

Labor market and social protection in Slovakia

Project „EU Enlargement and its Impact on the Social Policy and Labor Markets of Accession and Non-Accession Countries“

financed by Freedom House

Labor market - main trends and developments

- **growing number of economically active population**
 - a growth of 5.2% during 1997-2001
- **decreasing employment**
 - decreasing employment rate with temporary positive impact of public jobs
 - insufficient job creation (1 job opening per 28 registered unemployed)
 - share of women on employment is 46%
- **high unemployment**
 - almost 1/5 of labor force is unemployed (unemployment rate 18.2% as of 3Q/2002)
 - high long-term unemployment (58% of unemployed without job for more than 12 months)
 - unemployment has no marked gender aspect
- **significant regional disparities**
 - from 3,7% unemployment in Bratislava to 35,5% in Rimavska Sobota
 - corresponds with other phenomena (wages, education, health, values, etc.)

Labor market - causes of current state

High unemployment - a complex issue influenced by many factors:

- ineffective social system (relatively generous, with disincentives, high redistribution and solidarity, and prevailing passive measures)
- insufficient educational attainment (low education and qualification of a considerable part of labor force)
- poor links between the school system and labor markets
- barriers to business environment (high tax and payroll burden, instable legislation, rigid labor law, insufficient law enforcement)
- low labor mobility, rigid housing market, underdeveloped infrastructure
- other (e.g., restructuring of economy, demographic trends, passivity, tolerance of shadow activities, etc.)

Labor market - consequences and specific situations

- **unemployment of highest public concern** (ranking top among most pressing issues)
- **high economic and social costs**
- **growing risk of poverty**
- **shadow labor** (although relatively low compared with other countries in the region)
- **high dependence on social assistance** (57% of unemployed receive social assistance)
- **cumulation of problems in the Roma community**
- **deepening regional gaps**

Labor market - policy responses

- **Passive LM policies prevail** (made up 68.2% of total expenditures on labor market policies in 2001)
- **Active measures** (80% spent on public works mainly for long-term unemployed)
- **National Employment Plan** (follows the four pillar European employment policy but remains rather a statement than a real strategy)
- **a new Strategy promoting employment through reform of social system and labor market is being drafted** (it should strengthen motivation and reduce disincentives)
- **broader framework for proper labor markets** (business environment, labor legislation, etc.)

Social protection system in Slovakia

- **social insurance** (secure decent standard of living in old age, invalidity, survivor, pregnancy, disease)
 - pension security
 - sickness insurance
 - indemnification for occupational injuries and diseases
 - supplementary pension insurance
- **state social support** (support to families in case of certain events in the lives of families)
 - e.g. child allowances
- **social assistance** (assistance in material and social distress, disability)
 - social assistance benefits
- **labor market policies**
- **health care**
- **housing, education**

Social insurance/security

- **social insurance**
 - pension security (PAYG)
 - sickness insurance
 - indemnification for occupational injuries and diseases
 - supplementary pension insurance
- **unemployment insurance**
- **health insurance**

Compulsory contributions (in % of assessment base)

Contributions to	Employer	Employee	Total
Pension fund	21.60	6.40	28.00
Employment fund	2.75	1.00	3.75
Guarantee fund	0.25	.	0.25
Health insurance	10.00	4.0	14.00
Sickness insurance	3.40	1.40	4.80
Total	38.00	12.80	50.80

Social (security) system in Slovakia

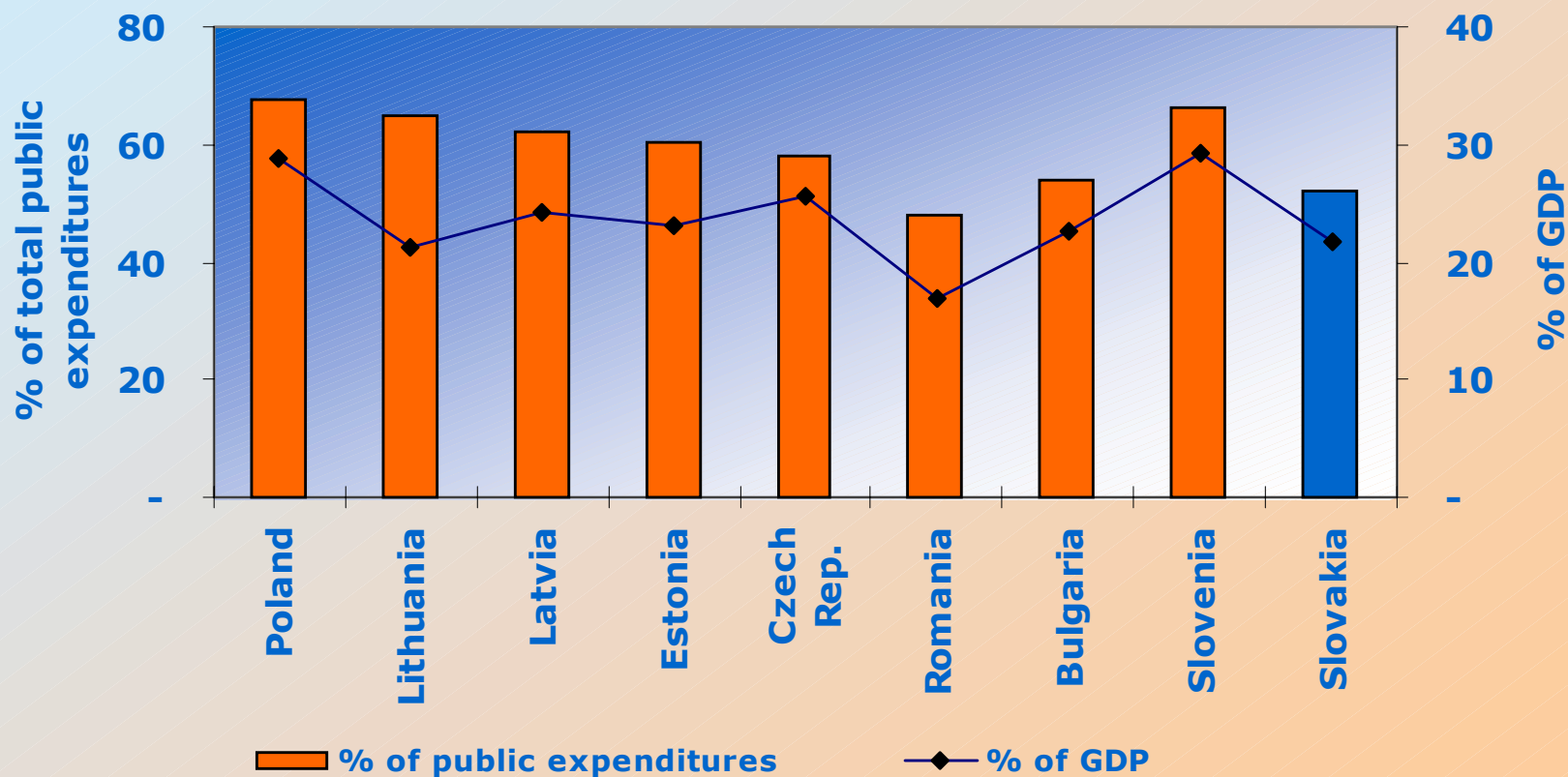
Responses

- are broad in scope and relatively generous
- help to reduce incidence of poverty, but has disincentive effects on active approach
- remain fragmented and isolated
- are dominated by passive measures
- redistribution is deemed more important than generation of sources
- individual merit is subordinated to solidarity, insufficient relation between contribution and benefit

Changes in responses are inevitable

- to reduce disincentives and motivate individuals to activity (better targeting of LMP, social support and social assistance)
- to balance social solidarity and individual participation (pension reform, health care reform, decentralisation)
- to strengthen multiresource financing of social
- to create social protection adjusted to economic, social and demographic reality

Public expenditures on social sphere (2000)



Challenges and opportunities of EU accession

- **no uniform model of social security in EU today, more diversified after accession of new members**
- **sustainability (financial, political)**
- **demographic trends**
- **transferability, international mobility**
- **shadow economy**
- **implementation of coordination rules, “open coordination”**
- **administrative aspects**
- **already existing bilateral agreements**