

Marta Martincova¹, Veronika Piovarciová², Daria Rozborilova³

NEW TRENDS AT LABOR MARKET IN THE 21 ST CENTURY *

The paper analyses unemployment as a natural consequence of market economies development associated with the globalization of the world economy based on free choice and democracy, coupled with the need for labor mobility. Slovak economy, as well as other European economies, was affected by the financial and economic crisis, not only by increasing unemployment, performance losses but also by a decrease of the capability to create new jobs. Unemployment cannot be assessed only at the national level, it is also an important aspect of global economy revival, connected with the growth of global labor needs. Currently, the focus of new jobs is shifting from partial professions towards cross-cutting and systemic professions, which must get a comprehensive response in the development of particular industries.

Keywords: labor market; employment; unemployment; globalization.

JEL classification: J01; J08; J21.

Марта Мартинцова, Вероніка Піоварчова, Дарія Розборілова
НОВІ ТРЕНДИ НА РИНКУ ПРАЦІ XXI СТОЛІТТЯ

У статті проаналізовано безробіття як природний наслідок розвитку ринкових економік у контексті глобалізації світової економіки на основі принципів вільного вибору та демократії, а також потреби в мобільності праці. Економіка Словаччини, як і решта європейських економік, знаходиться під впливом нещодавньої фінансово-економічної кризи, що не лише підвищила рівень безробіття, але й знизила здатність економік створювати робочі місця. У зв'язку з цим проблема безробіття розглянута не стільки в національному контексті, скільки у глобальному – як важливий фактор пожвавлення світової економіки через зростання світових потреб у робочій силі. На сьогодні фокус у працевлаштуванні зміщується з часткового працевлаштування на системні професії та міждисциплінарну спеціалізацію, що має знайти відповідний відгук у розвитку окремих галузей.

Ключові слова: ринок праці; працевлаштування; безробіття; глобалізація.

Рис. 1. Літ. 12.

Марта Мартинцова, Вероника Пиоварчова, Дария Розборилова
НОВЫЕ ТРЕНДЫ НА РЫНКЕ ТРУДА XXI СТОЛЕТИЯ

В статье проанализирована безработица как естественное последствие развития рыночных экономик в контексте глобализации мировой экономики на основе принципов свободного выбора и демократии, а также потребности в трудовой мобильности. Экономика Словакии, как и другие европейские экономики, находится под влиянием недавнего финансово-экономического кризиса, что не только повысил уровень безработицы, но и снизил способность экономик создавать новые рабочие места. В связи с этим проблема безработицы рассмотрена не в национальном контексте, а в глобальном – как важный фактор оживления мировой экономики через рост мировых потребностей в рабочей силе. В настоящее время фокус в трудоустройстве смещается с частичного трудоустройства на системные профессии и междисциплинарную специализацию, что должно найти соответствующий отклик в развитии отдельных отраслей.

Ключевые слова: рынок труда; трудоустройство; безработица; глобализация.

Introduction. Unemployment is a natural consequence of the development of market economies associated with the globalization of the world economy, basing on

¹ University of Economics in Bratislava, Slovakia.

² University of Economics in Bratislava, Slovakia.

³ University of Economics in Bratislava, Slovakia.

* The article is part of the research project VEGA # 338 with title: "Contradiction of Creating Human Capital in New Economy".

free choice and democracy coupled with the need for labor mobility. It also reflects the cyclical development of economies, but may grow into uncontrollable dimensions, having not only economic but also social consequences. Slovak economy, as well as other European economies, was affected by the recent financial and economic crisis, not only by increasing unemployment, loss of performance but also by a decrease of the capability to create new jobs. Economists, among others J. Stiglitz (2009), note that currently there are changes in the link between economic growth and employment rate. In this article we will discuss some of the problems associated with the process of integration and globalization, as well as their impact on labor market conditions in the new economy and along with the influence of the global crisis on the functioning of the labor market in Slovakia.

Theoretical background and discussion. The main purposes of any macroeconomic policy and labor market policy are economic growth and more intensive forms of employment. This implies changes in the labor market structure, new relationships and forms of social participation and changes in taxation structure including changes in taxable social benefits. There is a focus on the need for solidarity among people who work and the unemployed ones, among the people who base their revenue on their own work and the people who have them based on their investments. In the global economy, employment development is characterized by several new phenomena.

1. The economic cycle does not reflect distinctive employment growth, particularly in the area of job creation, anymore. Empirical data on the US economy and the economies of the EU members show that nowadays there is very little job creation with the result that there are only limiting effects of economic cycle development on employment trends. Consequently, many instruments of economic policy stimulating economic growth do not imply by themselves an automatic increase in the employment rate and also tackling of unemployment.

2. The second phenomenon is lower qualification level of newly created jobs, and, which is critical, lower level of wages. This phenomenon can be significantly observed since 2000.

3. The third phenomenon is that a significant proportion of emerging jobs are not full-time but only part-time jobs or jobs with specific time mode. This ultimately leads to lower wages (Jurickova and Stanek, 2004), again.

Aside from this, there is a requirement for long-term competitiveness. This practically means investing primarily in human capital and promoting new business activities. Last but not least is the need for effective functioning of the labor market. Labor market alone cannot solve employment, unemployment and the related social issues. Namely, the real cost of unemployment must be projected in fiscal and social policies. Policies deregulating the labor market, as promoted in the 1980s, alone are not sufficient anymore⁴. In fact, it is a matter of creating a rational, simple, inherently connected system of financial regulation and taxation, which will lead to the creation of new employment in the EU (Winkler and Wildmannova, 1999).

Negative phenomena at European labor market is the inability of certain people to find a job. Significant problems with employment have young adults, who have not

⁴ During the 1980s deregulation of the labor market was promoted in two areas: 1) legislative protection of labor; 2) wage regulation.

completed basic education. For women, the job situation is also difficult. Focusing on these problematic groups, the EU took certain measures, which are included in the methodological guidelines of employment policies of the member states. Employment policy of the European Union aims for action primarily in the following ways:

- preventive approach to solving problems of youth unemployment;
- tackling unemployment, particularly long-term;
- the need to strengthen the instruments of active labor market policy;
- preferring active to passive instruments (Kosta, 2012).

Results. The most important aspects at the labor market, including Slovak labor market is the difficulty in defining the link between national labor market and economic growth. It is preferable to define the total amount of demographic resources affecting the overall employment. At the same time defining demand at the national level is problematic in terms of the total volume, structure and also performance of transnational corporations. Most of production of these big companies is no longer tied to the sales with national economy, but is dependent on the development of global consumption. We can not assess the recovery of an economy only at the national level because an important aspect to generate employment at the national labor market is the recovery of global economy which leads to the growth of the global labor needs. Slovakia is a small market economy significantly tied to major European economies dominated by the link to German economy. Currently the recovering of Slovak economy is happening because German manufacturers' production was successfully placed on Chinese market where the consumption increases as a result of the latest economic policy of Chinese government. It turns out that domestic consumption is losing in importance, even though up to now consumption growth at German market has been an important stabilizing factor in European consumption. Empirical estimates of the Slovak Ministry of Finance indicate that a 1% growth in German economy impacts the pace of economic growth in Slovak economy by 2%. At the same time, the time lag of changes in the performance of Slovak economy against German one has reduced from two quarters in the past to one quarter currently (Kosta, 2012). The lesson learnt from the crisis is the knowledge that the process of economic recovery restores jobs considerably slower and more structured than in the past and this does not lead to a rapid decrease in unemployment and boost in domestic consumption. Currently, the focus in new jobs is shifting from partial professions towards cross-cutting and systemic professions which must give a comprehensive response to development of particular industries. The main reason for employment loss is a long-term depletion of potential in economic sectors to absorb new labor force due to productivity increase. For example, in the United States today only about 0.5% of the employed are in agriculture and about 13% – in the industry. This trend is being helped by outsourcing of work to external suppliers and machines. Another type of outsourcing to low-cost countries is only temporary and created jobs can be terminated depending on wage growth. These trends are irreversible, because labor productivity growth is necessary for a decent life. Historically a new sector has always emerged and absorbed the surplus labor, e.g.: agriculture, industry, services and state. Currently, a new sector is unlikely to show up, as advanced economies have exhausted the employment options all four economic activities of the mankind – food production, manufacturing things, services and "doing nothing".

Outsourcing and offshoring started to significantly affect the link between production capacities, the national labor market and the actions of transnational corporations in the global economy. Simultaneously, there is a redefinition of various employment forms. The objective is to minimize labor costs, which is understandable in terms of companies, but it also leads to paying less taxes and social security contributions for workers and employers, resulting in a lack of revenues in the state budget and social security systems. It is additionally combined with moving company headquarters to the countries with looser tax regimes. Thus, the following paradoxes are showing up more and more often (Martincova and Caplanova, 2014):

- government support for business activities is primarily focused on large firms and is quite extensive, modified and structured. While small firms which are crucial for employment are in most cases left to themselves even if they are playing a significant role in the development of local jobs. These companies have problems surviving any crisis in the absence of venture capital and modification of tax systems, resulting in poor regional labor markets and rising unemployment;
- disparities in small regions between the needs and the resources of workforce now also appear to be problematic due to moving out of workers from distant regions as well as international mobility.

Slovak economy was affected by the financial and economic crisis, not only through increasing unemployment, performance loss, but also through the decreased ability of Slovak economy to create new jobs. Hours worked in 2009 declined significantly. Shortening of working time was achieved by introducing flexible working hours, working time banking, and shortened working time. Adjustments in employment and hours worked led to a significant increase in labor productivity during this period. Young labor market participants were mostly affected by employment losses by up to 15% in 2009, while employment of older workers has increased. Job losses were mainly related to the low and medium levels of education. Number of self-employed continued to grow, even during the recession. Structural and cyclical factors are the likely causes for the growing self-employment (OECD, 2010).

Slovak economy during the global economic crisis found itself in the declining phase of its economic cycle. It was expected that even without the impact of the crisis, there would be a slowdown in economic growth anyways. Due to high openness of the economy the crisis significantly affected not only the rate of growth performance in the country but also a drop in demand, the decline in production and of course unemployment. High unemployment in this period was also related to revenue shortfalls in the state budget and budget deficit deepening.

In 2009, after Slovakia joined the euro area, fiscal policy became the major instrument affecting the economy. In particular, an increase in expenses, therefore expansionary fiscal policy is the main instrument for the stabilization of anti-crisis measures in order to maintain economic stability and keep public finances. The Government has adopted a fiscal strategy to maintain these goals (Stolicna, 2012).

2010 was the year of parliamentary elections in Slovakia. European Commission has adopted an economic strategy "Europe 2020", under which participating countries have agreed, inter alia, to increase employment to 75%. Aftermath of the crisis and the process of fulfilling this requirements of the strategy are expected to help growing European economies. Still, some questions remain unanswered – regarding

the influence of certain factors on tackling unemployment in the Slovak Republic. "The current problem is when the primary objective is becoming the reduction of the government deficit, then you cannot count on job creation through public sector" (Stanek, 2010).

While production decline caused by the economic crisis lasted one year (until the first recession in the last quarter of 2009), the fall in employment lasted a little longer and the post-crisis resumption of employment occurred at the end of 2010 only. During the whole of 2011, employment grew, albeit slowly. Likewise, in 2012, the employment growth rate gradually declined, and finally in the fourth quarter stopped (Hvozdikova, 2012). In 2013, the unemployment rate fell only slightly and remained at around 14%. Slow process of employment recovery, which started in 2010, came to a halt – the current employment did not even come close to the pre-crisis level.

Employment after the recession in 2009 reflected the rebound in the economy and the recovery of production with about 9 months' delay due to a slowdown in the output in 2011. With the unchanged elasticity in employment a subsequent downturn in the growth or even fall of production was to be expected. Figure 1 illustrates the size of the fall in employment at the end of 2012. Such a decrease in the number of workers below the level of 3.2 mln occurred since 2006 only once, namely immediately after the recession in the 1st quarter of 2010. In 2012, employment declined by about 1% while in 2013 it recorded stagnation. Currently, unemployment still maintains at the level of above 13%.

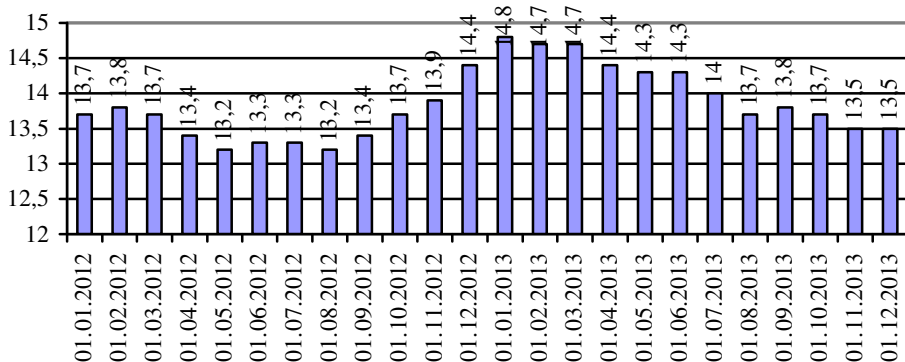


Figure 1. **Slovakia unemployment rate, % of the labor force** (tradingeconomics.com)

Pronounced deterioration in employment at the end of the year can be linked with the negative impact of legislative changes affecting labor relations. The amendment to the Labor Code (came into effect on 1st January 2013) tightens the definition of dependent work, to prevent substitution of employment contracts with other flexible agreements and contractual forms. Furthermore, it increases the cost for employers, which means, it restores concurrence of the current period, and also increases social costs in an attempt to prevent the circumvention of using contracts under the Civil Code or hiring self-employed to work as under paid employment. Additionally, it reduced flexibility in certain decisions of employers, especially on the length of probationary period beyond the statutory standard, reduced maximum

working time, strengthening the employment of agency staff, strengthening the provisions on working time etc.

Active employment policy in Slovakia is not sufficiently evaluated and its impact on labor market remains unclear. Among the 29 existing programs in 2011, only 22 were actually used, and of these only 12 involved more than 1,000 participants. Among the 400,000 registered unemployed only 123,456 candidates are participating in AEP programs (World Bank, 2012).

Since 2010, the employment rate began to increase slightly, in 2011 it reached 59.5% in the category of people of 15 to 64 years. In the framework of "Europe 2020" objectives Slovakia achieved in 2011 the value of 65.1% of the employed aged 20–64. The aim of Slovakia is the value of 72% while the Strategy's aims at the value of 75%, with the desired increase of almost 10%.

Conclusion. Gradual recovery of the labor market during 2010–2011 stalled and the results of the year 2012 were rather embarrassing: it was a weak year in terms of employment growth and vice versa – there was an increase in the number of unemployed especially towards the end of the year. The year 2013 was characterized by large-scale adoption and changes in legislation on employment associated with more negative expectations among certain groups of public sector employees regarding wages and also working conditions.

References:

- Hvozdkova, V.* (2000). Development of Selected Characteristics of Employment – Slovakia in the European Context. Working Papers of Institute of Economic Research, Slovakia, Vol. 44.
- Jurickova, V., Stanek, P.* (2004). Impact of Globalization on Employment Trends and Implications for Slovakia. *Journal of Economics (Slovakia)*, 52(10): 1189.
- Kosta, J. & collective* (2012). Current Problems of the Labor market in the Slovak Republic after Joining the European Monetary Union. Slovakia. Pp. 25–33.
- Martincova, M., Caplanova, A.* (2014). Inflation, Unemployment and Human Capital. Slovakia. Pp. 94–98.
- OECD (2010). Economic Survey of the Slovak Republic. France // www.oecd.org.
- Stanek, P.* (2010). GlobalCrisis – a Threat or a Challenge? Slovakia. Pp. 155–219.
- Stiglitz, J.* (2009). The Global Crisis, Social Protection and Jobs. *International Labor Review (USA)*, Vol. 148, Issue 1 // www.ilo.org.
- Stolicna, Z.* (2012). Debt Crisis and the Anti-Crisis Measures. Review Conference Proceedings of the III. International Scientific Conference. Slovakia.
- Tradingeconomics (2014). Slovakia Unemployment Rate // www.tradingeconomics.com.
- Vincur, P. & collective* (2007). Theory and Practice of Economic Policy. Slovakia. Pp. 215–220.
- Winkler, J.A., Wildmannova, M.* (1999). European Labor Markets and Industrial Relations. Czech Republic. Pp. 37.
- World Bank (2014). Protecting the Poor and Promoting Employability. An Assessment of the Social Assistance System in the Slovak Republic // employment.gov.sk.

Стаття надійшла до редакції 20.05.2015.