UNEMPLOYMENT IN SLOVAKIA DURING THE COVID-19 PANDEMIC

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Abstract

Labour market developments have been on a positive trend in recent years. Employment and unemployment were not projected to change significantly. The advent of the COVID-19 pandemic halted this trend. The labour market, the economies of countries and their governments have been exposed to new challenges. In our paper, we focus on the evolution of employment and unemployment in the first to third waves of the pandemic in the Slovak Republic. We focus on a time series analysis of labour market developments by education, last occupation and sectors of industry. The above analysis may serve to further investigate this issue in the future and to track developments over a larger time period.

Key words:

COVID-19 pandemic, labour market, registered unemployment, Slovak Republic, Structure of unemployment

JEL Classification: E24, J20, J40 https://doi.org/10.52665/ser20210203

Introduction

In today's globalised world, national economies are highly interconnected, which brings many benefits on the one hand, but also several risks on the other. These include various unexpected negative phenomena, recessions, unrest and new diseases. The spread of the coronavirus pandemic COVID-19 has affected the lives of people all over the world and has had a negative impact on the economic performance of countries and also on the situation on the labour market, not excluding Slovakia. The aim of the paper is to assess changes in registered unemployment during the duration of the COVID-19 pandemic in the Slovak Republic.

Literature overview

The world has witnessed many challenging situations throughout history. These challenges were wars sometimes or revolutions that reshaped the socio-politics completely. Yet, another challenge has been contagious diseases. The world had witnessed many epidemics, e.g. the plague of the Medieval and its variations and the great influenza of 1918–1920. The ongoing COVID-19 pandemic will most likely have many devastating global effects (Ceylan et al., 2020).

Many other authors have expressed similar views. As stated Korzeb and Niedziolka (2020), the global pandemic COVID-19 has contributed to an unprecedented situation. It has affected the existence of every human being, the way of life of entire communities and the functioning of almost all sectors of the economy. No one was really prepared for the effects of the COVID-19 crisis. Wang and Flessa (2020) stated that the Covid-19 pandemic constitutes one of the greatest medical, social, economic and political challenges for the last decades. Similarly, Sukharev (2020) points out that the current pandemic situation presents serious threat that requires profound changes in the economic life of people and the activation of microbiological and medical research.

The Covid-19 global pandemic has not only caused infections and deaths, but it has also wreaked havoc with the global economy on a scale not seen since at least the Great Depression. Covid-19 has the potential to destroy individual livelihoods, businesses, industries and entire economies (Laing, 2020).

The emergence of COVID-19 and the subsequent measures to contain it were a sudden and massive shock to public and private life. The effects of this are visible in every aspect, starting with an economic downturn, to new social

challenges, changed working routines, reduced transport and energy consumption etc. (Römisch, 2020).

Within a short period of time an enormous number of far-reaching decisions have to be made within a highly complex system of interdependent virological, pharmaceutical, behavioural, legal, social and economic frameworks (Wang, Flessa, 2020). These decisions aimed at stopping the pandemic have reduced the economic performance of countries and caused problems in the labour market. Countries have seen a decline in GDP, a fall in employment and a rise in unemployment.

Measures aimed at slowing the epidemic have not affected different sectors equally. Sectors such as tourism (Antosova et al., 2020), air transport and the international transport of goods (Gray, 2020, Sokol, Pataccini, 2020), and supply chains (Kerr, 2020, Larue, 2020) have been most affected. Trade in agricultural and food products has been relatively stable, but restrictions on cross-border movements of people lead to shortages of seasonal labour (Kerr, 2020). On the contrary, during this period there has been a boom in digitisation (Dannenberg et al., 2020), the development of online shopping (Goddard, 2020), will likely be maintained after the pandemic restrictions are over.

In addition to the development of digitalisation, some authors point to other positives of the pandemic. As stated Dvořák et al. (2020), one of the most positive effects of COVID-19 pandemic might be the clearing of the markets including the labour market. Even though the current economic situation is far from the perfect competition, the pandemic might create enough stimuli to induce some profound changes that are likely to remain for long time.

Many economists compare the crisis that arose in the context of the COVID 19 pandemic with the previous crisis in 2009 (Jeris and Nath, 2020, Sokol and Pataccini, 2020, Sukharev, 2020) and foresee even greater problems. Unemployment trends were also different from unemployment trends during previous recessions. As reported by Michalek (2021), unlike previous recessions, the coronavirus-induced recession caused a sharp increase in unemployment in an extremely short period of time. After the easing of measures, the labour market situation improved rapidly, and when the epidemiological situation deteriorated again, the tightening of measures was again quickly translated into a worsening of the labour market situation. The above-mentioned facts indicate a high sensitivity and flexibility of unemployment developments to the measures taken or their severity. Frank, Morvay et al. (2021), however, stress that government measures to support employment retention alone are not a sufficient explanation for the relatively modest increase in unemployment in 2020; the impact of the demographic factor, i.e. the decline in the number of working-age people, clearly needs to be added.

Goal and Methodology

This paper focuses on a detailed analysis of registered unemployment in the Slovak Republic. It aims to assess the changes in registered unemployment during the duration of the COVID-19 pandemic in the Slovak Republic. We use data from the monthly statistics of the Slovak Labour, Social Affairs and Family Office. The period under study is 12/2019 - 10/2021.

We first focus on the evolution of the number of jobseekers. Next, we assess the evolution of the inflow and outflow of jobseekers in each month of the period under study. We then assess the structure of inflows of jobseekers in terms of sector, occupation and educational attainment.

Findings and discussion

The COVID-19 pandemic, like in other countries of the world, has also had a negative impact in the Slovak Republic. As reported by Uhlerová et al. (2020), the outbreak of the pandemic in mid-March 2020 resulted in significant restrictions and interference in the functioning of the economy through government measures to reduce mobility and social contact and thus slow the spread of the disease. The epidemic measures had their social and economic impacts.

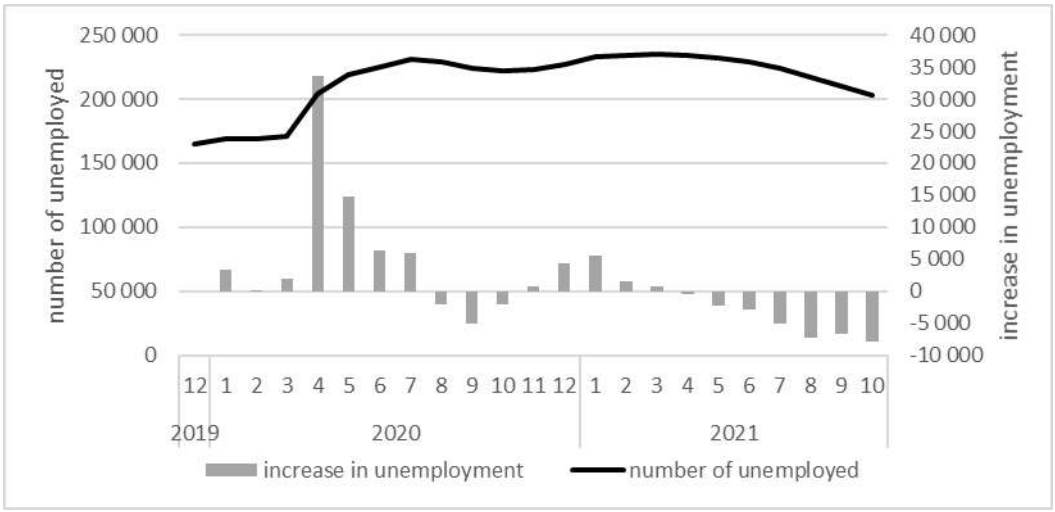
The effects of the COVID-19 pandemic largely influence the economic performance of

the economy in the Slovak Republic. To reduce coronavirus infection, the Slovak Republic has adopted many restrictions and anti-epidemiological measures, which result in a negative impact on the Slovak labour market. (Švábová et al., 2021)

The coronacrisis has manifested itself in the Slovak labour market with a sharp rise in unemployment. Especially the weaker groups of the population were at risk. People with lower qualifications and lower wages were more likely to be employed in occupations that could not be performed from home and were therefore more at risk of losing their jobs. (Dujava, Peciar, 2020)

Figure 1 shows the evolution of the number of registered unemployed and the increase in registered unemployment during the COVID-19 pandemic in the Slovak Republic.

Figure 1: Development of registered unemployed during COVID-19 pandemic in Slovakia



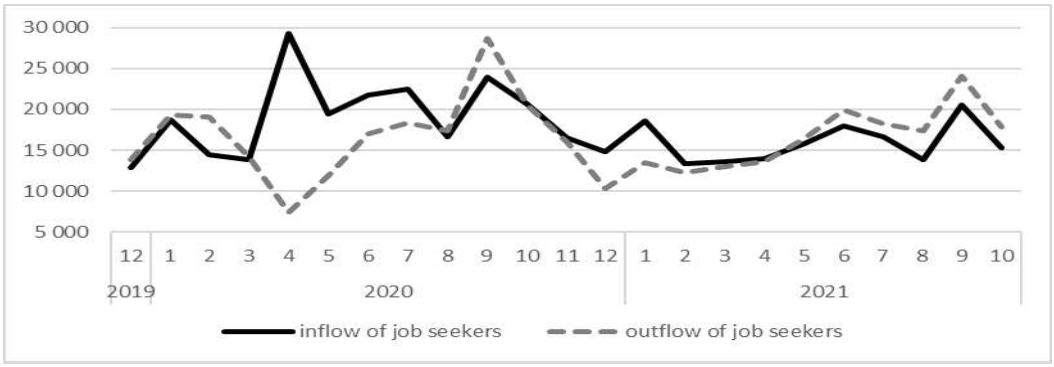
Source: UPSVaR, 2021, own processing and calculating

Figure 1 shows that the largest increase in the number of unemployed was recorded in April 2020 (by 33 613 persons), and the number of registered unemployed increased slightly in the following months as well. From August 2020 onwards, the number of registered unemployed decreased slightly, but already in November the number of unemployed increased again, reaching its highest value in March 2021 (234 942 persons). Since then, a decrease in the number of registered unemployed can be observed, with the highest in October 2021 (by 7 837 persons).

The trend in the registered unemployment rate was similar to the trend in the number of unemployed. The highest registered unemployment rate was recorded in April 2021, namely 7.91%. Since then, it has gradually decreased and reached 6.98% in October 2021.

The figure below shows the growth and decline in the number of jobseekers by month in 2020 and 2021.

Figure 2: Inflow and outflow of job seekers during COVID-19 pandemic in Slovakia



Source: UPSVaR, 2021, own processing

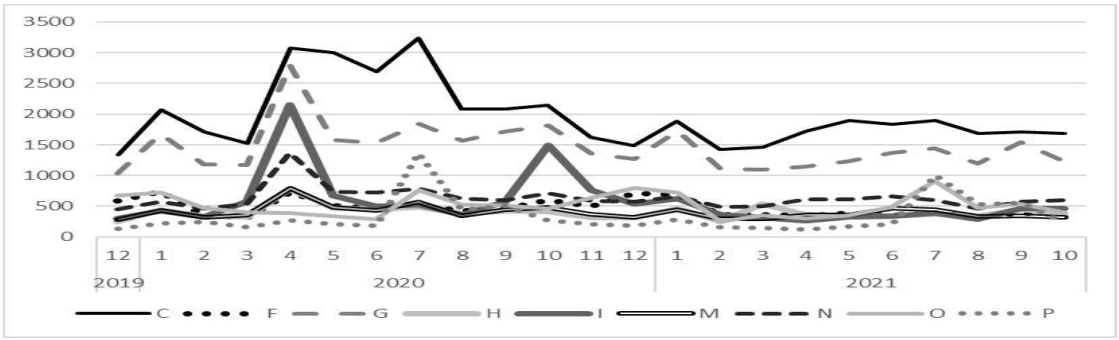
Figure 2 clearly shows that the largest increase in the number of jobseekers was in April 2020, namely 29,275. At the same time, this month saw the smallest decline in the number of jobseekers, with only 7397 persons, of whom 5921 found a job on the labour market. The June and September increases in the number of registered unemployed were mainly influenced by graduates of secondary schools and universities. In September 2020, the share of graduates in the inflow of the number of unemployed was 26.16%, in September 2021 even 27.34%.

These developments show that the first wave of the pandemic had the most negative impact on the rise in unemployment. By contrast, in the case of the second wave of the pandemic, employers were more flexible in their response and many were able to find alternative ways to stay in business (except in sectors that had to cease operations altogether). (Frank, Morvay et al., 2021) Even during the third wave of the pandemic in the autumn of 2021, labour market impacts were no longer significant, as the outflow of jobseekers was greater than the inflow. It is important to note, however, that despite a smaller than expected rise in unemployment, the average number of hours worked by employees declined, which is also related to the government's measures to maintain employment.

As Michálek (2021) notes, the COVID-19 pandemic had a significant impact on unemployment in every region, industry, occupation, and major demographic group in Slovakia. However, its impact and influence was highly differentiated regionally, by sector, occupation and demographics.

Therefore, in the following we examine the inflows of job seekers according to several aspects. First, we will assess the inflows of jobseekers by the last job in selected SK NACE sectors (Figure 3).

Figure 3: Inflow of job seekers by the last job in selected SK NACE



Source: UPSVaR, 2021, own processing

Explanations:

C Manufacturing

F Construction

G Wholesale and retail trade; repair of motor vehicles and motorcycles

H Transportation and storage

I Accommodation and food service activities

M Professional, scientific and technical activities

N Administrative and support service activities

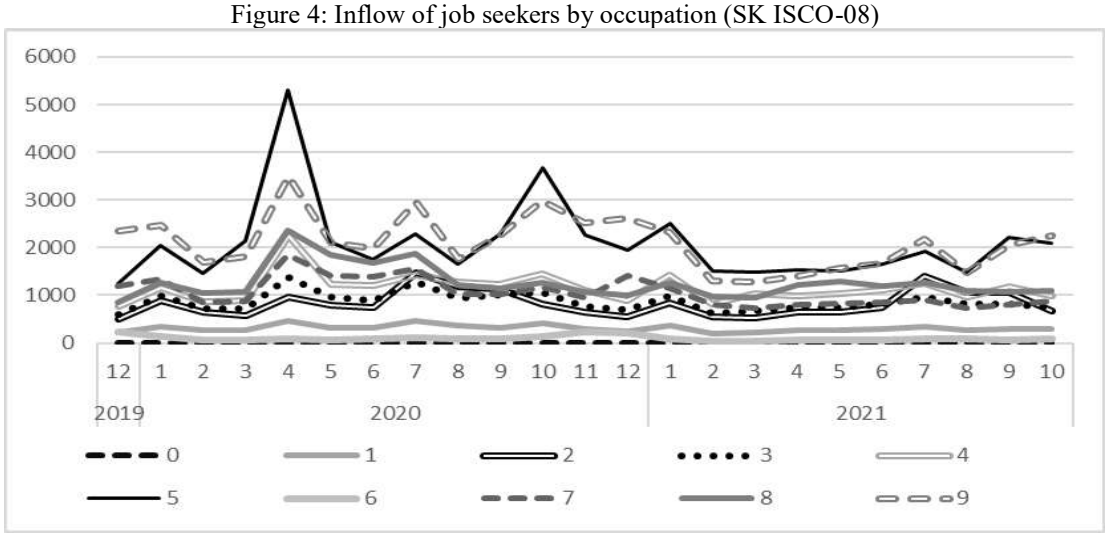
O Public administration and defence; compulsory social security

P Education

The largest increase in the number of unemployed was in the industrial production sector (by 3,234 in July 2020), which is the largest employer in the Slovak Republic. Furthermore, the pandemic mainly affected employees from wholesale and retail trade; repair of motor vehicles and motorcycles and accommodation and food service activities (mainly 4/2020 and 10/2020). When comparing the increases in the number of jobseekers in each sector in 2020 and 2021, it is clear that in 2021 the COVID-19 pandemic did not cause as severe an impact on the labour market as it did in 2020.

Next, we examine the inflows of jobseekers by occupation (SK ISCO-08) – Figure 4.

Figure 4: Inflow of job seekers by occupation (SK ISCO-08)



Source: UPSVaR, 2021, own processing

Explanations:

0 Armed forces occupations

1 Managers

2 Professionals

3 Technicians and associate professionals

4 Clerical support workers

5 Service and sales workers

6 Skilled agricultural, forestry and fishery workers

7 Craft and related trades workers

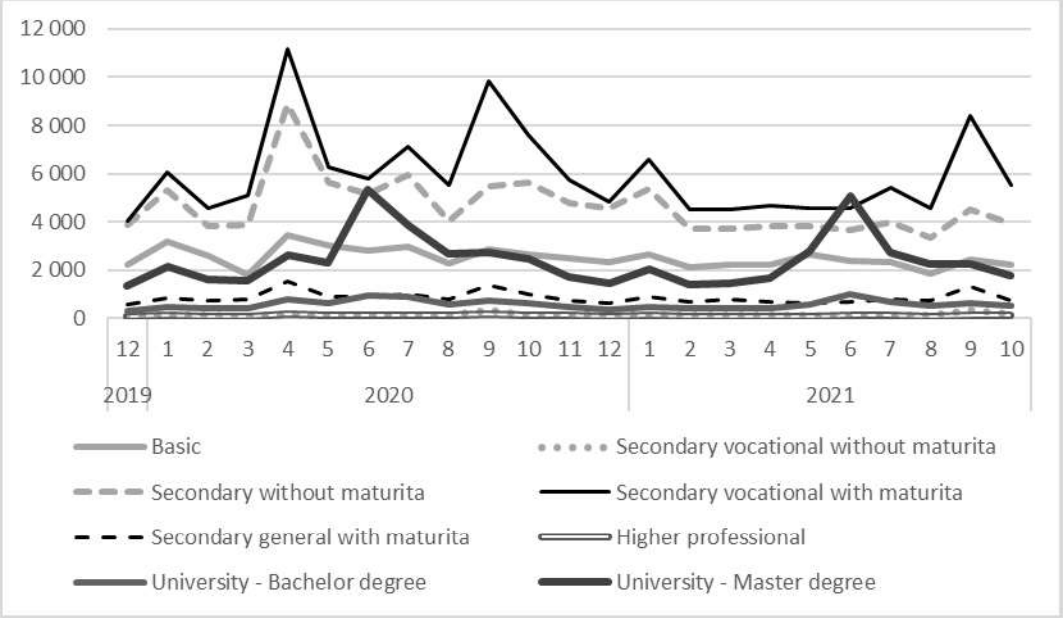
8 Plant and machine operators, and assemblers

9 Elementary occupations

Assessing the impact of the pandemic on individual occupations, we can conclude that most of the inflow of jobseekers worked as service and sales workers (an increase of 5303 in April 2020) and elementary occupations. This is related to previous findings, i.e. the sectors that were most affected by the pandemic. Conversely, the pandemic had the least impact on the increase in the number of unemployed from the armed forces occupations and skilled agricultural, forestry and fishery workers groups.

We have shown the inflows of jobseekers by education in Figure 5.

Figure 5: Inflow of job seekers by education



Source: UPSVaR, 2021, own processing

In terms of the educational structure of job seekers, it is evident that persons with secondary vocational education with a high school diploma and secondary education without a high school diploma contributed most to the increase in the number of job seekers, as these groups make up the largest part of employed persons in the SR. It is interesting to observe the increase in the number of unemployed university graduates in June 2020 and 2021. This stems from the fact that during a worsened labour market situation, even highly qualified individuals have difficulties finding immediate placement on the labour market and are therefore registered as jobseekers for a certain period of time.

Conclusion

We assessed the adverse impact of the massive spread of COVID-19 on the Slovak labour market using data on registered unemployment. Our findings showed that the largest increase in the number of unemployed was recorded in April 2020 due to the measures taken by the government aimed at stopping the disease. However, as the government also took measures to mitigate the impact of these interventions, unemployment did not increase as significantly as expected, but the number of hours worked did decrease. Subsequent waves of the pandemic did not cause such a sharp increase in the number of unemployed. The largest number of registered unemployed was in March 2021, and the number of jobseekers has been declining since April 2021.

In terms of the structure of applicant inflows, it can be noted that the largest inflows were in Industrial production, wholesale and retail trade; repair of motor vehicles and motorcycles; and accommodation and food service activities. In terms of occupations, the largest inflow of jobseekers was from the service and sales workers and elementary occupations group. When examining the educational structure of jobseekers, we found that those with a secondary vocational education with a high school diploma and a secondary education without a high school diploma accounted for most of the increase in the number of jobseekers.

The pandemic threatened such jobs to a greater extent, the nature of which makes it impossible to perform them from home. It was the use of homeworking (in the context of its regulation at a time of tightened anti-pandemic measures wherever the nature of the work tasks allowed it) that could thus have protected some jobs (Frank, Morvay a kol., 2021, Dujava, Peciar, 2020).

Michálek (2021) points out that as a result of employment protection measures, the state has protected a third of jobs, but this may change if the state stops supporting firms. Therefore, there is a need to focus more on active labour market measures that create jobs and not just maintain them.

Acknowledgments

This article is one of the partial outputs under the scientific research grant VEGA 1/0357/21 „Multiplier effects of human capital quality on economic performance and competitiveness of the Slovak economy“.

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