € | 11.643.713 € | -51.335.457 € |
| 2011 | 58.937.921 € | 11.218.320 € | -47.719.601 € |
| 2012 | 53.677.224 € | 2.755.373 € | -50.921.851 € |

Source: Tabaj et al (2013)

In the Figure 2, joint results with or without states aids are presented for companies employing persons with disabilities. The red line marks negative companies' results if state-aids were not given to them. The green line marks positive results with state-aids.

Figure 2: Joint results with/without the aid (2008-2012)



Source: Tabaj et al (2013)

Conclusion

Work and employment are considered one of the main life areas. They are especially important for persons with disabilities: independent life. Work have to be open, inclusive, said in the UN Conventions for persons with disabili States should promote the realization of the right to v

In the first part of the paper data on unemployed persons with disabilities is compared to the general population unemployment rate. People with disabilities have more than three times higher unemployment rate than the general population. When we look at the statistics, how many of them are employed, the situation is the same – in the Slovenian employed population they represent only 3,86% in the workforce. Considering the data of WHO (2011, p. 29) it was assessed, that persons with disabilities represent the share of 15,6-19,4% of the total

population; of these, around 2,2% to 3,8% experience significant difficulties in functioning.

In the article, we discussed cost-benefit analysis of the companies employing people with disabilities. Considering inputs from state-aids and outputs (taxes from the companies) data showed that in years of economic prosperity companies employing persons with disabilities paid more taxes than they were given state-aids.

It is important that we spread the message that supporting social economy is beneficial for the state, not only regarded this issue as the question of equal opportunities and non-discrimination.

Resources

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