

NATIONAL EMPLOYMENT STRATEGY OF THE SLOVAK REPUBLIC UNTIL 2020

Introduction

The biggest challenges of the economic policy in Slovakia are solutions that align **the consolidation objectives with the goals of growth, employment and quality of life**. That is why the costs encouraging the economic growth and employment are preferred. This will create the preconditions for faster and sustainable economic growth and achieve a higher level of employment and improve the quality of life.

A necessary condition for the further development of the Slovak economy and raising the standard of living of the population is **addressing the employment** that would lead to **the creation of sustainable jobs**. In accordance with the Policy Statement of the Government of the Slovak Republic from May 2012 has been proposed by the Government of the Slovak Republic (hereinafter referred to as "the Government of the SR") has already proposed several legislative changes that together with other factors will have a positive long-term impact on the labour market. The key factors are those that seek **to eliminate the barriers to employment growth** and allow flexible forms of labour relations, as well as **reform changes in active labour market policy** and changes in the field of work protection.

Currently, at the national level, there is not any separate comprehensive strategic document for employment and its development. In order to support the employment it requires a **comprehensive interdepartmental solutions** and strategy of changes must be closely linked to the creation of jobs in various sectors of the economy. The medium-term, comprehensive and interconnected system of the strategic employment support has the potential to become a coordinating factor of processes based on the job creation. Such system of **interconnected strategies of changes** offers the **National Employment Strategy of the Slovak Republic until 2020** (the "Employment Strategy").

The Ministry of Labour, Social Affairs and Family of the Slovak Republic is, in accordance with art. 15.1 point. d) of Act no. 575/2001 Coll. on the organization of government activities and **the central state administration as amended, the central government authority for the employment strategy, coordinating its development** and the policy of labour market.

Given the cross-sectoral and over-sectoral nature of the employment topics the strategy of changes is elaborated as **the identification of those changes that need to be made in over-sectoral cooperation**, while respecting the scope of competence of individual ministries. **Adoption and coordination of specific tasks** (action tasks), activities, measurable indicators, instruments and mechanisms, **by which these changes will be performed**, shall be **carried out through over-sectoral coordination platform for promotion of employment**, that shall be established at the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

In particular the economic development has a dominant influence on the development of the employment. In this context, the employment strategy includes macroeconomic determinants of employment development that builds on the basic assumptions and principles of changes in area of employment in continuity with the target state of employment in the European Union and Slovakia until 2020. The priority status in the structure of the document has a strategy for achievement of the objectives in key areas, consisting of identification of the main challenges and strategies of changes, while its title also includes the working title which is the **Complex program for support of employment.**

The employment strategy in certain areas builds on the **already adopted strategic documents** such as, for example, promotion of economic growth, the national regional development strategy, the national reform programme, the national programme for the development of living conditions of persons with disabilities, strategic framework for the protection of labour, active aging, gender equality, lifelong learning and counselling, Roma integration, report on search and fight against illegal work and employment, or the upcoming strategy documents, for example, for poverty reduction, development of universities and etc. It is not applicable to employment issues within the ministry of interior and ministry of defence.

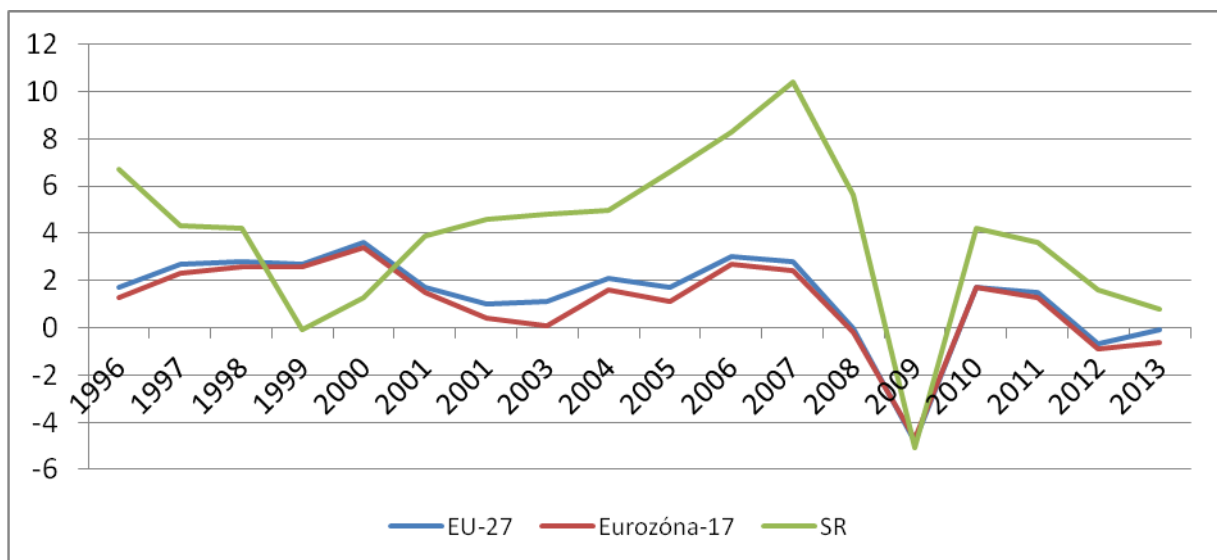
The Employment Strategy has been drafted **with the support of the national project** the National Employment Strategy of the Slovak Republic, which was funded by the European Social Fund (ESF) under the Operational Programme Employment and Social Inclusion. The responsible entity was the Institute for Labour and Family with participation of the concerned central government bodies, state agencies, local governments, representatives of employers, representatives of trade unions, research and development area and others.

1. MACROECONOMIC DETERMINANTS OF EMPLOYMENT DEVELOPMENT IN SLOVAKIA

1.1. Development of gross domestic product in the European Union and eurozone

Growth of the gross domestic product (GDP) in the European Union (EU) has been consistently increasing since the mid 90s with a significant decrease only in the years 2008 to 2010 during the global crisis. Gross domestic product in Slovakia before the EU accession recorded firstly a decline of its dynamics (1996 - 2000) in connection with the restructuring of the economy so that subsequently the economy took a trend of more significant increases of the GDP that strengthened in the first years after EU accession. After 2010, the Slovak economy has been practically copying the trend in GDP development both in the EU or the eurozone.

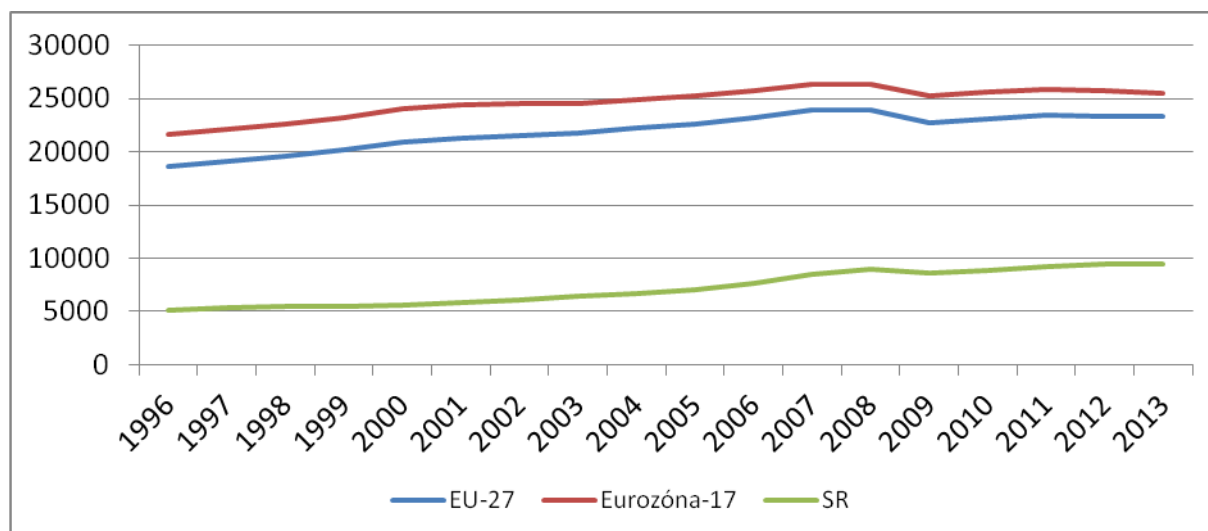
Graph 1. The annual rate of increase (decrease) of GDP in %



Source: Eurostat

Trend of GDP growth is projected to GDP per capita, which is gradually and continuously growing. However the difference of Slovakia in terms of GDP per capita comparing to more developed EU member states preserves. Though the Slovak economy in 2013 annually increases, the economic growth was slower comparing to previous three years, which led to a suspension in reaching its performance (SR reached 76% of the average of EU28 in terms of GDP per capita in purchasing power parity).

Graph 2. Development of GDP per capita in Euro



Source: Eurostat

1.2. Macroeconomic development in SR

Table 1. Development of selected macroeconomic indicators (ESA2010)

	2006	2007	2008	2009	2010	2011	2012	2013
GDP in b.c. (bn. euro)	56,16	62,85	68,16	63,80	67,20	70,16	72,18	73,59
Formation of gross fixed capital (bn. euro)	15,34	16,90	17,50	13,92	14,91	16,95	15,39	15,05
HICP (%)	4,3	1,9	3,9	0,9	0,7	4,1	3,7	1,5
Balance of public finance (% GDP)	- 3,57	- 1,92	- 2,36	- 7,92	- 7,49	- 4,11	- 4,22	- 2,63
Debt rate (% GDP)	30,69	29,84	28,20	35,98	41,10	43,45	52,11	54,60
Development of work productivity (s.c.) (%)	6,1	8,4	2,2	-3,4	6,4	0,9	1,6	2,2
Development of employment v %	2,1	2,1	3,2	-2,0	-1,5	1,8	0,1	-0,8

HICP = inflation measured by harmonized index of consumer prices

Source: Statistical Office of the Slovak Republic and Slovak National Bank

The crisis in the years 2009 – 2010 significantly restricted the promising growth of investments in the pre-crisis period, and a sign of their growth again decreased just after the crisis. Growth of labour productivity after 2007 significantly reduced with the exception of 2010 and recorded low increases. Both of these indicators document the trend of gradual stabilization of the status quo of the economy. Economic growth in the pre-crisis and post-crisis period was more affected by intensive (labour productivity) than extensive factors (employment). Other macroeconomic parameters are developing in the last decade in form of leaping and document the continuous instability of the economic environment: this applies to both inflation (once high and sometimes low levels – e.g. during the crisis and now), as well as the general government balance and debt, that are due to their high values quite limiting for the manoeuvrability of the Slovak government.

The economic growth of the Slovak economy is based mainly on the high-quality production of foreign companies combining the use of cheap work force and imported technologies.

However, continuation in this model is not sustainable in the long term, at least due to two reasons.¹ Firstly, the economic growth that is long-term based on a long-term use of cheap work force does not meet the basic socio-economic objectives of the company. Secondly, in current highly globalized and fragmented production system the economy may, despite the increasing share of technologically demanding goods in the production or export, remain the economy specializing in activities that are technically less demanding and do not require a highly skilled workforce. It may also find itself in the same "vicious" circle with low levels of human capital, low technology complexity and weak innovation potential. In addition, some foreign investors in Slovakia may at any time terminate their business and move to another location.

A problematic aspect of the Slovak economy is, inter alia, the overall weak performance and particularly low innovation activity of domestic corporate sector. Domestic enterprises yet form in the Slovak economy extremely important segment – e.g. in 2010, they encompassed 78% of employees and generated 64% of the added value of the non-financial corporate sector. Overall, the service sector has a weaker position than in the EU15 Member States in the Slovak economy, where the difference in its proportion on the added value, or employment, represents about 12 percentage points (pp). According to the analysis of changes differences in the structure of the Slovak economy and advanced countries of the EU before and after the recession, the largest part of the differences accounted in 2008 for knowledge demanding services and within them it accounted for the block of services funded or subsidized by the public sector. These are in particular education, science and research, health care and social assistance.

1.3. Influences of domestic demand

The basis of the macroeconomic framework of the employment strategy is to respect macroeconomic specifics that crystallized in the long-term development of the Slovak labour market. Among these specifics plays a key role the link between market of goods and services and the labour market. The effectiveness of this link, so that a unit increase in demand for goods and services generates the greatest growth of workers in the national economy, depends on several factors. Among these factors play a crucial role in particular:

- structure of aggregate demand generating economic growth and
- conditions determining the involvement of the working population in the work process.

¹ Gabrielová, H., 2013: Weak sides of the Slovak economy. In: Morvay, K. (ed.): Perspectives of structural problems of the Slovak economy, EÚ SAV, Bratislava, p. 48-76.

Aggregate demand

In view of the possibilities of employment growth is important in what proportion is consumption, investments and export growing within the aggregate demand. The growth of each of these components leads to different effects on the development of employment.

In terms of the structure of aggregate demand, **the greatest impact on growth of the number of workers has the growth of final consumption altogether and growth of gross fixed capital formation.** Compared to these components, the impact of exports on growth in the number of workers is considerably lower. It is due to the current structure of Slovak export whose majority is performed by large established companies ensuring the export growth largely through labour productivity growth with substantially smaller needs to create new jobs than the needs arising with the growth in domestic demand. This means that **no reasonable economic growth, predominantly generated by foreign demand, may lead to a significant increase in the number of workers.** Such an increase is possible only if within the aggregate demand growth during the growth of foreign demand also the domestic demand grows reasonably.

Significant impact of export on growth in the number of workers can be achieved in two ways. Firstly, through the arrival of other foreign investors who in connection with the export of goods and services will create new jobs. Secondly, through increasing the intensity, efficacy and quality support of export of Slovak producers (especially small and middle), in which an increase in production for export will lead to the creation of new jobs.

The creation of new jobs in the production of goods and services for final consumption (households, government and non-profit institutions) is significantly influenced by labour intensity and competitiveness. The more work is required to produce units of goods, respectively services, the greater the opportunity for job creation. On the other hand, if the creation is more expensive, than it is less competitive. Only the creation of competitive goods, respectively service, has a chance to stay on the market, further develop and be a source of sustainable jobs. From a macroeconomic perspective, the creation of units of production in agriculture is much more work demanding than in the industry. In general, a significant portion of services is more laborious than the majority of material production.

In view of the possibility of new jobs the greatest potential is in the services. It is mainly due to the fact that services are in terms of the Slovak economy significantly underpowered. While the average level of the share of services in creating the added value in the eurozone, according to the Eurostat, exceeds 73%, in Slovakia the proportion is less than 60%.

The processes that lead to the creation of new jobs in the gross fixed capital formation, go on two levels:

- on the first level they relate to the creation of long-term assets and
- on the second level they relate to its use.

On the first level, these processes relate to production of machinery, creation of software system, construction of the production hall and etc. The growth in demand for long-term assets leads to the growth of industrial production, software services and construction production, affecting the development of employment.

On the second level, these processes relate to the use of long-term assets within the creation of production in the national economy. This is, for example, the production of goods, operation of the information system of the company, the use of the hall for the operation of the production line and etc. In this process, the long-term assets wear away, that is related to the provision of ongoing productions and also development that is related to the future productions. This formation of long-term assets is required to be within the investment process, so the gross fixed capital formation, firstly restored (through replacement investments; this category of investment on national economic level represents the consumption of fixed capital) and secondly developing (through development investments; this category of investment on national economic level represents the difference in gross fixed capital formation and consumption of fixed capital). Demand growth for:

- restoring part of the gross fixed capital formation may or may not cause an increase of workers and
- developing part of the gross fixed capital usually leads to the growth of workers.

The result of the investment process is the accumulation of long-term assets. This accumulation can be collectively characterized by the development of capital skilled work (long-term assets per worker in the national economy). While in 1995 the long-term assets per worker in the Slovak economy was in the amount of 25.2 thousand Euros (at procured prices), in 2000 it was 40.3 thousand Euros and in 2010 74.7 thousand Euros. Based on the comparison of this increase with the development of unemployment (unemployment rate in 1995 was at 13.1%, in 2000 at 18.6% and in 2010 at 14.4%) we can state that so far the recorded growth of long-term assets did not contribute to solving of the long-standing problem of Slovakia with high unemployment. The basic causes of this situation are mainly the structure of long-term assets (share of machinery and equipment to long-term assets together accounted for 17.5% in 2011) and low share of development investments in the gross fixed capital formation (linked to the inadequate innovation activities and low levels the application of science and research results in practice).

Growth in developing investments increases the impact of the formation of long-term assets on jobs creation. In times of economic downturn it is appropriate, in accordance with the principle of sustainable development, to support aggregate demand and within it the development investments, because in addition to the positive impact on the recovery of economic growth they will also lead to the creation of new jobs.

The conditions determining participation in the work process

The involvement of the working population in the work process is determined by different conditions in employment and in self-employed form. However, in general it is applicable that when the following conditions are feasible and they deliver adequate benefits for all stakeholders, the link between market of goods and services and the labour market is better and the increase in demand for goods and services may produce greater increase of workers in the national economy.

The main causes of poor quality conditions determining the involvement of the working population in the work process includes in particular:

- in terms of the self-employed – business environment not corresponding to the needs of the economy,
- in terms of employees - mismatch of demand and supply side of the labour market, the level of education and insufficient links with the labour market and lack of motivation resulting from the relationship between the social security system and remuneration.

2. BASIC STARTING POINTS AND PRINCIPLES OF CHANGES IN EMPLOYMENT

The role of the employment policy at the national economic level, in coordination with other policies, is to create the conditions for entering the labour market for those who may work, want to work and are looking for work, and for sustainable employment.

Increase of participation of the working age population in employment, respectively the growth of employment, and especially of disadvantaged people, and their continuance in the labour market is a major protection against poverty and social exclusion.

During the aging of the population, decrease in the number of jobs and rising unemployment, particularly as a result of the global financial and economic crisis, there is a need for increased coordination of economic policy, employment policy and social policy, at both EU and national level. Such an approach should help to promote the economic growth, job creation in the future and overall increase of the quality of life. At the same time it supports and encourages the efforts of the states to ensure the financial and social sustainability of social protection systems applied.

2.1. Current state of employment

According to the Statistical Office of the Slovak Republic, according to the Labour Force Survey (LFS), employment in the last three quarters annually increased, while in the second quarter of 2014 its growth accelerated to 1.1%. **The number of workers** on average in the first half of 2014 compared to the first half of 2013 increased by 0.6% (14.7 thousand) to 2 342.5 thousand people. The increase in total employment was affected mostly by growth in the number of employees by 0.8%. The number of entrepreneurs has increased by 0.1%. This slight increase was associated with a decrease in the largest group of entrepreneurs - entrepreneurs without employees by 1.4%, while the number of entrepreneurs with employees increased by 6.1%.

Employment growth is also reflected **in the employment rate of people aged 20-64 years**, which reached in average for the 1st half of 2014 level 65.4% and annually rose by 0.4 percentage points. Favourable situation on the labour market did not reflect in the employment rates of both sexes equally. The employment rate of women aged 20-64 years in the first half of the year increased by 0.9 percentage points to 58.4%, but among men in the same age group declined by 0.2 percentage points to 72.3%.

In terms of educational level in the first half of 2014 the addition of university educated people to labour market increased by 9%. On the contrary, the biggest decrease was in the number of people with primary education (11.7%) and upper secondary education with graduation by 8.4%. **According to the age composition** the total employment has increased especially in the age group 35-49 years by 3.9%. The number of workers has declined mostly

in the age groups 25-34 years by 2.9% and from 15 to 24 years by 1.6%. Employment development in the **regions** was also different in the first half of 2014. Number of employed persons annually increased in four regions, the highest in Košice region (3.1%). In the four regions the employment decreased with the most significant decrease in Trnava (2.1%) and Banská Bystrica (2%) regions. The employment rate in the age group 20 to 64 per year over the same period last year increased in four regions. The most significant growth of 2.1 pp to 60.8%, was in the Košice region.

Along with the growth in employment there was a growth in **the number of vacancies**. Compared with the first half of 2013, there were 8.7% (in absolute terms by 1326) more vacancies. Most vacancies were added in the industry and professional, scientific and technical activities. Conversely, a fall in the number of vacancies was reported mainly in the healthcare and social assistance and administrative and support services.

2.2. Tendencies in employment development in terms of the status of workers in employment

The population may participate in the work process, respectively may be involved as employees or self-employees. The development of the ratio between these two categories is shown in table 2.

Table 2. Share of employees and self-employees in working people of the SR in %

	1995	2000	2005	2010	2011	2012	2013
Employees	93,5	91,9	87,0	84,0	84,1	84,5	84,5
Self-employed*	6,5	8,0	12,6	16,0	15,9	15,5	15,5

* businessmen with employees, businessmen without employees, assisting members of the households of the businessmen

Source: Statistical office of the SR, LFS

After 2010, the fall in the share of self-employed to workers together is a certain reflection of the method of solving the problems of the Slovak labour market after the global economic and financial crisis. Their resultant was development, in which within the increase of the workforce by nearly 12 thousand for the period 2010 - 2013 the number of employees increased by 20 thousand and the number of self-employed decreased nearly by 8 thousand. This increase in the number of employees was achieved by the increase of public sector employees by almost 26 thousand and decrease in the number of employees in the private sector by almost 6 thousand. The decrease in the number of employees in the private sector was due to the drop in the number of self-employed of 8 thousand, whereby reducing the number of businesses with employees of nearly 10 thousand, while the number of entrepreneurs without employees increased slightly (by more than 3 thousand.).

Table 3. Share of the employees in public and private sector together in %

	1995	2000	2005	2010	2011	2012	2013
Employees in public sector	62,3	52,1	37,6	31,2	31,4	32,2	32,2

Employees in private sector	37,7	47,9	62,4	68,8	68,6	67,8	67,8
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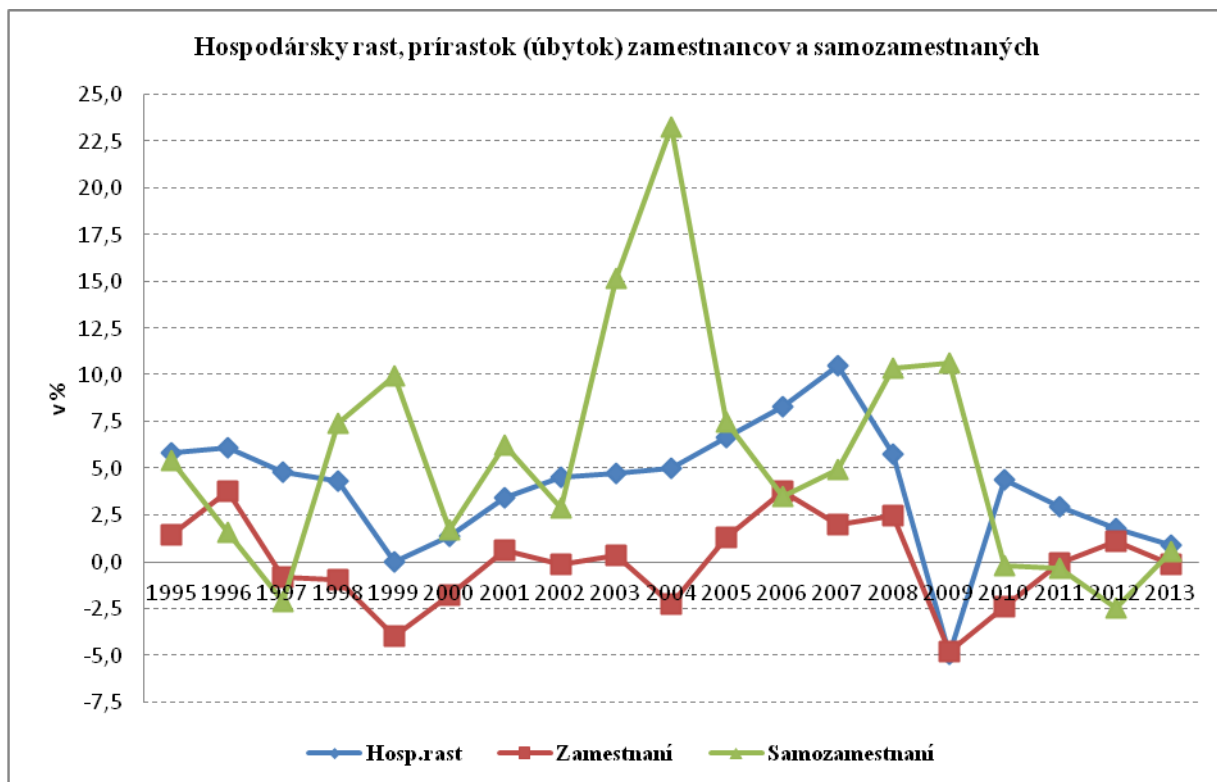
Source: Statistical office of the SR, LFS

These results indicate a development that is unsustainable. Its continuation would not lead to such job creation, which would solve the high unemployment in the Slovak economy. It is given by the present conditions determining further economic development, especially by the consolidation of public finances and improvement of the efficiency of the public administration.

The basis of appropriate solution must be based on starting the process that will lead to an increase in the proportion of self-employed workers to employees together and employees in the private sector together. To do so, in order to create more jobs, there is a need for more businessmen because further increases in public sector employment would jeopardize the consolidation of public finances and would be contrary to the increase of the efficiency of public administration. It would be desirable if the self-employed recorded a slight increase in 2013 (0.6% annually), including in relation to setting more favourable conditions for their entry into the labour market (e.g. the reduction of administrative burdens from 1 January 2015), and it would be possible to interpret it as some indications of such tendencies.

Comprehensive picture of the long-term formation of mutual relations between employees and self-employed in response to economic growth is shown in graph 3. The graph shows a certain complementarity between inflows (outflows) of employees and self-employed (ie, increase of staff - loss of self-employment and vice versa) and a stabilizing effect triggered by the development of additions to the self-employed in response to economic growth. The essence of this stabilizing effect is that the decline in economic growth the increase in the number of self-employed generally induces the creation of new jobs, which may mitigate the decline in employment due to lower economic growth.

Graph 3. Economic growth, inflow (outflow) of employees and self-employed in the SR



Source: Statistical office in the SR

While in 2008 one percent economic growth was associated with a 0.56% increase in the number of workers, in 2012 it was 0.33% and in 2013 only 0.01%. The sensitivity of the growth in the number of workers to economic growth is the result of several factors. The basic macroeconomic consequences of this situation include a decline in the share of self-employed workers together and decline in the share of employees in the private sector to the employees together. In terms of development of conditions for involvement of the population in work process it is a proof, firstly because it reduces its interest **in joining the work process, respectively the continuation in the work process as self-employed, and secondly because the private sector does not create such number of jobs needed by the Slovak economy.**

2.3. Specific questions of employment

In the employment strategy the following specific areas need to be solved within the Slovak labour market:

- Regional dimension of employment
- Burden of unemployment
- Weak salary level
- Topic of employment of young people

- Education and labour market
- Innovations as a tool of employment support
- Support of employment of Roma
- Green economy
- Questions of improvement of work culture
- Promotion for image of Slovak production
- Gender equality including the balancing of family and work life
- Questions of employment of elderly

Regional dimension of employment

Economic performance and the distribution of the economic potential of the Slovak Republic are in the long term perspective, as well as regional focus, strongly differentiated. A particular feature of the regional structure of Slovakia **is a significant and ever deepening economic and social differentiation level of regions.**

Regional disparities in Slovakia are the result of interaction of several sets of conditions and factors. Existing situation is objectively related to an historical development, furthermore with determining geographical circumstances of Slovakia, but also with other factors such as human resources, basic infrastructure and services, globalization (the regions are more sensitive than countries), technological change (growth of the service sector and the knowledge-based economy - "technology-oriented regions" are becoming more competitive). These factors, together with strongly differentiated regional localization of foreign investment can be considered as the main factors of regional disparities in employment in Slovakia.

For decades, in the employment, respectively unemployment, in Slovakia there are still large regional differences associated with social, political and economic changes. It can not therefore be regarded as temporary, cyclical fluctuations.

Burden of unemployment

A significant problem in the Slovak labour market is a **long term high imbalance between labour supply and the demand for labour.** In practice since 1990, the high level of unemployment has been maintaining, which is amplified by the high rate of long-term unemployment. The largest group of jobseekers at the Offices of Labour, Social Affairs and Family (hereinafter "the Office LSAF") are long-term unemployed jobseekers (registered for at least 12 consecutive months). From a regional perspective, **unemployment is concentrated in the eastern and south central Slovakia.**

Education levels significantly affect the ability to compete in the labour market, and the lower the education, the less chance to be employed. **Low qualification significantly reduces the opportunities for employment.**

The highest numbers of jobseekers are in the age group 20-24 years, 25-29 years, on the basis of which it can be concluded that the most numerous group of jobseekers in terms of age are **younger age categories**. In the third place are jobseekers aged 35 to 39 years. For other age groups, these numbers are balanced. The lowest number of jobseekers is registered in groups up to 20 years and a group of over 60 years, which is mainly due to the fact that both groups are relatively under-represented among the economically active population because of the studying, respectively due to reaching the retirement age and subsequent receive of pension.

The most numerous job, in which the jobseekers have practice, are vendors, handling personnel, support staff in the production, general office workers, bricklayers and related workers, cleaners, professional administrative assistants, waiters and sommeliers, skilled construction workers and craftsmen, machinists, toolmakers and related workers, assemblers and drivers of trucks and lorries.

Weak salary level

Income level of employees (measured by compensation per employee) and its development is one of the sources of funding for actual individual consumption and an important factor that directly affects employment in terms of labour demand and labour supply. According to calculations of the National Bank of Slovakia² (NBS) the level of nominal compensation per employee in Slovakia from 2003 to 2009 in relation to the level of the EU-28 almost doubled. In 2009, nominal compensation per employee reached 41% of the EU 28. Since 2009, despite the yearly increase, the convergence of nominal compensation almost stopped.

Compensation per employee in purchasing power in Slovakia in 2013 reached 65% of the EU28, which was an increase compared to 2003 by 15 percentage points. According to the NBS, compensations per employee in purchasing power in Slovakia since 2009 do not converge, what has an adverse impact on living standards. Compensations per hour worked in purchasing power parities are yet converged less when the SR reaches 60% of the EU28. Employed people in Slovakia work, on average more hours than workers in developed countries. Further convergence of compensations should positively influence the accumulated labour productivity, which creates room for faster growth of wages.

Topic of employment of young people

The global economic crisis since 2008 was reflected in the decrease of jobs and increased competition on the job offer. In the Slovak labour market it is much more difficult to place the disadvantaged groups of population and the way of young people from education to work has complicated. An increasing number of young people who are studying, but in the end after completing the education they do not find a job, or it takes them much longer to find a longer-term work. The proportion of unemployed young people aged 15-24 years in Slovakia has

² In: Karmazín, B: What is the state of our compensations in comparison to surrounding countries? Biatec 8/2014, pp.14-15

been reaching a third of the economically active from this age group (except for the years 2007 to 2008, when their share fell to fifth).

For comparison, the average for the EU 28 in the share of unemployed young people aged 15-24 years has been since 2009 about one-fifth of the economically active age group.

Given the fact that not all young people aged 15 and over are in the labour market (studying, not actively seeking work, etc.), for the purpose of the measurement of youth unemployment is also used the indicator of proportion of young unemployed people in the population of the same age group. In 2013 this indicator reached the value of SR 12.2%, which was slightly above the EU average of 28 (10.6%).

Taking into account the number of young people in education, the inactivity rate of young people under 25 years (so those who are not employed or involved in the education or training - NEET) in 2013 amounted to 13.7% in Slovakia (13.0% EU28). The inactivity rate of young people under 29 has reached in 2013 level of 19% (15.9% EU28 average).

Addressing the specific issue of youth employment intensified with the current government, taking into account the specific European **Initiative to promote youth employment**. Many principal changes were done in the employment of young people designed based on new design solutions and approaches helping to promote the youth employment.

An important measure of active labour market policies for promotion of youth employment is **implementation of projects from the sources of the ESF focusing on promotion of job creation in the private and public sector for the unemployed up to 29 years**. As of 31 August 2014 there was supported through the projects the creation of more than 11.5 thousand jobs for young people. Success of the project solutions is confirmed by the current results, where nearly 7 thousand young people were involved in the project, which as of the 31 August 2014 completed the mandatory and supported employment, and 80% remain employed.

An important starting framework that should be followed by the employment strategy in addressing this specific issue is **the National implementation plan of guarantee for young people in the Slovak Republic**, which was discussed and taken into account by the Slovak Government at its meeting on 5 February 2014. The document contains a timetable of reforms (legislative changes) and initiatives (programs and projects) for support of youth employment. Strategically the guarantee is **addressed exclusively to young people who are not employed, do not continue in education, or do not participate in training** (not in employment, education or training - NEET) up to 29 years, while in the age group 25-29 years it covers in particular long-term unemployed (over 12 months) or young people unemployed over 6 months.

Support for young people is directed to a quality **offer of employment, further education, apprenticeships or internships** within four months after the loss of employment or completion of formal education. Act no. 311/2014 Coll., amending Act. 5/2004 Coll. on

employment services and amending certain acts effective **from 1 January 2015, creates an opportunity to promote a workplace for young people in their first regularly paid employment and encourage the concept of the right of first employment.** The project concepts aiming to promote work experience in employment are prepared. Guarantee is set in a way, so that it will provide a second chance to education (completion of primary school, acquiring professional qualification), and will also provide training for the initiation of self-employment, assistance for the employment of young people with disabilities and etc.

The broader implementation of guarantee is foreseen by launching a new Operational Programme **Human Resources for the programming period 2014 - 2020** (draft of the operational program was approved by the Government Resolution no. 229/2014 on 14 May 2014). Part of this proposal is based on the requirement of the European Commission a new Priority line 2 "Initiative to support young people" and its investment priority "Permanently sustainable integration of young people, especially those who are not employed or are not in education or training, to labour market including young people at risk of social exclusion and young people from marginalized communities including the implementation of system of guarantees for young people". These documents adopted by the current Government need to be taken into account, or **further form and qualitatively develop** during the preparation of the strategic framework for employment in the Slovak Republic for the period 2014 – 2020.

Education and labour market

Education is one of the means to obtain explicit knowledge, which promote building of the knowledge-based society, the foundation stone for ensuring sustainable growth, competitiveness affecting labour market flexibility, or occupational mobility of the workforce and its adaptability. However, currently, the vocational schools with respect to the dynamics of economic and technological development, do not provide sufficient competences to graduates for their whole professional life. Slovak education system is struggling with problems of underdevelopment of technical education and in the relation between the education system and the labour market needs. There is missing a link of current requirements, but also practical knowledge of the profession in the education system. All of the abovementioned deficiencies of the educational system are reflected in the mismatches in the labour market and the structure of graduates leading to **a paradoxical situation in the labour market, where, despite the high number of unemployed persons per vacancy, there are professions lacking skilled workforce.** This is also due to the fragmentation of responsibilities in the area of career guidance and further lifelong learning for the labour market between the Ministry of Education, Science, Research and Sport and the Ministry of Labour, Social Affairs and Family.

Among the other problems is the **system of school funding that is depending on the number of students and pupils in schools.** This system results in an inadequate reduction of claims by the educational system for pupils and students in order to reach the wider group. It

also leads to the opening of branches, which are attractive for the adolescents, but have insufficient potential for their future success in the labour market.

In terms of employment the development of lifelong and continuing education is important as a condition for strengthening **the job mobility, including continuing professional education**. Professional staff development, or further training in enterprises is one of the preconditions for economic development and strengthening of the adaptability of the workforce to changing conditions. In recent years, there was a significant decline in the SR in resources for support of further education, where the last time the demand-oriented projects of continuing education were financed by the ESF provided in 2010.

Innovations as a tool of employment promotion

The main reserves are in Slovakia in commercial research, including low rates of patenting, the low number of researchers in the commercial sector and low investment in research and development. The main challenges for the public sector are, in respect of activities in research and development, in further enhancement of the quality of science and in cooperation with public and private sector. The Slovak Republic must improve the quality of higher education system and further enhance the quality and internationalization of their universities, because they are not assigned to the major universities in the world rankings. Given the low number of scientific output, the overall efficiency of the public sector in the field of science can be increased. The relative strengths of Slovakia are the human resources and outputs, with a strong increase in the number of new graduates in science and technology and at the PhD level. (2,119 in 2013, 1,218 in 2006). However, less of them are employed in the business sector. Slovakia in recent years gained a large amount of foreign direct investment, which could create favourable conditions for the gradual improvement of the knowledge intensity of local production, which would be beneficial to the economy by creating better paid skilled jobs.

Promotion of employment of Roma with focus on people from marginalized Roma communities

According to the available estimates, the employment rate of Roma is very low and a large part of the Roma lives in poverty, which has a significant impact on the economic prosperity of entire districts. Based on the survey of the FRA and the UNDP, the World Bank and the European Commission, less than 30% of household members of the Roma in Slovakia aged 20-64 years, had paid employment and less than 35% considered themselves unemployed. Long-term unemployment among certain groups may be associated with discrimination in the labour market (49% of the Roma have experienced discrimination when looking for work for the last 5 years). Unemployment in Slovakia concentrated mainly in communities with a high proportion of the Roma population, the proportion of registered unemployed in the total population of the village of working age (15-64 years) was increasing with the proportion of Roma in the village. **In municipalities with a higher proportion of Roma there is also significantly higher proportion of long-term unemployed.** The primary key for job creation

is the **plan of local development and investment promotion, social work and increasing qualification**. This change would help boost economic development especially in mixed communities by encouraging local economic activity and household demand; reduction of employment in the overall rate can be considered as a secondary effect.

Unemployed Roma have significantly lower levels of education than the majority. This lack of qualifications Roma often have to replace by the practice, even here, however, they face lack of social networks, so even the regular life situations are often a serious problem for them. Disadvantages in the labour market lead then to informal economy, where they are often dependent on the dubious employment agencies and their work is not rewarded adequately together with the absence of any insurance. In such situation, the Roma are difficult to find demand for their work with decent and standard conditions. Municipalities, similarly to the private sector, have many positive experiences and know-how in job creation for unemployed Roma. Successful municipalities followed **the best practices known in other countries - from development planning to specific activities, their monitoring, evaluation and review**. It is important to adapt good practices to local conditions; development plan must reflect the specific conditions of the locality and its people.

Green economy

The European Union has a long-term strategy for reduction of the damage caused by the unsustainable use of natural resources. Its aim is to create more added value, while lesser use of resources and, where possible, to replace them with greener options.

Green growth is a challenge and an opportunity for the Slovak labour market, while the key factors are the skills enabling such growth. The transition leads to significant changes in its economy and range of industries, concerning a wide range of people: new jobs are created, while a part of the existing ones will be replaced or just redefined. In this sense, it will require a number of measures and instruments to create the necessary conditions for support of **green jobs** (e.g. better targeting of instruments and measures to the labour market and their effective coordination in this market). Bridging the gaps in skills and lack of workers will become inevitable, as well as preparation for the changing needs of human capital.

While the EU Member States create categories of "green" skills, it is already known that the transition to a greener economy will have a significant impact on the skills needs and it will increase the demand for skilled labour in the growing eco-industries. Also the retraining of workers of all branches, respectively re-training of workers in trade unions, in which the restructuring is not possible, will be important. The intensity of eco-innovations will have a different affect in particular sectors on skill requirements needed for the jobs in the sectors and industries.

Questions of improvement of work culture

Safety and health protection at work is a set of policies which can significantly reduce the possibility of damage to health in the performance of work activities. No matter, whether

these measures are legislative, social, economic, educational, organizational and managerial, technical and technological measures of health control. One of the significant growth conditions of work culture in Slovakia is to reduce the extent and significance of undeclared and illegal work and increase the level of safety and health protection at work and also the prevention of occupational injuries.

Promotion of image of Slovak production

Slovakia is in terms of statehood very young country and must intensify the efforts on their reputation that would contribute to the promotion of foreign demand for Slovak goods and services, and thus promote the employment growth in Slovakia. The need of support for image of Slovakia's production testifies by the openness of the Slovak economy, which creates its GDP from almost 90% within the foreign trade.

To create a good reputation it is necessary to work on branding of the country - to create the desired image of the country. To create the image of the country, state, territory, city, however, is a long-term, complex and conceptual matter, on which it is needed to work for decades. The image of the country is formed by a number of factors - individuals first hand experiences in the different types of tourism; export of goods, services, brands; quality of public policies, whether in relation to outland or effectiveness and originality of the domestic strategies; the way the country is able to attract investment and talent; culture of the country, especially in the field of cultural exchange and cooperation.

Gender equality including balancing family and work life

In the employment structure of Slovakia there are significant differences between women and men. In terms of employment by sex the development in the crisis years 2010 and 2011 was interesting. The total number of workers in the SR decreased in 2011 compared to 2009 by about 50 thousand, of which about 34.2 thousand working men and 16.3 thousand women workers. Men form for a long-term more than 55% of the total number of workers. Within the men there was in the last three years most numerous age category of workers aged 30-34 years and 35-39 years, for women it was age of 35-39 and 45-49 years.

The presence of children younger than 6 years in the family significantly reduces the employment rate of women, while male employment rather increases. The employment rate for women of 25 to 49 years with a child younger than 6 years of age is less than 40% comparing to men in the same age group in the same phase of parenthood, however, is more than 83%. The scissors between the reward for the work between men and women unfold more and more after the birth of each child.

In categorization by gender, men reached in 2013 the average gross monthly wages higher in each age group. The largest differences in remuneration between men and women were in the age group 35-39 years and 40-44 years. The difference in average gross monthly salary here has reached more than 300 euros. While women have the highest wages in the age group 30-

34 years, amounting to 861 euros, in case of men it is five years later, amounting to 1157 euros

The smallest difference in the average gross monthly earnings of men and women was experienced by the age group 25-29 years and 20-24 years, amounting to 89 euros, or 102 euros.

Questions of employment of elderly

Aging of the population poses to Slovakia one of the greatest challenges of the 21st century that will irreversibly hit all spheres of functioning of the society. In Slovakia there is currently a ratio between the number of people of working age, so 15 to 64 years, and the number of people in pre- and post-productive age still relatively favourable. But this is a temporary situation. In subsequent years, the ratio of people of working age and persons in post-reproductive age will begin to change. Gradually the men and women born in the second half of the 40s and 50s are getting to retirement age, which in the next ten years will fundamentally change the relationship between working and post-productive component of the Slovak population.

This move of many generations of men and women to the age of above 50 years contributes significantly to the increase in the number of older people in the labour market. According to the National Programme for active aging for the years 2014 - 2020, approved by the Government in December 2013, is one of the fundamental principles of public policy of active aging the principle of employment, based on the rights of older people and seniors to work and have income from a depending activity, from business or other self-employment activity even after reaching the retirement age. Employment in old age enables to size up the work experience and capital of older people, enhancing their economic sovereignty and keep them, respectively create new jobs and social contacts. Part of the application of this principle is the creation of flexible and "age-friendly" working conditions.

According to data from the LFS the total average number of economically active elderly in the SR aged 50 to 64 years since 2004 has increased from about 481 thousand to about 682 thousand in 2013 (1st half of 2014 it was more than 683 thousand), so more than 200 thousand. The biggest impact was the rise in the number of economically active people aged 55-59 years. Economically active persons aged 50-64 years in 2013 in Slovakia accounted for about a quarter of the economically active population, while in 2004 it was about 18%. In 2013, the total average rate of economic activity of elderly aged 50-64 years reached 62.3% (males 69.7% and females 55.4%). Development of the economic activity of the population aged over 50 years was yet influenced by the changes in setting the retirement age after 2003 (extension of the retirement age for men to 62 years and for women gradual yearly increase of 9 months). As a result of these changes, there was a significant increase of economic activity rate among men and women aged 60 and over, respectively 53 to 57 years and more in case of women.

2.4. Population potential for labour market

Population potential is significantly determined by the demographic trends and education. The working age population, its growth, age structure and educational structure affect the population potential mainly because of its usefulness for the labour market.

The current and expected demographic trends will have a significant impact on the development of the labour force in Slovakia. Population of working age, which is the basis for the frequency and structure of the workforce, shall be expecting significant changes. This is a change in the trend in the numbers of the working population and more intensive process of aging. When an uneven development from a regional perspective and potential mismatch between demographic and educational structure of the population is added, it is clear that the labour market situation in Slovakia will be a significant societal challenge in upcoming decades. It is a fact that is and will be an important topic for drafting social policies and measures, especially in the area of reproduction, the family, education and the labour market.

The development of the productive population of Slovakia will go through significant changes in the coming decades. Long-term growth of the working age population was halted in 2012 and will be followed by a fall that will not stop earlier than in 2060. Until then, the population of working age will decrease by more than 900 thousand people, which means a reduction of 25% in just 50 years, while the average age for this group will increase by about two years.

Demographic development or evolution of the population of working age is not uniform from the perspective of the geographical area of Slovakia. Among the districts with the highest demographic potential are the districts with the highest level of fertility and this state shall strengthen in future. Those are almost exclusively the districts of eastern and north central Slovakia. Conversely, the districts with the lowest demographic potential are only districts of western, central and southern Slovakia, that are associated with low birth rates with migratory population decrease.

The overall conclusion is that the demographic trends in Slovakia are stable and in the coming decades it can be counted that there will be a population decline and very intense aging of the population. All these changes will also affect the population of working age. As it is clear from the long-term demographic projections, **the most intense changes in the number and age structure of the population will occur throughout Slovakia around the year 2035**, when a strong post-war generation reaches the age of high mortality and strong generation born in the 70s of the last century will begin transitioning into retirement age.

Educational level of the population of the SR has been increasing, and a significant increase occurred mainly in the period after 2000. It is clear, that the deciding factors are the degree of urbanization, economic maturity and cultural traditions.

The highest level of education of the population is in larger cities, in which the universities and colleges are concentrated, as well as jobs requiring higher qualifications, which includes a higher (usually university) education. The education level in these cities ensures a high educational level also within the district.

Practically all districts with the highest demographic potential are among the districts with the least favourable level of education in Slovakia, so their population (total) potential is mostly below average or low. Most of these districts are with a high representation of Roma population, a higher proportion of families with more children and lower accessibility to universities.

It is likely that **the strong growth of the educational level of the population** that Slovakia has had for last about 10 years, **will slow down in the coming years**. The need to improve the education (especially university education) as well as the need for harmonization of the education system and labour market requirements will also contribute to this.

An important fact for the supply side of the labour market is a **mismatch between the demographic and educational structure of the population in different regions of Slovakia**. There is no district in Slovakia, which would have both the large demographic potential and favourable educational structure of the population. All districts with high population potential belong to the group of districts with the least favourable educational structure of the population and all districts with favourable educational structure of the population have only average or below average demographic potential. The problem is mainly a combination of very high demographic potential with an unfavourable educational structure of the population, which is characteristic for lagging districts. The relatively high population growth and a high proportion of young people in combination with low education levels creates a risk of high unemployment with all subsequent risks in terms of the standard of living and quality of life in these regions. These issues, which are already bulging at the local level in some regions of central and eastern Slovakia, can not be stopped without a coherent strategy supported by the state.

Silver economy in the context of aging population

Future needs of the growing number of elderly people create a space for adaptation of the economy and for formation of new market opportunities. Silver economy (defined by the EU Council in its resolution of February 2007 as a "new economic opportunity consisting in responding to the needs of older people by providing access to particular products and services that improve their quality of life - which needs to be taken seriously in order to enhance economic growth and encourage job creation") is a new economic opportunity for increasing the economic growth and job creation. It consists of responding to the needs of older people by providing access to particular products and services that improve their quality of life. The aging of population in which there may not only be a change in consumer preferences, but also a change in purchasing power, depending on the age group, may in the

future affect both overall aggregate demand, as well as the structure of the consumer basket, which in turn may lead to changes in the manufacturing sectors as well as employment.

2.5. Prediction of the labour offer development by 2020³

Prognosis of job offers development until 2020 was prepared in three variants. **Static version** takes into account the fact that economic activity and employment in Slovakia are relatively low, and at the least favourable prediction both will be stagnating at the levels from 2011. This assumption is applied in the static variant for all regions, for both sexes and for all age groups. The employment targets adopted in strategy Europe 2020 form the basis of the **optimal version**. The basic thesis of the optimal version is to achieve 72% employment for the population of the SR aged 20-64 years until 2020. In the prognosis the increase in employment does not take place uniformly, but takes into account the age and regional particularities and specificities by gender, assuming a gradual reduction of disparities, especially between the regions. Increasing level of the employment in the optimal version shall mean the increase in economic activity and also reduction of unemployment rate. Within the optimum version these is also added an assumption that the 90% increase in employment is secured by the increase in economic activity and 10% of the increase provides for a reduction in unemployment. **Middle version** is the average between the static and the optimal version.

If the rate of economic activity in 2020 does not change, **the number of economically active persons** would be reduced from the current 2.7 million below 2.6 million. The other two versions of projections would in 2020 result in increase in the number of economically active people of 2.8 million (medium variant), or over 3 million people (optimal variant).

The most numerous workforces shall be in 2020 according to the medium variant projection in the Prešov and Košice region, where the number of economically active people will increase and in 2020 shall reach 396 thousand, or 423 thousand people. These are followed by the region Žilina and Banská Bystrica together with Nitra and Bratislava regions in which the frequency range from 330 thousand to 355 thousand people. This development (except for Žilina region) can be described as stagnation. The lowest sizeable workforce will be in Trnava and Trenčín regions, where during the forecast period the stagnation is expected in the number of economically active people around the number 300 thousand.

Development of the number of workers is similar to that of the economically active population, which is also the entry point of the projections. In case of unchanged employment rates in the period 2012 - 2020, the number of workers will decline by more than 50 thousand people. In optimal and middle version the increase in the number of workers is expected by about 367 thousand to 2.730 m., or about 157 thousand to 2.490 million. These are higher increases than in the same scenarios in the case of the economically active population.

³ Bleha, B., Šprocha B., Vaňo B.: Prognosis of development of labour supply in the Slovak Republic until, National project Strategy of active aging, Centrum vzdelávania MPSVR SR, Bratislava, 2012.

Regarding the development of the number of workers in regions under the middle variant, the highest growth in 2020 is expected in the Prešov and Košice regions, the lowest growth in Trenčín region. The highest value throughout the projection period is expected in the Prešov region, which in 2020 should reach the value of 360 thousand. In Košice, Bratislava, Nitra and Žilina regions the number of workers should move in 2020 in the range of 313 thousand up to 335 thousand people. The least representation of working people should be in Banská Bystrica, Trnava and Trenčín regions, where their numbers will not exceed 290 thousand people.

Decrease of unemployment is also participating in the increase of employment. This fact is also reflected in the prognosis of **the number of unemployed**, which has a declining tendency in all three versions of projections. This means that even if the economic activity and employment remain unchanged, the number of unemployed in the static variant shall decrease by approximately 25 thousand until 2020. In optimal and intermediate versions, which calculate with an increase in economic activity and employment, the decline in unemployment is expected to be greater. The middle version is calculated up to 2020 with a decrease in the number of unemployed by about 46 thousand below the level of 320 thousand and optimally about 68 thousand below the level of 290 thousand people.

The largest decrease in the number of unemployed during the prognosed period is expected in region of Banská Bystrica and Trenčín region. The number of unemployed shall be the least reduced in the Prešov region and the Bratislava region.

The prognosis of the total employment **until 2020 is favourable for Slovakia**, especially in population with high level of education. At the same time there should be **evident loss of jobs for the population with low and medium level of education**. The key employment sector in Slovakia at present is the **manufacturing**, and it is projected until 2020 to remain the same. The most significant decline in employment is predicted in agriculture, forestry and fishing. In all sectors including those with expected decline in employment, **the increased demand for labour with a high level of education is predicted**. Even in all major classes of employment the increase of employment of people with a high level of education is expected. In terms of the employment (profession) even in 2020 the highest number of people employed should be technicians and skilled workers. The high share of total employment shall be kept by workers in services and trade. Skilled workers in agriculture, forestry and fisheries shall record according to the prognosis a decline in employment.

The projected trends indicate that it is necessary to provide sufficient and appropriate structure of skilled labour forces in all sectors of the national economy. It is necessary that the education system (initial and further) provides appropriate graduates for natural reproduction (renewal) and expansion of the workforce in line with the needs and requirements of the technological development, new skills and growing educational demands of jobs. Opportunities to ensure employment and prevent unemployment are **raising the skill levels of the workforce** within each occupational and sectoral structure as well as the **transfers of labour forces from the damping sectors to the expanding sectors**.

At the same time it is important to ensure effective measures for **integration of low-skilled** people into the labour market, preventing long-term unemployment and inactivity, including **the development of inclusive employment**.

2.6. Unemployment, active labour market policy and its principal changes, employment services and their influence on promotion of employment

Unemployment

The Slovak labour market faces several challenges. Unemployment, which is usually long-term, refers to the **structural nature of unemployment**. For the period 1994-2013, the unemployment rate in Slovakia (LFS data) ranged from 9.6% (2008) to 19.2% (2001). In the post-crisis period in 2010, due to time shift in response of the labour market to economic growth, it reached an average of 14.1% per annum. The share of the long-term unemployment in total unemployment with the exception of 1994 and 1999 was above 50%, and since 2010 the annual average was 63.4%. These high values are influenced by the history **undercapitalization** of Slovakia reflecting the long-term imbalance between supply and demand for labour.

According to data from the LFS the unemployment rate in the first half of 2014 annually decreased by 0.6 percentage points to 13.7%. The number of unemployed fell by 4.7% annually, which in absolute terms represents a decrease of 18.1 thousand persons to 369.7 thousand persons. Long-term unemployed in the total number of unemployed accounted for 68.4% (65.8% in the first half of 2013).

According to the latest data from the Centre of Labour, Social Affairs and Family (hereinafter "Headquarters LSAF") the registered unemployment rate in September 2014 reached 12.44%. It dropped annually by 1.40 pp. (in September 2013 it was 13.84%). The state of available jobseekers in September 2014 reached 335,720 people. Inter-annually it decreased by 37,676 people, which was 10.09% less compared to September 2013.

Among the causes of persistent high unemployment in the Slovak economy there is the lack of approach that would **comprehensively address the problems of employment and unemployment in mutual relation** and taking account of factors that affect the solution to these problems. So far, these problems were addressed more or less in isolation both in area of employment as well as unemployment. In employment area the efforts were mainly focused on job creation in particular in the form of various subsidies and allowances allocated according to the actual situation on the labour market. In the area of unemployment, those were mainly attempts to improve the functioning of the labour market, with particular focus on active labour market policy (ALMP) and addressing the relationship between social security and labour market policy.

Necessary condition for the further development of the Slovak economy and raising the standard of living of the population is **addressing the employment**, leading to the creation of

sustainable jobs and the unemployment rate will get significantly closer to the natural rate of unemployment, including the decline in long-term unemployment. The basic tool for achieving this goal is suitably designed comprehensive economic policy, taking into account the higher degree of economic policy coordination in the EU. From the aspect of these employment solutions it can be divided into two main parts:

- creation of jobs and
- reduction of unemployment.

At the same time it should be noted that if the structural characteristics of economic growth do not change, the projected economic growth does not have to **exceed that level, which is also linked to employment growth.**

The Slovak Government has been facing since 1989 the task of high unemployment. Transition and transformation processes were not favourable to employment and the support of employment consisting of the application of specific ALMP could only be with a minor effect. Despite these facts it had its relevance and contributed to the return of unemployed back into the work. Moreover ALMP measures alone were not only facing the influx of unemployed, but also the deteriorating situation in the labour market and increase of segmentation trends in it. In this situation, the important role was played by the measures to encourage foreign investment with the effect of creating new jobs.

Active labour market policies and its principle changes

Active labour market policy measures are aimed at **increasing employment, mitigation of regional disparities, reduction of long-term unemployment, youth unemployment** and the associated **support of new job creation** as the most effective mean to ensure the revenue growth of population. The measures have been taken to promote motivation of employers to create new jobs for the unemployed, to support the creation of real jobs at local and regional level and support the maintaining of employment in small enterprises and medium-sized enterprises.

Active labour market measures (ALMM) are implemented in particular by applying the Act no. 5/2004 Coll. on employment services and amending certain acts as amended (hereinafter the "Employment Services Act"), which is continuously amending in order **to adapt the ALMP and legal relations in the provision of employment services to developments in the labour market.** These changes, respectively legislative adjustments, to the Employment Services Act, since its approval in 2004 (effective from 1 February 2004) were carried out in total **36 times** (not all concerned only the ALMP) and are annually analyzed in the Report on the social situation of the population. The main **reform changes in ALMP** adopted in the initial **period 2013 - 2014** are in particular the legislative changes made with effect from May 2013, which are: the simplification of AMLP, replacement of compulsoriness donations to optionality, cancellation of some of the AMLP, reduction of administrative burden in the implementation of ALMP, better consideration of the situation in regional labour markets,

increase in the accountability to the target group of disadvantaged jobseekers, mainly the long-term unemployed, young people, older than 50 years of age and job applicants with low or no education, provision of individualized employment services, increase in the emphasis on education and advice, greater flexibility in the system education, better support for job creation in municipalities and regions, ensuring the transparency in provision of AMLP through their publishing on the web sites of the offices of LSAF and etc.

The amendment to the Employment Services Act also brought the extension of the scope of the centre LSAF and LSAF offices in the possibility of **implementing regional pilot projects** it has also introduced the elaboration of principles of using the funds for implementation of AMLP for which there is no legal entitlement, **highlighting the status and competences of the committees for employment issues** - multilateral decisions on contributions and transparency in their provision. While the introduction of the principle of tripartite decisions regarding the AMLP for which there is no legal entitlement, built on a progress made in the tripartite consultations of the social partners reached based on the experience from 2007-2013 programming period, when the national project through **the Centre for Social Dialogue of the SR** built the basic platform for process management cooperation in the field of national social dialogue within the Operational Programme Employment and Social Inclusion.

In January 2013 a document assessing the impacts of the selected ALMP on the labour market was elaborated and entitled "**Pilot assessment of the impact of selected measures of active labour market policy**". Those are selected measures of ALMP under the Employment Services Act effective since 30 April 2013 (so before the reform of ALMP effective from 1 May 2013). The authors evaluated the ALMPs taking into account the work sustainability in the future. Among the main findings the following results were found which characterize the initial situation of ALMP.

Education and training for the labour market of unemployed people and job seekers interested in employment (§ 46). Based on the values of the research there is a reason to believe that there are more than 72% likelihood that a person promoted in such way within two years after completion of the training at least once finds a placement on the open market. Despite this, the education and training for the labour market falls among one of the less tools of support and help to participants in the labour market, what should necessitate its activation in the strategic plans for employment.

Contribution to self-employment (§ 49) – out of the total number of persons 84% of supported people for an average of 15 months after the end of the compulsory two-year self-employment kept their business, or became employed by the employer.

Contribution to the employment of disadvantaged job seeker (§ 50) - there are approximately 66% probability that after the payment of the allowance the supported person remains employed in the labour market more than a year.

Contribution to support the maintenance of employment (§ 50d, in force since 31 December 2011) - up to 93% of people were employed for more than a year after the end of the support. Accordingly, it is possible to speak of a relatively successful intervention.

Contribution to graduate practice (§ 51) - 44% of referred graduates kept a job for more than one year.

Voluntary Service (§ 52a) - about one out of four supported persons was able to find a job for period less than one year, or two years.

Contribution to work commuting (§ 53) - less than one year after the completion of this support, every fifth supported employee was employed.

Contribution to the establishment of a sheltered workshop or workplace (§ 56) - there is a 51% probability that the supported person under this measure will have more than one year after the completion of the contribution a sheltered workshop as a source of income.

Contribution to cover the operating costs of a sheltered workshop or a sheltered workplace and transport expenses for employees (§ 60) – it seems that there is a 45% probability of existence of artificially supported job that terminates immediately after the end of the contribution and 17% probability that the sheltered workshop will continue in its activities in almost the entire two-year timeframe of the impact period.

Despite the measures taken at present, there is still no clear regular evaluation of the effectiveness of ALMP programs.

Part of the basic starting framework for the preparation of future employment strategy is the **officially recognized, current, and existing in the national legislation** – by the Act on Employment Services established **system of tools of support and assistance** to participants in the labour market in search of jobs, changing jobs, filling vacancies and **application of AMLP** with particular regard to employing the disadvantaged jobseekers.

The current wording of the Employment Services Act (§ 32-60 and § 65b) **addresses the ALMP instruments to the objectives related to increasing of employability, employment and retaining of jobs.**

The programs and projects under § 54 of the Employment Services Act have special position in the system, that create space for improving the position of jobseekers in the labour market and are designed to address the different specificities of the labour market in different territorial districts of the LSAF offices (regional projects).

Employment services and their influence on employment support

Employment services in the Slovak Republic in accordance with the Act on Employment Services are provided by the LSAF headquarters and LSAF offices (public employment services), legal entities and natural persons performing intermediation to employment,

providing professional consulting services, applying AMLP based on the agreement with the LSAF office, agencies of temporary employment and supported employment agencies (non-state employment services).

In 2010, there were working in LSAF offices at the sections of employment services 2,612 employees, in registered unemployment rate of 12.5%. Since 2011 to 2013 there was reduction of the number of employees to 2,317 employees, while the registered unemployment rate in 2013 reached 14.1%. This fact had a **negative impact on the workload of employees at the LSAF offices**, in the increase in registration of jobseekers and active work with them. In 2013 at the busiest offices of LSAF an employee of employment counselling had more than 500 clients.

The Slovak Republic has made **only limited progress in terms of improving the capacity of public employment services in providing personalized service**. Regarding the youth unemployment, public employment services have limited capacity for early intervention and individual adaptation of services to the profile of jobseekers, as well as to capture the unregistered young people. In line with the objectives of the guarantee for young people it is therefore necessary to act in these fields and to adapt the capacity of public employment services.

The reform of the labour market from May 2013 is also followed by **the need to implement targeted measures aiming on strengthening the personal capacities**, improving the quality of service delivery, especially through innovation and **improving the skills and performance of workers of direct contact** with the target group and consultants, in order to ensure the provision of individualized services to job seekers, including young people, long-term unemployed and people from marginalized communities, and so to improve their cooperation with local employers, educational institutions and non-governmental organizations and other relevant stakeholders. Therefore the provision of better, client-oriented services will require sufficient staff. In order to enhance the quality of public employment services the EURES network is already used, which is a network of cooperating bodies whose aim is to facilitate the free movement of workers within the European Economic Area (the EU plus Norway, Iceland, Liechtenstein) and Switzerland. Improvement of the capacities of public employment services is therefore necessary in order to connect to **the need of increasing the quality of EURES advisers**, their direct contact with clients and provision of quality activities and services of the EURES network.

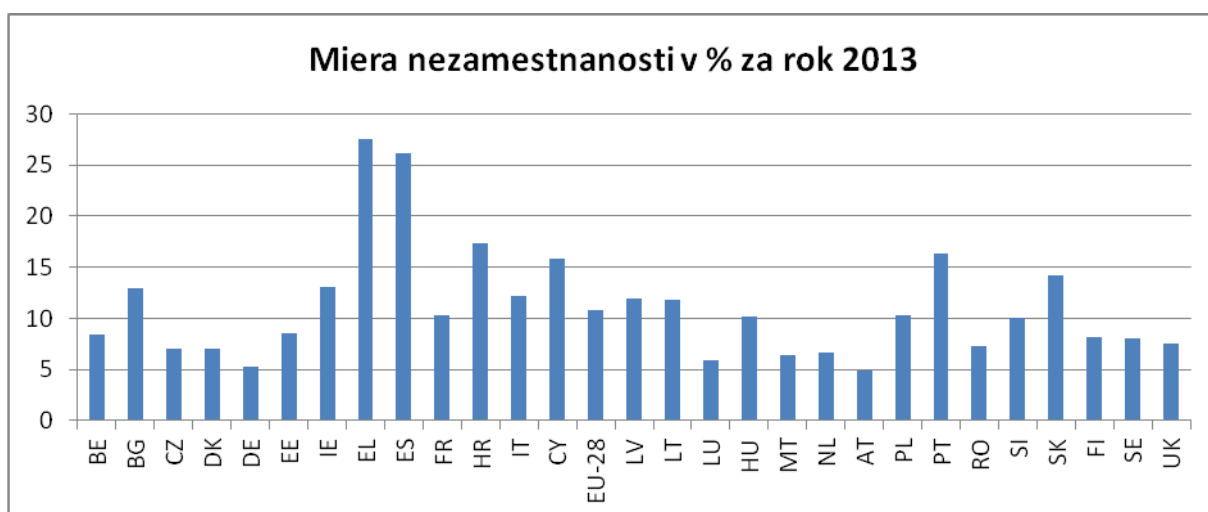
The current basis for the strategy of changes in employment services should become the **adopted change of the institutional system of employment services, the effectiveness of their management**, which should result in higher flexibility and capability to provide personalized employment services (Act no. 310/2014 Coll., amending Act no. 453/2003 Coll. on state administration bodies in the field of social affairs, family and employment services and amending certain acts, as amended, and amending and supplementing certain laws.

The intention to prepare the project "Networking of public employment services and non-employment services," falls within this framework of reform changes and its purpose is to prepare for the introduction of innovative solutions and cooperation with non-state employment services. This reform may in the future contribute to improvement of the access to employment particularly for long-term unemployed and otherwise disadvantaged jobseekers.

2.7. Measures and mechanisms to promote employment (examples of selected EU countries)

Unemployment is a problem in most EU Member States. According to 2013 figures, the average unemployment rate in the EU Member States was at 10.8%, in Slovakia it was 14.2%.

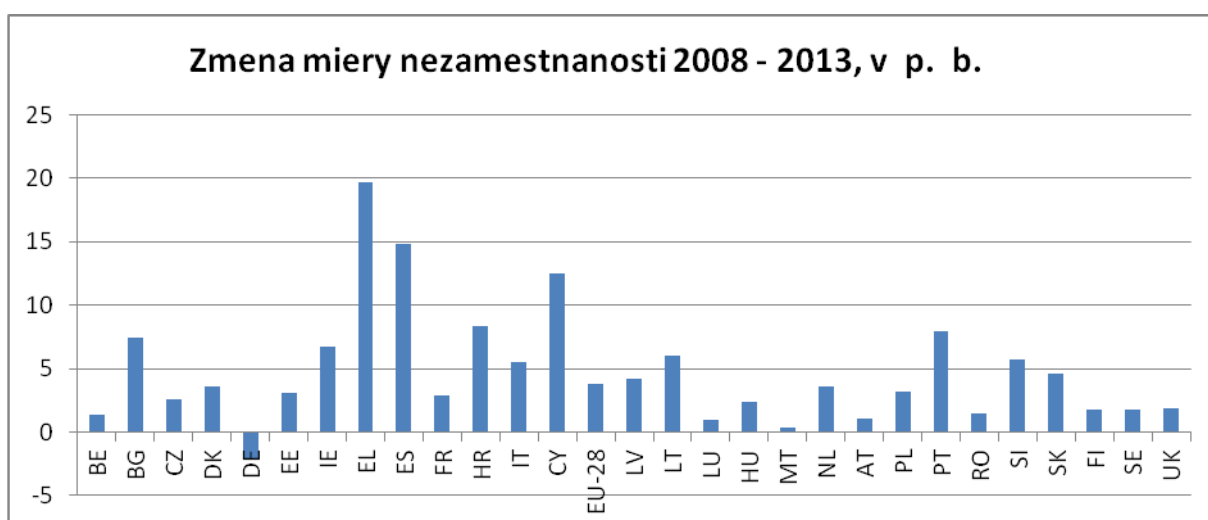
Graph 4. Unemployment rate in EU countries in 2013 in %



Source: Eurostat

The labour market situation in the EU is affected by the crisis from the previous years, to which all the countries responded through measures for reduction of unemployment and boosting the employment. According to the data on the unemployment rate in the period 2008 – 2013, the unemployment rate has been reduced only in Germany, where it was lower in 2013 compared to 2008 by 2.2 percentage points. The unemployment rate reached the highest growth (by more than 10 percentage points) in Greece, Spain and Cyprus. Quite high, more than 5 pp. increase in the unemployment rate, was also in Portugal, Croatia, Bulgaria, Ireland, Lithuania and Slovenia. The increase in the unemployment rate in 2013 compared to 2008 by 3-5 percentage points was recorded in Slovakia, Latvia, Denmark, the Netherlands and Poland, about 2 to 3 percentage points in Czech Republic, Estonia, France, Hungary. The increase in the unemployment rate of less than 2 pp. was in Belgium, Luxembourg, Malta, Austria, Romania, Finland, Sweden and the United Kingdom.

Graph 5. Change of unemployment rate in years 2008-2013 in EU countries in pp.



Source: Eurostat

Approaches of the national governments of selected EU countries towards the promotion of employment through the national reform programs, national action plans or strategies focus on targets for reducing unemployment and employment by:

- **promoting economic growth** - boosting the economy by reindustrialisation; export promotion; promoting private investment: international competitiveness in attracting and retaining investors and entrepreneurs; improving the competitiveness and access to finance: acquiring a competitive advantage needed to support successful open economy; implementing the vision of a competitive, dynamic and innovative economy; structural changes in information and communication technologies,
- **increasing the level of education, qualification and expertise of the workforce** - creating favourable conditions for the system of vocational education and training focusing on the needs of the labour market; human resource development - free training and retraining,
- **increasing labour supply** - raising the retirement age, encouraging active aging; promotion of gender equality; integration and employment of immigrants; support of child care,
- **reducing regional disparities in the labour market** - strengthening the local economic development, especially in areas with the highest level of unemployment and poverty; support of crafts and improvement of job opportunities; cross-border cooperation; reform of urban structures and services, assessing the impact of municipal mergers,
- **social partnership** - promoting the development of social partnership in addressing the problem of unemployment and increasing employment; wage bargaining and wage developments,
- **productivity of public services** - administration reform, support for local government efficiency and productivity; modernization of public employment services and improvement of the governance of labour market policy,
- **financial incentives, management and control** – achievement of more efficient functioning of markets through proper regulation that promotes innovation, competition, compliance with high standards and consumer protection without unnecessary regulatory costs; diversification of corporate structure; tax incentives; structural changes of management; productive use of foreign aid; consulting and advisory services for requests of loans, starter packages, etc.; reforming the tax and benefits system so that undeclared work transforms into regular employment.

Key elements and processes employment of development of countries employment (selected elements from different countries) include several areas, notably:

- **education** - the possibility of lifelong learning, increasing employment by educational policy - higher education, increasing the qualification through career training and gaining experience.
- **labour demand** - business support, development of small and medium-sized enterprises; development of tools aimed at reconstruction, consolidation and recapitalization of businesses; support of business agencies through provision of programs for domestic enterprises; promoting social entrepreneurship and social economy; improvement of the national road and railway network and its connection with an interoperable trans-European network; promoting and facilitating the use of IT in small and medium-sized enterprises; development of products and services, public and private, that aim to improve the availability and use of ICT for people and businesses,
- **labour supply** - an extension of professional career; introduction of flexible work; promotion of employment of women and other population groups (migrants); increase the number of childcare facilities; education and programs as the development tools; promotion and development of strategies for career guidance and counselling for all ages - children, youth and adults,
- **regional development** - regional planning; rural development; protection of natural and cultural heritage; reducing health inequalities and identifying determinants of health policy and employment; cross-border cooperation, programs for national economic and social cohesion and initiative ITERREG community; increase investments in innovation and competitiveness in the economy, investment in human resources at the regional level; strengthening the partnership between the state and municipalities and the public and private sectors; development of basic infrastructure and the development of the tourism sector; tackling inequality of employment between regions, with a focus on rural areas; reduction of the number of offices through association of the support services and connecting the administrative cooperation to improve the effectiveness of the regional administration and make it closer to citizens and consumers; understandable regional responsibility for developments in certain policy areas; clear division of responsibilities between the state and municipalities; development of public personal transport that would improve the accessibility and create better conditions for the development of the region; development of broadband solutions in sparsely populated and rural areas)
- **development of sectors and cross-cutting areas** - development of craft industries and industries with greater international exchange and participation in foreign markets; simplifying and reducing administrative and regulatory burdens for business start-ups, small and medium-sized enterprises in increasing employment in the enterprise; professional training of persons employed in agriculture and forestry (fishing) within the rural development program; development of social economy as a tool to integrate long-term unemployed and other disadvantaged groups in the labour market; promoting the development of new and emerging sectors: silver economy - adaptation of the economy to the future needs of the growing number of older people; economy of care in care services

for dependent family members; development of new technologies (bio, nano technology); green economy; support innovation in manufacturing, trade and services.

3. TARGET STATE OF EMPLOYMENT UNTIL 2020

3.1. Position of Slovakia resulting from the strategy Europe 2020

The Europe 2020 strategy for employment set a target of 75% employment rate of the EU population aged 20-64 years. For the purposes of monitoring and faster implementation of the Europe 2020 strategy, Member States were invited to set their own objectives and within their national reform programs to introduce detailed measures to achieve the national objectives. These programs are annually examined at the EU level within the European semester for economic policy coordination.

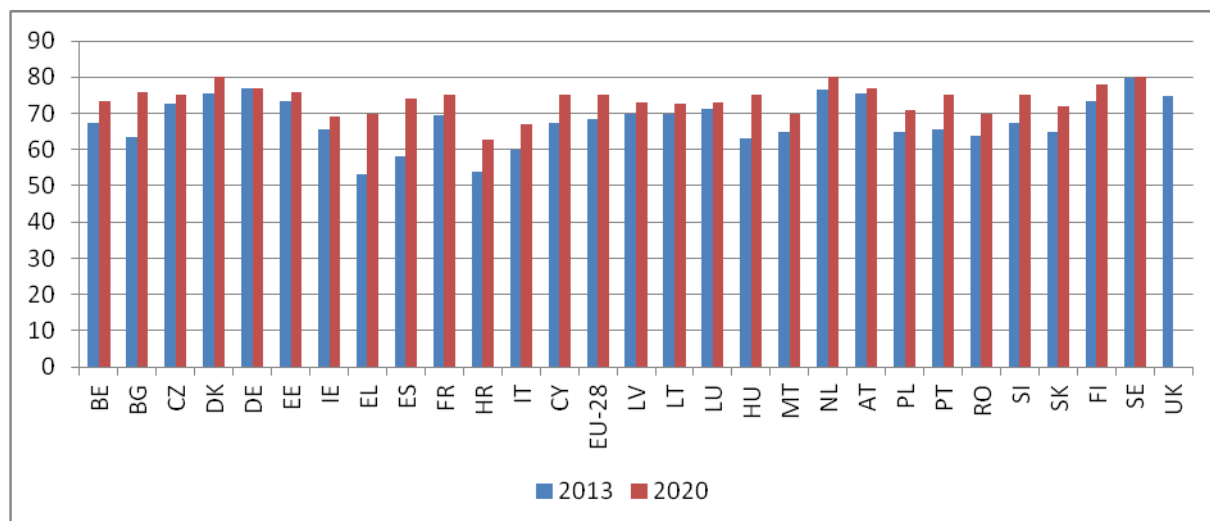
When in 2010 the implementation of the Europe 2020 strategy began, the scope and duration of the crisis were still largely unknown. For the next decade different scenarios were predicted, from returning to the "strong" growth through "slow" recovery to the risk of "lost decade". According to the European Commission it is clear, after four years that the likely path of growth in the EU in the period 2010 - 2020 is closer to the second scenario (that is approximately 1.3% per year).

Although there were significant differences in the EU before the crisis, its intensity revealed a set of imbalances accumulated over the years. The crisis has compounded the growing disparities between the Member States and often in the Member States themselves. Based on this, the progress in achieving the objectives of the Europe 2020 strategy was inevitably mixed. The crisis has had a clear impact in particular on employment and poverty rate. As a result of the crisis, unemployment in Europe increased sharply from 7.1% in 2008, while the highest level of 10.9% was reached in 2013. Due to the time period between the recovery and the net job creation, the European Commission expects that the unemployment rate will begin to slowly decline in near future.

Despite the crisis, there were positive structural trends, such as in the level of educational attainment. The relative resilience of employment rates during the crisis in many countries, as well as the progress made in the previous period, according to the European Commission may also be interpreted as a sign of better labour market performance comparing to the past.

The employment rate of people aged 20-64 years in the EU in 2013 reached level of 68.4% (6.6 percentage points less than assumed target state), compared to 68.5% in 2010 and 70.3% in 2008 which was the highest so far. Based on the recent trends, the European Commission expects that in 2020 it will increase to around 72%. The implementation of national objectives should increase its level to 74%, which is slightly below the target set for the year 2020. In order to meet the EU target of 75% about 16 million more employed men and women are needed.

Graph 6. Employment rate of persons in age 20-64 years in Member States of EU in year 2013 and targets for year 2020 in %

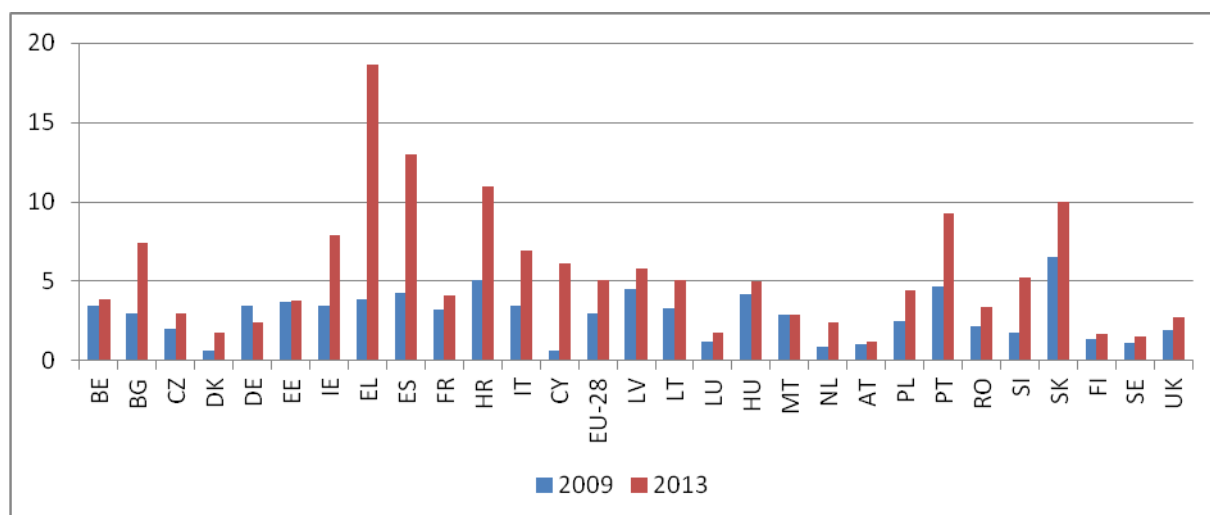


Source: Eurostat, Note. – UK does not have a set target

Most of the Member States are quite distant from the fulfilment of their objectives under the Europe 2020 strategy. Among the EU countries which have already met the objective is Germany and Sweden is very close, however Denmark and Finland have got into problems. Significantly worse current position in achieving the target state is recorded in Greece (less by 16.8 percentage points), Spain (15.7 percentage points), Bulgaria (12.5 percentage points), Hungary (11.8 percentage points), Portugal (9.4 pp) and Croatia (9 pp). Among the countries bordering with Slovakia only Poland has such difference of 6.1 percentage points, but with other neighbours in relation to the set target values in the employment rate for 2020 there are significantly lower differences - in the Czech Republic at the level of 2.5 percentage points and Austria at 1.5 pp. **Slovakia, which has set a target of the employment rate until 2020 (20-64 years) at level of 72%**, was lagging in 2013 behind the target by 7 percentage points. This shortfall is likely to be mitigated by the results for the year 2014, when the current data the employment rate in Slovakia in the first half of 2014 was at 65.4% and the difference from the target state (72%) became closer to 6.6 percentage points

Within the target indicators of Europe 2020, **Slovakia has set a goal of reducing long-term unemployment (lasting more than 12 months) in 2020 to level below 3%**. In 2013 the long-term unemployment rate in Slovakia reached 10%.

Graph 7. Long-term unemployment rate in EU Member States in %



Source: Eurostat

3.2. Structural measures in employment under the National Reform Programme of the Slovak Republic 2014

Objectives of Europe 2020 are discussed within the European semester and are reflected in its particular steps: they are the basis for the priorities selection of annual growth survey; are an integral part of the analysis underlying the annual country-specific recommendations; Member States shall report on progress in achieving the objectives set out in the national programs.

It follows that co-ordination between Member States and integration of the structural policies, including employment policies, is ensured through a common strategy Europe 2020 that is followed by the national programs. Their common intersection are 5 priority areas which represent the pillars of the quality of life, sustainable growth and employment and their building in the programming period 2014-2020 for Slovakia is a major challenge. Financial instrument for the implementation of the structural policies for building the position of Slovakia arising from the strategy Europe 2020 are the structural and investment funds. Adoption and implementation of the **Operational Programme Human Resources for the programming period 2014 - 2020**, whose proposal was approved by the government of the SR through its Resolution no. 229 on 14 May 2014, has a crucial position for the change of position of Slovakia in employment.

National Reform Programme of the Slovak Republic 2014, approved by the Government on 23 April 2014 (Government Resolution no. 195/2014), sets out three priorities for structural theme of employment that aims to take the following measures:

- **In the area of public employment services** it is necessary to prioritize advisory services and personalized employment services, including improving their administrative capacity. The aim is to reduce the information asymmetry between supply and demand for labour, as well as better informing the jobseekers of the possibilities of ALMP programs. Subject to re-evaluation is also the **system of the institutions of employment services**, the effectiveness of their management, so that the result shall be increased **flexibility and capability to provide personalized employment services. The basic legislation for the implementation of these reform changes with effectiveness since 1 January 2015** is the Act no. 310/2014 Coll., amending the Act no. 453/2003 Coll. on state administration bodies in the field of social affairs, family and employment services and on amendment of certain acts as amended, and amending and supplementing certain laws. No later than in 2020 these reform changes shall be followed by created fully functioning three-pillar system of employment services - information and advisory services, professional services and administrative offices of LSAF. To provide better customer and expert advisory services, however, it will require a sufficient number of employees with competitive wages connected to the result indicators.
- **In the area of employment support for young people**, two projects are implemented within the system of ALMP financed by the ESF with priority aimed to promote new jobs for the unemployed up to 29 years. This support is implemented by financing part of the costs of the employer's total labour costs of employees. Implementation of projects in the period 2012-2015 envisages the creation of nearly 14 thousand jobs (out of this number in the end of August 2014 12,500 jobs for young unemployed people were supported). The success of project solutions is confirmed by the results achieved so far, of which nearly 7,000 young people involved in the project, through which by 31 August 2014 the supported and mandatory employment was completed, 80% remain employed. Based on the evaluated project success the continuation of this form of employment support is under consideration. Promoting youth employment is also implemented through the Structural Funds under the Operational Programme Competitiveness and Economic Growth. Non-repayable funds in total amount of € 600 million support projects of enterprises in the fields of tourism, innovation and technology transfer. Indirectly the creation of 2 800 new jobs is foreseen, while one of the assessment criteria of the project is the job creation for young people. The aim of further measure - National plan on implementation of guarantee for young people in the Slovak Republic - is to ensure that all young people under the age of 29 years receive a good quality offer of employment, further education, apprenticeships or internships within four months after the loss of employment or completion of the study. Over the years 2014 - 2015 in this area about 30.5 million euros are assumed to be used on early intervention and activation and about 143.5 million euros for the support measures for labour market integration.

In the area of long-term unemployment it is necessary to strengthen the financial incentives to get employed. Act no. 338/2013 Coll., amending Act no. 461/2003 Coll. on social insurance, as amended, in force since 1 November 2013, introduced the so-called

contributions levies for long-term unemployed and their employers, under which the employer nor the employee are required to pay contributions to social insurance, except for accident insurance and guarantee insurance (paid by the employer), contributions to superannuation and insurance for public health insurance under the conditions stipulated by law (e.g. employee's gross income does not exceed 67% of the average monthly wage of two years ago). Among the reform measures there is also included the overlap of allowance in material need and the wage. The corresponding legislative framework for the implementation of this overlapping is created by law, passed by the National Council of the Slovak Republic on 15 October 2014. It is a law which since 1 January 2015 amends Act no. 417/2013 Coll. on assistance in material need and on amendment of certain acts as amended by Act no. 183/2014 Coll. overlapping of assistance in material need and the wage, will be realized by adapting existing tools within the system of assistance in material need for long-term unemployed who are in employment. Also there is a project under preparation on "tailor-made" specific services (counselling, diagnosis and education) for the target group of long-term unemployed, which will be offered by private providers of employment services and employers. Due to the new programming period, it is expected that the project will be launched in 2015. The project budget is estimated in amount of 15 million euros and will be financed by the ESF. In the context of the use of funds ESI in the form of financial instruments through Slovak Investment Holding (SIH) there is under preparation as one of the sub-funds of this holding the Fund of social funds of development capital (FOSFOR), whose task will be to contribute to reducing the long-term unemployment in particular to support the so-called social enterprises of labour integration (Work Integration Social Enterprises - WISE).

Other measures with impact on employment will be developed in the context of social inclusion, business environment, transport infrastructure, telecommunications, education, health, etc.

Based on the assessment of the National Reform Programme of the Slovak Republic 2014, the Council of the European Union (Council Recommendation of 8 July 2014 concerning the national reform program in Slovakia 2014 and which is delivering a Council opinion on the stability program of Slovakia 2014) **notes** that the labour market faces numerous challenges. Unemployment, which remains at 14%, is mostly long-term, which refers to the structural nature of the problem of unemployment in Slovakia. Slovakia has made some progress towards reducing the tax burden on low-wage workers who come to the labour market after long-term unemployment, however the effectiveness of these measures should be monitored and assessed. In other areas only limited progress has been made, namely improving the capacity of public employment services in the provision of personalized services and strengthening the link between the activation measures and social assistance. Regarding the youth unemployment, the public employment services have limited capacity for early intervention and individual adaptation of services to the profiles of jobseekers, as well as to capture the unregistered young people. In line with the objectives of guarantee for young people it is necessary to act in these fields. Targeted measures are needed for the most

disadvantaged jobseekers, including Roma, whose employment remains very low. Lack of adequate childcare facilities, particularly for children under three years, makes it difficult for mothers return to labour market.

In view of the above mentioned, **the Council of the European Union recommends that Slovakia in the years 2014 - 2015 adopts measures** aiming to:

- More effectively address the long-term unemployment through activation measures, second-chance education and customized high-quality further professional training.
- Increase the capacity of public employment services for case management, personalized counselling and activation of jobseekers and to strengthen the link between activation and social assistance.
- In line with the objectives of the guarantee for young people to effectively tackle youth unemployment by improving early intervention.
- Improve incentives for women's employment by improving the provision of childcare facilities, especially for children under three years.

4. STRATEGY OF CHANGES FOR ACHIEVING THE GOALS IN IMPORTANT AREAS – COMPLEX PROGRAM FOR EMPLOYMENT SUPPORT IN THE SR

The strategy of changes in this section **identifies the key changes that need to be implemented to achieve the target state of employment in 2020** referred to in part 3 of this document.

Given the cross-sectoral and supra-sectoral nature of the themes of employment, the strategy of changes was developed as an **identification of those changes that need to be done in partnership with other departments**, while respecting the scope of the competences of individual ministries. **Adoption and coordination of specific tasks** (action tasks), activities, measurable indicators, instruments and mechanisms **by which these changes will be secured, will be carried out through a coordination platform**, consisting of sectoral departments, **for promotion of employment**, that will be established at the Ministry of Labour, Social Affairs and Family of the SR.

Despite the fact that the area of support of job creation is one of the key areas of the national employment strategy, it should be noted that the only way to achieve its strategic objectives is proportionate and coordinated approach in all 8 areas that the strategy focuses on.

These areas are:

- Promoting of jobs creation;
- Innovation as a tool of promoting employment;
- Development of the social economy as an innovative tool to promote regional and local employment;
- Flexibility of labour relations, working conditions, labour protection and labour culture;
- Effective solution of long-term unemployment;
- Capacities, networking and development of public employment services;
- Support for the supply side of the labour market through qualifications for better employment;
- Supra-sectoral coordination of policies with a positive impact on employment.

4.1. Promotion of jobs creation

Main challenges: The basic strategy for tackling employment in Slovakia is to create the conditions for job creation, and the whole chain including the producers, financial market,

labour market, business environment, NGOs, economic policy, education policy, foreign economic policy as well as social policy. Slovakia is interested in creating jobs with high added value, service jobs, jobs, contributing to climate change mitigation and the implementation of proactive measures to mitigate the negative impacts of climate change, green jobs considerate to natural and scarce resource and utilization the potential of natural and cultural heritage. The current structure of the economy preferred in particular the industry and in the following period, the industry shall be the main axis of economic life in Slovakia. Promoting job creation should also be addressed in the labour market challenges at regional level, and it shall facilitate an overall decrease (while still high) unemployment, particularly long-term unemployment and shall promote the employment of the young, the elderly, the disabled, etc. The expectations from the employment policies are considerable, while the time dimensions of the implementation of the proposed changes are long.

Strategy of changes:

- 4.1.1. Prioritize job creation **in sectors and regions, whose renewal, restructuring and development, make it possible to increase** their contribution to economic growth and thus employment growth; notably the lack of transport infrastructure; environment, green economy, including research and development (as a principle for the development of sectoral policies such as energy, transport, water management), removing environmental stresses; use of land resources for agricultural crop production including market gardening, livestock production and processing of agricultural products, production activities, food production, logging and wood processing; preventive flood protection measures and the elimination of the consequences of flooding; programs for energy saving; public services for enterprises and public institutions, social (nursing and care) services for the residents and etc.
- 4.1.2. Prepare and implement **programs of employment in accordance with the transition to a low carbon economy, climate change and economic performance.** Programs in these areas are **sectoral measures with environmental impacts** and must be addressed in the sectoral programs and policies that contribute to job creation especially secondary as part of other measures (e.g. in energy policy, agricultural policy, etc.).
- 4.1.3. Promote **domestic demand for products and services** that will create new jobs - education, social and health sector, ICT, science and development, consultancy (economic, legal), financial services, relax, meals, etc.
For this purpose,
 - gradually **increase the purchasing power of the population** (employers and employees), which is a prerequisite for effective domestic demand for goods and services and jobs creation,
 - use of existing revenue potential of higher income households to stimulate **demand for services and goods in the service sector**, to support the **demand of low-income households** through salary and tax policy

- 4.1.4. To monitor, evaluate and, if necessary, extend the introduced **reduction of contributions burden** on employers for low-wage workers who come to the labour market after long-term unemployment, also to the **area of support in maintaining the employment of low-wage workers**.
- 4.1.5. To promote **jobs linked to the creation of a favourable environment for promotion of social entrepreneurship** within the social economy and social innovation with a positive social impact (see part 4.3) and employment development at regional and local level as part of the employment policy.
- 4.1.6. To promote **sustainable self-employment**, start-ups and job creation **in all sectors of the economy, particularly in agriculture** and food production, including non-agricultural activities **in rural areas**.
For this purpose, to introduce for the relevant operational programs as an **essential criterion** for the selection of projects and programs of the programming period 2014 - 2020 their **potential**, or the ability **to create new jobs** (new employment activities, new employment, new jobs), to contribute to job creation or their retention.
- 4.1.7. Within the initiative to promote youth employment to support job creation **in all sectors of the national economy** and ensure sustainable **integration of young people into the labour market, especially those who are not employed or are not in education or professional training**, including young people at risk of social exclusion. For this purpose to ensure the implementation of measures supporting young people in acquiring sustainable employment or self-employment. A particular attention should be targeted to the continued **support of the first regularly paid employment**.
- 4.1.8. To address the possibility of training and assessment of anticipated social impacts arising from the possible **adoption of the draft law on first employment of young people** - graduates.
- 4.1.9. To prepare and verify **programs aimed at creating jobs for young people** for the purpose of **graduate practice as part of the employment relation** with the employer while using the elements such as training, incorporation, mentoring and etc. To **implement** the positive results of the verification **into the legislative framework of support of the graduate practice** as part of the employment relation in the first job (amendment to the Employment Services Act).
- 4.1.10. To take into account the **percentage of generated, or supported jobs for young people** in the examination of the **state aid** requests.
- 4.1.11. To support in priority the employment of disadvantaged groups in the labour market, particularly the elderly (over 50 years) and low-skilled persons.

- 4.1.12. To improve the business environment, **labour market flexibility, the level of working conditions and social security** for workers, which may in the medium and long term horizon contribute to jobs creation (see part 4.4).
- 4.1.13. To establish the **possibility to detract the contributions item for health insurance contributions for employees with low income**, thus increasing the financial incentives to labour supply, while maintaining the labour costs of employers.
- 4.1.14. To support labour mobility and for this purpose to prepare the **balance of foreign and internal labour mobility** of the population.
- 4.1.15. To address the need for preparation and adoption of **separate legislation on employment of foreigners** in order to ensure comprehensiveness, clarity and a greater degree of clear linkage of this issue to the Aliens Act.
- 4.1.16. In order to promote jobs creation, increased employment, and thus the employment in regions of Slovakia, implements the **programs** (approved by the government on 16 April 2014 and 14 May 2014) **on the use of structural and investment funds of the European Union for the programming period 2014 - 2020**. Those are the Operational Programme Human Resources for the programming period 2014-2020, Rural Development Programme 2014-2020, Operational Programme Research and Innovation, Integrated Regional Operational Programme 2014 - 2020, Integrated Infrastructure Operational Programme 2014 - 2020 and the Operational Programme Effective Public Administration 2014 – 2020.
For this purpose, to **monitor the creation of jobs** supported through these operational programs.
There is a presumption that, under the Operational Programme Quality of Environment, the projects whose **secondary result will be the creation of new jobs**, the job creation is not a priority, will be supported and therefore that priority is not monitored at the level of the operational program.
- 4.1.17. To prepare the programs of promotion **of jobs creation (employment) for people who are in unfavourable social situation**.
- 4.1.18. To encourage non-governmental organizations, whose activities contribute to reducing unemployment and promoting employment in the SR.

4.2. Innovations as a tool of employment promotion

Main challenges: The strategic objective is to increase the employment by improving the ability to commercialize and adopt innovations and technologies. The result of this strategy should be the improvement of the position of Slovakia in the indicator of innovation performance and the associated increase in employment. The innovations are one of the best tools that maintain and enhance the economic development of the state and improve the competitiveness of businesses in the local and global business environment, which may be a prerequisite for the creation of new jobs. Through the transfer of modern technology and procedures, the innovation process by innovators (innovation performer) may be significantly reduced. This method is suitable for small and highly open economy such as the Slovak one, as it does not have such prerequisites that would enable to conduct an efficient basic and applied research across the full range of issues. The relative strengths of Slovakia are human resources and scientific focus, for example when in 2012 out of 28 800 employees in research and development up to 52.2% worked in engineering and science. Also the positive aspect is an increase in the number of new graduates in science and technology at the third level of university studies (2,119 in 2013, while in 2006 there were 1,218 graduates of PhD.). However, still fewer and fewer of them can find employment in the business sector.

Strategy of changes:

- 4.2.1. To take into account the **potential of projects to contribute to the creation of new jobs** (e.g. activities designed to encourage the use of e-business), or to contribute to the creation of jobs for disadvantaged groups in the labour market (young, older, women, etc.).
- 4.2.2. Based on the relatively large amount of direct foreign investments that Slovakia gained in recent years, create conditions for the gradual improvement of the knowledge intensity of local production, which would be beneficial to the economy by creating **better-paid skilled jobs**.
- 4.2.3. To consider the **establishment of employment support for graduates of doctoral studies** in the business sector.

4.3. The development of the social economy as an innovative tool to promote regional and local employment

Main challenges: In the lingering economic crisis and in the context of problems, such as aging population, youth unemployment and growing inequality, occurs at the EU level a gradual promotion of the concept of social economy, which is becoming part of its strategy papers. The social economy is a sector of the economy that performs a particular business, but its main purpose is to fulfil certain social objective, and not to maximize the profits for the

owners (among those social goals, from the economic perspective the *positive externalities* include, for example, the employment of long-term unemployed and other disadvantaged groups of jobseekers). The subjects of the social economy are not part of the public sector, not and not even regular private sector. Within the EU the social economy was employing between the years 2009 - 2010 a total of about 14.5 million paid employees, or approximately 6.5% of the total number of employed - and this proportion has increased from 6% in 2002 - 2003.⁴ In contrast, according to the data of the European Economic and Social Committee in Slovakia the social economy employed in the years 2009-2010 only 1.94% of total employees⁵. It is obvious that in terms of promoting employment, the development of social economy has a potentially enormous importance – belongs to one of the sectors with the best prospects for regional and local development and for employment because it creates jobs through its subjects, social enterprises, for disadvantaged jobseekers, strengthens social, economic and territorial cohesion, generates social capital, promotes active citizenship, solidarity and economy with democratic values which puts people first, in addition to supporting sustainable development and social, environmental and technological innovations. In particular it is important in terms of employment to support the so-called work integration social enterprises (Work Integration Social Enterprise - WISE). These companies are "autonomous economic entities whose main objective is professional integration - both within the company itself or in conventional enterprises – of people who face in the labour market serious difficulties. This integration is achieved by productive activity and personally focused support, or through education leading to an increase in workers' skills. WISE are active in various sectors, but in Europe they are most common in the manual labour (construction, carpentry etc.), in the collection and recycling of waste, or maintenance of public green spaces and packing of goods.⁶ The social economy has been a constant interest for the European Commission, the European Economic and Social Committee (EESC), as well as the ILO and OECD. The European Commission issued on 25 October 2011 issued a Communication *Social Business Initiative - Creating a favourable environment for social enterprises in social economy and social innovation*, which proposes key measures to promote social entrepreneurship in Europe and contains recommendations for the governments of the Member States relating to the improvement of framework conditions for social enterprises, which can lead to new opportunities and jobs creation.

⁴ DG Employment, Social Affairs and Inclusion (2013): *Social economy and social entrepreneurship - Social Europe guide, Volume 4*, (29/04/2013), <http://ec.europa.eu/social/BlobServlet?docId=10027&langId=en>, p. 45

⁵ European economic and social committee (2012): *Social economy in the European union: Summarization of the report that was elaborate d for the European economic and social committie by the International centre for research and information on public, social and cooperative economy (CIRIEC)*, http://www.eesc.europa.eu/resources/docs/a_ces11042-2012_00_00_tra_etu_sk.pdf p. 36_

⁶ Davister, Catherine – Defourny, Jacques – Gregoire, Olivier (2004): „Work Integration Social Enterprises in the European Union: An Overview of Existing Models“, *Working Papers Series*, no. 04/04, Liège: EMES European Research Network, p.3

⁷ 2014 Economic Review – Slovak Republic, OECD; ŠÚ SR; ÚPSVaR.

Informative box (call for legislative change): Among the EU countries, which have a separate legislative regulation of social enterprises belong, for example, Italy, Finland, Lithuania, Slovenia, Poland. National laws on the social economy are in Spain (Law no. 5/2011 of 29 March 2011 on the social economy) and Greece (Law no. 4019/2011 on the social economy, social entrepreneurship and other provisions) and in Belgium the Walloon Parliament adopted on 20 November 2008 regional regulation on the social economy. The favourable development of businesses in recent years is recorded in the Czech Republic and Austria. In 2008 Austria adopted a federal directive to promote socio-economic enterprises with aim to regulate uniform and mandatory procedures for providing support to socio-economic enterprises. Legislated social entrepreneurship is also in the United Kingdom. Elements of the social enterprise can also be found outside of Europe, where, for example, in the United States they have 50 years tradition of social Job Corps, which operate with the support of the federal government. The social economy is supported by the EU and its institutions, but is left to the discretion of individual Member States whether and how they intend to promote social entrepreneurship. Within the European Commission the field of social entrepreneurship is dealt by the Directorate-General (DG) for Employment, Social Affairs and Equal Opportunities - DG Employment, Social Affairs and Inclusion, DG Enterprise and Industry - DG Enterprise and Industry, currently the DG Internal Market and Services - DG Internal Market and Services supports social entrepreneurship more and more because it realizes the importance of the social inclusion and sustainability of the welfare state model.

The European Social Fund is actively supporting the establishment of social enterprises that have the potential to create sustainable jobs and support the integration of disadvantaged groups in the labour market. This is in particular concern to the long-term unemployed young people, people with disabilities and people from rural communities. Whereas, in particular the support for long-term unemployed person poses for a company directly or indirectly significant costs, through his entry into the employment the company acquires substantially. The development of social economy will require that the public support got closer to the standards in the EU15 countries mainly in three areas: legislative, financial and infrastructural. When providing any public support it will of course be necessary to enforce strict rules on state aid.

Strategy of changes:

- 4.3.1. In short-term improve the legislative environment for the functioning of the social economy by extending the legislatively enshrined concept of "social enterprise" into the dimension present in the European documents and legislation (EC Communication *Social Business Initiative*, Regulation on European Social Entrepreneurship Funds). Similarly, in the short term to improve the legal and business environment for existing social economy, such as, for example, sheltered workshops.
- 4.3.2. In the medium term horizon, to prepare and adopt a separate comprehensive legislation on the social economy. In the process of preparing legislation to prepare an analysis, which will include an overview of the "best practices" of introducing the social enterprises in other countries and the possibility of their application in Slovakia, assess the current development in this area in Slovakia, as well as specific proposals for action and the form of funding, with emphasis on minimizing the potential

weaknesses." Under the new legislation, for example, consider anchoring the options of restructuring the firms in difficulty to cooperatives, further to take full advantage of changes of European legislation in relation to the social aspects of public procurement, including adjustment of the competencies of the local self-government, as well as to allow existing contribution for self-employment to be used by a jobseeker as an input to a joint cooperative venture.

- 4.3.3. To complete preparation of financial support for the social economy in the form of the Fund of social funds of development capital (FOSFOR) as a separate sub-fund of the Slovak Investment Holding (SIH).
- 4.3.4. To create an infrastructure for logistical support of the subjects of social economy, by creating a network of incubators for social enterprises, providing consulting, legal and other support services in order to facilitate the functioning of these companies. When creating this action use the experience from abroad, especially from the EU Member States with similar conditions, such as the SR (Poland, Slovenia, Hungary).
- 4.3.5. In partnership of the fund FOSFOR and supporting infrastructure to support the creation and implementation of business plans / plans emphasizing the use of microfinancial and microgranting programs to support micro enterprises that meet the criteria of social economy entities. Particular attention shall be paid to the business plans with a perspective of employing the disadvantaged jobseekers, including people from the marginalized Roma communities and people in unfavourable social situation (homeless people).
- 4.3.6. To provide support in the form of a combination of grants and financial instruments from the FOSFOR fund to beginning and existing businesses that meet the characteristics of subjects of social economy, in agriculture, community energy and other suitable non-agricultural activities in rural areas and less developed regions.

4.4. Flexibility of work relations, work conditions, work protection and work culture

Main challenges: Under the pressure of high unemployment the social securities of workers were released and reduced and the flexibility of employment was strengthened. Currently in **the field of work relations** there are several categories of employees, some of whom are not covered by the labour contracts and they enter into the labour market in weaker legal status. Agreement on labour, agreement on student work, employment through agencies and self-employment are cheaper for the employers (but with a consequence of reduction of health and safety at work, and a reduction in social security of workers). This can be acceptable only in case of an exceptional situation in companies. However, if it is a mass phenomenon with long-term application, it becomes for the economy, employees and also the society unbearable. Employees of the agencies working for the user employer can obtain a large amount of practical experience, to improve their qualification and find permanent employment. The conditions that determine the rules for the allocation of temporary employees in Slovakia are intended mainly to avoid the risks of undeclared work.

Secondment of employee to work for the user employer is based on a contractual basis. It can not be done without the consent of the employee. This is a substantial interference with the working conditions of employees. Employment agencies are advantageous for employers. The user in particular gets rid of any obligation on the selection of suitable candidates, concluding labour relations as well as termination of employment, it is an effective alternative of short-term covering of the demand for employees, immediate solution to workforces shortages, taking over of the administration, reduction of some of the costs and processes associated with the employment of temporary staff. The employees consider it as a disadvantage of the agency work the different conditions of remuneration compared to ordinary employees, which is in Slovak legislation illegal. Flexible forms of work and working arrangements, which would help the employment of **people with family responsibilities**, are in Slovakia used only minimally, despite the fact that the law allows them in the SR. The proportion of part-time work among women and men is one of the lowest in the EU. One of the significant growth conditions of work culture in Slovakia is the reduction of the extent and significance of undeclared work and increase of the safety and prevention of occupational injuries. Illegal employment is one of the long-term and adverse events, which not only adversely affects the labour market, but it is a social and economic problem. Poor working environment, insufficient remuneration of employees, participation in the informal economy is only part of the phenomenon. The general nature of illegal employment are the violations of generally binding legal regulations, allowing employment, entrepreneurship, health and safety at work, the entry and residence of aliens. Undeclared work and illegal employment should therefore be reduced and the measures related to control activity should be used. The goal of the inspections aiming at checking the compliance with the prohibition of illegal work and illegal employment is the action to improve the unfavourable situation in area of compliance with applicable laws and preventive action to employers. The strategy of changes in the area of health and safety at work is adopted by a document *Strategy for Safety and Health at Work in the Slovak Republic in 2020 and its implementation program for the period 2013-2015 with a view to 2020* (Government Resolution no. 391/2013 of 10 July 2013).

Strategy of changes:

- 4.4.1. To continue to promote the application of the **balance of rights and their corresponding duties between employees and employers**, as well as the creation of decent working conditions, with particular emphasis on discussing these conditions with the social partners.
- 4.4.2. Based on the findings related to searching and fighting the undeclared work and illegal employment **to continue in clarifying the legal framework for the operation of the temporary employment agencies**, which employ persons in employment relation for the purpose of his temporary assignment to the user employer.
- 4.4.3. To improve the conditions **for balancing work and family life**, focusing on mothers of preschoolers through provision of childcare and **promoting flexible forms of work**.

4.4.4. To strengthen substantially the employment protection of employees in accordance with the global requirement for performing the so-called "Decent Work (decent work)." The key challenges are as follows, the employment protection of employee against extensive working time, high range of overtime, employment protection of employee in area of compliance with the principle of equal treatment, in the area of the so-called bullying at the workplace, in the area of for example high psychological burden on employees and etc.

4.5. Effective solution of long-term unemployment

The strategy in this area is closely related to section 4.3, which is elaborating on promotion of the development of social economy with a positive social impact, particularly on the long-term unemployed people.

Main challenges: Human work will more and more consist of much more sophisticated activities, based on the control of new technologies, or technology units. There will be a decrease in demand for simple manual human labour, when even from the costs perspective the technological solution will be more favourable, and when currently the activities such as sweeping, washing, cutting grass and etc. are cost-consuming when carried out by people in comparison with mechanical performance of these works. part of this development is a maximum emphasis on the automatisisation of processes and production methods, replacing the human labour (mainly manual) generally by instruments, resp. automated technology, mainly in industrial and service sectors. The increase of the required knowledge and skills in sectors that remain and even in the future will depend largely on human labour (manual), will be present in particular in the agricultural production, forestry, water management and tourism. This shall result in a dramatic reduction of need for low skilled and unskilled human labour in the economy. This means that in the economy there are less and less jobs for people without qualifications or with low qualifications, which enables them to perform only simple manual labour. For people who are and will be on the edge of technological development, and will not acquire common and mandatory required skills and knowledge (computer literacy, working with computer-controlled machinery, knowledge of languages, etc.), the unemployment will further deepen. Employing these people becomes increasingly problematic, as there is not the demand for such, it is difficult to place them on the labour market, despite the use of various incentive contributions for employers. The analysis of the available statistical findings⁷ also point to the relationship of employment of people with higher education and those with low education. Generally, in the regions where the production with higher added value is important for the economic development, the jobs for people with low education are also created. This relationship stems from the fact that people with higher education receive higher wages and higher purchasing power creates opportunities for services (e.g. crafts or communal services), provided by people with lower qualifications. Also The municipalities have higher incomes in these regions, as they are an important

⁷ 2014 Economic Review – Slovak Republic, OECD; ŠÚ SR; ÚPSVaR.

"consumer" of the low-skilled labour (maintenance of buildings, public spaces, waste management, etc.). The existence of this dependence is confirmed by the international statistics and analysis,⁸ which shows that if there is substantial share (regional) at the labour market of the offer of people with higher qualifications (structurally these must be qualifications interesting for the economy; however a serious problem of Slovakia is also the structural imbalance in people with higher qualifications in regards to the needs of enterprises), the region is attractive for employers and the jobs area created more dynamical, or they are more stable when maintain the jobs. But later it has a positive impact on the employment of people with low qualification. Negative characteristics of people with no or minimal qualifications is also a weak, or almost no inclination to mobility. Lifetime unemployment of these people requires from the state not only the expenditures in the form of social assistance, but creates serious social problems, among which is the most serious the "succession" of lifestyle of lifetime uneducated (unskilled) and non-working person. This call also fully concerns the promotion of employment of people in unfavourable social situation, who are at risk of social exclusion or have limited ability to be socially integrated and solve their own problems individually.

Informative box (Specific challenges): Atlas of Roma Communities provides inventory data on the situation of Roma communities in 1,071 municipalities, so data therein discuss the population that is in living in segregated or separated communities. It is not the source of the census of Roma in Slovakia. Relying on the government approved Strategy for the Integration of Roma 2020, it is inevitable to reflect when setting the policies and measures that there are several target groups: Roma as a national minority, the Roma communities and marginalized Roma communities. The Government of the SR has carried out a number of measures to reduce employment costs, particularly in case of long-term unemployed and low-skilled persons.

The state can support the placement of low-skilled persons to labour market through the creation of permanently subsidized jobs for these people. Subsidizing the cost of their work is necessary because the unskilled or low-skilled human labour is more expensive than the same work done by the machinery. Services or goods that these people are able to produce, thus are not able to compete on the open market and without subsidizing this work activity would not be economically viable. When setting the organization and in particular the financing of the supported employment, it is also necessary to comply with the valid legal rules on competition and state aid,⁹ which in turn reduces the space for creating jobs for these people. The limitations set out by this binding framework enable the application of such solution only if it is limited by time (affirmative action), or / and in certain segments of the production of goods and services (e.g. for the needs of the public sphere), or for a particular territory (local

⁸ 2.16 Low skilled workers (in SR) prove worse employment than their „partners" in other countries. The employment rate of low skilled people forms only a half of the average observed in OECD, however in case of the university educated people there is no real difference."; 2014 Economic Review – Slovak Republic, OECD, p. 79

⁹ Eg. act no. 136/2001 Coll. on protection of economic competition, act no. 231/1999 Coll. on state aid, all bylaws for application of art. 107 and art. 108 of the Treaty of the functioning of the EU, Commission Regulation no. 2204/2002 from 12 December 2002 on application of art. 87 and art. 88 of Treaty in area of state aid for employment.

scope). The major impediment such long-term solutions are their costs. Only the lowest possible labour costs¹⁰ of 150 thousand low-skilled persons would amount to 720 million euros in 2015 and in the following years the amount will grow, depending on the minimum wage.¹¹ This must be added with the cost of necessary working tools and other statutory requirements (e.g. the contribution to the diet), as well as the cost of personnel to organize, manage and monitor the work of the these employed people (due to the low qualification and low adaptability to the working environment and conditions of most of these people, there should be expected a higher demand for the number of managing employees in commercial enterprises in the open labour market), representing another approximately 50 million euros (at the prices level of 2015. It is clear that such heavy expenditure on permanent subsidized employment the public budgets can not sustain, while the real need for such a large amount of low-skilled work or unskilled people is also questionable, even if only in the form of public service. For the above mentioned reasons, it can not be recommended that the State addresses the problem of unemployment of low-skilled or unskilled people by creating the permanent subsidized jobs. Even from abroad there is not known an example, where such solution would be applicable. The general approach could be the completion and systematically updated National system of occupations in connection to the monitoring and forecasting of labour market needs. The solution is a structured career development (education) relating to the acquisition of new knowledge and skills for these people in order to get a chance to work.

Informative box: According to the OECD,¹² the share of expenditure on education in the amount of 1% of total expenditure on ALMP is the lowest in the OECD countries. Neither system of targeted structured training, however can not increase the employability of each low-skilled or unskilled unemployed person. It needs to be taken into account that part of the job seekers remain permanently at the basic activation associated with receipt of material need,¹³ but for some of them this activation will be springboard for future inclusion in the higher forms of activation, including targeted structured learning. In particular, foreign and domestic experience and professional studies emphasize that part of the skills development and skills of low-skilled and unskilled people must be accompanied with a support and assistance to these people.¹⁴ These are, for example. the adaptation to teamwork, basic communication skills in job search (write a resume, apply to and attend an interview), the basic legal awareness (rights and duties of the employee), basic financial literacy. As an extremely important factor appears to be the debt to which the long-term unemployed people fall during the period without any work.¹⁵ Consequently, their real income situation it may be after the commencement of employment even worse than before, what motivates them to refusal the legal employment.¹⁶

¹⁰ Minimum wage + related social and health insurance.

¹¹ Act no. 663/2007 Coll. on minimum wage as amended.

¹² 2014 Economic Review – Slovak Republic, OECD, p. 82.

¹³ Act no. 417/2013 Coll. on material need as amended.

¹⁴ Eg. OECD (2014 Economic Review – Slovak Republic, p. 79, bod 2.19) emphasizes the role of public employment services in area of counselling and job search support.

¹⁵ According to practical findings, these are in particular debts on housing and related services (rent, energy, maintenance, waste fees, property tax), obligatory payments to state and municipality, for telecommunication services, commercial insurance and short-term loans (non-bank entities).

¹⁶ Eg. within the pilot project From benefits to paid work, implemented in Banská Bystrica in 2012 and 2013 (funded through the sources of ESF within the OP LaSI, priority axis 1. Support of employment growth with

Strategy of changes:

In addition to the strategy of changes mentioned in section 4.3, these are the following:

- 4.5.1. To increase the **share of ALMP funding** aimed at tackling long-term unemployment through effective drawing of EU funds for the project implementation program 2014 – 2020.
- 4.5.2. To maintain and develop more effective solution of long-term unemployment through **activation measures and strengthening the link between activation and social assistance**.
- 4.5.3. Effectively address the long-term unemployment through **second-chance education, personalized further professional training** (targeted structured education) or **building profiles of work experience** in order to improve the long-term unemployed to obtain stable employment and facilitating people's access to employment services.
- 4.5.4. **To prioritize the implementation of pilot projects and pilot programs addressing the long-term unemployed people** and target them to promoting the work habits, knowledge, work and social skills, job search assistance and provision of labour and social counselling. Implement their outcomes as such system tool of active labour market policy (amendment to the Employment Services Act). To focus the projects and programs on people who are in unfavourable social situation.
- 4.5.5. To apply a so-called **intensive model of integration** of long-term unemployed people (including persons who are in unfavourable social situation) on the labour market, that consists of multi-professional intensive support in the process of adaptation in the working environment (including intensive collaboration with a team of experts). Examine the possibilities of linking the social services and employment services. Part of this accompanying (assistance) to this target group during education, or adaptation, shall be gradual solution of their debt (e.g. agreements with law enforcement officials or creditors on acceptable payment calendar, reduction of debt interest, etc.).
- 4.5.6. To create **links (networking) of institutions of public employment services to non-state employment services** (legal or natural person who operates or provides activities under the Employment Services Act, particularly in mediating the employment, professional counselling services, education and training for the labour market). The links (networking) shall in priority **address the timely preventive and**

budget 313 119 euro), 25 out of 40 participants had debts (18 from them were already in the enforcement proceedings), due to which they were refusing to enter the employment.

active measures accessible, particularly for the long-term unemployed people - the most vulnerable to social exclusion, including people from marginalized communities.

- 4.5.7. To prioritize **the pilot projects or pilot programs to support the development of regional or local employment** addressing the long-term unemployed people and **outcomes of their implementation to implement as a system tool** of active labour market policy (amendment to the Employment Services Act). For this purpose, to establish the annual development of frictional unemployment and the annual development of long-term unemployment and its regional, gender and ethnic structure.
- 4.5.8. To implement an independent national project to support the return of the local labour market of the **long-term unemployed women in the age groups from 45 years**, with a particular focus on women in these age groups with vocational education, higher and university education.
- 4.5.9. For creating the **opportunities for employment development at the local level** as part of the national employment policies to apply the *Guidelines for the preparation of employment strategies at the local level in Slovakia* issued by the DG Employment, Social Affairs and Inclusion.
- 4.5.10. To implement **activities** in order to effectively address the long-term unemployment arising **under the Operational Programme Human Resources** for the programming period 2014 - 2020, particularly in the context of Specific objective **To increase employment, employability and reduce unemployment, with special emphasis on the long-term unemployed, low-skilled, older and disabled people** and within the Specific objective **To increasing financial literacy, employability and employment of marginalized communities, especially the Roma**.
- 4.5.11. For effectively addressing the employment of Roma to apply an integrated approach - horizontal and vertical coordination of programs, complex solutions of issues of local (regional) development, for example through **development programs for specific localities**.
- 4.5.12. To consider the **strengthening of analytical capacity in terms of current and future position of the Roma** in the labour market and those who are in unfavourable social situation and build a working group to increase their integration (e.g. in the form of working group of various departments). To assess the possibility of introducing the legislative solutions for eliminating the barriers that prevent them from being employed, for example current legislation protects social income before execution, and enforcement proceedings commence at the moment when the debtor has an income from work (the assessment should be carried out in particular in terms of the affirmative action of the groups of population against the other citizens).

- 4.5.13. To provide better support of the employment of people in unfavourable social situation, who are at risk of social exclusion or have limited ability to be socially integrated and solve their own problems individually.
- 4.5.14. To assess the opportunities and expected benefits of **extending the definition of "disadvantaged jobseeker"** for the purposes of the Employment Services Act to the person from the socially excluded communities, for example the members of marginalized Roma communities and people at risk of extreme poverty (or the person who is in unfavourable social situation), who has been granted such a status by the office of LSAF.
- 4.5.15. To encourage the labour integration in the labour market for the group of **long-term unemployed**, who are also disadvantaged by uncertainty about their work skills. Potentially those could be such companies, for example, **inclusive businesses**¹⁷ proposed by the Employment Institute.

4.6. Capacities, networking and development of public employment services

Main challenges: Since 2011 to 2013 there was a reduction in number of employees of the offices of LSAF, while the registered unemployment rate in 2013 reached 14.1% (13.2% in 2011). The increase in the registration of jobseekers and active work with them had a negative impact on the workload of employees of the offices of LSAF. At the busiest offices of LSAF in 2013 the employees of intermediating the employment had more than 500 clients per month. Although the employment services are also provided in the SR through temporary employment agencies (AEP), employment agents and supported employment agencies, their main drawback is the low capacity for personalized counselling, direct contact and activation of jobseekers. Following the reform of the labour market policy and an amendment to the Employment Services Act from May 2013 the targeted measures will be needed to strengthen the personnel capacities, improving the quality of employment services delivery, especially through innovation and improvement of the skills and performance of workers off direct contact with the target group and consultants. This will ensure the provision personalized services for job seekers, including young people, long-term unemployed and people from marginalized communities and improve their cooperation with local employers, educational institutions and non-governmental organizations and other relevant stakeholders. To provide better, client-oriented services the sufficient number of employees will be needed. To enhance the quality of public employment services the use of the EURES network will be needed, which is a network of cooperating bodies whose aim is to facilitate the free movement of workers within the European Economic Area (the EU plus Norway, Iceland, Liechtenstein) and Switzerland. It will therefore be necessary to ensure an increase in the quality of EURES advisers, their direct contact with clients and quality assurance activities and services of the

¹⁷ Páleník, V., Páleník, M., Oravcová, I., 2013: Inklusívne employment, Inštitút zamestnanosti, Bratislava, ISBN 978-80-970204-4-6.

EURES network. Better and more targeted public employment services are necessary in order to promote the active participation of the social partners, who are the actors of national social dialogue and tripartite consultations.

Strategy of changes:

- 4.6.1. Following the reform of ALMP conducted in accordance with the amendment of the Employment Services Act (1 May 2013), modification of the scope of the LSAF Headquarters and offices of LSAF adopted by the amendment to the Act on state administration bodies in the field of social affairs, family and employment services (1 January 2015) and taking into account the specific recommendation of the Council to Slovakia, **to increase the capacity of public employment services for case management, personalized advice and activation of jobseekers, particularly in the areas of direct contact** with clients, employers and jobseekers, particularly those who are most at risk of social exclusion, including the MRC.
- 4.6.2. To provide system of **training for employees of the public employment services** (front-line officers) aiming to improve their provision to the unemployed, especially those most at risk of social exclusion.
- 4.6.3. To continue to reform the employment services in favour of **strengthening the active and preventive measures** within the ALMP. For further streamlining of the ALMP to further analyze the pure effectiveness of different programs in order to better respond to the needs of the labour market. To fulfil this role an individualized central database is needed, which is being finalized.
- 4.6.4. To improve the administrative capacity of public employment services aiming on improvement of the targeting, design and evaluation of the ALMP to provision of personalized employment services particularly for young people, long-term unemployed, older workers and women.
- 4.6.5. To ensure further development and increase in the capacity of employment services through **multifunctional Integrated System of Type Positions (ISTP)**, which enables the efficient provision of assistance **in finding the optimal work placement** based on a thorough analysis of each individual potential of the jobseeker interested in employment, pupils, students, parents, educational advisers and other participants in the labour market and education.
- 4.6.6. To conduct the "**Networking of public employment services and non-public employment services**," the purpose of which is to prepare and introduce an innovative solution of cooperation with non-state employment services. This reform

may in the future contribute to improving the access to employment, especially for long-term unemployed and otherwise disadvantaged jobseekers.

- 4.6.7. In order to increase the employability of people with disabilities and long-term unemployed, promote the cooperation of offices of LSAF with ASE, including an assessment of the possibility of introducing an effective system of financing the ASE.
- 4.6.8. Following the Stability program of Slovakia for the years 2014 - 2017 and modification of the scope of the LSAF Headquarters and offices of LSAF adopted by the amendment to the Act on state administration bodies in the field of social affairs, family and employment services, **to apply the immediate spending priorities, which also include the remuneration of LSAF offices.** Competitive wages shall be bound to the result indicators. The current financial remuneration of the officials of LSAF is below average in the public sector. The aim is to provide the employees providing training and information and counselling services the salary representing the average wage in the public sector.

4.7. Promotion of the supply side of the labour market through qualifications for better employment

Main challenges: Lack of skills and skilled workforce - as a result of uneven socio-economic levels in regions of Slovakia, migration of skilled labour from Slovakia and low job skills especially of those without work and in particular of long-term unemployed. **A discrepancy between the vocational education and training (VET) with the labor market requirements** - better preparation of graduates for work, facilitation of their transition into the workforce, creating dual VET, development of appropriate skills, personal and educational development in the context of lifelong learning, adapting the education and skills requirements to the labour is a strategic priority. The above mentioned discrepancy - a serious problem for the effective functioning of the single market, movement and labour mobility (draft of the European Parliament and Council for modernization of the Professional Qualifications Directive of 19 December 2011 - the introduction of a European profession card for mobile professionals) - better monitoring of needs in area of skills, better recognition of the qualifications, greater synergy between the education and work. **Developing lifelong learning** is an essential precondition for maintaining employability, effective links between formal, non-formal and informal learning and teaching.

Strategy of changes:

- 4.7.1. To implement the policies of **dual education** in the system of vocational education with a positive social impact on employment (new law on vocational training), with particular regard to support the introduction of elements through which a closer link between education and labour market needs, a smooth transition from school to employment and higher qualifications and competitiveness of secondary vocational schools will be ensured.

- 4.7.2. To continue in supporting the **further education leading to a qualification**, full or partial qualifications.
- 4.7.3. To prioritize the **system of validation of further education** and informal learning results (learning by doing), **professional guidance** system and system of monitoring and forecasting educational needs.
- 4.7.4. To prepare and implement through the Ministry of Labour, Social Affairs and Family and the Ministry of Education, Science, Research and Sport of the **system of regular review** of the placement of the high school graduates in the labour market in employment and occupational activities, for the performance of which they were preparing the relevant field of study. Currently, a similar system is in place only for university graduates through the exchange of data from the register of students, which also serves for the purposes of registering a given field of study and the Social Insurance Agency.
- 4.7.5. To add the Information System of further education of the Ministry of Education, Science, Research and Sports with information regarding the **prognosis of educational needs**.
- 4.7.6. To add and update the **National system of occupations** in line with the developments in the labour market and in accordance with the Act on Employment Services. To ensure its implementation as a framework for the development of systemic solutions of transfer of needs of the labour market to the lifelong learning system based on the **National Qualification System**.
- 4.7.7. To address the possibility of **extending the forms of education and training for the labour market** applied under the Employment Services Act with new, progressive forms of education, certified training, accredited training, training for the performance of selected work activities (even outside of the accreditations under the Act on Lifelong Learning).

4.8. Supra-sectoral coordination of the policies with positive impact on employment

Main challenges: One of the causes of persistent high unemployment in Slovakia is the lack of approach that would comprehensively address the problems of employment and unemployment in mutual relation and taking into account the factors that affect the solution to these problems. Currently it is a quite difficult situation regarding the perception of tasks and measures for the promotion of employment and job creation. So far, these problems were addressed more or less in isolation, both in terms of employment and unemployment. In area of employment the efforts have mainly focused on job creation mainly in the form of various subsidies and allowances allocated according to the actual situation on the labour market. In the area of unemployment, those were mainly measures with particular emphasis on active

labour market policies and addressing the relationships between the social security system and labour market policy. The challenge for further development of the Slovak economy and improving the living standards are solutions that will lead to the creation of sustainable jobs. That is the creation of new jobs in the different sectors of the national economy. In the implementation of this objective the factual specificities of the particular sector shall be respected. The emphasis is placed primarily on the sustainability of created jobs and the efficiency of their creation. On the other hand, these are the cross-cutting policies corresponding to the sectoral policies and policies to promote regional development. Their aim is to improve conditions affecting job creation through the sectoral policies. They aim at: improving the business environment, support for small and medium enterprises, promoting the use of science and research in economic practice, promotion of regional development and etc. These policies on the one hand, increase the effectiveness of sectoral policies and on the other hand, improve conditions and extend the scope for entrepreneurship and thus indirectly support through the entrepreneurship the jobs creation. The economic sectors have their own systems to promote employment in the application of different instruments. The second part of the economic policy, consisting of a set of interconnected and corresponding social policies and labour market policies, which seek to achieve the maximum possible synergy in the implementation of the strategic objectives of the development and creation of new jobs, is not directly under their control.

Strategy of changes:

- 4.8.1. To improve the **coordination of procedures aimed at the promotion of employment** and tackling unemployment in applying the competence of the Ministry of Labour, Social Affairs and Family of the Slovak Republic in accordance with art. 15.1 point. d) of Act no. 575/2001 Coll. on the organization of activities of the government and central government, as amended, under which it is the central government authority for the employment strategy, coordinating its development and labour market policies.
- 4.8.2. To prepare and establish a **supra-sectoral action platform to coordinate the promotion of employment**, which will have the status of a working group with representation from various departments. During its establishment the **positive experience of the organization and scope of the Managing committee** shall be applied, which performed the supra-sectoral coordination in the context of the project the National Employment Strategy. To focus its activities **on adoption and coordination of tasks (action tasks), tools and mechanisms applied in the implementation of the strategic objectives**, under the section 4 of this strategy, preventing the adoption of actions with conflicting effect, based on the partnership between the ministries, government bodies, social partners, local authorities, scientific research institutions, academia and non-governmental sector.
- 4.8.3. To promote the principles of **partnership** between the ministries, government bodies, bodies of local self-government, social partners, academia, foreign and domestic

scientific research institutions, focusing on research of possibilities of the development of economic activities, local and regional employment, the NGOs and etc.

Changes in the legislative framework for employment

(summary under Part 4.1 to 4.8)

- Amendment to the Employment Services Act for the purpose of
 - **support for graduate practice** as part of the employment in the first job (incorporation of project results Through practise to employment)
 - **the integration of long-term unemployed into the labour market** (incorporation of the results of project on cooperation with non-state employment services in form of a system tool of the ALMP).

- Possible separate legislation on the employment of foreigners (based on the results of performing the task 4.1.14).

- Separate comprehensive legislation on social entrepreneurship (social enterprises and social economy).

Conclusion

The National Employment Strategy of the Slovak Republic until 2020 is a comprehensive strategic framework for the promotion of employment. It announces cross-sectoral solutions and measures which are closely linked to the creation of jobs in various sectors of the economy. The medium-term, comprehensive and interconnected system of the strategic employment support has the potential to become the impetus for the coordination of systems and procedures of those sectors in whose scope is the jobs creation. Therefore a supra-sectoral coordination platform will be established for the promotion of employment, which will have the status of a working group with representation from various departments. During its establishment the positive experience of the organization and scope of the Managing committee shall be applied, which performed the supra-sectoral coordination in the context of the project the National Employment Strategy. The Strategy presented in this document will be performed and once a year evaluated by the bodies, including with its possible updating within the scope of the central government authorities, that are responsible for the areas covered by the strategy of changes. The Ministry of Labour, Social Affairs and Family of the SR based on the adopted evaluation of tasks from individual sectors, as well as on the basis of the tasks performed in its scope, will annually present to the Government of the SR the fulfilment of the tasks relating to the adopted strategy of changes, including the proposal for its possible updating. It is also expected that the National Employment Strategy of the Slovak Republic until 2020, which is prepared in accordance with the Specific recommendations of the Council to Slovakia, will become a strategic document for the new programming period 2014-2020, as the projects that are going to be implemented within its framework, should reflect this strategic document, as well as the National Reform Programme.