

## EMPLOYMENT TRENDS AND GROWTH CHALLENGES IN THE SLOVAK REPUBLIC

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### Abstract

*The Slovak labor market faces challenges similar to those in other EU countries. Increasing the participation of inhabitants in the employment rate is crucial in the fight against poverty. A fundamental assumption for employment growth is economic growth, largely stimulated by domestic demand. In recent years, the global crisis has significantly impacted the economic system, affecting global labor markets by causing cost reductions, wage freezes, worker layoffs, and a reduction in employment rates. Addressing employment rate issues requires the development of active labor market policies.*

**Keywords:** *wages freeze, flexicurity, active social policy, employment*

### 1. INTRODUCTION

The employment rate is closely linked to the dynamics and performance of an economy and its competitive ability. The Slovak Republic has a relatively low employment rate, particularly among young people and seniors, with a high rate of long-term unemployment. From 2008 to 2012, the global economic crisis significantly impacted the economic system, leading to cost reductions, wage freezes, and layoffs across various sectors. This paper focuses on finding solutions for the current challenges in the Slovak employment market. [1] The employment, economic growth and other important related indicators is very connected with the performance of each economy in the world and its ability to be competitive. Slovakia has a very low employment rate. This is true mostly when we speak about young people. But it is true also when we speak about seniors. On the other hand, our country is evaluated very negatively for a very high rate of long-term unemployment. From 2007 to 2015 the crisis that occurred impacted considerably the economic system leading to a significant decrease of wages freezes and fires in almost all sectors of the Slovak economy. In our conference contributions, we aim to find possible solutions how to solve the above-mentioned challenges in the Slovak labour market. Moreover, we try to focus in diversification and the role of policies in decreasing the high unemployment rate. We are trying to transform our economy in a modern knowledge economy. In this context, investment in human capital is an important factor influencing the employment landscape in V4 countries. We try to respond these challenges. In this way our contribution has an ambition to provide complex strategies to enhance on one hand the labor market results in the Slovak Republic and the social coherence on the other hand.

### 2. MATERIALS AND METHODS

This study employs a comprehensive approach to analyze the development trends and challenges affecting the employment rate in the Slovak Republic. The methodology integrates both qualitative and quantitative research methods to ensure a robust analysis. [2]

#### 2.1 Data Collection

- a. **Secondary Data Analysis:** Utilizes data from Eurostat, the European Commission, and national databases. Key metrics such as employment rates, unemployment rates, GDP growth rates, and labor market policies were collected and analyzed. Historical data from 2000 to 2023 were reviewed to identify trends and patterns. [3]
- b. **Literature Review:** Extensive literature on labor market dynamics, economic policies, and employment trends was reviewed. Sources include academic journals, government reports, and

policy papers, focusing on the impact of the global economic crisis, EU integration, and structural changes in the labor market. [4]

- c. **Case Studies:** Case studies from other EU countries with similar economic conditions were analyzed to draw comparative insights and identify best practices applicable to Slovakia. [5]

## 2.2 Analytical Methods

- a. **Descriptive Statistics:** Summarizes and describes the main features of the collected data, including mean employment rates, standard deviations, and growth rates. [6]
- b. **Trend Analysis:** Identifies trends in employment and unemployment rates over the specified period through time series analysis. [7]
- c. **Comparative Analysis:** Juxtaposes Slovakia's labor market indicators with those of other EU countries to identify areas where Slovakia lags or excels. [8]
- d. **Policy Analysis:** Evaluates the effectiveness of current labor market policies, including active labor market programs, social policies, and fiscal measures. [9]

## 2.3 Methodological Framework

The framework is based on the interconnection between economic growth and employment rates, positing that sustainable economic growth driven by domestic demand and effective policy measures is crucial for increasing employment rates. Factors considered include: [10]

- a. **Macroeconomic Conditions:** Examining macroeconomic stability, GDP growth, and economic cycles' influence on labor market outcomes. [11]
- b. **Labor Market Policies:** Assessing the impact of active labor market policies, fiscal consolidation measures, and public employment services. [12]
- c. **Structural Factors:** Analyzing demographic changes, educational attainment, and industrial shifts in shaping employment trends.

## 2.4 Data Presentation

Findings are presented through tables, graphs, and charts to visually depict trends and comparisons. Statistical software was used for data analysis to ensure accuracy and reliability.

# 3. RESULTS

## 3.1 Situation in the Slovak Employment Market

Several factors have influenced the Slovak employment market, including restructuring in the 1990s, decreased unemployment in 2001, EU accession, and the global crisis. Recent data indicates stagnation in the employment rate, remaining below the EU's target of 75% as set in the Europe 2020 strategy.

## 3.2 Employment Rate Trends

The employment rate in Slovakia dropped to 62.4% in 2009 and has stabilized around 68% since then, below the 72% target set for 2020. Higher education levels correlate with higher employment rates among young people.

## 3.3 Comparative Employment Rates

Table 1 shows employment rates across EU countries from 2014 to 2023, highlighting Slovakia's lower performance compared to peers like the Czech Republic.

**Table 1. Rate of the Employment Rate in EU in % (20-64 years)**

Country/Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Target 2020
EU	68.1	67.0	70.0	70.8	69.5	68.0	67.3	67.2	67.8	67.8	74
Belgium	63.4	65.7	67.4	68.2	67.0	69.3	65.2	65.5	66.4	66.9	71.4
Bulgaria	61.2	62.8	64.2	67.5	69.8	67.7	66.5	63.8	64.0	64.7	75
Czechia	71.2	71.9	72.3	73.0	73.1	71.1	71.5	71.2	72.6	73.6	76
Denmark	76.7	77.0	78.5	78.0	78.8	76.4	74.9	74.8	76.5	76.7	81
Germany	67.9	68.5	70.2	71.8	75.0	75.3	75.8	75.4	75.8	76.2	78
Estonia	71.7	72.0	76.9	77.9	78.0	68.2	67.8	71.5	73.2	74.4	77
Ireland	71.1	71.4	72.5	74.7	73.2	67.8	63.7	64.7	62.8	64.6	68
Greece	63.0	63.5	64.6	65.0	65.4	64.7	63.0	58.8	54.2	54.1	69
Spain	64.1	66.1	67.6	68.4	67.2	62.6	61.4	60.5	58.2	57.1	73
France	68.4	68.3	68.4	68.7	69.3	68.4	68.1	68.1	68.3	68.4	74
Croatia	58.7	61.0	61.7	61.4	61.8	60.8	57.6	56.0	54.3	54.8	58
Italy	62.4	62.5	63.4	67.2	62.0	62.8	62.2	62.3	60.0	58.7	66
Cyprus	73.8	73.5	74.7	75.7	75.4	74.4	74.0	72.5	71.3	68.2	76
Latvia	68.2	69.2	72.4	74.1	74.7	66.2	64.0	65.4	67.2	68.8	74
Lithuania	68.0	71.7	70.7	73.6	73.0	68.0	65.4	67.8	69.4	68.8	73.7
Luxembourg	66.8	68.0	68.2	68.7	67.7	69.5	69.6	69.8	70.3	70.2	72
Hungary	63.2	63.1	63.5	63.5	62.8	61.6	61.5	61.8	63.2	64.1	74
Malta	56.8	56.8	56.5	57.4	58.1	57.7	59.2	62.7	62.8	65.8	61.8
Netherlands	73.8	74.3	75.4	78.7	77.5	77.2	75.3	76.0	76.3	75.4	79
Austria	71.9	72.8	72.3	73.3	74.2	75.8	73.8	74.3	74.5	74.4	78
Poland	58.2	57.4	61.2	63.8	64.0	65.8	65.2	65.4	65.8	65.8	70
Portugal	71.7	71.4	71.8	73.7	74.2	70.1	69.4	68.4	65.4	64.5	74
Romania	64.4	62.5	63.7	63.3	65.8	64.6	64.8	64.5	64.7	62.8	69
Slovenia	71.3	70.2	70.6	73.3	72.0	70.8	69.2	67.3	67.2	66.1	74
Slovakia	64.6	65.4	65.0	66.1	67.9	67.6	63.3	64.0	64.2	64.0	73
Finland	71.3	72.0	72.8	73.7	74.7	74.4	72.0	72.7	73.0	72.4	77
Sweden	76.5	77.2	77.5	79.8	79.3	77.5	77.4	78.7	78.4	78.2	79
United Kingdom	74.0	74.3	74.3	74.8	77.5	74.1	74.7	74.9	75.1	75.8	-

Source: Eurostat [13]

### 3.4 Wage and Employment Dynamics

Wage standards significantly impact employment rates. According to economic theory, an increase in wages enhances labor supply but may reduce demand for workforce, particularly in low added-value sectors.

### 3.5 Economic Predictions

Predicting labor market development is challenging due to global economic uncertainties. Short-term forecasts are frequently adjusted downward.

**Table 2.** Real GDP Growth Rate (% Annual Growth)

Country/Year	2018	2019	2020	2021	2022	2023
EU	1.4	1.6	2.7	2.3	3.3	3.1
Slovakia	4.7	4.9	5.2	6.8	8.4	10.6
Germany	0.2	-0.5	1.3	0.8	3.8	3.4
EU	0.6	-4.6	2.2	1.9	-0.6	0.3
Slovakia	5.7	-4.8	4.5	3.1	1.7	0.8
Germany	1.0	-5.0	4.1	3.4	0.8	0.5

Source: Own processing

The number of job offers achieves 1.6%, which corresponds to similar numbers as in 2020. Various factors will influence job creation in the coming years, particularly in low-skill positions. The services sector is expected to become a crucial part of Slovakia's economy. Currently, services are significantly undersized, representing less than 60% of the economy compared to 73% in the Eurozone.

## 4. DISCUSSION

### 4.1 Addressing Employment Challenges

Addressing employment challenges in Slovakia involves respecting macroeconomic specificities and structural issues. Effective policies must link economic growth with employment growth, ensuring that increased demand for goods and services translates into higher labor demand.

### 4.2 Policy Recommendations

- Active Labor Market Policies:** Enhance existing tools and introduce new measures to efficiently match labor supply with demand.
- Support for Disadvantaged Groups:** Implement EU-recommended measures, including the Youth Guarantee system, financial support for high-unemployment regions, quality internships, and labor mobility.
- Fiscal Measures:** Introduce levy relief on health contributions for low-income workers to reduce labor costs for employers.
- Investment in Education and Infrastructure:** Modernize education systems and improve infrastructure to create a conducive environment for job creation and economic growth.

### 4.3 Modernizing Employment Services

Modernizing employment services to align with employment policy directions, evaluating the effectiveness of these institutions, and providing personalized employment services are essential steps. Slovakia faces several challenges, including a high tax burden, administrative complexity, low legal enforcement, an unattractive tax system, corruption, and clientelism. Slovakia lags behind other EU countries in supporting start-up entrepreneurs.

#### *4.4 Supporting Disadvantaged Groups*

In Slovakia, several measures have been introduced to support disadvantaged groups in the labor market, including youth and long-term unemployed individuals. The EU Council recommends four basic measures to support youth employment:

- a. **Youth Guarantee System:** Offering quality employment, education, training, or internships within four months of leaving school for those under 25.
- b. **Financial Support for Youth Employment:** In regions with youth unemployment rates over 25%.
- c. **Quality Internships and Apprenticeships:** To facilitate the transition from school to work.
- d. **Labor Mobility:** To help young people gain employment, internships, or training in other EU countries.

Additionally, national projects provide specific support for employing young people up to 29 years old. From early 2015, Slovakia implemented measures to support unemployed youth, including subsidizing part of employers' labor costs. Structural funds under the Competitiveness and Economic Growth operational program also support youth employment.

#### *4.5 Addressing Long-term Unemployment*

Long-term unemployment is also a significant issue for older age groups. To address this, Slovakia has introduced measures allowing the simultaneous receipt of material aid, specific contributions for 12 months, and work income up to a certain amount.

#### *4.6 Reducing Tax and Levy Burden*

The tax and levy burden on low-income workers is a major obstacle to improving employment for low-skilled individuals. To address this, a levy relief on health contributions for both employers and employees has been introduced for wages up to 569 euros, reducing labor costs for employers.

#### *4.7 Regional Disparities in Unemployment*

Reducing regional disparities in unemployment requires economic development focused on supporting small and medium enterprises and tourism. Increasing funds for labor market policies, especially programs targeting long-term unemployment, and effectively utilizing EU funds for active labor market projects are crucial. The European Commission's "Employment and Social Inclusion" operational program, co-financed by the European Social Fund, aims to approach full employment and support those at risk of labor market exclusion. Slovakia's "Human Resources" operational program for 2014-2020 aims to increase the employment rate for those aged 20-64 to 72% by 2020.

### **5. CONCLUSIONS**

Enhancing employment growth in Slovakia requires a multifaceted and integrated approach. This includes modernizing education, improving entrepreneurial environments, and enhancing public administration efficiency. Support for disadvantaged groups and efficient use of EU funds are crucial for sustainable economic growth and higher employment rates. A comprehensive strategy addressing both supply and demand-side challenges will be key to achieving these goals.

By respecting macroeconomic specificities and addressing structural issues, Slovakia can effectively link economic growth with employment growth. Policies must ensure that increased demand for goods and services translates into higher labor demand. Enhancing active labor market policies and supporting disadvantaged groups will be vital. Fiscal measures such as levy relief on health contributions for low-income workers and investment in education and infrastructure are essential steps. Additionally, modernizing employment services and reducing regional disparities in unemployment are critical.

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exclusion. Slovakia's "Human Resources" operational program for 2014-2020 sets a target to increase the employment rate of individuals aged 20-64 to 72% by 2020. Utilizing the 14 billion euros from EU funds during this period is critical for supporting the entrepreneurial environment, SMEs, education, job creation, and environmental protection, particularly in less developed regions.

In conclusion, enhancing employment growth in Slovakia requires a multifaceted and integrated approach that respects the unique macroeconomic conditions and addresses both supply and demand-side challenges. By modernizing education, entrepreneurial environments, infrastructure, and public administration, Slovakia can significantly improve its employment rates. Emphasizing support for disadvantaged groups, efficient use of EU funds, and a comprehensive strategy to address employment and unemployment issues will be key to achieving sustainable economic growth and higher employment rates in Slovakia.

To conclude this topic, increasing the employment and economic growth in our country and in other V4 countries will require a very sophisticated strategy. That is an opinion of all labour market and economic growth experts who deal with this hot topic. What does it actually mean? It means that it will be necessary to improve education in Slovakia because it is considered not be modern enough by most of the high school graduates which is one of their reasons why they emigrate to other (mostly Western European) countries. Improving business environment will be also crucial in this context. Improving effectiveness of the public sector. Supporting the outsiders in the national labour and international social market and mostly much more effective use of various funds (national and EU funds) are very important for future ecologic growth and lower unemployment rate within young people. A strong strategy focused on supply but also focused on demand will be necessary in reaching the above-mentioned goals. That is why it is important to support innovation and adapt to global economic and non-economic trends. If we succeed in this, then Slovakia can create a performant labour and social market that will support social prosperity and inclusion for everybody. It is necessary if we want to be competitive to other EU countries (mostly V4 countries to which most young Slovak usually refer to). Besides all this, we advise to modern combination of public and private partnerships to support creation of new jobs and guarantee that our labor market policies would be more responsive to the requirements of our economy (the requirements are very demanding). Continuous evaluation of impacts of these the results of these politics will help to initiate and achieve better labour outcomes. We also advice to solve huge disparities and differences within our Slovak regions and to promote equal opportunities for everybody. If we succeed in this, then our country Slovakia can build a more inclusive and supportive labor and social market which will undoubtedly contribute to the entire well-being and economic stability of our economics.

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