

## EMPLOYMENT AND UNEMPLOYMENT



Image from Pixabay

### What is unemployment?

In one sense, unemployment is easily understood – someone is not working who would like to be working. If you have ever been unemployed and looking for a job, you know that unemployment is not just a calculation of numbers. There are real emotional and psychological impacts associated with a person being unemployed, whether the unemployed person is completely new to the work force or is the head of a household and raising a family.

There is a link between production and employment. Higher levels of production growths are associated with higher employment and lower unemployment, while lower levels of production are associated with lower employment and higher unemployment..

## Types of unemployment

There are three different types of unemployment: structural, frictional, and cyclical. Each of these types of unemployment has a root word that suggests the type of unemployment we are considering.

**Structural unemployment** occurs when the structure of the economy changes, as when agricultural workers are displaced by machines or when computer skills are needed for today's advanced service jobs. With structural unemployment, jobs may exist, but peoples' skills are not sufficient to fill the available positions.

**Frictional unemployment** relates to friction in the system, specifically in the information system that connects unemployed people with available positions. In this situation, unemployed persons have the necessary skills and there are available positions in their field, but the unemployed persons don't know about the jobs and the hiring entity does not know about the potential applicant. With so much information readily available on the Internet, however, frictional unemployment is much less a problem than it used to be, especially for workers who are computer literate. For the unemployed who are older and less educated, newspaper want ads and knocking on doors remain the standard methods for job searching.

**Cyclical unemployment** is connected with economic business cycles. When economic activity is weak unemployment rate is high and when economic activity is strong unemployment is low.

A large part of unemployment in Slovakia is associated with the (mostly Roma) population living in remote segregated villages with close to 100 % unemployment. Prevailing basic education, accompanied with the remoteness meant that fighting unemployment in these locations proved hard even in boom periods.

### Long term unemployment

Another big challenge for the Slovak economy is long-term unemployment. Historically, 54.4 % of registered unemployed workers were stuck in unemployment for more than 12 months.

### Unemployment of youth

As with overall unemployment, youth unemployment is a big problem for the Slovak economy.

### **Ageing of the Slovak population**

At the moment, Slovakia has one of the youngest populations in Europe. In 40 years, its population will be the oldest in Europe. This demographic shift will imply unprecedented pressure on the labour market, the pension system, and health care.



Image from Pixabay

### **Slovak labour market**

The Slovak labor market has undergone a dramatic change in the recent years. Jobs have grown to all-time highs and unemployment fell to all-time lows, resp. In fact, the key problem has become shortage of labor rather than shortage of available jobs.

Historically, new jobs were created in Slovakia only if the economy grew by more than 3.5%. Jobs were then created mostly in high-productivity sectors like automobiles. Currently, during the economic

expansion since 2015 jobs are created when economy grows more than 2% per year. Economic growth is needed for new jobs.

Unemployment declines in Slovakia due to demographics. Baby boomers of 1970-80s were replaced by baby busters post regime change from socialism to capitalism and millennials. Number of children born in Slovakia halved, from close to 100ths per annum in 1980s to 50ths p.a. in late 1990s/2000s. Newcomers on the labor market are thus small in numbers, unable to offset the outflow of elderly workers. Moreover, Slovakia's labor force dwindles due to emigration of skilled workers. As a result, Slovakia's working-age population is shrinking for about five years now.

The decline in labor force was partially offset by increasing labor market participation rate (students, women on maternity leave, pensioners) and inflow of foreign workers (particularly from Serbia, Ukraine and Romania).

Labor shortage, unsurprisingly, meanwhile lifted wage growth, which in 2019 approached 10% year-on-year pace.

The challenges are similar also in the neighbouring countries, which likewise run out of their native labor force and experience even faster wage growth than Slovakia. Czech Republic, notably, has the EU-low unemployment rate of just 2%.

#### **How to assert yourself in the labor market:**

- One of the best ways to avoid unemployment is to work in a field you have a passion for because it can enhance not only your work, but those you work with.
- Looking for jobs in an industry that is actively hiring or growing makes finding a job easier.
- Finding a balance between passion and growing industries leads to continued opportunities.
- Governments use policy decisions to lower unemployment including: lowering taxes, lowering interest rates, and creating programs.