

Labour market in Slovakia – a persisting structural challenge

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Background

▶ Czechoslovakia

- ▶ 1948-1989: Command economy, dysfunctional labour market, distorted incentives
- ▶ 1989-1992: Liberalization

▶ Slovakia

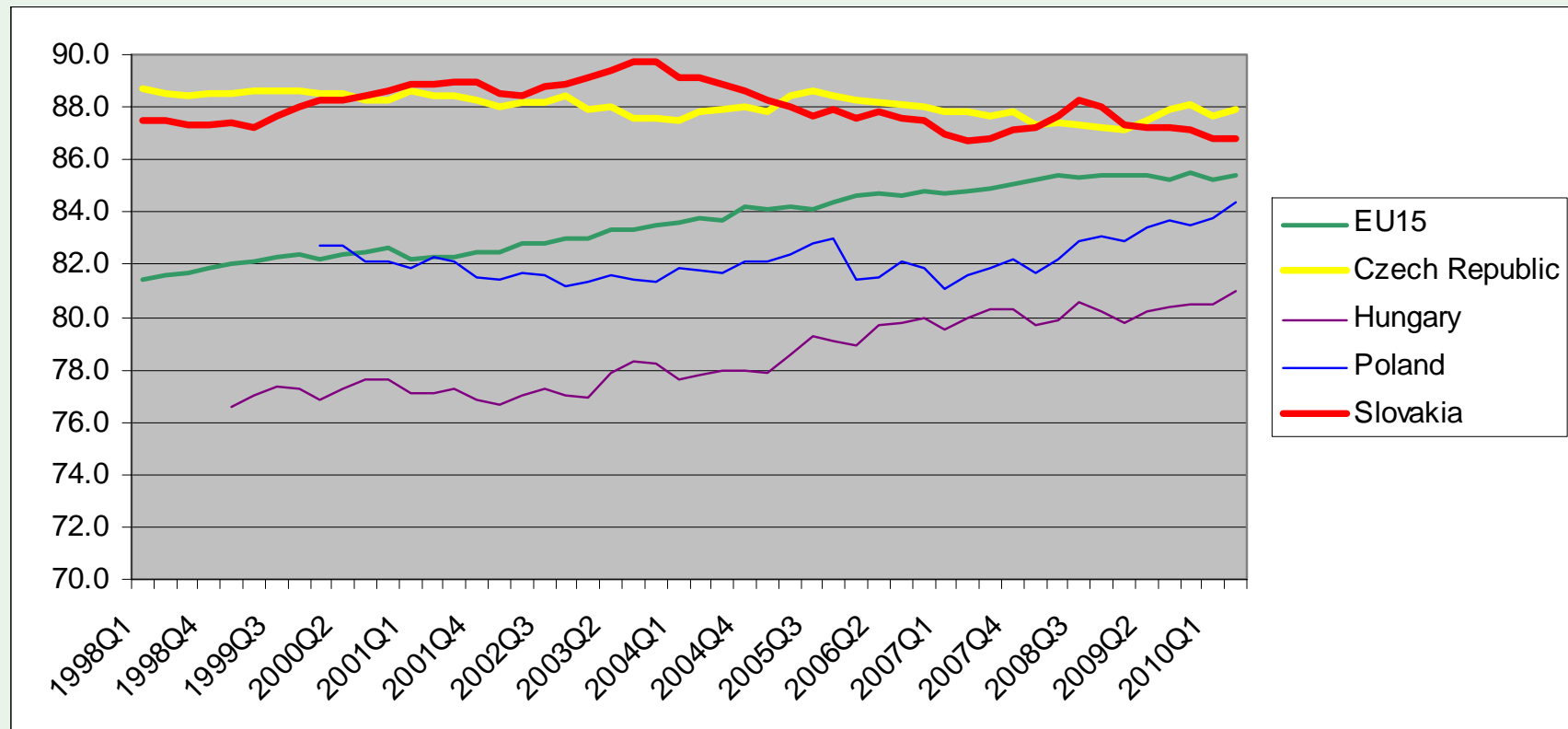
- ▶ 1993-1998: Sluggish and non-transparent transformation, postponed reforms
- ▶ 1998-2006: Radical reforms significantly improved labour market conditions, but limited efforts in some key areas (e.g. education)
- ▶ 2006-2010: General aversion towards further reforms, the window of opportunity to shift the PPF out missed
- ▶ 2010-present: There is hope



Demographics

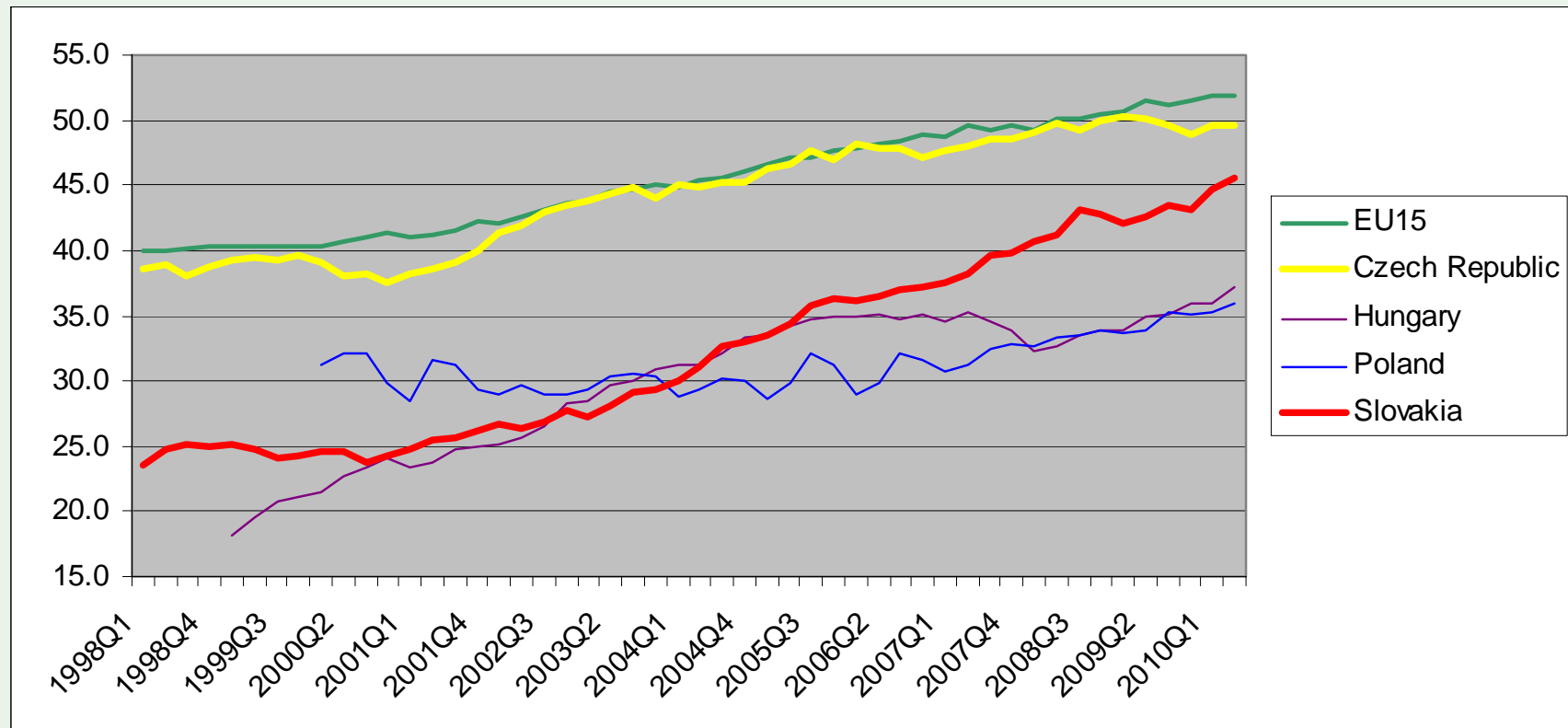
- ▶ Aging
 - ▶ the aging index (65+/0-14) increased from 0.512 to 0.735 between 1996 and 2006
- ▶ Low fertility and natality
 - ▶ fertility rate 1.25 in 2006
- ▶ Regional disparities
 - ▶ “traditional” young and fertile peripheries and “modern” aged and less fertile economic cores
- ▶ Educational composition unbalanced
 - ▶ Just below 17% tertiary (EU average some 26%), at the same time less than 5% with the lowest level of education (EU average 24%)

Focus on labour market: participation 25-54



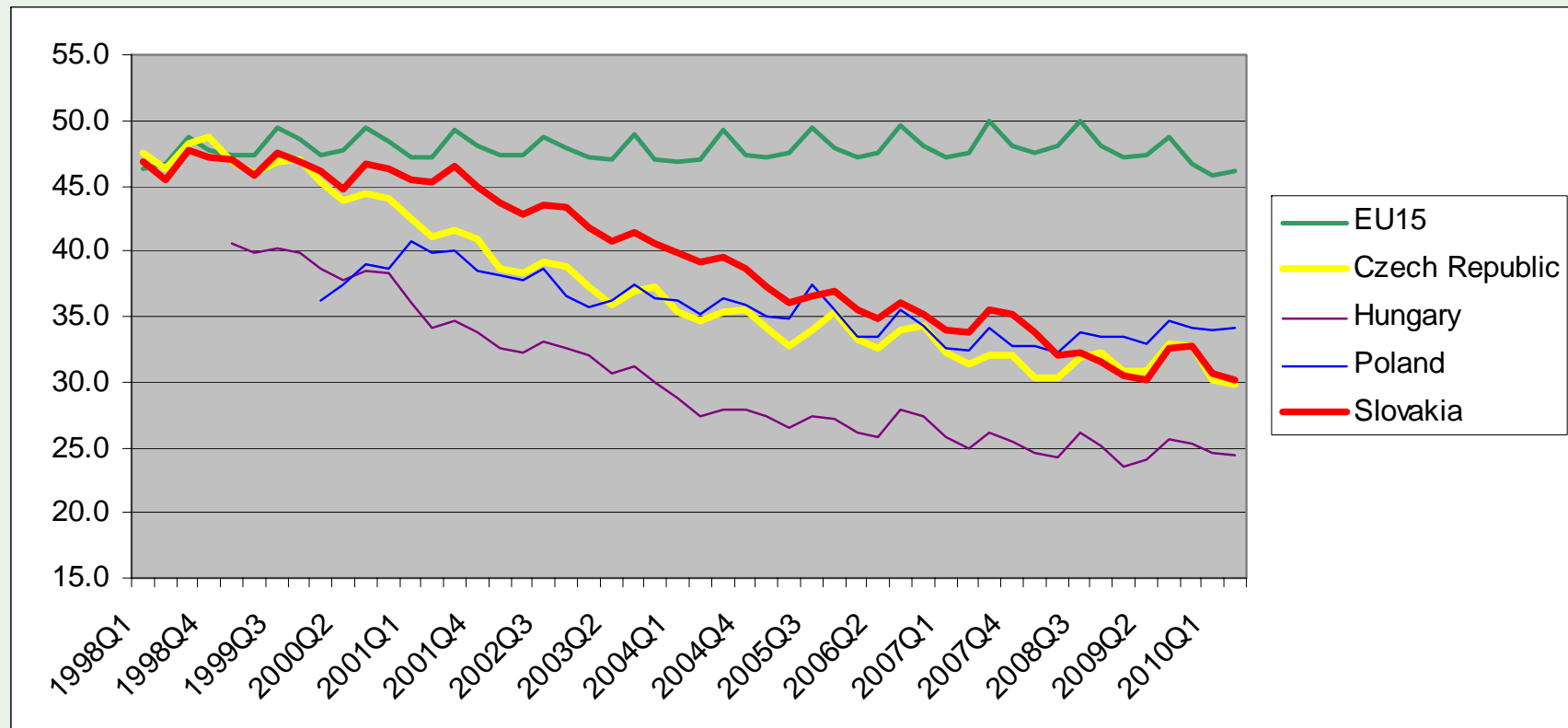
Stabilized at a very high level, the rest catching up

Focus on labour market: participation 55-64



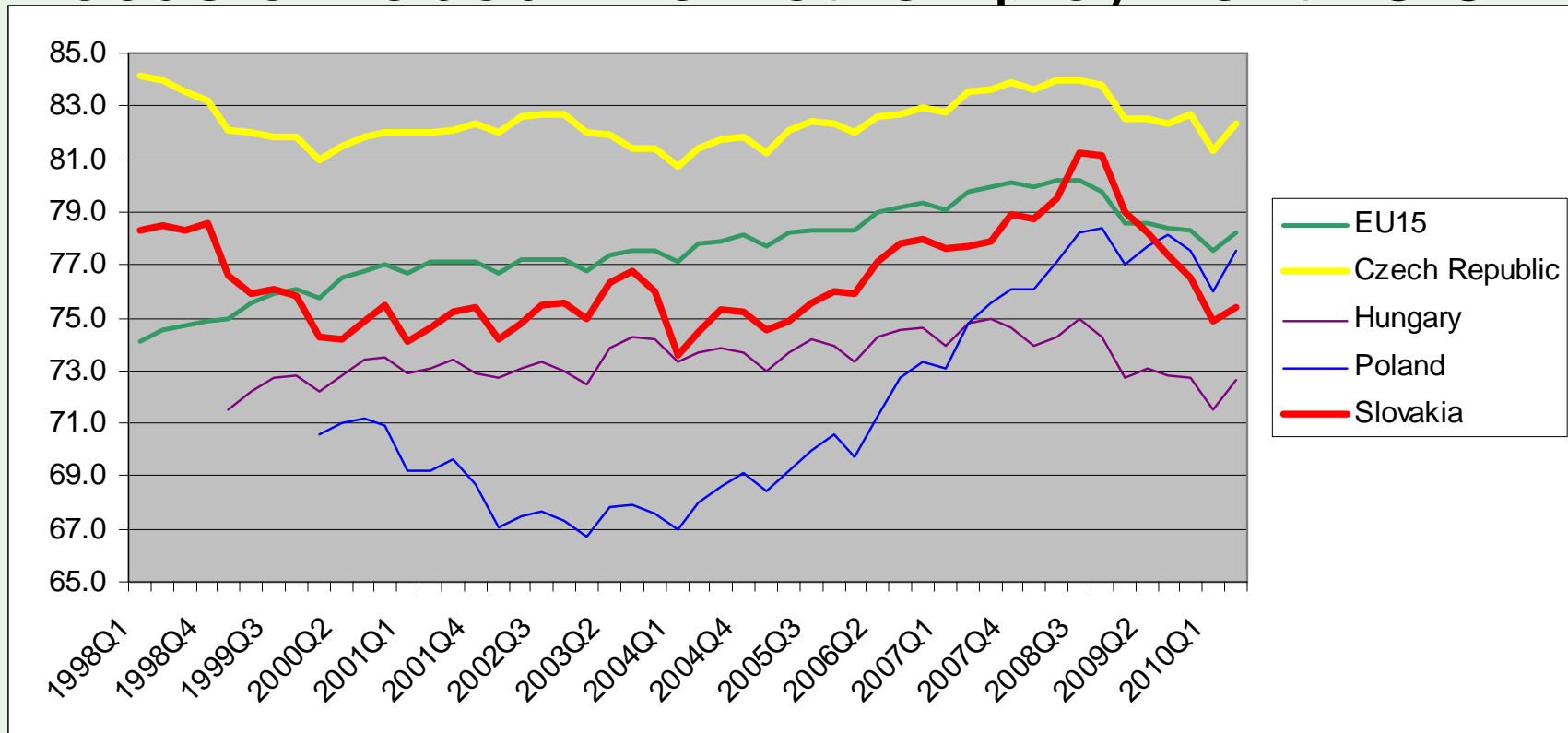
CZE ~ EU15, SVK
below but catching up

Focus on labour market: participation 15-24



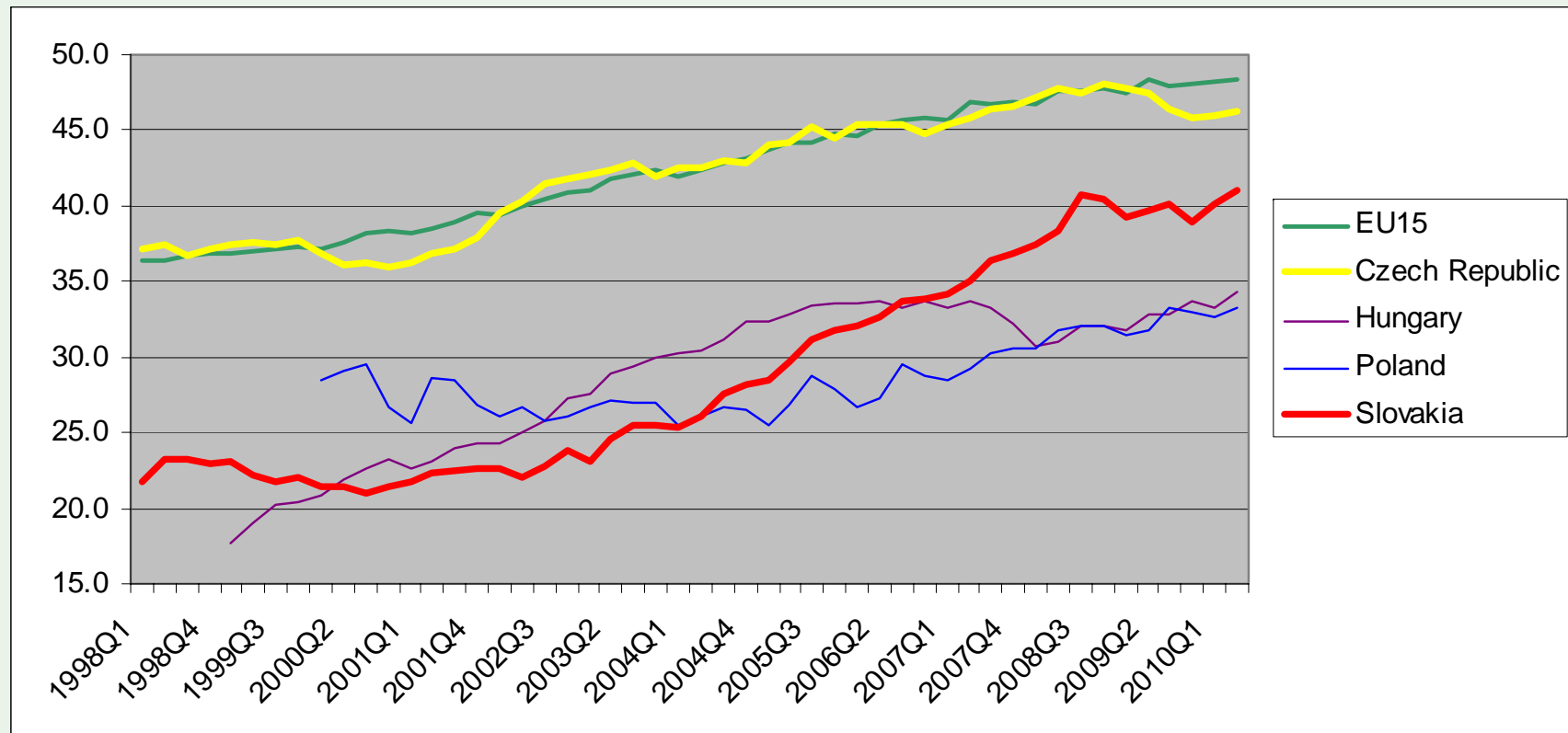
CZE ~ SVK, gap opening up

Focus on labour market: employment 25-54



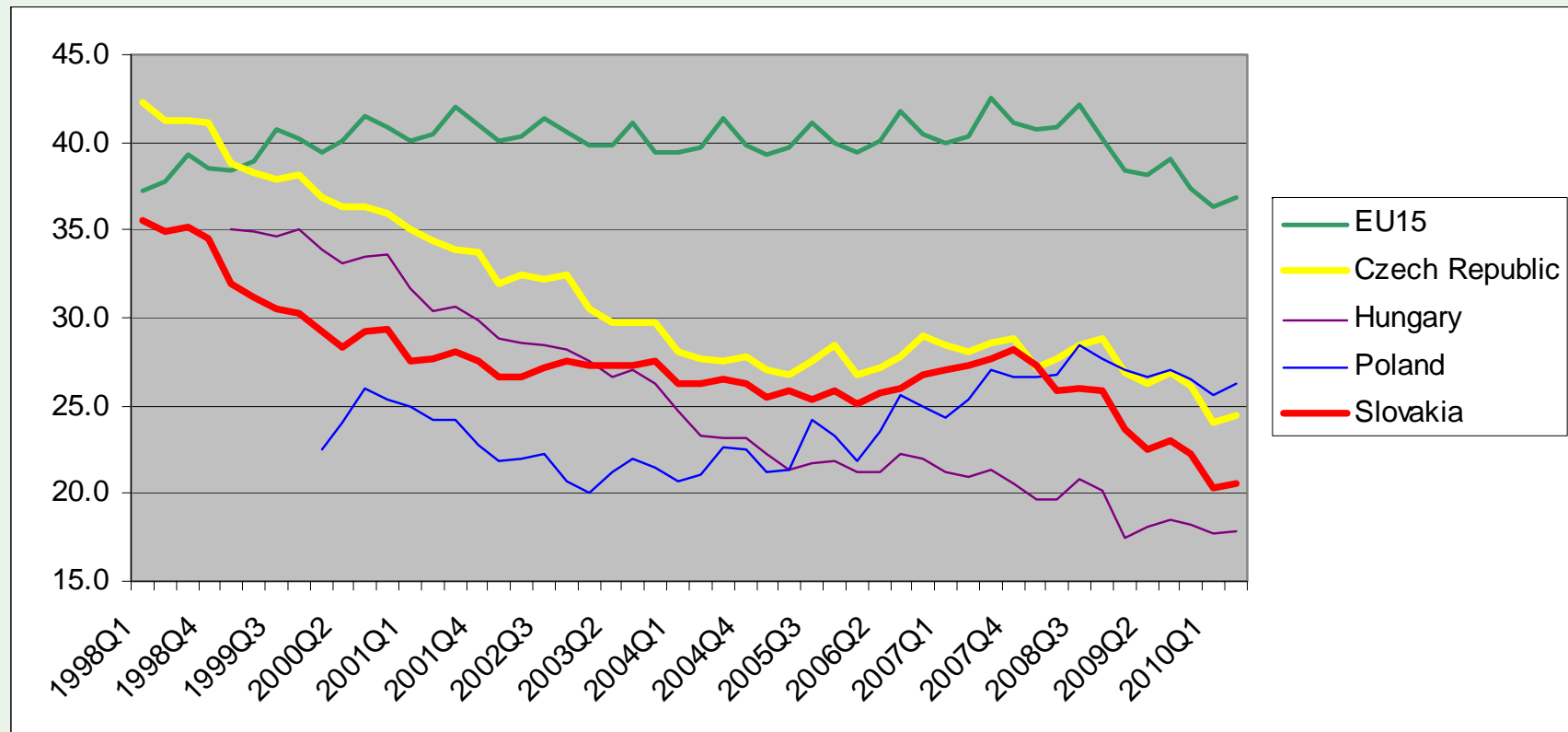
SVK~~EU15, SVK's catching up halted by the crisis

Focus on labour market: employment 55-64



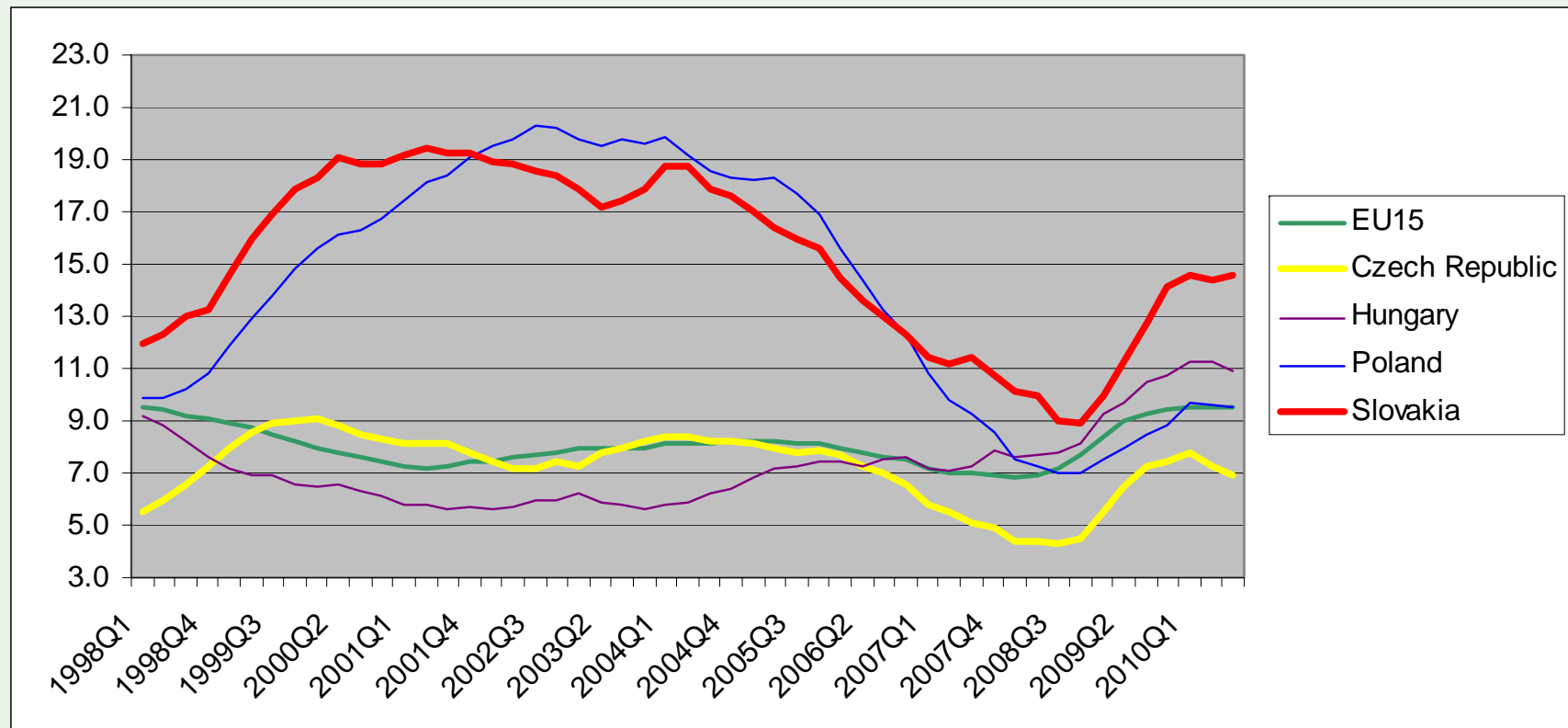
CZE ~ EU15, SVK
closing the gap

Focus on labour market: employment 15-24



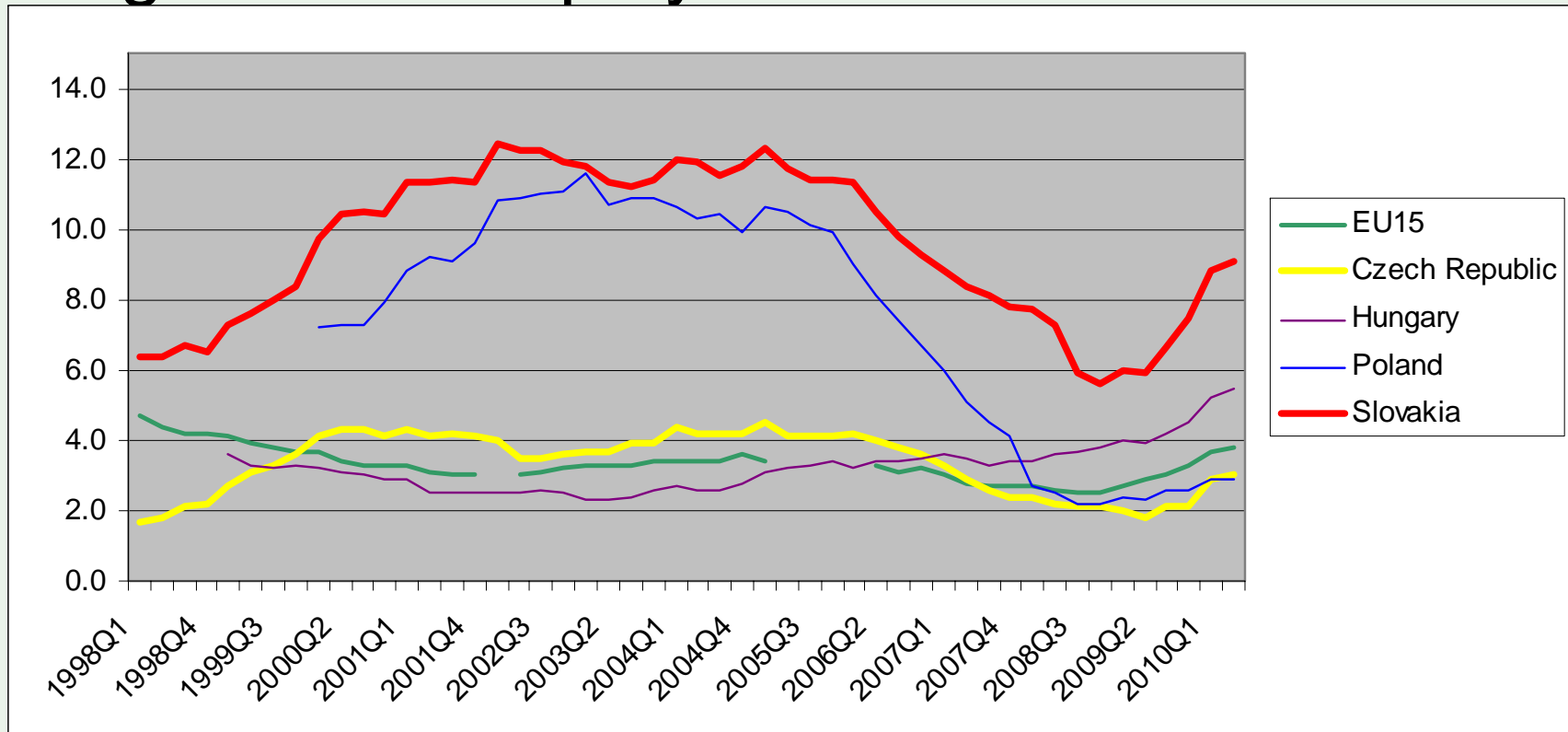
CZE ~ SVK, gap opening up

Focus on labour market: unemployment



CZE ~ EU15, SVK's closing the gap halted by the crisis

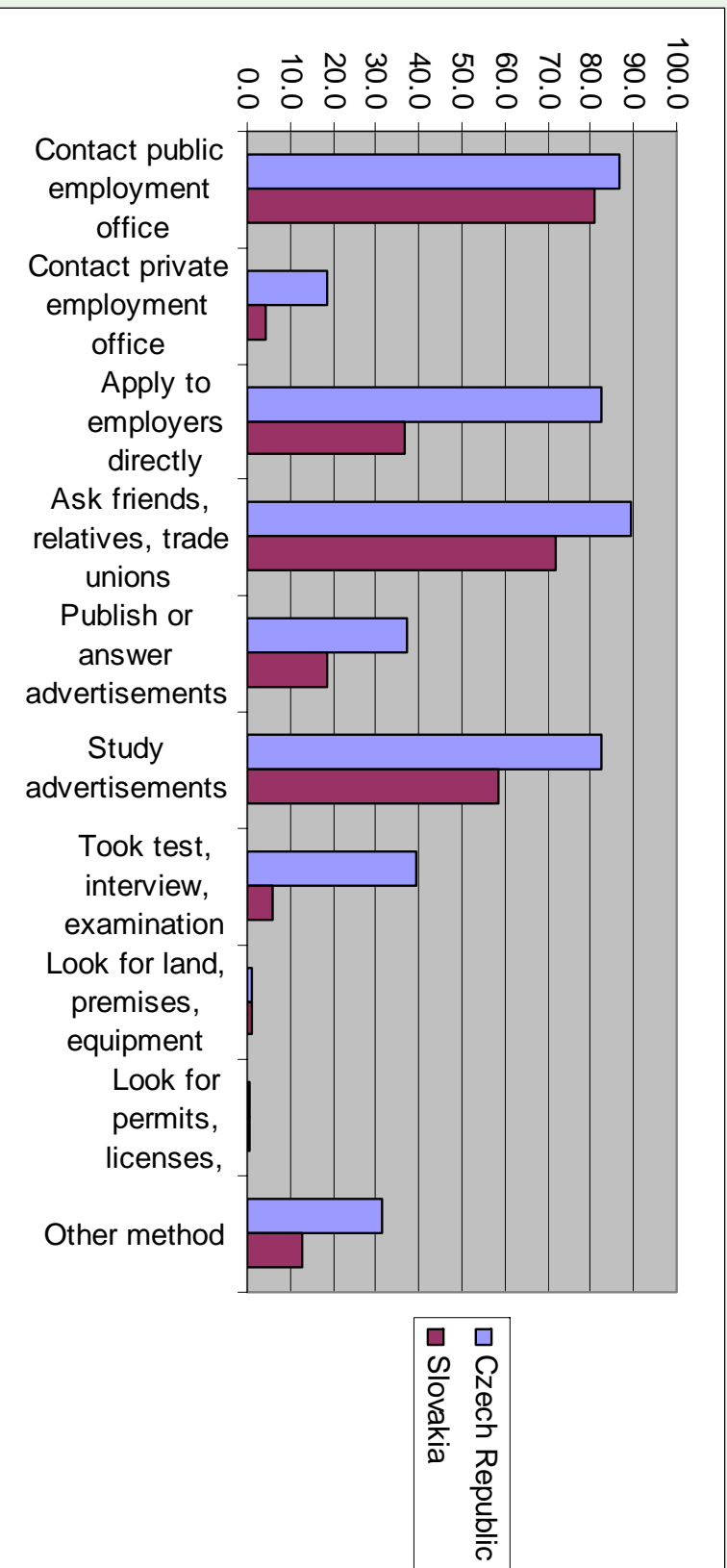
Focus on labour market: long term unemployment



CZE ~ EU15, SVK the absolute "leader", pattern as above

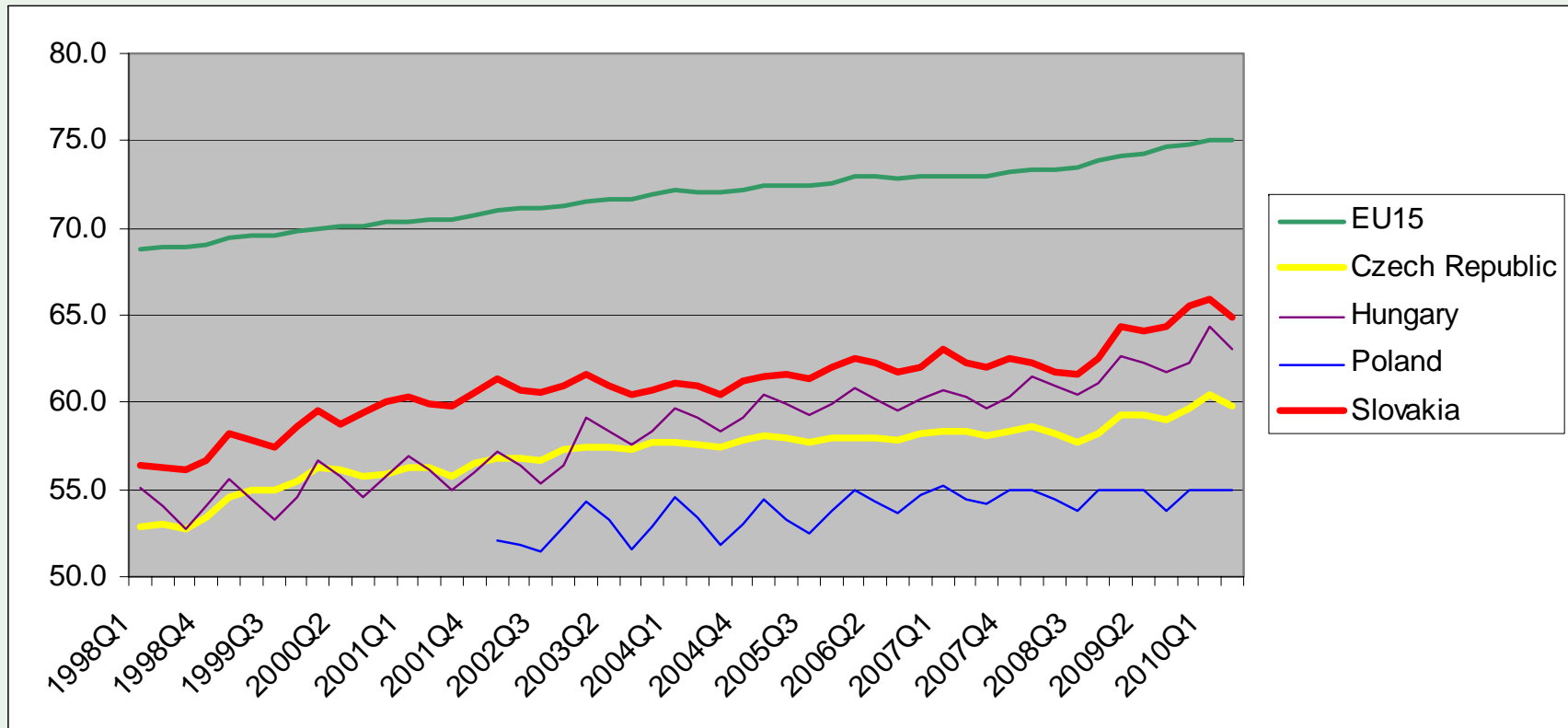


Focus on labour market: job search



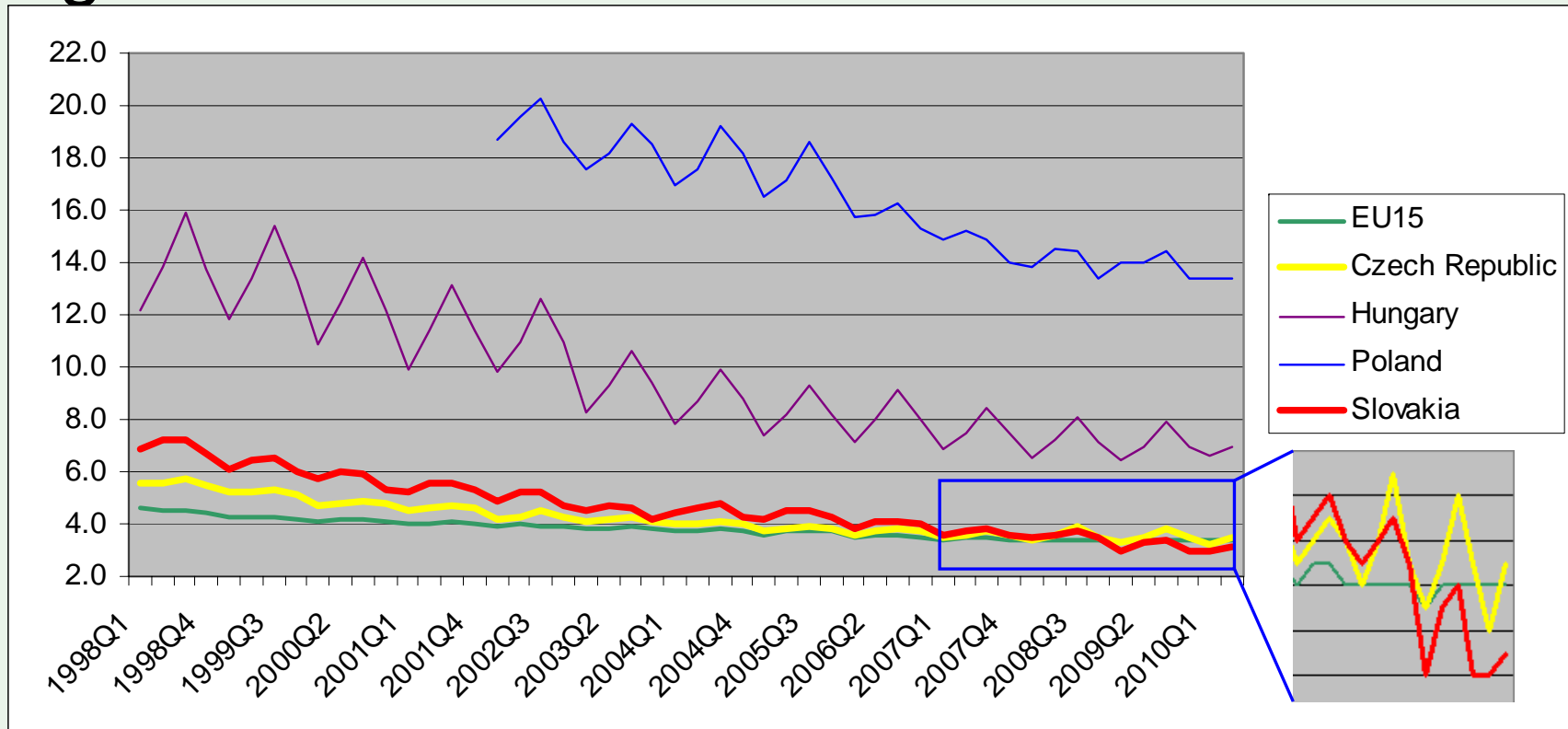
SVK unemployed significantly less active

Focus on labour market: employment in the service sector



SVK leads V4

Focus on labour market: employment in agriculture



SVK the least agricultural



Focus on labor market: other indicators

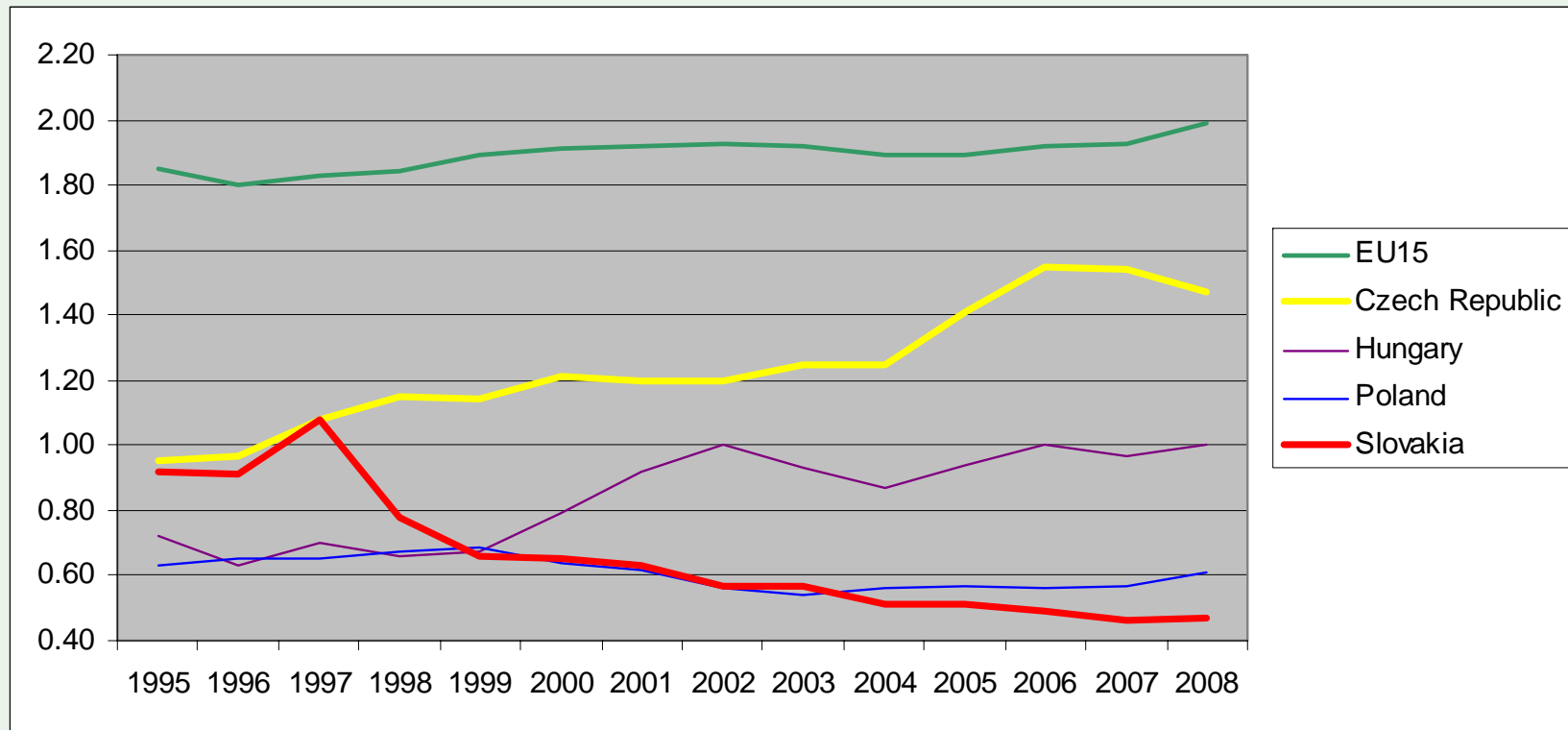
- ▶ Part-time work among the lowest rates (4.2 vs. 22.2(EU15))
- ▶ Temporary contracts among the lowest (5.8 vs. 14.1)
- ▶ Gender gaps
 - ▶ Participation 76.0 males vs 61.0 females
 - ▶ Employment rate 65.2 vs. 52.0
 - ▶ Unemployment rate 14.3 vs. 15.0.
 - ▶ Circa 20% gender pay gap, controlling for observables
- ▶ Actual weekly hours worked going down in SVK as well as CZE, at about the same levels (40hrs/week, down from 42, EU15 37-38).
- ▶ Shift and night work very common



Key structural challenges: skill mismatch

- ▶ Spatial and time dimensions
- ▶ Mobility way too low, poor public infrastructure and regional disparities aggravate the problem
- ▶ Low-skilled labour abundant, shortage of high-skilled labor
- ▶ Emigration of mainly skilled workers creates further bottlenecks, immigration seen as a no-issue
- ▶ Human capital depreciated during transformation, educational system unable to keep up with the changes
- ▶ Low flexibility at many margins

Focus on labour market: capacity (R&D)



SVK lowest and declining
capacity build-up



Key structural challenges: inclusion and participation

- ▶ The Roma people excluded socially and from the labour market
- ▶ Labor market hardship discourages many workers from seeking a job
- ▶ Low-quality education limits the chances of the young without experience
- ▶ Elderly people unable to keep up with the changes, limited life-long learning opportunities, but the initial shock being absorbed
- ▶ Women often channeled into less lucrative jobs



Key structural challenges: institutions

- ▶ High (marginal) payroll taxes, binding minimum wage, enormous red tape, weak state and poor law enforcement, etc. impede employment opportunities
- ▶ Stick-and-carrot welfare policies provide the right incentives, but enabling services lacking (crucial in case of exclusion)
- ▶ Little capacity build up, R&D very low, education paralyzed in a bad equilibrium
- ▶ No migration strategy (within, in and out)
- ▶ Collective bargaining underdeveloped

Key structural challenges: shadow economy

- ▶ With fairly high payroll taxes and the often binding minimum wage, incentives for unregistered work are high
- ▶ Estimated at circa 15-20% of GDP

Key structural challenges: lack of data and evaluation

- ▶ No data - no evaluation - no learning – no good practices.



Final remarks: bad demographics and persisting structural challenges

- ▶ Social exclusion and discrimination
- ▶ Low-quality educational system
- ▶ Adverse mobility patterns – within, in, out
- ▶ Questionable policy making without an evaluation framework



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