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An Analysis of Some Labor Market Regulation Segments of Slovakia in Reflection to the Hungarian Labor Market Development Measures Going into Effect in 2025

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Abstract

Under the active Hungarian public finance model, in place since 2010, labor market regulation has come under strong state influence and control. As its keys result, an additional one million people are now on the labor market, the employment rate has risen from 52% to almost 80%, while the unemployment rate remained below 4%, even during the 2020–2024 crisis years. The Hungarian government provides targeted labor market subsidies, and starting in 2025, has introduced new rules to strengthen the labor market. These government actions are designed to prevent westward migration and to help both the families and society as a whole to prosper. Following a brief overview of these Hungarian actions, the study places its findings next to those on Slovakia, a neighboring country at a similar level of development. As such, it presents a detailed analysis of the key elements of the Slovakian labor market regulations with a view to highlighting its differences in the regulatory methodologies of the two countries.

Keywords

employment situation, labor market protection, comparative analysis, Slovakia, Hungary

1 Introduction, a summary of the research problem starting out from the Hungarian practice

Pursuant to Article XII (1) of the Fundamental Law of Hungary, everyone shall have the right to choose his or her work and employment freely. The comprehensive public finance reforms, implemented since 2010, have reduced unemployment, raised employment rates and successfully integrated around one million people into the labor market over a period of fifteen years. In the critical years of the economy, since 2020, the government has continued to play an active role, providing employment subsidies to employers. Although Hungarian employment figures are quite similar to those of neighboring Slovakia, which is on a similar level of economic development, the Hungarian government has, in addition to the existing wage and benefit rules, introduced a number of new operative measures and pieces of legislation to develop the labor market and retain the workforce.

In cooperation with trade unions, the government plays a catalyst role in employers' adoption of the minimum wage and the guaranteed minimum wage (Lentner & Parragh, 2016). The former was introduced in Hungary in 1989, and from 1 January 1992, it was HUF 8,000, which was 35.8% of the gross average wage at the time. The decision on the minimum wage for 2025 was reached at the end of 2024, again as a result of a negotiated agreement between the stakeholders. The wage agreement on rising wages in the coming years was made for a period of three years this time. Under the agreement between the government, employers and employees, effective as of 1 January 2025, the gross monthly minimum wage increases by 9% to HUF 290,800 (approx. EUR 730),[1] while the guaranteed minimum wage (commonly known as the minimum wage for skilled workers and incorrectly also referred to as the graduate minimum wage) rises by 7% to HUF 348,800 (approx. EUR 870). The relevant Government Decree was published in the Hungarian Gazette on 12 December 2024 under No. 394/2024 (XII. 12.). The amount of the minimum wage is key not only in terms of salaries but also of various benefits. A number of state benefits are indexed to this amount. Examples include sick pay, childcare allowance (also for graduates and grandparents), home childcare allowance, newborn care allowance, and jobseeker's allowance.

Based on Section 29/F of Act CXVII of 1995 on Personal Income Tax, from 1 January 2022, young people under 25 can benefit from a new tax base reduction: they do not have to pay personal income tax up to a certain amount on their income included in the consolidated tax base as defined by the law. For a full tax year, the amount of the available tax credit may reach HUF 5,204,400 (EUR 13,000), which means that a young person under 25 will pay HUF 780,660 (EUR 1,950) less tax per year. Persons under 25 years of age do not have to pay personal income tax on their income included in the consolidated tax base as defined by law, up to the monthly amount of the tax credit. Such income includes, for example, wages, sick pay, self-employed entrepreneur's withdrawals or flat-rate income, income earned as primary producer, income from an agency contract or contract of use with a paying agent.

Young people who are already employed or starting a business of their own enjoy the interest-free workers' loan from 2025. This loan is available for young people between 17 and 25 years old, not just skilled workers but anyone who is young and working. They can borrow up to HUF 4 million (EUR 10,000) for a 10-year term. The amount borrowed is unrestricted, interest-free and must be repaid in equal instalments, under highly favorable conditions, e.g. the monthly repayment is HUF thirty-three thousand for a ten-year term, and the loan does not require any real estate collateral. It is HUF-based, has to be repaid in HUF, is paid out in one lump sum and can only be taken out once per person. Applicants must be either self-employed or employed for at least twenty hours a week to qualify for the loan. The self-employed have even more favorable terms as their income only has to meet or exceed the average income of those employed for twenty hours a week. Applicants also need to have a registered address in Hungary for at least five years to be evidenced by a residence card, and regular income, which must be proven by an employer certificate or a bank statement. However, young people who are eligible for a student loan (i.e. they study in higher education) cannot take out the workers' loan, and continue to receive financial support from the government through their student loans. The applicant must also agree to work in Hungary for at least five years from the date the loan is paid out.

[1] In mid-March of 2025, we calculated with an average (approximate) mid-market rate of 400 HUF/EUR.

In the 2025 budget, the government also offers solutions to housing problems through the 21-point New Economic Policy Action Plan. One item of this action plan is a significant expansion of housing benefits. In exchange for significant tax benefits, employers can offer an accommodation allowance of HUF 150,000 per month, up to a maximum of HUF 1.8 million per year, to help their young employees pay their rent or repay their housing loans. The new measure also provides an attractive opportunity for employers to support their employees' housing needs and recognize their performance. This new form of fringe benefit is highly tax-efficient similar to the SZÉP card (a benefit card that offers food, drink and recreation and even housing renovation options): employers are only required to pay the 15% personal income tax and the 13% social contribution tax, i.e. only 28% tax in total. Young workers under 35 years of age are eligible for this new option. The maximum fringe benefit of HUF 450,000 per employee per year is still available, and the new housing allowance of HUF 150,000 per month is an extra benefit for young employees. They can use this new fringe benefit to repay their housing loan or pay the rent. There is high demand for labor in the more industrialized cities of Hungary, where workers arrive from other less developed regions of the country, mostly in the east and north. The workers' loan and the housing allowance, or the state assistance available for the renovation of Kádár-era family houses,[2] allows them, in part, to cater for their housing needs.

In addition to the broad scheme of the Family Home Purchase Subsidy (CSOK) (see Sági & Lentner, 2022 for details), the government also uses tax incentives to help workers increase their net income. From 2010 onwards, personal income tax was reduced from 36% to 16% and then to 15%. Moreover, the first-married couples' allowance and the family tax credit leave families with significant financial resources. As of 1 July 2025, the tax allowance increases to HUF 15,000 for one child, HUF 60,000 for two children and HUF 49,500 per child for three or more children. Then from 1 January 2026, the tax credit will further increase to HUF 20,000 for one child, HUF 80,000 for two children and HUF 66,000 per child for three or more children. Parents can continue to share the family tax credit between them to maximize their tax benefits.

From 2025, those eligible for the benefit for young people under 25 and the benefit for mothers under 30 will be able to claim a higher amount of tax credit for up to HUF 656,785 of income per month, which means a monthly tax saving of HUF 98,518. Between 2025 and 2029, the government will gradually introduce by age bracket the full personal income tax credit for mothers of two[3] and the full tax credits for infant care and childcare allowances.

Based on the itemized presentation of Hungarian labor market regulations, especially the package introduced as of 2025, we can conclude that the Hungarian government's policy, through highly detailed and hyperactive regulations, gives priority to ensuring the retention of the workforce in Hungary and to promoting the wellbeing of families within the country. We then look at what regulatory elements there are to govern the labor market in Slovakia, a country with a similar level of development and history.

[2] These are cube-shaped, mostly self-built houses constructed during the Socialist Era, both in rural and urban settings. Back in those days, these structures quickly improved housing conditions in line with the needs of the times.

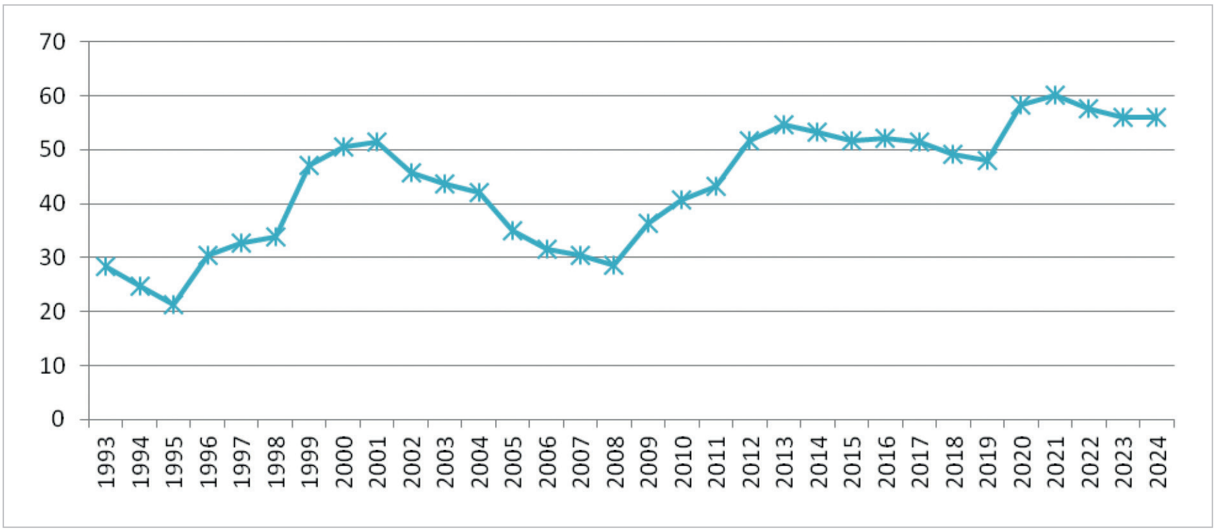
[3] Mothers with 3 or more children have already been granted full personal income tax exemption earlier.

2 The general economic situation in Slovakia after the regime change

For decades after the fall of Communism, Slovakia's economy was characterized by a duality. The country did well in terms of several macroeconomic indicators, but in others, it lagged significantly behind the regional average. This duality had a bearing on the country's development, its domestic policy, the establishment of a market economy and on the overall process of the Euro-Atlantic integration. After the change of the political regime, it took a decade for the country's leadership to develop an economic plan and a social context that gradually laid the foundations for balanced development. This also meant that the problems affecting society were conserved for a long time, and the fruits of progress only began to materialize once the economic foundations had been sufficiently solid and the results of reforms had been felt by the majority of the population (Mikloš, 2005; Keszegh & Török, 2006).

The fact that Czechoslovakia, and then after 1993, independent Slovakia, were among the least indebted countries in the region significantly contributed to building a market economy and ensuring social stability. As one of the most advanced states in the Eastern Bloc, the Czechoslovak Socialist Republic was able to maintain its favorable position for forty years and was less dependent on Western loans. Slovakia owed its good starting position after the declaration of its independence essentially to Czechia, its former western partner country. After the fall of the Iron Curtain, the country's relatively low level of indebtedness helped to promote economic development, implement reforms and maintain social peace. Figure 1 illustrates the different periods, the "wasted 1990s", which eventually led to the need for reform at the turn of the millennium. We can also see that in the first decade of the 21st century, Slovakia managed to create an economic environment that provided a good starting point for development, one of the most important results of which was that the national debt fell below the Maastricht criterion of 60%. That was the decade when the current economic structure of Slovakia took shape, and when car manufacturing became the leading sector in Slovakia (Horbulák, 2019).

Figure 1. Public debt as a % of GDP (1993–2024)



Source: Ministry of Finance of Slovakia, authors' editing

The nearly decade-long growth trend basically came to an abrupt end with the global economic crisis of 2008. As a result, Slovakia's national debt began to increase again. However, it did not begin to decrease once the crisis was over. Yet, it is not a problem, thanks to the acceptable fundamentals of the economy. Nonetheless, the need for reform has resurfaced, as the Slovak economy increasingly lived off its "past achievements". The rise in national debt after 2020 has again been driven by external shock factors, first by the coronavirus pandemic, then by the economic impact of the Russo-Ukrainian war.

The second economic indicator where Slovakia did well is economic growth. The country's GDP has been steadily growing at an excellent rate since the mid-1990s, exceeding 6% in several years. This served as an excuse for the political leadership of the time to delay reforms for years. The turning point finally came about in 1998 when there was political will to make the necessary changes. Thanks to wide-ranging economic reforms, the country produced even better figures in the 2000s, with a growth rate of over 10% in one year. This period saw the start of Slovakia's rapid catching-up process, with the introduction of the euro in 2009 being one of its greatest successes (NBS, 2019). The EU accession in 2004, and in particular membership in the monetary zone gained in 2009, are hard evidence for the Slovakian economy's ability to perform well.

Another macroeconomic indicator to mention is the inflation rate, which dropped to single digits as early as 1993, and increased to double digits only rarely and for short periods thereafter (Novák, 2006, 310–316). It only went higher in the early 1990s, when the VAT was introduced, in the early 2000s, when the reforms were implemented, and later on during the COVID-19 crisis.

Another important index should also be mentioned. Although this is not a macroeconomic indicator, it has a very significant impact on economic activity and employment. It is the population figures, more precisely, the changes in the number of births and of the productive workforce. In all modern societies, childbirth rates get lower and the population declines already over the span of a decade. In Slovakia, this has only happened occasionally. There was a slight dip of a few hundred in 2001 and the following two years. In 2021, at the peak of the coronavirus pandemic, the population dropped by nearly 18,000, and then again by 8,000 in 2022. Forecasts suggest that the decline will be long-term, but at this point, it is still unclear as to how this downward trend will continue. Yet, there is still a small population increase due to net inward migration (www.iz.sk). The one indicator where Slovakia has for a long time been achieving particularly poor results is the unemployment rate. There are multiple underlying reasons, and this issue has been also addressed in the literature published in Hungary by a Slovakian author (Nagy, 2015). For decades, Slovakia performed poorly in virtually every segment. Unemployment was high not only in percentage terms, but it also affected young people, disadvantaged social groups (people with health problems, the Roma, people with low education levels, etc.), people living in rural peripheral areas, and those in specific life situations (raising young children, caring for sick family members, etc.) alike (Koišová et al., 2018; Pongrácz, 2018; Horbulák, 2022).

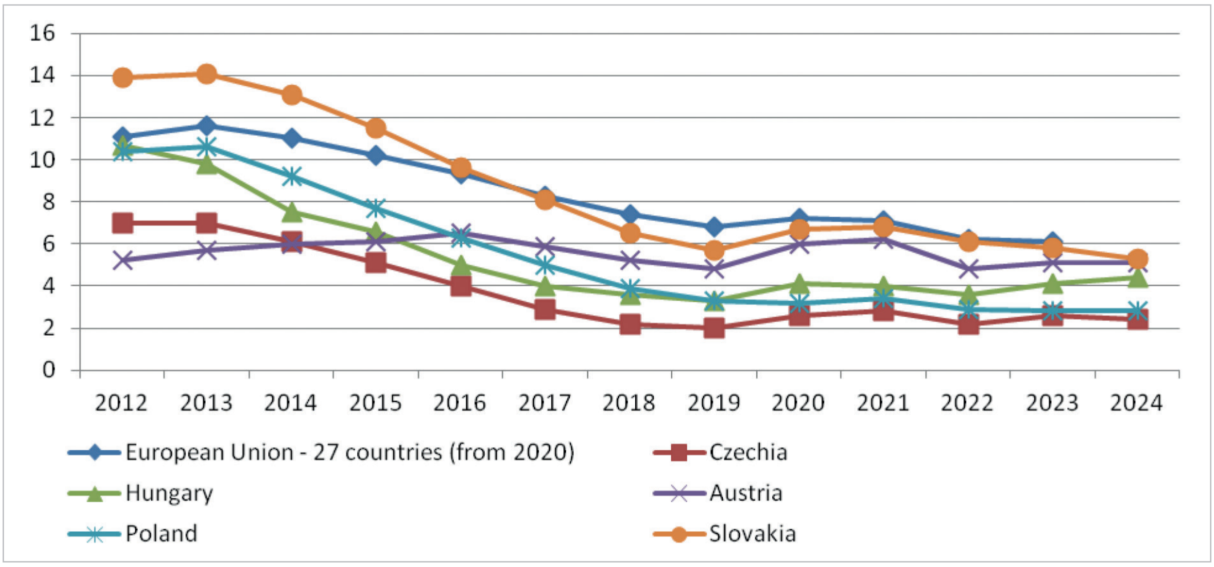
The main objective of this study is to examine what kind of employment incentive schemes are currently used by the state on the one hand and by the business sector on the other hand, and how the employment situation in Slovakia has changed as a result. In order to better understand the issue, it is vital to outline, after a brief macroeconomic overview, the country's labor market situation from the change of the political regime to the present. We discuss, then, how economic trends have affected employment in certain periods, and what the special characteristics and the key pain points of the Slovakian labor market are. The data presented are mainly compared with the relevant figures of the Visegrad countries. Austria has also been included among the countries. This is important to mention because Austria is not just a neighboring country but also one where a large number of Slovak citizens work, and therefore, it is rightly considered a reference. We have also added EU figures to the comparison. We believe it is important to present the change in the number of foreign employees, which is now significant in Slovakia too. The study presents the legal norms that support employment and describes how the corporate sector helps improve employee conditions.

Looking at the situation in Slovakia is important also because it is linked to Hungary in many ways and is, therefore, often analyzed (Vartašová & Štrkolec, 2024). Among other things, the economic situation and trends in the two neighboring countries are similar, so any positive trend and regulatory element is easier to implement.

3 The labor market situation in Slovakia

The labor market situation in Slovakia has improved over the last decade and a half. From the range of over 10%, unemployment has fallen significantly since the mid-2010s. Unemployment rates have fallen in line with labor market trends in the rest of the region, although they remain among its highest. Today's employment situation can be considered satisfactory also because the global health emergency at the beginning of the new decade did not cause any serious setback only some minor fluctuation (Lichner, 2022).

Figure 2. Unemployment rates in Central European countries (2012–2024)

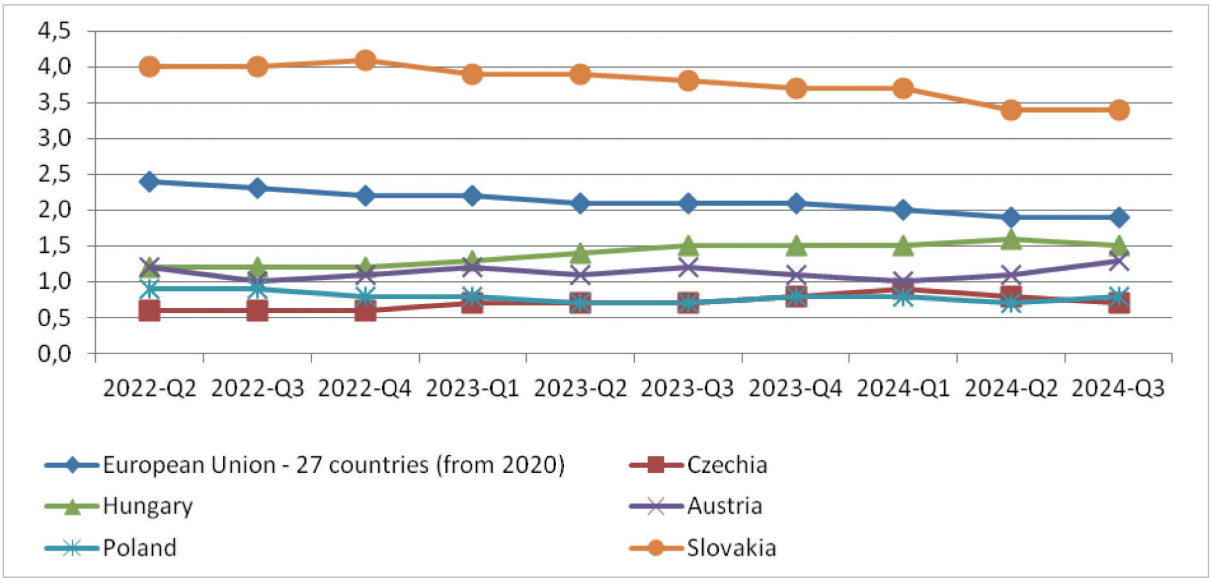


Source: Eurostat 2024, authors' editing

As shown in Figure 2, Slovakia is the worst performer in the region but slightly better than the EU average, and it has been steadily improving. This also suggests that the number of the unemployed is significantly higher in many old, mainly southern European countries.

A closer look at the labor market situation in Slovakia reveals that many of the problems of the past have not been resolved. As shown in Figure 3, the long-term unemployment rate, i.e. the number of people out of work for more than a year, remains high, which means that tensions are still present. Although the percentage rate is low, it is several times higher than the levels reported by the statistical offices of the other countries in the region. This suggests that the problems of people with low levels of education in at-risk groups and those living in rural areas with poor infrastructure remain unresolved. It also highlights the shortcomings of the state's engagement, as members of these social groups cannot enter the labor market on their own. This situation is depressing because EU membership offers solutions and convergence programs precisely to address these kinds of difficulties.

Figure 3. Long-term unemployment rates (%) in Central European countries, 2022–2024

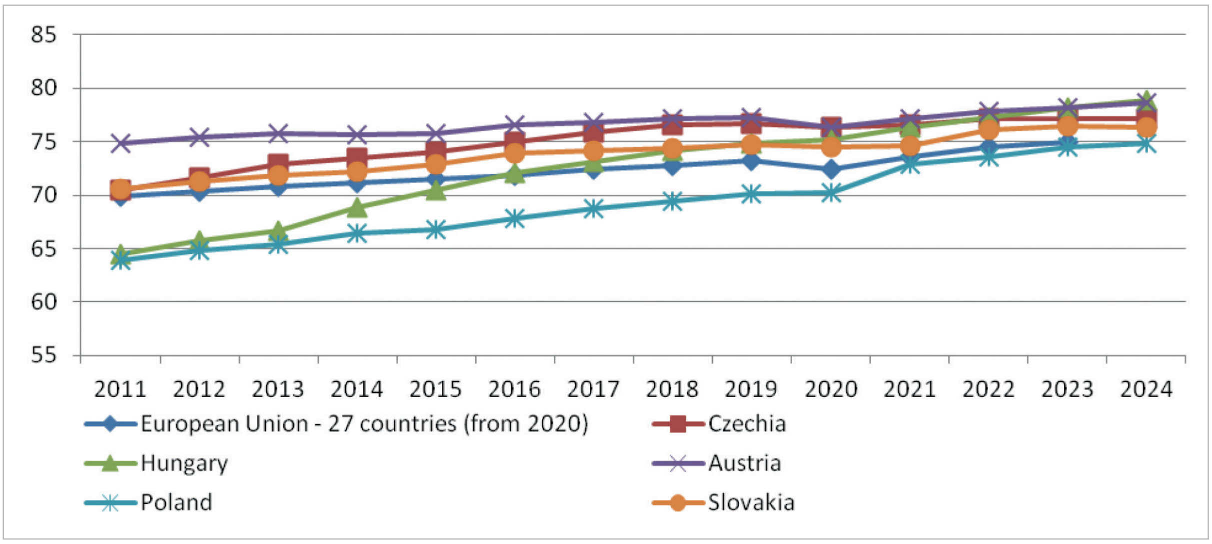


Source: Eurostat, authors' editing

Among other reasons, the high number is surprising because Slovakia is the smallest country in the region, so labor mobility and the logistical locations of rural employment opportunities should, in theory, be the least of the problems. This also indicates that there are long-standing issues the government responsible for tackling them is struggling with.

Another indicator worth looking at is the activity rate. This index shows the proportion of those employed in the 15–65 years of age group. As shown in Figure 4, all Visegrad countries have made significant progress over the past ten years. All countries except Poland have exceeded the EU average and come close to Austria's level. In this regard, Slovakia ranks in the middle.

Figure 4. Activity rate (%) of the Central European countries (2011–2024)

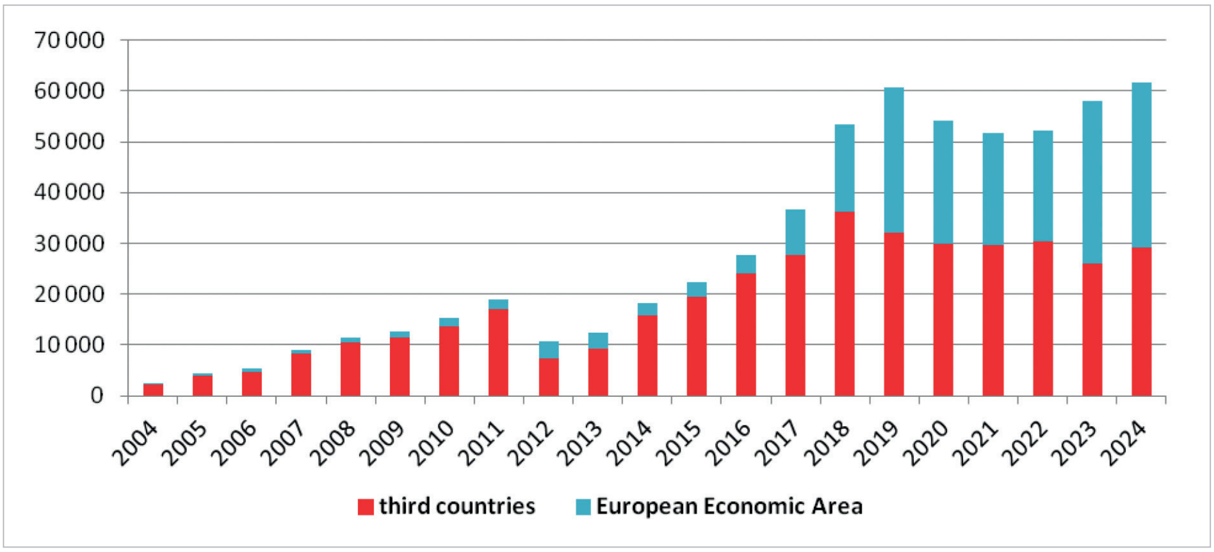


Source: Eurostat, individual collection, authors' editing

Finally, in describing the situation in the labor market, it is important to mention a relatively recent phenomenon that has emerged and become crucial in the last six years: the employment of foreign labor. The influx of foreign workers into Europe started in the 1960s. In the beginning, they arrived in the Western European countries with a colonial past. First came people from other continents and other cultures, and then workers from other, poorer EU countries. In the next phase, host countries included those with a fast-growing economy. These people were often blue-collar, factory workers, so language barriers were not an insurmountable problem. As discussed above, a high unemployment rate had been one of the main problems in Slovakia for a long time, but this has shifted to a shortage of skilled labor in more recent years.

The presence of people of other nationalities in the labor market is certainly nothing new. One of the achievements of the European Union is the free movement of labor, which is most appreciated and exploited by workers in the Central European Member States. After its accession to the EU in 2004, more people moved abroad from Slovakia than from the other Visegrad countries in proportion to total population. Movement also took place in the opposite direction, with foreign investors bringing in foreign workers, albeit in low numbers. It was about ten years ago that for the first time, in certain occupations and in certain jobs, the mainly foreign-owned companies operating in Slovakia could not fill all vacancies with locals (Reményik et al., 2024). The problem emerged around 2017 and quickly became acute. Citizens from neighboring countries were the first to arrive, soon followed by workers from more remote and non-EU and non-European Economic Area (EEA) countries (Figure 5).

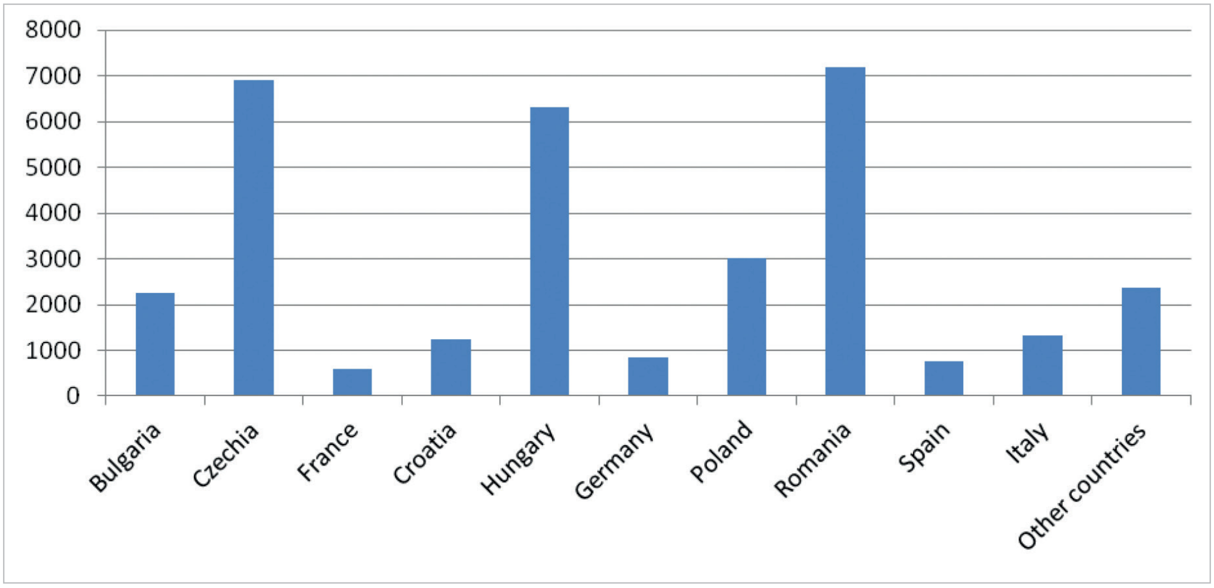
Figure 5. Number of foreign workers in Slovakia (2004–2024)



Source: Central Office of Labor, Social and Family Affairs,
online: https://www.upsvr.gov.sk/statistiky

As seen in Figure 5, the numbers of workers from the two regions, i.e. the European Union and outside the EU, were approximately equal. The following two figures show the countries from where more than 500 workers work in the Slovakian labor market. This indicates several things. It shows that the Slovakian labor market is open, with no restrictions on the country of origin. The figures also give an indication of the structure of the Slovakian economy, which is also characteristic of the other countries in the region. Slovakia's economy essentially specializes in industrial production, including machinery and vehicle manufacturing; in other words, this region has become the "back-end" factory of Europe. The majority of foreign workers have secondary education, meaning they tend to be blue-collar workers, i.e. they are primarily hired as skilled workers. 75% of workers from third countries and 60% of those from EEA countries are employed in such positions. As shown in Figure 6, employees from EEA countries are predominantly nationals of neighboring countries, especially of countries that have a special relationship with Slovakia. There are virtually no language barriers for people from Czechia, and Slovakia has extensive economic ties and shares a long border with Hungary. In the case of Romania, the relatively large wage gap and geographical proximity are the key factors.

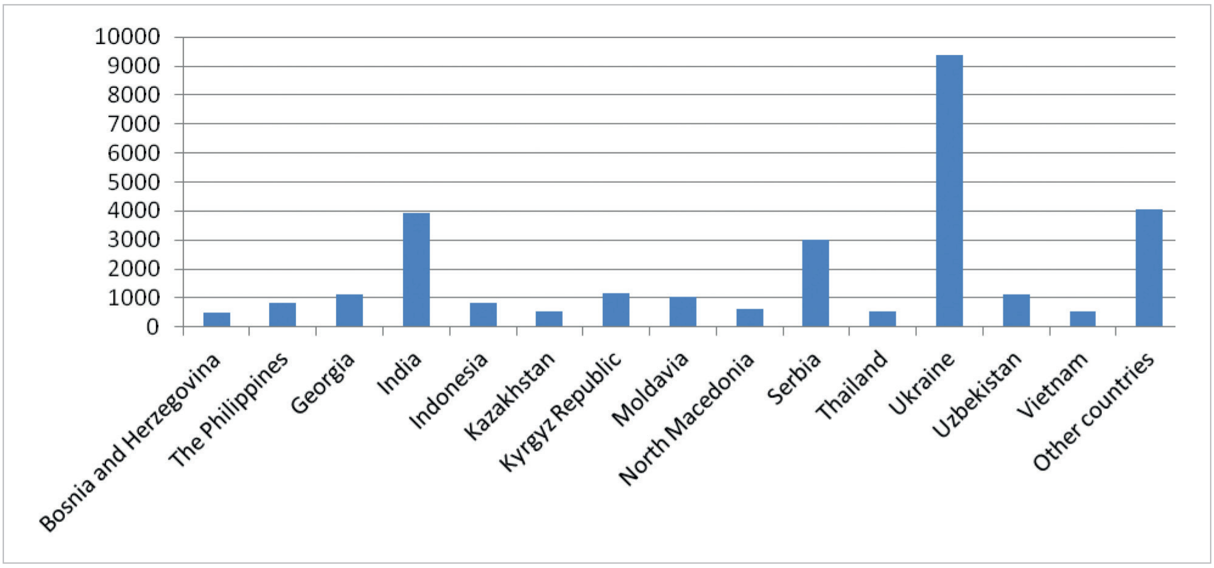
Figure 6. Number of workers from European Economic Area countries in 2024



Source: Central Office of Labor, Social and Family Affairs,
November 2024, countries from which more than 500 workers arrived,
online: https://www.upsvr.gov.sk/statistiky

Ukraine is the clear leader among third countries. One reason is undoubtedly the war in Ukraine and the relative similarity of the two languages, but even before the war, large numbers of Ukrainians had been working in Slovakia. This can be explained by the fact that the two countries share a border, language problems can be overcome (also because of belonging to the Slavic ethnic group), and Slovakia offers significantly higher wages and better working conditions. A new development in Slovakia is the arrival of workers from distant, even exotic countries. It is interesting because it shows that Slovakia is known, and especially that it's worth travelling thousands of kilometers, spending several months here, and thus taking a relatively high risk to make a living. At least 5,000 people came from four East Asian countries, but the relatively large number of Indians is also surprising.

Figure 7. Number of non-European Economic Area employees (based on November 2024 data)

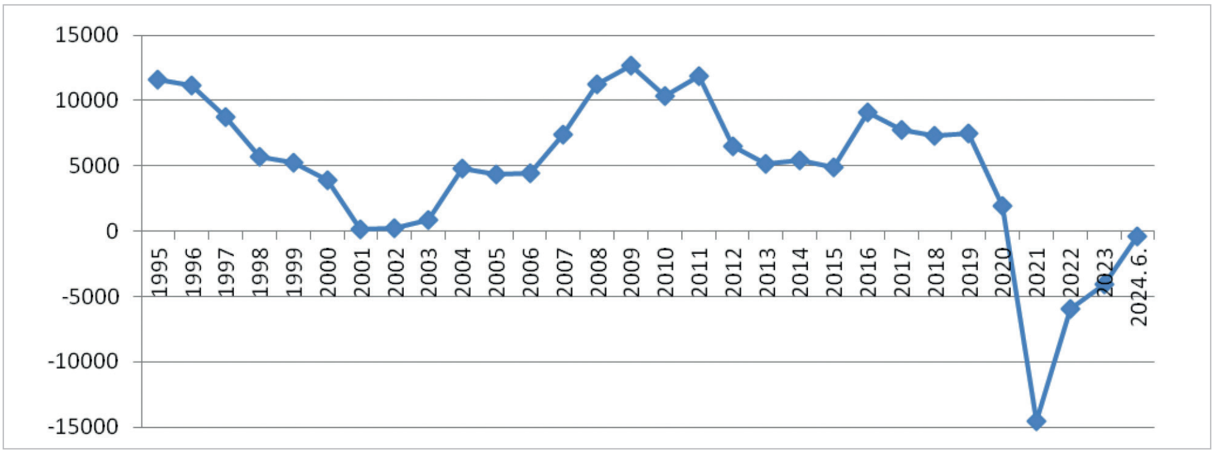


Source: Central Office of Labor, Social and Family Affairs, November 2024, countries from which more than 500 workers arrived, online: https://www.upsvr.gov.sk/statistiky

It should be noted that there is a large number of young people of Ukrainian nationality attending higher education institutions in Slovakia. Their number was 13,061 in the 2024/2025 academic year, 65% of all non-Slovak students and 11.4% of all higher education students (https://www.cvtisr.sk). It is likely that many of them will not return home but will work in Slovakia instead.

In the introductory section, we have mentioned that employment is crucially influenced by demographic trends. Slovakia is still one of those countries where since the change of regime, more people have been entering than leaving the labor market. Hence, the workforce is growing, with a delay of only about five years at most because many start their career only after they have completed their studies in higher education. Of course, this also means that the country is less dependent on foreign labor. Although the future is still uncertain, but since it takes twenty to twenty-five years from birth to enter the labor market, problems may only arise a generation later.

Figure 8. Changes in the population of Slovakia (1995–2024 H1)

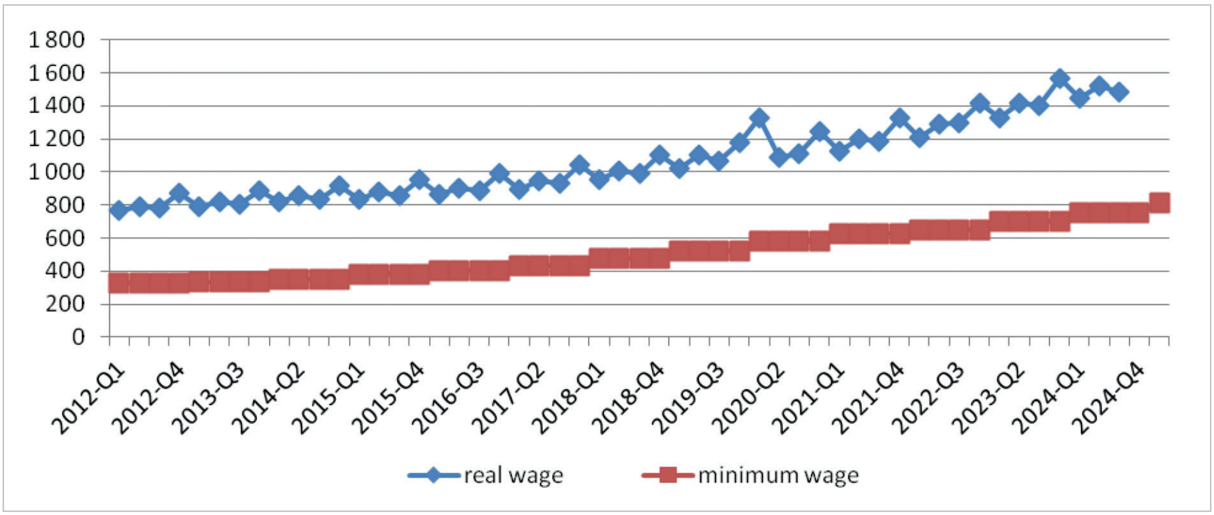


Source: Statistical Office of the Slovak Republic, authors' editing

Given the fact that the demographic situation of the Slovakian society is not severe, family support, or more specifically, childbearing, is not as important in social policy as it is in Hungary (Lentner & Horbulák, 2021). However, the forecasts are not encouraging (Bleha et al., 2018), with the population starting to decline in Slovakia in the medium term. Currently, groups such as old-age pensioners are at the center of social policy, with the 13th monthly pension being a major issue in the social debate. Slovakia had to take restrictive measures in this area in recent years.[4]

Finally, we looked at the level of wages. As far as nominal wages are concerned, they have been rising steadily in Slovakia, practically since 1993, when the country was created, with only minor fluctuations occurring during the year. The rate was EUR 179 in the first year, rising to over EUR 1,500 in autumn 2024. The real value of wages is also on an upward trend. Over the last 32 years, they decreased in only seven years, so Slovakia is catching up with the EU average in the long run (https://slovak.statistics.sk/). There are significant differences from the average wage in Slovakia. As discussed above, employment disparities remain significant despite the small size of the country. As a consequence, regional wage differences are high and are actually increasing rather than decreasing.

Figure 9. Changes in average nominal wage and the minimum wage in euro (2012–2024)

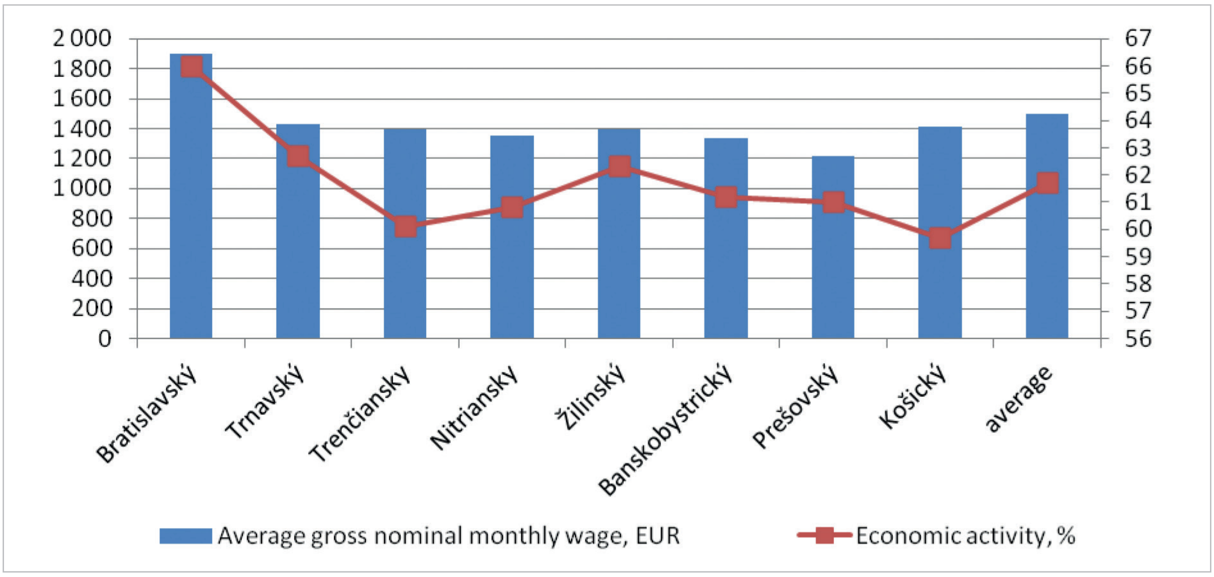


Source: average wage: https://datacube.statistics.sk/; minimum wage: https://socialnepoistenie.mup.sk/

Finally, another major problem of the Slovak economy is the huge regional disparities. It is present in all segments of the economy, such as infrastructure, foreign investment, social situation, etc., and also in the labor market. This is partly due to the administrative structure of the country. The capital, which is also the most important economic center, is located on the south-western border of the country, making Slovakia the country with the starkest contrast between the west and east, the capital and the rural areas in Central Europe. On the other hand, for infrastructural and geographic reasons, there are many underdeveloped border regions.

[4] In contrast, in Hungary, despite the economic difficulties caused by the COVID-19 crisis and the Russian-Ukrainian war, both pensions and other social transfers are on the rise.

Figure 10. Average nominal wage and economic activity in Slovak NUTS3 regions in 2023



Source: Statistical Office of the Slovak Republic, online: https://statistics.sk

Figure 10 shows that Bratislava is far ahead of the other counties in terms of activity rates and average wages. As the capital continues to grow at the fastest rate, instead of catching up, other regions are increasingly falling behind.

4 Legal regulation of the Slovakian labor market

Proper working conditions are a fundamental right in Slovakia. Article 36 of Part Five of the Constitution (Economic, Social and Cultural Rights) also states that employees shall have the right to decent working conditions, pay, protection, no unjustified dismissal, non-discrimination, health protection, maximized working hours and the right to rest.

Employment is generally regulated by the Labor Code, Act 2001/311 (Zákonník práce). The law contains sections that deal with the improvement of employment conditions. Section 152/c on aiding employment states that employers may offer housing to employees in government-owned rental housing.

The next law that regulates the labor market is Act No 2004/5 on Employment Services (Zákon o službách zamestnanosti). Section 50/b on increasing employment provides support for the employment of disadvantaged jobseekers. The law introduces the concept of social enterprise. A social enterprise is a legal person or a natural person who

- employs workers who were previously disadvantaged jobseekers and represent at least 30% of the company's workforce,
- provides support and assistance to workers who, prior to their employment, were disadvantaged jobseekers and had difficulty in finding a job in the labor market,
- spends each year at least 30% of the funds from the income earned on the company's activities – left after payment of all expenses relating to the object of the activity in the tax year concerned – to create new jobs or improve working conditions.

Other sections of the law dealing with the expansion of employment are as follows:

- Section 50/i regulates aid for regional employment.
- Section 51/a helps career starters get a job.
- Section 52 deals with municipal activities to ensure the future integration of citizens in long-term unemployment who are in financial need and receive benefits.
- Section 53/a concerns financial assistance for employees moving to their new place of work.
- Section 53/b offers financial assistance for travel to work.
- Section 53/c is about supporting the integration of disadvantaged jobseekers into the labor market.
- Section 53/d provides for financial support for job creation.
- Section 54 regulates projects and programmes that create jobs.
- Section 55 regulates employment opportunities for people with health disabilities.
- Section 55/a regulates labor market preparation for the employment of people with disabilities.
- Section 59 provides a legal basis for citizens with disabilities to have access to a personal assistant for their work and personal needs during the time they are engaged in an occupation. The Office of Labor provides financial assistance for this.
- Section 60, employers can apply for financial support for the costs of a sheltered workshop (a workplace for people with disabilities).
- Sections 63, 64, 64/a and 64/b regulate the working conditions of people with disabilities.

Employment of foreigners living in Slovakia, third-country nationals, nationals of Member States of the European Union and of the States party to the Agreement on the European Economic Area and of the Swiss Confederation, and their family members is also governed by Act No 2004/5 on Employment Services.

Among the legal norms affecting employment, we should also mention Act No 2007/663 on the Minimum Wage (Zákon o minimálnej mzde). The Act applies to all employees in an employment relationship. The minimum wage can be determined in two ways, either as a monthly or as an hourly wage (https://www.employment.gov.sk/), which is within the government's competence.

In Slovakia, the minimum wage is set by the Ministry of Labor on the basis of Act No 2007/663 on the Minimum Wage (Zákon o minimálnej mzde). It is calculated as 60% of the average wage as recorded by the Statistical Office of the Slovak Republic in the previous calendar year.

For disadvantaged people who, for whatever reason, find it more difficult to enter the labor market, the legal framework formally provides extensive support. But in reality, enforcing such regulations is difficult and sometimes impossible. Understanding and empathy are the most effective ways to deal with these kinds of issues. In such cases, it is usually difficult to resolve the problems through legal means, thus very little is known about the number and occurrence of such workplace conflicts. Enforcement of these laws is often impossible, and non-compliance is impossible to control.

5 Measures by the state to encourage employment

The Slovak legislation is broadly supportive of increasing employment and improving employment conditions, and the state is also involved in their implementation. The legislation mainly covers support for the unemployed and the disadvantaged. Its extent, nature and form are determined by government priorities, the labor market situation and social expectations. Among the long-term problems facing Slovakia, the following should be highlighted (Pongrácz, 2018):

- regional disparities in unemployment,
- high unemployment rates among certain social groups, such as career starters, the low-skilled and the Roma,
- lack of skilled labor in certain sectors.

The Central Office of Labor, Social and Family Affairs is the state actor to provide for the real conditions for promoting employment. The Office is a government body whose tasks include managing the development and implementation of national projects aimed at improving the labor market situation, the placement of Slovakian citizens in the Member States of the European Union, issuing licenses to profit-oriented employment agencies, carrying out temporary work agency and supported employment activities, and the adjudication of appeals from clients in the context of administrative procedures, including enforcement of the mandatory employment rate for citizens with disabilities. Act No 2004/5 stipulates that the Office's powers with regard to the expansion of employment include the following:

- designing and implementing national projects co-financed by the European Social Fund to improve the labor market situation,
- providing methodological guidance to public authorities for the design and implementation of projects co-financed by the European Social Fund to improve the labor market situation,
- job placement for jobseekers in the EU Member States.

A person without an employment relationship is a person who

- has registered with the Central Office of Labor, Social and Family Affairs and is actively seeking a job,
- had insurance before they lost their job,
- was employed under an employment agreement,
- was employed as a police officer or soldier,
- was self-insured,
- the term of the insurance was at least 720 days in the previous four years.

Traditional public employment support instruments – job placement, counselling, training – provide the following assistance to increase employment:

- financial support for starting a private business, currently ranging from EUR 8,080.80 to EUR 2,425.44,
- a maximum of EUR 200 for up to six months to help commuting to work,
- support for people with health problems.

In addition to the above, the state also supports workers with families. The so-called tax bonus allows employees with children to reduce their tax base. The specific amount depends on the children's age and the employee's income. Available until the child turn 18 years old.

As at early 2025, there are no plans to extend workers' rights in Slovakia, including legal regulation and financial benefits. The main reason for the latter is the state's budgetary situation and the need for consolidation. In November 2024, the government agreed to increase taxes, reduce tax exemptions and introduce new taxes starting in 2025. Measures of a social nature include a reduction in the child tax bonus. The measures do not directly affect employment, the overall austerity package has, however, a negative impact on labor market growth. Considering that unemployment is currently at an all-time low of 5.4%, there is no demand for such development measures from either professional or advocacy organizations. However, worker interest groups, health workers and teachers are now demanding wage raises of the state. Meeting these needs is a constant subject of negotiation.

6 Benefits offered by employers

Motivating and retaining employees, boosting efficiency and creating a good working environment are in the employer's fundamental interest. In order to improve the performance of the company as a whole, employers are willing to encourage their employees in other ways as well. Nowadays employees and, indeed, society as a whole expect a good working environment.

Employee benefits have a significant impact on employee satisfaction, and consequently, on employees' performance and loyalty to their employer. Employee benefits can take different forms and are used in various ways by companies depending on their size, including the amount of resources available, their area of activity, and the position held by the employee. Considering that this contributes directly to the success of the employing company, the costs are fully borne by the employer. The most common benefits include 13th and 14th monthly salary and regular financial bonuses, paid leave in excess of the statutory leave, the option to work from home, private use of a company car, mobile phone for business and private use, paid sick leave, fully paid short-term illness (without sick leave), additional health care for employees, staff training, etc.)

Looking at the options listed above, it is likely that these are typically provided by large corporations. The state does not contribute to these extra benefits. The state also supports employees in some form and to some extent. These are the following:

A supplementary pension fund, in other words, a third pillar, under which this form of long-term self-sufficiency is promoted by the state up to a certain amount through a tax credit. And in the public transport sector, since rail passenger transport is state-owned, the state indirectly subsidizes commuters. City and county-owned bus companies also offer discounts to regular travelers.

7 Concluding thoughts on the situation in Slovakia

Labor market regulation is unique in each country and is influenced by a number of factors, including the country's economic structure, socio-demographic situation, current budgetary possibilities, and tradition, social customs and expectations. One of Slovakia's biggest economic and social issues is its relatively high unemployment rate. Despite significant improvements in recent years, there are still social groups at risk. What is positive from a social perspective is that

Slovakia has no demographic crisis, with births outnumbering deaths and a positive migration balance. Naturally, the state supports childbearing, but there is no significant pressure to directly coordinate family policy with employment policy, housing policy, educational policy, regional policy and other social policies. The focus is primarily on social policy and livelihoods. In addition, issues such as the quality of health care and education are those that resonate with the public.

The following methods are used to balance family and work in Slovakia. One is the opportunity offered to fathers to take on a greater role in child-rearing, the other is atypical employment. The first takes the form of a so-called paternity allowance (otcovské), a new type of "maternity allowance" which the father is entitled to receive for caring for his child for up to two weeks after the birth of the child, until the sixth week at the latest. The father of the child is entitled to this allowance as an employee, a self-employed person with compulsory sickness insurance, a person with voluntary sickness insurance or a natural person who became entitled to the paternity allowance after the termination of sickness insurance during coverage (www.socpoist.sk/zivotne-situacie/tehotenstvo-materstvo/otcovske). The second option, atypical employment, is a long-established method in developed economies, which is still in its infancy in Slovakia. (Poór et al., 2015; Strážovská et al., 2015). While the conditions for the first benefit are laid down by the state, application of the second benefit is at the discretion of the employer.

8 Closing remarks: some differences between the Slovakian and the Hungarian labor market regulations and their underlying reasons

In this study we have analyzed the employment incentive schemes in Slovakia, which the public and private sectors use to promote and expand employment and help workers.

We have shown that one of Slovakia's most important characteristics and problems is its very high unemployment rate. Its roots go back to the beginning of the political regime change. Economic policy has constantly tried to reduce the unemployment rate but never achieved a breakthrough, and the opening up of the EU labor market has not really improved the situation, either. Actual progress has only taken place since the end of 2010, mainly because the employment situation in all Visegrad countries improved so much that labor shortages have now set in. It also appeared in Slovakia after a delay of a few years.

Another feature of the Slovakian labor market is the existence of significant regional disparities[5]. As discussed above, this problem is still present, including in the number of the long-term unemployed. This also means that the Slovak government will have additional tasks, but as the study shows, the Slovakian labor market regulation is less active than in Hungary, and there are also some restrictive elements in Slovakia in the area of wages and social transfers. Still, the use of the European single currency (the euro) inherently provides additional stability in the purchasing power of wages and benefits.

We have therefore concluded that in the Slovakian practice, there is far less active and operational (elaborate) labor market intervention by the state than in Hungary. We believe that the reason for this is that the population decline is not severe (almost insignificant, see Figure 8), unlike in Hungary, where the population has shrunk by 10 per cent since the 1980s, by more than 1 million in total. The Hungarian birth rate has also been strikingly negative despite continued,

[5] The development gap between the east and the west also persists in Hungary.

large and widespread family policy support, which is more than double the Slovakian figure in terms of GDP (see Lentner & Horbulák, 2021). There were merely 77,500 births in 2024, the lowest ever in Hungary. The fertility rate equaled only 1.37 in 2024, but the main problem is the drastic decline in the number of women of childbearing age (this cohort) during the period since the regime change, especially as a result of the economic austerity packages of 1995 and 2006, which have significantly reduced family livelihoods. The inadequacy of a positive vision for the future since the 1990s and the lack of a family-friendly economic policy in the past have left some 300,000 mothers of childbearing age[6] missing from Hungarian society due to the adverse effects of the economic austerity measures of twenty to thirty years earlier.[7] Since 2010, the Hungarian government has been striving to reverse this earlier negative trend with rapid wage increases, family and financial benefits and a simultaneous improvement of housing conditions, all backed by a series of hyperactive government measures. Slovakia is not (or rather less) affected by these demographic and labor market problems. Compared with Hungary, the level of public debt is persistently favorable, and membership in the monetary zone also provides additional stability for families to plan for the future. In Hungary, despite similar employment figures, labor market problems are already more severe and, given the low birth rate, could even get worse next year. Nonetheless, the Hungarian government is seeking to actively intervene by developing the labor market and helping families to thrive, to reduce emigration and support birth rates. Thus, in spite of their similar level of economic development (specific GDP, employment rate), there are sharp differences in labor market protection measures, as Hungary is in a significantly less favorable position than Slovakia in terms of birth rate and labor shortages.

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[6] And there are essentially the same number of men “missing” in Hungary, making the total number of absent people of working age around 600,000.

[7] The austerity measures taken under the Liberal governments cut jobs, increased taxes, reduced family benefits, and significantly increased the number of abortions due to the poor economic outlook. Children not born 20–30 years ago are now causing serious labor market tensions in Hungary, prompting the government to be superactive in state intervention.

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