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Economic transition, partisan politics and EU austerity: a case study of Slovakia's labour market policies

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This working paper provides an overview of labour market policies in the Slovak Republic, from the beginning of the post-socialist transition to the recent period, characterised by growing pressure for fiscal stringency from the European Union (EU). It investigates the differences between the prevalent trends in labour market policies before and after 2010 and it finds little difference between them.

While EU-led austerity may have played a role, it rather prolonged and reinforced the existing tendency towards increasingly strict punitive measures, underfinanced active labour market policies and cuts affecting the capacity of public institutions to provide material and non-material help to jobseekers.

Key findings

- Due to the lack of generous finances in the welfare state in Slovakia, there are no significant differences in labour market policies before and after 2010.
- Austerity policies have predominantly targeted high-earning individuals with well-established social security rights. While some of the measures introduced also impacted the long-term unemployed, most of the cuts have had a more negative effect on high-income workers.
- The Slovak Republic's fiscal room to manoeuvre was limited well before 2010, mainly because of the difficulties of post-socialist economic transition, the adoption of the euro and the decision to partially privatise public pensions. Thus, in the case of the Slovak Republic, the onset of strict EU-led austerity has rather acted as a factor prolonging an already existing trend.
- Unemployment, as well as the likelihood of long-term unemployment has increased considerably between 2009 and 2014. The unemployment-protection system has not reacted to this new reality, leading to a hidden form of retrenchment.
- Reforms in the system of needs-based income maintenance, carried out with the declared objective of bringing people back into the world of work, have been prevalently inimical towards the poor, especially the long-term unemployed. Governments at both ends of the left-right axis have made efforts to link needs-based income maintenance to participation in active labour market policies.
- The most significant influence of EU austerity on Slovakian labour market policies affected the capacity of the labour offices to provide material and non-material help to job jobseekers. Labour offices were already understaffed before 2010 and their situation has become even more pressing since then. Despite rising unemployment, the government decided to decrease the number of labour office employees by approximately 10 per cent in 2011.
- The 2015 National Reform Programme acknowledges the problem and foresees measures to decrease the workload of consultants in the labour offices.

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