

# Implementation of Active Labor Market Policy Instruments in the Context of University Graduates in Slovakia

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**Abstract:** Unemployment is often used to measure the health of the economy. Every single country has to struggle with the problem of unemployment, so various measures are being taken to minimize the unemployment rate. Unemployment affects not only the economy of the country, but also the social and physical well-being of the individual. We chose to discuss this issue, because we had been unemployed after completing our bachelor's degree and wanted to be familiar with the opportunities we have to successfully enter the labor market. The main reason why university graduates find it difficult to enter the labor market is lack of experience and skills required on the labor market. The operational programmes and the employment and social inclusion programmes support the field of human resources development. They are increasing employment, social inclusion and capacity building. The support is provided by the European Social Fund and the state budget. The operational programmes were created to help the young unemployed entering the labor market. The main objective is to promote employability, strengthen the integration of socially excluded people and promote the reconciliation of work and family life. These programmes are designed for those completing their secondary education and those with university degree, depending on how long they have been registered unemployed at the Labor Office.

**Keywords:** labor market; unemployment; active labor market policy; youth unemployment

**JEL Classification:** J08; J21; J64

## 1. Introduction

Several questions addressing labor market issues are present nowadays. The increasing competition created the demand for labor market flexibility. In order to analyze the labor market, accurate information is needed (Kanbur and Svejnar 2009)

- Employees become unemployed on voluntary basis (temporary or permanent leave)
- Recruitment of unemployed to new workplaces or recalling them to positions/workplaces they have been temporary laid off from.
- Employed or unemployed people leaving the labor market because of retirement or they have other reasons to quit their jobs.
- Individuals who have never tried to find a job or enter the labor market, as well as those leaving the labor market earlier can enter by finding a workplace (Smith and Ehrenberg 2003).

„The labor market is a place, where the formally equal players, employees and employers interact, refers to the supply and demand for labor in which employees provide the supply and employers the demand.” (Dabasi 2011)

Labor market is the most important production factor consisting of buyers and sellers. The labor market is formed by work as a complex, long-term task to be conducted (Armstrong 2007).

Unemployment was defined by Mankiw as the following: “unemployment is a macro-economic issue affecting the individual directly. Loss of workplace is a psychological burden that results in living standard decrease (Mankiw 2005).

Unemployment is a heavy burden for the young. Young unemployed are those between 15 and 25, but also those, actively looking for job, but cannot find for various reasons. Not only Slovakia can be characterized by youth unemployment. The ratio of youth unemployment is higher than the adult unemployment in many other countries as well. The main reason is the preference of adult workforce with adequate skills and experience. These factors are important for the employer since these employees directly contribute to profitability of the company. In order to find job easier, it is essential to have the appropriate skills. Lack of skills increases the chance to find a decent or inappropriate job, as well as it is increasing the possibility of long-term unemployment. Further reason might be the formal knowledge gained at universities, which does not meet the trends, skills and knowledge required on the labor market by Signorelli (2012).

Job matching (employee preferences and awareness) is essential on the labor market. The main objective is to match the employers maximizing their profit with the employees trying to maximize their efficiency and skills to meet this demand. It is not easy to meet this demand, since the employees have different preferences and qualifications. When the employees would like to maximize their usefulness, they express their demand for material and non-material needs. However, the performance-related wage offered does not always reflects the interest of the employee, not all of the workplaces offer the same wages and benefits. If all the workplaces provided the same offer and the same tasks, it would be easier for an employee to make decision about choosing a job. Since the market is not functioning smoothly, not all employers provide the same wage and offer the same workplace conditions. Some of the workplaces offer a freedom of decision in determining working hours, while other workplaces offer less flexibility. Some of the employers offer supplementary benefits to their employees (Ehrenberg and Smith 2003).

The following five models belong to Western-European models:

1. The German model is focusing on decreasing the worktime. The weekly working hours and the number of working days were decreased to four. The solution was applied by Volkswagen group in 1993.
2. The second German solution is the Relay System. It is focusing on efficient use of generation change. This idea was trying to help by increasing the worktime of new employees and decreasing the worktime of older employees in the company. This idea was also applied by Volkswagen.
3. In French model, the state offered to decrease the social insurance contribution paid after the employee. Several conditions had to be fulfilled to achieve this e.g. the number of employees is increasing by 10% parallel to 10% decrease of worktime. As a result of the introduced measure, the companies obtained allowance in the following six years of their existence from the state.
4. The Swiss model reduced the employee worktime by 25%, so they could apply for the unemployment benefit, which resulted in 10% decrease of the employee wage.
5. The Danish model used two variants of unemployment rotation system. According to the first solution, those working three years on their workplace are entitled for a year paid leave. During the paid leave, the employee has to participate on professional training. The second solution is to share the worktime of three employees with one unemployed person. The unemployment benefit and the wage of three employees are divided into four parts. According to this solution, these four employees will be unemployed for a week (Gulyás 2008)

The operational programmes, employment and social inclusion programmes support the field of human resources development, increase the employment, social inclusion and capacity building. The support is provided by the European Social Fund and the state budget. The operational programmes were created to help the young unemployed entering the labor market quickly. The main objective is to promote employability, strengthen the integration of socially excluded people and promote the reconciliation of work and family life. These programmes are designed for those completing their secondary education and those with university degree, depending on how long they have been registered unemployed at the Labor Office. New workplaces are created that provide appropriate practical base for the participants. 7 projects of this kind will be listed below.

National project – Opportunity for Young People (Šanca pre mladých) - operative programme of human resources. The amount of subsidy is 49,981,644.80 EUR. The project is implemented in the

following districts: Trenčín district, Trnava district, Nitra district, Banská Bystrica district, Žilina district, Prešov and Košice district. The project is focusing on integration of the young (those, who are not employed, do not continue their studies or do not participate in vocational training). The main objective of the project is to create workplaces for (until the age 29) those, who have been unemployed at least for 12 months before joining the project. The long-term unemployment is the most serious phenomenon of the Slovak labor market, detected in each region of Slovakia. Signing up for the programme provides significant and efficient support to enter the labor market. The employer might hire an instructor to assist the young employee in their effort to integrate easily. Supporting workplace creation targeting the young should be seen as an investment in terms of long-term employability of this generation on the labor market. Long-term unemployment has negative impact on the mental health as well as on the level of income. The employment experience is increasing the future employment chances. As an outcome of the project, 7,000 workplaces will be created for unemployed young people. Duration time of the project is 21 months. The subsidy lasted from April 2017 until December 2018 (Šanca pre mladých).

National project – Selected Active Measures for Young Unemployed (Vybrané aktívne opatrenia na trhu práce pre mladých uoZ) - operative programme of human resources. The amount of subsidy is 11,999,988.00 EUR. The implementation of the project is restricted to the following districts: Trnava district, Prešov district, Trenčín district, Nitra district, Banská Bystrica district, Žilina district, Prešov and Košice district. This project provides funding to support employment growth and the activity of the Labor Office to support the employment opportunities of the young under the age of 29. In the framework of the national project, active measures will be implemented, in accordance with the Law 5/2004. The main objective of the project is to support the employment and training of job seekers under the age 29, improve their labor market position and increase the level of employment by supporting the development of local and regional employment. The project is implemented by the Ministry of Social and Family Affairs by 43 offices of western, central and eastern Slovakia. The assistance is available for 7700 unemployed people (Vybrané aktívne opatrenia na trhu práce pre mladých uoZ)

National project – Training for Young Job Seekers (Vzdelávanie mladých uchádzačov o zamestnanie) - operational programme for human resources. The amount of subsidy is 30,983,991.45 EUR. The project is promoting the employability of young job seekers, offers trainings and strengthening the key competencies. The project activities are divided as the following: support the retraining of young job seekers, supporting the key competencies of young people and supporting the self-care of young job seekers. The objective of the project is to prepare these people to enter the labor market and benefit from the skills and knowledge gained on trainings. The retraining of young job seekers is ensured by cooperation between the specialized agencies and service providers. The institution providing training is eligible if it can demonstrate that the organization is accredited to provide the training programme in accordance with the Slovak legislation or has issued a consensual opinion about the professional body. It does not apply for communication, computer, managerial, social, and executive or language competencies. The retraining should be conducted in Slovakia (Vzdelávanie mladých uchádzačov o zamestnanie).

National project – Restart Programme for Young Job Seekers (Reštart pre mladých UoZ 2) - operational programme for human resources. The amount of subsidy provided is 29,942,400.00 EUR. The objective of the project is to improve the situation of young unemployed under the age of 29 in order to increase their employment by motivating them to tackle the problem of unemployment. The further aim is to target those regions in Slovakia that are less developed in terms of employment. This national project provides a motivational contribution for young job seekers by promoting stability and adaptability in the first 12 months of joining the programme. The contribution is provided for those active job seekers who find a job and can prove their presence at workplace. The financial contribution is provided on monthly basis after checking the duration time of the employment in the information system or in case of minimum 1 and maximum 12 months of employment, 126.14 EUR is provided monthly during the first six months and further 63.07 EUR can be claimed in the following six months. This system of subsidy is valid from September 2018 until June 2022 (Reštart pre mladých UoZ 2).

National project – Experience to Ensure Employment (Praxou k zamestnaniu) started in August 2015. The main objective is to improve or provide practical experience for those under the age of 49 with an assistance of a mentor. During the mentoring process, the office provides financial support for those employers creating a workplace serving this purpose. Financial support is provided if the workplace ensures a part-time job for at least nine months for an employee. The conditions of the programme changed in 2017. Following this change, the Ministry of Labor and Social Affairs made it possible for the employee to work full time at least 6 and maximum 9 months. The programme received a financial support of 10,070,080.00 EUR. There were 3,892 applications submitted in 2017, the number of approved applications reached 3628 (Vyhodnotenie AOTP 2017).

National project – Graduate Traineeship Programme (Absolventská prax štartuje zamestnanie) – the project was kicked off in August 2015. The main objective of the project is to increase the employment of young people until the age of 29. They provide opportunity for those, who do not have qualification or enough work experience after graduating by creating workplaces at an employer with university degree. These two programmes are implemented as active labor market steps in accordance with the Employment Services Act § 51 and 54. First is providing qualification for the employer, followed by a postgraduate support which is 56% of the living wage in accordance with § 51. The second is a financial contribution for those employers who employ fresh graduates, no later than 30 calendar days after completion of traineeship, in accordance with § 51 of the Employment Service Act. The employer has to ensure full time position for at least 9 months, while the position will be maintained by financial contribution for at least 6 months. Following this step, the employer is obliged to maintain this position for further three months (Vyhodnotenie AOTP 2017).

National project – Being Successful on the Labor Market – operational programme of human resources. The amount of subsidy provided is 50,000 000.00 EUR. The project “Being Successful on the Labor Market” started in 2015. The main objective of the project is to increase the employment of young people until the age of 29 in accordance with § 51 and § 54 of the Employment Act. The primary goal of the programme is to provide financial subsidy for creating and maintaining workplaces for young people. The programme provides possibility for those, who had not had paid job or regular income for at least six consecutive months before the start of the project. The second goal of the project is to support employers, who create jobs for young unemployed people. The project can be entered by participants until the age of 25, who have been registered as unemployed for at least three months. The second group is formed by participants up to the age of 29, who had been registered at Labor Office as unemployed for at least six months (Národný projekt Úspešne na trhu práce).

## **2. Methodology**

The main objective of the research is to map the efficiency of active labor market instruments applied in Slovakia and to assess the knowledge of graduate jobseekers about employment services in the employment services sector and to assess the extent to which employment policy opportunities are being exploited in selected districts. Our research was conducted in 3 districts of Southern Slovakia, the students of J. Selye University (on Corporate Economics and Management second level study programme) are affected by. We were interested in what kind of subsidies and national projects are implemented in order to help the young unemployed in the districts of Komárno, Nové Zámky and Levice. In order to achieve our goal, the subsidies had to be determined. It is important for the state to keep the unemployment rate low since it is a high burden and extra expenditure for the state. Our sub-goal is to map the knowledge of job seekers about the employment services, as well as how they can utilize the opportunities offered by active employment policy.

## **3. Results**

There are two institutions dealing with the registration of unemployed in Slovakia: Statistical Office of the Slovak Republic and the Central Office of Labor, Social Affairs and Family. The Labor Office shall perform the following tasks:

- implementing active labor market measures,
- registration of workplace vacancies,

- providing professional advice,
- registration of unemployed job seekers,
- labor exchange,
- preparing the projects set up by the European Social Fund,
- measures taken regarding the job opportunities (ÚPSVaR 2014).

Government agencies in the field of employment services

Act 453/2003 on social affairs, family and employment services and the amendment to certain law regulates the establishment of bodies and status in the field of public administration. The central state administration currently is the Ministry of Labor, Social Affairs and Family of the Slovak Republic. The ministry can either directly set up a unit offering employment services or establish a relatively independent national employment service (Hetteš 2013).

### *3.1. Employment policy tools to reduce unemployment*

The Slovak Republic is committed not only to the EU policy, but also to multidimensional development of its own country. It is seeking to influence the labor market in order to implement social functions. As it was mentioned above, it is contributing to decrease of unemployment in as the following: active workforce (labor market tools) and passive workforce (policy tools). Supporting trainings is an active tool that helps the candidate to find a job after completing the training. The new skills gained might increase the chance of the candidate on the labor market.

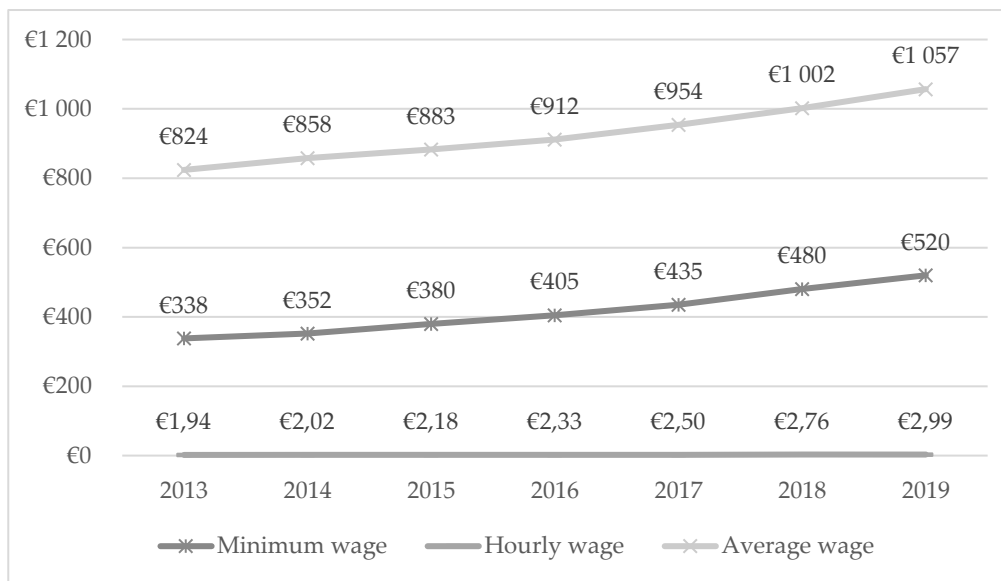
#### *Active tools*

Active tools are promoting employment. The main objective is the reintegration of those excluded from the labor market. It adjusts supply to demand. The following types of active tools are differentiated: employee retraining or an active tool dealing with the tension already present when the employee made redundant has to register in the Labor Office. Tasks: ensure the appropriate employment. The European Union is supporting the member states in reducing youth unemployment and increasing the employment ratio. The aim is to achieve 75% employment among the working-age population between the age of 20 and 64. Why is it important for the EU to incentivize the youth employment? Based on the data of the EU Commission, 6.3 million young people (15-24) in 2016 were not employed or participated in education in the EU. As a result, 4.2 million young people were unemployed in that particular year. The unemployment rate of young people fell to 19% in 2016 compared to 23% in 2013. This rate is still high in the member states of the EU (some member states exceeded 40%). This suggests that labor market disparities are present not due to inadequate skills, limited geographical mobility or dissatisfactory wage conditions.

The labor market conditions are largely determined by general problems arising from geographical location. The fresh graduates are attracted by nearby capitals of Budapest and Bratislava. As a result of brain drain, the districts are severely affected by high unemployment rate and low-income conditions. The lack of employment opportunities in particular districts result in the fact that many people are forced to accept job opportunities offering minimum wage. The wage level reflects the low qualification level of the employees. The lowest level of minimum wage is often offered by the largest employers in the district e.g. education, food industry or agriculture (Horváth, 2004).

The minimum wage is the lowest possible wage the employer has to ensure for a full-time employee. The low-wage work posed significant risk on pensions as well. It resulted in introduction of the minimum pension. Some workplaces apply higher coefficients and therefore offer higher wages. The amount of minimum wage is expressed in gross amount.

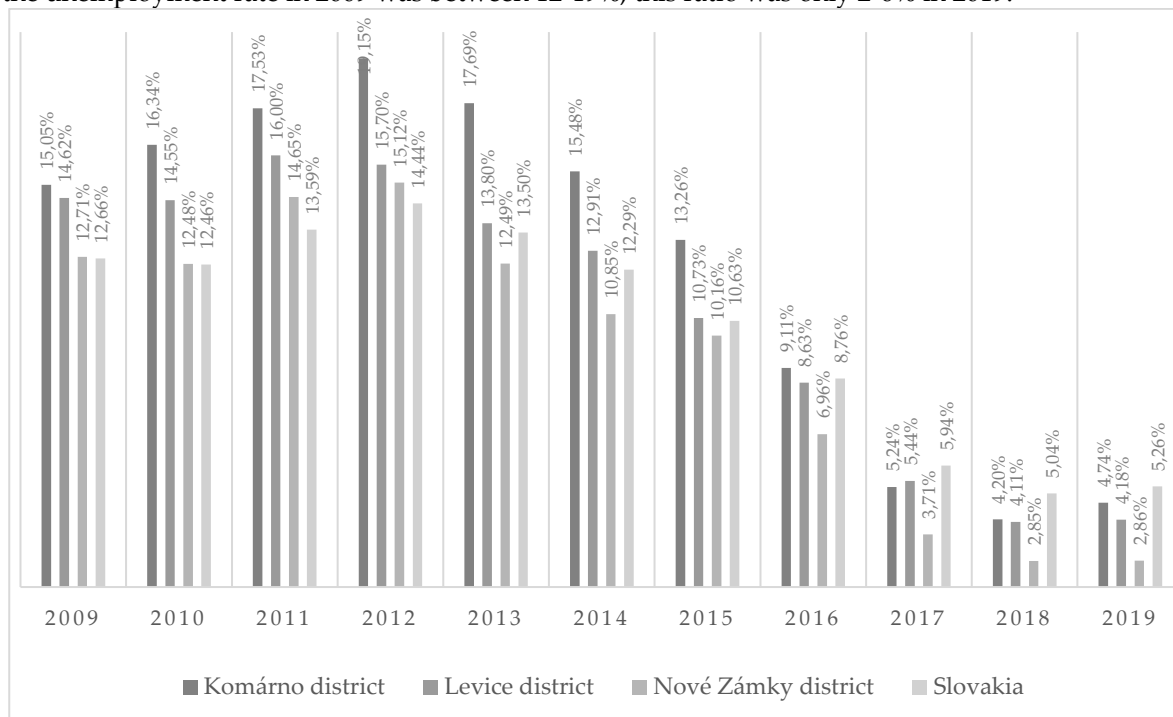
The Labor Code also introduces the hourly minimum wage. Natural persons employed by any company or employer are entitled to hourly minimum wage. All of those with permanent employment, work contract or conducting student job are entitled to hourly minimum wage. In Slovakia, the average wage is the arithmetic mean of wages. It can be concluded, that 70% of the employees in Slovakia earn less than the average national wage. The average wage increase is indicated by inflation. The inflation is determined by the decrease or increase of living standard (Minimálna mzda)



**Figure 1.** Minimum and average wage in Slovakia in the past 6 years (mimimalzda 2019).

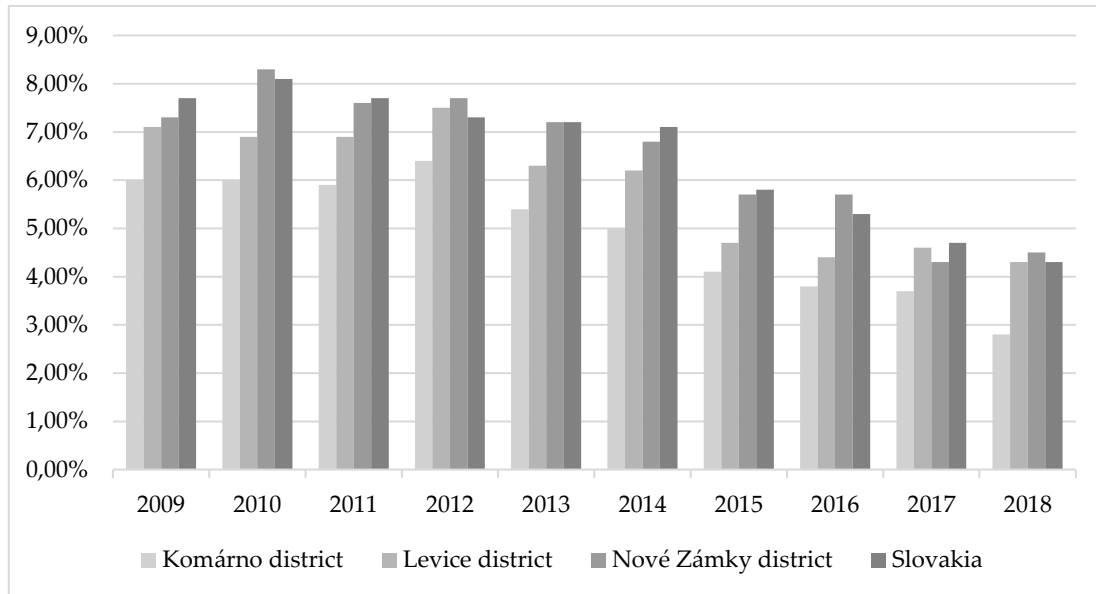
The minimum wage, hourly wage and the average wage has increased in Slovakia in the past few years. Figure 1 shows that the minimum monthly wage per capita was 338€ in 2013, while this amount increased to 520.00 € in 2019. The hourly wage per capita was 1,941 € in 2013, while it shows increase to 2,989.00 € in 2019. Similar positive result can be detected in case of average wage. The monthly average wage in 2013 was 824.00 €, while the estimated average wage in 2019 is 1057.00 € (Minimálna mzda 2019).

The next figure shows how the unemployment rate of Slovakia developed in the past 10 years, as well as the development of unemployment rate of three border districts (Komárno, Levice, Nové Zámky) is presented. We can detect a significantly decreasing tendency in the past ten years. While the unemployment rate in 2009 was between 12-19%, this ratio was only 2-6% in 2019.

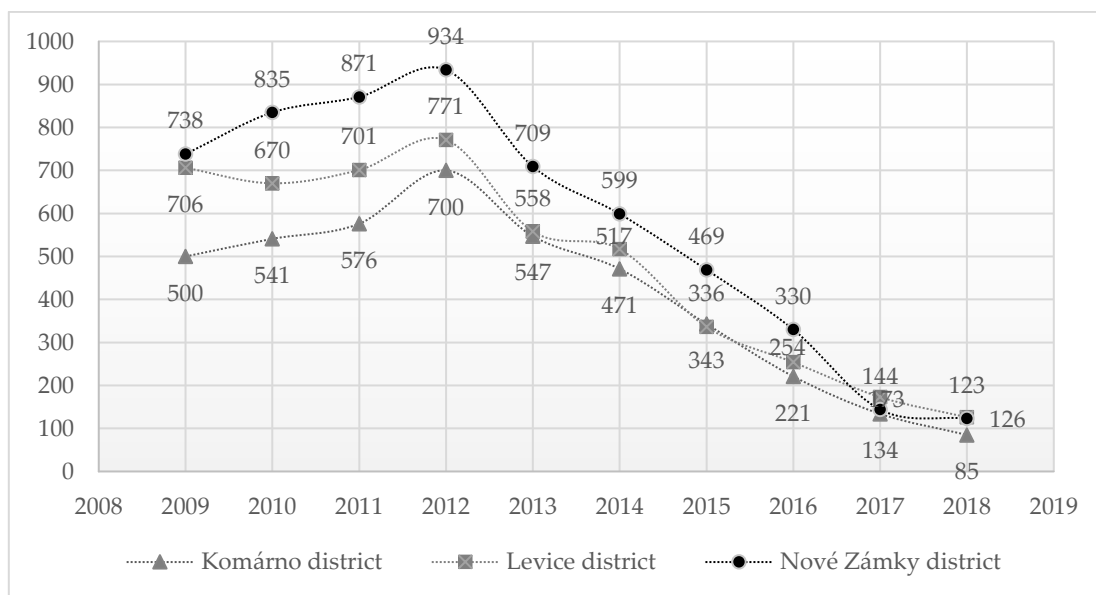


**Figure 2.** Unemployment rate in the past ten years (Statistical Office 2019).

The Figure 2 shows the rate of fresh university graduates in the past nine years. Our data was obtained by dividing the number of graduates with the number of unemployed job seekers. We examined the data of the above mentioned three districts and the national values. In 2009, the ratio of university graduates was between 6 and 8%. This value was between 2.8% - 4.5% in 2018. Steady decline has been detected since 2014, when the first national project for job seekers was introduced.



**Figure 3.** The rate of graduate job seekers in the past 9 years. (Statistical Office 2019).



**Figure 4.** The number of graduates between 2009 and 2018 (Statistical Office 2019).

The figure above presents the number of university graduates between 2009 and 2018. The figure presents national data and data of three districts: Komárno district, Nové Zámky district and Levice district. Between 2009 and 2011, Komárom district shows the lowest number of graduate job seekers. The highest number was detected in district of Nové Zámky. The highest number of graduate job seekers was detected in 2012, both in the selected districts of Slovakia and national level. The following years show a small then a greater decline. This change is largely due to the operational programmes being introduced. Compared to 2009, the ratio of graduate job seekers decreased in 2016. The number of graduate job seekers in Komárno district decreased by 83% in the period of 2009-2018. This ratio in

Levice district is 82,16% and 83,34% in Nové Zámky district. The overall results for Slovakia show 75,01% decrease in 2018. We can summarize that both in the districts and the country, a significant improvement can be detected during the surveyed years.

The table below presents the number of university graduate job seekers applying for the programmes and those completing the programmes in districts of Komárno, Levice and Nové Zámky in the years of 2015, 2016 and 2017.

**Table 1.** The number of those applying, participating and completing apprenticeship in different districts.

Graduate Traineeship Programme		2015	2016	2017	Total
Komárno district	applicant	78	55	67	200
	participant	38	55	67	160
	finished	0	77	68	145
Levice district	applicant	14	80	66	160
	participant	8	71	62	141
	finished	1	26	72	99
Nové Zámky district,	applicant	103	248	200	551
	participant	98	247	200	545
	finished	12	185	278	475

Table 1 shows the number of those interested in the Graduate Traineeship Programme in 3 districts of Slovakia. There were 78 university graduates in Komárno district applying to participate in the programme in 2015. In the same year, 38 out of 78 participants could start the programme. In 2015 nobody finished the programme in Komárno district. The table also presents the number of applicants, participants and those finishing the programme from Levice and Nové Zámky districts. The table presents data from the years 2016 and 2017. The last column presents the total number of applicants, participants and those finishing the programme in 3 different districts. There were 55 participants in the programme from Komárno district in 2015. The number of those finishing the programme in 2015 was 77. This can be explained by the fact that there were participants who started the programme in 2015 but finished in 2016. A summary table was prepared to assess the questionnaire survey. The table contains the summary of answers provided by female and male respondents. Data is presented in percentages. The results were obtained by dividing the total number provided for a given response by the total number of male and female respondents.

**Table 2:** Answers provided for the questionnaire survey in terms of gender.

The most frequently marked answer (%) in terms of gender				
Questions	Female 65%		Male 35%	
age	17.4%	24; 25	30.4%	24
qualification	53.2%	basic education	68%	basic education
district	36.2%	Levice	44%	Levice
year of obtaining qualification	29.8%	2017	40%	2018
time spent on job search	68.1%	3 months	68%	3 months
participation on career advice	57.4%	no	68%	no
utilization of opportunities	63.8%	no	72%	no
assessment of labour market	46.8%	less good	44%	less good
informed about the national programmes	44.7%	yes	48%	no
applied for national programmes	25.5%	yes	12%	yes
long-term unemployment is decreasing the chance of finding job	53.2%	yes	44%	no



assessment of the Labor Office	48.9%	less good	28%	less good
informed about financial support	66.0%	yes	52%	yes
the most important factor in finding job	55.3%	professional experience	40%	qualification
programme the candidate heard about	34.0%	Restart for Young Job Seekers	24%	Graduate Traineeship Programme

The figure above shows the most frequently marked age of the male and female respondents. 17.4% of the female respondents reported to be between the age of 24 and 25, while 30.40% of the male respondents reported to be 24. Both male and female respondents reported their highest qualification the basic education (female – 53.2%, male – 68%). Most of the respondents were from Levice district, 36.3% of the female and 44% of the male respondents. 29.8% of the female respondents gained university degree in 2017, while 40% of the male respondents achieved university qualification in 2018. The estimated duration of job search was 3 months both for male and female respondents. According to the statistics of Labor Office, the counseling services were not utilized by the majority of female (57.4%) and male (68%) respondents. Neither were utilized the further services offered by the office. Less satisfied the respondents were with the labor market conditions offered for university graduates (female – 46, 8%, male – 44%). Based on the results, 44% of the female respondents are informed about the national programmes, while majority (48%) of the male respondents were not informed about the issue. 25,5% of the female respondents, while only 12% of male respondents applied and have experience with these programmes. According to 53.2% of the female respondents, the long-term unemployment is decreasing the chance of labor market re-entry, while 44% of the male respondents do not feel like that. Both female (48.9%) and male (28%) respondents were less satisfied with the services of the Labor Office. 66% of the female and 52% of the male respondents are not informed about the financial subsidy provided for starting business. 55.3% of the female respondents find the appropriate professional experience essential to find a workplace, while 40% of the male respondents found qualification more important than the experience. While 34% of the female respondents are familiar with the Restart Programme for Young Job Seekers, Graduate Traineeship Programme is popular among the male respondents. 72.3% of the female respondents find it difficult to enter a job in their own district, while lack of professional experience seems to be a problem for the male respondents.

#### 4. Discussion

The efficiency of Slovakia's active labor market instruments proved to be successful, as the unemployment rate of graduates is showing a decreasing tendency year by year. It can be explained by the fact that the number of those participating and completing traineeship programmes is increasing, resulting in declining unemployment rate. The questionnaire research targeted those university graduates, who were registered as job seekers at the Labor Office. It was also important in what measure these graduates were informed about the opportunities and trainings offered by the office. The results seem to be disappointing, since 40%-40% of the respondents, less than half of them reported to be informed about the programme opportunities. 50% of the above-mentioned respondents participated on retrainings. The listed operational programmes were known by 24.95% of the respondents.

The results clearly show that both the unemployment rate and the rate of graduate unemployed is decreasing year by year, which indicates that our country has been successful in decreasing the unemployment rate. We propose not only for those to participate in operational programmes who have been unemployed at least for six months, but also those since the first month of their unemployment. Even the first month being unemployed has negative impact on the individual's physical and mental health as well as financial insecurity occurs. The results show that the long-term unemployment is decreasing the chance of the labor market re-entry and the individual is becoming isolated, losing skills and competencies to get a job. According to analyzed data, 68.10% of the survey

participants managed to find a workplace within 3 months. This seems to be a promising result in terms of decreasing the unemployment rate. The remaining 31.90% of the survey participants managed to find work as well, which resulted in falling rate of unemployment coupled with economic boom. We propose to put emphasis on developing practical skills of students in university education, since most of the graduates entering the labor market lack these skills. The analyzed districts offer limited number of workplaces. While decreasing the rate of unemployment, it should also be considered to create workplaces suitable for university graduates since they prefer to accept positions less accessible for low-skilled labor force. In order to achieve this objective, it is necessary to provide the appropriate financial compensation for their work, which has shown increasing tendency in the past few years.

## 5. Conclusions

The current knowledge and experience, in accordance with the amendments to the Act of the National Council of the Slovak Republic No. 5/2004 Coll. on employment services show the need to change the concept of active labor market policy. While intensifying and expanding active policy instruments, it is possible to expand the active policy tools, as well as the number of those individuals who are targeted by these instruments. The introduced effect is also supported by financing instruments of active labour market policy by the European Social Fund. However, this does not mean that the availability of these tools increased, because the more tools are accessible, more the administration associated with that will occur. The immediate effect of any active employment policy programme is that the unemployment rate is reduced, as part of the registered unemployed shifted from the category of open unemployment into the category of participants. However, the aim of active employment policy should not be to move the unemployed from the group of openly unemployed to the group of those participating in the programme. The main objective is to help those looking for a job. In the last programming period, it is the orientation towards graduates and job seekers over 50. This is the reason why it is necessary to increase the efficiency of active policy, provide adequate space for active measures to be applied and develop tools that might become effective. Despite the benefits offered by active labor market policy, it cannot be considered a perfect solution for the current situation on the labor market.

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