

THE LABOUR MARKET IN THE VISEGRAD GROUP COUNTRIES – SELECTED ASPECTS

Agata Szymańska

Institute of Economics
Faculty of Economics and Sociology
University of Lodz
e-mail: agata.szymanska@uni.lodz.pl

Key words: unemployment, unemployment benefits, Visegrad Group.

A b s t r a c t

The aim of this paper is to compare selected aspects related to the labour market in the Visegrad Group countries. In particular, attention is paid to the analysis of labour force inactivity, the period of being unemployed and selected institutional arrangements related to the unemployment benefit systems. The research method is based on the analysis of statistical data and a review of institutional arrangements existing in each of the four countries. The analysis shows that there are differences related to the duration and the generosity of unemployment benefit systems. In terms of unemployment, the worst situation is to be found in Slovakia (especially, due to problems with an unemployment rate above the EU average, a high youth unemployment rate, and a significant proportion of long-term unemployed). In 2016 the shortest statutory duration of unemployment benefits was in Hungary, while the relatively least favourable benefit system seemed to exist in Poland.

RYNEK PRACY W PAŃSTWACH GRUPY WYSZEHRADZKIEJ – WYBRANE ASPEKTY

Agata Szymanska

Instytut Ekonomii
Wydział Ekonomiczno-Socjologiczny
Uniwersytet Łódzki

Słowa kluczowe: bezrobocie, zasiłki dla bezrobotnych, Grupa Wyszehradzka.

A b s t r a k t

Celem artykułu jest porównanie wybranych aspektów dotyczących rynku pracy w państwach Grupy Wyszehradzkiej, ze szczególnym podkreśleniem bierności zawodowej, okresu trwania bezrobocia oraz rozwiązań instytucjonalnych w obszarze zasiłków dla bezrobotnych. Metoda badawcza obejmuje analizę danych statystycznych oraz przegląd rozwiązań instytucjonalnych w każdym z czterech państw. Na podstawie przeprowadzonych analiz wskazano, że w poszczególnych

państwach istnieją różnice między długością pobierania zasiłków oraz ich hojnością. Szczególnie niekorzystna sytuacja w obszarze bezrobocia kształtuje się na Słowacji (stopa bezrobocia powyżej średniej dla UE, wysokie bezrobocie w grupie ludzi młodych i znaczny odsetek długookresowo bezrobotnych). Konstrukcja systemu zasiłków dla bezrobotnych najkrótsze okresy poboru zasiłków w 2016 r. przewiduje na Węgrzech, z kolei relatywnie najmniej korzystny system świadczenia wydaje się występować w Polsce.

Introduction

The labour market can be analysed by many indicators. Especially, attention should be paid to the structure of unemployment analysed by age, gender, level of education, or the length of being unemployed. Important elements of the labour market are also those related to institutional issues such as: the existing system of employment agencies, minimum wage policy, active labour market policy and passive forms of labour market policy – mainly the unemployment benefit system. The latter is an essential condition of the labour market because it can affect the behaviour of the unemployed – the unemployment benefit system improves the material conditions of the unemployed, however it can also affect them negatively.

The negative impact of a generous unemployment benefit system on the activity of the unemployed is supported in the literature, which most often points to arguments linking the unemployment benefit system with incentives to work. The literature highlights the negative impact of the unemployment benefit on searching for employment (MORTENSEN 1977), as well as emphasizes its impact on increasing the duration of unemployment (CARD, LEVINE 2000). Support in the form of unemployment benefits may increase the risk of long-term unemployment. The longer the benefit period is, the higher the percentage of long-term unemployed will be when compared to the total number of those collecting benefits (NICKELL, LAYARD 1999). A generous system of unemployment benefits increases wage expectations (PARSAD 2003), moreover periods of high unemployment are usually accompanied by periods of more generous unemployment benefits; and as a result the unemployed demonstrate a lower ability and willingness to work (SCARPETTA 1996, NICKELL 1997).

The aim of this paper is to present selected aspects related to the labour market in the Visegrad Group countries and compare selected characteristics of the unemployment benefit system in these countries. The structure of this paper is as follows. The first part presents, in general, aspects of activity, inactivity and unemployment in these countries, the second – the characteristics of the unemployment benefit system, and the next shows information about minimum wage and benefit payments. The final part is a conclusion.

Activity in the labour market and the unemployment rate in the Visegrad Group countries

I begin with an analysis of the activity in the labour market of the Czech Republic, Hungary, Poland and Slovakia. The highest activity rate in the Visegrad Group countries (the 4V henceforth) was observed in the Czech Republic, where in the years 2004–2006 and 2013–2015 the average activity rate in that country (70.2% and 73.5% respectively) was above the EU average (69.7% and 72.3% respectively). A high activity rate inside the 4V group was also observed in Slovakia (nearly 69.2% over the period 2002–2015). In Poland, in 2015, the activity rate was 68.1% and it was the lowest among the 4V countries (in the Czech Republic it was 74% while the average for the EU28 was 72.5%). It should be noted that after 2010, there was a gradual increase in the activity rate (see Figure 1 for details).

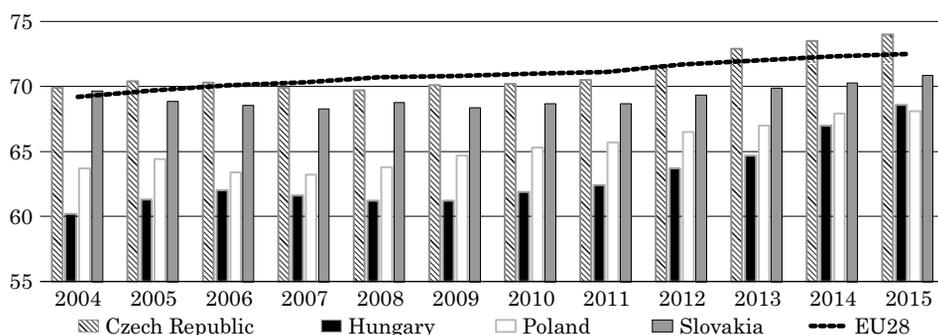


Fig. 1. Activity rates in the Visegrad Group countries

Source: author's own compilation based on the Eurostat database.

As opposed to the growing activity rate, the indicator of inactivity exhibits a decreasing trend. Despite the financial and economic crisis, the EU demonstrated a decrease in the inactivity rate – from 31.4% in 2002 to around 27.5% in 2015. It should be noted that in the 4V countries, the highest decrease of inactive people aged 15–64 took place in Hungary (a decrease of about 9.1 p.p. over the years 2002–2015) and the Czech Republic (a decrease of about 3.6 p.p.). In Poland the decline was nearly 3.2 p.p., while the smallest was in Slovakia, where in 2015, the inactivity rate was lower by about 1.4 p.p. in comparison to 2002.

Despite the declining rate of inactivity, in 2015 about 27.5% of the EU population aged 15–64 remained outside the labour market. Table 1 shows the most frequently indicated reasons for being outside the labour market (in % of

Table 1
Inactive population – Main reason for not seeking employment (in %)

Specification	Awaiting recall to work (on lay-off)	Own illness or disability	Other family or personal responsibilities	Looking after children or incapacitated adults	In education or training	Retired	Think no work is available	Other reasons
EU-28	0.4	13.6	8.0	9.5	31.9	21.5	4.2	10.9
Czech Republic	0.2	3.3	0.3	15.7	41.1	37.0	0.6	1.8
Hungary	0.8	14.8	1.1	11.4	33.1	27.1	5.4	6.3
Poland	0.1	18.3	7.6	8.6	35.1	23	4.5	2.9
Slovakia	na	15.0	1.6	14.2	44.2	23.4	1.4	na
EU-28	0.4	15.4	6.8	9.7	35.1	16.2	5.2	11.2
Czech Republic	0.7	4.7	1.0	17.8	39.6	33.8	0.8	1.7
Hungary	1.0	17.8	1.0	14.1	34.8	21.4	4.2	5.7
Poland	0.1	19.1	10.5	9.2	32.9	20.3	6.0	1.9
Slovakia	na	17.2	2.1	16.1	39.0	23.4	2.0	na

Source: author's own compilation based on the Eurostat database.

responses, Eurostat data). The data are presented for two years: 2009 (a year of severe recession in the EU) and 2015 (due to the latest available data).

Table 1 shows that studying or participating in training (in general – taking part in education) and reaching retirement age were the main reasons for being outside the labour market in the EU. In 2009, about 4.2% of the inactive population justified their inactivity with lack of work which they could take. In 2015, this percentage increased slightly to 5.2%. In the 4V countries two main reasons for not seeking a job were similar to those in the EU as a whole: education and retirement. In Poland, as opposed to the rest of the 4V countries, a relatively high proportion of inactivity was observed and explained by the necessity to perform personal or family responsibilities (10.5% in 2015) which were not associated with the need of caring for children – it was shown to be a relatively low proportion of the reasons for withdrawing from the labour market due to the need to look after children or incapacitated adults (9.2% responses in 2015).

More than 50% of men and women aged 15–24 are outside the labour force in the EU. Labour market inactivity of young people is mainly due to participation in education. Inactivity is also high among people aged 55+, especially due to earlier retirement or incapacity to work resulting from illness or disability.

It is worth mentioning that the EU services analyse a special phenomenon, the so-called NEET – i.e. “not in education, employment or training”. This phenomena concerns young people aged 15–24, however for policy analysis including those aged 15–29¹. The concept was first used in the UK in the 1990s to describe a certain category of young people and to prepare an adequate policy for them (ISTANCE et al. 1994, MACDONALD 2011, *NEETs – Young People...* 2012, *Exploring the Diversity of NEETs* 2016). The difference in calculating the youth unemployment rate and NEET rate is as follows. The NEET rate is a percentage of the population of a given age group (as mentioned mainly 15-24) who are not employed and not involved in further education or training as a share of the total youth population, whereas the youth unemployment rate is a share of the unemployed among the economically active young population. For this reason, despite that in absolute terms the overall number of NEETs is higher than the overall number of young unemployed, the NEET rate is lower than the youth unemployment rate (*Exploring the Diversity of*

¹ According to the latest data (*NEETs – Young People...* 2016) in 2015 the lowest NEET rate (below 8%) for young people aged 15–29 was in Denmark, Luxembourg, the Netherlands, and Sweden while the highest rate was in Greece and Italy (24% or more). In case of the “core group” aged 15–24 the highest NEET rate was in Italy (21.4% while their unemployment rate was 40.3%), Greece (17.2% with the highest unemployment rate in the EU28 of 49.8% for those aged 15–24) and post-communist countries like Bulgaria, Romania, Croatia. The lowest NEET rate was in the Netherlands (4.7%) and in three countries Denmark, Luxembourg and Germany (with NEET rate 6.2% in each country).

NEETs 2016). According to the latest Eurostat data, the average NEET rate for youth aged 15–24 in the EU28 was 12.0% while the unemployment rate for them was 20.3%. In the case of the 4V countries the lowest NEET rate for those aged 15–24 was in the Czech Republic (7.5%, while their unemployment rate was 12.6%), Poland (11%, unemployment rate 20.08%), Hungary (11.6%, unemployment rate 17.3%) and in Slovakia (13.7%, with the highest unemployment rate in the 4V for those aged 15–24 – 26.5%). The figure below presents both rates averaged to 4V and EU28 levels.

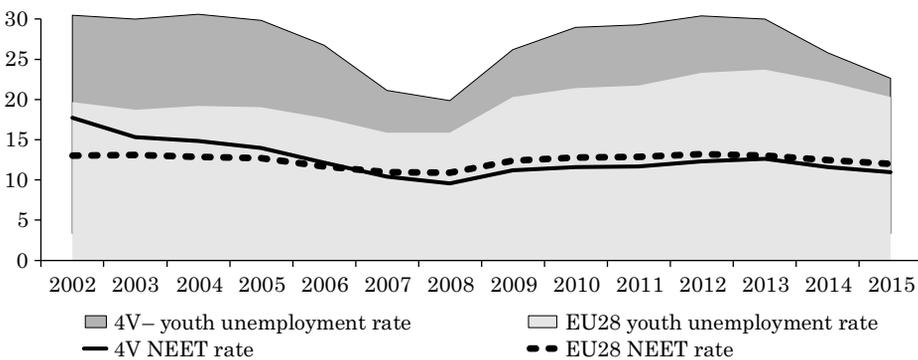


Fig. 2. NEET rate and unemployment rate among youth aged 15–24 in the years 2002–2015
Source: author's own compilation based on the Eurostat database.

In general, the unemployment rate for those aged 15–24 was highest in the case of the 4V. The analysis of statistical data shows that the development of the NEET rate in the 4V and in the EU28 was similar, but after 2008 an increase in both rates was observed mainly as a consequence of the crisis period. However, the macroeconomic conditions and consequences of the crisis had a stronger effect on the unemployment rate than on the wider exclusion from the labour market measured by the NEET rate – during the crisis period the unemployment rate increased more than the NEET rate.

The level of the unemployment is an important object of interest in the analysis of the labour market. It can be analysed by many aspects, including gender, education, age etc. Taking into account gender, in general, the unemployment rate for women is higher than men in the 4V countries. For example, in Slovakia in 2015 the unemployment rate among women was about 13%, while in the Czech Republic 6.2% whereas an overall unemployment rate for those countries was 11.5% and 5.1% respectively. Moreover, in 2015 the average unemployment rate in the EU countries was 9.4%, in the 4V 7.7%, while in Poland 7.5%, and 6.8% in Hungary.

Table 2

Unemployment rate in the years 2004–2015

Specification	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Czech Republic	8.3	7.9	7.1	5.3	4.4	6.7	7.3	6.7	7.0	7.0	6.1	5.1
Hungary	6.1	7.2	7.5	7.4	7.8	10.0	11.2	11.0	11.0	10.2	7.7	6.8
Poland	19.1	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1	10.3	9.0	7.5
Slovakia	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.7	14.0	14.2	13.2	11.5
4V	13.0	12.4	10.5	8.4	7.2	9.2	10.7	10.3	10.5	10.4	9.0	7.7
EU28	9.3	9.0	8.2	7.2	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4

Source: author's own compilation based on the Eurostat database.

Table 2 presents the development of the overall unemployment rate over the period from 2004 to 2015. It shows that from 2004 to 2012 the average unemployment rate in the 4V was higher than in the EU28. Moreover, the declining trend lasted until the crisis was observed – in 2009 the situation in the labour market deteriorated. However, despite the economic crisis, the unemployment rate in 2010 in each of the 4V countries was lower than in the year of its accession to the EU, for example in 2010 in the 4V the unemployment rate was on average lower by 2.3 p.p., and in the case of Poland almost 9.4 p.p. lower in comparison to 2004.

In 2015, more than 48.5% of all unemployed aged 15–64 were long-term unemployed in the EU. The percentage of the long-term unemployed was similar regardless of the gender (almost 49% for men and 48% for women). In 2015, about 39.3% of all unemployed in Poland were people out of work for longer than 12 months, while the highest percentage was observed in Slovakia – about 65.8%. It should be noted that in Poland the share of the long-term unemployed to the total number of the unemployed was relatively low compared to the situation in other 4V countries. What is more, the long-term unemployment rate in 2015 in Poland was 3.0%, in Slovenia 4.7%, in Hungary 3.1% and in the Czech Republic 2.4%, whereas in the EU28 it was 4.5%. In Poland, the long-term unemployment rate declined in the mid-2000s, however it increased slightly during and after the crisis – in fact the overall impact of the global crisis on the Polish economy and labour market was rather modest (MAGDA, LEWANDOWSKI 2016). Moreover, the policy towards long-term unemployed is inadequate to improve their situation (MAGDA, LEWANDOWSKI 2016). The main support provided to the long-term unemployed in Poland includes: apprenticeships with employers for up to 6 months for those over 30 years old, referral to socially useful jobs and public works in municipalities, or participation in training (see: *Country Factsheet...* 2016). Thus the decline in the

long-term unemployment rate between the year of Poland's accession to the European Union and 2015 was almost 7.4 p.p (from 10.4% in 2004).

Duration of unemployment and benefit systems in the 4V

Figure 3 shows the duration of unemployment in months. In most countries people remained unemployed for more than one year. The longest duration of unemployment was observed in Slovakia, which is a country struggling with a high unemployment rate. In 2015, people remained unemployed for 31.5 months on the average in Slovakia, while the EU28 average was about 16.2 months (almost 2 times shorter). In Poland, the unemployed remained without a job for over 12 months. It should be noted that the duration of unemployment in Poland was lower than the average for the EU28 and other Visegrad countries.

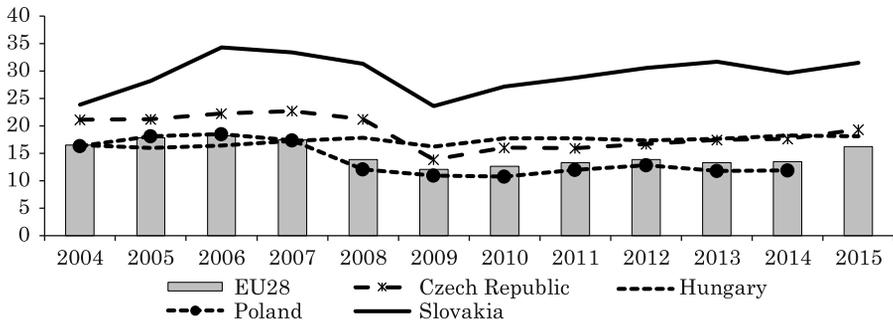


Fig. 3. Average duration of unemployment in months

Source: author's own compilation based on OECD data.

It is interesting to compare the presented characteristics of unemployment with the design of unemployment benefit systems. The analysis below presents selected aspects of the current (2016) unemployment benefit systems in the 4V countries.

In Poland, according to the Ustawa z 20 kwietnia 2004 roku o promocji zatrudnienia i instytucjach rynku pracy (Journal of Laws of 2004, no. 99, item 1001) the eligibility period for unemployment benefit („zasiłek dla bezrobotnych”) depends on the unemployment rate in the region where the unemployed live and other individual conditions. The maximum statutory period for receiving unemployment benefit in Poland is as follows: (*) 180 days (for the unemployed living in the period of receiving benefits in the area of a county (“powiat” in Polish administrative division) where on 30 June of the year

preceding the date of the benefit eligibility the unemployment rate did not exceed 150% of the average unemployment rate in the country), or (*) 365 days (for the unemployed:

- living in the period of receiving benefits in the area of a county (i.e. “powiat”) where on 30 June of the year preceding the date of the benefit eligibility the unemployment rate exceeded 150% of the average unemployment rate in the country;

- the unemployed was over 50 years of age with at least a 20-year eligibility period;

- the unemployed who have at least one dependent child under the age of 15 and the spouse of the unemployed is also unemployed and had lost the right to receive benefits due to special conditions;

- single parents with at least one dependent child under 15).

As of 1 June 2016 (based on the Ministry of Family, Labour and Social Policy data 2016) the base amount of the unemployment benefit is PLN 831.10 per month during the first three months of receiving the benefit, and PLN 652.60 per month in the remaining period of receiving benefits (see Tab. 3). The amount of the benefit may be reduced (80%) or increased (120%). The amount of the unemployment benefit depends on the seniority of the unemployed person. In the case where eligible seniority is less than five years then the benefit is paid in the reduced amount of 80% of the basic benefit, if the work experience ranges from 5 to 20 years then the unemployed person receives 100% of the basic benefit, and when the period is at least 20 years then the amount of the benefit is 120%. In addition, the unemployed person can receive a scholarship during the period of training, continuing learning, internship, adult vocational training and so on. The current benefit amount (valid till 31 May 2017) has not been annually adjusted since 2014.

Table 3

Base amount of the unemployment benefit (PLN)

Benefit	2011	2012	2013	2014	2015	2016
First three months	761.40	794.20	823.60	831.10	831.10	831.10
Remaining period	592.20	623.60	646.70	652.60	652.60	652.60

Source: author's own compilation based on the data of the Ministry of Family, Labour and Social Policy.

Hungary designed a special system of allowances for job seekers, which consists of two tools of support: job seeker's allowance (*Álláskeresési járadék*) and job seeker's assistance before pension (*NYEÁS – Nyugdtj Előtti Álláskeresési Segély*) (Gazdaság-Index 2016). In 2016, the support could be given to a person who meets the eligibility criteria including the eligibility period, i.e.,

has worked at least 360 days in the last three years before registration. What is more, the unemployed could apply for allowance regardless of the way in which he or she lost a job (i.e., being dismissed by the employer or the termination of the employment by mutual agreement). The benefit amount for such persons is determined on the basis of the average monthly salary (it applies to earnings from which social security contributions have been paid) during a period of the last 4 quarters before losing the job. The amount of the allowance is calculated as 60% of the base; however, the allowance cannot be higher than the minimum wage. In detail, the daily amount may not be higher than the lowest daily amount of the mandatory minimum wage in force on the day on which the person's entitlement to the allowance starts. The eligible person may receive one day of a job-seeker's allowance for every 10 days of eligibility. Thus the allowance is paid for a minimum period of 36 days (for min. 360 required days of eligibility period) and up to 90 days. The 3-month period was adopted to motivate the unemployed to seek work faster. In 2016 the minimum wage, which sets the upper limit of the benefit, was 111,000 Hungarian Forints (HUF) per month (i.e., HUF 5,110 per working day). In the case of benefits paid in the form of job seeker's assistance before pension the benefit amount accounts for up to 40% of the minimum wage, i.e., HUF 44,400. In a special report, the European Commission points out that the period of paying job-seekers' allowances in Hungary is the lowest in the EU and significantly shorter than the average time necessary to find a job (*Commission Staff...* 2016).

In the Czech Republic in 2016 (based on *Základní poučení... 2016, Podpora v nezaměstnanosti... 2016*), benefits (*podpora v nezaměstnanosti*) were granted to the unemployed who had registered and were seeking work through registry offices. To obtain the benefit, they had to meet among other the following conditions: they must have been employed at least 12 months during the two years prior to registering or performed other gainful activity constituting the basic obligation to pay insurance for old age pension and contribution to the state employment policy. It was possible to achieve the required insurance period through so-called substitute periods. The statutory length of receiving benefit depends on the age of the unemployed person and is as follows:

- a person under the age of 50 can receive the benefit for a period of 5 months;
- a person aged 50-55 can receive the benefit for a period of 8 months;
- a person aged 55 or more can receive the benefit for a period of 11 months.

The amount of the benefit depends on the amount of the average net monthly salary at the last workplace. It should be noted that a high salary from the last job does not guarantee high benefits, because the amount of the benefit

is limited to 58% (or, in the case of retraining, to 65%) of the average monthly wage in the national economy in the period from the first to the third quarter of the calendar year preceding the year in which the registration was made. For example, in the period between the 1st and the 3rd quarter of 2015 the average monthly wage in the national economy was CZK 25,903, which means that the maximum amount of the unemployment benefit in 2016 could not exceed CZK 15,024 per month. Through the retraining scheme the benefit could rise to 60% of the average net monthly salary, i.e. approximately CZK 16,837 per month (but not more than 65% of the special base, as mentioned above). If the unemployed person receives a special severance pay – the payment of the unemployment benefit is deferred. Generally, the amount of the unemployment benefit, as already mentioned, is calculated on the basis of the average net monthly salary at the last workplace. Normally, for the first two months the unemployed person receives the benefit in the amount of 65% of the average net monthly salary at the last job (i.e., the base), for the next two months 50% of the base, and in the following months – until the end of the period of entitlement to benefit – 45% of the base. If employment had been ended due to the unemployed person (including by mutual agreement) then the benefit is determined as 45% of the basis for the entire period of eligibility for receiving the benefit. Note that all these amounts mentioned above were valid unless the unemployed reached the maximum allowable benefit.

In Slovakia (based on *Dávka v nezamestnanosti* 2016), an unemployed worker must register at the employment office and satisfy the eligibility requirements: e.g. in the general provision during three years before registering the unemployed must have been covered by the unemployment insurance for at least two years, i.e., 730 days². The eligibility to receive unemployment benefit (*dávka v nezamestnanosti*) is therefore dependent on the period of paying insurance. The law also provides special conditions for entitlement to receive unemployment benefit, including, e.g., registered unemployed police officers or soldiers after the termination of their service.

The unemployment benefit is granted for the following periods:

– six months (if the right to unemployment benefit was established based on the condition of paying unemployment insurance for at least 730 days in the last three years before registering as a job seeker),

² Entitled to the unemployment benefit is also the insuree who within the past four years before being included into the registry of unemployment job seekers achieved at least two years of insurance related to the labour relation concluded for a definite period, or two years of the voluntary insurance, and at the same time was not insured for the purposes of unemployment due to other activity as an employee.

– four months (the same as above but the period includes the last four years before registering as a job seeker or with at least 2 years of the voluntary insurance, and at the same time was not insured for the purposes of unemployment due to other activity as an employee).

If these conditions are not met – the unemployed is not entitled to the benefit.

The benefit amount is calculated taking into account the number of days in a month and a special daily assessment base (precisely: a half of this base). Daily assessment base (*denny vymeriavact základ* (DVZ)) is calculated by using a special formula which includes, among others, the sum of all the bases on which unemployment insurance contributions have been paid divided by the corresponding numbers of days or is based on other special regulations. Without any special exceptions, the DVZ is based on the two years preceding the date of entitlement to unemployment benefits. The calculated amount of the DVZ should be rounded to 4 decimal places. For example, the DVZ for the period covering the second half of 2015 and the first half of 2016 was EUR 56.4165. This means that the maximum benefit amount for a 31-day month was EUR 874.50, and for a 30-day month – EUR 846.30. Since July 2016, the maximum amount of the benefit for a 31-day month increased by EUR 25.50 up to around EUR 900, for a 30-day month the maximum amount of unemployment benefit increased by EUR 24.70 up to EUR 871. These amounts apply to the first half of 2017. The benefit amount increased in Slovakia because the average wage in the last year increased by 2.9% compared to the previous year. The maximum daily assessment base, which is used to determine the maximum size of the support, has been EUR 58.0603 since 1 July 2016. According to the special formula, half of that amount multiplied by the number of days in the month determines the maximum size of the unemployment benefit in a given month (See *Sociálna poisťovňa* 2016).

Due to the declining number of registered unemployed (followed by a reduction in the unemployment rate) between 2014–2015 the average unemployment benefit grew from EUR 332 per month to EUR 344 in 2015. The maximum unemployment benefit, effective from July 2016 to July 2017, is EUR 900 per month (LUBYOVÁ et al. 2016).

The summary of selected characteristics is included in Table 4.

As we can see, the longest statutory period of receiving benefit was in Poland, the shortest in Hungary. Due to a lack of comparable, data it is difficult to analyse relations between amounts of benefits. However the analysis of minimum wage in PPS shows that it was the highest in Poland and the lowest in the Czech Republic.

Table 4
Selected characteristics of unemployment benefit system and minimum wage in the 4V in 2016

Country	Period	Amount	Minimum wage in the first half of 2016
Czech Republic	5 or 8 or 11 months depending on the age of eligible unemployed	max CZK 15,024 per month (in the case of retraining max CZK 16,837). Amount of benefit depends on average monthly salary at last workplace	CZK 9,900 PPS 579.38 EUR 366.35
Hungary	from 36 days to 90 days for job seeker's allowance (1 day for every 10 days of eligibility)	60% of the base (calculated on the basis of the average monthly salary during last 4 quarters before losing job), monthly not higher than minimum wage	HUF 111,000 PPS 629.86 EUR 351.29
Poland	180 or 365 days depending on the local unemployment rate and individual conditions	Base: PLN 831.10 per month during the first 3 months, PLN 652.60 per month in remaining period (possible increase or decrees of the base amount). Max amount (120% of the base)	PLN 1,850 PPS 815.34 EUR 433.88
Slovakia	6 or 4 months depending on period of paying insurance	max EUR 900 (31-days month) EUR 871 (30-days month), amount calculated on the basis of daily assessment base	EUR 405 PPS 612.19 EUR 405

PPS – Purchasing Power Standard.

Source: author's own compilation.

Minimum wage and benefits

In the first half of 2016 the highest minimum wage expressed in Purchasing Power Standards (PPS) was in Poland (PPS 815.34, i.e. PLN 1,850), and in comparison to the Czech Republic (lowest value PPS 579.38 – i.e. CZK 9,900) it was by PPS 235.96 units higher. The development of the minimum wage in semi-annual periods in the years from 2004 to 2016 in PPS is illustrated in Figure 4. Notice that PPS is a measure eliminating differences in price levels across countries. The data presented in the figure below shows that over the period 2004–2016 full-time workers receiving wages in Poland and spending it in the country were paid as much as 17% more than in the Czech Republic and about 22% more than in Slovakia.

Comparing the minimum wage in 2016 and the maximum level of the unemployment benefit (in the second half of the year 2016), in national currencies, it is possible to indicate the relationship between these two values. For example, in Poland the maximum amount of unemployment benefit

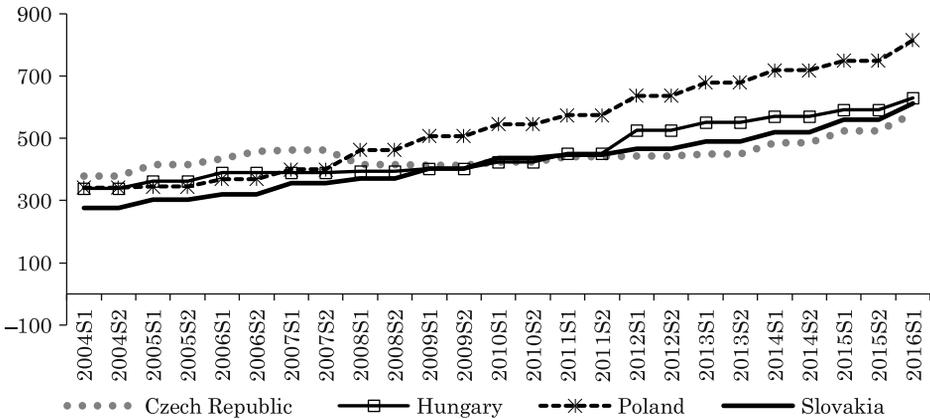


Fig. 4. Monthly minimum wage in Purchasing Power Standard in the 4V countries (semi-annual periods)

Source: author's own compilation based on the Eurostat database.

(120% of the base) accounts for about 54% of the minimum wage, in Slovakia – it is almost twice the minimum wage³. It should be noted that in Poland the ratio of the basic benefit amount (100%) to the minimum wage is about 45%. The data indicate that the Polish benefit system is not as generous as in the other 4V countries. In order to extend the analysis a net replacement rate is presented, i.e., the relationship between the amount of the benefit received in the initial period of unemployment in relation to the last salary received before unemployment. The analysis takes into account the 6 types of households, depending on the number of children, the number of working adults and their income (see Table 5 for details).

Generally, in Poland the net replacement rate was the lowest for most of the analysed types of households compared to other countries of the 4V, moreover, it was below those for the EU28 and the OECD. The net replacement rate for a single-person household in Poland in 2014 was 45% (for a 67% AW) and 30% (for a 100% AW). Households with children have higher net replacement rates, mainly due to the existing tax-benefit system.

The observed relationships are also confirmed in analysis of average benefits per unemployed. The Figure 5 shows the development of unemployment benefit payments per number of unemployed in the 4V countries.

³ The minimum wage in 2016 in national currency was as follows: the Czech Republic CZK 9,900, Hungary HUF 111,000, Poland PLN 1,850, and Slovakia EUR 405.

Table 5
 Net Replacement Rates* for family types: Initial phase of unemployment, 2014

Specification	67% of AW						100% of AW					
	no children			2 children			no children			2 children		
	single person	one-earner married couple	two-earner married couple	single person	one-earner married couple	two-earner married couple	single person	one-earner married couple	two-earner married couple	single person	one-earner married couple	two-earner married couple
Czech Republic	65	65	87	67	67	88	65	65	84	70	64	89
Hungary	67	67	84	77	78	86	45	45	67	58	58	72
Poland	45	46	72	73	52	74	30	32	59	49	38	60
Slovak Republic	62	58	85	72	57	86	65	60	82	92	59	84
OECD Median	65	65	84	73	73	85	56	59	74	67	64	77
EU Median	68	69	84	73	74	86	58	59	76	67	65	79

* After taxation and including unemployment benefits and family benefits. No social assistance "top-ups" or cash housing benefits are assumed to be available in either the in-work or out-of-work situation.

Source: Tax-Benefit Models, online (access: 12.06.2016).

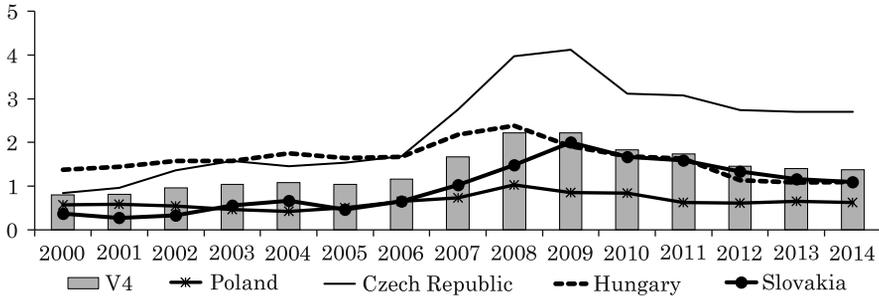


Fig. 5. Unemployment benefit payments per number of unemployed over 2000–2014 (in thousands EUR per year)

Source: author's own compilation based on the Eurostat database.

As presented, in general, the lowest payments were observed in the case of Poland, the highest in the Czech Republic. Between 2007 and 2009 we could observe an increase in the analysed indicator. In 2009, the year of severe recession in the EU, the average value in the 4V countries was 2.22 thousand EUR per unemployed, while in the Czech Republic it was 4.12 and 0.85 in Poland. However, in 2009 the average value for the EU was 9.26 and in the “old” EU15 – nearly 15.19 thousand EUR per unemployed (i.e., more than 17 times higher than in Poland, and almost 7 times higher than the average for the 4V countries). After 2009 we observe a decline, which was a result of reduction in payments and an increase in the number of unemployed lasting until 2012.

Conclusions

The aim of this paper is to compare selected aspects related to the labour market in the Visegrad Group countries. The paper especially focuses on comparison of selected characteristics of the unemployment benefit system in these countries.

According to the results derived from the analysis of statistical data, the longest average period of being unemployed and the highest unemployment rates were in Slovakia. The longest duration of unemployment in Slovakia was related to the highest share of the long-term unemployed in the total number of unemployed among the 4V countries. Moreover, the relation of the maximum benefit to the minimum wage, as well as the net replacement rate were also the highest in Slovakia.

In the case of Poland, the duration of unemployment and the share of the long-term unemployed as a total number of unemployed were the lowest

among the 4V countries. Moreover, low unemployment benefits were reflected in low net replacement rates. The benefit system in Poland seems not to be as generous as in the other 4V countries. It is interesting that in Poland the extended statutory period of receiving unemployment benefit (12 months) is similar to the duration of unemployment. It seems that seeking a job takes place after losing the entitlement to the benefit.

In 2016, the lowest statutory period of receiving job seeker's benefits was in Hungary (90 days), however the unemployment rate was not the lowest in that country but in the Czech Republic. The NEET rate and the youth unemployment rate were also the lowest in the Czech Republic. The NEET rate in the 4V was close to the EU average; however the youth unemployment rate was higher than in the EU28.

The results show that characteristics of the labour market in the 4V countries differ in many aspects, especially in the construction of the unemployment benefit system, as well as the average period of being unemployed, the share of the long-term unemployed or in the unemployment rates.

Translated by AUTHOR

Proofreading by MICHAEL THOENE

Accepted for print 31.08.2017

References

- CARD D., LEVINE P. 2000. *Extended Benefits and the Duration of UI Spells: Evidence from the New Jersey Extended Benefit Program*. Journal of Public Economics, 78: 107–138.
- Commission Staff Working Document, *Country Report Hungary 2016*. 2016. European Commission, Brussels 26.2.2016, SWD (2016) 85 final.
- Country Factsheet: Long-Term Unemployment in Poland*, file:///C:/Users/Agata/AppData/Local/Temp/EUEMP12A-1498-I04%20-20Country%20Factsheet%20-%20PL%20V03.pdf (access: 04.06.2016).
- Dávka v nezamestnanosti*. <http://www.socpoist.sk/davka-v-nezamestnanosti/1361s> (access: 12.06.2016).
- Eurostat database. 2016. <http://ec.europa.eu/eurostat/data/database> (access: 08-12.06.2016).
- Exploring the Diversity of NEETs*. 2016. Eurofound. Publications Office of the European Union, Luxembourg.
- Gazdaság-Index. 2016. <http://officina.hu/gazdasag/3-munkanelkuli-segely-2016-allaskeresesi-jaradek-2016> (access: 02.06.2016).
- ISTANCE D., REES G., WILLIAMSON H. 1994. *Young People not in Education, Training or Employment in South Glamorgan*. South Glamorgan Training and Enterprise Council, Cardiff.
- LUBYOVÁ M., ŠTEFÁNIK M., BABOŠ P., GERBERY D., HVOZDÍKOVÁ V., KARASOVÁ K., LICHNER I., MIKLOŠOVIČ T., RADVANSKÝ M., RUBLÍKOVÁ E., STUDENÁ I. 2016. *Labour Market in Slovakia 2017+*. Bratislava.
- MACDONALD R. 2011. *Youth Transitions, Unemployment and Underemployment: Plus ça Change, Plus c'est la Meme Chose?* Journal of Sociology, 47(4): 427–444.
- MAGDA I., LEWANDOWSKI P. 2016. *Long-term Unemployment in Poland*. In: *Long-Term Unemployment After the Great Recession: Causes and Remedies*. Eds. S. Bentolila, M. Jansen. CEPR Press, London.
- Ministry of Family, Labour and Social Policy data. <https://www.mpips.gov.pl/en/> (access: 02.06.2016).
- Ministry of Family, Labour and Social Policy. 2016. <https://www.mpips.gov.pl/en/> (access: 12.06.2016).

- MORTENSEN D.T. 1977. *Unemployment Insurance and Job Search Decisions*. *Industrial and Labour Relations Review*, 30(4): 505–517.
- NEETs – *Young People not in Employment, Education or Training: Characteristics, Costs and Policy Responses in Europe*. 2012. Eurofound. Publications Office of the European Union, Luxembourg.
- NICKELL S. 1997. *Unemployment and Labor Market Rigidities: Europe Versus North America*. *The Journal of Economic Perspectives*, 11(3): 55–74.
- NICKELL S., LAYARD R. 1999. *Labor Market Institutions and Economic Performance*. *Handbook of Labor Economics*, 3: 3029–3084.
- OECD database. 2016. <http://www.oecd.org/> (access: 8-12.06.2016).
- Podpora v nezamestnanosti v roce 2016 roste. A na prachku si muzete privydfat etc*, <http://www.penize.cz/podpora-v-nezamestnanosti/307345-podpora-v-nezamestnanosti-v-roce-2016-roste-a-na-pracaku-si-muzete-privydelat-vic> (access: 30.05.2016).
- PRASAD E.S. 2003. *What Determines the Reservation Wages of Unemployed Workers? New Evidence from German Micro Data*. IZA Discussion Paper No. 694.
- SCARPETTA S. 1996. *Assessing the Role of Labour Market Policies and Institutional Settings on Unemployment: A Cross-country Study*. *OECD Economic Studies*, 26(1): 43–98.
- Sociálna poisťovňa*. <http://www.socpoist.sk/aktuality-od-1-jula-2016-sa-zmeni-maximalna-vyskavky-v-nezamestnanosti/48411s62038c> (access: 12.06.2016).
- Tax-Benefit Models. 2016. <http://www.oecd.org/els/soc/benefits-and-wages.htm> (access: 12.06.2016).
- Ustawa z 20 kwietnia 2004 r. o promocji zatrudnienia i instytucjach rynku pracy. *Journal of Laws of 2004*, no. 99, item 1001 with changes.
- Základní poučení uchazeče o zaměstnání*, <https://formulare.mpsv.cz/okprace/cs/form/print.jsp?CMD=PrintEmpty&FN=PUchZ160101890&SSID=9Tns7~42E5EEyZECGWZIlmMQE4UMo6Em> (access: 12.06.2016).
- Základní poučení uchazeče o zaměstnání*. <http://www.penize.cz/podpora-v-nezamestnanosti/307345-podpora-v-nezamestnanosti-v-roce-2016-roste-a-na-pracaku-si-muzete-privydelat-vic> (access: 30.05.2016).