

Labor Force Mobility in Slovak Republic

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Abstract

Institutions of the labour market play an important role in the regional perspective of the migration process. We understand the institution in the broad sense of behaviour; habits, informal and formal rules as well as the institution understood as the organizations for instance Local Labour Offices. The aim of the paper is to describe and evaluate the conditions of transitional periods and give empirical evidence of the labour force outflow from Slovakia.

Key words: labor market, institutions, transition countries, labour, mobility.

1 Introduction

The nature of the problem was expressed in following questions: How did the economies in transition (esp. CEEC¹) process integrate in the economy of European Union so far? What was the position of various institutions concerning the employers and employees from the perceptive of the transition process and how did it change?² In the transition period³ CEEC economies appeared to join the EU economy in the lowest level. In most of the cases the firms began to cooperate in the networks. The characteristic trait of the alliances or networks is the hierarchical structure. In this structure the CEEC enterprises are “operating as wage labour businesses in the so-called outward processing traffic.”[1], (Chlumský, 2001)⁴ The companies at the higher level in the structure are usually several big multinationals, which have their headquarters elsewhere then in CEEC, therefore the migration of skilled labour can be expected. The new institutional framework (in comparison with the framework of planned

¹ Central East European Countries

² Similar researches were carried out by the EMN – European Migration Network or the IOM - International Organization for Migration, e.g. “Dimensions of Integration: Migrant Youth in Central European Countries”, but the Slovak Republic was excluded from the research, did not participate on the research.

³ It is understood the transition from planned to market economy.

⁴ CHLUMSKÝ, J. (2001) The character of the integration of the Czech Republic in the economy of the European Union. In: Main Issues of Integration of the Czech Republic into the European Union. University of Economics, Prague, Institute of Integration of the Czech Republic into European and World Economy, ISBN 80-245-0183-X

economy) – still changing framework e.g. towards flexicurity⁵ [2] - that came to existence during the transition period influence the migration.

The flexicurity can be perceived as institution itself. Therefore: Institutions of the labour market play an important role in the regional perspective of the migration process. We understand the institution in the broad sense of behaviour; habits, informal and formal rules as well as the institution understood as the organizations for instance Local Labour Offices.

Firstly, the institutions were examined in its meaning in line with Bernard and Colli⁶ (1992) i.e. institution as the organism of social structure that is qualified as a set of conventions that are creating the framework of economic life, that has a general or permanent mission. [3]

Secondly, the notion of institution is closely related to notion of organization. Janourek⁷ (2003) explains the difference between them: “institution is a manner of how the things are done, the way of solving the problem, while the organization is already created by particular people.” [4]

To conclude the explanation of institutions: “Institutional economy understands the institution as the rules of the game in a society or respectively as the constrains man have defined in order to discipline their relationships. This limitation constitutes structures of: economic-politic, social mould and others stimulus of people (D.C. North, 1991), eventually the limitations that are shaping the behaviour of a man.” [5], (Mlčoch, 2000 In: Klusoň, 2004, p. 236, translated)⁸

2 Methods

The aim of the paper was to describe and evaluate the conditions of transitional periods and give empirical evidence of the labour force outflow from Slovakia. The descriptive method was used concerning the conditions of transitional period. Evaluation was done based on statistics (labour flows) and nicety of judgement.

3 Description of the transitional period in Slovak Republic

Institutions for the support of the labour market were raising and falling as the Figure 1 pictured it since the decay of the planned economy in 1989. The establishment of labour market institutions was caused by negative phenomenon of “unemployment”. There was a full employment in Slovakia until 1989 and existed only hidden unemployment of over employment.

During 1991-1993 the labour policy was carried out by means of District and Local Labour Offices. In 1994 was the Custody of the Employment Services was established as a non-profit institution that was managing the activities of individual Labour Offices. Until 1997 the organizational securing of labour market policy was executed directly by Ministry of Labour, Social Affairs and Family of SR (as in Figure 1) and the performance of the labour market policy was supplied by particular Labour Offices.

⁵ COM(2007) 359 final Towards Common Principles of Flexicurity: more and better jobs through flexibility and security - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, adopted on 27 June 2007. ISBN 978-92-79-06477-7

⁶ BERNARD, Y. – COLLI: Ekonomický a finančný slovník, Svornosť, Bratislava 1992, ISBN 80-7094-272-X

⁷ JANOUREK, J.: Úvod do sociológie. Portál, s.r.o., Praha 2003, ISBN 80-7178-749-3

⁸ KLUSOŇ, V. (2004) Inštituce a odpovědnost k filozofii ekonomické vědy. Univerzita Karlova v Praze, Karolínium, Praha, ISBN 80-246-0722-0

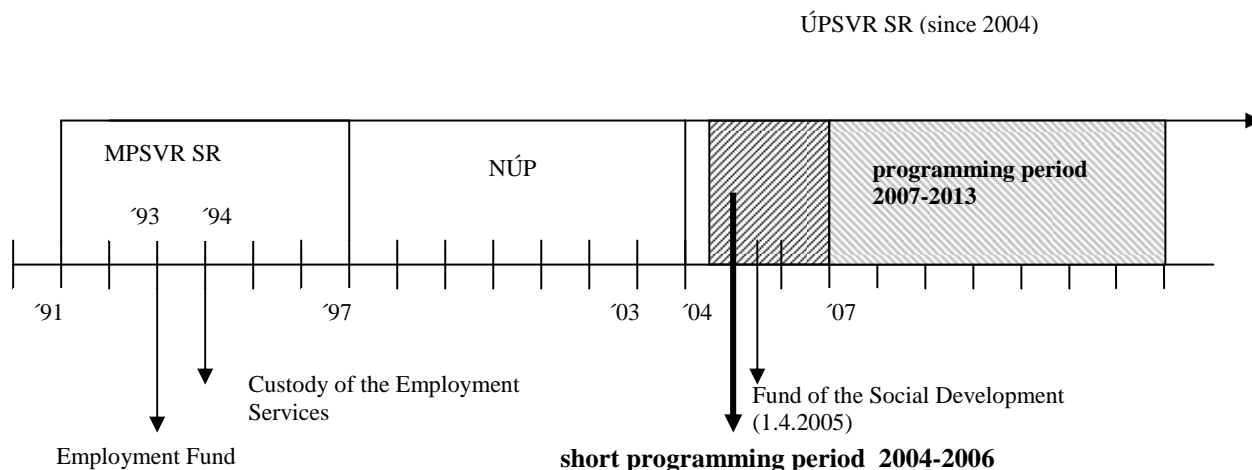


Figure 1 The institutional framework of the labour force market since 1991

Source: KNAPOVÁ, M 2007. European Social Fund and its role in the system of institutions. Diploma work. Supervisor: Ing. Gabriela Kol'vecková. Košice: Katedra ekonomických teórií. Faculty of Economics TU. 79 p.

The creation of new public entity, statutory of National Labour Office (NUP⁹) (see Figure 1), that arose in January 1st, 1997, had the following goals:

- isolating the financial means assigned to support unemployed and programs of labour market from the state budget,
- improving the system of evidence and statistics,
- bringing more efficiency to the execution of the labour market policy,
- determining the priorities,
- introducing the generally mandatory statutes
- and suggesting the tools and measures for influence on the labour market.

NUP was responsible for the execution of active measures of the labour market by means of :

- mediating jobs, jobbing
- consulting the choice of the occupation
- rehabilitation for the handicapped
- realisation of the programs of the support to employment and repetitive qualification programs.

It was responsible for the payout of the unemployment benefits, for the collection of the social-insurance tax during unemployment, collection of the security fund (since May 1st, 2000) and payouts of financial reimbursements for the wages that have not been paid by insolvent employers to employees (since July 1st, 2000). Besides this NUP hold responsibility for the statistics on the labour market. NUP arose by merge of the Employment Fund¹⁰ of SR and Custody of the Employment Services owing to the Act No. 382/1996. In 2003 the NUP was put up the shutters. The reason for its cancellation was the need to join the systems of social support, state social support and labour market policy. This resulted in creation of new institution in 2004. The organization called Head Office of the Labour, Social Affairs and Family of SR (abbreviation UPSVR¹¹ SR) was established for the institutional representation

⁹ In Slovak Národný úrad práce

¹⁰ In Slovak Fond zamestnanosti a Správa služieb zamestnanosti

¹¹ In Slovak Ústredie práce, sociálnych vecí a rodiny SR

of the labour market (see Figure 1), that is a state institution under the sphere of authority of the Ministry of Labour and Social Affairs and Family of the Slovak Republic (MPSVR SR). The main task of the Head office was to join the mentioned systems and control the imposition of the benefits.

New legislation, that regulates the labour market policy, banks on more financial sources for the active labour market policy especially the funds from European Union i.e. structural funds (European Social Fund). Since 2004 the body of state administration in the field of social policy are:

- Ministry of Labour, Social Affairs and Family of SR
- Head Office of the Labour, Social Affairs and Family of SR
- Labour Office of Social Affairs and Family

European Social fund (ESF) found its place and role in the system of institutions since 2004. It finances the active labour market policy. Into the system of institutions or organizations that were entering the system together with ESF and are in charge of the realization of the national projects belong the following: Head Office of the Labour, Social Affairs and Family of SR, Fund of Social Development and Institute of information and educational system prognosis.

Fund of Social Development¹² - FSD (see Figure 1) is a non-profit organization (budget organization), whose activity is financed by the ESF and state budget. Ministry of Labour, Social Affairs and Family of SR founded FSD by the Act No. 523/2004 (budget rules), April 1st, 2005.

ESF task is to support the linkage between praxis and education, training and research. Via the programme Equal the ESF take bearings of discrimination and inequality at the labour market. In the short programming period Slovak Republic was able to utilize the structural funds (ERDF, ESF, EAGF). The programming period 2004-2006 had finished, but according to rule N+2 the financial sources can be utilized until 2008. The projects in both periods were facing obstacles and problems due to lack of experience.

The description of institutional framework of the labor force market given above is followed by the description of migration flows.

4 Labor force migration in the Slovak Republic

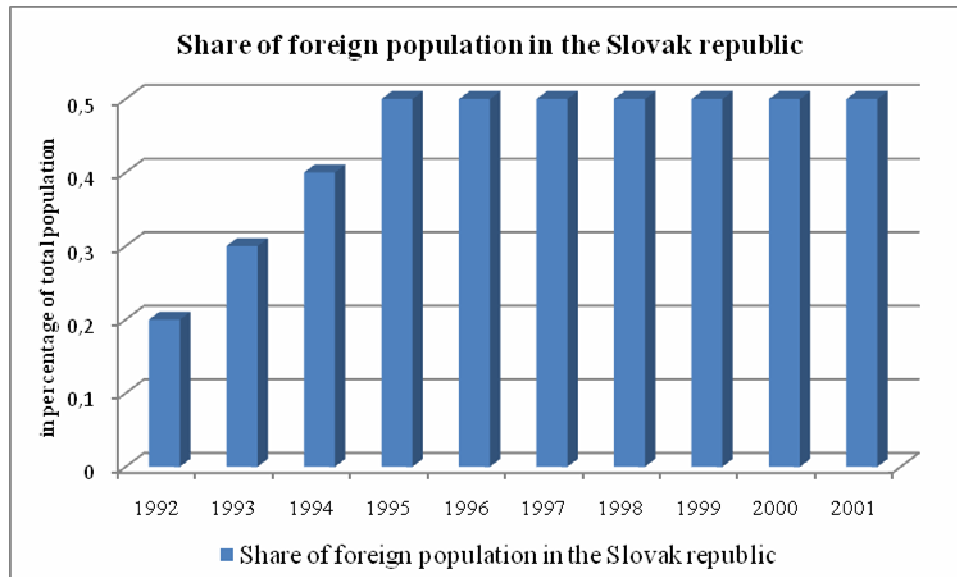
Slovakia has 5.4 million residents of whom 0.5 percent foreigners (some 28,000). The population has been fairly stable since 1993. Natural population growth has been declining for more than 2 decades. Net-emigration has been a feature of demographic development in Slovakia until 1992. From 1993 onwards, however, immigration flows surpassed emigration; net immigration amounted to some 1,500 persons annually in the years 1997-1999. The population of working age is still increasing as the baby-boom generation of the 1970s is moving into the age groups of high labor force participation. The continued rise in labor supply and rather slack labor demand in spite of significant economic growth, are responsible for continued high unemployment rates (between 14 percent and 16 percent in the last couple of years). About 25 percent of all unemployed are Roma. [6]

The major migration flows (legal annual flows according to local population register) are between the Czech Republic and Slovakia - there continues to be free movement of labor between them - and between Slovakia and Germany as well as Austria. The official numbers particularly of outflows are grossly underestimating the actual flows between the countries.

¹² in Slovak Fond sociálneho rozvoja (FSR)

This is typical for registry data, especially in the case of temporary migration (many people do not report their leaving to the authorities). Annual inflows of immigrants are modest (around 2 thousand persons). Migration between Slovakia and the Czech Republic has decreased dramatically after the split of the federation in 1993.

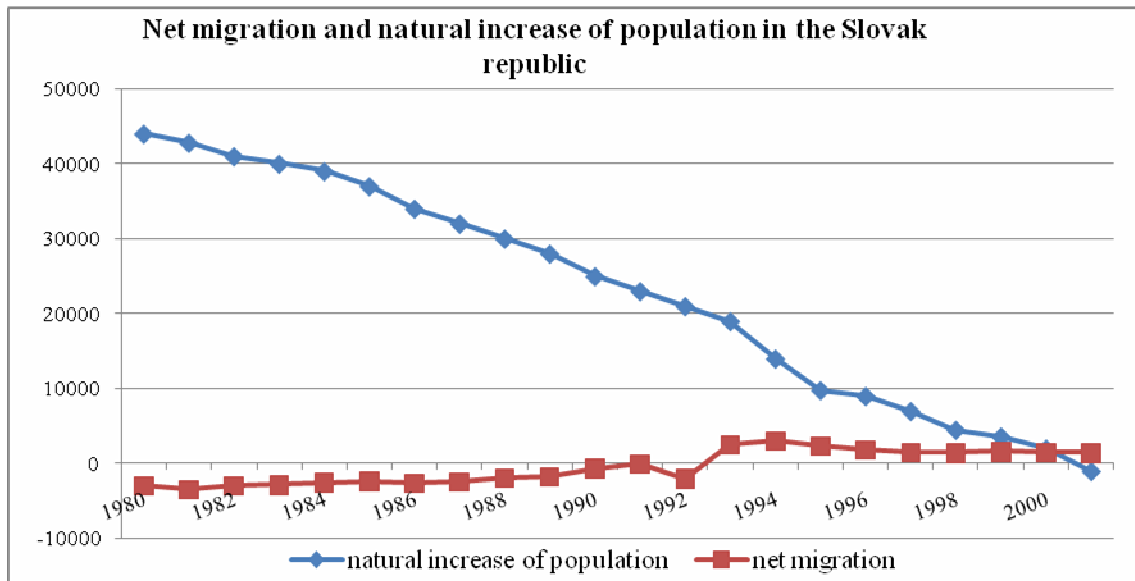
Graph 1. Share of foreign population in the Slovak republic



Source: Biffi, G.: Immigration and integration issues in Austria and Slovakia, In: Migration in Central Europe: Austria, the Slovak Republic and EU, Vienna 2004, p. 6

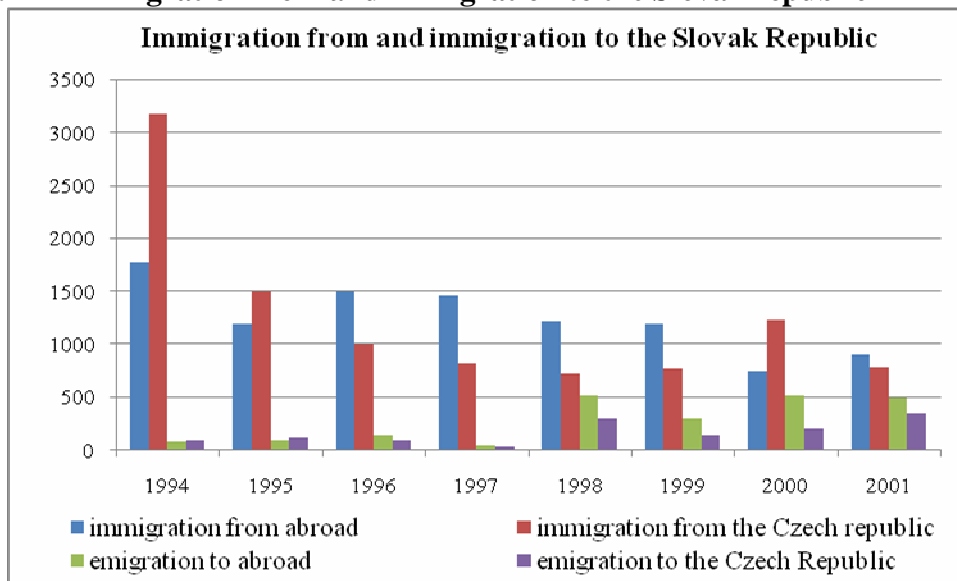
Another source of migration data is the issue of residence permits by the Ministry of Interior. Permits are granted for long-term (12,000) and permanent residence (17,000). Very short stays (up to 180 days) are not recorded systematically. Among those foreigners, a major part is the result of old socio-economic ties and arrangements, e.g., with the Czech Republic, Ukraine, Poland, Hungary, Yugoslavia and Vietnam. New settlers or long-term residents are in the main from the United States, Germany, Austria, United Kingdom, Italy and Greece. Long-term residence permits are in the main granted on the basis of employment and study; in contrast, permanent residence permits are issued in the main on the basis of family reunion (about 80 percent of them). Overall, family reunion accounts for the largest inflows of new residents. Access to the labor market is granted to foreigners only if they have a residence permit granted for the purpose of employment (Czech citizens and refugees are exempted from the work permit requirement). Stocks of valid work permits fluctuate between 3,000 and 4,000 permits per annum. The vast majority of permits are granted in the region of Bratislava. These are small numbers, considering that the total labor force amounts to some 2 million workers (0.2 percent). More than two-thirds of valid work permits are with Slovak employers. The majority come from Poland, Ukraine, United States, Germany and the UK. In addition, some 2,000 Czechs are working in Slovakia.

Graph 2. Net migration and natural increase of population in the Slovak republic



Source: Biffi, G.: Immigration and integration issues in Austria and Slovakia, In: Migration in Central Europe: Austria, the Slovak Republic and EU, Vienna 2004, p. 6

Graph 3. Immigration from and immigration to the Slovak republic



Source: Biffi, G.: Immigration and integration issues in Austria and Slovakia, In: Migration in Central Europe: Austria, the Slovak Republic and EU, Vienna 2004, p. 6

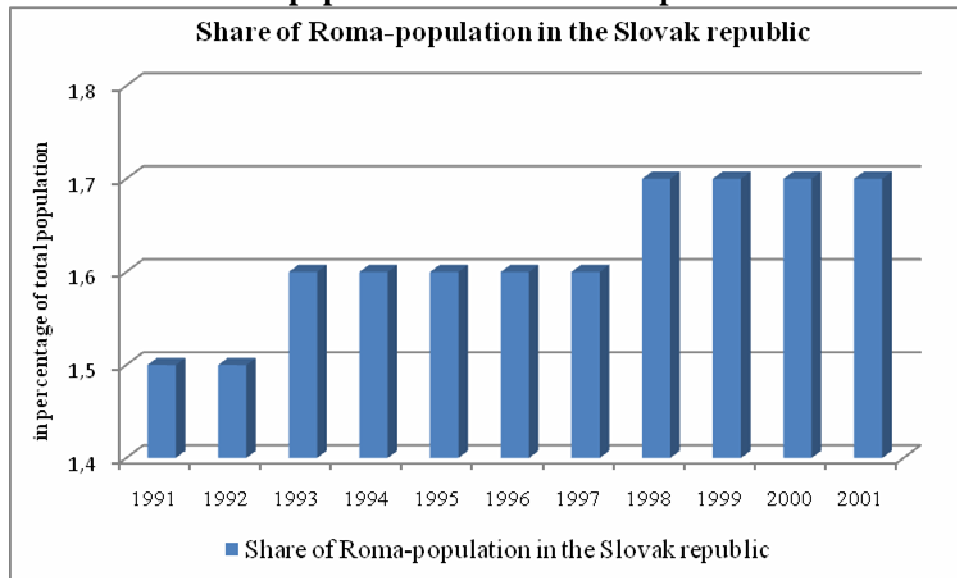
Apart from being a country of out-migration, Slovakia is also a country of immigration and transit migration; the latter is to a large extent illegal migration. Illegal migrants cross into Slovakia basically from Hungary and Ukraine – coming in the main from Yugoslavia, Afghanistan and Romania – and are heading for Western Europe, in particular Germany and Austria. In 2001, some 14,600 illegal transit migrants were captured at the borders (some 3,900 incoming and 10,700 outgoing – in the main to Austria). [7, 8]

The number of asylum seekers follows a more or less positive trend and amounted to some 8,200 in 2001. A very small proportion is granted asylum (not even 1 percent); the vast majority comes from Afghanistan, followed by Russia and Ukraine.

Slovakia is a country with two major ethnic minorities, the Hungarians and the Roma. The largest minority are Hungarians – some 567,800 or 10.5 percent of the total population. They are concentrated in the South-East, adjacent to the Hungarian and Ukrainian borders. The second largest minority are the Roma. The Roma population is more spread around the country than the Hungarian minority. The highest concentration is in the Eastern part of the country – in the regions of Poprad and Kosice, partly also in Prešov and Banská Bystrica. These are more agricultural areas of Slovakia.

The exact number of Roma is difficult to ascertain – according to Census data, they represent about 1.7 percent of the population. In reality, the number is believed to be much higher, however. This is so because many Roma consider themselves to be Slovak or Hungarian rather than Roma. Estimates on the part of the Police come up with an estimate of some 300,000 settled Roma and some 50,000 nomadic Roma. An estimate on the part of the UN comes up with a figure of 430,000.

Graph 4. Share of Roma-population in the Slovak republic



Source: Biffl, G.: Immigration and integration issues in Austria and Slovakia, In: Migration in Central Europe: Austria, the Slovak Republic and EU, Vienna 2004, p. 6

The share of Roma is increasing, in the main due to their high fertility rate which is more than compensating their comparatively shorter life expectancy. Roma are to a large extent unemployed and live off welfare payments. In addition, they are to a large extent in debt, mainly to money lenders in their own community, which tends to motivate them to try their luck elsewhere in Europe. The fear that unskilled Roma are going to start moving towards the west is one reason for implementing transition periods for access to welfare services in all Western EU-Countries (minimum continued work for about 3 years in the respective host country). [9]

Empirical research shows that Slovakia together with all new member countries is not only a potential supplier of labor to Western Europe but has become the centre of attraction for migrants, particularly for their Eastern European neighbors. In order to counter tendencies for

clandestine work, Slovakia has introduced regulatory mechanisms along the lines of the foreign worker model of Switzerland, Germany and Austria.

Legally employed foreign workers are treated equally to indigenous workers. They have access to health insurance on the basis of their employment status. Migration in the new member countries has become increasingly dynamic since the early 1990s such that the level of legal migration compares favorably with Southern European countries. [10]

5 Evaluation of conditions at the labour market

*“The collapse of the communism is reviving the old pathways of migration in Eastern Europe as well as creating many new ones.” [11]
(Stalker, 1994)¹³*

The migration outflow of Slovak people will follow the taste gained during the 40 years (1948-1989)¹⁴ of socialism. The taste has unearthed to be important for the labour market flexibility after 1989. The baby boomers of 70`s are becoming the core of the labor force. Thus their behavior is crucial for the flexibility of the labor market. Their behavior had been significantly influenced by their parents that were living through the era of socialism. The essential element of parents life-style was to live and work in the same area i.e. one city or village. There were two acceptable reasons for the migration: marriage and so-called “tickets of emplacement“ within the legal framework of conscripted labour.

Thus we agree with Stark, who considers an overlapping-generations economy - he stated: “An individual lives for two periods: childhood and adulthood. Preferences are acquired in childhood through the imitation of adults. By the time adulthood is reached, migration preferences are fully formed. Adults can either have tastes that favor migration or tastes that resent migration. The initial distribution of adults between those who are inclined to migrate and those who disfavor migration is historically given. At the beginning of each period, N individuals are born. Each child has one parent and each parent has one child. Individuals acquire their tastes and preferences only during their childhood, and work only during adulthood. Individuals die at the end of the second period of their lives. If migration takes place, it occurs at the beginning of the adult period. The “technology” of preference formation is the imitation of adults within the economy.” [12] (Stark, 2003)¹⁵ Thereafter we suggested carrying out research on the taste that was inherited from socialism in the generation that is copying their parents` attitude for the migration.

6 Conclusion

Description included in the paper can be perceived as a sufficient base that also can be supplemented by further research on the state of the art later. Therefore the concluding remark was focused on the method, which could be the best for discovering any relation between the

¹³ STALKER, P. (1994) Work of Strangers: A Survey of International Labour migration. ILO, Geneva, ISBN 92-2-108521-X

¹⁴ February of 1948 was significant for the communists gained the power in government. The period of „communism“ began in Czech-Slovakia. This period could be characterised by the imperfection of democracy, imperfect economy that was causing lagging behind of the whole country. The atheism was being supported under the influence of Soviet Union.

¹⁵ STARK, O. (2003) Tales of migration without wage differentials: individual, family, and community contexts. In: INSTITUTIONS AND ECONOMIC DEVELOPMENT, FrancoAngeli srl., Volume 1, Number 3, <http://pum.princeton.edu/pumconference/papers.html>

institutions (reflected in the behaviour – tastes¹⁶ and organizations and their activities) from the previous period and migration pathways of today.

Transition process was researched as a factor that had generated various tastes (seizable via institutions both in sense of behaviour and organization) to influence the migration. Mentioned institutions are of microeconomical origin, their features could be modeled by the help of “micro-approach” [12] (Stark, 2003¹⁷). While the transition process is of the macroeconomical origin, which is being described by the Amable.

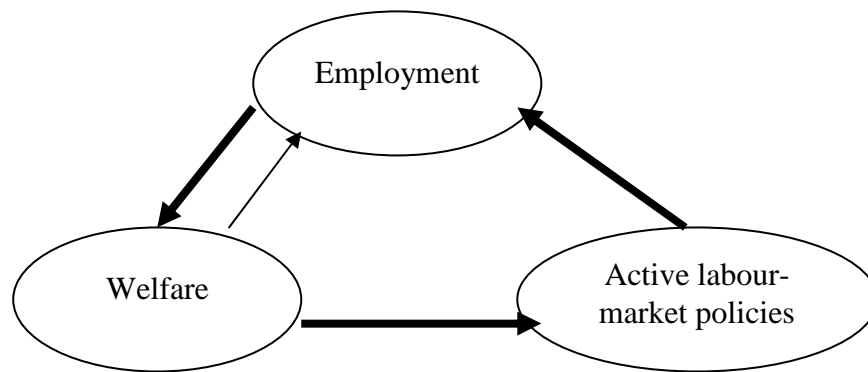


Figure 2 The flexicurity triangle

Source: AMBLE, B. (2003) *The Diversity of Modern Capitalism*. Oxford, OUP, ISBN 0-19-926113-X, s 264

During the socialism the job was secure for there was a conscripted labour and there was almost no wage bargaining. The change towards market-based economy brought about less security. It was an alternative cost to achieve more flexibility in the changing industrial structure. As Amable stated: “The social-democratic and Continental models – one may add the Mediterranean model – differ on the trade off between job security and social protection.” [13] (see Figure 2 – flexicurity also mentioned in the introduction).

Thus we suggest to merge the two approaches in future research consisting of case study that takes into account:

- the variables of simple model, preferably wage (micro-approach)
- that matches with the wage–bargaining–centralization index (among others) – (macro-approach).

Such a combination of the two views should enable to explain how the transition periods factors influence the migration. To what extent the tastes prevail the wage-bargaining factor – is the research question stemming out of the analysis of the state of art so far.

¹⁶ The data for the issue of tastes are to be found in the paper of Paříková, M. (2004) Projekt Forost – Každodenná kultura v období socializmu Alltagskultur im Sozialismus: Praktiken und Strategien des Alltagslebens in den sozialistischen Ländern und ihre Folgen für die Transformation. In: Slovak Etnograf 1/2004, ročník 52

Also in the connected research of ethnographers e.g. in the project Forost was considered similar idea: “Forms, functions and conditions for the earnings in socialism were formed by means of the Marxist’s Theory, more strongly by the economical, political and social reality, tangibility of the real socialism. Undoubtedly, he working values and postures stemming from the period of socialism are for the transformation in post socialistic countries problem of immense importance. Which continuation should be suggested? What areas are changing towards new forms? What importance has the pre socialistic period in this change?” quoted and translated from http://www.forost.lmu.de/fo_library/fo_tagung_roth_0402_einlad.pdf 19.9.2007

¹⁷ Ibid.

The possible limitation of the suggested method might be the refining how the factors from socialism are reflected in the behaviour of the migrants.

Acknowledgements

The paper was prepared within project VEGA 1/2557/05– „Theoretical and methodological aspects of institutional support to business activities as the determinants of boosting business environment in East Slovakia region.“

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