

REGIONAL UNEMPLOYMENT AND
EMPLOYMENT POLICY IN SLOVAKIA

Pavol OCHOTNICKÝ and Jana KOHÚTOVÁ

No. 8

July 1994

The following studies on Eastern Europe and the NIS have been recently published by Bank Austria

- ☐ Russia, Ukraine, Kazakhstan and Belarus – Debt Situation in Late 1992 and Outlook (no longer in print)
- ☐ The Slovak Republic – Country Report 1993 (no longer in print)
- ☐ Many-faced Russia: The Impact of Transition on the Russian Regions
- ☐ The Czech Republic, More than Prague

Please order directly:

Bank Austria
Publications Department
Am Hof 2
A-1010 Vienna

Tel.: + 43 1 531 24 3115
Fax: + 43 1 531 24 113

**Bestellen Sie jetzt: Codex. Die neue
Publikationsreihe über die Rechtslage
in den Reformstaaten Ungarn,
Polen, Slowenien, Tschechien
und Slowakei.**

Ja, senden Sie mir ein Codex-Jahresabonnement: ☐ Eine Länderanalyse: öS 4.290,- (inkl. MWSt)
☐ Zwei Länderanalysen: öS 7.480,- (inkl. MWSt) ☐ Drei Länderanalysen: öS 8.800,-
(inkl. MWSt) ☐ Alle vier Länderanalysen (Ungarn, Polen, Slowenien, Tschechien und
Slowakei): öS 11.000,- (inkl. MWSt) ☐
☐ Ungarn ☐ Polen ☐ Slowenien ☐ Tschechien und Slowakei
Name: _____
Adresse: _____
Kupon einsenden an: Bank Austria
Postfach 35
A-1011 Wien

Bank Austria

INSTITUTE
FOR
ADVANCED STUDIES

*“REGIONAL UNEMPLOYMENT AND
EMPLOYMENT POLICY IN SLOVAKIA”*

Pavol OCHOTNICKÝ and Jana KOHÚTOVÁ

Centre for Strategic Studies of the Slovak Republic

Paper presented at the Workshop on
“Employment and Unemployment in Russia from a Microeconomic Perspective”,
June 23-25, 1994, IIASA, Laxenburg.

Bestellungen: Institut für Höhere Studien
Bibliothek
Stumpergasse 56
A-1060 Wien
Tel.: (1) 59 991-237
Fax: (1) 59 70635

Einzelpersonen	70,- öS
Institutionen	220,- öS
Abonnement (10 Papers)	
Einzelpersonen	300,- öS
Institutionen	1.000,- öS

Alle Rechte vorbehalten

Regional Unemployment and Employment Policy in Slovakia

1. Introduction

The creation of the labour market in the SR, evaluation and implementation of the employment policy and labour market programmes took place in dynamically changing external and internal conditions. It was not only the unexpected depth of the "transformation recession", which was the consequence of the realization of inevitable transformation steps connected with the transition from the former directive economy to the state of macroeconomic equilibrium. It was not only the consequence of problems with restructuring of the economy, problems of restructuring of the large enterprises, the consequence of problems with COMECON market and the world recession. The situation in the SR was complicated by the rapid conversion of the military industry, by the relatively high dynamism of the labour forces and by the split of the ČSFR.

All the mentioned external and internal shocks were reflected in a big decrease of output, in the growth of the disequilibrium on the whole as well as regional labour markets. The structural type of the labour market disequilibrium began to change in the first months after the start of the transition process to a disequilibrium of the conjunctural type.

Accumulated problems on the labour market of the SR as well as the struggle for as fast as possible transformation of the economy to the economy compatible with the Economic Union countries resulted in a permanent reevaluation of the position of the employment policy in the global economic policy, in a different approach of individual governments to the solution of employment problems as well as in gradual corrections in the

transformation of the social sphere and the whole institutional system of the employment policy implementation.

The paper consists of two main parts: the short analysis of the labour market situation, and the role of employment policy and labour market programmes in the period of transition and their importance in the government policy in the SR.

2. The situation on the labour market in the SR and implications for employment policy

After a negligible unemployment rate in 1990, after a sharp increase in 1991 and a less sharp decrease in 1992, the first year of the independence was characterized by an increasing unemployment in Slovakia. The following table gives some basic facts on this development.

Year/Month	Unemployment rate (%)
2/1990	0.07
12/1990	1.47
1/1991	2.37
12/1991	11.82
1/1992	12.74
12/1992	10.38
1/1993	11.23
12/1993	14.44
1/1994	14.88
5/1994	13.89

Source: Labour ministry of the SR.

SITUATION IN THE LABOUR MARKET IN SLOVAKIA IN 1993

During 1993 the trend of decreasing employment was continuing in most branches of the national economy, the main factors influencing this development having been the continuing decrease of the domestic demand and restructuralization of the economy.

In the first quarter of 1993, the average number of employees in the economy has decreased by almost 130 thousand

against the previous quarter, i.e. by 6.7 %. After a temporary moderate increase in the second quarter, the employment continued to decrease until the end of the year and in the last quarter the average number of employees was 1882.1 thousand. The average employment in Slovakia in 1993 was 1924.9 thousand, which is by 3.2 % less than in 1992.

The different employment development in individual branches of economy resulted in the change of the branch structure of employment. In almost all the branches of primary and secondary sphere the number of employees has diminished. In industry there was the decrease by 6.7 %. The largest drop was recorded in public (i.e. state and municipal) enterprises (-10.5 %), while the employment in private industrial firms rose by more than 10 %. The similar tendency held for in construction, where the total number of employees diminished by 5.1 %, employment in the public sector dropped by almost one fifth, while in the private sector the increase of almost 15 % was recorded.

Concerning the large enterprises with 25 employees or more, the sharpest decrease belongs to the branch of agriculture and forestry (-15.6 %),. The only branch of the primary or secondary sphere, in which the employment increased in 1993, was fishing (+37.8 %).

The employment increased mainly in the tertiary sphere: in trade by 20.4 %, finance and insurance by 27.1 %, in hospitality and accomodation by 9.8 % (the last two figures includes only the large firms).

The share of small and large enterprises in the total employment has changed, as well as the share of the ownership sectors. Employment in large enterprises decreased by 7.7 % in 1993, while in small firms (with maximally 24 employees) more than doubled. The number of workers in the private sector rose by 17.2 %, in the cooperative sector diminished by 16.8 and in the public one by 7.7 %. Consequently, the share of the private sector in the total employment increased from 18.4 % in 1992 to 22.3 % in 1993. Despite the sharp decrease at the beginning of the year, connected with the introduction of the new tax system,

the average number of private entrepreneurs rose from 320 thousand to 323.5 thousand.

Concerning the employment development in the districts of Slovakia, there was decrease of the average number of employees in 1993 in all of them, yet there were considerable differences. The decrease in the city of Bratislava was negligible (-0.5 %). On the other hand, there was quite a large employment drop of more of 13 % in the districts of Rimavská Sobota (Central Slovakia), Spišská Nová Ves (East Slovakia) and Galanta (West Slovakia). Especially in the first two of them this trend resulted in a significant increase of the unemployment rate.

Remarkable decline of employment was reflected in higher unemployment rate, which grew during the whole 1993 (with the exception of April) and increased from 10.38 % to 14.44 % (figures as to the end of the year). That means that the number of registered job applicants grew up to 368 095 persons (i.e. by 41.4 %). The number of unemployment benefit receivers increased by 40.7 % during 1993 and at the end of the year reached the level of 122.9 thousand persons, which represents 33.4 % of registered unemployed.

At the end of 1993 women accounted for 47.8 % of unemployed. Concerning the educational and occupational structure of job applicants, the groups mostly hit by the unemployment were manual workers (44.6 %) and people with lower education - those with only basic education, without education and with apprenticeship accounted for 54.7 % of the total unemployment. It is interesting that besides the young under 18 the biggest fraction of unemployed was created by the age group of 20 to 39 (57.9 %).

The share of long-term unemployed (12 months or more) in the total unemployment fell from 36.3 % (as to 31.12.1992) to 32.2 % (as to 31.12.1993). However, since the share of short-term unemployed (up to 3 months) declined as well (from 30.2 % to 26 %), the average duration of unemployment didn't change significantly in 1993 compared to 1992. The following table shows the average duration of unemployment by quarters.

Year	1991	1992				1993			
Quarter	IV	I	II	III	IV	I	II	III	IV
Average duration of unemployment (in days)	165	205	226	234	229	204	211	211	227

The general trend of considerable increase of unemployment during the whole 1993 held for all the regions with the exception of the capital city of Bratislava, where this trend was much more moderate and at the end of the year there was even a slight decline of unemployment there.

Concerning the unemployment rates, the hierarchy that has developed at the very beginning of the economic reform didn't change at all: traditionally the lowest rate can be found in Bratislava (4.5 %), the highest figures belong to the East Slovakia (17.35 %) followed by the West and then the Central Slovakia.

The unemployment rates were even more differentiated over the districts: as to 31.12.1993 the lowest one was in Bratislava (4.5 %) and the highest one in the district of Rimavská Sobota in the Central Slovakia (26.4 %).

The opposite development as that of unemployment was recorded in the number of vacancies, which due to the steady decline over the whole 1993 shrank from 16 204 to 7 676 (as to 31.12.1993). That means, that while at the end of 1992 there were 16 registered job applicants per vacancy, at the end of the next year there were already 48 of them. This general trend held for 34 districts out of 38.

LABOUR MARKET DEVELOPMENT IN 1994

The general tendency of increasing unemployment during the whole 1993 continued also in January 1994 when the number of registered job applicants went up to 379 thousand and the unemployment rate reached its maximum of 14.88 %. Then the unemployment started to decline and at the end May there were 354 thousand unemployed registered in labour offices, which

represents 13.89 % of civilian labour force.

Significant drop has been recorded in the number of unemployment benefit recipients, which decreased to 77.7 thousand. Thus the share of unemployed receiving the unemployment benefit fell from 33.4 % (as to 31.12.1993) to only 21.9 % (as to 31.5.1994).

Both less newly registered job applicants and more those removed out of files in the 1st quarter of this year contributed to the decrease of unemployment compared to the previous period. The table compares these figures as well as the number of those placed to jobs by labour offices. Note that the last number has increased, and so while in the 4th quarter of 1993 as much as 37.6 % of unemployed removed out of files were placed to jobs by labour offices, in the next period it was only 28.1 %. This means that either people were more successful in finding jobs by themselves or there were removed out of files for other reasons (e.g. their entitlement period for unemployment benefit expired etc.).

Quarter	IV./1993	I./1994
Newly registered	88,123	75,610
Removed out of files	70,026	73,212
of which	26,345	20,586
placed in jobs		

Like in the previous period, there were considerable regional differences in unemployment rate over the districts of Slovakia. The ranking didn't change very much, especially not at the very top and bottom of the list. So the district of Rimavská Sobota (in the south of Slovakia) remains to be the number one with the unemployment rate of 26.3 %, and the lowest figure - 4.27 % - belongs traditionally to the city of Bratislava (the capital).

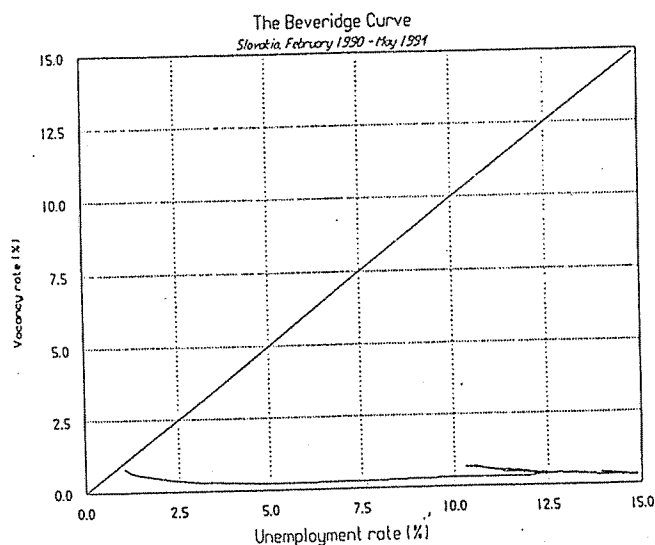
After a steady sharp decrease during the whole 1993, the number of vacancies started to grow at the beginning of 1994. At the end of the 1st quarter it was 9 153, so it was by 19 % higher than at the end of the previous year. The share of vacancies recorded in Bratislava increased to 13.6 %, in the remaining

three regions it was from 26 to 32 %.

Due to decreasing unemployment and increasing vacancies the number of registered job applicants per vacancy lowered finally. Compared to the end of 1993 when it was 48, it declined to 40 as to the end of the first quarter of 1994. Again, there were certain regional differences in the number of unemployed per vacancy in Slovakia. As the table below shows, not in all the regions the unemployment declined, so it is clear that it was mainly the growth of vacancies that caused the drop of unemployed per vacancy.

Region	Unemployment rate (%)		Unemployed per vacancy (persons)	
	31.12.1993	31.3.1994	31.12.1993	31.3.1994
Bratislava	4.50	4.27	14.1	10.3
West Slovakia	15.35	15.36	51.9	48.8
Central Slovakia	14.75	14.71	61.1	43.6
East Slovakia	17.35	17.82	47.6	43.6
Slovakia	14.44	14.54	48.0	40.5

The development on the Slovak labour market is reflected in the results of the analysis of the Beveridge curve, i.e. the empirical relationship of the vacancy rate (the number of vacancies as percentage share of the total labour supply) and the unemployment rate $I_1 I$, $I_2 I$, $I_3 I$. The figure below shows the development of this relationship in Slovakia from October 1990 to May 1994.



Analysing the Beveridge curve and the coefficients of regional and occupational disequilibrium ¹⁾, some principal changes that has occurred on the Slovak labour market during the transformation period can be identified.

a. The unemployment in Slovakia had mainly structural/frictional character in the last months of 1990. That means that if there had not been the occupational and/or regional disequilibrium between the vacancies and the unemployed, the unemployment didn't have to reach significant level in this period and the unemployment rate could approach the zero level.

b. In the course of 1991 the character of unemployment in the SR has changed and the structural/frictional unemployment started to become the classical and/or Keynesian one.

c. At the beginning of 1992 the change of the Slovak labour market "regime" started to take place, which was reflected in the outward shift of the Beveridge curve. According to the background theory this means the worsening of the matching function on the Slovak labour market - there is even greater occupational and regional disequilibrium between the vacancies and the unemployed. The considerable movement along the curve signals that the significant labour market disequilibrium (classical and/or Keynesian one) in 1992-1993 was caused either by the high level of real wages in the SR or insufficient level of the aggregate demand or both.

d. The part of the Beveridge curve, which corresponds to the labour market situation in 1993, indicates that the labour market in Slovakia is in the state of considerable disequilibrium and that the extent of structural/frictional unemployment is minimal. This also indicates that - given the situation on the labour market - the space for regional and occupational labour mobility is narrowing.

The previous analysis of the labour market situation in Slovakia allows to formulate some conclusions for the employment policy in the SR.

¹⁾ *The unemployed and vacancies registered at the labour offices.*

The first one is that the labour market in Slovakia is at present characterized by the considerable disequilibrium, which has the structural/frictional character only to the minimal extent. This indicates for the economic policy makers that the solution of unemployment problem is beyond the framework of measures and programmes, which can be implemented only on the labour market - through the labour market policy (promotion of occupational and regional labour mobility) the unemployment development can be moderated only in the minimal extent at present. It also indicates that expenditures of the labour market administration for promotion of regional and occupational labour mobility will have only a negligible employment effect in the short run. Within the labour market policy there is a certain space in the case of creation of new and/or preserving the existing jobs (the programmes of creation of socially useful jobs, public works, wage subsidies in the case of shortening the working time, promotion of small and medium-scale enterprises). In this case, however, there exists a certain objective limit, when the total costs per created vacancy can exceed the total costs per unemployed person and then - from the pure economic viewpoint - these programmes can become loss-making.

The second key conclusion is that the principal turn in the labour market development in Slovakia can be reached by two main ways - by the increase of the aggregate demand and/or the decrease of real wages. That means that the employment policy, aimed at decreasing the unemployment can be realized mainly through policies positively affecting the growth of the aggregate demand (internal and external) and/or working in the direction of decreasing the real wages (through controlling the nominal wage development or through inflation getting ahead of wages).

3. The employment policy

In the course of the transformation process in 1990-1992 the high employment level - as one of the macroeconomic goals in the economic policy of the governments of the ČSFR, ČR and SR - had rather residual character. This fact was given by the start by

zero-unemployment and by the necessity to realize the inevitable principal transformation manoeuvre. That means the transition of the Czechoslovak economy from the regime of suppressed disequilibrium and introduction of the macroeconomic equilibrium.

The price liberalization and liberalization of the foreign trade connected with the considerable devaluation of CSK - as the main pillars of the transformation strategy of the federal government - caused significant movement of the price level in both macroregions of the ČSFR. Getting over this price shock was the central problem of the economic policy of the Czechoslovak government. Therefore the stabilization of prices and exchange rate of CSK were dominant in the government stabilization policy. The Czechoslovak government tried to reach this goal by the restrictive monetary, wage and fiscal policy.

The wage development was regulated on the basis of agreement among the social partners at the central level. The wage restriction was realized on the basis of mechanism of lagged adjustment of wages to the price development: a three-month wage adjustment lag and a restrictive character of wage-to-price adjustment. This resulted in the tight correlation between the real wage and the real output development.

The transformation manoeuvre together with other exogenous and endogenous shocks (the break-up of the former COMECON countries market, unfavourable growth tendencies in the whole world economy and unprepared conversion of the military industry) led to the large decline of the aggregate demand in the SR, to the decrease of output as well as to the increase of labour market disequilibrium.

The development of the main economic indicators in the 1991 and 1992

Indicator		1991	1992
GDP (real growth)	in %	- 9.9	- 7.5
CPI	in %	58.0	9.6
Wages (real growth)	in %	-24.3	8.4
Unemployment rate (31.12.)	in %	11.8	10.4
State budget deficit	% to GDP	- 3.8	- 3.1

Source: Slovak statistical office

The growing dimension of the disequilibrium on the labour market in the SR, unemployment of conjunctural type, polarization of the situation on the regional labour market and objectively limited opportunities for spacious and occupational labour movement I 3 I were indicating unplausable tendencies in the Slovak economy for a longer time. The unplausable tendencies on the labour market were not suppressed sufficiently and in time by the programmes of the labour market policy, which were coordinated and developed by the republic Ministry of Labour of the SR.

The unfavourable economic development and relatively worse situation on the labour market in the SR compared to that in the ČR became an object of the political struggle in the 1992 elections. They are considered to be one of the objective reasons of the successive peaceful split of the ČSFR into two independent states.

The winning government, which came out from the elections in 1992, stated the divergence from the reform strategy of the federal government and the stoppage of the decline in employment as one of the economic policy preferences in its political programme.

However, the break-up of the common product and labour market of the ČSFR in 1993 caused further decline of the aggregate demand and therefore the Slovak government effort for the stabilization of employment went rather through the more intensive implementation of the labour market policy programmes, partially through the subsidy and anti-import policy and also the intervention agrarian policy.

Principal changes took place also in the mechanism of wage development determination. Under the pressure of the social partners the government retired from the wage regulation in the second half of 1993. Unfastening the wage regulation together with the growth of the budget deficit as well as 10 % devaluation of the SVK in the middle of 1993 make it necessary for the newly founded National Bank of Slovakia to implement further guarded

restrictive monetary policy.

A more principal change in the government preferences and in the orientation of the economic policy occurred practically only during the process of preparation of the state budget for 1994. The orientation of the economic policy for 1994 in favour of the economic growth solution represents a principal reversal also in the approach to employment. The aim to reach the zero economic growth is expressed in a concentrated form in the Law on the State Budget of the SR for 1994.

Economic development in the 1993

Indicator		Value
GDP (real growth)	in %	- 4.1
CPI	in %	25.1
Wages (real growth)	in %	- 3.5
Unemployment rate (31.12)	in %	14.4
State budget deficit	% to GDP	- 6.8

Source: Slovak statistical office.

Stressing the questions of growth, stabilization of the social situation and the labour market situation, in the state budget for 1994 the Slovak government applied the policy of deficit financing, completed with the supply stimulation (decreasing the tax burden of physical and legal persons by about 2 %). In the sense of the Law on the State Budget for 1994, the expansion of the government expenditures should be aimed especially to the more intensive use of comparative advantages of the SR (geographical position, natural and human resources). The state budget deficit should be used mainly for the support of the infrastructural programmes (financing the public investment, including the provision of the government guarantees to finance important infrastructural projects, supporting exports, supporting the tourism development, supporting the productions based on the domestic raw materials, supporting the small and middle businesses).

Further the analysis I 4 I showed that exactly in the most problem regions of the SR the individual labour market policy programmes are used in a small extent, i.e. that the labour market policy was not oriented towards the districts with the

highest unemployment rate and didn't contribute to moderating the polarization of unemployment development over the district labour markets. The analysis of data showed that there was a little relationship between the unemployment rate development and the intensity of implementing the individual measures of the labour market policy over the districts of the SR.

The only labour market policy programme, which contributed to the reduction of the polarization on the district level, was the creation of public works. This comes out from a positive - although not significant - correlation between the intensity of the public works creation (number of public works created/working age population) and the unemployment rate.

The intensity of implementation of other programmes - socially useful jobs including the promotion of small businesses, requalification - was connected with the activity of the state administration, self-government, population and other regional subjects. Since there was insignificantly low - in the case of requalification slightly negative correlation between the intensity of implementation of these measures over the districts and the regional unemployment rate, it can be concluded that the realization of these programmes contributed rather to widening the regional differences on the district labour markets - although this effect was not very significant.

Although this analysis describes the situation in the middle of 1992, its conclusions are still more or less valid at present. One of the goals of the new government is to eliminate this state. As stated in its programme proclamation, concerning the active policy of employment "the government wants to concentrate to solve the problems of the most hit regions and microregions".

The labour market policy programmes represent the key government policy in SR, through mediation of which the Slovak government was successfully moderating a tension on the labour market in the SR (I The influence of active policies I). The importance of the labour market policy in the SR is indicated by the situation, when jobs created in the employment programmes tie up more than 12 % of the total number of employed in the SR at

present.

The basic skeleton of the labour market policy in the SR (practically from 1990) consists of the following programmes:

- . programme of the support of small and middle businesses,
- . programme for employment of school-leavers,
- . programme for employment of disabled persons,
- . requalification programmes,
- . programme of shortening the working time,
- . socially useful jobs,
- . public works.

Use of the main labour market programmes in 1992 and 1993
(in persons)

Programme	31.12.1992	31.12.1993
Requalification - finished	23,968	22,588
of which job applicants	20,931	19,469
Requalification - current	10,282	4,432
of which job applicants	7,554	3,194
Socially useful jobs created	115,976	126,831
- by physical persons	61,107	62,681
- by legal persons	54,869	64,150
Placed in socially useful jobs	102,169	113,769
- created by physical persons	56,612	58,269
- created by legal persons	45,557	55,500
Public works created	23,276	3,215
Placed in public works	21,708	2,644
Jobs for disabled (in sheltered workshops and workplaces)	664	619

Source: Reports of the Ministry of Labour, Social Affairs and Family

In the 1993 the state budget expenditures to GDP ratio was 51.5% . This level ranks Slovakia to the highest spenders (comparable to Austria or Germany). On the other hand, Slovakia spends only 1.65% of the GDP for the active and passive labour market policy. In accordance with this indicator the Slovak Republic belong to countries that spend the lowest amounts for the labour market policy and labour market programmes (with the unemployment rate twice as high).

The following table shows the total expenditures on the active and passive labour market policies, expenditures on social assistance as well as their share on the GDP and per inhabitant in 1993.

Labour market policy	Expenditures (mil. SVK)	Share on GDP (%)	Exp. per head * in USD
Active	1 107	0.33	6.29
Passive	1 859	0.55	10.56
Total	2 966	0.88	16.85
Social assistance	2 235	0.66	12.70
Employment services	364	0.11	2.07
Total	5 565	1.65	31.62

Source: Ministry of labour, social affairs and family.

* By exchange rate: 1 USD = 33 SVK.

The structure of expenditures on the labour market programmes in 1993 is given in the next table.

Labour Market Spending in 1993 in the SR

	Programmes										
	ES	TR	SUJ	PW	UB	SA	D	SB	ST	Y	T
Percentage of the GDP	0.11	0.03	0.22	0.05	0.55	0.66	0.01	0.00	0.01	0.02	1.65
In mil. Sk	364	118	748	164	1859	2235	12	2	8	54	5565

Source: Ministry of Labour, Social Affairs and Family
Ministry of Finance

ES - employment services,

TR - expenditures of the Public Employment Services (PES) on the requalification programmes,

SUJ - expenditures of the PES on the socially useful jobs, public works,

PW - expenditures of the PES on the public works,

UB - unemployment benefit,

SA - social assistance,

- D - expenditures of the PES on the disabled,
- SB - expenditures of the PES on the support of the small businesses,
- ST - expenditures of the PES on the programme of shortening the working time,
- Y - expenditures of the PES on the programme of the youth employment promotion,
- T - total expenditures on the labour market policy, labour market programmes and unemployment benefit as well as on social assistance.

4. Conclusion

The possibilities of increasing the regional and occupational labour mobility can be considered as a problem in Slovakia. From the analysis of the labour market disequilibrium in the SR (e.g. I 3 I) it comes out that present objective possibilities for the more intensive regional and occupational labour mobility are quite limited in the SR. Objectively the mobility is limited by a low number of vacancies. The existed space for mobility is further complicated by other factors such as the non-existence of the housing market and the increase of the transportation costs.

The change in the labour market situation in the SR is possible only through the principal changes in the economic growth and by the changes in the macroeconomic policy.

In April 1994 a new broad government coalition has been established in the SR as a result of the political crisis. In principle the new government will continue in the economic policy and economic programme that was prepared by the previous government.

The main goals stated in the 1994 programme of the new government are to speed up the transformation process, to reach the macroeconomic stability and to reach the better coordination of both macroeconomic and microeconomic policies. The main quantitative economic aims of the new Slovak government for the

year 1994 are:

- approach the zero GDP growth,
- keep the price inflation in the range of 10-13 %,
- keep the unemployment under the level of 17 % (as share of unemployed to the labour force),
- do not exceed the planned budget deficit (under the limit of 4 % of the GDP).

Naturally, the process of macroeconomic stabilization, i.e. the stabilization of output and employment, is not and will not be without any problems. The stabilization is permanently complicated by the pro-inflationary influence of the budget deficit and problems with its financial covering. Concerning the questions of the wage development, the non-government social partners insist on the request of a more liberal approach to the determination of the wage development. Thus in the wage policy the new government states as its programme goal to reach the state where "the wage would provide a sufficient incentive of an individual initiative in enterprises with the predominant ownership of the state, but simultaneously there would not be growing disproportions between the wage growth and the labour productivity growth".

In the conditions of non-existence of alternative price-stabilizing arrangements or anchors (the absence of wage regulation, stabilization of the payment balance and the stabilization of the SVK exchange rate with the help of foreign loans) the National Bank of Slovakia is still forced to implement a careful monetary policy. This is reflected in a relatively insufficient issue of money and consequently in high discount rates and interest rates at the inter-bank capital market, including the low stimulation of the investment activity. The careful approach of the National Bank of Slovakia to the issue of money is also given by the demand for "privatization credits", which - unlike the investment credits - don't have the multiplication effect in economy. But they act as a cost-inflationary impulse. At present all governmental steps (budget consolidation, use of the voucher privatization method, stabilization of the payment balance etc.) are concentrated on

changing the conditions for the output and employment stabilization.

Bibliography

- I 1 I *Abraham, K., G. (1983): Structural/Frictional vs. Deficit Demand Unemployment: Some New Evidence, American Economic Review 73.*
- I 2 I *Franz, W., Siebeck, K. (1989): Theoretical Aspects of the Relation between Unemployment and Vacancies. Discussion Paper, Universität Konstanz.*
- I 3 I *Franz, W. (1987): Strukturelle und friktionelle Arbeitslosigkeit in der BRD. Arbeitsmärkte und Beschäftigung: Fakten, Analysen, Perspektiven, Tübingen.*
- I 4 I *Ochotnický, P. (1992): Vplyv aktívnej politiky zamestnanosti na vývoj trhu práce SR a regiónov SR. Trend 1992/13, Bratislava.*
- I 5 I *Yearly Statistical Reports of the Slovak Statistical Office. Bratislava.*
- I 6 I *Monthly Labour Market Reports of the Ministry of Labour, Social Affairs and Family of the Slovak Republic.*
- I 7 I *Ochotnický, P.: Disequilibrium on the Labour Market in the SR. Economic Journal 1994/1. Bratislava, SR.*
- I 8 I *Ochotnický, P.: Influences of the Active Employment Policy in the SR on the Labour Market Disequilibrium, Research Paper of the Research Institute for Regional Planning, Bratislava, 1992.*
- I 9 I *Collection of Acts in the SR.*

INSTITUTE FOR ADVANCED STUDIES
Department of Economics
Stumpergasse 56, A-1060 Vienna, Austria

Phone: (1) 59 991 – 149
Fax: (1) 59 991 – 163
e-mail: woergoet@ihssv.wsr.ac.at