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ECONOMIC CHARACTERISTICS OF SMES IN SLOVAKIA AND IN CZECH REPUBLIC

Alena BAŠOVÁ

Abstract

The paper focuses on highlighting the importance of small and medium-sized enterprises in the European Union as well as in Slovakia and the Czech Republic. We have documented their significant place by computing selected indicators that have a high level of ability to express the power and significance of this segment of the business sphere. Among the selected indicators we included: the size and size structure of SMEs, employment in SMEs, the share of SMEs in value added and the export performance of SMEs. By using scientific data sorting methods, we divided the article into 4 chapters that formulate the speech objectives of the synthesis by the synthesis method. By using mathematical and graphical methods, the results are clearly shown in charts and tables. The rapid growth of SMEs in our conditions was recorded in 1991/92 and their birth was conditioned by several factors: the gradual breakdown of large state-owned enterprises in the process of the first wave of large privatization and the emergence of a larger number of SMEs, the return of property to citizens in restitution, and the emergence of a larger number of SMEs with foreign ownership.

Key words

Small and medium-sized enterprises, number of SMEs, employment, added value, export performance

JEL Classification: D0, D20, F11

Introduction

Small and medium-sized enterprises are traditionally referred to as the pillar of the market economy or as an important building block for a well-functioning economy. In this part of the contribution, we will clarify the truth of these claims, as we will highlight the importance of SMEs in terms of their number, share in employment, value added and show their involvement in international trade.

From the territorial point of view, apart from Slovakia and the Czech Republic, we will also focus on the EU as a whole, assessing the values of selected economic indicators, indicating trends in their development and comparing the results we calculated. Our analysis period covers the years 2010 to 2016, with the exception of the analysis of the territorial structure of SME exports which, due to unavailability of up-to-date data, will only be applied until 2013. From an economic point of view, we will characterize SMEs using the following indicators:

- the size and size structure of SMEs,
- employment in SMEs,
- the share of SMEs in value added,
- export performance of SMEs.

1 Size structure and SME size

In terms of size structure, we mean the share of individual size classes of SMEs in the total number of enterprises in the country (Strážovská et al., 2016). It is "a basic quantitative indicator that reflects the overall quality of the conditions for doing business." (Report on the state of the SME 2012 page 126). The data point to the fact that out of a total of 22 mil. entrepreneurial entities operating in the non-financial business economy within the EU 28 accounted for 99.8% of SMEs. Representation of micro-enterprises reached 92.8% in 2015, small enterprises 6.0% and medium-sized enterprises 1.0% (Horvátová, Gregová, Hrašková, 2012).

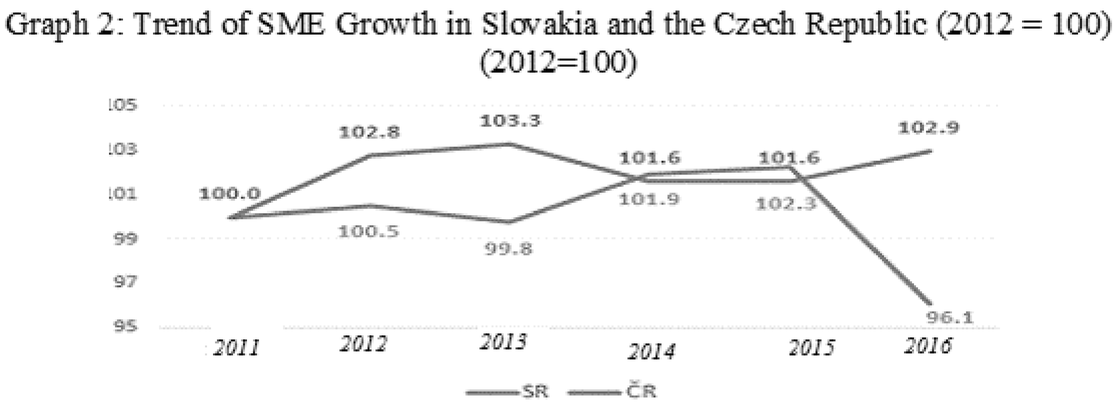
Table 1. Size structure of the SME segment - the share of micro, small and medium-sized enterprises in the total number of enterprises in Slovakia, the Czech Republic and the EU in 2015

Size category	SR		ČR		EÚ	
	Number	Share	Number	Share	Number	Share
Micro	515 236	96.9%	1 096 736	96.1%	21 356 252	92.8%
Small	12 984	2.4%	35 379	3.1%	1 378 702	6.0%
Middle	2 843	0.5%	6 847	0.6%	224 647	1.0%
MSP together	531 063	99.9%	1 138 963	99.8%	22 959 600	99.8%

Source: own processing
Note: The data presented in the table show some methodological differences that have to be taken into account in the comparison. EU 28 data are compiled according to Eurostat's methodology for Structural business statistics and cover the non-financial business economy sectors.

The size structure of enterprises in the Slovak Republic and in the Czech Republic is very similar to the size structure of the business sector in the EU countries. In both cases, SMEs create for more than 99% of all enterprises (99.9% in the SR, 99.8% in the Czech Republic and in the EU 99.8%). The main difference between the Slovak Republic and the Czech Republic on the one hand and the EU on the other hand is the share of micro-enterprises and small enterprises in the business sector. Average EU values refer to the lower representation of micro-enterprises compared to Slovakia and the Czech Republic (about 4 pp) and higher share of small enterprises (by 3 to 3.5 pp). In the year 2016, 531,000 SMEs in Slovakia, of which more than 96% were micro-enterprises, represent, in absolute terms, 515,236 entrepreneurial subjects. The share of small enterprises was only 2.4% (12 984 subjects) and medium enterprises accounted for only 0.5% of all enterprises (2 843 subjects).The size structure of enterprises in the Czech Republic is very similar to Slovakia, 96.1% of enterprises in 100 are microenterprises, 3.1% of enterprises in the Czech Republic for each size category are roughly twice as many companies as compared to Slovakia (Veber, Srpová, et al. 2005). From the point of view of SME development, we can see that there was a fluctuating trend in their development between 2011 and 2016. In Slovakia, we can see a significant year-on-year decrease in the number of SMEs till to 2017, which was "mainly due to the introduction of a new methodology by the Statistical Office of the Slovak Republic for determining the activity of the entity." (SME in Numbers 2015, page 7). In this year, the number of SMEs accounted for only 96.1% of 2010. In the Czech Republic, the number of SMEs did not fall below the level of the base year in 2012. In this year we can see the year-on-year increase in the number of SMEs compared to the base period and the number of SMEs increased by 2.9% (in absolute numbers it was roughly 32 000 business entities).

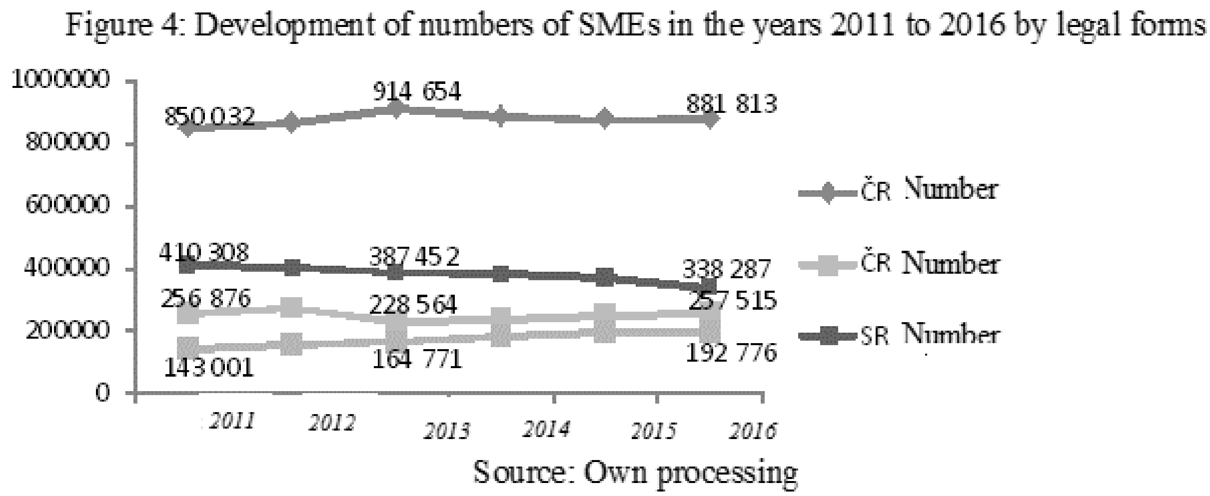
Fig. 1. Trend of SME Growth in Slovakia and Czech republic (2012 = 100)



Source: Own processing

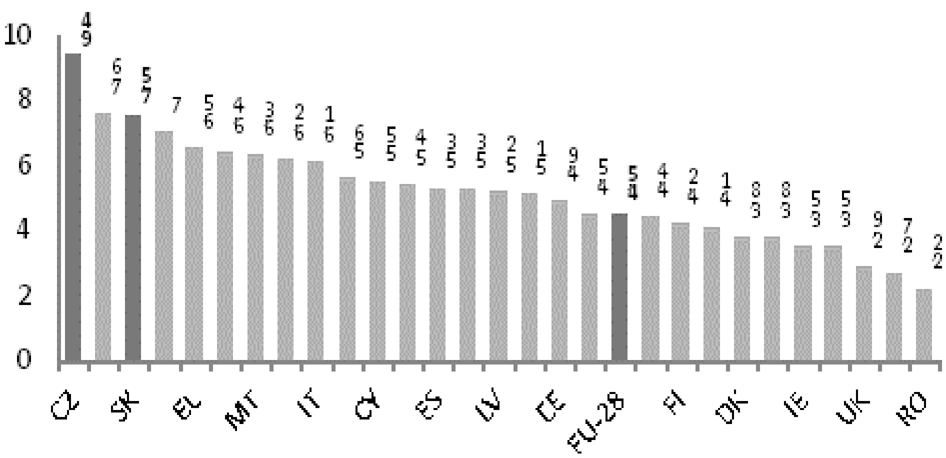
The development of SMEs can also be seen in terms of legal forms of business. In the period 2012-2016 the number of legal entities (hereinafter referred to as "natural persons = NPs") in the SR increased and the number of SMEs of individual NP) decreased. The number of SME legal persons=LPs increased from 143,001 entities to 192,776 entities, an increase of 34.8%. The average annual rate of increase in the number of SMEs in the legal entities in 2013 to 2016 was 6.16%. On the contrary, the number of SMEs in the SR decreased in the monitored period. Every year, their number decreased by 3.79% on average. The drop in NP of entrepreneurs is related mainly to the trend of decreasing the number of tradesmen in the SR. In the case of the Czech Republic, we can also observe the developmental tendency of the number of SMEs in terms of legal form. In 2016 we see a year-on-year increase in the number of business entities in both categories. For the whole of the period under review, the number of SMEs was increased by an average of 0.50% per year, while the number of SMEs NP grew similarly at a low rate on average by 0.74% per year.

Fig. 2. Development of numbers of SNEs in the years 2011 to 2016 by legal forms



A fascinating view of the number of SMEs is also provided by the following graph, which shows the number of SMEs per 100 inhabitants in each EU country in 2016. The Czech Republic ranks first with 9,4 SMEs per 100 inhabitants. Slovakia did not hesitate for it and ranked third with 7.5 SMEs per 100 inhabitants. The EU average is well below these values, with about 4.5 micro, small and medium-sized businesses in the EU accounting for every 100 inhabitants.

Fig. 3. Number of SMEs per 100 inhabitants in EU countries in 2016

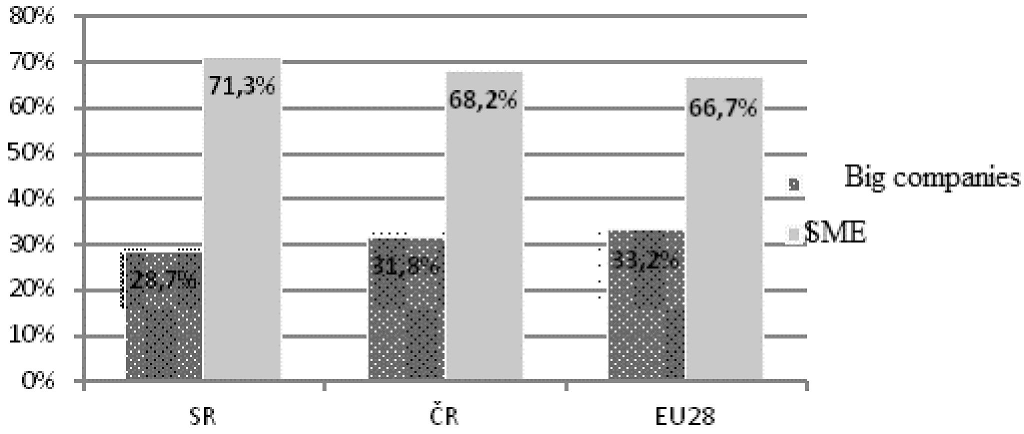


Source: Own processing according Annual Report on European SMEs 2016..

2 Employment Characteristics in SMEs

The importance of the SME segment for the economy can be also supported by data on the SME share of employment. (Belanova, 2013) In 2016, small and medium-sized enterprises in the Slovak Republic provided 71% of employment in the business economy, in the Czech Republic this share was only slightly lower and reached 68%. The average employment in the SME segment in the EU in 2010 reached 67%, ie by 3 pp. less than in the SR.

Fig. 4. Share of SMEs in employment in the corporate economy in 2016



Source: own processing on the basis of data from the SME database Interactive

Employment developments within the SME sector showed a very similar trend in the countries surveyed. By 2013 there was a slight increase and a consequent decrease in employment, but then the employment in SME started to grow and in the year 2016 it reached 103.8% in relation to basic, base year 2011, in the Czech Republic it was 101.8%.

Fig. 5. The trend of employment development in SMEs between 2011 and 2016 in Slovakia and the Czech Republic

Source: own processing based on MIT data - "Small and Medium Business Development Report 2015" p. 8 and SMEs in figures in 2015, p. 32

3 Added value of SMEs

The added value of the company is defined by the Slovak economist Lisy as "the difference of gross production and costs of the company expended for the purchase of raw materials, materials, services, energy (ie intermediates) from other companies." (LISÝ, J. et al. Adding the added value produced by all business entities operating in the territory of a given country we receive a gross domestic product (GDP) as the macroeconomic variable. (Šúbertová, Kinčáková,

2014) In this part of the contribution we will show to what extent the contribution of the SME to the generated added value in the SR and the Czech Republic, ie the GDP, and the development trend of this indicator in the years 2011 to 2016 .

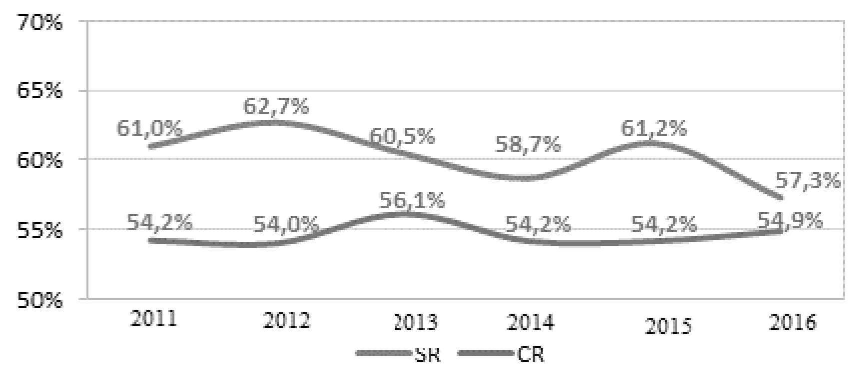
In 2015, the share of micro-enterprises in value added creation in the Slovak Republic was 27%, the share of small enterprises 13.5% and the share of medium-sized enterprises 16.8%. The sum of the added value created by these business segments represented 57.3%. In the EU, this share was almost identical in 2015 when it reached 57.4%. In the Czech Republic, the value of this indicator was the lowest and reached 54.9%. Just as we have seen the prevalence of microenterprises in the number and employment of SMEs, we are seeing a similar phenomenon even in the case of added value. Here, however, the difference between size categories is not very significant (micro-enterprises share 41.1% of employment in the SR, 96.9%, the added value is just 27%).

Fig. 6. Share of individual enterprise size categories to added value added in the SR, CR and EU28 in 2016

Source: own processing on the basis of the 2016 SBA Fact Sheet

From the point of view of the trend of the development of the added value of SMEs in the years 2011 to 2016, we see decreasing fluctuations around 60% in Slovakia. Compared to 2011, this indicator decreased by 3.7 pp. In the Czech Republic, the share of the added value of SMEs in the period under review was not significantly changed. Excluding 2012, when it rose to 56.1%, it reached values ranging from 54% to 54.9%. This trend is clearly illustrated in the following chart.

Fig. 7. Share of value added SMEs in 2010 - 2015 in Slovakia and the Czech Republic

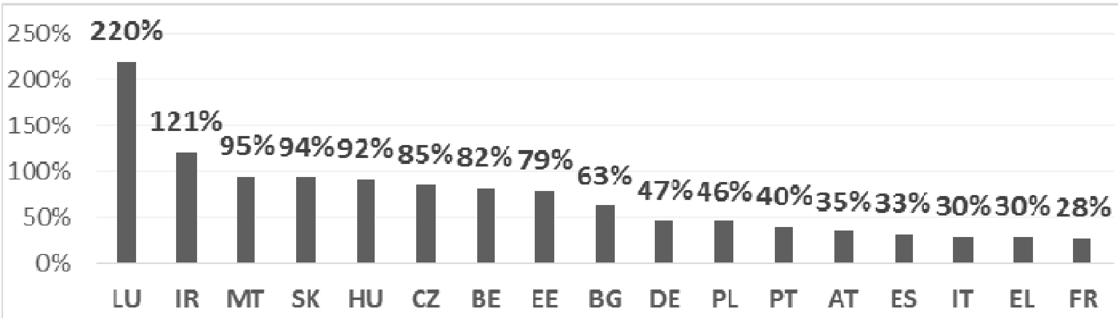


Source: Slovakia SBA Fact Sheet and Report on the development of small and medium-sized enterprises and their support in 2015 p. 9

4 Export performance of SMEs

Foreign trade and the involvement of SMEs Production in foreign trade are important factors of economic development. This is especially true for small economies with a limited internal market scope, such as Slovakia and the Czech Republic, characterized by high openness and pro-export orientation. Export performance of the Slovak economy, measured as the share of exports of products and services to GDP at current prices, and reached 93.8% in 2016, the overall openness of the Slovak economy, which we measure "the share of foreign trade turnover in GDP at current prices, reached 2016 185.2%. "In the Czech Republic, exports of goods and services reached 85% of GDP in 2016, the overall openness of the economy was 165% of GDP. Notably, Luxembourg and Ireland are the most pro-export-oriented countries in the EU.

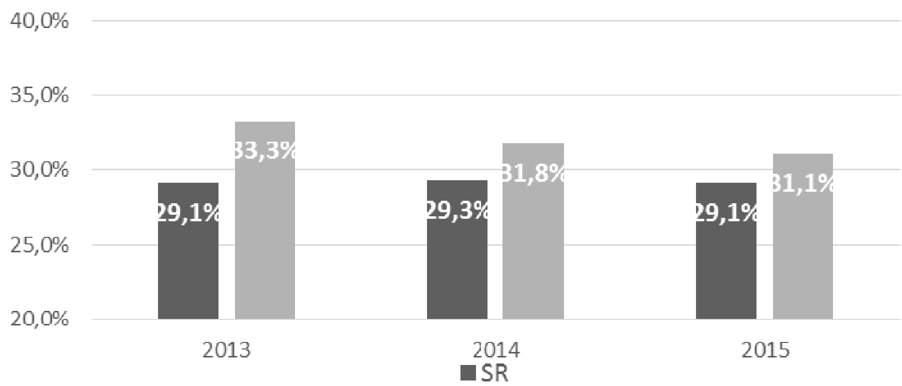
Fig. 8. Export performance of European countries



Source: own processing according to Macroeconomic Analysis - theory and practice

In the previous part of the paper, we highlighted the irreplaceable role of Czech and Slovak SMEs in job creation, more than two thirds of the active labor force in the business economy, with a high share in the added value or share of all entrepreneurial entities in both countries 99%. In terms of export performance, however, both large companies maintain a dominant position in both countries. (Synek M., Kislinger, E., et al., 2015).

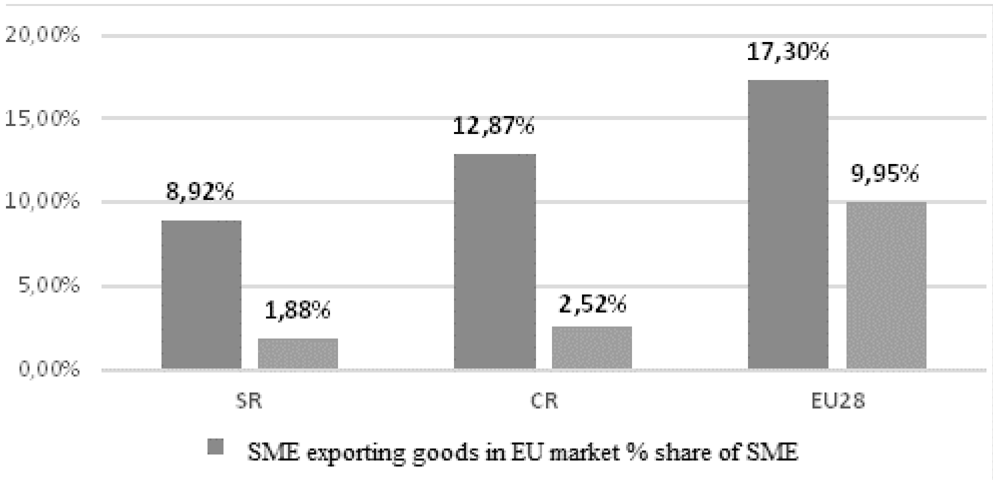
Fig. 9. Share of SMEs on exports in Slovakia and the Czech Republic (2013, 2014, 2015)



Source: own processing according to "Report on SME Development and its Support in 2015", p.11 and "The Position of Small and Medium-Sized Enterprises in Foreign Trade of Slovakia in 2015", p.8

The trend of export development of Slovak SMEs is stable and in the monitored period its share in the total volume of exported goods ranged from 29.1% to 29.3%. In 2015, this share was 29.1%, with a year-on-year decline of 0.2 p.b. The share of exports of Czech SMEs to the total volume of exports shows a decreasing trend over the monitored period when their value decreased from 33.3% in 2013 to 31.1% in 2015.

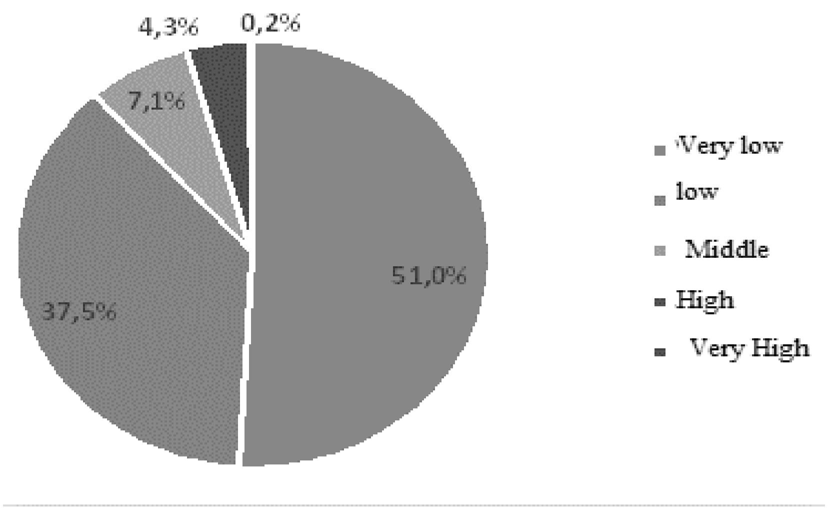
Fig. 10. Percentage of SMEs exporting goods within EU and non-EU countries in 2013



Source: 2016 SBA Fact Slovakia a 2016 SBA Fact Sheet Czech Republic

This graph presents the territorial aspect of the export of SMEs in Slovakia, the Czech Republic and within the EU countries. Of the total number of Slovak SMEs, only 8.92% of the enterprises exported goods to EU countries in 2013 and only 1.88% of all SMEs exported goods to third countries. These values are lower than the values measured for the Czech Republic and significantly lower compared to the average European values. We can say that only 10.8% of Slovak SMEs (8.92% + 1.88%) export goods abroad, while in the Czech Republic it is 15.39% of SMEs and in the EU 28 even 27.25%, which is almost triple compared to Slovakia and almost twice the value for the Czech Republic. In general, the weaker SME export orientation compared to large enterprises is justified by the fact, that most SMEs operate in sectors of the economy that are not traditionally considered to be proexport oriented. In this context, the Report is divided the sector by intensity of export into five categories: sectors with very low to highly export-intensive sectors. The results of this report, which are presented in the following chart, point to the fact, that up to 88.5% of total employment in the SME segment in the EU is for sectors with very low or low export orientation.

Fig. 11. Share of employment of SMEs according to the degree of export intensity of the sectors



Source: Annual Report on European SMEs 2015/2016, p. 36

Conclusion

Small and medium-sized enterprises have traditionally attributed a large amount of benefits to the economy. Their importance transcends regional or national borders and is at a transnational level, so the importance of SMEs is not only the EU that recognizes it in a number of documents, whether it be the European Charter for Small and Medium Enterprises or the Small Business Act for Europe. These documents characterize small and medium-sized enterprises as "the basic economic support of the EU, but also as a key source of employment. In addition to these aspects, SMEs attribute a high innovation and development potential. The economic importance of SMEs is at present indisputable. However, under the conditions of the Slovak Republic and the Czech Republic, we can only attribute to the SME segment the importance of the economy from the beginning of the 1990s, when the economy was transformed from centrally planned to market oriented. The rapid growth of SMEs in our conditions was recorded in 1991/92 and their birth was conditioned by several factors: the gradual breakdown of large state-owned enterprises in the process of the first wave of large privatization and the emergence of a larger number of SMEs, the return of property to citizens in restitution, and the emergence of a larger number of SMEs with foreign ownership.

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THE RESPONSIBILITY FOR RISK MANAGEMENT IN SMALL AND MEDIUM SIZED ENTERPRISES INT HE CONTEXT OF CLUSTERS

Katarína HAVIERNIKOVÁ, Jozef KLUČKA, Ján HAVKO

Abstract

The success of each business entity depends on its ability to find and manage the risks and control hazards and eliminate the uncertainty. By uncertainty we can understand the situation in which we are unable to define with sufficient reliability either states, respectively the processes or results that may occur in that area of interest. The responsibility for risk management in each business entity is realized through the management. The highest responsibility is naturally carrying out by owner of enterprise or top management. Based on the realized questionnaire surveys, the main aim of the paper is to evaluate the basic context of risk management organization in small and medium sized enterprises (SMEs), which are interested in participating in cluster – related activities. The experience and attitudes of owner are played significant role in the risk management of these SMEs. One possibility how to improve owners' experience and access to important sources of information represents the connection into the cluster. The proper cooperation between other firms and the other helpful organizations could improve the owners' experience with risk management.

Key words

Small and medium sized enterprises, risk management, cluster, responsibility

JEL Classification: L26, L80, L60

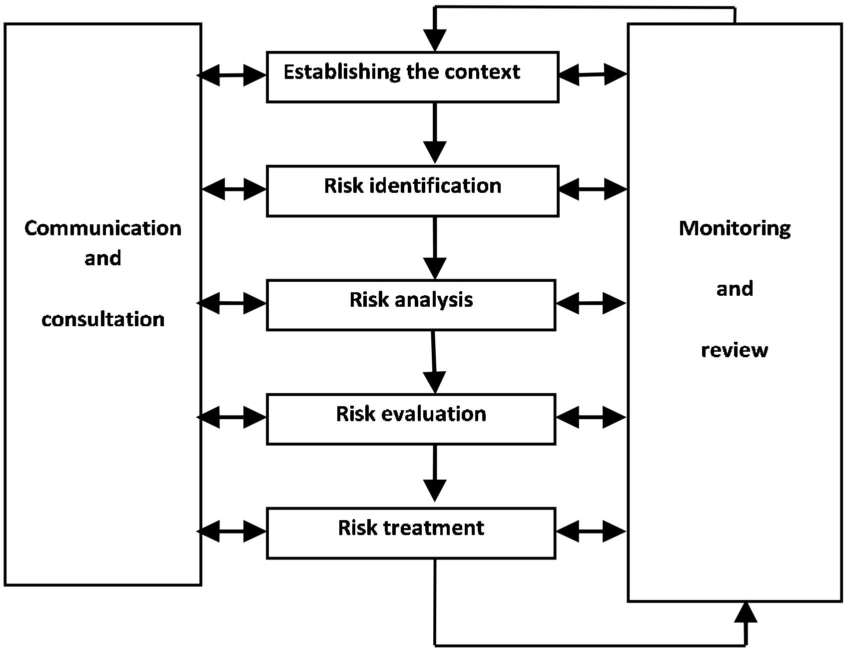
Introduction

In the current dynamic business environment in which small and medium-sized enterprises (SMEs) operate, the importance of risk increases. The success of each business entity depends on its ability to find and manage the risks and control hazards and eliminate the uncertainty. By uncertainty we can understand the situation in which we are unable to define with sufficient reliability either states, respectively the processes or results that may occur in that area of interest. The uncertainty we can define as the situation in which we know the possible states, respectively processes or results which can occur, but we cannot estimate the degree with sufficient reliability the likelihood that may occur. The risk is such uncertainty in which we are capable of: using various - especially mathematical-statistical - methods to quantify the probability of detection of actual conditions, actions or results from the predicted values. Risk is understood as uncertainty, danger, hazard, threat, and probability of failing to achieve an objective or an effect intended when a decision was made. The differences in the approach to risk appear in such issues, as for instance relations between risk and uncertainty, types of deviations that appear (unidirectional, multidirectional), point of reference (reality or situation; decision), possibility of making a measurement through the use of calculus of probability, etc (Gorzeń-Mitka, 2007). The risk can be understood differently for different activities. In many scientific works, the definition of risk refers to such common characteristics as: the risk of such occurrence, the risk as a consequence, the risk as a potential threat and the risk as a deviation from the planned target. (Haviernikova et al., 2016a) From various definitions, it follows, that risk represents the danger of a loss, when the decision maker has a certain level of knowledge from the surrounding of the entity. The common base is the uncertainty connected with the activity of the entity. The risk represents such a fact which may transfer benefits but also cause a loss. The risk is associated especially with the distinction between planned and achieved goals, as well as the possibility of invested funds' loss. Each system is increasingly prone to complexity and uncertainty. From the point of management view, the important managerial activity is the decision making. The decision making could be realized in a frame of security conditions, risks, uncertainty and precariousness. Each of this type of decision making is presented by different base of information that helps to decision-maker to realize the appropriate decision. In case of incomplete information, decision-maker has to decide in the conditions of risk and uncertainty. From this point of view the risk depends on: uncertainty (uncertain impact or place and time of event occurrence), amount of consequences (determined by accepted measures with regard to their economic effectiveness), a decision maker and his/her willingness to take a risk as an opportunity/executed return or as a threat/expected losses. (Haviernikova , et al., 2016b)

There are various forms of risk classification in literature. From a general point of view and depending on the origin, it is possible to split all risks into two fundamental groups: 1. external risks: financial risks (interest rate, exchange rate, credit policy), strategic risks (competition, changes in structure of customers demand, changes in sector, changes in demand), operational risks (composition of the Board, enterprise culture, regulation), other risks (natural factors, contracts, suppliers). 2. Internal risks: liquidity and cash flows, creative capital – research and development, recruitment and supplier's network, communication with public, employees, tangible assets. (Varcholová&Dubovická, 2008)

The explanation of the risk's issues also towards SMEs is provided in different professional literature. (Hollman and Mohammad-Zadeh, 1984, Belás et al, 2015, Hudáková et al., 2015, Dumitrescu et al., 2015, Kehinde et al., 2017 and many others). According Turner and Keetelaar (2005), An emerging concept in risk management is that there are three types of risk: opportunity-based risk, uncertainty-based risk, hazard-based risk. Opportunity-based risk may or may not be visible or physically apparent; it is often financial; it can have a positive or negative outcome; and it can have both short-term and longer-term outcomes. Uncertainty-based risks are: unknown or extremely difficult to quantify; catastrophic or disastrous in nature; associated with negative outcomes; and not possible to control or influence. Uncertainty-based risks for small business include: physical damage or damage to buildings by fire or flood; financial loss; loss of a vital supplier; unexpected loss of insurance; and loss of market share. Hazard-based risks for small business include: physical hazards – including noise, temperature or other environmental factors, chemical hazards – including storage and/or use of flammable, poisonous, toxic, or carcinogenic chemicals, biological hazards – including viruses, bacteria, fungi and other hazardous organisms, ergonomic hazards – including poor workspace design, layout or activity and equipment usage, psychological hazards –that may result in physical or psychological harm, including bullying, sexual discrimination, workload or mismatch of job specification to employee capability.The category of SMEs is in developed economies considering as the most effective and progressive part of economy. Small and medium sized enterprises are businesses in the private sector and acress all industries, that emplye fewer than 249 people with main characteristics: they are independently owned and operated, they are closely controlled by owners or managers denpend on sized category of SMEs, decision-making is principally done by the owners (managers, board of directors), that contribute most to each activities. (Ivanová, 2009, Šúbertová, Meszárošová, 2015, Masárová and Koišová, 2017) The risks are associated almost with every action of SMEs. Their business activity brings a lot of uncertainty that is resulting from growing of customers' requirements, rapid changes in economic development of countries, situation in common trade of European Union, the trends of globalization, but also from the results of research and development, modern technologies, new forms of doing business and many others. The economic environment is changing rapidly due to new technology development. (Srovnalíková et al., 2016) If SMEs want to survive, they have to accept all this aspects and have to adapt the main issues of risk management process in their work. Because managing the risks to reduce and minimize the loss exposure is essential for every SMEs. The risk management process follows same series of basic steps, although they can be different in dependency of used standard. In general, this process consists of five main steps: establishing context, risk identification, risk assessment, risk analysis. The risk management process should be implemented within every managerial decision. For managers, the risk management process is one of the most important things which they do in frame of managing the risks. For them it is necessary to know how to apply a systematic risk management process through the putting into action the core five risk management process steps. All risk management processes follow same series of basic steps, although they can be different in dependency of used standard. (Haviernikova et al.,2016b) The steps of the risk management process are summarized in Figure 1.

Figure 1. Risk management process



Source: Haviernikova et al., 2016b

The risk management is the systematic approach towards work with risk and uncertainty. The risk management framework depends on the nature of the organization. Despite the necessity, the SMEs rarely carry out detailed risk management process. It is due to the fact that main steps of this process require financial and human resources that are in SME considerably limited. SMEs decision about risk management process' realization depends on ongoing activities and resources.

Another important aspect of risk management in SMEs is the responsibility for the activist that are associated with it. The responsibility for risk management in each business entity is distributed throughout the management. It is the first issue on the organization of risk management. A risk management responsibility discusses who is responsible for setting up and developing the risk management and which personnel are responsible for the implementation of activities in individual parts of risk management process. The function of risk manager may range from a part time risk manager, to single risk manager, to risk management department. It also depends on economic branch in which business entity doing its business. The range of risk management responsibility is broad and extensive. The highest responsibility is naturally associated with the owner of enterprise, statutory authority and top management. According Risk management standard (2002), the role of the Risk Management function should include the following: setting policy and strategy for risk, management, • primary champion of risk management at strategic and operational level, building a risk aware culture within the organisation including appropriate education, establishing internal risk policy and structures for business units, designing and reviewing processes for risk, management, co-ordinating the various functional, activities which advise on risk management, issues within the organisation, • developing risk response processes, including contingency and business continuity programmes, preparing reports on risk for the board and the stakeholders.

In view of the stated above, the following part of the paper deals with assessment of responsibilities for risk management in small and medium sized enterprises. Due to the fact, that paper is part of scientific research project VEGA 1/0918/16 Risk management of SMEs in the context of clusters´ involvement activities in the Slovak Republic, for achieving of main aim of this paper, the questionnaire surveys were realized among SMEs from two areas in which Slovak clusters operates : technological and tourism.

Research methodology

The questionnaire surveys were conducted during the year 2016 -2017 in Slovakia. The representative sample of the populations in this study was entrepreneurs from categories of small and medium-sized enterprises who know the principle of risk management and cluster cooperation. It was not possible to use of randomization techniques for sampling in order to obtain representative sample.

That's why the expert sampling was used. There were interviewed 232 entrepreneurs from area of tourism and 304 from area of technology (energy, engineering, electrical industry, food industry, automotive industry, agricultural industry, biotechnology, key enabling technology industry and many other) in which Slovak clusters operate.

For the processing of questionnaires the Chi-Square test was used. We examined if there is relation between the sized category of SME and category of responsibility for risk management for each of observed area. The following working hypotheses were stated:

H0 between sized category of SME and category of risk management responsibility is not association.

H1 between sized category of SME and category of risk management responsibility the association is present.

These hypothesis were stated as for tourism SMEs, as well as technological SMEs. The low level of p value <0,05 means that the H0 is rejected and we accept the alternative hypothesis H1. Large probability (p-value>0,05) means the opposite.

Results and discussion

Cluster represents an organization consisting of regional stakeholders, that includes the business entities, regional institutions, scientific, research and educational institutions.(Havierniková et al. 2016,b, Jašková, 2017) Turning to cooperation philosophy, the cluster concept is remembered, when companies operating in the sector, focus their resources towards a common economic objective. One of the most important ways to keep competitiveness nowadays is clusterization. With its assistance companies, which operate in the same sector, can concentrate their resources and create new benefits, penetrate markets, which theretofore weren't achievable. Clusters, working in the renewable energy sector, today are fairly rare.. (Navickas et al., 2017) As Krajňáková & Krajčo (2016c) stated, the importance of clusters was confirmed for small and medium enterprises at company level and at national macroeconomic level in recent years.

In the scientific research project of VEGA the clusters are classified according methodology of Slovak Innovation and Energy Agency (SIEA) into two groups: technological and tourism. We found out that 19 of active clusters belonged to technology clusters and 6 to tourism clusters. The placement of both groups of clusters in Slovak regions illustrates the Table 1.

Table 1. Clusters in Slovak regions

Region	Technological clusters	Clusters of tourism
BA	Danube Knowledge cluster, National Energetic Cluster NEK, ABC - Academic Business Cluster	-
TT	Automotive Cluster Slovakia, Electrotechnical Cluster - West Slovakia, Energetic Cluster - West Slovakia, Cluster for Green and Innovative Technologies Support	
TN	Slovak IT cluster	
ZA	Z@ict	Cluster LIPTOV - association of turism, Cluster Orava, Cluster TURIEC - association of tourism
NR	Slovak Plastic Cluster, Bioeconomy Cluster	Cluster Topoľčany - association of tourism
BB	1st Slovak Engineering Cluster	Cluster of Border Castles
PO	Energetic Cluster of region Prešov, Railway Transport Cluster	
KE	Cluster AT+R, Cluster RADAR, BITERAP, Košice IT Valley	Košice- Tourism

Source: author's research (2016 -2017), BA - Bratislava, TT - Trnava, TN - Trenčín, ZA- Žilina, NR - Nitra, BB - Banská Bystrica, PO - Prešov, KE - Košice

Important parts of the clusters' membership are small and medium-sized enterprises. SMEs present dynamic part of modern Slovak economy while acting against the strengthening of monopolistic tendencies. However, their business activity is associated with a number of risks. Long-term success and prosperity enterprise and the creation of sustainable values are not possible without effective risk management. Entrepreneurs participating in the survey are a specific sample, take account the fact that they are considering to join the cluster cooperation. The basic structure of respondents presents Table 2.

Table 2. Structure of respondents

Category of SME	Toursim SMEs	Technology SMEs
less than 10 employees	116	124
from 10 to 49 employees	97	100
from 50 to 249 employees	116	80
Total	**232**	**304**

Source: own research (2016 -2017)

The average number of employed person by the tourism SMEs is 1,6 employees with standard deviation 0,6 and 1,9 employees with standard deviation 0,8 in technological SMEs. See Table 3.

Table 3. Descriptive statistic

Category of SME	Indicator	Mean	SD
tourism	number o of employees	1,6	0,6
technological	number o of employees	1,9	0,8

Source: own processing

The responsibility for risk management in each business entity is distributed throughout the management. In the framework of the questionnaire survey, entrepreneurs could identify one of the five options that determined who is responsible for risk management in the enterprise. (a) owner, (b) the risk manager, c) members of the Board of Directors, (d) external experts, (e) other. Table 4 presents the percentage of respondents' answers according category in which Slovak clusters operate.

Table 4. Responsibility for risk management versus enterprise size by number of employees (%)

Category of SME	Category of cluster	(a)	(b)	(c)	(d)	(e)
less than 10 employees	tourism	47,84	1,29	0,43	0,43	0,00
	technological	39,80	0,66	0,33	0,00	0,00
from 10 to 49 employees	tourism	38,36	1,29	1,29	0,43	0,43
	technological	29,61	0,66	0,99	1,64	0,00
from 50 to 249 employees	tourism	6,47	1,29	0,43	0,00	0,00
	technological	21,38	1,32	3,29	0,33	0,00
Total	tourism	92,67	3,88	2,16	0,86	0,43
	technological	90,79	2,63	4,61	1,97	0,00

Source: own processing

According to category of business entity, in small enterprises the responsibility for risk management is usually concentrated at the level of owners, or statutory authority, because it is not necessary to employ a dedicated full-time risk manager. As we can see the results in table 4, in case of tourism entities 92,67% respondents marked first possibility and also in case of technological entities 90,79% of respondents answered on this question, that main responsibility has owner. The reason is also the low level of employed people. In small and medium enterprises, in general could be the responsibility spread among individual managers. Our survey showed similar situation in both categories of SMEs, with small differences in technological SMEs. The responsibility is distributed among other person in enterprise (risk manager, other person responsible for risk management, members of the Board of Directors, or external experts). To refine the results, we used the method of mathematical statistic – the Chi- square test. We verified the stated hypothesis in methodological part through the Chi-square test in statistical software Statistica 6. (See table 5)

Table 5. The results of Chi-square statistic

Category of cluster	Chi square statistic	df	p	Results
tourism	11,8462	8	0,158215	H0 is confirmed
technological	26,3567	6	0,000191	H0 is rejected

Source: own processing

It was confirmed for SMEs that are carrying activities in area of tourism that between the sized category of enterprise and responsibility of risk management is not dependence (see table 5). It means that main responsibility in this type of SMEs lies with the owner, who is also the main manager responsible for many tasks and important decisions. His intuition and experience are important for managing not only the enterprise as a whole, but also the each step of risk management process.

In case of SMEs that carrying out their activities in area, in which technology clusters operate, the H0 was rejected at the significance level of 0.05. It means that between the size of the company and responsibility of risk management we can follow dependence. It is mainly for that reason, because the implemented activities are more demanding than the activities implemented in case of tourism SMEs. While tourism SMEs are focused on providing the services, the technological SMEs are oriented mainly on production that brings more.

Conclusion

Risk management is an important issue also for SME, despite the fact, that in this area is the lack the resources and mechanism for supporting of their risk management activities. The quality of risk management in SMEs depends mainly on specific person and specific industry, in which SMEs operate. Survey results showed that the issues of risk management in Slovak SMEs are extensively dominated by owner managers. Our results confirmed that risk management in SMEs is oriented toward to owner. Questionnaire results presented in the respect to enterprise size measured by number of employees show that, there is an increase the responsibility of owners (managing directors) with decreasing numbers of employees. The experience and attitudes of owner are played significant role in the risk management of these SMEs. This study pointed on necessity of improving the risk management in case of SMEs. One possibility how to improve owners' experience and access to important sources of information represents the connection into the cluster. The proper cooperation between other firms and the other helpful organizations could improve the owners' experience with risk management.

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A BALANCED APPROACH TO MONETARY POLICY

Martin HUDEC

Abstract

Monetary policy, which together with fiscal policy forms the basis of the economic policy of the state, is currently receiving unprecedented attention – including the of the general public, as a result of the protracted global financial crisis in 2009. In this context, attention should be focused namely on central banks, which have been in the middle of economic troubles in the past. The influence of the central banks grew mainly through political in the 70s and 80s of the last century. From this period, we can see the growth of central banks all independence around the world as a currency guarantor, which resulted in a relatively quiet period without major economic crises, but ended as a result of the irresponsible fiscal policy of political elites. Therefore, the aim of our research paper is to analyze monetary policy as a significant part of the economic policy of the state, with the accent on the position of the central bank, which has a decisive influence on the way and performance of monetary policy. The concept of monetary policy from the very beginning to the present has undergone a number of changes. The central bank has almost every country in the world. The role of central banking is generally perceived in individual economies as irreplaceable, but the suitability or necessity of setting up these institutions was seen by different states depending on many factors.

Key words

monetary stability, price stability, central bank

JEL Classification: E44, E52, E58

Introduction

Monetary policy forms, in addition to fiscal policy, a basic instrument of economic authority (governments and central banks) to influence the economy's performance. For monetary policy, in the broadest sense, we can regard the conscious activity of an entity/entities that, through monetary instruments, seeks to regulate the development of the amount of money in circulation, thereby achieving certain goals. In other words, monetary policy is a process under which pre-defined objectives are or should be achieved using the monetary instruments available to the central bank. However, the monetary instruments at the disposal of the central bank do not lead directly to achieving the set objectives, but act on a number of economic variables that ultimately affect the achievement of the target. Achieving a set goals is therefore achieved through mediation. We call this monetary policy mechanism a transmission mechanism. The transmission mechanism represents the causal relationship between the currency instruments used and the objective of achieving these instruments. Furthermore, the general scheme of the monetary policy transmission mechanism is constituted by monetary policy instruments that act on the *operational* and *mediatory criterion* to achieve the ultimate monetary policy objectives. Whether the transmission mechanism will be effective depends in particular on the extent to which the central bank is able to influence the operational and mediatory criterion of the currency instruments available for that purpose and, in particular, on the existence of stable or at least forwardly predictable links between operational and intermediary criteria and monetary policy objectives (Rustinci, 2015). The effectiveness of monetary policy, that is to achieve the set objectives, is further influenced by degree of independence, credibility, accountability and transparency of central banks, depending on the type of transmission mechanism chosen.

1. The Objectives of Monetary Policy

Monetary policy is one of the areas of macroeconomic stability policy that seeks to achieve the broad economic policy objectives. In this sense, monetary policy in the broadest sense can be considered the economic activity of an entity that, through monetary instruments, seeks to regulate the amount of money in circulation and thereby achieve certain goals. The overall objective of the monetary policy process is therefore to achieve predetermined targets, in particular with regard to developments over recent decades, the promotion of price stability, other monetary policy objectives are support for economic growth, high employment rates, a stable exchange rate, stable interest rates, and the stability of the financial system. However, the ultimate objectives of monetary policy are not completely identical in market economies. They are often legally supported and are therefore binding on the central bank. Defining monetary policy objectives is not easy. Since the 1970s, in advanced market economies, opinions about the clear priority of the internal stability of the currency as the only long-term objective of monetary policy prevail. Its onset is mainly related to the so-called oil shocks, when monetary policy and its objectives have proved ineffective and failed to respond effectively to the economic situation of rising price levels and declining real production. As a result of this situation, there has been a change in the way monetary policy has been implemented, as well as changes in its objectives.

Therefore, the central objective of most central banks is now considered to be the internal stability of the currency, respectively fight against inflation. The preference for this goal is based on the belief that price stability is a prerequisite for economic growth over a long period of time. However, central banks may also pursue other objectives in pursuing monetary policy, thereby supporting the government's economic policies leading to sustainable economic growth. But only if the achievement of these goals is not in contradiction with the main objective. These targets, especially in the short term, may be inconsistent in the sense that their achievement may require contradictory solutions, especially in a situation where the central bank seeks to control the movement of the exchange rate or interest rates. In these cases, one or more goals must be preferred to the expense of others. For the central bank, it is therefore appropriate to work only with one priority objective - the internal stability of the currency. The hypothetical second place is the promotion of economic growth and the stability of the exchange rate (Jones, 2017). Employment support and the equilibrium of the current account of balance of payments stands in the background as an accompanying goal of economic growth, respectively the exchange rate. Some of the above-mentioned goals (e.g. interest rates or exchange rates) can also be transformed into the role of an operational or mediating criterion, and so serve other endpoints.

1.1 The Nature of Monetary Policy regarding Different Objectives

According to Keynesian economic theory, monetary policy should have been activist and aimed at eliminating cyclical fluctuations in the economy. This theory was based on the view that the central bank is able, through its currency instruments, to influence both the price level and, in particular, employment, product and aggregate demand. Thus, real economic variables in the long run. This was a fine-tuning policy, which however focused too much on short-term goals and was not able to capture the effects that occurred with a longer time deviation, especially the rise in price levels. In practice, this policy, which pursued anti-cyclical action, and whose goals included a reduction in unemployment and an increase in a real product, led to pro-cyclical activity and increased difficult-to-anticipate cyclical fluctuations. As a result of these phenomena, theory and practice have been forced to seek a way out of the situation. The starting point was precisely the price stability, which was defined as a new monetary policy objective. In this sense, a central bank that implements monetary policy has a choice between a restrictive or expansive monetary policy that slows or accelerates the growth rate of money in circulation and a neutral monetary policy in the form of stabilizing a "reasonable" rate of growth in the amount of money in circulation. Furthermore, expansive monetary policy is taking place at a time when it is necessary to stimulate the economy. This is most often the case with high interest rates, a weak economy, high unemployment and little fears of inflation. Economy stimulation is carried out by the central bank despite the reduction of its interest rates, on which commercial banks respond with a higher willingness to provide new loans, and the clients of these banks are willing to accept these loans.

Increases in money supply and lower interest rates lead to an increase in investment and consumption, resulting in an increase in aggregate demand and consequently in a fall in unemployment coupled with rising inflation. Such economic stimulus ends when interest rates go down enough and the central bank again needs to be interested in price level developments. Conversely, restrictive policy is based on an increase in market short-term interest rates. The interest rate managers react in the opposite way than in the case of stimulating the economy. The central bank performs a restriction in conditions of high inflation, where the economy can be described as overheated (Simpson, 2014). How will it impact on the end goals? A decline in aggregate demand due to a fall in investment and consumption will result in lower inflation, but unemployment will rise. As soon as there is a sufficient increase in the interest rate and the decline in inflation concerns, restrictive policy moves into an expansionary attempt to re-stimulate the economy. At first glance, an expansionary and restrictive monetary policy may seem to have affected the level of unemployment, inflation and balance of payments. But the reduction/increase in unemployment is only temporary as well as the impact on the current balance of payments. All the final monetary policy objectives, apart from price stability, are central bank able to achieve only in the short term. In the long run, monetary policy can only influence inflation.

2. Perspectives on Monetary Policy and Price Level Stability

The basis of price stability as a monetary policy objective is the theoretical concept of monetarists, the quantitative theory of money and the resulting neutrality of money over the long term. According to the theory of money neutrality, money in the long run does not affect real economic variables, but it is only able to influence the price level. The basic is what is considered to be price stability – prices in constant absolute terms, or is a certain price increase, on a very limited scale, still considered price stability? Monetary stability means the situation where households and businesses do not take inflation when deciding into an account. In the practice of central banks and the theoretical outcomes of economic experts, *price stability* is considered to be inflation up to 2-3%. Moderate inflation in the 2-3% band is considered to be price stability mainly because of inaccuracies and deviations in its measurement. Price stability brings security to the economic situation and to economic development (Galí, 2015). Due to price stability, the probability of a correct estimate of future developments increases, resulting in pro-growth, as economic and business moods are improving.

It follows that one of the central banks' monetary policy's priority objectives in the market economy is the *fight against inflation*. Inflation often coincides with a rise in price levels. However, this is merely a simplified view. Although inflation can be defined in a variety of ways, most economists now generally agree on the general formulation of inflation. Inflation can therefore be defined as a continuous long-term rise in price levels, which is associated with excessive money issuance and which leads to a decline in the purchasing power of money. But the question remains what is long-term growth? A long term may also mean a relatively short period, for example two consecutive quarters. Secondly, it has to be stressed that prices cannot grow in the long run and continuously unless the amount of money in circulation simultaneously grows. In addition, it is important to note that not every rise in price level is worth mentioning as inflation. The price level may also increase sharply, for example due to changes in the tax system, deregulation of prices, etc. Then it is more appropriate to talk about price increases and not about inflation. From the above it follows that if we deal with price stability as a monetary policy objective, inflation is at the center of our interest. The broad definition of inflation, to which most economists agree, considers inflation to be a longer-term (two calendar quarters, immediately following), continuous price level rise that is associated with excessive money issuance and leads to a decline in the purchasing power of money. Furthermore, it is the repeated growth of most of the prices in the economy, this is a weakening of the real value of the currency in relation to the products and services the consumer buys. It is important to note that not all price changes associated with its growth are perceived as inflation, as it can only be a sharp rise in prices. As an example of such a sharp increase in prices, we can list changes in tax rates or the release of regulated prices. Influence as a negative monetary phenomenon is connected with a number of negative manifestations and consequences.

The main negative impact of inflation is the *redistribution of wealth*. Redistribution of wealth means the transfer of resources between groups of economic subjects. However, the redistribution effect itself has no negative impact on all groups of economic subjects. The most redistribution is between creditors and borrowers when funds are transferred to borrowers as interest rates lose their effect due to inflation. Other groups of entities that have a significant impact on non-distributive effect are employees from which resources are transferred to employers, progressive taxpayers from which resources are transferred to the recipients of these taxes, and, last but not least, the redistribution effect, the subjects predict correctly predicting price developments the detriment of the entities predicting price developments wrongly. By the redistributive effect, however, the list of negative effects of inflation does not end – i.e. in situations when the economic entities are trying to keep as little money as possible for immediate consumption and hold the other funds on interest-bearing accounts, where the interest is not the loss of the real value of money literally in front of the eyes, and for every slightest amount they undergo the way to the bank soiled. Likewise, the *menu costs* or *re-pricing costs* are related to the costs that need to be incurred, such as revaluation, change of bid forms, etc., which would not have to be incurred in price stability and further raise the price level. However, inflation also has an impact on the pace of economic growth. In the short run, higher economic growth can be achieved at the cost of higher inflation. Moreover, in order for the central bank to maintain price stability, it is imperative that it be able to act on inflation. However, it cannot act on inflation without the ability to measure it. We can measure the inflation rate in two basic ways. The first is the gross domestic product deflator (GDP deflator), while the second measure is done by the consumer price index (CPI). CPI inflation means that changes in the price level through the consumer basket are followed by comparing the prices of the given period to the prices in the previous period. The *consumer basket* contains a selection of goods and services that are assigned a different weight in a given consumer basket. It is precisely in the selection of items and the determination of the different weights of individual items that one of the possible inaccuracies of inflation measurement using the CPI index, as this choice may not correspond to real consumption. The CPI index can be used to track changes in price levels even in a very short period of time.

On the other hand, GDP deflator is based on a comparison of the prices of all goods and services that make up gross domestic product in the current period with prices in the base period. The advantage of the GDP deflator compared to the CPI is its complexity as GDP deflator includes all produced goods services, unlike a consumer basket, which contains only selected goods and services to which a certain weight is still allocated. The disadvantage is the time delay, which is due to the fact that data on GDP are collected only quarterly. Likewise, *inflation targeting* represents a monetary policy regime whereby the central bank seeks to influence the evolution of real inflation in a predefined quantified framework. Another price index used is the producer price index (PPI) (Champ, 2016). This mainly shows how domestic inflation affects the competitiveness of our producers compared to foreign ones.

2.1 The Direct and Indirect Monetary Policy Instruments

Direct monetary policy instruments can be characterized as administratively and predominantly selective, since they can directly influence the behavior of financial market participants. The advantage of their use lies in the possibility of their differentiated use. The central bank has the possibility to regulate, for example, in the regulation of credit resources to selectively determine the monetary strategies according to the category of loan applicants, the loan object, etc. In general, direct instruments can be considered more effective as they have a direct impact on the bank's decision-making mechanism, yet their use in the market economies should be exceptional and limited in time as they lead to a reduction in the business autonomy of banks. Direct monetary policy instruments include liquidity rules, credit limits, bank interest rate limits, and mandatory deposits. *Liquidity rules* are an instrument that serves to directly influence bank stability. The principle on which they are based is the determination of a certain structure and ratio of the assets and liabilities of commercial banks. Determining a certain structure and ratio of assets and liabilities to be complied with by commercial banks ensures the bank's level of liquidity. *Bank lending limits*, commonly referred to as credit ceilings or credit contingents, are one of the most effective monetary policy instruments, but in spite of their high efficiency, their use in advanced market economies should be exceptional and short-lived since they are strict directives, which severely restrict the decision-making autonomy of commercial banks. The credit limits are the direct impact of credit aggregates based on the determination of the maximum extent of loans granted. We distinguish between *absolute credit limits* and *relative credit limits*. Absolute credit limits represent the maximum amount of loans that banks can provide to their clients. On the other hand, the relative credit limits represent the volume of loans that commercial banks can obtain from the central bank. Furthermore, *mandatory deposits* are not a very important monetary policy instrument that is used against state authorities or state-owned enterprises. These authorities and businesses are required to have a current account exclusively with the central bank. This instrument controls the liquidity available to these entities, which would otherwise have an impact on the monetary and credit aggregate. On the contrary *interest rate limits*, influence the rate of population savings and stabilizing interest rates.

On a similar note, *indirect instruments* are the most frequently used monetary policy instruments in market economies. Their advantage is the global impact on the whole banking sector, unlike direct instruments, they cannot be selectively applied by central banks and there is no interference with the independent decision-making of commercial banks, as banks may not respond to them. Indirect tools, therefore, lack directivity, another typical feature of direct tools by which these tool groups can be distinguished. Indirect instruments of monetary policy include, in particular, open market operations, discount instruments, exchange rate interventions and mandatory minimum reserves. *Free market operations* are among the most effective and most frequently used monetary policy instruments at present. High efficiency, which is not typical of indirect monetary policy instruments, stems primarily from the ability of central banks to arbitrarily adjust the price of securities in open market operations in such a way as to achieve the intended intentions. Free market operations represent purchases or sales of securities by a central bank to commercial banks and other domestic banks in order to regulate bank reserves or short-term interest rates. From a currency perspective, we distinguish three basic types of open market operations *direct operations* (one-way operations – purchase or sale with foreign securities that have a direct and sustained impact on bank reserves and short-term interest rate); *repo operations* – distinguish between simple repo operations and reverse repo operations (in simple repo operations, securities are sold with a warranty and redemption, which temporarily reduces bank reserves, while for reverse repo operations, the mechanism is exactly the opposite. As a result, the central bank purchases securities, which leads to a short-term increase in bank reserves); and *switch operation* – a simple exchange of securities for securities in the same volume but with another maturity, which only changes the maturity structure of the securities without affecting the bank reserves.

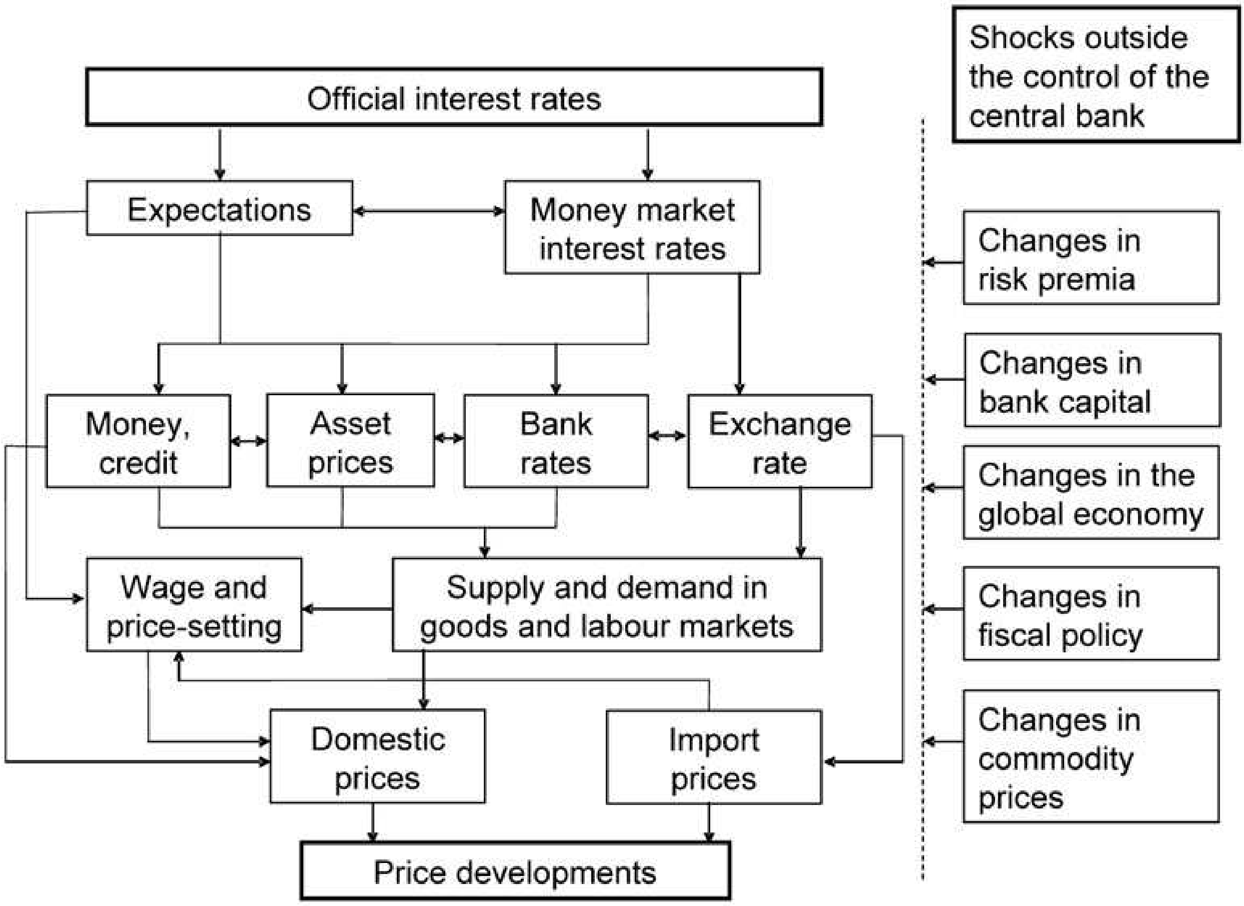
In a similar sense, *discount instruments* are a traditional monetary policy instrument, which are used to a large extent at present. Discounting instruments mainly affect bank reserves and short-term interest rates. Among the discount instruments are mainly non-cash loans provided in domestic currency to commercial banks by the central bank and the interest rates on these loans. Discount loans are usually secured short-term (maturity does not exceed 3 months) loans that are provided by the central bank to commercial banks. For the granted loan, commercial banks generally pay the central bank a set discount rate. Discount loans are the most accessible and, to some extent, the *cheapest source of liquid funds* for commercial banks. For the central bank, then, discount credits are a means of influencing bank reserves and a discount rate primarily as a means of influencing short-term interest rates. *Recessive loans* can be considered one of the types of discount credits. It is also a characteristic short-term, but the difference lies in the lower quality of securities being collateralized. *Lombard loans* are used by commercial banks in cases where they can no longer obtain funds cheaper, in the form of discount and recession credits, and need funds due to liquidity problems or because of the need to add mandatory minimum reserves. Additionally, *exchange rate intervention* is a monetary policy instrument whose primary objective is to influence the stability of the exchange rate. The importance of exchange rate interventions as monetary policy instruments varies considerably depending on whether they are used in a monetary policy mode using the fixed exchange rate regime where they are an important and permanently used instrument or a freely floating rate regime.

For exchange rate interventions, we distinguish *direct interventions* where the central bank directly buys or sells foreign currencies abroad for the purpose of influencing the exchange rate, and *indirect interventions* where the central bank operates on the exchange rate by changing interest rates that affect foreign capital movements and thus affect supply and domestic currency demand. *Mandatory minimum reserves* set out the rules for receivables that commercial banks and other banks have to create at a central bank, with the primary goal of influencing the monetary multiplier. It is an instrument that cannot be categorized as indirect instruments because the central bank directively prescribes commercial banks the obligation to have a certain percentage of primary deposits deposited with it and, in case they fail to do so, they are sanctioned. Lastly, *recommendations, challenges, and agreements* are verbal or written amendments to monetary policy instruments through which the central bank concretizes its monetary policy intentions. Recommendations, challenges and agreements are differentiated on the basis of the characteristics of their content. While the recommendation is generally very general, the challenge is already a concrete expression of intent and instruction to commercial banks. Although these are not formally binding rules they can be considered as effective instruments of monetary policy. Their effectiveness stems from mutual trust between banks and from the possibility of indirect sanctions by the central bank in the event that commercial banks will not follow recommendations, challenges or agreements (Walsh, 2017). With the growing credibility among banks their importance as monetary policy instruments is also growing.

3. The Channels of Monetary Transmission: Lessons for Monetary Policy

The transmission mechanism is one of the basic building blocks for understanding monetary policy. The transmission mechanism is the process by which the central bank is trying to achieve the final objectives by using the monetary policy instruments available for that purpose – the practical implementation of monetary policy. However, the central bank has no direct impact on the final objectives, but indirectly influences them, by acting on an operational and mediatory criterion. Therefore, it represents the causal relationship between the central bank's monetary instruments used and the objective to be achieved by these instruments. We can see that the central bank does not necessary have a direct effect on the final objectives, while their achievement is conditioned by the ability of the monetary authority to influence the operational criteria, or the ability to predict the links between the development of operational and intermediary criteria and/or the link between mediating criteria and monetary policy objectives. The choice of criteria depends on the choice of the final target, the available tools, and the belief in certain channels of the transmission mechanism that transfer the impulse triggered by the use of a tool over the criteria to the target change (Moenjak, 2014). In the end, monetary instruments can affect a variety of macroeconomic aggregates. Economic theory distinguishes three basic types of transmission mechanisms: currency, credit, and exchange rate (Scheme 1) (ECB, 2018). In practice, however, we are more likely to encounter their modifications, or central banks can use multiple types of transmission mechanisms at the same time. Even within the EMU, the transmission mechanism has different forms, dynamics and strength in individual national economies.

Figure 1. Main Transmission Channels of Monetary Policy Decisions from Interest Rates to Prices



Source: ECB, 2018.

At the beginning of the 21st century a clearer definition of the transmission mechanism process was made. Since the standard central bank is in a market environment and does not regulate administrative price developments, the only available operational criterion for achieving the ultimate goal – monetary or price stability – is interest rates. The long distance between the operational criterion and the final target of the central bank overcomes three transmission phases. First, the central bank explicitly sets the final target, which serves as an anchor of economic operators' expectations. At the same time, market interest rates (nominal and real) are influenced by the base rates, which are then reacted by the financial sector. All financial variables interact with the real economy and aggregate demand and supply on the commodity market are formed. In the final phase of the transmission, the resulting interaction is taken into account in inflationary developments, which are then compared to the final objective of monetary policy. Since monetary instruments ultimately result in a number of macroeconomic variables, it is difficult to identify only one channel of transmission from tools to targets. The central bank usually only works with a single channel but monitors the other channels. In practice, we distinguish four basic monetary policy channels, namely the credit channel, the interest rate channel, the asset price channel, and the exchange rate channel. The first three of which have an impact on domestic demand for domestic goods and services, where the credit and partly asset price channels operate indirectly over money supply. On the other hand, expenditures and, again, partly asset price channel, act directly on the demand for domestic goods. The *credit channel* represents a range of loans from banks and loan demand from clients. The volume of loans granted is reduced by banks and is based on the level of market short-term interest rates. The short-term interest rate is the main criterion in the decision-making of economic subjects whether to take the loan or not. Reducing the short-term interest rate will increase the interest in loans from households and businesses and vice versa. An increase in the interest rate also carries certain risks – a higher probability that a loan will be requested by an entity that does not intend to repay it. Commercial banks therefore tighten the terms of credit provision. The credit channel may also have a different impact in different sectors – higher for small businesses and households, smaller for large corporations (they have better information and the possibility of lending abroad). It follows from this that the volume of credit has a direct effect on the money supply and consequently mediates the final monetary policy objectives. *Asset price channel* represents a channel of increase or decrease of business activity (acts on domestic demand, both directly and indirectly through money supply). Reducing the market short-term interest rate causes increased business activity, which increases domestic demand for domestic goods and services directly or indirectly (by increasing money supply) and then increases inflation, GDP and employment.

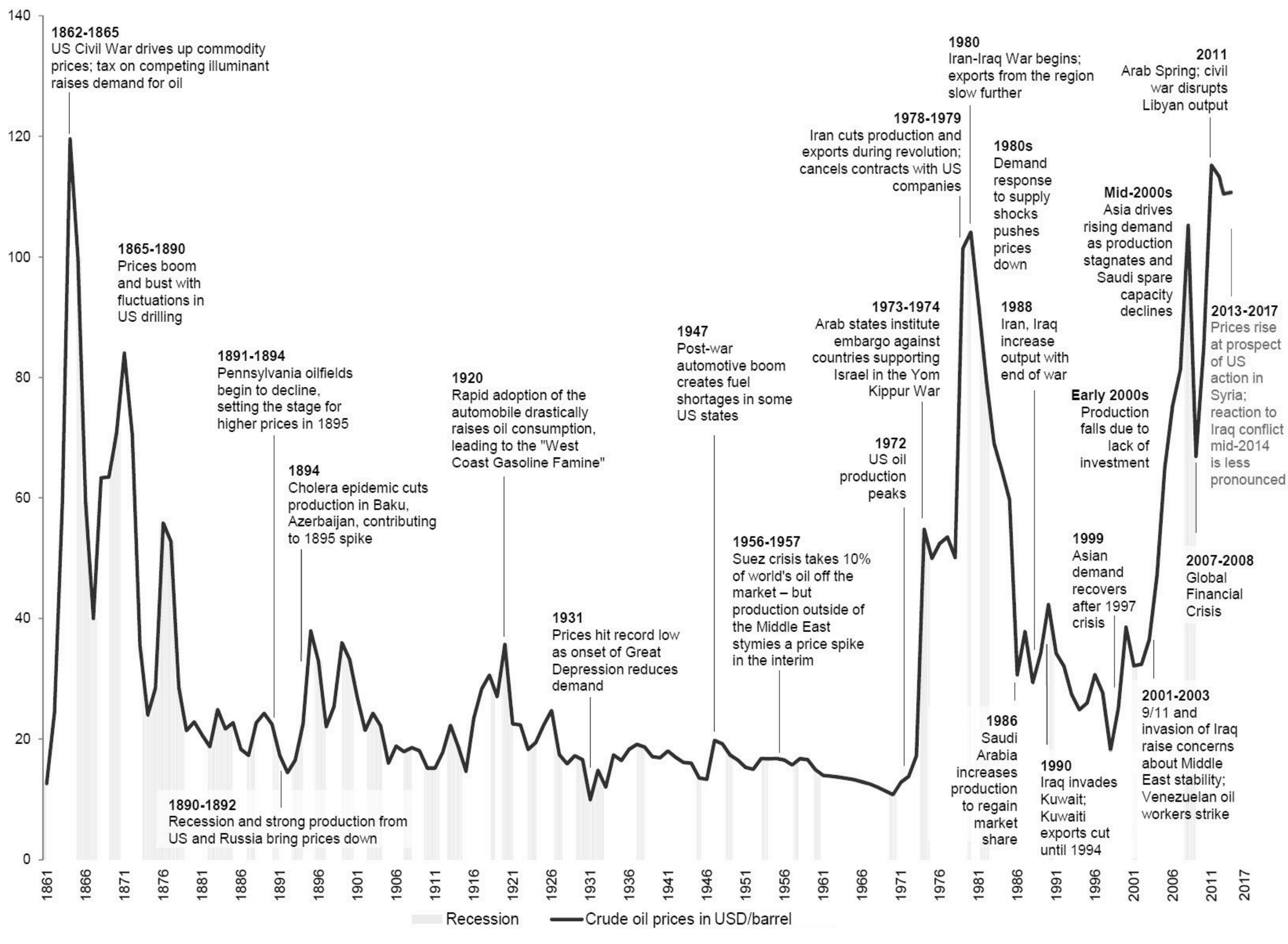
The *interest rate channel* is a preference for spending or savings for households and businesses. Saving affects only the rate of money circulation but does not affect the size of monetary aggregates. Households and businesses decide whether they prefer spending on consumption or prefer saving on short-term market interest rates. A fall in this interest rate will cause a rise in current consumption expenditure to the detriment of savings, reflecting a rise in demand for domestic goods and services. As a result, there is an increase in inflation, growth in GDP and employment. The *exchange rate channel* is a channel operating through capital flows that respond to a change in the interest rate differential. The decline in market short-term interest rates in the domestic economy leads to an immediate outflow of speculation capital from a given economy abroad, which directly affects the exchange rate (Mishkin, 2015). There is pressure to depreciate the currency. A parallel fall in the domestic interest rate will cause an increase in import prices. Thus, there is an increase in inflation in the domestic economy. Foreign goods are becoming more expensive. Businesses are changing their preferences, increasing interest in domestic goods, both domestically and foreign, which ultimately increases GDP and employment growth.

3.1 Inflation Expectations

Inflation expectations is currently one of the most powerful transmission channel. The basis of everything is to set an explicit goal, since more than half of all central banks nowadays use an explicit *inflation target* as a tool to anchor inflation expectations and thus increase the availability of information. Following the announcement of the central bank's inflation target, the public does not expect real inflation to be the same as the declared target. That's what the central bank is aware of the inflation target it announced, which is lower than the currently observed inflation. This provides a climate that contributes to the expectation of low inflation. Since the early 1990s, therefore, central banks have started to use combinations of transmission channels with the transition to the inflation targeting regime. For inflation targeting, central banks focus directly on the ultimate target, which is the medium-term inflation target. The central banks therefore declare a certain inflation target in the form of an inflation forecast, which is ultimately pursued by the central bank policy. The key issue in inflation targeting is the central bank's ability to convince the public that they will do everything to achieve this goal. But it is not just a central bank who is entitled to set an inflation target. Depending on the position of the central bank, in particular the so-called target independence, we distinguish the three basic regimes of setting the inflation target. Central banks with target independence determine the inflation target themselves, independently of other entities. On the other hand, the central banks, which are not legally designated as independent, are the inflation target set outside the central bank, usually by the government or the Ministry of Finance. A certain unusual regime for determining the inflation target is an agreement on an inflation target between the government and the central bank. After solving the question of who sets the inflation target, there is a need to clarify how the inflation target can be quantified. In practice, targeting is most often the point value or the inflation band. When determining the inflation target by a point value, a specific point needs to be specified as an inflation target, and the central bank must strive to achieve that point. This option requires a very strict monetary policy, as the central bank must try to remedy the slightest deflection of inflation, which is very difficult in practice. By contrast, the *inflation band* provides the central bank with more flexibility as the bank is not forced to respond by using monetary policy instruments if inflation is within the specified inflation band. This band should not be too broad, which would jeopardize the credibility of the central bank, which, together with the independence and transparency of the central bank, is an essential condition for inflation targeting to be an effective monetary policy regime (Daniels, 2012).

The operation of the whole mechanism is based on the confidence of economic operators in the effectiveness of monetary policy. If people do not believe that the central bank is trying to reduce inflation, there is a rise in prices and then wages. Loss of credibility may occur for various reasons, such as the political crisis, international financial turbulence, the commodity shock (Scheme 2 – the tumultuous 156-year history of oil prices) in the opposite direction (1973 oil crisis; 2007–08 world food price crisis) or previous monetary policy defects. The factor of inflation expectations has thus become an important part of central government monetary policy. Furthermore, the *asset price channel* maps the impact of interest rate changes on relative prices of financial assets and real estate. The rise in rates will mostly bring down asset prices. It follows that the net asset value of companies and households is lower. Businesses are responding to a reduction in consumption because they feel that their provision for a future economic shock has diminished. The importance of the role of the asset price channel has deepened in the period of the monetary and financial crises in the early 1990s.

Scheme 2. The 156-year Timeline of Oil Prices in US Dollars and Related Historical Events



Source: Holodny, 2017.

The independence, credibility, transparency and accountability of the central bank cannot, however, be associated only with the concept of the transmission mechanism, as these are characteristics that have a significant impact on the performance and efficiency of monetary policy as a whole. Despite the undeniable benefits of inflation targeting that affect the real inflation rate and the positive impact of market players due to the low expected low inflation, the question arises recently whether there is no time to abandon inflation targeting and replace it with another monetary policy regime.

3.2 Independence of the Central Bank

The legal framework has a major impact on the whole monetary policy process, by which it is determined. The cardinal question is, in particular, the statutory regulation of the central bank's position. The position of central banks in the last period (since the 1980s) has undergone significant developments. In particular, a shift towards central bank independence is evident. With the concept of central bank independence, it is also necessary to link the concepts of CBs' credibility, transparency and accountability. In general, central bank independence can be defined as the ability of the central bank to implement monetary policy independently of its own decision-making processes, without the government, parliament or other political institutions having powers to influence central bank decisions (therefore is not subject to external influences and political pressures in the performance of its functions) (Jones, 2013). Likewise, under the notion of independence, we mean the independence of the central bank from the government and the government executive. Independence as such can be broken down by different criteria. According to the ability of the central bank to decide autonomously about the use of instruments and the setting of monetary policy objectives, we distinguish between instrumental (operational) and targeting independence. *Instrumental independence* is the freedom of the central bank to select monetary policy instruments and how to use them in order to achieve the specific objectives set out in this case outside the central bank, as a rule, by the government. *Target independence* expresses the central bank's entitlement to set a specific monetary policy objective. It can be determined exclusively by the central bank, in agreement with the government and the central bank, or completely outside the central bank. Instrumental independence is the freedom of the central bank to select monetary policy instruments and how to use them in order to achieve the specific objectives set out in this case outside the central bank, as a rule, by the government. Target independence expresses the central bank's entitlement to set a specific monetary policy objective. It can be determined exclusively by the central bank, in agreement with the government and the central bank, or completely outside the central bank.

A further breakdown is offered in terms of areas where central banks should have a high degree of independence. In this sense, independence can be divided into political, economic and financial. For the purpose of assessing *political independence*, it is particularly important to examine the manner of appointment and the possibility of appealing to the members of the central bank's decision-making bodies, the length of their term of office, the reappointment and the need to approve third-party monetary policy decisions of the central bank. Political independence would also have a strong influence on the membership of government representatives in the management of the central bank, which should be explicitly excluded for its achievement. The threat of political independence also represents the possibility of conflicts between the central bank and the government. Under the *economic independence*, we understand the statutory authority of a central bank to choose the monetary policy instruments to be used to achieve the set objectives and to exclusively determine the conditions for lending to banks. Economic independence is also linked to possible monetization of sovereign debt, where direct bans should be banned and strict, legal rules and boundaries are set indirectly. Another area that falls under economic independence is to set up a *system of exchange rate* that, in the case of absolute economic independence, would fall within the exclusive competence of the central bank, including the decision on ways to influence the exchange rate. The last of these types of independence, *financial independence* is characterized by the method of compilation the central bank's budget and the central bank management rules (in particular, the rules for the distribution of profits or reimbursement of losses from the central bank's management).

According to the above-mentioned types of independence, the different positions of the central bank can be conceived, but this should be avoided by both extremes - *absolute independence* on the one hand, and *excessive bindings* with the executive on the other. A strong dependence on the political cycle may destabilize monetary policy, but the extreme independence of the central bank in turn raises the risk that the central bank behaves only in its own interest as it has no political responsibility. With the notion of central bank independence, the notion of accountability, sometimes referred to as the folding of accounts, is indisputably linked. Although these two concepts are opposed to each other, they must be balancing for optimal construction of the legal framework. If this were not the case, the central bank would lose the *optimal position* – balance between a high degree of responsibility and absolute irresponsibility (Mishkin, 2014). However, finding a certain balanced combination of independence and accountability is very difficult in practice. It is often found as determining the central bank's responsibility to achieve the main monetary policy objective, defined by a different entity than the central bank. In some theories, one can find the theorem that the central bank is fully responsible to the public. However, this assertion cannot be accepted because the public has no real possibility of controlling the policy of the central bank. In this sense, however, the overwhelming majority of authors construct the notion of central bank transparency (openness, accessibility and clarity of central bank policy). Transparency is generally implemented by disclosing detailed information about monetary policy and monetary policy decisions. The central bank policy is based on disclosure of the ultimate goal and the way it will be achieved. The central bank publicly explains in detail the steps and the reasons which led to them. Transparency is closely linked to the last characteristic of the monetary policy framework (credibility). In conclusion, we can say that the link between the *transparency* and the *credibility* of the central bank is quite logical, because a credible policy cannot be imagined if it is not known and fully understandable to the public. A central bank is credible that the public believes it will do everything that has been proclaimed. The path to the credibility of the central bank is on a long track. Its achievement is dependent on monetary policy in the longer term, notably to achieve the objectives set and sufficient transparency. The greatest contribution to the credibility of the central bank lies in the possibility of attaining monetary policy objectives at the lowest possible cost and in influencing real economic processes by influencing the psychological aspects of the public.

Conclusion

As we can see, the concept of monetary policy from the very beginning to the present has undergone a number of changes. The central bank has almost every country in the world. The role of central banking is generally perceived in individual economies as irreplaceable, but the suitability or necessity of setting up these institutions was seen by different states depending on many factors. The origins of modern central banking date back to the second half of the 19th century. Scales of central bank targets and their competencies changed in different countries in response to, for example, changes in the political system, international conflicts or economic fluctuations, etc. These competences were given by specific legislation of the state. However, debate responding to the abundant use of unconventional monetary policy instruments after the onset of the 2009 global financial crisis has so far failed to generate a consensus on a commonly accepted definition of monetary policy based on these instruments (i.e. balance sheet policy – expansion or change in the central bank's balance sheet structure; signaling future monetary policy; quantitative/loan release; availability of external financing of banks; interventions through various non-standard measures; zero or almost zero interest rates or a serious breach of the transmission mechanism to ensure financial or macroeconomic stability). As we have closely analyzed through our research, a standard practice of monetary policy implementation represents the basis, which is predominantly founded on the regulation of the short-term interest rate of the domestic currency on the interbank market through open market operations. The factual management of the short-term interest rate allows the central bank to achieve its primary objective, which is typically a stable price level expressed by a certain inflation rate. This way of realizing monetary policy proved to be reliable both in terms of economic downturn, high unemployment and low expected inflation rates, when stimulus was needed, on the contrary, in case of too rapid economic growth, i.e. overheating of the economy and the need to curb inflationary pressures. At the same time, the stable functioning of the money market is also ensured. Free market operations are not the only conventional monetary policy instrument. From a methodological point of view, we can divide these tools according to several aspects, by default they are divided into so-called direct (non-market) and indirect (market). Direct monetary policy instruments directly affect banks' decision-making mechanisms and restrict their independence. These instruments include liquidity rules, mandatory deposits, interest rate limits, or bank loans. Direct instruments, however, use the central banks of developed countries only marginally and more often by choosing indirect instruments, which act on a massive scale for the banking sector and markedly affect the conduct of banks. In conclusion, we see that a national bank is able to influence the basic economic indicators (inflation rate, exchange rate, GDP in a short period), but its possibilities are considerably limited due to the size and degree of openness of an economy. Long-term interest rates are influenced indirectly by the central bank by adjusting its short-term interest rates, which are also influenced by other effects (expectations, uncertainty, supply and demand, etc.), reflecting their level. On the other hand, there are a number of external factors in an economy (world prices, investor behavior, foreign demand, etc.), whose development is difficult to predict. Keeping inflation in the narrow target band will therefore always be problematic. The development of the course is left to the market by the national bank, with sporadic attempts to influence it (e.g. too strong a course, pushing exporters to narrow ones) is only successful with the help of all the strength and goodwill of much stronger foreign capital.

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LEGAL FORMS OF BUSINESS COMPANIES IN SLOVAKIA AND GERMANY – COMPARATIVE ANALYSIS

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Abstract

Business companies represent, beside the sole proprietorship, the most important way of running business in Slovakia. Many Slovakian business companies enter into business relationships with companies from other member states of the European Union and the rest of the world. This is the reason why we consider it necessary to understand the legal regulation and the basic features of business companies in other states of the European Union. The aim of this article is to compare legal forms of business companies in Slovakia and Germany. We chose Germany because it is the main business partner of Slovakia in both the import and export of goods. This article is based on the analysis of legal acts in the business sector in Slovakia and Germany. Our analysis confirmed that there are significant differences in the features and types of business companies in Slovakia and Germany despite similarities of nomenclature.

Key words

Business companies. Slovak Republic. Germany. Legal forms of business companies. Legislation.

JEL Classification: L21, L26, M21

Introduction

The right to run a business represents one of the fundamental rights guaranteed by the Constitution in Slovakia. According to article 35, paragraph 1 of the Constitution (Constitutional Law of the Slovak Republic no. 460/1992 Coll., as amended), everyone has the right to choose an occupation freely and to be trained for it, as well as the right to conduct business and to carry out other gainful activity. The specific legal regulation of different forms of business is subsequently elaborated in the law of the FZ ČSFR no. 455/1991 Coll. on Trade Licensing (Trade Licensing Act), as amended (hereinafter referred to as the "Trade Licensing Act"), in the Act of the FZ ČSFR no. 513/1991 Coll. the Commercial Code as amended (hereinafter referred to as the "Commercial Code"), as well as in other laws that supplement and regulate particular conditions of running a business in detail. Business companies represent the second most common group of subjects in business relations (in the second quarter of 2017, 320,820 tradesmen and 200,863 business companies were registered in Slovakia) (source: Statistical Office of the Slovak Republic).

Business companies are not only an important part of the business environment; they also have an overall importance in society. The origins of the oldest trading companies are associated with medieval Italy; from there they gradually spread to England, the Netherlands, France, and Germany (M. Schmitthoff, 1939). In the Middle Ages, their structure and character were similar. With gradual changes in the various states and ever more sophisticated legislation, the differences between different types of companies have grown. In addition, changing conditions have led to the emergence of new forms of business companies that are no longer spread throughout the whole Europe (such as joint-stock companies) but have a purely local character.

In an evolving global environment, there is a growing need for comparisons between business sectors across countries. Comparative studies (both theoretical and empirical) aim at comparing the data needed for the business sphere, finding inspiration for future legislative changes, as well as academic and purely theoretical comparison of facts (A. Cahn and D. C. Donald, 2010). From non-European studies, we can mention the work of authors Whitley, Witt, and Redding (2013), in which they compared legal forms of entrepreneurship, including corporate business in East Asia. They dealt with the influences of dominant institutions on the business system in Japan, Korea, and Thailand. According to their findings, despite the significant historical changes, the business systems in these countries are not similar either to each other or to the Anglo-American states. Imran Ahsan Khan Nyazee (2002) focused on business companies (and business partnerships) in the Islamic world.

In the area of corporate law and business organizations in Germany, quite a number of foreign studies focus on comparing the business environment and the economic system, and comparing business culture and business ethics. Comparison of German and American business ethics was elaborated by B. Palazzo (2002). A. Cahn and D. C. Donald (2010) compared legal regulation of corporations in Germany, the United Kingdom and the US. In particular, they focused on case studies, with emphasis on different arrangements within the Anglo-American legal system and the Continental Legal System (Germany). Budde et al. (2016) partly compared the organizational structure of English and West German companies. A relatively large study of German joint-stock companies (focusing on corporate governance) was elaborated by E. Schneider-Lenné (1992).

Slovak authors focus mainly on the definition of business companies as part of the Commercial Code and Commercial Law (Suchoža and Husár, 2009; Ovečková, 2012; Škrinár a Nevoľná, 2012). Company law in Slovakia has been governed by the same law as in the Czech Republic since the establishment of the independent Slovak Republic (Act No. 513/1991 Coll., The Commercial Code). The same legal status lasted until January 1, 2014, when new act no. 90/2012 Coll., On Commercial Companies and Cooperatives (Act on Commercial Corporations) became effective in the Czech Republic (more about business corporations in Korotvička, 2013).

Company law in Slovakia, but also in Germany, is heavily influenced by membership of the European Union, despite the fact, that the regulation of particular legal forms of business is the sole responsibility of individual Member States of the European Union. This is particularly due to the fact that the close trading links between the Member States also influence the harmonization (and in the future also the unification) of corporate laws. Already in 2003, the European Commission presented a vision and a plan for the harmonization of company law at European Union level (Modernizing Company Law and Enhancing Corporate Governance in the European Union, 2003). It was based on the need to harmonize the trade law of the Member States of the European Union in order to achieve the objective of creating a single market and removing barriers of common trade. In 2011, the European Union published a Report on the Future of EU Company Law (2011), which also explains why the harmonization of company law has not yet taken place. The economic and financial crisis since 2008, which hampered efforts at harmonisation in the area of corporate law, played an important role., The report points out, in connection with the crisis, that under constantly changing conditions, it is becoming necessary to enforce corporate law that will allow companies to adapt to changes (including organizational changes) and thereby maintain their competitiveness in the global economic environment. When considering business companies in the European Union, mostly the difference between the public limited liability companies and private limited liability companies is stressed. Another significant division of companies is into those issuing shares tradable on the stock-exchange market and those whose shares are not tradable on the stock-exchange market.

The aim of this contribution is to compare the different legal forms of business companies that can be established in Slovakia and Germany. At present, there is no comprehensive overview of companies established in Slovakia and Germany and their mutual comparison. Our aim is not to provide a complex overview of business companies in Germany and Slovakia (due to the extent of the issue, this is not possible). We focus only on the general data that will allow us to identify identical or similar forms of business companies as well as those of a local nature. In the contribution, we compare the business name, the nature of the company (capital or personal), the legal restrictions on the number and nature of the partners (legal persons and natural persons), the liability of the partners for the company's obligations, the amount of the partners' investment contribution and the minimum amount of the registered capital of the company.

Material and Methods

The results, that we present in this paper, are based primarily on an analysis of Slovak and German legislation on the establishment of business companies. In Slovakia, this is primarily the act of the FZ ČSFR no. 513/1991 Coll. The Commercial Code, as amended. It regulates individual legal forms of business companies (general commercial company, limited partnership, limited liability company, joint stock company and simple company on shares). As a subsidiary source of law, we applied the law of the ČSSR no. 40/1964 Civil Code, as amended. Using the Civil Code as our authority, we defined business companies as legal entities.

The basic act that governs the formation and status of business companies in Germany, is the Commercial Code (Handelsgesetzbuch (HGB)), which was adopted on 10.05.1897 and became effective on January 1, 1990. As a subsidiary law, we also used the German Civil Code (Bürgerliches Gesetzbuch (BGB)), which was adopted on August 18, 1896 and became effective on January 1, 1900. At the end of 2006 and the beginning of 2007, the European Commission conducted a survey, which examined the involvement of enterprises in foreign trade. According to the results of this survey, up to 84.9% of micro and 68.5% of small enterprises were not involved in exports at all. On the other hand, up to 62.3% of the medium and 79.7% of the large enterprises participated in exports from Slovakia. These enterprises exported mostly to the Czech Republic (33.8 % of medium enterprises and 24.3 % of large enterprises), to Germany (12.4 % of medium enterprises and 34.5 % of large enterprises), to France (5.5 % of medium enterprises and 4.9 % of large enterprises), to Hungary (5.2 % of medium enterprises and 4.9 % of large enterprises), and to Austria (8.3 % of medium enterprises and 4.9 % of large enterprises) (source: Observatory of European SMEs, 2007, pp. 3-8). From this survey, the situation in Slovakia has changed mainly from the point of view of major import and export partners within the European Union. According to Eurostat data, Germany represents the largest trading partner of the Slovak Republic, both in terms of the import and export of goods. The following two graphs (Graph 1 and Graph 2) show the share of European Union countries in imports into the Slovak Republic and exports from the Slovak Republic (figures display data for the year 2015).

Graph 1. The share of European Union countries in exports of goods from the Slovak Republic (in 2015)

Source: authors according to data from EUROSTAT.

Graph 2. The share of European Union countries in the import of goods to Slovakia (in 2015)

Source: authors according to data from EUROSTAT.

Germany's share of the import of goods from EU countries to the Slovak Republic is 31 %, while up to 29 % of goods exported from the Slovak Republic go to Germany. In the case of the import and export of goods, business entities are involved in mutual trade, and business companies are among them.

In order to understand better the role of business companies in Germany and Slovakia (and thus eliminate conflicts and misunderstandings in contractual relations and everyday business relationships), we consider it necessary to compare different forms of business companies that can be established in Slovakia and Germany.

Our comparison of particular forms of business companies in Slovakia and Germany was based on two facts:

1. the German and Slovak legal systems (including company law) belong to the continental legal system,

2. in Germany and Slovakia, there is a significantly different historical continuity in establishing ~~the~~ business companies. While in Germany corporate law was developing naturally and continuously, in Slovakia, since 1949, the natural principles and development of corporate law have been interrupted. In Slovakia, it was possible to establish business companies only after 1989. The only type of business company that could be established (however, to a limited extent) in Czechoslovakia and therefore in Slovakia, after 1949 and before 1898, was the joint-stock company (J. Dědič et al., 2012).

Legal ways of running a business in Slovakia

Entrepreneurship, including running businesses in the form of business companies, is regulated in Slovakia by the Act of ČSSR no. 513/1991 Coll. Commercial Code as amended. Neither in the Commercial Code nor in any other legal regulation is there a legal definition of the form of business. In general, we can define a form of business as any possibility of running a business that is not against the law. To understand legal forms of business, it is necessary to identify which persons can run a business and under what conditions –(it means act as an entrepreneur).

In legal theory and practice, an entrepreneur is defined according to his conceptual features. According to § 2 part 2 of the Commercial Code, an entrepreneur is a person entered in a business register, or a person who runs a business on the basis of a trade authorization, or a person who does business on some other basis under special regulations, or a natural person engaged in agricultural production who is entered in the specific register. An entrepreneur is a person with legal status who carries out business activities.

Both natural persons and legal entities are eligible to run businesses. A natural person can either act as a natural person registered in the Commercial Register (a natural person is recorded in the Commercial Register on his or her own request), or as a natural person, who carries on trade activities according to the trade authorization, or as a natural person running a business according to other than trade authorization, or as a natural person who engages in agricultural production and is registered in the special register (registration of self-employed farmers). The business of natural persons is regulated mainly by Act no. 455/1991 Coll. on Trade Licensing as amended (Trade Act).

Legal entities may, in accordance with the Commercial Code, conduct business as personal companies (general commercial company and limited partnership), capital companies (limited liability company, joint stock company and simple company on shares) and cooperatives.

In addition, other legal entities that are not regulated in the Commercial Code may also conduct business activities. These are, for example:

1. state enterprise (Act of the ČSSR no. 111/1990 Coll. On State Enterprise as amended),

2. budgetary and contributory organizations (Act of the National Council of the Slovak Republic no. 523/2004 on the Financial Rules of the Public Administration and on Amendments to Certain Acts, as amended). The budget organization may carry out entrepreneurial activity on the basis of a special regulation. The contributory organization may carry out, with the consent of the founder, a business activity beyond the main activity for which it was established only if it fulfills the tasks specified by the founder, and the costs of the business activity must be covered by the profit from it;

3. foundation (Act no. 34/2002 Coll., On Foundations and on Amendments to the Civil Code, as amended). The foundation cannot conduct business, except for the letting of real estate for rent and the organization of cultural, educational, social or sporting events, if by doing so, it will use its assets more effectively and this activity will be in line with the foundation's public service purpose;

4. non-profit organizations (Act no. 213/1997 Coll., on non-profit organizations providing general services, as amended). A non-profit organization may run a business according to special regulations provided that this activity will achieve a more efficient use of its assets and will not jeopardise the

quality, scope, and availability of the services on which it was established;

5. citizen associations (Law of the ČSSR no. 83/1990 Coll., On the Association of Citizens, as amended).

Another business opportunity is a business based on contractual relationships. This option is represented by a silent partnership (the treaty on the silent partnership is regulated in § 673 and following of the Commercial Code), the association (the association agreement is regulated by § 829 and following of the Civil Code) and the interest association of legal entities (§ 20f and following of the Civil Code).

Business companies, therefore, represent only a part of the legal forms in which a business can be created. Business companies are legal entities established for business purposes. Thus, a business company has a legal characteristic (the capacity to have rights and obligations) and the capacity to act legally. Business companies belong to the associations of natural persons or legal entities (they are also referred to as corporations), even if one only person establishes them.

Forms of business companies are exhaustively listed in the Commercial Code in § 56 part 1. Business companies in Slovakia are a general commercial company, a limited partnership, a limited liability company, a joint stock company and a simple company with shares. A General Commercial Company is a company in which at least two people are acting under a common business name and are liable for the company's obligations jointly and severally with all their assets. It is a personal business company that can be established only for the running of a business. It can under no circumstances be established by one person only. Both natural persons and legal entities (domestic or foreign) can establish it.

A Limited Partnership is a company in which one or more partners are liable for the company's obligations up to the amount of their unpaid part of the investment contribution registered in the commercial register (the limited partners) and one or more partners are liable for the company's obligations with all their assets. A limited partnership is not a pure personal company, but rather a mixed company. The basic precondition for the existence of such a company is therefore the joint participation of at least one limited partner and at least one general partner.

A Limited Liability Company is a company whose registered capital consists of predefined contributions of partners. The partners may be both natural persons and legal entities, and the company may even be established by one person. The maximum number of partners is 50. The company may issue statutes, if so specified in the memorandum of association, which details the internal organization of the company, as well as some matters contained in the memorandum of association.

The Joint-Stock Company is a company whose registered capital is divided into a certain number of shares with a certain nominal value. The company is responsible for breaching its obligations with all its assets. The shareholder is not liable for the company's obligations. The share represents the rights of a shareholder to participate in the company's management, profits, and liquidation balance after its liquidation.

A Simple Company with Shares is a new legal form of business company that can be established in Slovakia from 1.1.2017. A simple company with shares is a company whose registered capital is divided into a certain number of shares with a certain nominal value. The company is responsible for breaching its obligations with all its assets. The shareholder is not liable for the company's liabilities.

Table 1 summarizes the basic characteristics of business companies in Slovakia.

Tab. 1 Basic characteristics of business companies in Slovakia

Slovak Republic	**Kind of company (personal/ capital)**	**Number of parners (min – max)**	**Liability of partners**	**Investment contribution of partners**	**Registered capital**	**Purpose of the existence**
General Commercial Company	Personal company	Min 2 Max is not preset - Natural persons and legal entities	Jointly and severally with their entire property	No	No	Only running business
Limited Partnership	Mixed company	Min 2 (1 general partner, 1 limited partner) - Natural persons and legal entities	- limited partners – up to the amount of the unpaid part of their investment contributions	Limited partners – min 250,- euro General partners – no	Min 250,- euro	Only running business

			- general partners – with their entire property			
Limited Liability Company	Capital company	Min 1, max 50 - Natural persons and legal entities	up to the amount of the unpaid part of their investment contributions	Min 750 - euro	Min 5000,- euro	-running business - other purpose
Joint-Stock Company	Capital company	- min 1 (only legal entity), - otherwise at least 2,	Shareholders are not liable for the company´s obligations		25000,- eur	running business - other purpose
Simple Company on Shares	Capital company	Min 1 (natural persons and legal entities) Max is not preset	Shareholders are not liable for the company´s obligations		1 euro	Only running business

Source: authors according to the act of FZ ČSFR no. 513/1991 Coll., CommercialCode, as amended

Legal forms of business / business entities in Germany

In Germany business is primarily regulated by the Commercial Code (Handelsgesetzbuch (HGB)). Businesses may be run either by a natural person (tradesman, Gewerbetreibender), a trader (Kaufmann) or a Commercial Company (Handelsgesellschaft). A Sole Proprietor is any natural person (Natürliche Person) who establishes a business and is not a freelancer (Freiberufler). Most Sole Proprietors also have the status of trader (depending on the extent of their business activity and authority). In the case of an individual enterprise (running a business as a natural person), this is referred to in Germany as Einzelunternehmen (it can be a natural person as Sole Trader, Farmer, Freelancer). A natural person undertakes a trade license and is entered in the Trade Register (Handelsregister), excluding the small Sole Proprietors, or under another authorization in respect of the liberal profession. A natural person in this type of business is liable for the obligations of the enterprise with all their assets. Einzelunternehmen (Individual Enterprise / One Man Company / Company with a single owner) can be entered in a Trade Register (Handelsregister) at their own request. From a comparison of legal regulations in Slovakia and Germany, it is clear that Einzelunternehmen (Individual Enterprise/one-person company) in Germany has a similar character to that of a self-employed person (samostatne zárobkovo činná osoba) in Slovakia.

Commercial companies that can be set up in Germany include Offene Handelsgesellschaft (OHG; General Commercial Company), Kommanditgesellschaft (Limited Partnership), Gesellschaft mit Beschränkter Haftung (GmbH; Limited Liability Company), Gesellschaft mit Beschränkter Haftung & Compagnie Kommanditgesellschaft (GmbH & Co. KG; Limited Liability Company & Compagnie Limited Partnership), Unternehmergesellschaft (UG; Trade Company), Aktiengesellschaft (AG, Joint-Stock Company), kleine Aktiengesellschaft (kleine AG, Simple Company with Shares). By April 25, 2013, it was possible to establish a specific business entity in Germany that was exclusively used for trading on the sea (Partenreedere). As it cannot be established any more, we will not deal with it in the following text.

Offene Handelsgesellschaft (OHG; General Commercial Company) is a business entity, where at least two partners / company members (Gesellschafter) are doing business under the common business name. These can be businessmen or traders (Kaufleute). Offene Handelsgesellschaft (General Commercial Company) cannot establish freelancers (Freiberufler) or small sole traders (Kleingewerbetreibende). The Company guarantees the Company's liabilities with all its assets and participates in the company's activities. The law does not impose any obligation on partners (Mindestkapitaleinlage; minimum capital/minimum deposit/minimum investment) nor the minimum amount of the share capital. The company must be entered in the Handelsregister (Trade Register).

Kommanditgesellschaft (Limited Partnership) is a trading company in which one or more Komplementäre (general partners) and other Kommanditisten (limited partners) are partners. Company management is only in the hands of the general partners. The Limited Partnership guarantees the company's obligations unlimited with all its assets. The limited partners are liable for the company's liabilities only up to the amount of their unpaid deposit, which is listed in the Companies Register. One of the ways in which a general partner can limit their liability for the company's obligations is to establish a company in the form of GmbH & Co.AG (Limited Liability Company & Compagnie Limited Partnership).

Gesellschaft mit beschränkter Haftung (GmbH; Limited Liability Company) is a trading company that can also be set up by one partner (Gesellschafter). The registered capital (Stammkapital) must be a minimum of EUR 25,000, while the shareholders must pay at least 50% of the Stammkapital (Registered Capital) when establishing the company. Partner collaterals can be monetary or non-monetary items, or a combination of the two. The value of the non-monetary items needs to be established. The Company guarantees all its assets for its obligations. The Company is liable for the company's liabilities only up to the amount of the unpaid deposit entered in the Trade Register. The company's manager / director (Geschäftsführer) has a special form of guarantee. If the Geschäftsführer (director) breaks its obligations (see §347 of the Handelsgesetzbuch (Commercial Code) "Sorgfalt eines ordentlichen Geschäftsmanns"), he must compensate the company for the damage incurred (in such a case, the Geschäftsführer is liable for the damages and liabilities incurred by all its assets). The Gesellschaft mit beschränkter Haftung (GmbH) is regulated by a separate legal regulation - Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG; Limited Liability Company Law), which was adopted on April 20, 1892.

A special form of the Gesellschaft mit beschränkter Haftung (Limited Liability Company) is the Unternehmergesellschaft (UG; Trade Company). It is a simpler form of a Limited Liability Company, which can also be established by one shareholder, with a minimum capital amount of 1 euro. Registered Capital may be paid only in cash and partnerships are not allowed. The company must have the name "Unternehmergesellschaft (haftungsbeschränkt / limited liability)" or "UG (haftungsbeschränkt)", eg. "Schulze UG (haftungsbeschränkt)". This business entity is particularly suited to service providers (but not limited to this kind of activity). Profit from business activities cannot be paid to the partner in full.

Gesellschaft mit beschränkter Haftung & Compagnie Kommanditgesellschaft (GmbH & Co. KG; Limited Liability Company & Compagnie Limited Partnership) is a business structure that combines a limited liability company with a limited partnership (Gesellschaft mit beschränkter Haftung or Unternehmergesellschaft). It is a partnership between GmbH (Limited Liability Company) and at least one natural person in a position of Kommanditist (limited partner). The amount of the registered capital depends on whether the general partnership is Gesellschaft mit beschränkter Haftung (Limited Liability Company) or Unternehmergesellschaft (Trade Company). If the Gesellschaft mit beschränkter Haftung is a limited partnership, the minimum capital is 25,000 euros. If the limited partnership is the Unternehmergesellschaft, the minimum registered capital is 1 euro.

Aktiengesellschaft (AG, Joint-Stock Company) is a company whose registered capital is divided into shares, with a minimum nominal value of 1 share. The minimum capital is 50,000 euros. Kleine Aktiengesellschaft (AG; small Joint-Stock Company) is a special type of Joint-Stock Company that can be set up by at least one founder. When establishing a company, the founder must pay a deposit of at least EUR 50,000. The share capital is further divided into shares. The status of this business structure is governed by a separate law - Aktiengesetz (Joint-Stock Company Law), adopted on September 6, 1965.

The Partnergesellschaft (PartG; Partnership company) is a specific business structure that can be used by freelancers in Germany. It is a form of partnership, and the conditions for its establishment are defined for different kinds of free occupations by special laws (for example, lawyers may enter into partnerships under the Bundesrechtsanwaltsordnung (Lawyers regulation) (more precisely in § 59a of the Berufliche Zusammenarbeit / Business Cooperation.) Partnerships are created on a contractual basis – the contract is called Partnerschaftsvertrag (Partnership Contract). Partnerships are registered in Partnerschaftsregister (Partnership Register). In partnerships, all partners are jointly liable for their partnership commitments, but in the case of particular orders / contracts, only those partners who are responsible for the obligations arising from these orders. The other partners are not liable with their personal property.

A particular type of partnership is the Partnerschaftsgesellschaft mit beschränkter Berufshaftung (PartGmbH; Limited Liability Partnership Company). It is a partnership of freelancers, in which the partners are not liable with their assets, but only up to the sum insured under the compulsory insurance of the relevant profession (Berufshaftpflichtversicherung). The amount of compulsory insurance is determined by the specific legislation for each particular occupation (Berufsrecht). For the distinction between a partnership in which the partners guarantee the partnership's obligations unlimitedly with their entire assets (the partners have not concluded the insurance contract) and the partnership in which the partners guarantee limited partnership obligations in terms of compulsory insurance, there is the abbreviation "mbB" (mit beschänkter Berufshaftung / limited liability). In terms of limited liability, this type of partnership is similar to a Slovak Limited Liability Company.

In Germany, it is also possible to carry out business activities on the basis of Civil Law standards. A typical example is the Gesellschaft Bürgerlichen Rechts (GBR), which can be likened to the Slovak Interest Group (Interest Association). It arises automatically (von allein) when a minimum of two people come together (natural and legal person) and decide to pursue a common goal (Zweck). A typical example of Gesellschaft Bürgerlichen Rechts is a housing cooperative, if two or more freelancers establish a common practice carrying out the particular professional activities, the further example can be the implementation of a project development of two or more companies, etc. Partners within the Gesellschaft Bürgerlichen Rechts guarantee unlimited liability for their obligations jointly without distinction (Gesamtschuld, Solidarschuld) with their entire assets. This type of association is not entered in the Trade Register, but requires a Trade License or other entitlement (for example, in the case of an association of freelancers) to do business.

Another possibility to enter into business activities is as a silent partner (stiller Gesellschafter). This is a similar form of participation to the case of a silent partner under Slovak law. A silent partnership is set up on a contractual basis, with the silent partner committing to invest in the company. Their investment can be money, non-monetary items, or a service. The value of the non-monetary items and the services need to be established.

Table 2. The basic characteristics of business companies in Germany

Germany	**Number of parners (min – max)**	**Registered capital**	**Liability of partners**
Offene Handelsgesellschaft (OHG) / **General Commercial Company**	min. 2	no	unlimited with their entire property
Kommanditgesellschaft / **Limited Partnership**	1 or more general partners (complementary), or another partners - limited partner) The limited partners are excluded from the conduct of the company, they only have a control function	no	A general partner has unlimited liability with his entire property. Limited partners are liable up to the amount of their non-paid collateral
Gesellschaft mit beschränkter Haftung (GmbH) / **Limited Liability Company**	min. partner (Gesellschafter)	25.000 EUR – for the registration of the company is necessary to pay 50% collateral	Partners are liable for the company obligations up to the amount of their non-paid share. A specific form of director liability exists for the company: he is liable with his entire property
Gesellschaft mit beschränkter Haftung & Compagnie Kommanditgesellschaft (GmbH&Co.KG) / **Limited Liability Company & Company Limited Partnership**	Combination of LLC and at least 1 natural person	For LLC 25.000 UR, for Trade Company 1,- EUR	LLC becomes a general partner (Komplementär) - has limited liability, up to the amount of the Registered Capital; The general partners are liable up to the amount of their non-paid collateral
Unternehmergesellschaft (UG) / **Trade Company**	min. 1 partner (Gesellschafter)	min. 1,-EUR (Stammkapital); non-monetary items are excluded	

Kleine Aktiengesellschaft (AG) / **Small Joint-Stock Company**	min. 1 founder	50.000 EUR (Grundkapital) – devided into the shares	Shareholders are not liable for the company obligations

Source: authors´elaboration

Conclusion

The right to run a business represents one of the fundamental rights guaranteed by the Constitution in Slovakia. The specific legislative regulation of particular corporate forms is elaborated in law. Trading companies are not only an important part of the business environment, but they also have an overall societal importance. The origins of the oldest trading companies are associated with medieval Italy; from there they gradually spread to England, the Netherlands, France, and Germany (M. Schmitthoff, 1939).

In an evolving global environment, there is a growing need to compare the different business sectors between countries. The law of trading companies in Slovakia but also in Germany is heavily influenced by membership of the European Union, despite the fact that the regulation of individual legal forms of business is the sole responsibility of individual Member States of the European Union. In 2011, the European Union published a Report on the Future of EU Corporate Law (2011), which also explains why the harmonization of corporate law has not yet taken place. The economic and financial crisis starting in 2008, which hampered efforts to harmonize the area of corporate law, played an important role.

In this paper, we compare the corporate forms of business that can be established in Slovakia and Germany. Currently there is no entire overview of the company forms based in Slovakia and Germany and their mutual comparison. We focus on the basic data (the business name, the nature of the company, the legal restrictions on the number and the nature of the shareholders, etc.) that will enable us to define identical or similar corporate forms of business as well as those of a local nature. Our results are based primarily on an analysis of Slovak and German legislation on the establishment and business of companies.

We can conclude that in both countries there are the most common and most frequent forms of companies, such as the public company (Verejná obchodná spoločnosť/Offene Handelsgesellschaft), the limited partnership (komanditná spoločnosť/Kommanditgesellschaft), and the Limited Liability Company (spoločnosť s ručením obmedzeným/Gesellschaft mit beschränkter Haftung). Based on the size of the country and the economic conditions of Germany and Slovakia, there is an adequate difference in the amount of basic capital prescribed by the law for the establishment of a company, the amount of the minimum stake that the partners are required to enter when establishing a business. Differences were also found in a number of business structures - more forms exist in German business. In Slovakia, there are not present structures such as partnerships / Partnerschaft, or limited liability companies - Unternehmergesellschaft /podnikateľská spoločnosť (business company). There is also a capital company (not a joint-stock company) in Slovakia which could be set up with a minimum amount of equity. This is the case in Germany for the Unternehmergesellschaft (UG)). These German corporate forms might be attractive for Slovakia – the new corporate forms can be attractive for certain business activities and areas, and make it easier to start up and run a business.

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TRENDS IN INCLUSIVE LABOUR MARKET DEVELOPMENTS IN THE VISEGRAD GROUP

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Abstract

Inclusive markets refer to a specific form of a social economy aimed at improving the capability of the long-term unemployed to get employed in the open labour market. The purpose of the paper is to identify trends shaping the V4 labour markets in terms of the inclusive market. In the paper, the Visegrad Group regional labour markets at NUTS II level are analysed and compared, using the indicators of employment rate 15-64, unemployment rate 20-64, and long-term unemployment rate in the monitored period of 2000 to 2016. In order to compare and evaluate the indicators, scoring and ranking methods are utilised. On average, the best scores are achieved by the regions in the Czech Republic, however some regions in Hungary also achieved excelled scores in the first and the last years under examination. In the period under analysis, the best ranking was achieved by the region of Prague, followed by two other regions in the Czech Republic, one region in Hungary and the region of Bratislava. The point assessment of all V4 regions shows that the top five regions also include the region of Bratislava, yet two regions out of four are holding the last positions.

KEY WORDS

Inclusive market, labour market, employment, unemployment, long-term unemployment, regional policy, Visegrad countries.

JEL Classification: J21, R11, R13

Introduction

Inclusive growth is one of the three key priorities for sustainable development in the European Union countries as outlined in the Europe 2020 Strategy. This growth is geared towards supporting high-employment economy, thus ensuring social and territorial cohesion. Inclusive growth refers to bringing as many people as possible into the labour market in order to reduce unemployment, especially the long-term unemployment, thus making the best use of the existing human resources. Human resources are a primary source for the development of a country. It is therefore necessary to implement such labour-market related measures that would provide for the effective utilization of human capital. With this regard, Delgadová, Gullerová, Ivanová (2017) state that national labour markets of today have been profoundly affected by globalization. Therefore, organizations and workforce must be able to respond flexibly to changing labour market conditions and demands.

National and regional employment and unemployment rates vary across the European Union. The paper is devoted to the assessment of the situation in the V4 labour markets, namely the Czech Republic, Hungary, Poland and the Slovak Republic.

The purpose of the paper is twofold. First, it is to identify trends in labour market developments in terms of inclusive market in all V4 regions. Second, it is to assess the labour market situation in these regions. The labour markets at NUTS II level in the V4 Group will be analysed and compared using the indicators of employment rate, unemployment rate, and long-term unemployment rate for the monitored years 2000 – 2016. The data were drawn from the Eurostat database.

1. Present situation and methodology of the issue being solved

In the Europe 2020 Strategy, emphasis is placed on smart, sustainable and inclusive growth in delivering sustainable growth. Páleník et al. (2015) maintain that the key difference between the content of the Lisbon Strategy and Europe 2020 Strategy is the inclusive growth. The inclusive growth covers two areas. The first area is concerned with the manufacturing process, while focusing on the reduction of unemployment, primarily long-term unemployment. In addition, households with the long-term unemployed and their full integration into society are addressed. The main targets of the Europe 2020 Strategy are to increase the employment rate, reduce the number of people at risk of poverty and reduce the number of jobless households.

Indeed, the labour market can produce a substantially high proportion of those who are not working, and are unemployable at the same time in the open labour market. This is due to their lower labour productivity resulting from their inactivity in the labour market and gradual loss of work habits and practical skills. As noted by Páleník et al. (2013), the negative impact of unemployment on society, economy and public finances is enormous: the jobless receive unemployment benefits, do not pay taxes and contributions, and lose motivation for their further development and education. Moreover, parents losing interest to work are not good role models for their children, who often commit petty crimes and cannot support their demand for their poverty.

Societies lose their potential to a considerable extent when not utilizing their human resources. The problem is being faced by a number of countries that are trying to increase their economic growth and catch up with advanced economies while failing to take note of that part of population that is able to work, yet not in the labour force. There is, however, an increasing interest in the concept of inclusive growth today. The idea is that growth alone is not sufficient as a policy target (Turok, 2010, Lee and Sissons, 2016). Arumugam and Sulibhavi (2017) write that as a result, even if developing countries realize reasonably good economic growth, a large segment of their population has remained outside the growth process. That is why it is necessary to create some form of positive discrimination in the market in order to provide the target group with employment opportunities, i.e. to make the target group attractive for employers. Otherwise, the workforce may be exhausted in the near future. Smith et al. (2017) claim that the issue needs to be addressed in the educational process, where the inclusive approach means ensuring that all students from any socio-economic and cultural demographic, geographical location, gender, disability, ethnicity and discipline have equal opportunity to experience entrepreneurship education and access entrepreneurial learning environments. Vojtovič, Krajňáková (2014) say that formally educated people are the source of human capital, which is considered to be the main source of enterprise value creation. Thus, man becomes the primary source of economic prosperity.

With regard to the development of national economies, regions and their economic performance play an important role. According to Michálek (2014), inequalities in general are more and more increasing in almost all areas of economic and social life whereas rich and developed regions are getting even richer, and poor and less developed are getting poorer and lagging behind. Therefore, the European Union focuses on development activities to be carried out through development strategies. Development strategies are geared not only towards reducing regional disparities associated with economic growth but also towards reducing poverty. Many countries are getting increasingly concerned that the advantages of economic growth are not equally distributed (Resolution Foundation 2013, Furman 2014, OECD 2014). These inequalities are bringing about worsened economic, social and demographic parameters in marginal regions. According to Michálek (2014), they go hand in hand with many undesirable negative phenomena, such as high unemployment, low wages and income, social dependence, poor purchasing power, poverty, social exclusion, rise of subcultures, addiction to alcohol or drugs, etc. It is naturally difficult to address the issue of inclusive growth in a region affected by any of the aforementioned phenomena. It needs to be found, however, whether the conditions for an inclusive labour market are created in individual regions of the EU. The conditions may cover institutional support, human capital, innovation, stable government, job creation requirements, etc. The findings by Di Cataldo and Rodríguez-Pose (2016) indicate that the regions with a good and efficient government reduced marginalization in the labour market and prevented the loss of low-skilled jobs. These are, in particular, the less developed regions of Europe, which are generally characterized by lower economic capacity and quality of government. Thus, the main objectives in the introduction of inclusive employment are as follows: reducing long-term unemployment, increasing employment rates and reactivating employment opportunities for the long-term unemployed and economically inactive people.

The research is focused on the EU member states, namely the Visehrad Group (V4). The Visegrad Group is an alliance of four Central European countries – Slovakia, Czech Republic, Hungary and Poland. The V4 was founded in February 1991. As Visegrad countries share similar historical and socio-economic conditions shaped by the post-communist era, the Visegrad partnership was founded in 1991. (Bialic-Davendra et al., 2016). At NUTS II level, the Slovak Republic is divided into four regions: Bratislava Region, Western Slovakia, Central Slovakia and Eastern Slovakia. The Czech Republic (CR) has 8 NUTS II regions: Praha, Střední Čechy, Jihozápad, Severozápad, Severovýchod, Jihovýchod, Střední Morava and Moravskoslezsko. The territory of the Republic of Hungary is already divided into 7 NUTS II regions: Közép-Magyarország, Közép-Dunántúl, Nyugat-Dunántúl, Dél-Dunántúl, Észak-Magyarország, Észak-Alföld, Dél-Alföld. Poland is divided at NUTS II into 16 voivodships: Łódzkie, Mazowieckie, Małopolskie, Śląskie, Lubelskie, Podkarpackie, Świętokrzyskie, Podlaskie, Wielkopolskie, Zachodniopomorskie, Lubuskie, Dolnośląskie, Opolskie, Kujawsko-Pomorskie, Warmińsko-Mazurskie and Pomorskie.

2. Methodology

In the paper, the methods of analysis, comparison, synthesis and scoring method were employed. The method of analysis was used to analyse the labour market indicators in the regions of the Visegrad Group. The method of comparison was used to compare the employment rate, unemployment rate and long-term unemployment rate in the V4 regions. The method of synthesis was used to draw conclusions resulting from the analysis.

The scoring method was used to assess the labour market level in the V4 regions. When using the scoring method, each parameter is assigned the region, which scored the best value, 100 points, and other regions are assigned indicator points as follows:

- if the maximum value is the best value (employment rate):

$$b_{ij} = x_{ij}/x_{jmax} \times 100$$

- if the minimum value is the best value (unemployment rate, long-term unemployment rate):

$$b_{ij} = x_{jmin}/x_{ij} \times 100$$

where:

x_{ij} = the value of j-th variable in the i-th region

x_{jmax} = highest value of the j-th variable

x_{jmin} = lowest value of the j-th variable

b_{ij}= the scores of the i-th region for the j-th variable.

Next, the integral variable d_i, as the arithmetic average of the points for the indicators set for each region is calculated. The best results of observed variable reaches the region in which the integral indicator di reaches the maximum value.

3. Labour market development in the regions of Visegrad Group countries

The basic labour market indicators are employment, unemployment and long-term unemployment. Employment can be defined as involvement of working people in the process of creating new products and services. Employment trends can be observed in the employment rate indicator, i.e. the share of the number people being employed in the age group 15-64 years on the total population in the age group 15-64 years, expressed in percentages.

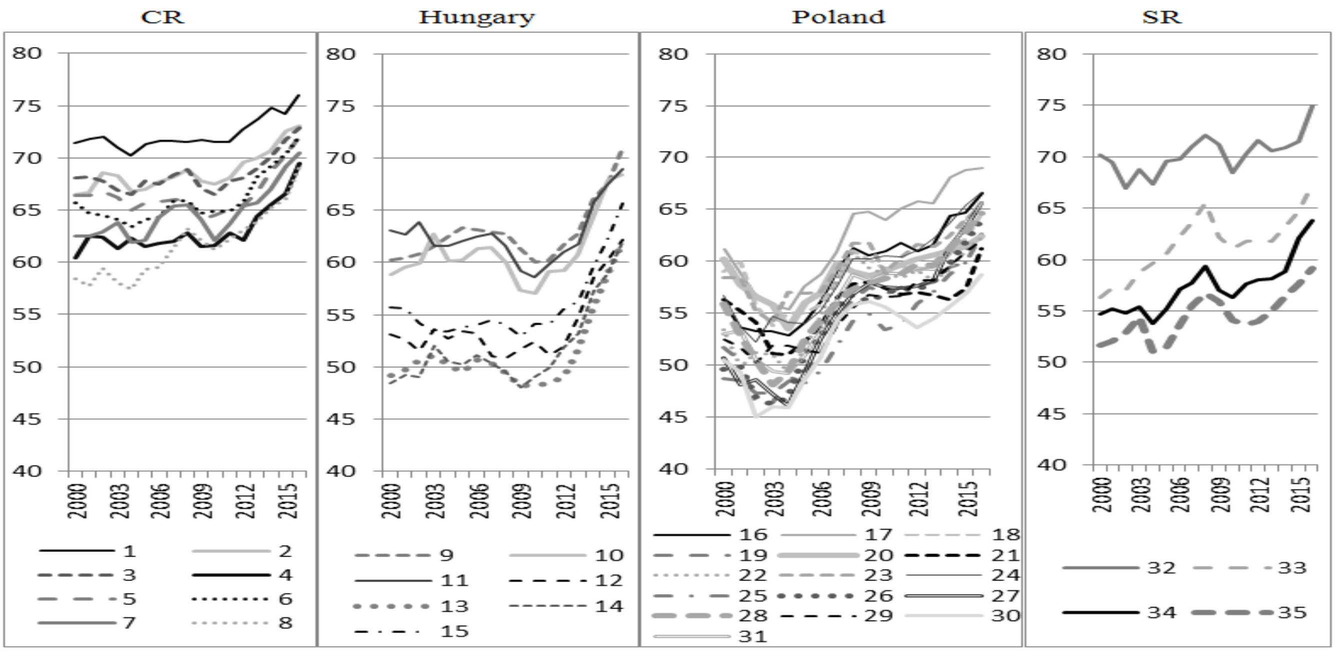
Unemployment is defined as a situation where someone of working age is not able to get a job but would like to be in full time employment. The unemployment rate is evaluated through the development of the unemployment rate, i.e. the share of the unemployed aged 20-64 in the number of economically active population.

Long-term unemployment refers to people who have been unemployed for 12 months or more. It is studied through the long-term unemployment rate, which is the percentage of the long-term unemployed in the number of economically active population, expressed in percentages.

3.1 Employment in the regions of Visegrad Group countries

The development of employment rate varied considerably from region to region in V4 countries (Graph 1), with a rising trend over the last few years.

Graph 1: Development of employment rates in V4 regions (%)



Source: own processing based on Eurostat data

The explanatory notes:

No	Region	No	Region	No	Region	No	Region
1	Praha	10	Közép-Dunántúl	19	Slaskie	28	Opolskie
2	Strední Cechy	11	Nyugat-Dunántúl	20	Lubelskie	29	Kujawsko-Pomorskie
3	Jihozápad	12	Dél-Dunántúl	21	Podkarpackie	30	Warminsko-Mazurskie
4	Severozápad	13	Észak-Magyarország	22	Swietokrzyskie	31	Pomorskie
5	Severovýchod	14	Észak-Alföld	23	Podlaskie	32	Bratislavský kraj
6	Jihovýchod	15	Dél-Alföld	24	Wielkopolskie	33	Západné Slovensko
7	Strední Morava	16	Lódzkie	25	Zachodniopomorskie	34	Stredné Slovensko
8	Moravskoslezsko	17	Mazowieckie	26	Lubuskie	35	Východné Slovensko
9	Közép-Magyarország	18	Malopolskie	27	Dolnoslaskie		

There was a positive employment rate in the Czech Republic, with a slight drop during the economic crisis in 2009. The lowest rate of employment, only 57.4% was in Moravskoslezsko region in 2004, but in 2016 the employment rate in this region increased to 69.2%. The highest employment rate was recorded in all the years monitored in the Praha region, up to 76% in 2016. In the monitored period, the differences in the employment rate got smaller between the regions of the Czech Republic.

In Hungary, the employment rate fluctuated, with a slight drop after 2008. After 2012, the employment rate increased considerably. The lowest employment rate was in the regions of Észak-Magyarország and Észak-Alföld. The employment rate of less than 50% was recorded in several years in the monitored period. There was a marked increase in the employment rate (up to 62%) in the last four years monitored. The highest employment rate was in the Közép-Magyarország region (up to 70.8% in 2016), and in the Nyugat-Dunántúl region in 2000-2002.

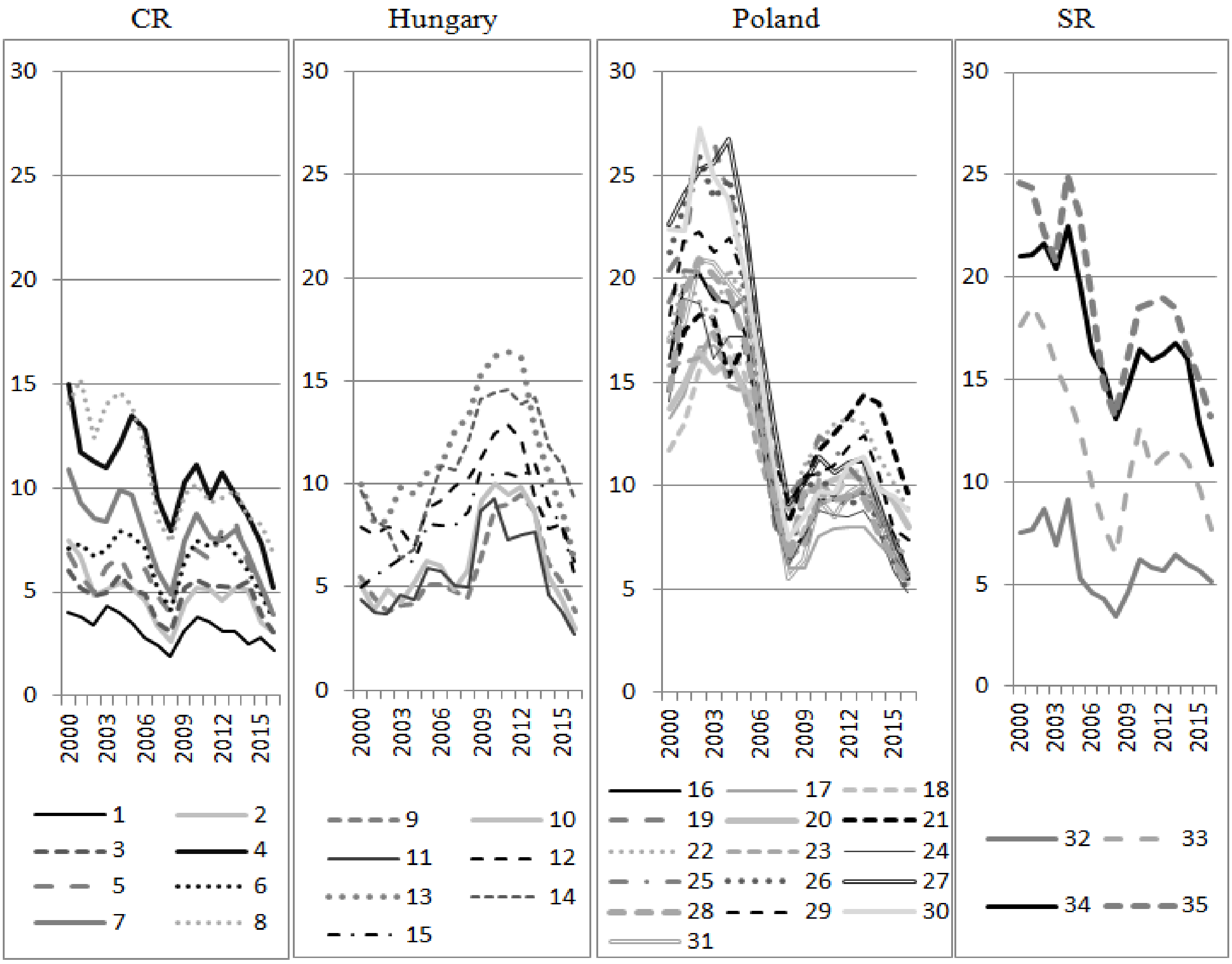
In the regions of Poland, the employment rate had been decreasing since 2000, and the employment rate went up after 2004. A further slighter drop in unemployment was recorded in 2009. However, in the following years the employment rate rose to 69% in the Mazowieckie region in 2016. The lowest employment rate was in the Zachodnipomorskie and Warminsko-Mazurskie regions (only 45% in 2002).

In the Slovak Republic, the employment rate was on the rise from 2000 to 2008. Due to the economic recession, the employment rate was going down in the following years. From 2012, the employment rate was increasing, reaching 74.9% in the best perforing Bratislava region. Throughout the monitored period, the lowest employment rate was recorded in the Eastern Slovakia region (only 51.1% in 2004), with a slight increase in 2016 (59.1%).

3.2 Unemployment in the regions of the Visegrad Group countries

Economic development in individual countries and their regions also affects the labour market development, which is primarily reflected in the unemployment rate. Positive development of the economic growth helps reduce unemployment. Nevertheless, the problems related to the economic recession following 2008 were reflected in increased unemployment rates (Graph 2). The unemployment rates varied from country to country in the Visegrad Group.

Graph 2: Development of unemployment rates in V4 regions (%)



Source: own processing based on Eurostat data

Unemployment rate fluctuated in the regions of the Czech Republic, with a downward trend after 2004 and after 2013. In the Czech Republic, the most affected regions are the Moravskoslezsko and Severozápad regions in which the unemployment rate was high, especially until 2006. The lowest unemployment rate is in the Praha region (only 1.9% in 2008; 2.2% in 2016).

In the regions of Hungary, the unemployment rate was increasing from 2002. The highest unemployment rate of 16.3% was recorded in the Észak-Magyarország region in 2011. In the following years, the unemployment rate was decreased below 10%. The lowest unemployment rate was in the Nyugat-Dunántúl region (2.5% in 2016).

In Poland, the unemployment rate was on the rise in 2000-2003, and in some regions it exceeded 25% (Zachodnipomorskie, Warminsko-Mazurskie, Dolnoslaskie, Lubuskie). From 2003 to 2008, the unemployment dropped dramatically, ranging from 5-10% in the regions. In the following years, the unemployment rate went up, and dropped after 2013.

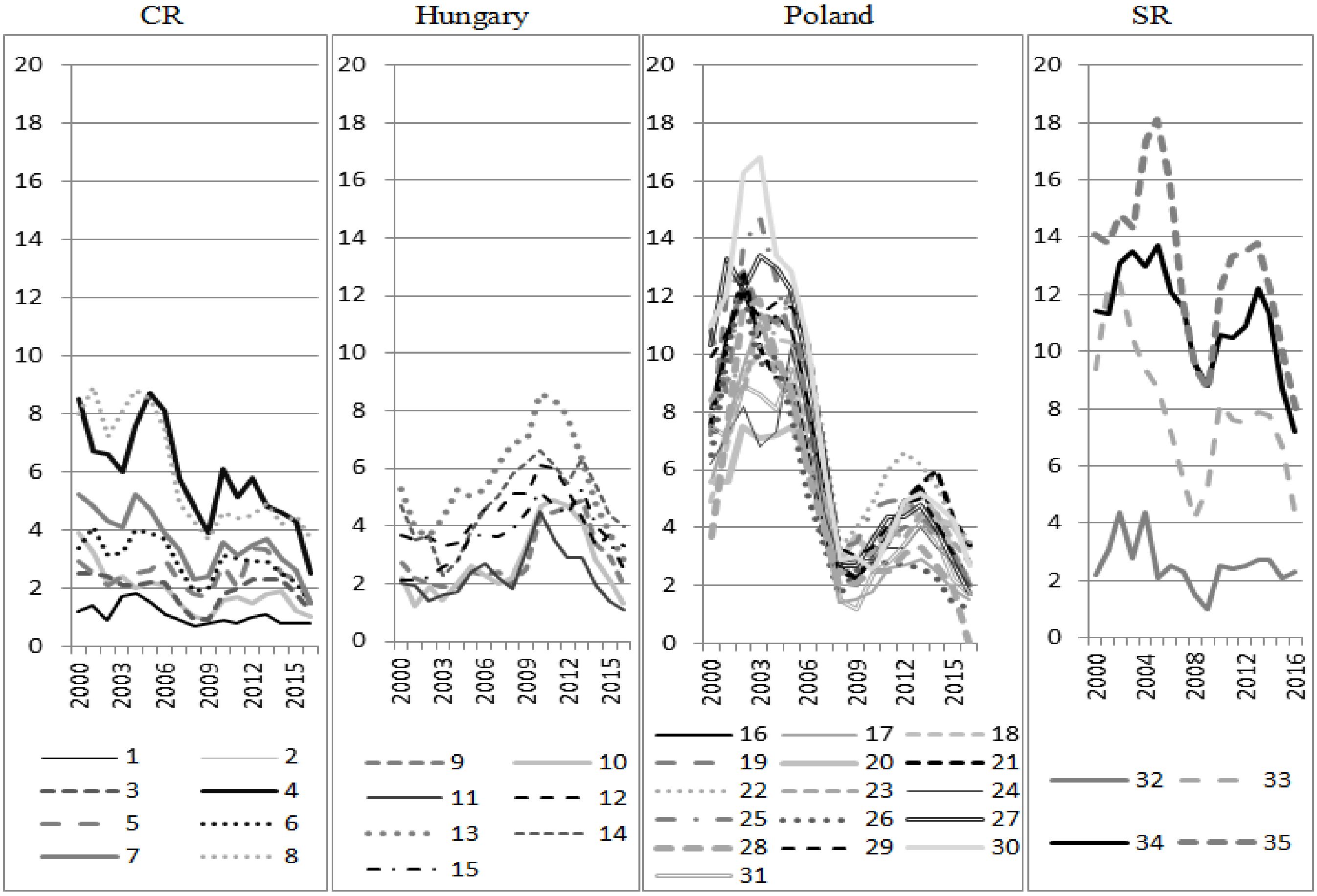
Recently, the lowest unemployment rates have been in the regions of Opolskie, Wielkopolskie and Lubuskie.

In the regions of the Slovak Republic, the unemployment rate fluctuated, with a downward trend following 2004 and 2012. There are considerable differences in unemployment rates across the regions of Slovakia. The highest unemployment rate was recorded in the Eastern Slovakia region in 2004 (24.2%). Throughout the period under analysis, the lowest unemployment rate was in the Bratislava Region (merely 3.3% in 2008).

3.3 Long-term unemployment in the regions of Visegrad Group countries

Long-term unemployment is a huge problem for any country. The development of long-term unemployment rate is the same as the unemployment rate with a one year delay. There are big differences in the long-term unemployment rates across the V4 regions, with the highest long-term unemployment rate in the SR (Graph 3).

Graph 3: Development of long-term unemployment rates in V4 regions (%)



Source: own processing based on Eurostat data

The development of the long-term unemployment rate in the regions of the Czech Republic is similar to the development of the unemployment rate. With regard to the long-term unemployment, the worst situation is in Moravskoslezsko and Severozápad; whereas the Praha region has the lowest long-term unemployment rate, which was below 1% over several years.

In Hungary, the long-term unemployment rate decreased in 2000-2003, and went up to 8.6% in 2010 in the Észak-Magyarország region. From then on, the long-term unemployment rate fell to 1.1% in the Nyugat-Dunanthal and Közép-Dunántúl regions in 2016. In the last three years of the period under analysis, the highest long-term unemployment rate is recorded in the Észak-Alföld region (4% in 2016).

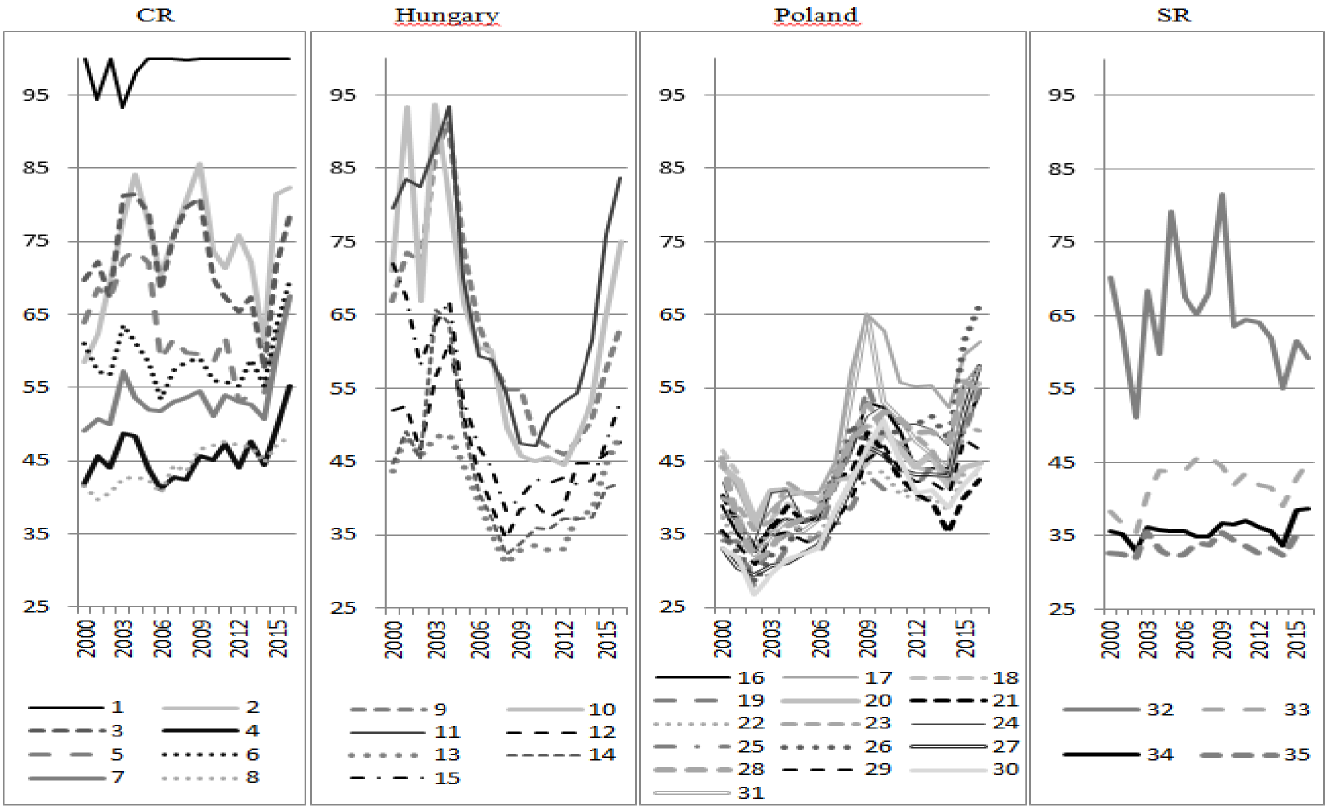
In Poland, the evolution of long-term unemployment was far different from that of Hungary. In the first years of the period under analysis, the long-term unemployment rate increased to 16.8% in 2003 in the Warminsko-Mazurskie region. In the following years, the long-term unemployment rate dropped sharply, with the lowest rates in 2008. The years of crisis brought an increase in the long-term unemployment rate, in the Swietokrzyskie region to 6.6% in 2012. From then on, the long-term unemployment rate kept decreasing. The unemployment rate was no higher than 4% in any region in 2016.

In the Slovak Republic, the evolution of unemployment had also an impact on the evolution of the long-term unemployment. The highest long-term unemployment rate was recorded in the region of Eastern Slovakia - up to 18.1% in 2005. In the coming years, the unemployment rate kept decreasing. It, however, increased to 13.8% in 2013 due to the economic crisis. The lowest long-term unemployment rate is in the region of Bratislava, only 1% in 2009. In 2016, the long-term unemployment rate dropped significantly and ranged from 2 to 8%.

4. Assessment of the labour market situation in the V4 regions

Scoring method was employed to assess the overall labour market situation based on the employment rate, unemployment rate and long-term unemployment rate in V4 regions. The results for the years 2000-2016 are shown Graph 4.

Graph 4: Point assessment of the labour market situation in V4 regions



Source: own processing based on own calculations

The graph can be read as follows:

- The best score on average is achieved by the regions of the Czech Republic, Bratislava region and some regions of Hungary in the first and last years under analysis.
- The regions of Poland and the Slovak Republic (excluding the Bratislava region) scored the worst.
- The scoring of the regions of Hungary deteriorated from 2004 and 2009, and improved in the following years.
- There are significant differences with regard to the evaluation of the regions of the Czech Republic. On the other hand, there are slight differences among the regions of Poland.

Based on the calculations, Table 1 shows the five best and worst rated V4 regions in the three selected years: 2000 (the first year of the period under analysis), 2009 (the year of crisis), 2016 (the final year of the period under analysis) and their point ratings.

Table 1: The five best and worst rated V4 regions

Rank	2000		2009		2016	
	region	d_i	region	d_i	region	d_i
1.	Praha	100	Praha	100	Praha	100
2.	Nyugat-Dunántúl	79.6	Strední Cechy	85.5	Nyugat-Dunántúl	83.8
3.	Dél-Alföld	72.0	Bratislavský kraj	81.5	Strední Cechy	82.4
4.	Közép-Dunántúl	71.0	Jihozápad	80.8	Jihozápad	78.6
5.	Bratislava region	70.1	Mazowieckie	65.1	Közép-Dunántúl	75.0
31.	Slaskie	35.2	Dél-Dunántúl	38.4	Swietokrzyskie	43.1
32.	Zachodniopomorskie	34.2	Central Slovakia	36.6	Podkarpackie	42.4
33.	Dolnoslaskie	33.2	Estern Slovakia	35.6	Észak-Alföld	42.0
34.	Warminsko-Mazurskie	33.0	Észak-Alföld	33.8	Central Slovakia	38.6
35.	Východné Slovensko	32.6	Észak-Magyarország	32.9	Estern Slovakia	35.0

Source: own processing based on own calculations

Throughout the entire period under analysis, the Praha region was rated best. In 2000, the Praha region was followed by three regions of Hungary and the Bratislava region. The worst rated region was East Slovakia, preceded by the regions of Poland.

In 2009, none of the Hungarian regions got to the top five, while excellent results, except the regions of Praha and Bratislava, were recorded in two other regions of the Czech Republic, and the Mazowieckie region of Poland ranked fifth. There are two regions of Slovakia and three regions of Hungary that occupied the last positions.

In 2016, in addition to Prague, two regions of the Czech Republic, the Nyugat-Dunántúl region of Hungary and the region of Bratislava achieved the top positions. The worst results were achieved by two regions of Poland, one region of Hungary and two regions of Slovakia.

Based on the point assessment of the labour market in the regions of the Slovak Republic in the period under analysis, the average point assessment of the labour market for the period 2000-2016 was calculated and the ranking of the individual regions was made. Regions with the best and worst average scores are listed in Table 2. Regions with the best and worst average scores are listed in Table 2.

Table 2: Regions with the best and worst average labour marker scores in V4 countries

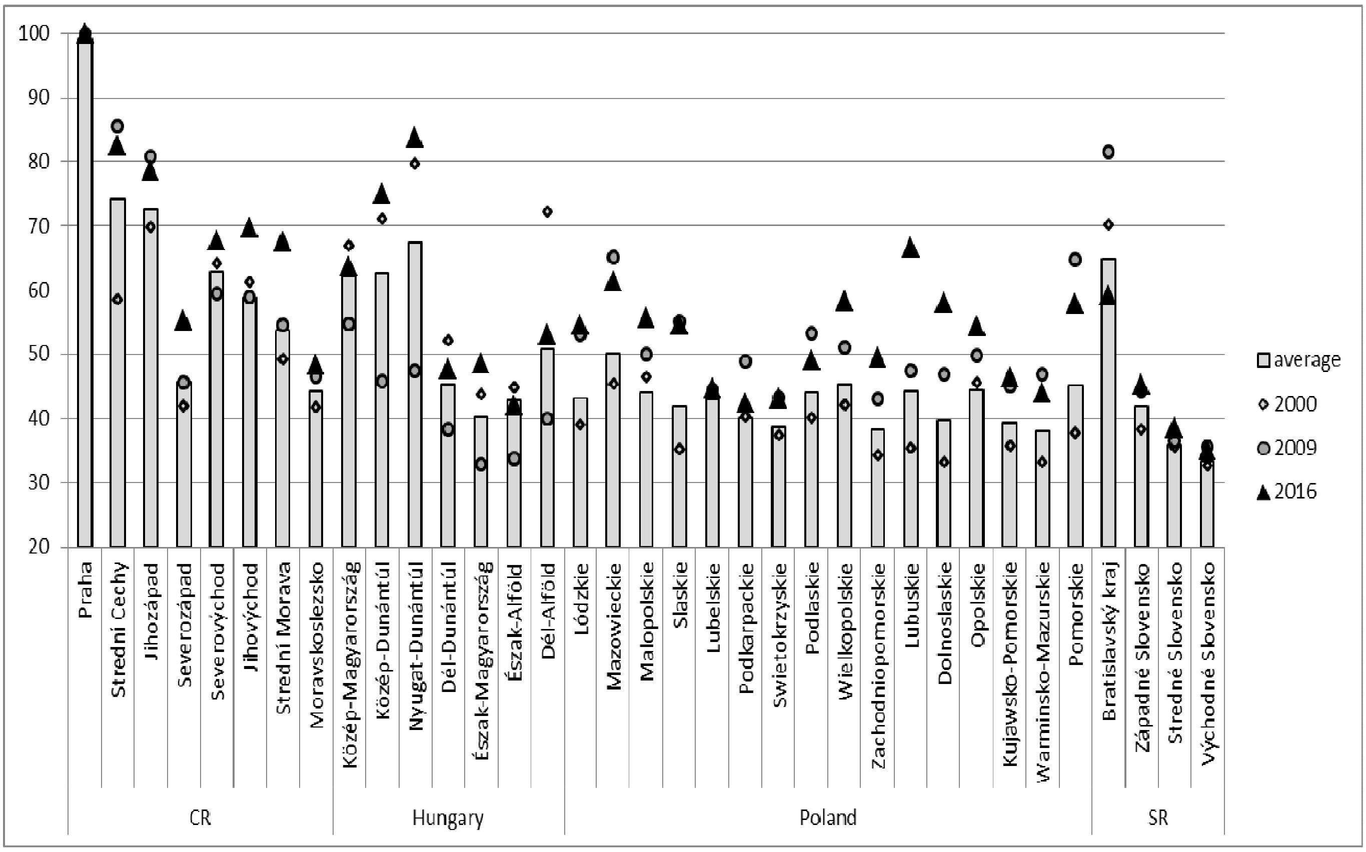
Rank	Region	d_i		Rank	Region	d_i
1.	Praha	99.1		31.	Swietokrzyskie	38.6
2.	Střední Cechy	74.1		32.	Zachodniopomorskie	38.3
3.	Jihozápad	72.5		33.	Warminsko-Mazurskie	38.1
4.	Nyugat-Dunántúl	67.3		34.	Central Slovakia	35.8
5.	Bratislava region	64.9		35.	Eastern Slovakia	33.5

Source: own processing based on own calculations

The average scores achieved in the period under analysis were as follows: the region of Prague (the best region), followed by two other Czech regions (Střední Cechy, Jihozápad), one region in Hungary (Nyugat-Dunántúl) and one Slovak region (Bratislava Region) were the top five regions. The last positions are held by three regions in Poland and two regions in Slovakia. The point rating for the region holding the last position (Eastern Slovakia) is just one third of the point rating for the best region of Prague.

Graph 5 shows the point assessment of the labor market situation in the V4 regions in the selected years 2000, 2009 and 2016 and the average score for the period under analysis (column graph).

Graph 5: Comparison of the point assessment of the labour market situation in the V4 regions in 2000, 2009 and 2016



Source: own processing based on own calculations

It is evident that the regions in the Czech Republic, three regions in Hungary and the Bratislava region achieved the best scores. There are no big differences between the remaining regions. The Graph also shows that the average scores differ significantly from the scores achieved in selected years. For instance, the average scores of the regions in the Czech Republic and some regions in Hungary and Poland are higher than the average scores in 2016 since these regions performed worse in the first years of the period under analysis.

It can be concluded that the best labour-market situation in the Czech and Slovak Republics is in the regions around the capital city (Prague and Bratislava, respectively). In the Czech Republic, the region of Prague has a considerably better labour-market situation than the other Czech regions. The same applies to the Bratislava region in the Slovak Republic. As claimed by Havierniková and Janský (2014) in the Bratislava region is the highest concentration of production with high added value. Region is located close to the other significant prosperous cities such as Vienna or Győr. It is characterized by high mobility of the workforce that comes from another region and other related agglomeration factors. Although Mazowieckie is the region with the capital city, the differences with regard to the labour market situation other regions are not significant. In Hungary, the region with the capital city did not get the best rating, but was rated third.

Conclusion

Inclusive growth, as part of the 2020 Strategy objectives, focuses on increasing employment rates, reducing long-term unemployment and improving the odds for the long-term unemployed and inactive people to find proper employment. Liptáková (2007) points to the fact that human resources are the most important element for the development of the region. Educated workforce is a key to a competitive advantage. The impact that human resources have on the development of regions is twofold. They are the supply of people whose age structure and primarily their qualifications are taken into account by investors when making their location choices. On the other hand, the population in their role of consumers condition the development of production and supply of services in the region. The relationship between the structure of the regional economy and human resources is formed in the region. On the one hand, the structure of companies operating in the area is an important factor influencing the quality and quantity of regional human resources, and on the other hand it contributes to improving and expanding the range of educational activities to enhance the value of regional human resources and to overcome barriers to the enterprise development in the region.

With regard to the overall and primarily long-term unemployment, the research findings indicate that out of all V4 countries, the situation is the worst in the Slovak Republic. Lubyová, Štefánik et al. (2016) maintain that after the transition to the market economy, Slovakia failed to handle unemployment despite the fact that Slovakia was a part of Czechoslovakia in the early nineties, and the performance of the Slovak economy was comparable to the neighbouring Czech Republic in a relatively short period of time. The research findings, however, show that Slovakia is well lagging behind the other V4 countries. The worst situation relates to the long-term unemployment, with the highest unemployment rate recorded in the region of Eastern Slovakia. Even though the Slovak government adopts and implements various measures to eliminate the long-term unemployment (e.g. activation work and the obligation to work the set amount of hours in order to get material need benefits), they are not sufficient in a practical sense, and may even mask the real picture of the long-term unemployment.

In the period under analysis, the best ranking was achieved by the region of Prague, followed by two other regions in the Czech Republic, one region in Hungary and the region of Bratislava. There are no dramatic differences between the remaining regions. The point assessment of all V4 regions shows that the top five regions also include the region of Bratislava, yet two regions out of four are holding the last positions.

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ENGAGEMENT, LOYALTY, ORGANIZATIONAL COMMITMENT, JOB SATISFACTION AND MOTIVATION OF PUBLIC ADMINISTRATIONS MANAGERS

Stanislava MINÁROVÁ

Abstract

When staffing the public administration organizations it is not enough to define the necessary qualifications and knowledge to perform the work. One of the prerequisites for work performance and required work behaviour of employees is their positive attitude to work and organization. The paper deals with working attitudes and motivation as prerequisites for achieving effective work performance for managers in public administration. Job satisfaction is first of all understood as emotional response to which extent the employee perceives his organization and his job as satisfying his needs. Employee satisfaction represents a subjective process of comparing the expectations and the real conditions connected with the aspects of work The aim of the contribution is to identify differences in working attitudes (engagement, loyalty, organizational commitment, job satisfaction) and motivation by elected and appointed representatives of municipal and local authorities and district offices. It has been found that there are no differences in terms of job satisfaction, organizational commitment, loyalty, commitment and motivation among elected and appointed representatives of municipal and local authorities and district authorities.

Key words

public administration, engagement, loyalty, organizational commitment, job satisfaction, motivation

JEL Classification: M12, M54, M53

Introduction

The aim of public administration organizations is to increase efficiency, economy and performance in the delivery of public services. One of the pillars for increasing organizational performance is people, their skills and knowledge. When staffing the public administration organizations it is not enough to define the necessary qualifications and knowledge to perform the work (Župová, 2014). One of the prerequisites for work performance and required work behaviour of employees is their positive attitude to work and organization. It was claimed by Bláha et al. (2016), who added engagement to the well-known function of employee performance. According to him, the performance, except the basic, social and professional competence, motivation and the support of organization, is also determined by engagement of employees understood as work attitude. According to Mercer´s Engagement Model (2016), the engagement is connected with other work attitudes, such as job satisfaction, organizational commitment and, related to this, loyalty and motivation. The degree of work attitudes and motivation of employees does not differ only because of their individual characteristics but mainly because of the organizational variables, working environment and the nature of the work. These determinants of work attitudes in organizations are various and may also vary within organizations of one sector. The aim of the paper is to identify the differences in the degree of work attitudes (engagement, loyalty, organizational commitment, job satisfaction) and the motivations of managers in state administration and local government organisations.

1. Theoretical basis

The first studies explaining work behaviour of employees considered the job satisfaction as a basic work attitude. Since the job satisfaction, which was observed in relation to fluctuation, did not prove the expected causal connections, the concepts like organizational commitment and loyalty were introduced. Job satisfaction is first of all understood as emotional response to which extent the employee perceives his organization and his job as satisfying his needs (Mitchell, Lason 1987). Employee satisfaction represents a subjective process of comparing the expectations and the real conditions connected with the aspects of work (Jung, Moon, Hahm, 2007). It is an indicator of psychic adjustment of a man with the work he performs (Kollárik, 1983). Employee satisfaction represents a subjective process of comparing the expectations and the real conditions connected with the aspects of work (Jung, Moon, Hahm, 2007). It is primarily determined by remuneration for the work performed, type of the work, style of senior management, possibility of career growth, communication in organization and working team (Spector, 1985; Kollárik, 2002).

Shermerhorn, Hunt and Osborn (1994) in their studies tried to find out whether the job satisfaction if the result of work performance or the performance is the result of job satisfaction. They found out that a satisfied employee, e. g. due to the content of the work, interpersonal relationships etc. gives the performance required by organization. If an employee gives the required performance, the extent of his/her job satisfaction increases. For the sufficient performance the employee gets an adequate remuneration, and this again makes the increase in his/her job satisfaction and thus he/she will continue giving the required performance.

Within the Mercer´s Employee Engagement Model (2016) the job satisfaction is described in connection with motivation. The motivation can be understood as "an intrapsychic process expressing the reasons of a one´s acting and behaviour in a situation, when he seeks to reach the goal, satisfy the perceived lack resulting from unsatisfied needs, habits, interests, values and ideals" (Kravčáková et al., 2013). Through the Public Service Motivation construct (PSM), it is possible to diagnose which motives motivate employees in the public service. The construct is defined as the predisposition of an individual to respond to stimuli in public institutions or organizations (Perry, Wise, 1990). Vandenabeele (2007) defines PSM as "the belief, values and attitudes that go beyond self-interest and organizational interest, that concern the interest of a larger political entity and that motivate individuals to act accordingly whenever appropriate (p. 547)". Perry and Wise (1990) divided the motives for work in public service into three categories: rational, norm-based and affective. Rational motives make an individual act to maximize his benefit. Norm-based motives include the contexts of loyalty to governmental entities, duty and justice. Affective motives represent the interest in public issues which follows from sincere conviction of their social meaning (Mesárošová, 2004).

The study of Ryan and Deci (2000) proved that the public service employees have different motives than the employees of private sector. The employees of public administration ignore external stimuli, such as salary and other rewards more, but they are more motivated by the values of work position characteristics, according to Hackaman and Oldham (Ryan, Deci, 2000; Harausová, 2015). Su and Bozeman (2009) observed the motives of public sector organization managers and they found out that highly motivated managers prefer the career and development, while the occupational safety, amount of salary and appropriate occupational environment does not influence their job satisfaction nor their motivation. The salary is not a significant determinant of motivation for managers in public institutions. Determination of motives for working in public service is connected with the assumption that the degree of motivation determines job search in public organizations, and is in a positive relation with the performance of an individual and achievement of the goals of organization. The goals of organization, according to Ademeymo (2000), are not attainable without the permanent commitment of members of the organization, and so the motivation contributes to the degree of commitment of a particular person to the organization. This relation was proved also in the researches of Altindisova (2011).

Organizational commitment characterizes the relationship between worker and organization, expresses the favour, the identification and is voluntary. This relationship is given by affective, continuance or normative commitment (Meyer, 1997). The commitment implies intention, obligation (Kemp, 1967) and relative strength of identification with a particular organization (Mowday, Steers, Porter, 1979; Newstorm, Davis, 1993). And so the organizational commitment relates to what extent employees belong to organization and are connected to it (Meyer et al., 2013; Van Dick, 2004).

Organizational commitment is given by the prestige of organization in a society and by a good reputation, relationship with the representatives of organization and their recognition by society. In connection with this, the organizational commitment is connected with the feeling of the employee's pride that he is working in such organization (affective commitment). Organizational commitment can also refer to so-called continuance commitment (Meyer, Allen, 1997) when an employee compares job deposits and job benefits as a consequence of potential fluctuations. If these deposits and benefits are higher in the current organization, the employee decides to stay and thus shows a certain amount of organizational commitment.

Employee loyalty is understood as the willingness of an employee to make a considerable effort on behalf of the organization and says about the employee's relationship with the organization (O'Reilly, Chatman, 1986; Greenberg, Baron, 2000; Allen, Grisaffe, 2001). Turkyilmaz et al. (2011) states that this relationship is reflected in the decision to leave the organization. Employee loyalty to an organization exists when employees believe in goals of the company (Mathieu, Zajac, 1990), accept them for their own, work for the welfare of the organization by investing their time and resources (Reichheld, 2001; Chow, Holden, 1998), they want to continue in the organization (Porter et al., 1974, Robbins 2005) and identify themselves with the mission of the organization and its ethics (Varona, 2002; Wu, Norman, 2006). According to Rymeš (In Halík, 2008), employee loyalty concerns demonstrating a positive relationship to organization and labelling by the symbols of organization. In this context, employee loyalty can be understood as an external expression of the employee's organizational commitment.

According to Andrew and Sofian (2012), employee engagement includes emotional and psychological relationships and attitudes between employees and the organization, the expression of which may be negative or positive behaviour of employees at the workplace. Jenkins and Delbridge (2013) claim that employee engagement implies his/her participation in work tasks, procedures and decision-making. Also Kahn (1990) defines employee engagement as involvement of organization members in work tasks while the involvement is physical, cognitive and emotional. The cognitive aspect of employee engagement relates to his/her views on organization, management and work conditions determined by experience and conviction. The emotional aspect of engagement refers to the feelings of employees, their positive or negative attitudes towards organization and its management. The physical aspect of employee involvement relates to physical energy developed by an individual to achieve his/her working role.

Employee engagement is an increased emotional and intellectual involvement the employee expresses in his/her work, and it motivates him/her to make extra effort and energy at work (Aon Hewit, 2013). The basis of the formation of this work attitude is the possibility of self-realization as the highest of the needs according to Maslow's Hierarchy of Needs (Richman, 2006). The basic preconditions for self-realization in this meaning are participation in decision-making in organization, opportunity to choose working methods, feedback, development support and career development opportunities.

Employee engagement is beneficial to the organization by the fact that employees perform such work tasks and in such a way that their work performance is excellent, i.e. higher than performance expected by the organization within performance standards (Halbesleben, Harvwey, Bolino, 2009). There is a general belief that there is a connection between employee engagement and the economic result of an organization, however, the causal connection between them has not been directly proved (Harter et al., 2002).

Bláha et al. (2013) mention differences between engagement and organizational commitment among employees. They state that engagement is connected with emotions involved in activities performed at work, and the commitment relates to organizations as a whole. According to them, these two concepts are interconnected. A great sense of commitment to organization can mean greater engagement, and a high level of engagement can be related to an increased sense of commitment to organization. However, people can engage in their work even if they are not committed to organization.

The relationship between the individual prerequisites for engagement was observed by several authors (Botham, Roodt, 2012; Field, Buitendach, 2011; Mendes, Stander, 2011; Newman, Joseph, Hulín, 2010; Salanova, Agut, Peiro, 2005; Schaufeli, Bakker, 2004). They claim that job satisfaction, motivation and organizational commitment are mutually correlated, i.e. that with the increase of one construct, the other one either appears or grows within their hierarchy. Even the Merecer's Employe Engagement Model (2016) says that in case of employee, it is not possible to achieve a higher level without a lower one, while there is job satisfaction at the lowest level and engagement at the highest level.

Employers should be interested in the work attitudes of their employees, especially in management positions, and where the relationship to work can have a significant impact on the relationship to client and on the provision of services. These positive work attitudes are the source of competitive advantage and they contribute to the achievement of organizational goals, especially in public administration organizations, where the financial means for the resources of transformation process are limited.

The presumption of the difference between the degree of job satisfaction, organizational commitment, loyalty, engagement and motivation among managers of state administration and local government organizations is based on fundamental differences in the functioning of these public administration pillars and the structure of competencies which for managers of state administration and local government organizations follow from the legal regulations.

Within the state administration the managers are appointed and it is characterized by a system of superiority and subordination with a strict assignment of competences and working procedures at each level of management. The objective of state administration is to respect the law and order (Papcunová, Gecíková, 2011).

Within the local government, elected managers act in relation to the performance of competences and appointed managers in relation to employees of the office. Local government is characterized by the legal assignment of competences with greater decision-making authority on the way they perform (Papcunová, Gecíková, 2011). This means that it is an activity with managing character. The managing elements are represented in this case to greater extent than in the case of state administration. Consequently, Local Government means not only the performance but also the creation of self-governing power within the limits of law. Local government, and thus its representatives, independently and to a large extent set the targets to which their work and performance are directed (Prucha, 2004). Factors of positive working attitudes are also the degree of decision-making power of an employee, participation in decision-making or job characterization according to Hackaman and Oldham (1976), which are different within public administration, state administration and local government organizations. Working conditions within local government organizations are much closer to the factors of positive working attitudes.

Based on these characteristics of working attitudes and differences within the functioning of public administration pillars, the following research question arises: *"Are there statistically significant differences in the average degree of motivation, job satisfaction, loyalty, organizational commitment and engagement in case of managers in state administration and local government?"*

Hypothesis 1: It is assumed that managers of local government organizations have higher average rate of motivation, job satisfaction, loyalty, organizational commitment and engagement than managers of state administration organizations.

Hypothesis 2: It is assumed that elected managers of local government organizations have higher average rate of motivation, job satisfaction, loyalty, organizational commitment and engagement than appointed managers of local government organizations.

2. Methodology

Method. The questionnaire was divided into 6 parts. The first part of the questionnaire contained 17 questions observing the rate of employee engagement – Utrecht Work Engagement Scale (UWES), a standardized questionnaire formed by W. B. Schaufeli and A. B. Bakker (Schaufeli, Bakker, 2004). Respondents answered on a modified six-point evaluation likert scale in the range from 1 to 6, while 1 – strongly disagree to 6 – strongly agree. The overall score ranges from 17 to 102. When determining the engagement and non-engagement rate, the score is divided by median – 51. If the overall score is lower than the median value, it is a case of low engagement rate – non-engagement. If the score is higher than the median value, it is a high engagement rate – engagement.

The second part of the questionnaire consists of three questions concerning organizational commitment. It is inspired by a three-part model observing the rate of employee commitment (TCM; Meyer, Allen, 1991, 1997; revised version – Meyer, Allen, Smith, 1993). This model measures three forms of employee organizational commitment, namely an affective commitment – a desire; a normative commitment – an obligation; continuance commitment – costs. Each of these three forms of organizational commitment can be measured separately by one question, or overall, as a measure of organizational commitment, so called commitment profile. Respondents answered individual items using the six-point likert response scale, from 1 – strongly disagree to 6 – strongly agree. Values for the overall commitment profile range from 3 to 18. The low commitment rate is characterized by the score obtained below the median interval value and the high commitment rate is given by values above the median interval value.

The third part of the questionnaire consists of 3 questions and is focused on the analysis of employee loyalty. It is based on a standardized Employee Loyalty Scale developed by Chen and Wallace (2011). Respondents answered individual items using the six-point likert response scale, from 1 – strongly disagree to 6 – strongly agree. The score of the loyalty rate is from 3 to 18. Based on the median value of this score, it is possible to identify a loyalty rate, while a low loyalty rate is represented by a score below the median, and a high loyalty rate is above the median.

The fourth part of the questionnaire contains 5 questions. The individual questions concern work motivation. Respondents answered to what extent they agree with the reason they work for – money, contact with people, opportunities for self-realization, interest in work, improving their skills. Respondents answered individual statements by marking the value on a six-point likert scale from 1 – strongly disagree to 6 – strongly agree. The score of the overall motivation rate is from 5 to 30. Based on the median score, it is possible to identify a low and a high degree of motivation.

The fifth part of the questionnaire contains questions about partial and total job satisfaction. Partial work satisfaction was surveyed as satisfaction with work tasks, working conditions, superior, career growth opportunities, and co-workers. Respondents answered on individual statements by marking the value on a six-point likert scale from 1 – strongly disagree to 6 – strongly agree. The overall job satisfaction rate is given through scores of values from 5 to 30, the higher response score, the higher overall job satisfaction of the respondent. Based on the median value of the score, job satisfaction rate is categorized into work dissatisfaction (score up to 17.5) and job satisfaction (scores above 17.5).

The final part of the questionnaire contains open and closed issues regarding socio-demographic variables – age, gender, education, practice, job classification and work area.

Research Design. The survey was carried out in June, July, August and September 2017. At the beginning of the survey, all municipal, local and district offices of the Slovak Republic were addressed electronically. The mayors and the representatives of the city authorities (140 SR; 22 Košice; 17 Bratislava) and the representatives of the district offices (72) were electronically sent information containing the reasons of the research realization, the research procedures, the use of the obtained data and the request for consent to the realization of the research in the organization. Information about the research was sent to the managers of the organizations in two rounds, in June and in August.

Consent to the carrying out of the questionnaire survey at municipal authorities was expressed by 28 municipal authorities (15.65%), out of total of 179 municipal and local authorities. One municipal authority disagreed (0.55%). 150 municipal authorities (83.80%) did not express their opinion on participation in the questionnaire survey. From the total number of 72 district offices within the Slovak Republic, 36 of them gave the consent to participation in the research, which represents 50%. Seven district offices (9.8%) showed disapproval and 29 district offices (40.2%) did not express their opinion on research participation.

After the expression of approval, online questionnaires were electronically sent to the managers of municipal, local and district authorities. The questionnaires were sent in two rounds. The first round of sending questionnaires was realized in July. In the first round, 92 questionnaires were sent. The second round was realized in September. In the second round, 92 questionnaires were sent.

Statistical processing. The obtained data were processed and the hypotheses were verified based on descriptive statistics (median, arithmetic mean, standard deviation, etc.) and difference statistics for testing the variance between three independent selections through the non-parametric replacement of Kruskal–Wallis one-way analysis of variance and for testing the variance between two independent selections non-parametric Mann–Whitney U test.

The research sample. The research sample was selected by a group selection from public administration organizations. Within the state administration organizations, managers of district offices from all territory of the Slovak Republic were selected, and within the local government organizations managers of municipal and local authorities from all territory of the Slovak Republic were selected. Total return was 39.01%, which represented 71 completed and returned questionnaires. 70 completed questionnaires were included into the survey.

Table 1. The description of the research sample in terms of job classification

Variable		**Number**	**%**
State administration	Representative	26	37.14%
Local government	Representative	21	30.00%
	Mayor	23	32.86%
Total		70	100 %

The sample was composed of 70 respondents. Respondents were classified into three compared groups according to work area and job classification within the organization they work in (Table 1). The sample from the area of state administration consisted of 26 representatives of district authorities, what represents 37.14%. There were 21 representatives of municipal and local authorities (30.00%) and 23 city mayors (32.86%) within the Slovak Republic.

Table 2. The description of the socio-demographic variables in case of representatives of district authorities

Variable		Number	%
Sex	men	24	92.30%
	women	2	7.70%
Age	up to 30 years old	6	23.07%
	from 31 to 40 years old	8	30.80%
	from 41 to 50 years old	10	46.13%
	from 51 years old	2	7.70%
Education	secondary	2	7.70%
	university	24	92.30%
Practice	up to 10 years old	19	73.07%
	from 11 to 20 years old	5	19.23%
	from 21 years old	2	7.70%
Total		26	100 %

26 heads of district authorities participated in the research, 92% from them were men and less than 8% women (Table 2). The average age of the representatives is 38.38, while the youngest one is 25 years old and the oldest one is 58 years old. Only two of them have not reached any university degree. The average time of the practice of representatives is 8.94 years. The time of the practice of representatives ranges from 1 to 41 years.

Table 3. Description of socio-demographic variables in case of representatives of municipal and local authorities

Variable		Number	%
Sex	men	16	76.20%
	women	5	23.80%
Age	up to 30 years old	3	14.28%
	from 31 to 40 years old	5	23.80%
	from 41 to 50 years old	7	33.33%
	from 51 to 60 years old	4	17.39%
	from 61 years old	2	11.20%
Education	secondary	3	14.28%
	university	18	85.72%
Practice	up to 10 years old	12	57.14%
	from 11 to 20 years old	4	17.39%
	from 21 to 30 years old	5	25.47%
Total		21	100 %

From the area of local government, 21 representatives of municipal and local authorities within the Slovak Republic participated in the survey. In the position of the researched representatives of municipal and local authorities, there were 76.20% of men and 23.8% of women (Table 3). The age of the representatives of municipal and local authorities ranges from 25 to 63 years old, while the average age is 44.52 years. 85% of the representatives have completed university education. The average time of practice among the representatives is 11.4 years, interval of practice time among the representatives of municipal and local authorities ranges from 0.5 years to 26 years.

Table 4. The description of socio-demographic variables in case of city mayors

Variable		Number	%
Sex	men	16	69.56%
	women	7	30.44%
Age	up to 30 years old	3	13.04%
	from 31 to 40 years old	2	8.70%
	from 41 to 50 years old	8	34.78%
	from 51 to 60 years old	9	39.13%
	from 61 years old	1	4.35%
Education	secondary	2	8.70%
	university	21	91.30%
Practice	up to 10 years old	13	56.52%
	from 11 to 20 years old	4	17.40%
	from 21 to 30 years old	6	26.08%
Total		23	100

23 city mayors of the Slovak Republic belonging to the area of local government organizations also participated in the survey. Less than a third of mayors involved in research were women and 70% men (Table 4). The age of Mayors of cities ranged from 25 to 61 years, the average age was 46.78 years. More than 90% of mayors of cities have completed university education. The practice of mayors of cities ranges from 1 year to 30 years, while the average length of practice for mayors of cities is 12.95 years.

3. Results

Quality employees in managerial positions, their competencies and work performance are extremely important for the success of organization in the market. For the development of high-quality and efficient employees, it is important that in their work they find challenge, interest, satisfaction, fulfilment, and a good feeling of work performed (Hart, Thompson, 2007). Positive work attitudes and sufficient motivation can also contribute to this. The aim of the paper is to identify the differences in working attitudes (engagement, loyalty, organizational commitment, job satisfaction) and motivation of elected and appointed managers of municipal and local authorities and district authorities. The assumptions about the differences in the rate of these working attitudes and motivations are based on the differences in the functioning of the public administration pillars and on the structure of competencies which, for the managers of public administration organizations, follows from legal regulations.

Work satisfaction is surveyed like a basic job attitude that relates to the performance of the employee and the show of his work behaviour. Satisfied employees like their work, they are satisfied with working conditions, they work reliably; however, they are not willing to work beyond their job responsibilities (Bláha et al., 2016). Earlier studies of public administration employees found out that these employees showed a lower rate of job satisfaction than employees working in private enterprises (Baldwin, Farley, 1991; Rainey, 1989). However, studies by DeSantis and Durst (1996), Emmert and Taher (1992), Gabris and Simo (1995), and Bašistová and Ferencová (2014) came to the conclusion that job satisfaction among public administration employees has a growing trend. Already in 1934 Uhrbrock organization found out that employees who are higher in the organization hierarchy show a higher degree of job satisfaction (Berry, 2009). Kollárik (1983) also claims that the highest degree of satisfaction is achieved by senior executives. Satisfaction of senior employees increases proportionally with their position.

The degree of job satisfaction among managers of state administration and local government organizations was surveyed (Table 5). Total degree of job satisfaction was surveyed as the satisfaction with work tasks, working conditions, senior staff, with career growth opportunities, with co-workers. On the basis of earlier surveys it is assumed that there is a high level of job satisfaction in case of managers of state administration and local government organizations.

Table 5. The job satisfaction rate among the respondents

Variable		N	Average	Standard deviation	Min.	Max.
Job satisfaction	**Mayor**	23	20.43	5.71	5.00	30.00
	Representative LG	21	19.52	4.96	11.00	30.00
	Representative SA	26	19.12	5.37	7.00	30.00
	Total	70	19.67	5.32	5.00	30.00

The average rate of total job satisfaction for all respondents is 19.67; it is above the median score and represents job satisfaction. Higher rates of job satisfaction are shown by city mayors (20.43); representatives of district authorities are less satisfied.

According to Taylor and Westover (2011), Jung and Shin (2014), the relationship between high rates of job satisfaction and motivation was confirmed. High rate of job satisfaction influences the employee motivation and motivation prerequisites a high level of job satisfaction in fulfilling the work tasks within the public service. They stated that higher level of job satisfaction in case of the employees in public sector is predicted by different internal motives than among the employees in private enterprises.

The level of work motivation in case of managers of state administration and local government organizations was also surveyed (Table 6). Work motivation was surveyed through the potential motives for work performance based on the reasons why managers perform their work – money, contact with people, opportunities for self-realization, interest in work, improving their abilities. The assumption of a higher degree of work motivation in case of city mayors is based on the initiative and candidature voluntariness in municipal authorities elections and thus in the work performance in the area of municipal government.

Table 6. The work motivation rate among the respondents

Variable		N	Average	Standard deviation	Min.	Max.
Work motivation	**Mayor**	23	21.22	5.06	5	30
	Representative LG	21	22.52	3.68	14	30
	Representative SA	26	22.88	3.93	11	29
	Total	70	22.23	4.27	5	30

The average rate of motivation of all the respondents is above the median score, indicating that respondents are motivated to perform their work. The highest rate of work motivation is shown by the representatives of district authorities, despite the fact that their opportunities of work performance are markedly limited by legal regulations. City mayors show slightly lower degree of work motivation.

Motivated employees should be characterized by working energetically and highly focused but preferring their individual goals to the goals of the organization in which they work (Bláha et al., 2016). This is unacceptable for managers in public administration organizations. Private interest and individual goal should not be preferred to the goals of the organization in public administration. However, if motivation relates to the organizational commitment of employee, it is assumed that such an employee will perform the work primarily to achieve the goals of organization.

Porter and Smith (1976) characterized the organizationally committed employee as the one who considers the problems of the organization to be his/her own problems, he/she is emotionally bound to the organization and the organization has a meaning for him, he feels togetherness. Shepherd and Mathews (2000) supplemented the basic characteristics of the organizationally committed employees. They state that organizationally committed employees are convinced of the goals of organization. They are willing to be members and part of the organization (Korpulu, 2013).

The level of organizational commitment in case of managers of state administration and local government organizations was also observed (Table 7). The above-mentioned characteristics of an organizationally committed employee according to Porter and Smith (1976) are more characteristic for elected managers working in local government organizations. Therefore, there is an assumption for a higher degree of organizational commitment in case of city mayors.

Table 7 The rate of organizational commitment among the respondents

Variable		N	Average	Standard deviation	Min.	Max.
Organizational commitment	**Mayor**	23	11.09	3.74	3	18
	Representative LG	21	11.48	3.68	6	18
	Representative SA	25	11.60	3.46	6	18
	Total	70	11.39	3.58	3	18

Organizational commitment rate among the respondents, based on their work area, does not differ considerably; it is above the median score. It can be said that the managers of both state and local-government organizations show the degree of organizational commitment which collides at the median score.

According to the findings, the organizational commitment of employees is shown through their loyalty. And thus the loyalty is an external expression of organizational commitment. A loyal employee has several characteristics that are reflected in his work behaviour. Employee loyalty is reflected in the behavioural field by the employee recommending working in that organization to known and other people, expressing the pride he feels thanks to working in the organization. A loyal employee remains in the organization despite other job opportunities from outside. He often speaks about his organization in public or in a circle of friends in a positive way, is open to express his favour, has good relationships in team, and his attitudes and behaviour are in accordance with the values, visions and goals of the organization (Meyer Allen, 1997). Employee loyalty as well as proclaiming of a positive relationship with the organization and labelling with the organization symbols (wearing company shirts, uniforms, etc.). Fully loyal employees work in an organization because they want and they want to work in it in the future as well. They spread a lot of positivism in the organization (Rao, 2006).

The level of loyalty in case of managers of state administration and local government organizations was surveyed (Table 8). The degree of employee loyalty is reflected by their organizational commitment. Based on a description of behavioural manifestations of loyalty, there is the assumption of a higher degree of loyalty among city mayors, in connection with their pre-election campaign and the candidacy to municipalities.

Table 8. The rate of loyalty among the respondents

Variable		N	Average	Standard deviation	Min.	Max.
Loyalty	**Mayor**	23	14.26	3.49	3	18
	Representative LG	21	15.10	2.95	8	18
	Representative SA	26	14.38	3.49	6	18
	Total	70	14.56	3.31	3	18

The average rate of loyalty among the respondents is markedly above the median score. The highest degree of loyalty is shown by representatives of municipal and local authorities. On the contrary, city mayors show the lowest degree of loyalty, even though they are representatives of local governments and are expected to behave like a loyal employee.

The Mercer's Employee Engagement Model (2016) assumes that high job satisfaction, motivation, organizational commitment and loyalty as its expression are prerequisites for the employee to be engaged in his/her work tasks. Such an engaged employee is described by many positive features related to his/her activity, thinking about work, set goals, internal motivation, satisfaction (Alfes et al., 2010).

The level of engagement among managers of state administration and local government organizations was surveyed (Table 9). Jenkins and Delbridge (2013) claim that employee engagement is given by engaging in work tasks, processes, decisions and opportunities for self-realization. These work performance conditions imply a higher degree of engagement among elected managers of local government organizations – representatives of towns.

Table 9. The rate of engagement among the respondents

Variable		N	Average	Standard deviation	Min.	Max.
Engagement	**Mayor**	23	70.61	20.68	17	102
	Representative LG	21	71.90	16.37	38	102
	Representative SA	25	72.76	17.09	37	100
	Total	70	71.78	17.92	17	102

The average engagement rate for respondents is 71.78, which is markedly above the median score. The highest level of engagement can be observed among the representatives of district authorities, despite the fact that the nature of the work and the statutory competencies do not make conditions for a high level of engagement. The lowest rate of engagement is shown by city mayors.

The high level of engagement of respondents implies that such employees are characterized by high levels of energy and psychological resistance at work, willing to invest an effort and persistence to work, the employee perceives the work as his being, experiences the feeling of significance, enthusiasm, inspiration, pride and challenge (Schaufeli et al., 2001). According to Bláha et al. (2013) engagement means that employees are interested in their work, have a positive relation with it and are ready to give an extraordinary performance to do their job best. This is also related to the statement of Jackson, Schuler and Werner (2009), who describe engaged employees as those who are highly motivated. The engaged employee, within the behavioural expressions, is characterized by being fully concentrated, working time runs fast for him/her, he/she has a problem to finish working even after the end of working time (Schaufeli et al., 2001), makes extraordinary effort and is able to do anything to make the company successful (Richman, 2006). This characteristic of an engaged employee is in accordance with the understanding of engagement as the performance of work tasks, supported by emotionality and voluntariness, according to, for example, Richman (2006) and Shaw (2005). An engaged employee is internally devoted to the values and goals of the company, is trying to excel and knows that his daily contribution to the goals of the company enriches his own development and contributes to his self-confidence. Armstrong (2009) defines engaged employees as the ones who keep an overview of the latest approaches and practices in their field. Engaged employees are willing to work beyond their duties to achieve better performance. An engaged manager solves the problems of the company while travelling home not because he has to, but because he enjoys it (Hay Group, 2011). An engaged employee when solving problems and tasks takes an initiative on him/her, is active and focused, believes he/she can achieve a change (Macey et al., 2009). Such characteristics of working behaviour and attitudes in case of employees are expected primarily among representatives of local governments, whose main task is to work on bringing the entrusted territory to prosperity.

The assumptions about statistically significant differences in the average level of motivation, job satisfaction, loyalty, organizational commitment and engagement between managers of local government organizations and managers of state administration organizations (Hypothesis 1) and elected and appointed managers of local government organizations (Hypothesis 2) were verified on the basis of statistical tests.

In order to compare the level of job satisfaction, motivation, organizational commitment, loyalty and engagement in three groups of respondents – mayors of cities, representatives of municipal and local authorities and representatives of district authorities (Hypothesis 1), a non-parametric replacement of one-way analysis of variance – Kruskl – Walis test was used (Table 10).

Table 10. Kruskal – Walis test

Variable	Test Statistics	s.v.	p
Engagement	0.003	2	0.999
Organizational commitment	0.098	2	0.952
Loyalty	0.098	2	0.952
Work motivation	0.621	2	0.733
Job satisfaction	1.817	2	0.403

Based on Kruskal – Walis test, it can be said that there are no statistically significant differences in the level of job satisfaction, motivation, organizational commitment, loyalty and engagement between city mayors, representatives of municipal and local authorities, and representatives of district authorities. Hypothesis 1 has not been confirmed.

A non-parametric Mann-Whitney U test was used to compare the degree of work satisfaction, motivation, organizational commitment, loyalty, and engagement between two groups of respondents – elected mayors of cities and appointed representatives of municipal and local authorities (Hypothesis 2).

Table 11. Mann-Whitney U test

Variable	U	Standardized Test Statistics	p
Engagement	240	-0.035	0.972
Organizational commitment	232	-0.225	0.822
Loyalty	232	-0.225	0.822
Work motivation	208.5	-0.784	0.433
Job satisfaction	204	-0.889	0.374

Based on the Mann-Whitney U test, it can be said that there are no statistically significant differences in job satisfaction, motivation, organizational commitment, loyalty, and engagement between elected mayors of cities and the appointed representatives of municipal and local authorities. Hypothesis 2 has not been confirmed.

Conclusion

The aim of the paper was to identify differences in working attitudes (engagement, loyalty, organizational commitment, job satisfaction) and motivations of elected and appointed managers of municipal and local authorities and district authorities. The assumptions about the differences in the extent of these working attitudes and motivations were based on the differences in the functioning of the public administration pillars and the structure of competencies which for these managers of public administration follows from the statutory regulations.

It has been found out that rate of job satisfaction, motivation, organizational commitment, loyalty, and engagement does not differ among respondents based on whether they work in state administration or local government, or whether they are elected or appointed managers in local government.

The highest rate of engagement has been shown by representatives of district authorities, despite the fact that the nature of the work and the statutory competence do not create the conditions for a high level of engagement. According to Bláha et al. (2013) engagement means that employees are interested in their work, have a positive relation to it and are ready to perform extraordinary performance to do their job best. Engaged employees are those who like their work, willing to give something more to the organizations they work for, not because it is required, but for their own conviction and joy.

The research has shown that organizational factors manifested in the nature of the work do not contribute to the creation of working attitudes and work motivation to any significant extent. It can be said that socio-demographic and individual personality variables are more important factors in the formation of working attitudes and work motivation.

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SOVEREIGNTY OF STATES VERSUS ECONOMIC INTERDEPENDENCE OF STATES – THE CASE STUDY OF SLOVAK REPUBLIC

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Abstract

The sovereignty of a state can be defined as the biggest independent power of the state, i.e. the independence of the state power from any other power that cannot be limited in any way. The part of the state sovereignty represents also its economic sovereignty. This thesis aims to analyse the transnational forms of economic cooperation that are transformed into the gradual sectoral integration, whereby the states loose their economic sovereignty and become economically dependent. The states are responsible for the economic development as well as for the international economic cooperation, as even the sovereign states cannot stay isolated in the current process of globalisation. The results of this thesis showed that in principle they are the international organisations that change the position of states and interfere with their legal, political, economic, social and cultural system. The mentioned results confirm the rising economic dependence of the states and of the Slovak Republic.

Key words

sovereignty, interdependence, transnationality, principles, globalisation, integration

JEL Classification: F15, F30, F31

1 Introduction

Globalisation and liberalisation undoubtedly influence the sovereignty and independence of states that outwardly still act as independent ones, however in the globalised world the state has to give up the part of its sovereign rights. Its sovereignty is limited by other subjects of international law. Certain social value of sovereign states represents their freedom that could be understood as the status where there are no obstacles in the given system that would prevent state from acting independently and from deciding about its goals and methods how to achieve them. The reason is especially the increasing influence of international organisations, international regional groupings and various trans-national corporations.

2 Theoretical background

The category of *economic freedom* thus means that every economic subject or individual can determine his or her economic goal, can act according to this goal and to rely on his or her own initiative. (Vincúr, 2007) The current co-existence of states is characterised by the development of international economic and monetary relationships while the relationships of cooperation have also negative impacts on economic and monetary sovereignty of states. There are many issues that challenge the state sovereignty, whether the sovereignty has remained largely intact while the autonomy of the state has diminished or whether the modern state actually faces a loss of sovereignty in the era of globalization. A number of fundamental gaps are apparent in the theory of sovereignty and globalization. (Chaturvedi 2017) David Held has identified five gaps with regard to the concept of sovereignty in the global context: the world economy, hegemonic powers and power blocks, international law and the end of domestic policy.(Held 1995)These have been described in the broader context in our thesis. We also analyse the problematics of the economic sovereignty and economic dependence of states in this thesis. At the same time we point out the activities of international organisations that have influence over the sovereignty of states as well as the globalisation that also has the economic dimension. The traditional Westphalian concept of sovereignty as ‘the monopoly of power’ for the nation state or sovereign probably never existed in reality but even if it ever did its time has long since passed.(Hagan 2013)

2.1 International legal framework of sovereignty

The issues of the state sovereignty and the economic sovereignty are dealt with in several documents of international organizations and in national legal acts. Mainly the United Nations Organisation, its expert organisations as well as the European Union adopted several conventions, treaties and other acts regulating the economic relations among states or economic entities. Already from the establishment of the United Nations Organisations the authors of the UN Charter have incorporated the principle of sovereignty of states into its article 2 paragraph 1. *The Organization is based on the principle of the sovereign equality of all its Members.)* (UN 2017) It means that the international community is composed by sovereign states. The institute of sovereignty was later clarified in the UN Resolution 2625 (XXV) of 24 October 1970, which states that "*All States enjoy sovereign equality. They have equal rights and duties and are equal members of the international community, notwithstanding differences of an economic, social, political or other nature.* (UN 1970) According to the Resolution following elements form part of the sovereignty: legally equal states, enjoyment of the rights inherent in full sovereignty, territorial integrity and political independence of states, right freely to choose and develop their political, social, economic and cultural systems. Quite important in this sense is also the International Covenant on Civil and Political Rights of 1966. According to its article 1 (1) "*All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development."* (UN 1966) In principle it is the sovereign right of the State to perform the jurisdiction on its own territory and to decide about its economic, social and cultural development. The institute of economic sovereignty is regulated in article 1(2) of the International Covenant as follows: *All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic co-operation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence.* The Covenant recognises the right of states to decide about their natural resources and about their use, as well as to cooperate with other states. The Resolution adopted by the General Assembly 3281 (XXIX) (1974) The Charter of Economic Rights and Duties of States regulates that *Every State has the right to engage in international trade and other forms of economic co-operation irrespective of any differences in political, economic and social systems. Every State has and shall freely exercise full permanent sovereignty, including possession, use and disposal, over all its wealth, natural resources and economic activities.* (UN 1974*)* This resolution stipulates clearly the right of the state for its economic sovereignty. According to this Resolution "*state has the right to regulate and exercise authority over foreign investment within its national jurisdiction in accordance with its laws and regulations and in conformity with its national objectives and priorities, to regulate and supervise the activities of transnational corporations within its national jurisdiction and take measures to ensure that such activities comply with its laws, rules and regulations and conform with its economic and social policies"* .From the point of view of the international law the Charter of Economic Rights and Duties of States has the character of soft law, it is not binding on the states. On the basis of abovementioned it is possible to state that the institute of sovereignty and sovereign equality is regulated in several UN conventions and resolutions that have the same features of system compliance:

a) All states are equal
b) Each State is sovereign and enjoys the right to decide on its territory
c) Territorial integrity and political independence of State are in touchable.

2.2 Legal framework of the sovereignty of the Slovak Republic

The Slovak Republic has the principle of sovereignty anchored in its Constitution in the following wording: "*The territory of the Slovak Republic is integral and indivisible*". „*Borders of the Slovak Republic may be changed only by a constitutional law.*" (Act No.460/1992) The economic basis of the sovereignty of the Slovak Republic is enshrined in Article 4 of the Constitution of the Slovak Republic. This article stipulates that "*Mineral resources, caves, underground waters, natural healing sources and streams are a property of the Slovak Republic.*" The economic basis of the sovereignty of the Slovak Republic in the broader context is enshrined in the Title Three of the Constitution of the Slovak Republic with the title "Economy of the Slovak Republic". The Constitution of the Slovak Republic stipulates that: "*The economy in the Slovak Republic shall be based on the principles of a socially and ecologically orientated market economy.*" "*The Slovak Republic is a customs bonded territory.*" It establishes its central bank, it protects and encourages the economic competition. The financial management is kept through the state budget, which is adopted by the law. Taxes and duties are national and local and may be levied by a law or on the basis of a law. The economic sovereignty is closely connected with the state sovereignty, i.ein the area of economic relations it signifies the economic independence. The economic sovereignty in Slovakia is manifested in the economic area, where the Slovak Republic on the basis of the Law no. 175/1999 Coll. on Some Measures Relating to the Preparation of Significant Investment as amended recognises the status of significant investment, when it is realised in the public interest. The necessary precondition is that the investor will create 300 new jobs and at the same time the investment costs will represent the amount of 100 million euros. It is for the Government of the Slovak Republic to decide about the awarding the certificate of significant investment to the investor. It can be briefly stated that the economic sovereignty of the Slovak Republic includes the following elements: state ownership (mineral resources, underground waters, natural healing sources and streams), territorial integrity, state budget. John H. Jackson, one of the leading legal authorities in the world invites us to think on the issue of sovereignty in relative terms, in the context of the proper allocation of government legal decision-making powers. Where decision making is made at a higher level than the nation or state and is done so because it promotes the sovereign good in so doing, then there is in his opinion no breach of sovereignty. (Jackson, 2003)

3 Research Objective and Methodology

The aim of the present *thesis is to analyse the* sovereignty of states against the background of economic interdependence of states. On the basis of the example of the Slovak Republic we have point out that further to its membership in international organisations the sovereignty of state is being limited. The methodology corresponds with the defined aims of the thesis. The theoretical part involved the collecting and analysis of the respective expert literature, the analysis of theoretical knowledge and comparation of opinions of experts in the given area. The empirical part of the thesis was divided into following stages: analysing of international documents and acts regulating the problematics of sovereignty of states, analysing the documents, reports and data relating to the economic activity of foreign investors, comparing the data relating to the openness of the Slovak economy, comparing the data on the provided state aid and its impacts on the state budget, the processing of all data and their interpretation, drawing the conclusions from the obtained information. Using the systemic analysis we have clarified the legal framework of the sovereignty of the Slovak Republic. The data on economic activity of transnational corporations active in Slovakia helped us to clarify the functioning of globalisation. We have examined the relevant acts of the EU having the impacts on the functioning of the European integration.

4 Results and Discussion

Globalisation vs. the economic dependence of states

We consider the integration and liberalization of international markets, growing mutual dependence of the states, increasing international division of work as the basic elements of the globalization of the world economy. The globalization can thus be defined on the basis of these elements as the growth of the openness of economies. In this spirit Šíbl and Šaková wrote (2002, p. 228) that: „*economic and commercial globalization is a process, during which the national economies and markets are being gradually opened to competition, capital, technologies and information. It also means the general introduction of rules and submissions to laws regulating economies. It results from the decision of big number of countries to become the part of global economy so that they could take part in the assets offered by this kind of economy.*“ (Šíbl/ Šáková 2002) Besides mentioned authors there are also other definitions of the notion of globalization. Walters says the Webster's dictionary is the first major dictionary to mention the word globalization in 1961. The dictionary defines globalization as "to render global" or "the act of globalizing" cited in Malcolm Walters (2001). In the interest of correct understanding we shall clarify the notion of globalisation at the example from the practice. *The globalisation is also manifested by the situation, when the German company carries out its business activities in Hungary. Within the framework of its production it uses the components from Slovakia and it exports its goods mainly to the states of Latin America.* As the consequence of globalisation processes also non equal economic relations are formed, where the consequences of injustice of economic system occur. Justice or fairness can be understood as the set of principles expressing the equal approach and rules applicable for all subjects in the market. The opposite of justice is injustice. Quite often the institute of injustice is manifested in the economic relationships when providing the comparative advantages increasing the competitiveness of the recipient of this advantage at the market. Mostly they are transnational companies that are looking for the suitable state to realise their investment intention within the territory of other state where there are better conditions for doing business, including lower salaries for employees, economic aid from the state in the form of investment incentives, etc. For example, the Slovak Republic is directly dependent on the foreign investors, as they belong to the biggest employers in Slovakia and at the same time it is directly dependent on them in the area of foreign trade too. Foreign companies participate in the overall volume of export by 23% mainly in the area of car industry (Volkswagen Slovakia, JSC, Bratislava,Kia Motors Slovakia, JSC, Teplička nad Váhom, PCA Slovakia, Ltd., Trnava, 28,3% from the overall amount of export) and they have the biggest portion in the field of electrical industry (Samsung Electronics Slovakia, Ltd., Galanta, 20,6% from the overall export).(MF SR 2016) Due to the globalisation processes the revenue component of the state budget is being changed. The removal or reduction of import duties on goods has also the negative impacts on the revenue component of the state budget. And equally the institute of the income tax relief that is used especially by the foreign investors has the negative impact on the revenue component of the state budget.

That is why we agree with the statement of Outrata that: *„although the globalisation works in the whole are of world´s economy, however, due to the gaps in the economic performance it enters into the economies of individual states in a different way and with different results*. " (Outrata, 2006).

Thanks to globalisation and digital technologies the system of cross border business is being developed. Many enterprises act globally these days already from the outset, approaching many costumers around the world through internet offering their products. The technologies at the same time enable people to work easier at a distance, in another country or even another continent. In our opinion the positive effects of globalisation should not be endangered by national or regional protectionism. The political authority of the nation-state was consolidated in the process of expansion of commerce, as its law and jurisdiction extended over the national economy. This strengthened economic nationalism as a complement to territorial nationalism. (Chaturvedi, 2017) Subjects that are actively participating in the process of globalisation are international organisations and transnational corporations. The international organisations are created from the initiative of states with the aim to pursue joint goals and values. The international organisations can also be characterised as international community of states that was established on the basis of multilateral treaty. The aim of international organisations is the creation of suitable platform for the cooperation in certain areas among states and the removal of obstacles for mutual cooperation. The international organisations of economic nature interefere with the sovereign rights of member states and require from them to actively take part in the fulfilment of their goals and thus to contribute to narrower cooperation between states. The international economic organisations are binding their member states to liberalise their markets, to remove obstacles and to support the development of economic relations.

The international organisations such as the World Bank, the World Trade Organisation and the International Monetary Fund are considered as main subjects of the globalisation. They were established with the aim to establish and to develop cooperation among the states. To illustrate that we have chosen the International Monetary Fund that is responsible for the global financial system and that helps its members to maintain financial balance. The aim is to support international monetary cooperation and to facilitate the boom and balanced growth of international trade, as well as to support the stability of exchange rates. (IMF Agreement 1944) The limitation of state sovereignty in the international organisation lies in the fact that the state has to comply with the decisions of its bodies in spite of the fact that the decision does not have the positive impacts on the economy of this state.This is the most evident in case of bodies of international organisations that are taking decisions by majority (be it simple, two thirds or three fifths majority) or by other majority, for example in the authorities of the World Bank the states vote on the basis of votes that are attributed to them on the basis of the volume of entry quotas. (Kukula, 2005) Just as a result of liberalisation of markets and openness of economy some states became economically dependent.

Among players that speed up the process of globalisation are also the transnational corporations. The transnational corporations (TNCs) are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning a certain equity capital stake. An equity capital stake of 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is normally considered as a threshold for the control of assets (in some countries, an equity stake other than that of 10 per cent is still used. In the United Kingdom, for example, a stake of 20 per cent or more was a threshold until 1997.) (UNCTAD 2017) TNCs make use of their power position and quite often require the investment incentives from the government of states where they want to realise their investment plan. Their main goal is to maximise profit and to cumulate the capital. The main tool to ensure the profit is to build the firm position of the company in the company and to enlarge it gradually and constantly, with the aim to obtain bigger portion in the market and consequently to increase the income. They are the TNCs which increase the institute of economic independence of states, since they dispose with the capital and create the jobs.

The Slovak Republic ranks among the small states. This corresponds to the situation that the economy in Slovakia is small and it is pre-determined for the deeper development of its international economic relations, including international trade. „*Economy that is connected to the international trade, services, investments, is called the open economy. The suitable method of measuring the openness is the volume of export or import from the country in relation to its GDP*.“ (Samuelson/ Nordhaus, 2000). The openness of the Slovak economy is expressed by the ratio of the sum of the volume of export and import of products and services in relation to the GDP in common prices. In the course of last ten years the openness of the Slovak economy has been constantly rising. *In order to compare and to express the ratio of openness of national economy we can in particularly use the value of export, as well as the value of import in relation to the HDP, or its ratio per capita.* (Samson, 2000). In the following table we illustrate the openness of Slovak economy that has impacts also on the economic dependence of Slovakia.++

Tab. 1: Openness of Slovak economy (measured by the ratio of foreign trade turnover in relation to the GDP in current prices expressed in %)

Year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Degree of openness in %	148,3	123,1	131,1	162,9	170,8	189	185	184,6	183,9

Source: Statistical Office of the Slovak Republic. Table: own processing. (2017)

The relatively high degree of openness of the Slovak economy after the entry to Eurozone enabled to achieve higher levels of savings of transaction costs as well as higher profits from the reduction of currency risks. The degree of openness higher than Slovakia has only Luxembourg and Ireland. High degree of openness of the Slovak economy is welcome in times of favourable economic development. The increased demand from abroad means not only higher production of Slovak producers, but also the creation of new jobs. On the opposite side of the barricade in the year 2013 are the economies of France and Italy, the degree of openness of their economies did not reached even 60 % GDP last year. (Financial centre, 2013) Even less to the surrounding world are opened the economic giants of the world the USA and Japan, their degree of openness reaches only 30 % or 35 % of the GDP, alternatively (Post Bank, 2014). The open and global economy has clearly the international framework while of decisive significance is the coordinated policy of open markets, as well as the observing the fair rules of the game.

It is clear from above mentioned that the openness of the Slovak economy increases its economic dependence of Slovakia from external relationships having the influence over the level of economic growth and also having the direct influence over the individual segments of external economic policy. The economic dependence can be quantified in the growth of foreign trade and in the inflow of foreign investment. With regard to the fact that economic activities in Slovakia are mainly performed by the transnational corporations in the field of car industry, they contribute by large proportion to the export of personal cars (in the year 2016 it reached the volume of 13.988 million euros). The most significant export territories were Germany, France, United Kingdom, etc.

The significant in this respect is also the fact that the cars were the second commodity of import. In relation to the development of car industry and cooperation relationships in this sector of industry the increase of export of cars was also accompanied by the increase in item *components and accessories for motor vehicles*. The highest number of components to the car industry where the foreign investors dominate was imported from Germany in the year 2016 – in the overall value of 2.151 million of euros, from the Czech Republic (991 million of euros), from the Republic of Korea (721 million of euros) and from France (328 million of euros). Most of these components are used in factories producing cars in Slovakia which are exported to abroad. The fact that the export to the Czech Republic, Poland, Austria and Russian Federation has been reduced is interesting. In total the first place in the area of foreign trade – import belongs already for a long time to Germany and the Czech Republic. (ME SR 2016) The inflow of foreign investments has the positive impact on the Slovak economy, however, many foreign investors come to Slovakia also from the reason of investment incentives provided from the public sources. Such form of assistance has negative impact on the budgetary policy. The following table illustrates the impacts of the provided state aid to the state budget expenditures.

Tab.2: Impacts of the granted state aid on the state budget in the period of years 2014 – 2016

State aid	2014	2015	2016
From the state budget expenditures (in %)	2,07	2,40	2,54
From GDP (in %)	0,43	0,56	0,48

Source: Reports on State aid, 2017

It follows from the above mentioned that the financial assistance provided to the economic subjects have the impacts on the public sources. With regard to the fact that the regional assistance is provided exclusively for the purposes of regional development, the regions where the investor realises its investment intention are directly dependent from this investor. The economic dependence is manifested for example in the area of employment policy. According to the datatabasen Finstat some foreign investors in Slovakia rank among the biggest employers (Volkswagen with 12 300 employees, Slovnaft with 2999 employees, Orange, JSCwith 2000 employees, Gabor with 2000 employees). In case of potential departure of foreign investor from Slovakia the job cuts would have the negative impacts on the state budget (payment of unemployment benefits, payment of social and health benefits). The Slovak Republic creates the suitable conditions for the performance of business activities of foreign investors in Slovakia, however, at the same time it becomes economically dependent not only as concerns the export, but also the employment. On the basis of these facts certain level of economic dependendance can be stipulated:

- high level of dependence of Slovak economy from the external factors
- dependence of the economic policy from the impact from the EU.

Providing for these conditions for the achievement of comparative advantages for the foreign capital in the domestic economy anticipates besides maintaining and existence of relative cheap labour force and liberal business environment also the care for the modern infrastructure.

European integration versus economic dependence of states

The international cooperation among subjects is realised by various forms. The process of gradual deepening of integration in Europe does not relate only to the enlargement of the number of members of the European Union, but also to the strengthening the competences of the EU institutions. One of such forms represents the enforcement of own national interests within the framework of international community and the other form is the accepting the compromises and waiving part of own sovereign rights. Such example represents also the process of European integration where the national companies are coordinated and national preferences are subordinated to common interests of transnational organisation. During last decades the process of European integration has been intensively deepening and the Member States have been delegating part of their sovereign rights to the institutions of the European Union in the interest of fulfilment of common goals. The process of deepening of integration in the European space can also be perceived through the establishment of area without internal borders – the internal market. The European integration according to Moravcsik reflects three factors: Firstly, forming internal (national) preferences (interests, goals); secondly, the process of inter state negotiations aiming at enforcement of internally formed preferences and reflecting the relative strength of individual states and, thirdly, incentives aiming at increasing the reliability of the negotiated inter state obligations. (Moravcsik 1998) The current ideal of European integration interferes directly with the sovereignty of the Member States of the European Union. The primary law of the EU is binding on its Member States and defines directly the rights and obligations of its nationals. The EU treaties are binding agreements between the EU and its Member States. Alike the secondary legal acts, especially regulations, directives and decisions (*binding* legal instruments) interfere with the national legal systems of the Member States. The Member States of the EU take part in the creation of primary and secondary law of the EU, as well as in the decision making procedures. The EU Member States are not wholy independent, because their state sovereignty is limited in certain policies and the legal system of the EU takes the preference over the legal order of the Member States. Article 5 paragraph 1 of the Treaty of the EU establishes the system of division of competences in accordance with the principle of conferral. According to this principle the EU can only act within the limits conferred by the Member States in the establishing Treaties in order to achieve goals defined in them. Since the Union does not have the competence to decide about its own remits and about awarding or withdrawing any competence to and from the Union, it is always Member States who decide. The Union does not have its own sovereignty and its sovereignty is derived from the sovereignty of its Member States. While according to the Constitution of the Slovak Republic the sovereign is the "nation" (more narrowly the citizens of the Slovak Republic), and thus the prerogatives of the state and its bodies (state power) comes from its citizens that perform it through the elected representatives or directly, in case of the EU the sovereign is not the nation, but the Member States (Euroiuris,2017).

With regard to the legal development at the level of the European Union the Protocol (No 1) on the Role of National Parliaments in the European Union, as well as Protocol (No 2) on the Application of the Principles of Subsidiarity and Proportionality were adopted. On the basis of these protocols the competences of national parliaments of the Member States were strengthened in order to remove the deficit of democracy of the decision making process at the Union level.

The national parliaments in performing the control over the compliance with the principle of subsidiarity are limited only to reviewing the draft legislative acts. They do not have such possibility with regard to the non legislative acts of the Union. The possibility to control the non legislative acts of the Union from the side of national parliaments is not only legally, but also practically not possible.

The limitation of the state sovereignty of the EU Member States lies within the fact that they have to comply with the decisions of the Union bodies and to respect its legal and non legal norms. This legal consensus has the direct impacts not only on the political, social, cultural, but also on the economic relationships. There is the significant difference between the Article 5 TEU and Article 2 of the Constitution of the Slovak Republic, which lies in the fact that the European Union does not have its own sovereignty and its sovereignty is derived from the Member States. The European Union does not have its own territory. The economic sovereignty of the Member States is limited further to the goals of the European Union and further to the obligations resulting from the membership in the European Union. The sectoral economic integration has to ensure the economic growth, competitiveness and also the political stability. The European Union defines the rules for the development of economic cooperation relationships while respecting the process of globalisation having especially the economic dimension. The EU Member States do not have the economic sovereignty according to Article 3 TFEU. The EU has exclusive competence (only the EU can act**)** in the area of customs union, competition policy, monetary policy (states of Eurozone), common commercial policy. The Treaty on the European Union also gives the EU competence to define and implement a common foreign and security policy, including the progressive framing of a common defence policy. The defining of the EU competencies in the economic area is also governed by article 5 paragraph 1 TFEU and the principle of conferred competences. This means that the EU can only act within the limits and to pursue goals defined by the establishing Treaties. The Member States of the European Union have limited their economic sovereignty in the area of common commercial policy and have subordinated their international economic interests to the values and goals of the European Union. When the Member State acts within the limits of its exclusive competences, i.e. if certain area belongs to its national competences, the Member States still have to adapt their national legal regulations in that area so that the EU law would be respected and complied with. The Member States cannot adopt or apply any legal regulation that would endanger the pursuing of goals of the Union and to deprive it of its necessary effect. (Case 391/09)

The state as the subject of international law is the main actor of global political system and it is also responsible for the development of monetary policy. For example, within the framework of integration processes the monetary policy of the Slovak Republic was directly coordinated and guided by the European Central Bank. That is why we can talk here about the loss of monetary sovereignty. Further to this the TFEU in its Article 3 paragraph 1 lit. c) recognises the Union´s exclusive competence in the field monetary policy for the Member States whose currency is euro. The realisation of the common monetary policy is conferred to the European Central Bank which together with the national central banks creates the European System of Central Banks – ESCB. The national central banks of the Member States that are not participating in the monetary union (Denmark, United Kingdom, Sweden and states that became the EU Member States in the years 2004 and 2007) are also members of the ESCB, however, they participate in its activities only with limited rights and obligations.

If the European Union is to continue further this direction and will even more enforce the institute of supranationality within the framework of sectoral policies, there is no doubt that we will in the future witness the European federalism and even more complex management of the Member States from Brussels. The President of the European Commission

J.C. Juncker in his State of the European Union speech on 13 September 2017 confirmed this approach being allowed to do so on the basis of the economic growth in all the EU Member States. His speech as well as the published Letter of Intent give the indication that the European Commission, in spite of current negotiations with the UK leaving the EU, has opted for the scenario of deepening of European integration. This is to be made by using the existing passarelles towards further extension of the qualified majority voting in the areas where unanimity still applies and by establishing new institutions. The aims of further deepening of economic integration of the EU are also evident from the proposal to create an EU finance minister. The outlined proposals will be further elaborated in the communications of the Commission that are to be published until the end of term of the current Commission and will certainly be debated in the extraordinary summit devoted to the future of the EU which is planned in Sibiu, Romania, in March 2019. The European Council will need to decide about these changes by unanimity.

Within the framework of the integration grouping – the European Union the states became absolutely economic dependent. The Treaty establishing the European Economic Community created the legal preconditions for the international economic cooperation. The gradual amendments of this Treaty provided the basis for the free movement of goods, persons, services and capital. As the example can be given the inflow of foreign investments, especially direct investments of the Member States of the European Economic Area to the territories of the Member States of Central and Eastern Europe. The inflow of foreign investments does not only have the economic impacts, but also social and foreign trade impacts. The arrival of foreign investors to the territory of other state means the inflow of new technologies, creating new jobs, creating the subcontracting relationships and last, but not least, also the rise of export, when the products are exported to the markets of other states. The European integration enabled the movement of capital and the investors from the old EU Member States started to perform their economic activities in Slovakia .As an example can be given the arrival of foreign investor to Slovakia, the company PSA Peugeot Citroën. (Peugeot Citroën Automobiles Slovakia, Ltd. 2003, from the year 2006 PCA Slovakia, Ltd.). This company ranks among the biggest employers in Slovakia and also among its biggest exporters. Besides this company among the biggest investors in Slovakia rank the investors from other EU Member States – Germany, Austria Netherlands, France. There are more than 450 German companies with the annual turnover of 22 billion euros and 94 thousand employees. The development of investment relationships is not realised on the mutual basis, as the Slovak investors are far from being represented to such an extent as the foreign investors in Slovakia. For example, the volume of investments from Germany to Slovakia in the year 2015 reached the amount of 2.546 million euros and from Slovakia to Germany the volume reached only 36,9 million euros. (NBS, 2017)

The inflow of foreign investments was also accompanied by the providing of investment incentives for the foreign investors in particular in the form of the sale of property of state for the price lower as the market price and also in the form of corporate income tax reliefs. This economic advantages improved their position in the market among other competitors. The Slovak Republic has thus become dependent from the foreign investors with regard to the employment in the given region and also with regard to the export. The departure of foreign investor would have negative impact also on the regional growth of the GDP. The economic dependence of the Slovak Republic within the framework of integration processes is also manifested also in using the financial resources from the structural funds of the European Union. Although the Slovak Republic is one of the contributors to the EU budget, it is also the recipient of subsidies within the framework of structural policies. Since there are more regions that are considered as underdeveloped, these regions are thus entitled to allocated means from the structural funds.

5 Conclusion

The sovereign state in the current globalised world cannot exist alone, because it has to exist within the established system of relationships and links at the international level in the different areas. The mutually interlinked relations among main players exist, mainly between states and international organisations, as well as among states themselves. The interests of states and international organisations differ, because although the international organisations are the subjects of the international law as well, they do not have their own territory and neither the population and they especially do not have the obligation to protect social rights of their citizens. The permanent positive enforcement of integration and globalisation is justified by the fact that the economic growth, political stability and the development of democratic processes has to be ensured. The proclaimed economic growth does not necessarily mean always only the positive impact on the social policy and the improvement of the standard of living of citizens. The submission of national and economic interests of the state is a matter of compromise and searching for common denominators. The new dimension of the position of states in the current development of foreign and political system has the impacts on the defining the new tasks of the state and on the compliance with the international obligations resulting from the membership in the international organisations. The states seek even more to protect their sovereign rights, as well as the integrity, territorial integrity and social rights of their citizens. In principle they are the international organisations that change the position of states and interfere with their legal, political, economic, social and cultural systems. In principle they are the international organisations that change the position of states and interfere with their legal, political, economic, social and cultural system. The globalisation is manifested also in the area of civilisation values, it pushes out the domestic historical and cultural traditions forming part of national identity and gives them intercultural character. The globalisation is manifested also in the area of civilisation values, it pushes out the domestic historical and cultural traditions forming part of national identity and gives them intercultural character.

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GUIDELINES FOR AUTHORS

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- Title of the paper – centered, capital letters (12-point font size, Arial Bold);
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- Abstract (8 – 10 lines) – English language (10,5-point font size, TNR *Italics*);
- Key words (at least 5 words) – written in Slovak (Czech) and English language (10,5-point font size, TNR *Italics*);

Body of main text: *Introduction* (establish the existing state of knowledge of your research topic, identify the specific focus of your work, include relevant citations from primary literature, justify how this topic requires additional study, state specific objectives/hypotheses, methods, describe the meaning of your research); *Goal and Methodology; Findings; Discussion*; *Body of main text* should be divided into chapters and subchapters. Chapter titles are to be numbered, 11-point font size bold, align left; *Conclusion*; *Notes.*

Manuscript formatting:

- aligned to block,
- 11-point font size, Times New Roman,
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- indent each new paragraph 3 pt,
- do not paginate.

Tables and graphs are to be in black and white colour, numbered in order of their being referenced in the text. Table titles (Table 1), graph titles (Graph 1) and/or figure titles (Fig.1) should be written in 10,5-point font size, Times New Roman *Bold Italics.* Indicate source in 8-point font size, Times New Roman. *Source: Cihelhová. (2009). Svetová ekonomika, s.23*., *By: www.slovakia.culturalprofiles.net/?id=-13602, (2012-15-03)*. **Formulas** are to be numbered using a parenthesis.

References in the text (Harvard style – APA styles (American Psycho-logical Association 6th edition) should be set in parenthesis in this type of format: (a surname of an author(s) of a work, comma the year of edition and number of pages, for example: (Romer, 1985, pp. 998-1020; Snowdon (Ed.), 1998, p. 100; Snowdon et al., 1998, pp. 100-121; Romer, 1985, pp. 998-1020).

References should appear in the reference list at the end of the paper. List references in alphabetical order by surname and name of the author in line with the applicable Slovak style of reference/citation. References within the text (name, date and page number) may be given in parenthesis (Drucker, 2005, p. 87). Do not use footnotes.

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Abstract Times new roman Italics Body text (10,5)
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Introduction (Times new roman Body text 11)

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Goal and Methodology (Times new roman Body text 11)

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Findings (Times new roman Body text 11)

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Discussion (Times new roman Body text 11)

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