Contribution of Small and Medium Enterprises to Employment in Slovakia

Ľubica Lesáková
Matej Bel University, Faculty of Economics
Banská Bystrica, Slovak Republik
lubica.lesakova@umb.sk

Abstract: Small and medium enterprises represent a substantial part of the economy in developed countries. In OECD countries small and medium enterprises represent more than 95 per cent of the total number of enterprises, their share on employment varies between 60 and 70 per cent. The aim of the article is to present the role of small and medium enterprises as an important source of employment in Slovakia and through the statistical data give the view on their job creation in the Slovak republic.

Keywords: small and medium enterprises, Slovak Republic, employment, employment in selected sectors and regions, recommendations to improve the business environment in respect of employment.

1 Small and Medium Enterprises and their Contribution to the Employment in the Slovak Republic

The evaluation of small and medium enterprises sector is based on the data from statistical register published by Statistical Office of SR. The present state is documented by quantitative characteristics of SMEs sector based on number of business entities broken down by branches, regional distribution, employment, production and foreign trade.

The Statistical Office of SR noticed in the year 2003 compared to the year 2002 a growth of the number of natural persons – entrepreneurs by 10,9%. This included 306 356 small trade licensees, 13 044 persons doing business in free occupations and 10 320 independently managing farmers. Majority of small trade licensees were registered in trade (107 581), manufacturing of goods (52 882), building industry (49 226), realestate and leasing (42 401). Most small trade licensees did business in the districts Bratislava, Žilina, Nitra, the least numbers of small trade
licensees were registered in the districts of eastern part of Slovakia (Medzilaborce, Sobrance).

As to the legal entities at the end of the year 2003 were in Slovakia 101 412 legal entities including 64 420 small and medium enterprises and 36 992 non-for-profit institutions. On the year-on-year basis the total number of SME’s - legal entities increased by 8.6%.

Most small and medium enterprises operated in trade (25 227), followed by trade services (14 474) and manufacturing of goods (9 109) and building industry (4 934). As to the regional differentiation most of the small and medium enterprises are located in the region of Bratislava.

*The contribution by SMEs to employment* in Slovakia is significant. The role played by SMSs in employment is apparent from Chart No 1 (Contribution by SMS’s to overall employment). Small and medium enterprises including small trade licensees accounted for 59.4% of the employed population in the year 1997, up to 66% in the year 2003.

![Contributions by SMEs to overall employment](chart)

The numbers of earning persons in Slovakia increased by 1.8% on the average in 2003 according to the year 2002 and reached 2 164 thousand persons. Employment in the category of small and medium enterprises including small trade licensees increased by 7.3% including 13.4% for small trade licensees, 3.3% for small and 2.6% for medium enterprises. For large enterprises employment dropped by 9.0% according to the year 1998, apparently due to changes that occurred in large enterprises: after the ownership had changed during the previous years, many of them undergone restructuring process.

*The shares of SMEs on employment by branches* is shown in Chart No 2 (Contribution by SMEs to employment in selected sectors).
The development of employment in the national economy was positively influenced by the growth of the numbers of persons working as financial agents (by 5,5%), in building industry (by 4%), in public sector and defence (by 3,9%), in real estate and leasing business (by 3,2%), in hotels and restaurants (by 2,6%) and in industry (by 0,5%).

Employment by size categories of enterprises and its development within the recent 6 years are shown in Chart No 3 (Numbers of employees by size categories).

According to estimates 578 thousand workers were employed within the category of small trade licensees, 356 thousand and 371 thousand persons worked for small and medium enterprises, respectively.

Chart No 4 shows the shares of the regions on the total numbers of employees (Shares of regions on overall numbers of employees).
There was a continuing decreasing tendency of unemployment, which started in the year 2002. The numbers of the unemployed decreased in 2003 to reach 458 thousand (a reduction by 3.7% year-on-year). Of the total numbers of the unemployed, the last job of the majority was in industry (21.1%), other social services (10.1%), building industry (8.2%), and trade (7.8%).

As to the regional differentiation of SMEs the Chart No 4 shows the shares of regions on overall numbers of employees. From the aspect of the economic activities of regions, an important parameter is the ratio of the number of enterprises to the economically active (earning) population. A high ratio was calculated for mainly the region Bratislava. This corresponds with the overall economic level of the regions.

It can be stated, that the labor market showed an enhanced growth of demand for labor. As compared to 2002, employment in the national economy increased by 1.8% to reach 2,164,6 thousand persons. The growth rates of the overall employment in the economy exceeded those witnessed in the preceding two years, in spite of the fact that employment in large enterprises experienced a pronounced drop. The creation of new jobs is thus being shifted towards the sector of small and medium enterprises. In 2003 small and medium enterprises were employing 1,336 thousand people, being the highest figure in the history, and accounting for 66% of the employment.

After 15 years since the commencement of the transformation of the economy, the situation in the business sector in Slovakia is gradually approaching that in the EU in many aspects. This is best evidenced by the table below which compares the...
structure of business entities and employment in Slovakia with those in Europe by size.

<table>
<thead>
<tr>
<th>2003 data</th>
<th>Company size</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>micro (0 - 9)</td>
<td>small (10 - 49)</td>
</tr>
<tr>
<td>EU-19</td>
<td>numbers of enterprise (in ,000)</td>
<td>17,82</td>
</tr>
<tr>
<td></td>
<td>share on total numbers of enterprises</td>
<td>92,3%</td>
</tr>
<tr>
<td></td>
<td>numbers of employees (in ,000)</td>
<td>55,04</td>
</tr>
<tr>
<td></td>
<td>share on employment</td>
<td>39,4%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>numbers of enterprise (in ,000)</td>
<td>353,6</td>
</tr>
<tr>
<td></td>
<td>share on total numbers of enterprises</td>
<td>95,4%</td>
</tr>
<tr>
<td></td>
<td>numbers of employees (in ,000)</td>
<td>628,13</td>
</tr>
<tr>
<td></td>
<td>share on employment</td>
<td>31,0%</td>
</tr>
</tbody>
</table>

Note: EU-19 includes EU Member States and Iceland, Norway, Switzerland and Liechtenstein. The comparison was made using the method used by the EU (which does not distinguish between the various legal forms, and both legal entities and natural persons are considered to be enterprises). With respect to small trade licensees, employment has been based on estimates.

In respect of employment could be given some recommendations to improve the business environment. The following will mainly be needed to be done in the period to come:

- gradually improving communication between public education system and the employers sector for increasing employment in less developed regions;
- maintaining public transport above threshold of public service,
• supporting self-employment, also through consultation services and training
financed from State Budget Programmes,
• reducing differences between men and woman with respect to occupational
and work integration,
• placing more emphasis upon development of programmes and pilot projects
to support employment of high-risk groups of labor market participants,
• supporting maintenance and further development of job opportunities with the
emphasis being laid on grants,
• improving flexibility of the inflexible labor market and more efficiently
dealing with so-called black labor,
• more pronouncedly orienting the system of active labor market policy
towards supporting generation of job opportunities at SMEs.

Conclusion
Small and medium enterprises create in Slovakia, such as in many countries with
market economy, the largest and very quickly developing part of national
economy. Small and medium enterprises are characterised by high flexibility,
adaptability, play an important role in the process of GDP creation, in process of
employment, labor productivity increasing, regional development, technical and
technological development and innovations implementation. From all above
mentioned facts can be stated, that SMEs in Slovakia represent a dynamic and
essential element in the national economy as well as in the total structure of
enterprises at the market.

Bibliography
ISSN 1335-7069
Book of proceedings. Brno University of Technology, Faculty of
7154 310
National Agency for Small and Medium Enterprises, 2004