

Development of Unemployment and Long-term Unemployment in Slovakia

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Abstract: Historical, political, legislative and social development in Europe and in Slovakia has also been signed on the development of various forms of unemployment in our country. Among the EU Member States Slovakia belongs to the countries with the highest long-term unemployment. The development of long-term unemployment in Slovakia shows that this is a longstanding problem that negatively affects the quality of life of the population in many regions. The paper analyzes the development of unemployment and long-term unemployment in Slovakia and compares selected indicators with other Member countries. It also provides an overview of the impact of long-term unemployment on the unemployed individuals life.

Keywords: unemployment; long-term unemployment; Slovakia; European Union

JEL Classification: J60; J64

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Introduction

Unemployment rates in the European Union have been higher than the US and Japan since the 1980s. The unemployment rate and the character of unemployment, however, differed in the past and still differs substantial between Member States. In the 1980s, the EU countries did not notice so significant technical progress, unlike the situation in the US and Japan. That technological development has been accompanied, among other things, by the creation of new jobs.

By and large, the European Union lags the US and Japan, mostly in flexibility and labor mobility, as well as in the implementation of information society and scientific and technological progress.

1. Literature review

Amadeo (2017) defines the long-term unemployment as a situation “when workers are jobless for 27 weeks or more. To be counted as such by the Bureau of Labor Statistics, they must have actively sought employment during the previous four weeks. That means the number of long-term unemployed is probably under-counted. Most people become discouraged and drop out of the labor force after six months. They are not included in the labor force participation rate”.

As with short-term unemployment, long-term unemployment does not have one specific cause, but is rather the result of multiple social, economic, and individual factors. Whether it is a round of layoffs or personal circumstances, the reasons people become unemployed vary. However, while the specific causes of long-term unemployment are still a matter of debate amongst experts, recent and compelling evidence has shown how a combination of employer discrimination and the emotional toll that unemployment has on an individual contributes significantly to the struggles that the long-term unemployed encounter when seeking jobs. (Louie, 2014)

Long-term unemployment can plausibly affect individuals, families, and communities in direct ways (Nichols et al., 2013):

- Skills of individuals may erode through lack of use. The “depreciation of human capital” increases as time passes, meaning that the potential wages the unemployed can earn on finding a new job and even the chances of finding a new job decrease the longer they are out of work.
- Being out of work may reduce a worker’s “social capital” – the network of business contacts that make finding new and good jobs easier.
- Stress of being out of work can influence an individual’s physical and mental health, family dynamics, and the well-being of his or her children.

Long-term unemployment can also influence outcomes indirectly. While a worker is unemployed, that worker’s family income falls due to the lack of earnings, and that loss of income (which becomes larger as unemployment is longer) can affect the worker and the worker’s household. The loss of income can reduce the quantity and quality of goods and services the worker’s family can purchase.

According to the OECD long-term unemployment refers to people who have been unemployed for 12 months or more. The long-term unemployment rate shows the proportion of these long-term unemployed among all unemployed. Unemployment is usually measured by national labour force surveys and refers to people reporting that they have worked in gainful employment for less than one hour in the previous week, who are available for work and who have sought employment in the past four weeks. Long-term unemployment causes significant mental and material stress for those affected and their families. It is also of particular concern for policy makers, as high rates of long-term unemployment indicate that labour markets are operating inefficiently. This indicator is measured as a percentage of unemployed.

2. Development of Unemployment and Long-term Unemployment in Slovakia

The transition of the Slovak economy to a market economy and the related transformation of all spheres of social life has also hit the field of employment in the country.

Rievajová et al. (1996) describes the development of unemployment in Slovakia, and presents the first registry of job seekers in the Slovak Republic. It began in February 1990, when the employment offices registered about 1 949

job seekers and the unemployment rate was 0.07%. However, the unemployment trend had risen steadily by the end of February 1992 (319 294 job seekers at that time), and the unemployment had been at 12.7%. In 1992, the provision of material security for job seekers was shortened from 12 to 6 months. The provision has been 60% of the average net monthly applicant's earnings in his or hers last job, and 50% of that same earnings for the next three months. At the end of 1992, the number of job seekers was 260,274, which represented 10.38% unemployment rate.

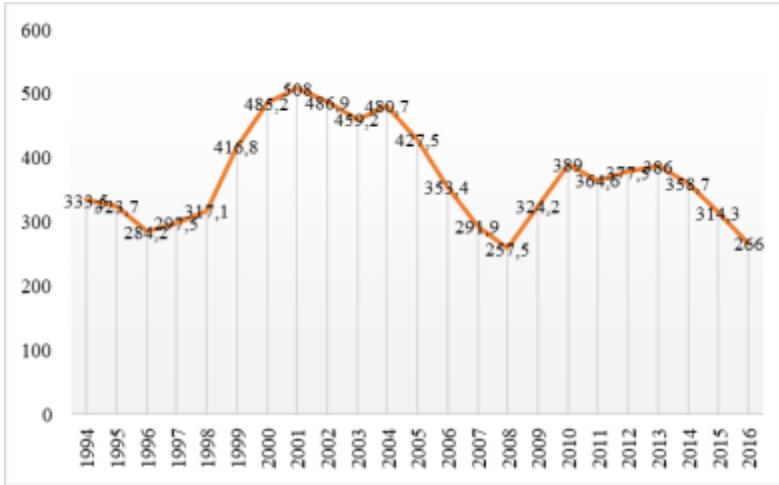


Figure 1. Development of the number of unemployed in Slovakia in the period 1994-2016 (in thousand persons)
Source: processed using SLOVSTAT data (2017)

Historical development shows that Slovakia experienced the biggest problem with unemployment between 1999 and 2004. The registered unemployment rate was up to 20%. After 2004 (the new right-wing government implemented reforms in employment, taxes, etc., which gradually attracted foreign investments in Slovakia), the number of unemployed began to fall rapidly until 2009, when the effects of the global economic crisis (decrease in production) began to appear on the territory of the Slovak Republic. In 2016, the unemployment rate was 9.7%.

Table 1 shows the development of unemployment in Slovakia between 2014 and 2016 by economic activity. The largest number of unemployed in Slovakia has been in the manufacturing and construction industry for a long time, even though in recent years there has been a decrease in unemployment in these sectors. The last column of the table graphically shows the drop respectively the increase in unemployment in different sectors of the economy over the last three years.

Table 1. Unemployed persons by economic activity of last employment (in thousand persons)

Activity	2014	2015	2016
A Agriculture, forestry and fishing	11,2	5,3	6,3
B Mining and quarrying	0,9	0,3	0,1
C Manufacturing	69	63,7	47,7
D Electricity, gas, steam and air-condition supply	0,7	1	1,2
E Water supply, sewerage, waste manag. and remediation	2,5	1,8	2
F Construction	28,9	23,1	23,4
G Wholesale and retail trade; repair of motor vehicles and motorcycles	34	30,5	24,8
H Transportation and storage	9,3	8,7	6,5
I Accommodation and food service activities	12,1	11,4	10
J Information and communication	3,7	2,9	3
K Financial and insurance activities	2,5	2,6	2,8
L Real estate activities	0,4	0,8	0,6
M Professional, scientific and technical activities	2	3,6	3,4
N Administrative and support service activities	5	7	7,2
O Public administration and defence; compulsory social security	14,3	18	14,1
P Education	5,6	5,6	7,1
Q Health and social work activities	10,7	7,6	7,3
R Arts, entertainment and recreation	2,6	2,1	3,2
S Other service activities	3,8	2,9	1,8

Source: processed using SLOVSTAT data (2017)

More important, however, is the figure for long-term unemployment. Average long-term unemployment for the period 1994 to 2016 represented 57.7% of all unemployed in Slovakia.

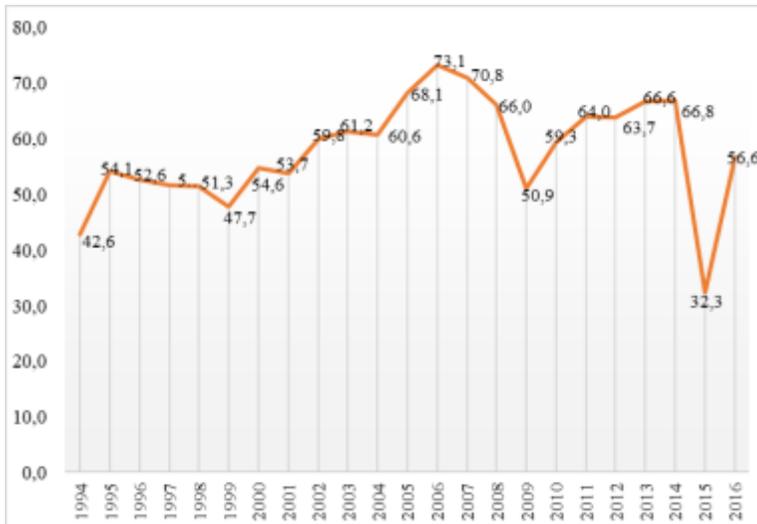


Figure 2. Long-term unemployment in Slovakia (% of total unemployed)

Source: processed using OECD data (2017)

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The peak reached long-term unemployment in 2006. These data confirm that Slovakia belongs to the countries that have a longstanding problem with the long-term unemployment of their citizens.

Figure 3 shows a list of EU member states in terms of long-term unemployment. The OECD average was 30.5% in 2016. Japan reported 39.5% of long-term unemployed while the US only 13.3%. Within the European Union, traditionally low level of long-term unemployment is particularly marked by the Scandinavian countries. Stable working conditions, work discipline and a stable economic situation are important factors in these countries impacting the structure of unemployment.

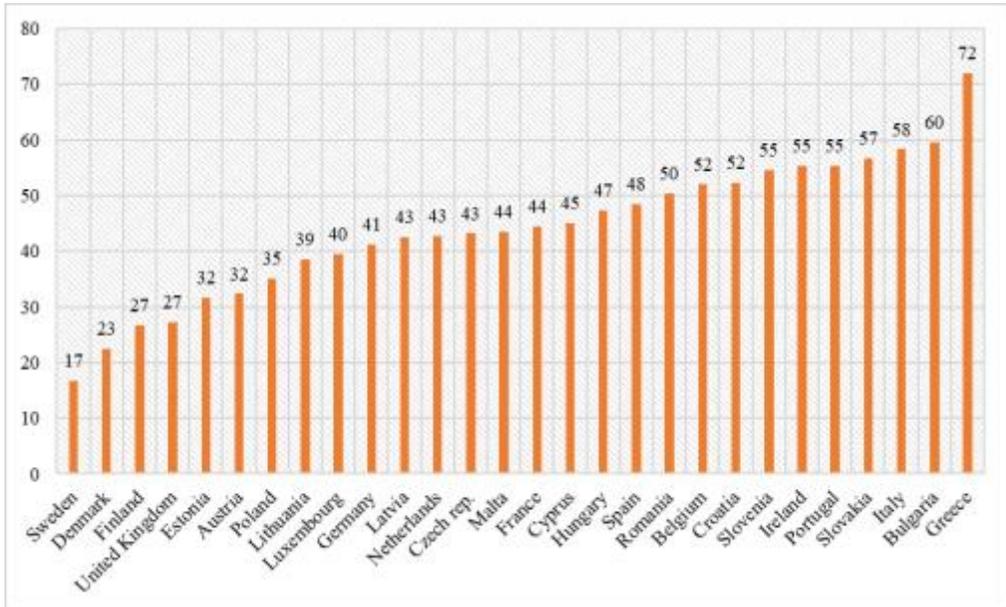


Figure 3. Long-term unemployment rate in the EU, 2016 (% of total unemployed)

Source: processed using OECD data (2017)

2.1 Impacts of long-term unemployment

Work, in addition to be a source of money for people, is also a source of other psychological aspects for an individual:

- work is a source of social status and recognition,
- work is the source of independence,
- it is the area of self-realization and development of human skills,
- and, the area of creating important social relations and contacts.

In the case of a short period without work, an unemployed person can feel relieved, free and having enough time. Short-term unemployment can be a challenge to find new life and work horizons. However, a longer-lasting situation without employment threatens all shown aspects of life and has unfavorable psychological consequences. (Figure 4)

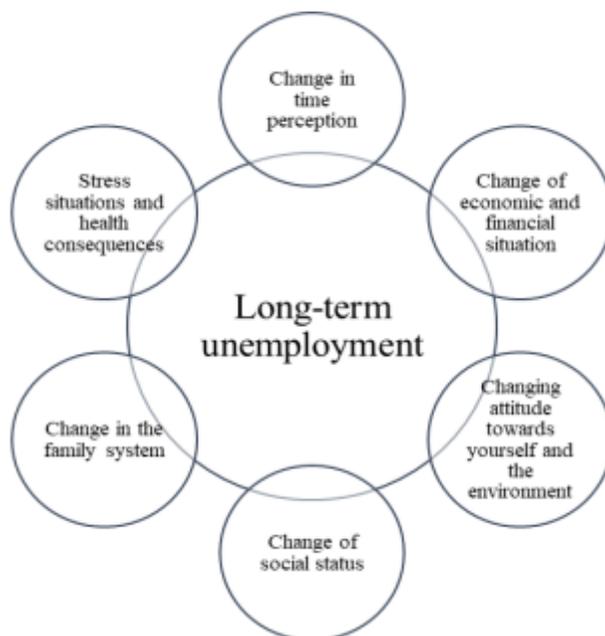


Figure 4. Possible impacts of long-term unemployment on life quality

Source: author

3. Conclusions

One of the biggest economic and social problems in Slovakia is long-term unemployment. Almost 60% of all unemployed are unemployed for over 12 months. According to the OECD, it is the fourth highest long-term unemployment in the European Union. However, the current trend is that, together with the falling unemployment rate, long-term unemployment also declines. Long-term unemployment in Slovakia, among other things, is due to inappropriate links between the education system and the labor market, regional differences or insufficient infrastructure in the regions.

Even though different authors, respectively institutions define long-term unemployment differently, they coincide with its consequences. The situation of a long-term unemployed person is very difficult, not only financially but also psychologically. High unemployment has negative impacts not only on unemployed individuals but also on their families and finally on the economic development of the region as well as the whole country.

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