

Phenomenon of Socio-Economic Inequalities of Unprivileged Groups in the Labor Market. The Case of the Slovak Republic

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Abstract: *More than seventy years of shared statehood with the Czech Republic and a quarter century of post-communist transformation in independent state of Slovakia has shaped inequalities and its impacts in the republic. This article reviews the major socio-economic developments and factors that have resulted in different patterns of inequality. The current Slovak labor market showed signs of recovery in 2014, but unemployment remains high. Disincentives in the social-benefit system have been reduced and some positive results have been obtained in reducing youth unemployment, but long-term unemployment remains a major challenge. Employment among the most disadvantaged groups such as Roma, disabled, older people, the youth is still low. What is more, Slovakia has one of the highest gender pay gap in the EU-28.*

Keywords: *labor market, equal opportunity, gender, diversity, discrimination.*

1. INTRODUCTION

Slovakia is considered to belong to the group of countries where inequalities grew significantly during the 1990s (OECD, 2014), especially in the labor market. Currently, the unemployment rate decreased slightly in 2014 but remains above the EU average (12.5 % vs 9.9 % in the EU-28 in December 2014) and is mostly structural and long-term in nature.

Weak labor demand and a low number of vacancies, in conjunction with one of the lowest labor turnovers in the EU, give rise to one of the highest long-term unemployment rates in the EU (10 % vs 5.1 % in the EU-28 in 2013). The principal reasons for the poor labor market outcome are the low employment of certain groups including Roma, the existence of work disincentives coming from the tax and benefit systems, the weak capacity of the public employment services to assist the most disadvantaged jobseekers, and a relatively low internal geographical labor mobility (European Commission).

Youth unemployment declined slightly to 28.9 % in December 2014 (to the lowest level since 2009) but Slovakia still has one of eight the highest rates in the EU. Long-term unemployment is a persistent problem in Slovakia. Over two thirds of the unemployed have been jobless for more than a year, while around half have been jobless for more than two years. Despite some recent improvements, the youth unemployment rate is among the highest in the EU. Low labor mobility reinforces the geographical segmentation of the labor market as reflected by the high regional differences in employment (OECD, 2014)

The employment rate for women (20-64) remains well below the EU average (53.4 % vs 58.8 % in 2013). Estimates show that increasing women's labor force participation to the EU-15 average could increase Slovakia's GDP by 1.6 percentage points (26). The gender employment gap for young women (20-29) remains high and the impact of parenthood on female employment increased in 2013 and is among the highest in the EU. The employment rate for women (25-49) with children below six years of age is under 40 %, while it is 83 % for men of the same age and marriage status, reflecting the insufficient provision of good quality and affordable childcare services and relatively lengthy parental leaves (Eurostat, 2013).

2. METHODS

In addressing this complex question, we first referred to the statistics published by Eurostat on the basis of the Labor Force Survey (LFS) data, from which it is possible to determine the main

characteristics such as participation, employment and unemployment rates of the low educated labor force. Other characteristics were gathered according to the available literature sources.

For calculating average salaries, we used a website www.mojplat.sk which conducted a labor survey in Slovakia. Data collection was conducted between 2012 and 2014, data were evaluated on a sample of 1 659 observations for a population of 17 to 69 years.

3. RESULTS AND DISCUSSION

The labor market is a major weakness of Slovakia, and growth is hampered by poor employment prospects. Unemployment in general, for the young and the share of long term unemployed are high (Table 1) (Kahanec, 2013).

Table1. *Labor Market Performance in Slovakia*

	Slovakia	OECD (average)
Total (15-64)	14.0	8.1
Long term	8.9	2.7
Youth (15-24)	34	16.1
Women	14.6	8.2
Old (55-64)	11.2	5.7

Source: OECD, 2014.

Slovakia has the highest long term unemployment rate among the OECD countries. This may have long lasting effects and raise concerns about the prospects of job-searchers. School-to-job transition is not working well and the segmented school system does hinder more youngsters to acquire employable skills. (OECD, 2014)

3.1. Inequalities in the Slovak Labor Market

Discrimination is a negative social phenomenon undermining fundamental equality and freedom of individuals. It is firmly rooted in society and often fails to reach those at risk of discrimination, to one who discriminates, refrain from such conduct.

Inequality of opportunity in the labor market and discrimination in pay for women and other disadvantaged groups are not present only in some countries, such as developing economies, it is a global problem which is present even in the most developed countries of the world.

The goal is to eliminate discrimination on the basis of these characters and avoid it. While promoting equal opportunities not only ensure equal access opportunities for disadvantaged people in the labor market, but above all to create conditions that take into account the specific needs and experiences these various disadvantaged groups (Ministry of Social Affairs, 2008)

Since the individual disadvantaged groups in the Slovak labor market are characterized by certain specificities will be in the following subsections individually analyzed.

3.1.1. The Gender Inequality

According to the Council of Europe, the equality between women and men means "equal visibility, equal power and equal participation of men and women in all spheres of public and private life (Council of Europe, 1998).

This phenomenon of income inequalities between men and women is continuing, even though women's employment rates, job opportunities and levels of education have increased in all States, and despite the fact that girls do better than boys at school and make up the majority of those completing higher education (European Commission, 2010).

The pay gap issue is complex, and has many causes. The aim of this report is to highlight the factors explaining the pay gap in the European Union. Those factors mainly reflect inequalities between men and women on the labor market.

Eliminating the pay gap, and consequently eliminating professional inequalities between men and women, remains a major challenge, not only in order to achieve the objective of equality between men and women, but also to ensure smart, sustainable and inclusive growth and to attain the European Union's objectives of economic and social cohesion and a high level of employment (Štefancová, 2014).

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Discrimination against women is evident when we look at the statistics and analysis of gender differences. The most common indicator which measures the difference in wages between men and women in the EU is called "Gender pay gap". The gender pay gap is the difference between men's and women's pay, based on the average difference in gross hourly earnings of all employees.

On average, women in the EU earn around 16% less per hour than men. The gender pay gap varies across Europe. It is below 10 % in Slovenia, Malta, Poland, Italy, Luxembourg and Romania, but wider than 20 % in Hungary, Slovakia, Czech Republic, Germany, Austria and Estonia (EUROSTAT, 2012).

Although the overall gender pay gap has narrowed in the last decade, in some countries the national gender pay gap has actually been widening (Hungary, Portugal). The gender pay gap exists even though women do better at school and university than men (EUROSTAT, 2012).

On average, in 2012, 83 % of young women reach at least upper secondary school education in the EU, compared to 77.6 % of men. Women also represent 60% of university graduates in the EU (EUROSTAT, 2012).

The impact of the gender pay gap means that women earn less over their lifetimes; this results in lower pensions and a risk of poverty in old age. In 2012, 21.7 % of women aged 65 and over were at risk of poverty, compared to 16.3 % of men. (Vojtech, 2013)

The overall employment rate for women in Europe is around 63 %, compared to around 75 % for men aged 20-64. Women are the majority of part-time workers in the EU, with 34.9 % of women working part-time against only 8.6 % of men.

This has a negative impact on career progression, training opportunities, pension rights and unemployment benefits, all of which affect the gender pay gap (EUROSTAT, 2012)

The gender pay gap in Slovakia is above the EU average despite the higher educational attainment of women compared to men in Slovakia and is linked to gender inequalities in the labor market and longer career breaks.

According to a survey (mojplat.sk, 2014), women in Slovakia would have to work two hours a day more to make the same amount of money as Slovakian men.

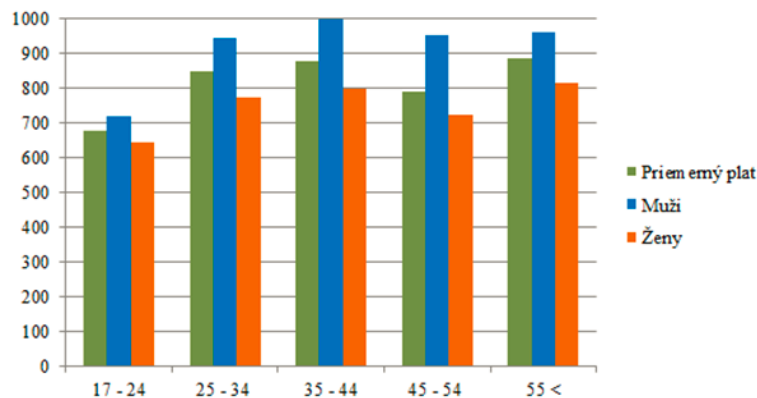


Fig1. Average monthly salary by age groups, source: mojplat.sk, 2014

According to the survey mojplat.sk, the average gross monthly salary in Slovakia was € 846 in 2014. Men earned € 946, women 18% less (€ 775).

Women lag behind in each age group (Fig. 1). The smallest pay gap between men and women is in the group of fresh graduates with 10.5 %. The major differences are in the age categories 25-54 years. The biggest difference in gross wages between the sexes is in their forties, up to 24 % with 231 euros difference per month.

Even if Slovak women are well-educated, the difference does not stop growing. Women earn less despite good education. With increasing education, wage differences even increase (Fig. 2). They are highest for people completing their tertiary education (PhD), where the difference is up to 21 % (235 euros). The smallest difference between women and men, 9.8 % (€ 58) are among the Slovaks with basic education. (mojplat.sk, 2014)

The pay gap between men and women exists despite the high proportion of women with higher education. The labor market does not provide women the same opportunities as men.

The differences between men and women also rise because of the longer working hours for men. They work an average 42.5 hours per week, while women about 1.8 hours less. However, even if we take into account this difference, hourly wage for women is lower by 14.5 %.

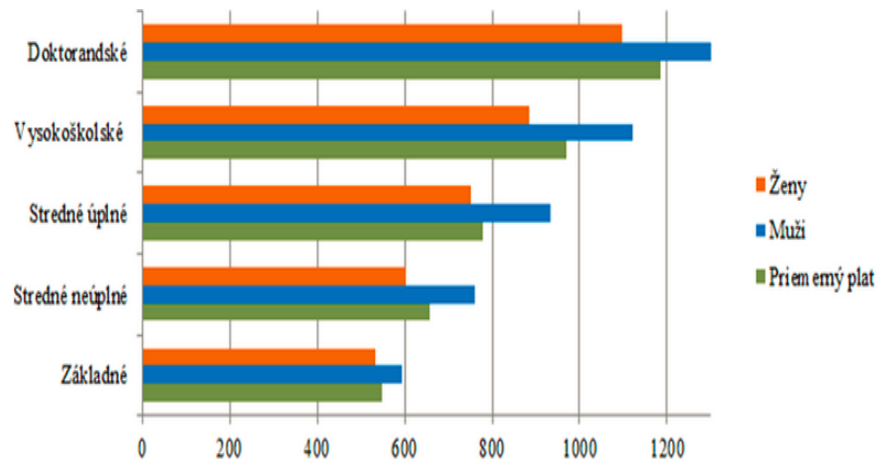


Fig2. Average monthly salary by completed education, source: mojplat.sk, 2014

According to the survey mojPlat.sk, women are discriminated as mothers with children, the average wage of „mothers“, is 723 euros, while childless women have a wage of 80 euros higher.

Women are becoming a particularly disadvantaged group in connection with pregnancy and maternity. Employers in women involves higher costs associated with less time flexibility and mobility in childcare.

Women-mothers during maternity or parental leave lose contact with their work. It affects the lower setting of wages, but also reduced the chances career, or selecting employees by the employer to further education or training.

The principle of equal pay for equal work is necessary, but by itself is not enough. For real equality of opportunity, it is necessary to ensure an equal distribution of tasks between men and women in the care of the family and household. Only then will women be able to fulfill their career plans as men do.

3.1.2. The Youth and the Older

In terms of age structure, nearly one third of all unemployed in 2012 were young people up to the age of 24 (32.2 %). Potential employers are not interested in this group. One of the main causes is the persistent mismatch between skills and labor market requirements (Vagac, 2012).

One of the most serious categories facing the long-term unemployment is the Roma youth in Slovakia currently experiencing unemployed status without the minimum work experience.

The aim of the Europe 2020 Strategy is to achieve an overall average employment rate of working-age population to 75 %. The strategy emphasizes increasing the employment rate among disadvantaged groups, which include older workers as well (European Commission, 2010)

But the average employment rate of older people (50 -64 years) in the EU, according to Eurostat is only 50%, the highest was in Sweden (73.6%) and lowest in Croatia (36.5%). Slovakia has 44% employment of older people (Eurostat, 2014).

One of the main disadvantages of older people in the Slovak labor market is the lack of adaptation to the new technologies because of the lack of lifelong learning. Older workers have high labor costs, as they are on top of their careers, but at the same time they are declining productivity, innovation potential, and adaptability, or even health problems.

The necessary gradual increase in the retirement age has its limits. Although we are living longer, not always it means that we are able to work longer. For the application of older people labor market is therefore also necessary to fundamentally improve healthcare and also the possibility of greater recovery for older workers.

3.1.3. Minorities – Roma minority

Low education is a strong predictor of poverty, as it is often associated with low levels of income and a higher risk of unemployment. A recent World Bank study estimates a population of 320,000 Roma living in Slovakia. But actually, there is more than half a million of Roma in Slovakia. A World Bank survey shows that the vast majority of Roma in Slovakia – 87 % of those households interviewed – live in poverty; Slovak Roma rank among the poorest communities in the EU (World Bank, 2011).

Davidová reports that more than 60 % of the Roma minority attain only primary education. From interviews with members in Roma communities, the authors draw a conclusion that the motivation to pursue education is extremely low because of anticipated labour market discrimination. The number of Roma living in unbearable conditions in rural communities and devastated central city zones represents a potentially very serious social and economic problem in both republics. Interracial tensions between the majority population and this significant minority have caused many problems in the past.

The social exclusion of Roma people is a lamentable phenomenon that remains largely side-lined by the political elites. Integration of the Roma is a moral and economic imperative.

Social expenditures have in general a very significant potential to reduce inequalities. Both the Czech Republic and Slovakia impose high social security contributions on labour. Instruments of redistribution play an important role in lowering income inequalities in both countries. These significantly increase labour costs and may result in unemployment. The problem appears to be more severe in Slovakia, which suffers from some of the highest long-term unemployment rates in Europe (Kahanec, 2014).

If Roma is employed, it is very often in the secondary labor market. Although the Roma minority is not a homogeneous group, the main cause of their bad status is generally considered inadequate qualifications without vocational or general secondary education (Juraskova, 2004).

Culture of unemployment, poverty and social dependence reinforces the perception of the majority of Roma as people who caused this situation yourself and not trying to improve it.

This perception is transferred to the area of employment, where assessing an individual Roma using group characteristics. Their discrimination is difficult to prove, even though according to the Eurobarometer 2012, discrimination based on ethnic origin (56%) is the most widespread form of discrimination in Slovakia (Eurobarometer, 2012)

The costs of Roma exclusion are high. Slovakia is proving to Roma provides relatively high social security contributions, which is one of the main causes of Roma zero motivation to look for work.

4. CONCLUSION

Greater equality of unprivileged groups would bring benefits to the economy and to society in general. Closing the gender pay gap can help to reduce levels of poverty and increase women's earnings during their lifetimes. This not only avoids the risk of women falling into poverty during their working lives, but also reduces the danger of poverty in retirement.

What is more, companies that build equality plans and strategies into their workplaces create the best workplaces for everyone, male or female, to work in diversity. Having a positive working environment helps a business to attract customers, improve performance and boost competitiveness.

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