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SMALL AND MEDIUM-SIZED ENTERPRISES IN AN UNDERDEVELOPED AND DEVELOPED REGION

Soňa ČAPKOVÁ, Alena KAŠČÁKOVÁ, Adriana KLUCHOVÁ

Abstract

The regional policy of the state is currently pursuing the theory of endogenous regional development. This is reflected in the specific attention given to small and medium-sized enterprises. In the paper, we present partial results of small and medium-sized enterprises exploration in regions with different levels of development. Applying the two-step cluster analysis, we identified differences in qualitative characteristics of SMEs in the underdeveloped and developed region. Significant differences were shown in the qualitative characteristics of SMEs with some innovative elements. A smaller percentage of innovative elements in entrepreneurial activities in the underdeveloped region subsequently influences the competitiveness of small and medium-sized enterprises that can create growth and quality jobs. When examining differences in qualitative characteristics of SME's with innovative elements, we find out that there were no significant differences within the medium-sized enterprises. We have seen bigger differences in micro and small enterprises. In the Trnava Region, compared to the Prešov Region, there is a smaller number of micro-enterprises that do not support the training of managers, employees and the use of managerial programs in a higher number of cases.

Key words

Cluster analysis. Small and medium-sized enterprises. Regional development. Innovation elements.

JEL Classification: D22, O18, R12

1. Introduction

Various economic activities in the regions are impacted by differences between regions at the level of their development and in the living standard of the population. The objective of the state is to assess the qualitative characteristics of SME's in the underdeveloped and developed regions of the Slovak Republic at the level of the NUTS 3 territorial statistical units. The significance of SME's for regional development results from the characteristics attributed to them. Some of them are pointed out by Strážovská (2012, p. 148): 1) Currently, SME's are considered to be the most important element of national economies, 2) they have an irreplaceable role in the dynamic development of advanced market economies, 3) they are highly adaptable to market requirements and particularly demand, 4) they have innovative functions, 5) they meet even the most demanding requirements of customers and consumers.

Weaknesses manifest themselves in the business activities of SME's, highlighted by Hribík (2010). The weaknesses include many of the tasks falling within the competencies of head employees, more complicated access to foreign capital, a weaker position in public procurement tenders, the problem with participation in an enterprise with a need for large investments, it is easier for them to become insolvent, cannot afford to employ experts and scientists, lower levels of technological development,

limited means of promotion and advertising, and less favourable working conditions. The existence of these weaknesses has an impact on the competitiveness of SME's.

In a survey performed in 2006 by the Observatory of European SME's (2007), in terms of limitations in business activities SME's pointed out problems with customer purchasing power (46%), problems with administrative regulations (36%), the lack of a qualified workforce (35%), a costly workforce (33%), infrastructure problems (23%), limited access to finance (21%), the introduction of new technology (17%), the introduction of new forms of organization (16%).

Regional development and SME's began to address various theories of regional development in the 1970's and early 1980's, when the crisis of the advanced economies of the world began to occur. Empirical research has demonstrated that economic growth and the overcoming of the results of crises have occurred in some regions faster than in some industrial areas (Southern Paris, the Rhône-Alps in France, Silicon Valley and Boston in the USA, Murcia and Valencia in Spain, Third Italy, Baden-Württemberg in Germany). The shared characteristic of these regions was the dominance of SME's and a healthy entrepreneurial spirit. From the 1950's to the crisis of Fordism, the basis of the model for regional development was capital stimuli and large state projects in growth centres (public infrastructure, job

creation through investment from other regions). Right in the period of overcoming the crises, referred to in the professional literature, as well as the crisis of Fordism, in which SME's played an important role SME's began to pay increased attention to several authors (Hadjimichalis, 2011).

At present, SME's and innovations are considered to be an important factor of regional development, which we can observe in the specific attention that SME's and issues of innovation the central public administration authorities dedicate themselves to. With the objective of increasing the results of the innovation policy in Slovakia, there were changes in the organizational structure of institutions for the implementation of a regional innovation strategy within innovation strategies for 2014 - 2020. A great emphasis is put on the cooperation of regional actors in the regional innovation system. Hrašková and Chodasová (2012) point to the fact that a large group of SME's, which did not cooperate with anyone, have low labour productivity and negligible innovations. One method of staying on the market is to differentiate itself from others in the long run (Ďurechová, 2010). In 2008, Košturiak a Chál' (2008) arrived at the conclusion that SME's will be successful in the future and they will be able to adapt to new business paradigms in time.

2. Research Methods

The level of development of Slovak regions at the level of the NUTS 3 territorial statistical units is different and one of the important factors is the entrepreneurial activities of SME's. The objective of the state is to identify the differences in the selected qualitative characteristics of SME's in the underdeveloped and developed regions of Slovakia at the level of the NUTS 3 territorial statistical units.

Different methods are used in measuring the level of the development of regions, their choice depending on the availability of data and the content of the survey. In the analyses examining the level of development of the region, the simplest quantitative methods are indirect methods based on scaling techniques and point methods (Michálek, 2012). In selecting an undeveloped and developed representative NUTS 3 region in our survey, we selected criteria often used in national or international analyses (e.g. the EU, OECD) due to their availability. These criteria are GDP per capita, the registered unemployment rate, net household income and the poverty risk level.

We obtained secondary data from the available databases of the Statistical Office of the Slovak Republic. When measuring the level of development

of the regions, we used the statistical method of ranking and we chose the Prešov Region as a representative of the underdeveloped regions and the Trnava region as a representative of the developed regions of Slovakia.

To analyse the qualitative characteristics of SME's in the monitored regions, we obtained the data through a questionnaire survey, in which we applied some theoretical knowledge related to the competitiveness of SME's. Assertiveness in the markets is a prerequisite for business development, increased production and profit.

Kislinger (2008) considers a company that demonstrates the capacity to obtain, maintain and increase its share of production on national and international markets, to be a competitive company. That is why we were interested in how much of their business activities do enterprises perform outside the region of their headquarters or in foreign markets. One of the strengths expected from SME's is to satisfy the demanding and individual requirements of customers. The objective of strategic marketing, which is part of strategic management, is to maintain and obtain new customers (Ivanová, 2012), so we have investigated the degree to which SME's are devoted to this area and the method they use. Common methods include polls, questionnaires, a book of desires and complaints. Currently however, the impact of information technology makes it possible to reach a much larger number of customers over the Internet without personal physical contact. Košturiak a Chál' (2008) consider the customer as an equal partner in the business.

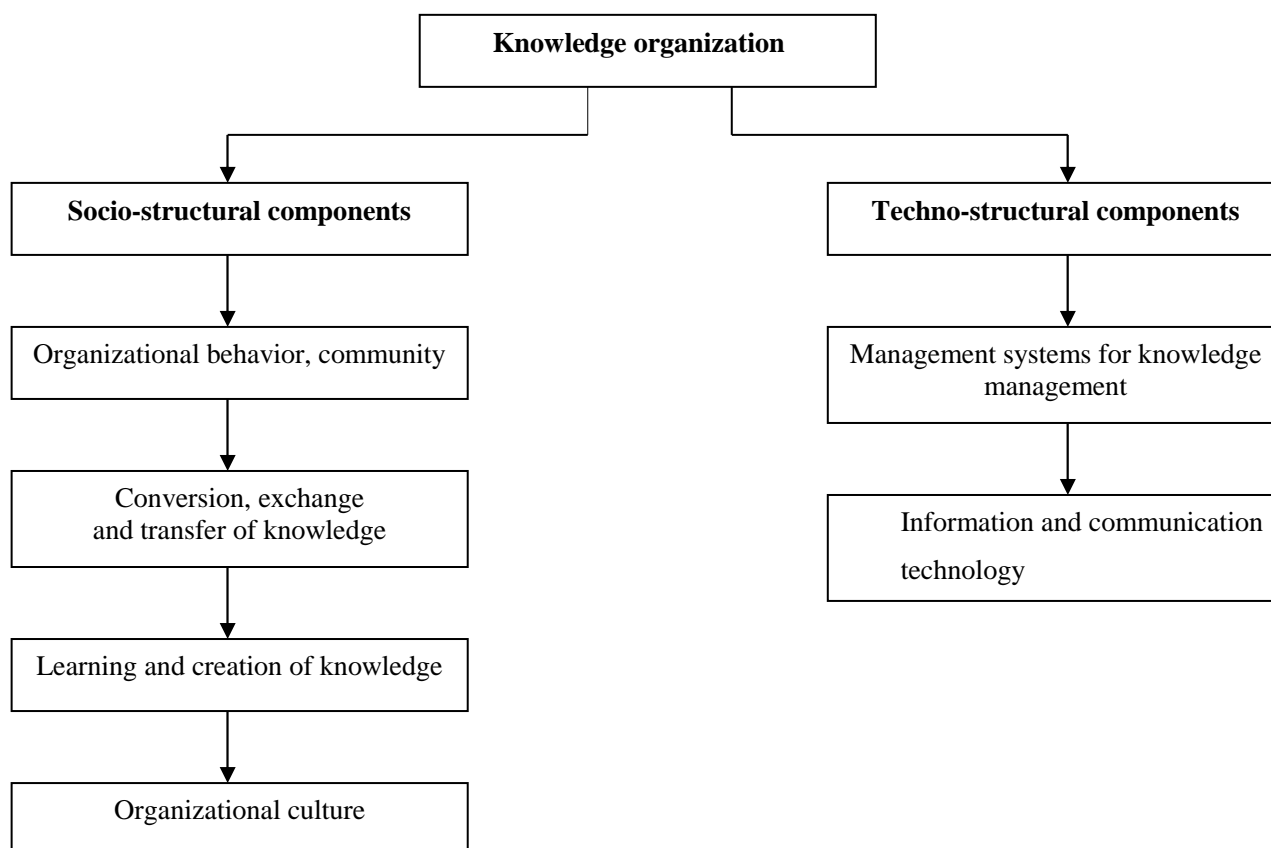
Currently, we often encounter the concept of a knowledge economy. Kokavcová (2011) considers knowledge to be a level of knowledge that leads to wisdom. At the First Level the data (texts, codes, factors) are counted and at the Second Level of information, which provides us the answers to questions like the following: Who? What? When? Where? At the Third Level of knowledge, when based on the previous levels you can already answer the question How? What method? And the last level of wisdom, based on which we can ask questions that require knowledge and thinking in contexts. We can say that this entire hierarchy from data to wisdom is important for the creation of innovation. In our survey, we wanted to know what resources SME's use to acquire new knowledge and information about new opportunities.

Fig. 1 displays the elements of the knowledge organization. Knowledge management becomes the most important type of management of economic practice and theory at the worldwide level (Novotný, 2011).

In the formulation of further questions, we used the elements of a knowledge organization. We identified how many enterprises in the underdeveloped and developed region use management information systems in the management of the enterprise and whether they use information technology to promote business result and sell their production through their own online shop. The use of

information technology for these activities enables SME's to operate not only on local but also on the national and international markets. We also formulated the question on the usage of information technology for purchases for the business activity. We dedicated our own support to employee training and support for the training of managers

Fig. 1. Elements of the knowledge organization



Source: Kokavcová, 2011

Another section of the survey was oriented on creating innovations. Kosturiak and Chál' (2008) pointed to constant changes in the markets and customer requirements, so it is not enough to carry out innovation only in the production area but in the entire business process. We were interested in the frequency of changes in business activities, in what area of business and what percentage of turnover of SME's is invested in innovation activities in the surveyed regions. The cooperation between different actors also contributes to innovative activities, so we have formulated a separate question in this area.

We determined the qualitative characteristics of SME's in the underdeveloped and developed regions by applying the data we have obtained through a questionnaire survey and methods of a two-step cluster analysis. The cluster analysis is a commonly

applied method in classifying multidimensional structures into classes or clusters (Meloun, Militký, Hill, 2012) in various focused researches. In our research the SME's were multidimensional subjects and, based on their characteristics, were classified through cluster analysis. In view of the size of the set, a two-step cluster analysis was used. The cluster criteria (characteristics) were stored in a so-called CF-tree and the algorithm itself was implemented in two phases. In the first phase, on the basis of the imbalance of criteria, SME's were clustered into sub-clusters, and in the second phase the sub-clusters were also clustered into the final two clusters on the basis of disparity. A credibility level was used in both steps for measuring the disparity, also suitable for categorical variables. Qualitative characteristics in the underdeveloped and developed regions were

determined according to the percentage differences in the quality characteristics of the SME's between clusters.

3. The Qualitative Characteristics of SME's in the Underdeveloped and Developed Regions

To determine the qualitative characteristics of SME's in the underdeveloped and developed regions, we applied a two-step cluster analysis and obtained the necessary data by conducting a questionnaire survey in the SME set from both regions.

The basic set consisted of 4,673 domestic private SME's from the Trnava and Prešov Regions with the number of employees from 5 to 249. From these, there were 318 (6.81%) medium-sized enterprises, 1,992 (42.63%) small enterprises and 2,363 (50.57%) micro-enterprises with 5 to 9 employees. Legal entities from the basic set comprised 8% of the sample, represented by 374 enterprises. Of the 374 SME's, 26 enterprises were medium-sized enterprises (6.95%), 160 were small enterprises (42.78%) and 188 were micro-enterprises (50.26%). The representation of SME's in their individual categories is represented in the same number from the Trnava and Prešov Regions.

Tab. 1. Return Rate of Questionnaire

Number of questionnaires/SME's	Micro-enterprises	Small Enterprises	Medium-sized Enterprises	Total SME's
Number of sent questionnaires	683	575	92	1350
Number of returned completed questionnaires	190	160	26	376
Number of incomplete questionnaires	2	0	0	2
Number of questionnaires used in the survey	188	160	26	374 27.7% from 1,350

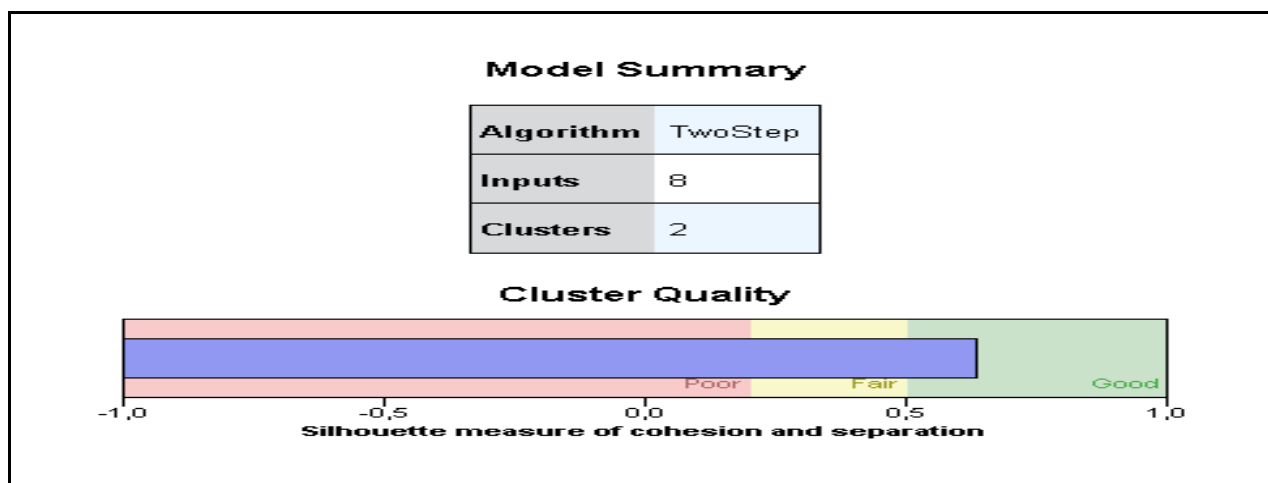
Source: Our own processing

The verification of the representativeness of the set as well as the application of the two-step cluster analysis were performed in the SPSS program. To check the representativeness of the sample, we used the good compliance chi-squared test for good compliance. The statistical test was evaluated at a significance level of 0.05. The chi-squared test for good compliance demonstrated the representativeness of the set ($p = 0.989$).

3.1 Determination of the qualitative characteristics of SME's in the underdeveloped and developed regions

In the two-step cluster analysis based on the most significant 8 variables, a very good clustering capacity was demonstrated in the division of the structures of the set into two clusters. This fact is illustrated in Figure 1.

Chart 1. Clustering quality in the SME set



Source: Output from the SPSS

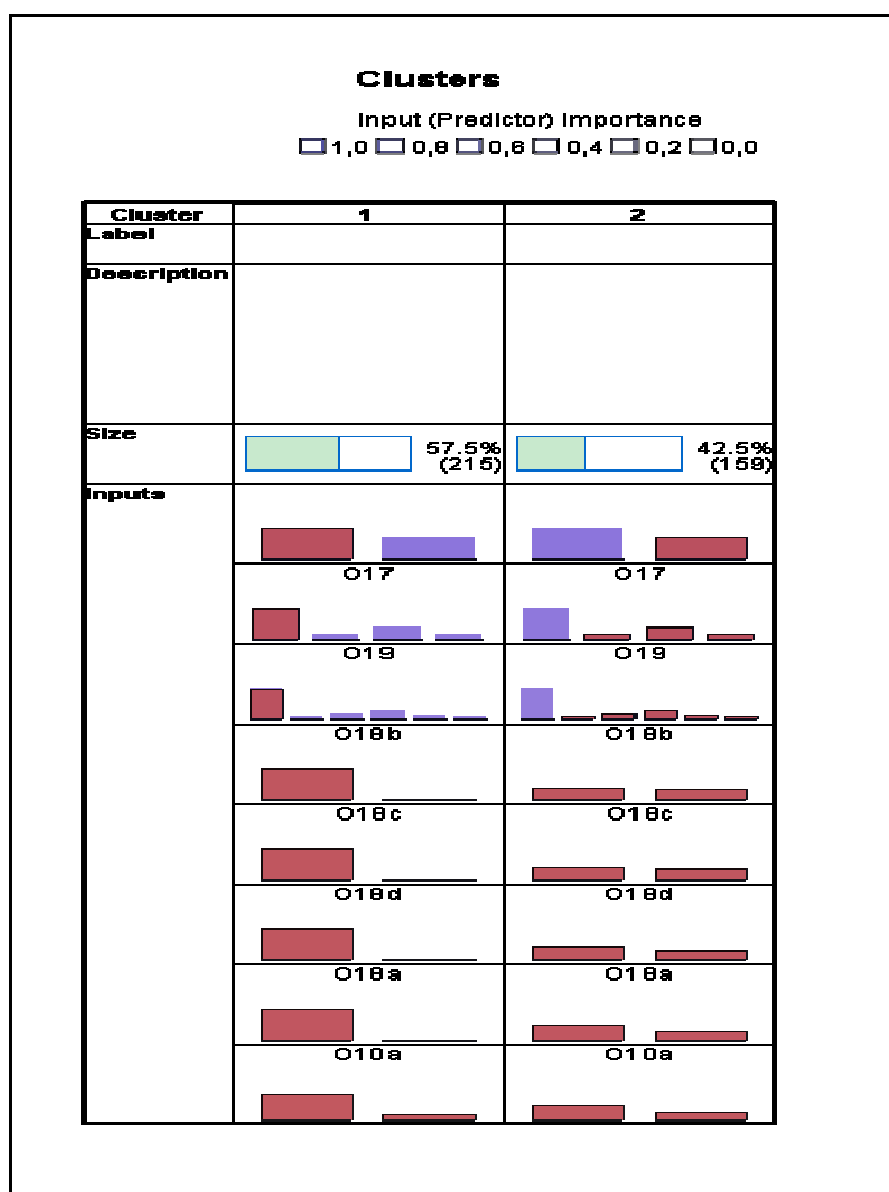
The two-step cluster analysis method permitted the identification of the eight most important variables for classifying SME's into clusters (Figure 2).

8 criteria on the basis of which the clustering process of the SME's took place:

1. The failure to change in any area of business activity over the course of 3 years
2. How many times have you made changes over 3 years in carrying out business activities?
3. What percentage of total turnover over 3 years have you used to implement changes in the business activity?
4. Implemented changes in business activities in the area of process (process technology and methods, logistics, production distribution)
5. Implemented changes in organization and business management
6. Implemented changes in the area of marketing activity
7. Implemented changes in the area of production
8. Use of management software in business activities

By analysing the criteria that have been demonstrated to be essential for the clustering process, we find that all these criteria represent qualitative characteristics with innovative elements.

Chart 2. Variables for dividing SME's into two clusters



Source: Output from the SPSS

The cluster criteria (characteristics) were stored in a so-called CF-tree and the algorithm itself was implemented in two phases. In the first phase, on the basis of the imbalance of criteria, SME's were clustered into sub-clusters, and in the second phase

the sub-clusters were also clustered into the final two clusters on the basis of disparity. A credibility level was used in both steps for measuring the disparity, also suitable for categorical variables. The number of SME's divided into two clusters is shown in Tab. 2.

Tab. 2: Multiple division of SME's into 2 clusters through a two-step cluster analysis

TSC_1599		Frequency	Percent	Valid Percent	Cumulative Percent
1 Valid	1	103	47.9	47.9	47.9
	2	112	52.1	52.1	100
	Total	215	100	100	
2 Valid	1	84	52.8	52.8	52.8
	2	75	47.2	47.2	100
	Total	159	100	100	

Source: Output from the SPSS program

Cluster 1 consists of 103 small and medium-sized enterprises from the Trnava Region and 112 from the Prešov Region and Cluster 2 consists of 84 SME's from the Trnava Region and 75 SME's from the Prešov Region. When assessing the qualitative characteristics of SME's in the underdeveloped and developed regions, we used the qualitative characteristics of SME's in Cluster 1 and Cluster 2. Differences in the qualitative characteristics of SME's between an undeveloped and a developed region are shown in Tab. 3.

Based on the analysis of the results, we can say that the qualitative characteristics of the SME's in Cluster 1 demonstrate the qualitative characteristics of the SME in the underdevelopment region and Cluster 2 in the developed region.

In terms of industry, the two-step cluster analysis has not demonstrated the importance of the sector for the qualitative characteristics of SME's in the region. In the developed region, there was not a significant presence of SME's in a particular sector compared to

the underdeveloped region. The largest difference in percentage was observed in the construction sector, where 8.5% of the larger percentage of SME's was in the undeveloped region. Innovation or export can be implemented by the SME's in each sector. Another issue is the creation of added value in the sectors, wages, expertise in the sector, but these are industry indicators and do not directly impact the qualitative characteristics of SME's and the presence of innovative elements in the characteristics of SME's. Of course, industry in the regions needs to be monitored in terms of the needs of enterprises, the sectoral representation of an economically active population in the regions and in terms of investors. The results of the two-step cluster analysis are instead directed toward the recommendations of economists Martin and Sunley (2007), who in their study highlight the importance of knowledge markets and the need to pay great attention to regional and local markets.

Tab. 3: Percentage differences in the qualitative characteristics of SME's between clusters

Cluster 1 vs. Cluster 2
<ul style="list-style-type: none"> - 17.4% more SME's with 5-9 employees - 12% fewer small enterprises - 5.36% fewer medium-sized enterprises <p>Assertiveness outside the region of the headquarters</p> <ul style="list-style-type: none"> - 4.9% SME's fewer with the implementation of 51-60% of their activity in another region - 7% of SME's fewer with the implementation of 61-70% of their activity in another region - 3.2% of SME's more with the implementation of 71% and more of their activity in another region <p>Export</p> <ul style="list-style-type: none"> - 9% of SME's with more than 0% of exports - 5.4% of SME's fewer with exports of 71% or more of their activity <p>Obtaining feedback from the customer</p> <ul style="list-style-type: none"> - 2.2% of SME's no longer receive feedback from the customer <p>Source of new knowledge</p> <ul style="list-style-type: none"> - 2.1% of SME's no longer obtain new knowledge at all - 9.4% SME's fewer gain knowledge by cooperating with a foreign partner <p>Using modern management information systems</p> <ul style="list-style-type: none"> - 19.8% SME's fewer use them <p>Promotion of business activities</p> <ul style="list-style-type: none"> - 15.6% SME's fewer advertise over the Internet - 8.7% SMEs are less engaged in advertising through billboards <p>Sales through the enterprise's own online shops</p> <ul style="list-style-type: none"> - 7% SME's fewer <p>Purchase through online shops</p> <ul style="list-style-type: none"> - 6.3% SME's fewer <p>Support for employee training</p> <ul style="list-style-type: none"> - 2.4% more SME's do not support employee training - 10% fewer SME's provide regular professional training in the enterprise - 5.5% fewer SME's support an increase in employee education - 4% fewer SME's support foreign language training <p>Support for manager training</p> <ul style="list-style-type: none"> - 12.8% fewer SME's <p>No changes have been implemented in business activities in the last three years</p>

Source: Our own processing

Conclusion

The results of the two-step cluster analysis demonstrate that the qualitative characteristics of SME's in the underdeveloped regions have a smaller percentage of several innovative elements. This fact is also influenced by the implementation of SME innovation in undeveloped regions.

The decisive impact on the implementation of innovation in SME's is enterprise management and the basis for innovation is new knowledge. Due to this reason, it is important to support the training of managers and consequently also employees in SME's.

In the underdeveloped region, there is a smaller percentage of SME's that support the training of managers and employees. In the developed region,

there was also shown a wider variety of forms of support for employee training.

Managerial training is also then related to the use of modern management systems in the managing of enterprises, which are mostly used by SME's in the developed region. An important role not only for the creation of innovations but for the promotion of foreign markets is the cooperation with foreign partners, which occurs to a greater extent in the developed regions. All these facts were demonstrated in the low number of implemented changes in the business activity of SME's in the underdeveloped region over the last three years. Moreover, cooperation with other entities: educational and research institutions, public administration and networking, or clusters, can also contribute to increasing the innovative activities of SME's. One of

the decisive roles is played by institutions dedicated to providing public support to small and medium-sized

enterprises.

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A REVIEW OF THE APPLICATION OF THE CONCEPT OF ECONOMIC AND SUSTAINABLE VALUE ADDED (SVA) IN INDUSTRIES PERFORMANCE EVALUATIONS AND HUMAN RESOURCES MANAGEMENT

Nikolai SINIAK, Ninoslav MARINA, Daniela KOTESKA LOZANOSKA, Karol KRAJČO

Abstract.

In today's global digital world, smart sustainable development, value and wealth creation are among the most important goals of society. Industry performance entails the incorporation of the objectives of smart sustainable development, namely social and territorial cohesion, economic efficiency, innovation, digital and environmental performance, into a company's operational practices. Companies that compete globally are increasingly required to commit to and report on the overall smart sustainability performances of operational initiatives. The current indicator frameworks that are available to measure overall business sustainability do not effectively address all aspects of sustainability at operational level, especially in developing countries such as Slovakia, Belarus and Macedonia. For the sake of achieving these goals and objectives, the corporation, investor and government need some instruments in order to measure the potential value of each investment opportunity. It is clear that these instruments are not capable of predicting the exact future, they just provide some piece of information and advice that help the investor and government in the decisions he makes. Among these criteria, the most common types are Return on Investment (ROI), economic and sustainable value added (EVA and SVA). These criteria follow the performance assessment with regard to the changes in the sustainable value and alongside maximizing the long-term shareholder and society returns. In this paper, one of the most important criteria; i.e. EVA, is investigated from several viewpoints. First, it is demonstrated the attempt to calculate EVA at the industry level using aggregate indicators according to the common business methodology. For this we generally assume that economic value is created by investment in excess return compared to its cost. We adopted EVA indicator to Belarusian and Macedonian general economic conditions and specifics of available aggregate sector data by adjusting return on investment and cost of capital. Human assets is an important input while generating profits vis-a-vis maximizing organizational and industry wealth, now the termed could as EVA and SVA in the study.

Keywords:

Performance Evaluation; performance analysis, value Creation, economic value added, sustainable value added

JEL Classification: O25, O14, O18

Introduction

The main current strategy of development Europe 2020 (A strategy for smart, sustainable and inclusive growth) puts forward three mutually reinforcing priorities:

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

But growth itself does not create value. Economic value is created by investment in excess return compared to its cost. This statement is one of the central in microeconomic theory and drives the development of a single firm through an industry to a country's economy. Principle of economic value added to invested capital is directly employed in Economic Value Added (EVA) indicator.

Industry performance entails the incorporation of the objectives of smart sustainable development, namely social and territorial cohesion, economic efficiency, innovation, digital and environmental performance, into a company's operational practices. Companies that compete globally are increasingly required to commit to and report on the overall smart sustainability performances of operational initiatives.

The objective of the paper is to propose a modified and more accurate model for measuring the industry economic and sustainability performance. The model integrates environmental, social, economic and corporate governance indicators. It aggregates different indicators from different frameworks and allows the industries to compare their performance effectively. Two main factors of sustainability assessment (EVA and SVA) are depicted. It is demonstrated the attempt to calculate EVA at the industry level using aggregate indicators according to the common business methodology [i].

Then, materials and methods used for sustainability assessment is described. This is done by presenting an overview about the used indicators. The method of sustainability value added calculation is suggested as the main indicator of industry performance.

1. EVA - Basic value indicator

All value indicators calculations respect the neoclassical theory of the behavior of market subjects (The theory of rational expectations ...) from microeconomics, suggesting the basic premise that the purpose of company is to maximize profits [ii].

The idea behind EVA is rooted in economic income as opposed to accounting income. The concept of economic profit appeared a long time ago, around 1890 (Marshall). As economic income moves up or down, so goes the value of the business.

The theory of Economic Value Added has traditionally suggested that every company's primary goal is to maximize the wealth of its shareholders, which should be a given since it is the shareholders that own the company and any sensible investor expects a good return on his or her investment. In the past, however, other methods such as Return on Investment (ROI) and Earnings per Share (EPS) have been the most important performance measurement systems and have been used in determining bonus-based incentives even though they do not correlate well with shareholder value creation.

Economic Value Added (EVA) is probably the most widely used approach to measuring value-creation. The analytical tool called EVA, for Economic Value Added, was commercially developed in 1982 by the corporate advisory team from Stern Stewart & Co. of Joel M. Stern and G. Bennett Stewart [iii].

The first person who used the term EVA in publication was Finegan in 1989, after him it was Walter in 1992, but the attention of the wider economic public EVA received after the publication of related article in Fortune magazine in 1993 (Tully) when it started to be used as a metric of business performance. Consequently, this issue handled a number of experts

Large firms like Coca Cola, Diageo, Lilly (Eli), Guidant, and SPX have used EVA as a guide to creating economic value for their shareholders [iv]. Bonuses and incentive pay schemes at these firms have been built around the manager's ability (or lack thereof) to generate positive EVA within the firm's operating divisions. Positive payments accrue to managers having divisional operating profits that on balance exceed the relevant "cost of capital," while

negative incentive payments may occur if the longer-term divisional profits fall short of the overall capital costs. Thus, by accounting for both the cost of debt and equity capital, EVA gives managers the incentive to act like shareholders when making corporate investment decisions.

EVA is also gaining popularity in the investment community. Since June 1996 Conference on "Economic Value Added" at CS First Boston "buy side" investment firms like Global Asset Management and Oppenheimer Capital use EVA in their stock selection, portfolio construction, and risk control processes.

Economic Value Added is most generally calculated as the difference between net operating profit after tax (NOPAT) less market money value of capital invested (MVC):

$$EVA = NOPAT - MVC \quad (1)$$

The crucial point of EVA estimating is calculating the market money value of invested capital:

$$MVC = \text{Weighted Average Cost of Capital (\%)} * \text{Capital Invested} \quad (2)$$

Since firms use both private equities (E) and debt (D) to finance their investment projects, it is important to use the weighted structure of cost of capital:

$$WACC = \%D * \text{Cost of Debt} + \%E * \text{Return on Equity} \quad (3)$$

where %D – share of debt invested in project; %E – share of equities invested in project; and %D + %E = 1

The calculation of EVA gives the same mathematical results as Discounted Cash Flow (DCF) or Net Present Value (NPV), both of which have historically been deemed the best analysis tools for determining shareholder value. However the equivalence with EVA and NPV/DCF holds only in valuation and not in performance measurement.

EVA is expressed as money value in currency of operation of a certain company. It estimates what amount of value is added to the invested capital. This value usually results in higher net economic profit of a firm and higher dividends. Negative EVA indicates that either i) cost of capital is higher than return on capital (the firm is currently earning less than expected giving the its cost cost of capital) or ii) capital invested does not create enough of value for specific investment projects.

EVA indicator of a firm is even more informative when considered in dynamic over certain period of time. Increasing EVA indicates either lower cost of capital, or higher returns (provided invested capital is the same over considered period). Diminishing EVA points to higher cost of capital or lower profit (if invested capital is the same over considered period).

EVA can be used as a qualitative indicator of growth at the level of industries and economy at general. EVA results are logically connected to specific operating conditions for a firm or an industry by considering debt and equity share in capital structure as well as specific risk premium for each industry.

Calculating EVA for industries, the structure of economy can become clearer revealing best performing and worst performing sectors in terms of their economic value added. In practice one can break down the economy into sectors with high EVA and little EVA for both positive and negative indicators. After close look at each of the best or worst performing sector taking into account their specifics recommendations for using high potential or improving sector's conditions might be drawn.

EVA allows to watch development of industries and a country's economy in dynamic over chosen period of time. For instance, growing EVA for a country's economy might indicate its growing potential of further development and sustainability. Alternatively, diminishing EVA in chosen industry might be a signal for poor quality of investments, inadequate structure of capital invested or poor management.

Using EVA as performance indicator of economic sectors defined according to industrial classification system as opposed to traditional Soviet Union type division we get a possibility to make international comparisons.

Finally, economic value added (EVA) indicator calculated for Belarusian industries provides us with objective information about current situation at the market when no stock exchange information is available.

Basic indicators for Belarusian industries according to NACE are presented in [1]. A few important conclusions can be drawn according to EVA estimation results for Belarusian industries:

1. six industries created more than 2/3 of economic value added in Belarusian economy: manufacture of chemicals, wholesale trade, transport and communication, agriculture, construction and

manufacture of refined petroleum products and coke.

2. almost 1/4 of the entire economic value was added in chemical industry (manufacture of chemicals, chemical products and man-made fibres).
3. four sectors created no economic value and have negative EVA indicator: education, health, community, social and personal services, and real estate activities. and, surprisingly, real estate activities.
4. The most striking finding of estimations was that the lowest EVA indicator showed the division called „Real estate activities“.

Ranking of industries. Finding the “best” companies and industries in the marketplace is of primary importance to investment managers. With the proper financial tools, portfolio managers may be able to enhance their active performance over-and-above the returns available on similar risk indexed-passive strategies.

The ranking shows that top-10 investor attractive sectors in Belarusian economy were:

- Manufacture of coke and refined petroleum products;
- Manufacture of chemicals, chemical products and man-made fibres;
- Sale, maintenance and repair of motor vehicles and motorcycles;
- Wholesale trade and commission trade;
- Manufacture of leather and leather products;
- Computer and related activities;
- Mining and quarrying;
- Manufacture of basic metals and fabricated metal products;
- Manufacture of transport equipment.

The least attractive sectors are „social“ ones: education, health, community, social and personal services, and real estate activities.

Industries with higher rank can attract more foreign investors.

2. Sustainable Value Added (SVA)

Sustainability Value Added (SVA) is an effective method for sustainability assessment. It plays a strategic role in decision making [v]. It encourages the companies and industries to deal with resources more effectively and efficiently. Sustainable Value Added represents the extra value created as a result of using economic, environmental and social resources, compared to a benchmark. It expresses in absolute monetary terms. According to the method published

¹ See case-belarus.eu/wp-content/uploads/2011/07/EVA-FINAL-Naurodski_Valetka.pdf (accessed 1 February 2018)

by [vi] the SVA value calculation can be expressed as follows: The gross value added of the company should be calculated (in unit €). After that, the amount of each environment or social resources should be determined (e.g t, m³, ..etc). Then efficiency computed by dividing the gross value added on the amount of resources (unit €/t, €/m³). The same steps should be done for the benchmark. Finally, the last two values are subtracted from each other and the result multiplied by the amount of considered indicator.

Whereas the improvements should include several modifications, in order to achieve the following factors:

- Comprehensive sustainability assessment: we focused our efforts on developing a comprehensive smart sustainability assessment. Therefore, digital, environmental, social, economic and corporate governance indicators should be integrated. In this case, the proposed model won't only deal with financial indicators but should also include nonfinancial ones.
- Simplicity and suitability: The assessment should be done for different industries in Belarus and Macedonia to compare results. However, the model can't be universal, because the indicators should reflect the specifics of the industry in which the country operates. Therefore, different available sustainability frameworks are used and specific set of indicators is chosen for each sector (e.g. agriculture, manufacture ...).
- Applicability: The modified model should be easy, simple, suitable and accurate. It reflects not only three dimensions (digital, economic, environment, and social), but also the corporate governance pillar is added. As mentioned above, EVA is the most important and measured indicator which combines all the basic components required to describe the economic situation of the industry. For this reason, the gross value added (VA) is replaced by Economic Value Added to describe the financial situation of the companies more efficiently.

Human assets is an important input while generating profits vis-a-vis maximizing organizational and industry wealth, now the term could be as EVA and SVA in the study. EVA is gain or loss that remains after assessing a charge for the cost of all types of capital employed and also it is helpful in formulation of strategy so as to make a return greater than the cost of capital of the firm and hence it is useful tool for the management in decision making.

EVA and SVA is also a motivating measure to create shareholder value as well as to compute management compensation [vii]. Generation of huge profits can be achieved through EVA and SVA human capital can act as an important variable for achieving corporate sustainability and industry performance.

Conclusion

Industry performance entails the incorporation of the objectives of smart sustainable development, namely social and territorial cohesion, economic efficiency, innovation, digital and environmental performance, into a company's operational practices. Companies that compete globally are increasingly required to commit to and report on the overall smart sustainability performances of operational initiatives.

The data obtained in both SVA, EVA and foreign investor attractiveness rankings may be helpful for both foreign investors and government.

Sustainability assessment is a comprehensive process to achieve the best performance and determine the weak points of the studied industries performance. The smart sustainable development and inclusive growth system is a model used for smart sustainability assessment.

This paper aims to propose an improved method of investment industry performance sustainability assessment. It employs important and widely used financial value (e.g SVA, EVA) for evaluating the efficiency of industries development. This work can be extended by making it reflect the specifics requirements of the country and industry in which the company operates. This can be implemented by calculating the weights and benchmark values for each sector (e.g. agriculture, bio-gas plants, manufacture, breweries ...). Finally, the results visualization can be presented in the case study for specific sector.

While making internal decisions related to human resource management, a company and industries should consider human asset valuation. The company should look at the parameters such as return on human resource value, ratio of total income to human asset value. All these parameters give a clear picture of efficiency of human resources employed by the company. There is a proper pathway to reach financial gains and smart sustainable development goals by operational improvement in human resource.

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LABOR EMIGRATION IN CONDITIONS OF SLOVAK REPUBLIC

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Abstract

International labor migration has emerged as a major global issue that affects most nations in the world and ranks high on the international, regional and national policy agendas. The main aim of this paper is to characterize the rate of labor emigration in conditions of Slovak republic, as same as motives of labor migration of those persons, whose were born in Slovakia and also achieved at least first grade of higher education and then, because of many conditions, voluntarily or forcibly have emigrated to work abroad. At the beginning of the paper we have pointed to current status of solving problem, as well as to theoretical background of this topic. Next, we characterize the main goal and also methods, which were using in this paper. The final part consists of survey, which was based on questionnaire survey (based on replies of 110 people). We also analyze and collect data about labor emigration from Statistical Office of the Slovak republic.

Key words

Labor market, qualified workforce, emigration, higher education institutions, labor migration.

JEL Classification: I20, J64, J21

Introduction

Last few centuries (periods) is our society facing the new phenomenon of globalization, which is migration (both ways). Almost everywhere we can see that the civilization is getting multicultural and this is because of moving in and moving out of the countries. International migrant is defined by United Nations as a person who stays outside their usual country of residence for at least one year (Koser, 2007, p. 4). International labour migration has emerged as a major global issue that affects most nations in the world and ranks high on the international, regional and national policy agendas. On the one hand, there are many positive aspects to cross-border migration. Through their labour, migrant workers contribute to growth and development in their countries of employment. Their countries of origin greatly benefit from these workers' remittances and the skills they acquire during their migration experience. Yet the migration process also poses serious challenges. Many migrant workers, especially low-skilled workers, face exploitative working conditions and enjoy only limited human and labour rights. Women, increasingly migrating on their own and now accounting for almost half of all international migrants, face specific protection problems. With rising barriers to cross-border labour mobility, the growth of irregular migration and the trafficking and smuggling of human beings constitute major challenges to the protection of human and labour rights. Migration for employment is very much a part of the global agenda of the International Labour

Organization (ILO, 2010) Migration processes can be seen as an indicator of the state of development in a world that is constantly changing. The challenge now confronting the global community is to govern and regulate migration in such a way that it can serve as a force for growth and development in both origin and destination countries, while protecting the rights of migrant workers. Global issues need global and multilateral responses, not unilateral ones. While various initiatives in pursuit of a global consensus on the principles and rules to govern migration were undertaken soon after the demise of bilaterally arranged migration in the mid-1970s, success has been elusive (ILO, 2010).

1 Migration (terms and characteristics)

According to (Koser, 2007, p.18), we can divide migrants into three categories. First of all is a distinction between voluntary and forced migrants. The forced migrants are those who have been forced to leave their countries because of some conflict, persecution or for environmental reasons such as famine or drought. These people are usually described as refugees. The second distinction is between people who move for political reasons and those who move for economic reasons. Those who move for economic reasons are usually described as labour migrants, which means that they move to find work or they see the challenge of better job opportunities and working conditions. They also can be classified as low skilled or highly skilled migrants. There is also another

special class somewhere between political and economic migrants and those are migrants who move for social reasons. Commonly, these are women and children who move to join their husbands. The third distinction is between legal and illegal or irregular migrants. It is a wide range of people who enter a country either without documents or with forged documents, or migrants who enter legally, but then stay after their visa or work permit has expired. International migration play an important role in regional, national and global affairs. The money that are sent home by migrants is a more important source of income than the official aid provided by richer countries. But, migrants do not just contribute to economic growth.

Their impact is most keenly felt in the cultural and social spheres of life. We can see that people of different national origins, who speak different languages and who have different religions, customs and ways of living are coming into unprecedented contact with each other. Significant is also the contribution from immigration to the workforce. It represents a significant development potential of the economy and society (Vojtovic, Tupa, 2016). Nowadays, most societies are characterized by at least a degree of diversity (Koser, 2007, p. 11) Here we could also mention an emigration. As Keeley stated, this term refers to people leaving a country for long periods or permanently. Then, the term immigration means the people who are coming in. And what is the difference between permanent and temporary migration? According to Keeley (2009, p. 74-88, ins. p.3), a permanent migration means the people with the intention to settle in another country. On the other hand, temporary migration means the people who intend to return home after some time, usually within a year and who are usually travelling to work or for a long working holidays.

On the other side, we can say, that there are many ways of distinguishing different groups of migrant workers, based on motivation for migrating, skills, age, sector, occupation and distance from origin. The distinctions most commonly used are based on anticipated duration of stay, reflecting the fact that control over who enters a country and how long they stay is a core aspect of national sovereignty. On this basis, the admission of migrant workers falls into similar two broad categories: Permanent migration - referring to admission of workers falling under different immigration categories (i.e. family reunification, highly skilled) for an indefinite period of stay, that is, a stay without a time limit imposed by the destination country and temporary migration, referring to admission of workers (sometimes referred to as "guest workers") for a specified time period,

either to fill year-round, seasonal or project-tied jobs (ILO, 2010).

Usually all around the world, the migration was a reflection of the economic situation of people. They had an opportunity of better life by moving to another country and this is the same reason for migration nowadays. Many economic indicators are influenced by labor emigration (Vojtovic, Krajnakova, 2013). There are also forces which are described by sociologists and economists as "push" and "pull" factors.

The "push" represents the state of things at home, such as the strength of the economy; the "pull" is the situation in the migrants target country, such as the prospects of finding a decent job." (Keeley, 2009, p. 36). Author stated that some analysts argue that "the push and pull theory" of migration places an emphasis on the role of individuals choice and ignores the wider, economic, cultural, social and political contexts which may affect those choices. On the other hand, some sociologists prefer to think in terms of a more complex set of relations which are described as "migration systems theory."

According to Mr. Bifl (BIFL, 2011, pp. 15-17) we can distinguish 5 types of migrants within the European Union. The first, highly skilled persons- are mostly qualified managers, executives, technicians, scientists, who mostly work for international corporations or NGOs in another country as their country of origin. (BIFL, 2011, p. 16), second group is group of skilled persons- can work mostly in the private sector as clerks or field workers at offices of national or international companies, employees at banks, or they can be highly qualified specialists in the agricultural or the manufacturing sector. Then, we can say about low skilled persons- are doing jobs which require only elementary education. Fourth group represents researchers- to this group belong PhD candidates or researchers of research institutions (BIFL, 2011, p. 17). Last group consists of seasonal workers- are working only for a season or a specific time period (BIFL, 2011, p. 17).

Mostly in Western European countries seasonal migrant workers do agricultural jobs. If migrants do low skilled jobs, what natives are not willing to do, they fill the deficit occurred by natives which refuse to do this kind of job. As a consequence demand grows for higher skilled workers from natives which are employed on higher positions as managers, leaders, etc. High skilled migrants from Central and Eastern Europe have more opportunities to find a job, because they are more open to other cultures, and are more able to assimilate. In these countries the workforce is highly skilled and "large endowment of human capital" (Serati, 2008, p. 1) is typical for it.

As an impact of the enlargement process, the labour market of the European Union has become more heterogeneous with a large amount of low skilled unemployed people and a low number of skilled workers. If only unskilled people migrated from Central and Eastern European countries, the wage gap would become bigger between skilled and unskilled workers (Serati, 2008, p. 2), because high skilled workers adapt to the technological change easier. Low skilled workers are less competitive while high skilled workers can do high skilled jobs more effectively.

Economic integration is mostly described as a factor of growth. "The most important channels are: internal and external economies of scale, faster technological progress, increase in competitiveness, reduced uncertainty, lower costs of capital and a more favourable environment for the economic activity." (Martinoia, 2011, p. 3) In case of the European Union economic integration had significant impact in the receiving countries on "employment, real wages and labour force" (Martinoia, 2011, p. 5). The problem is the emigration of highly skilled professionals and young people who are not returning to their homeland after receiving education abroad, which is growing due to the policy of a number of states to attract highly skilled immigrants and young professionals from among foreign students.

Goal and Methodology

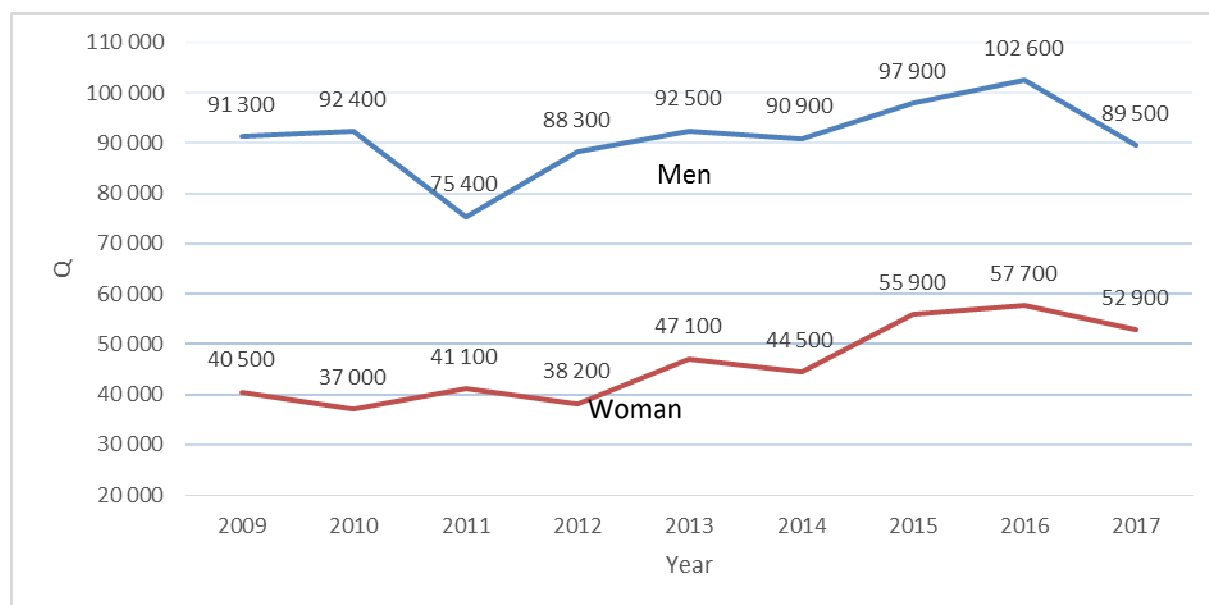
The aim of the article is to is to characterize the rate of labor emigration (especially of HEI graduates) in conditions of Slovak republic, as same as motives of labor migration of those persons, whose were born in Slovakia and also achieved at least first grade of higher education and then, because of many conditions, voluntarily or forcibly have emigrated to work abroad. A very important step how to achieve our main aim was to collect data about labor emigration from Statistical Office of the Slovak republic. Then, through respondents responses (110 res.), we will collect a basic view, which motives could motivate our respondents for return to their homeland. We also point to some characteristics of labor emigrants due to their age, education, sex etc.

Findings and Discussion

2 Labor emigration (Slovak republic)

In the next part of this paper we will evaluate the survey, which was carried out on a sample of those 110 respondents whose emigrated abroad, as same as datas from Statistical Office of the Slovak republic.

Graph 1. Short-term labor emigration by gender

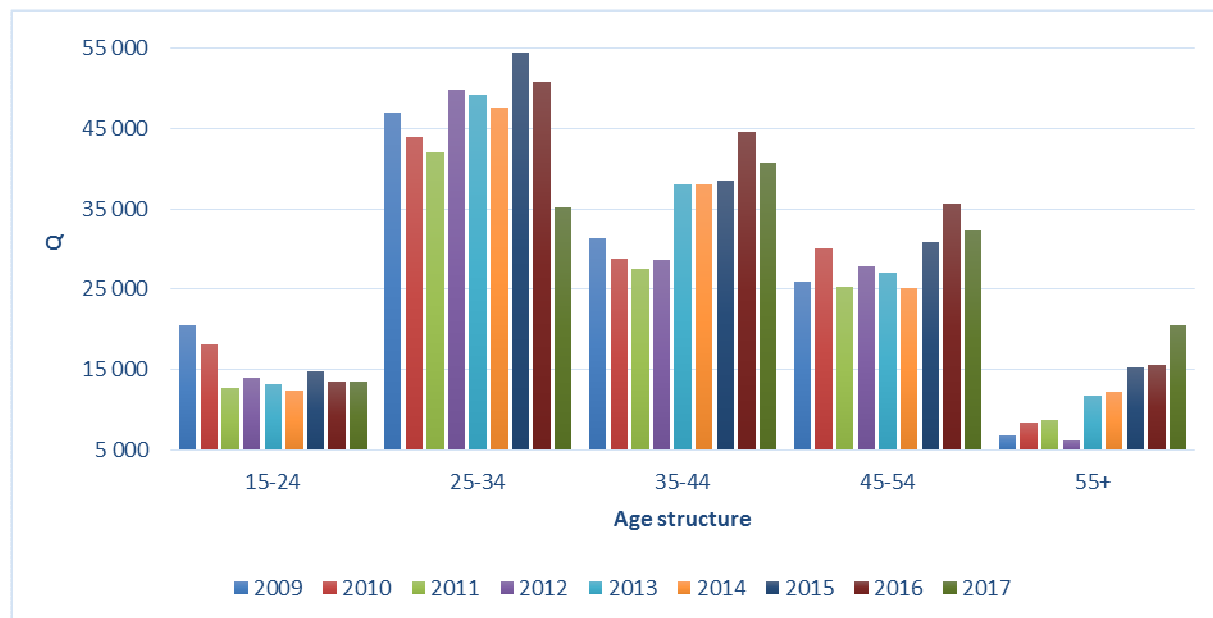


Source: SOSR (2018)

Graph no.1 deals with short-term emigration by gender. We can see, that the number of emigrants has decreased in the last available year, both for women

and for men. We recorded the highest number of emigrants in 2016. Structure of labor emigrants due to age group could be seen in next graph.

Graph 2. Short-term labor emigration by age group



Source: SOSR (2018)

Based on graph no. 3, it can be concluded that in recent years there has been a rise in the number of those people aged 55+, whose emigrating abroad. However, the most frequent group in the last year was

a group of people aged 35-44. In the following graph, we highlight the level of education achieved by labor emigrants.

Graph 3. Short-term labor emigration by education



Source: SOSR (2018)

Graph no.4 points to the level of education achieved by labor emigrants. Relatively constant values are reported by people with basic education. The number of university graduates migrating abroad decreased by more than 10,000 in the last year. On the other side,

the number of emigrants with full high education (including maturity) has increased radically. Persons emigrating abroad are also differentiated according to their profession.

Table 1. Structure of labor emigrants by profession in host country

		2009	2010	2011	2012	2013	2014	2015	2016	2017
Profession	Lawmakers	1 800	2 400	2 500	1 700	3 400	1 900	2 900	3 000	2 100
	Specialists	2 700	2 600	4 200	2 700	5 900	5 500	6 900	7 300	5 800
	Technicians	9 900	9 300	8 800	10 200	9 600	8 500	11 900	10 000	10 700
	Administration	3 900	2 600	2 800	4 100	4 600	4 600	5 500	6 900	3 200
	Services	26 300	25 100	27 700	30 000	37 500	38 700	44 600	49 300	42 300
	Primary sector	1 400	400	n	600	400	1 500	1 000	1 600	2 400
	Skilled workers	39 700	39 400	35 700	40 700	45 700	43 100	45 500	49 600	39 700
	Operators	24 700	24 500	16 500	17 900	18 200	18 400	17 000	17 200	18 200
	Unskilled workers	21 000	22 500	18 300	18 500	13 900	13 300	18 000	15 500	17 700
	Armed forces	n	n	n	n	n	n	300	n	300

Source: SOSR (2018)

The values of each type of profession according to the number of persons performing a particular type of work acquire very constant values. Most people with

Slovak citizenship work abroad as skilled workers and in sector of services.

Table 2. Respondents structure due to period, during which they want to stay abroad

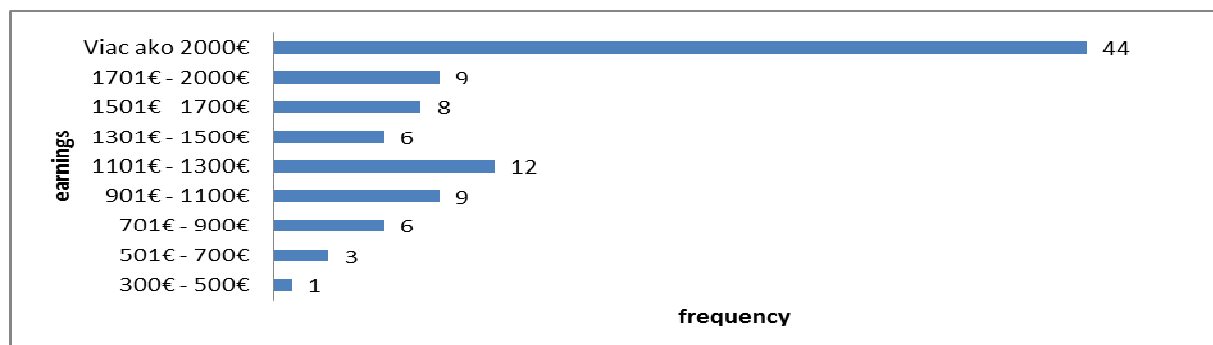
	Frequency	Percentage
Maximum one year	3	2,7%
One to two years	2	1,8%
Two to five years	20	18,2%
More than five years (but not permanently)	7	6,4%
Do not currently have a return scheduled	44	40,0%
Will come back when needs will be fulfilled	8	7,3%
Want to stay abroad till the end of my life	26	23,6%

Source: Authors survey (2018)

According to the table no. 2, we can conclude that up to 40% of respondents are currently unable to answer the question of how long they are planning to stay abroad. From respondents answers, it is clear to say, that almost 24% of people are planning to stay abroad till the end of their lives. Based on this statement, it can be argued that productive persons working for a while abroad do not feel the desire to return back. We talk mainly about respondents aged

over 30. The limited duration of „foreign working life“ have 25 respondents. These are citizens of the Slovak Republic who have achieved only first and second degrees of higher education. In the case of PhD students, responses are also more than obvious. Neither of them plans to 100% connect their future with the country in which they were born. Next question is focused to average monthly earnings of emigrants.

Graph 4. Structure of respondents based on the average monthly earnings



Source: Authors survey (2018)

Based on graph no. 4, it is possible to confirm the assumption that respondents working abroad with Slovak citizenship earn on average over 2000€ per month. The number of respondents who rated the options between 300€ – 500€ or 501€ – 700€ reached statistically insignificant values. These options were

chosen mainly by respondents with HEI in fields as economics, psychology, social work. Third-degree graduates earnings are on the level of 2000€ +. In the next table, we focus on respondents structure via to their motives to leaving Slovak republic.

Table 3. Respondents structure due to motives for emigration

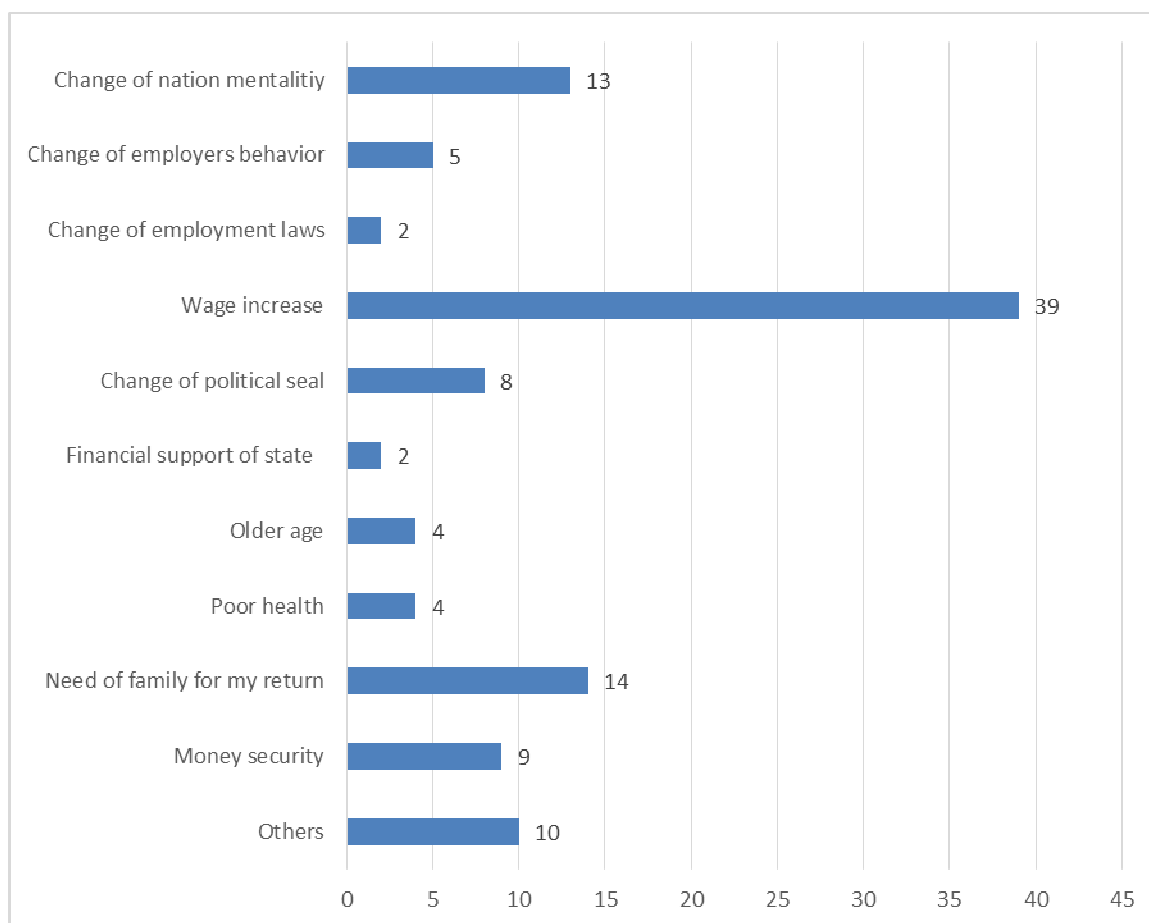
	Primary mot.		Secondary mot.	
	<u>Frequency</u>	<u>Percentage</u>	<u>Frequency</u>	<u>Percentage</u>
Independence (relationships, housing)	22	20,0 %	50	45,5 %
Need for funds	17	15,5 %	15	13,6 %
Desire to travel	10	9,1%	15	13,6 %
Do not want to stay in the Slovak rep.	12	10,9 %	13	11,8 %
Family works abroad	3	2,7 %	1	0,9 %
Friends work abroad	5	4,5 %	7	6,4 %
Am unemployed in the Slovak rep.	17	15,5 %	4	3,6 %
Friends/husband are from abroad	15	13,6 %	5	4,5 %
Other	9	8,2%	0	0,0 %

Source: Authors survey (2018)

In the table no. 3, we listed the basic motives, which result to a leaving of Slovaks to work abroad. The primary motive is the desire of the citizens of Slovakia to gain independence. In addition to this, the answers to the need for funds were repeated to a greater extent. In almost 16% of cases, respondents leaving from Slovakia, mainly because they were not employed in the Slovak republic or they did not know how to find the correct work (less work opportunities). In the group „other“, there were allegations like better health system, more challenging working environment or new life challenges.

- Graduates of the third degree of HEI (45%) going abroad because their husband or friend (mate) live outside the borders of Slovakia;
- In the case of graduates of the first degree of HEI, the main motive is the desire to gain independence;
- Almost 46% of respondents who have their permanent residence abroad, migrated there because they were unemployed in the Slovak republic. In the overwhelming majority, they choose German-speaking countries;
- Up to 83% of respondents who have stated the main reason for leaving Slovakia, that they are not happy in this country work or worked in the field they studied;
- The desire to travel expressed as a main motive of migration woman under the age of 30, who have achieved mainly second degree of HEI.

Graph 5. Structure of respondents according to the impulse, which would motivate them for long-term return to Slovakia



Source: Authors survey (2018)

Based on graph no. 5, it can be concluded that wage increases in individual sectors is the most promising factor that could bring labor migrants back into the Slovak Republic. The category „others“

represents the opinions of the respondents, which may be generalized as negative attitudes towards the country of the Slovak republic, which means that these persons do not return to Slovakia according to the expressions never.

Conclusion

Labour migration affects most countries in the world, and migrant workers contribute greatly to development, both in countries of origin and countries of destination. However, the migration process implies complex challenges in terms of governance, migrant workers' protection, migration and development linkages, and international cooperation.

The most important part of labor migration is emigration of highly educated people. In our paper, we discuss not only about terminological background,

but also about this phenomenon. In addition to reporting labor migration statistics, we did also a survey, where we approached people, who had gained at least first degree of HEI education and then, due to a number of factors emigrated to work abroad. In conclusion, we can say, that competent people should continue to work actively in this section (emigration of educated and skilled people). The number of Slovak labor emigrants with HEI education decrease (mainly in last year), but it is not reason to say, that this number is acceptable.

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EVALUATION OF INNOVATION PERFORMANCE OF VISEGRAD COUNTRIES REGIONS PUTTING A STRESS ON HUMAN CAPITAL

Eva IVANOVÁ, Jana MASÁROVÁ

Abstract

Innovation is one of the major factors affecting the competitiveness of enterprises, regions and national economies. The effects of science, research and innovation at regional level increase the socio-economic growth of the regions and contribute to the removal of regional disparities. The European Union considers the growth of their innovation performance as a key factor in the overall development of the regions, which, with multiplier effects, is reflected in the socio-economic development of the regions. The aim of the article is to evaluate the innovation performance of regions of the Visegrad Group putting a stress on human capital. The basic method used in the processing of matter is descriptive statistics and quantitative comparative analysis. The survey will be carried out at the level of NUTS II regions. Data sources for problem processing are indicators internationally monitored through a regional innovation index, which is reported by the European Commission. Previous studies and assessments show that V4 countries are lagging behind European leaders in innovation performance; they belong to the group of "moderate innovators". In Visegrad Group countries, the highest innovation performance is reported by the capital regions.

Key words

Innovation, Innovation performance, Regional innovation index, Visegrad group countries.

JEL Classification: O15, O31, O30

Introduction

In modern new terminology the category of innovation belongs to relatively new categories and it emerged at the beginning of the 20th century in connection with the need for effective application of technological changes. Innovation is closely related to science and research and it express the practical implementation of an idea into reality, e.g. economically applied invention, while the human capital is playing an irreplaceable role in this process.

The aim of the article is to evaluate the innovation performance of regions of Visegrad Group with putting an emphasis on human capital.

Visegrad Group is the loose alliance of the Czech Republic, Hungary, Poland and Slovakia. It was formed in 1991. A favourable basis for intensive development of cooperation is ensured by the similar character of the significant changes occurring in these countries, their traditional, historically shaped system of mutual contacts, cultural and spiritual heritage and common roots of religious traditions. (Visegrad Declaration, 1991)

At NUTS II level Slovak Republic (SR) is divided to 4 NUTS II regions: Bratislavský kraj, Západné Slovensko, Stredné Slovensko a Východné Slovensko. Czech Republic (CR) has 8 NUTS II regions: Praha, Střední Čechy, Jihozápad, Severozápad, Severovýchod, Jihovýchod, Střední Morava and

Moravskoslezsko. Hungary is 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 regions: Łódzkie, Mazowieckie, Małopolskie, Śląskie, Lubelskie, Podkarpackie, Świętokrzyskie, Podlaskie, Wielkopolskie, Zachodniopomorskie, Lubuskie, Dolnośląskie, Opolskie, Kujawsko-Pomorskie, Warmińsko-Mazurskie and Pomorskie.

1. Theoretical background to the assessed issue

The issue of innovation and innovation performance is widely developed in current literature. According to Freeman (1982), "innovation includes the technical, design, manufacturing, management and commercial activities involved in the marketing of a new (or improved) product or the first commercial use of any new (or improved) process or equipment".

Lundvall (1992) states that innovations refer to the introduction of new products, services, or resources used to manufacture them to the market, launching new products and processes into the market, including the process of originating a creative idea leading up to its commercial use.

Innovation provides real benefits for us as citizens, consumers, and workers. It speeds up and improves

the way we conceive, develop, produce and access new products, industrial processes and services. It is the key not only to creating more jobs, building a greener society and improving quality of life, but also to maintaining our competitiveness on the global market (Kordoš, 2014).

Innovation in the global economy is the key for certain countries and regions. On the basis of innovative activity these may occur in all sectors of the national economy. Innovation activities can be defined as a two-step process where at first the creation and diffusion of knowledge occur and then this knowledge is transformed into innovation (Mura, Machová, Tóth, 2015).

Contemporary economic growth is based on the broadly-understood innovation. Increasing the level of innovation is one of the key challenges faced by societies of the 21st century. It determines the competitive position of countries, country alliances and the smallest regions forming the said alliances (Sipa, 2015).

The necessary presumption of innovation is human capital, its ability to develop, invent and use new, and more modern and more efficient technologies. The quality of human resources directly affects the emergence of knowledge and its application in the form of innovation. As stated Vojtovič and Karbach (2014), innovations are made by human ability to accumulate knowledge and on this basis to create new knowledge, which can be used to perfect production, its management and so on.

Decisive factor in the human capital is the scope of knowledge, or in other words the ability of an individual to transform gained knowledge into innovations – new machines, technologies, goods, services, organizational structures, systems and methods of management and so on. Innovations are the source of effectiveness and productivity and they condition the transformation of scientific knowledge into technological and managerial changes (Vojtovič, Krajňáková, 2014).

The relationship between innovation and human capital is reciprocal, innovation is not possible to be developed without human capital and, on the other hand, innovation is affecting the human capital development. As Porubčinová (2011) says, as a result of new technologies implementation, there is a fundamental shift in human capital, because innovation brings changes in the area of work skills, work organization and institutional relations between society and work.

Kianto, Sáenz and Aramburu (2017) stated that innovation in organizations is, first and foremost, a human issue. Since it is people who develop and implement ideas, innovation will depend on effective

human resource management. It will also depend on knowledge, since any innovation implies the development of new knowledge as both an input (e.g. new ideas, concepts, prototypes, etc.) and an outcome (i.e. the novelty produced).

Faggian, Partridge and Malecki (2017) argue that creativity, entrepreneurship and education are all part of a more broadly defined concept of human capital, which is the most essential production factor in knowledge societies.

Machová et al. (2015) emphasize that innovation is a key to the whole organization survival, based on knowledge, creativity and entrepreneurial feelings. Innovations are new combinations of existing knowledge. The innovation process to be successful, the expertise and skills in the industry are necessary.

We can conclude that human ability to gain knowledge and create innovations is a capital for production only under a condition if the knowledge and innovation have become the subject of buying and selling process and can be utilized in some other industries. Creativity of people as a human potential is not a sort of production capital and the base of new economy. Creativity becomes an industrial capital and lies in the core of new economy only if it is utilized in the process of innovations to be sold (Vojtovič, 2015).

Human capital is an important input in the generation and diffusion of innovative ideas. The development of innovative technological sectors can indirectly improve growth via its positive influence on human capital accumulation as much as human capital can as an important input into the generation and diffusion of innovative ideas (Alpaslan, Ali, 2017). Qualified human resources are essential in the process of knowledge creation and transfer being a prerequisite for the long-term sustainable growth.

2. The evaluation of innovation performance in the regions of Visegrad Group countries

Innovations play an important role in the socio-economic development of states and regions. The innovation performance of regions can be assessed in different ways using a number of indicators. In this paper the innovation performance in the regions of Visegrad Group countries is to be assessed by means of the Regional Innovation Index (RII) by Regional Innovation Scoreboard (European Commission).

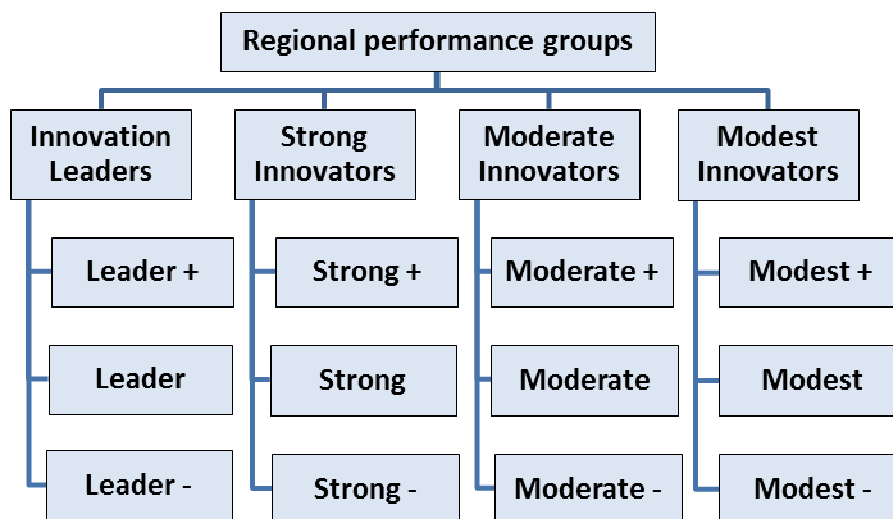
Average innovation performance is measured using composite indicators. The Regional Innovation Index summarizes the performance on 18 indicators: (1) Population having completed tertiary education, (2) Lifelong learning, (3) International scientific co publications, (4) Most cited scientific publications, (5) R&D expenditures in the public sector, (6) R&D

expenditures in the business sector, (7) Non R&D innovation expenditures, (8) SMEs with product or process innovations, (9) SMEs with marketing or organisational innovations, (10) SMEs innovating in house, (11) Innovative SMEs collaborating with others, (12) Public private co publications, (13) EPO patent applications, (14) Trademark applications, (15) Design applications, (16) Employment in medium

high/high tech manufacturing and knowledge intensive services, (17) Exports of medium high/high technology intensive manufacturing, (18) Sales of new to market and new to firm innovations in SMEs.

Evaluated regions are grouped into four innovation performance groups (Figure 1) according to their performance on the Regional Innovation Index relative to that of the EU average.

Fig. 1. Innovation performance groups



Source: own processing

The innovation performance of regions in these groups is:

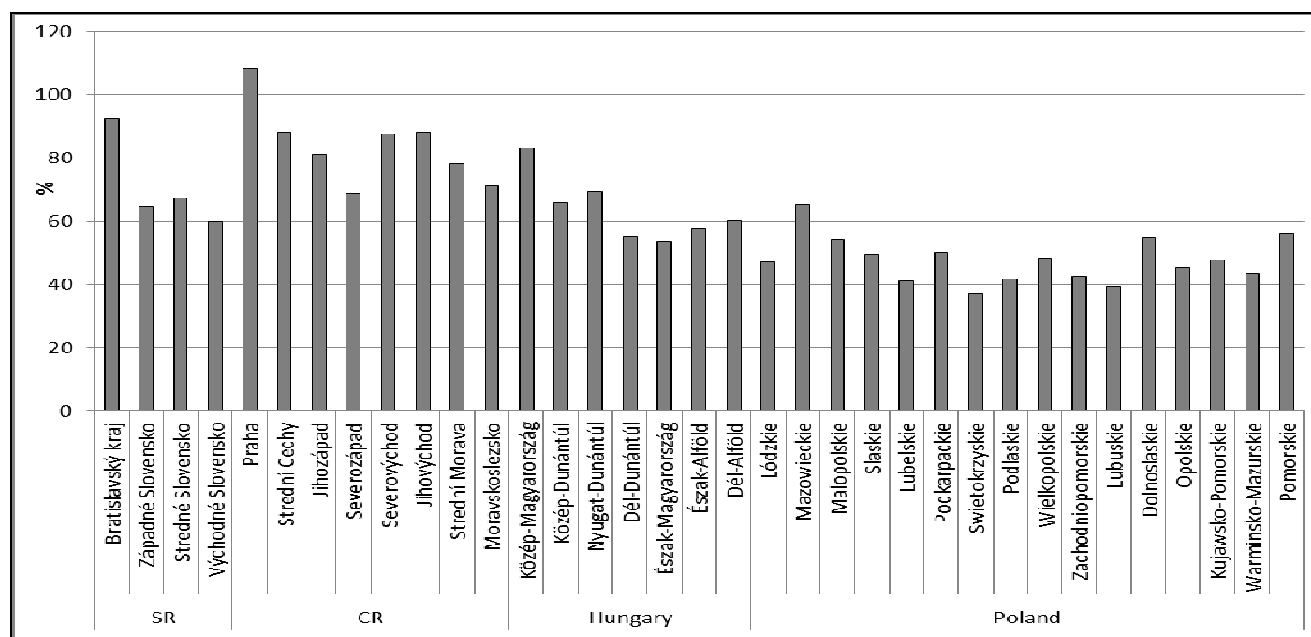
- Innovation Leaders: more than 20% above the EU average,
- Strong Innovators: between 90% and 120% of the EU average,
- Moderate Innovators: between 50% and 90% of the EU average,
- Modest Innovators: below 50% of the EU average.

The most innovative regions will be Innovation Leaders +, and the least innovative regions will be Modest - Innovators.

2.1 Innovation performance in the regions of Visegrad Group countries in 2011

The first year of our research is 2011. This year is used by the European Commission as a starting year for the assessment of the region's innovation performance and the innovation performance of the regions in upcoming years is calculated to it. The innovation performance assessment of V4 countries' regions in 2011 through RII is shown in Graph 1.

When assessing the RII during 2011 it can be stated that among the V4 countries the highest innovation performance was achieved by the Czech region of Prague, with 108.3% of European average followed by, with a distance, Bratislava region (92.6%), as well as other Czech regions (South East, Northeast, Central Bohemia) and Hungarian region Közép-Magyarország. Poland's Swietokrzyskie and Lubuskie regions had the lowest innovation performance being below 40% of the EU average.

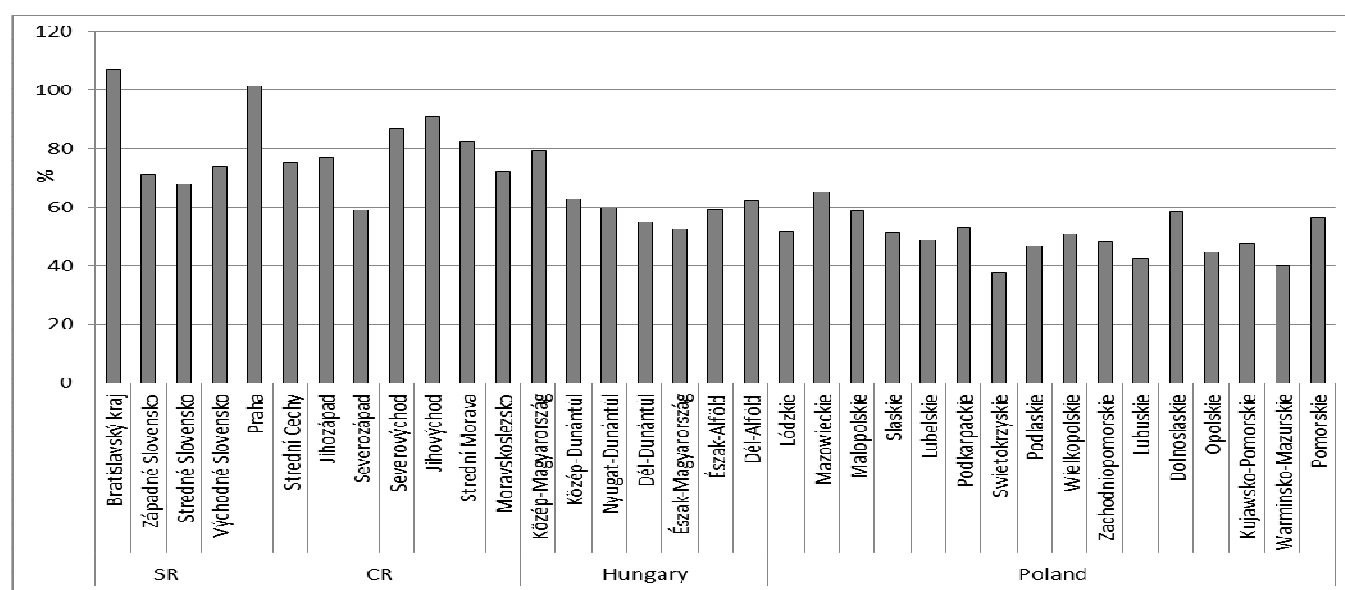
Graph 1. Innovation performance of V4 regions in 2011 (% to EU 2011)

Source: own processing by European Commission. (2017b).

2.2 Innovation performance in the regions of Visegrad Group countries in 2017

The final year of our research is 2017. This year, the latest report assessing the innovation performance of regions was published. For the RIS 2017, most recent data refer to 2016 for one indicator, 2015 for six indicators, 2014 for nine indicators, and 2011 for two indicators. A reference to the most recent performance year (RII2017) in this report should thus be interpreted as referring to data about three years older than the 2017 reference year (RIS 2017).

The comparison of RII values in the regions of V4 countries is shown in Graph 2.

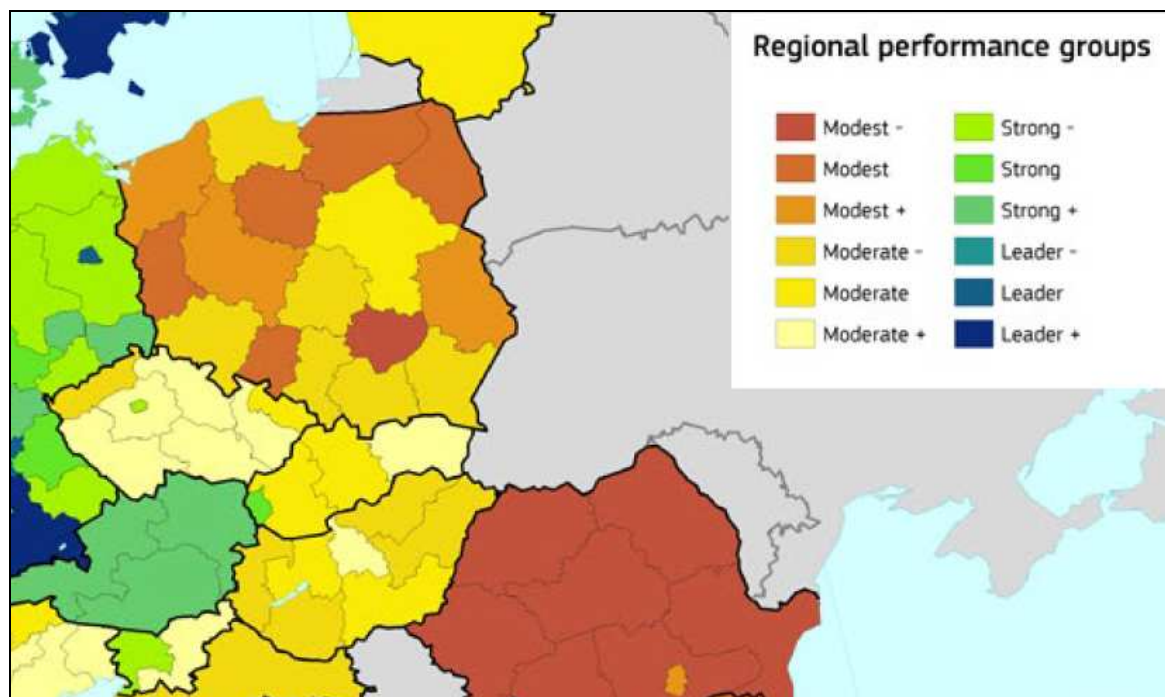
Graph 2. Innovation performance of V4 regions in 2017 (% to EU 2011)

Source: own processing by European Commission. (2017b).

Graphical representation shows that Bratislava Region has the highest innovation performance in the last assessed year among the V4 countries, followed by Czech regions such as Southeast, Northeast and Central Moravia. Also from the other V4 countries, the highest innovation performance is shown by regions with capital cities: in Hungary Közép-

Magyarország and in Poland Mazowieckie. The regions of Bratislava and Prague are ranked among the Strong Innovators, other Slovak, Czech and Hungarian regions and some Polish regions are Moderate Innovators, nine regions in Poland are Modest Innovators (Figure 2).

Fig. 2. Map of innovation performance of V4 regions



Source: European Commission. (2017a).

The overall assessment of regions' innovation performance depends on the level of sub-indicators. When assessing the individual RII indicators during 2017 it can be concluded that the best evaluation of regions in V4 countries has been reached in indicators 17, 16, 15 and 1. On the other hand, the least successful are in the EPO indicator (European Patent Office) patent applications.

The differences in regional innovation performance of V4 countries within the individual indicators were evaluated by the variation coefficient. The largest differences between regions in V4 countries are in indicators 12, 3, 9 and 11 (more than 50%). The smallest differences are in indicators 17, 14, 4 and 7.

In terms of innovative performance, we focus on indicators taking into account the level of human capital - 1 and 2.

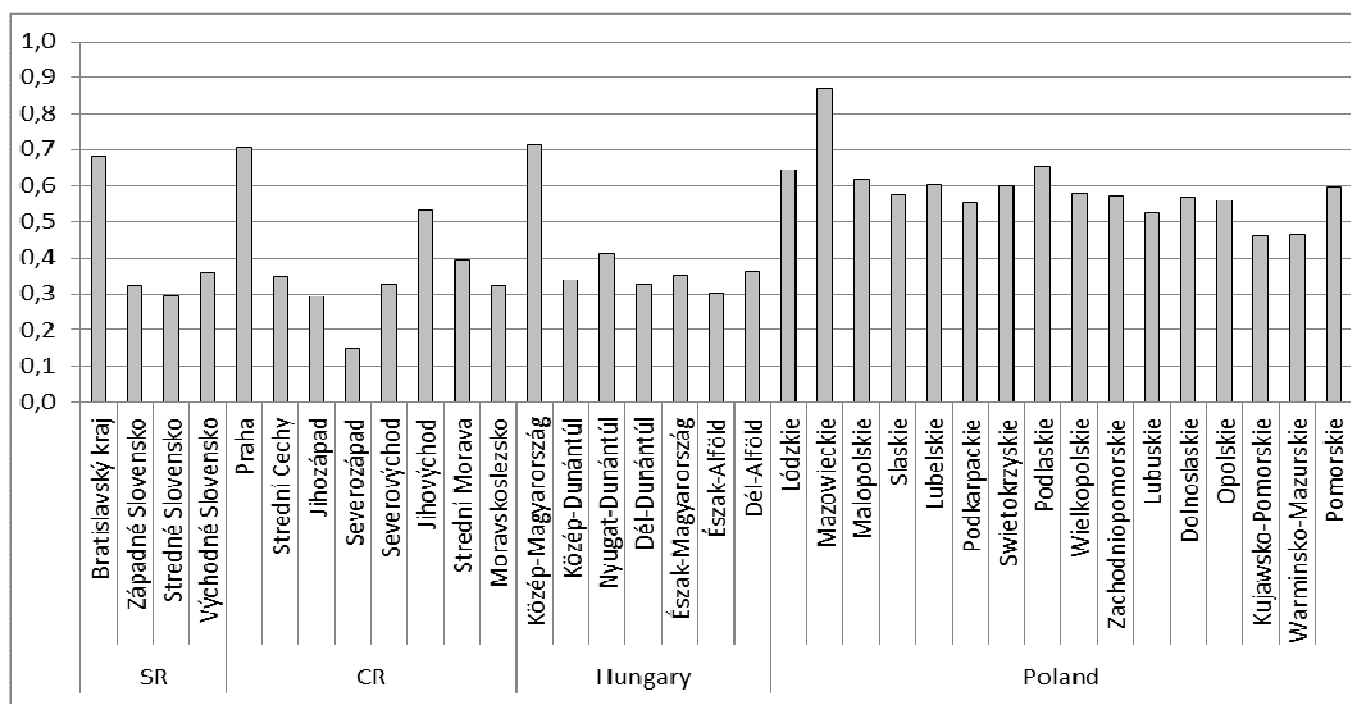
1. Population having completed tertiary education - Percentage population aged 30-34 having

completed tertiary education (number of persons in age class with some form of post-secondary education/total population between 30 and 34 years)

2. Lifelong learning - Percentage population aged 25-64 participating in lifelong learning (number of persons in private households aged between 25 and 64 years who have participated in the four weeks preceding the interview, in any education or training, whether or not relevant to the respondent's current or possible future job/Total population aged between 25 and 64 years) (RIS 2017).

The executed evaluation of V4 countries' regions in indicators 1 and 2 is shown in Graphs 3 and 4.

Graph 3. Evaluation of Indicator "Population with tertiary education" in V4 regions

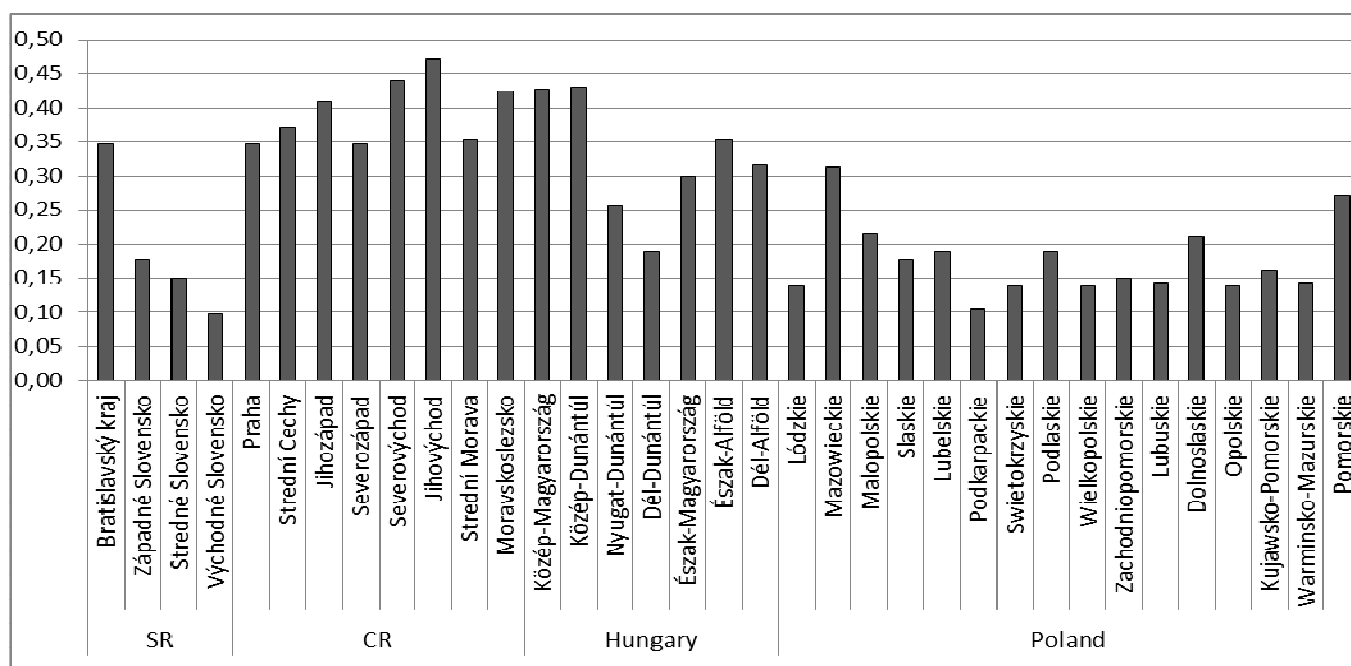


Source: own processing by European Commission. (2017b).

In indicator 1 - Population with tertiary education, the best values has been reached by Polish regions, especially the Mazowieckie region, with the highest score of 0.871 followed by three regions with similar

ratings, around 0.700: Közép-Magyarország, Prague and Bratislava Regions. The Czech North-West region has reached significantly lowest assessment in this indicator.

Graph 4. Evaluation of Indicator "Lifelong Learning" in V4 regions



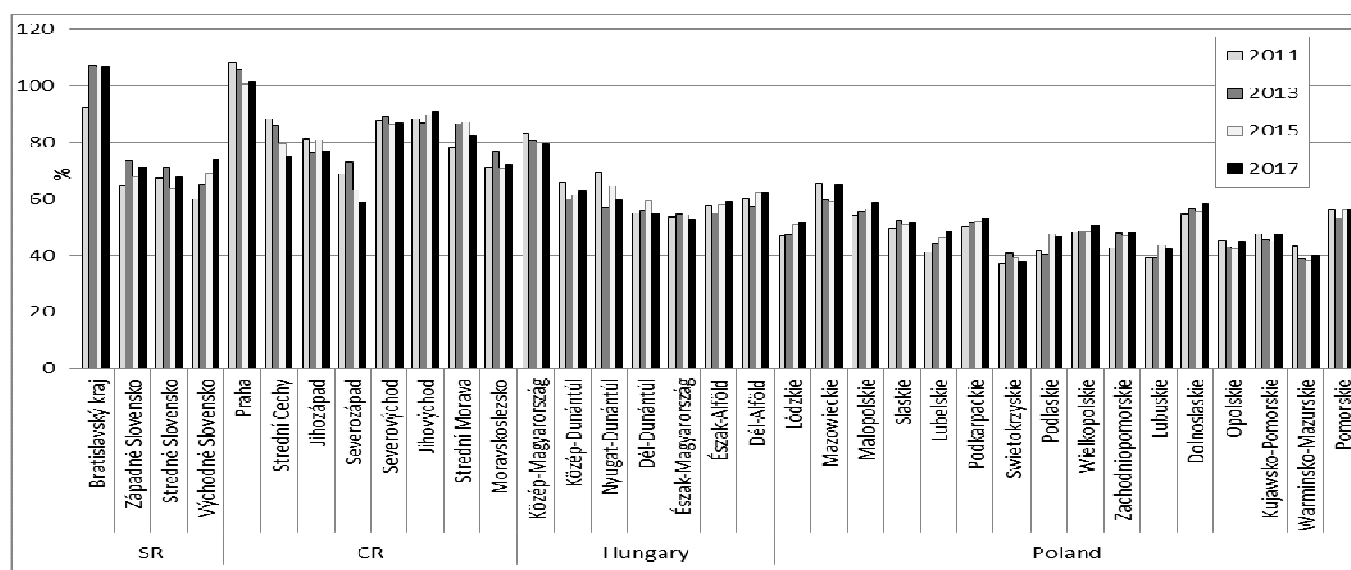
Source: own processing by European Commission. (2017b).

In Indicator 2 - Lifelong Learning, the best assessment has been achieved by Czech and Hungarian regions. The highest ranking has been achieved by South East Region (0.471), followed by Northeast, Közép-Dunántúl, Közép-Magyarország, Moravia-Silesia and the Southwest. At the bottom of the chart there are regions of Eastern Slovakia and Podkarpackie (rating around 0.10).

2.3 Comparison of innovation performance in the regions of Visegrad Group countries

The innovation performance of regions depends on reported indicators showing irregular fluctuations, which affects the overall assessment of individual regions in particular years. In Graph 5, we compare the regional innovation performance in V4 countries in 2011, 2013, 2015 and 2017, as reported by European Commission in the RIS 2017 report.

Graph 5. The comparison of innovation performance in the regions of V4 countries (%)



Source: own processing by European Commission. (2017b).

Based on Graph 5, it can be stated that the development of innovation performance in individual regions in V4 countries is uneven. The innovative performance of Bratislava region has increased significantly since 2013 compared to 2011 and similar developments are in other Slovak regions. In contrast, in Czech Republic, the innovation performance of most regions is decreasing (apart from the Southeast). In some Hungarian regions, their innovation performance is also declining, with the exception of Észak-Alföld and Dél-Alföld. In Poland, innovation performance is increasing in most regions with fluctuating tendency, but the Warmińsko-Mazurskie region is getting worse.

Generally speaking, the highest innovation performance is achieved in the regions of Czech Republic and Bratislava Region, the lowest innovation performance has been achieved in the regions of Poland.

Conclusion

The innovation performance of regions in V4 countries is a result of regional innovation policy executed by governments, as well as other determinants operating in region, such as the drawing of EU funds for scientific research projects, quality, concentration of educational institutions, the use of human capital, etc.

As we can see from the findings above, the best values in innovation performance within the V4 countries are shown in Bratislava region and Prague region, where the scientific potential of regions is concentrated and its assessment is reflected in the results. The region of Bratislava had the highest growth rate in this indicator. Also in other V4 countries the highest innovating performance can be found in regions with capital cities: in Hungary Közép-Magyarország and in Poland Mazowieckie. It should be noted that none of the regions in Poland and Hungary has exceeded the regions in SR and CR by their values.

Scientific research potential and its appreciation depend to a large extent on the quality of human resources operating in the region. Innovation and technological advancement of economy are created by human beings and their ability to accumulate knowledge and further implement it to create new knowledge to be used in improving manufacturing efficiency, (Vojtovič, Krajňáková, 2014)

The results show that in the indicator of Population with tertiary education that the best results has been achieved in Mazowieckie region in Poland, and in the rest of the countries they are again the regions with capital cities. In the Lifelong Learning indicator the best results have been achieved in Northeast region in

Czech Republic, on the other hand, the worst results are in Eastern Slovakia and Podkarpackie regions. In the results we have found in the assessed issue: innovation performance and the level of human capital usage in the regions of V4 countries, we see the persistent and widening regional discrepancies.

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MANAGEMENT OF LABOUR FORCE MOVEMENT APPLIED IN SLOVAKIA

Darina SAXUNOVÁ, Lenka CHORVATOVIČOVÁ

Abstract

The research object of this scientific paper is the freedom of labour force movement. The paper objective is to highlight the significance of the institute of free labour force movement that is utilised by Slovak citizens. Moreover, the paper further examines and analyses employment of foreigners in Slovakia and illegal employment which is considered as negative social and economic problem not complying to the European Union legislation. The analysis also covers the measurements introduced to the Slovak labour force market. The objective of investigations are phenomena, processes and measures associated with the freedom of labour force movement within the European Union. The results point out the reality that the number of the people working abroad is growing, so is the number of people not interested in returning to a domestic state. Finally, the recommendations for the management of labour force movement are discussed that could assist managing "desired or undesired" migration of people in Slovakia or worldwide.

Key words

labor mobility, regulation, Slovak labor market, free movement, migration

JEL Classification: J6, J8, J81

Introduction

Poverty and penury in the mountainous regions in Slovakia were the reason of the migration. The exodus of Slovak citizens abroad at the beginning of the 20th century and after the wars was a consequence of deterioration of living conditions, shortage of job opportunities or changes of political governance that resulted in a large outflow of labour force especially from the poor regions Northern and Eastern Slovakia. The change of the political regime in Slovakia in 1968-1969 lead to immigration, 20 years later velvet revolution caused another an increase of labour force mobility. Slovakia's accession to the EU in 2004 enabled and eased Slovak citizens to work abroad within EU member states that resulted in another big wave of Slovak labour migrants, for example, to Great Britain, Austria, Germany.

Free movement of workers is the one of 4 basic freedoms of the European integration and should contribute to the creation of common labour market, what eventually should lead to establishment of EU citizenship. There are discussions on politics of labour mobility, not only on the European level but throughout the world. Numerous international organizations such as Organization of the United Nations, European Union, European Council, International Organization of Labour and others have been dealing with this matter lately. At present theoretical, practical and also political interests in labour mobility issues belong to priorities of the EU member states. There are discussions on politics of

labour mobility throughout the world. Numerous international organizations such as Organization of the United Nations, European Union, European Council, International Organization of Labour and others have been dealing with this matter lately. At present theoretical, practical and political interests in labour mobility issues belong to priorities of the EU member states.

1. Labour Mobility and Economic Aspects of Migration in Literature Overview

The UN Convention on the Rights of Migrants defines a migrant worker as a "person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national." From this broader definition of migrants implies: "The term 'migrant' in article 1.1 (a) should be understood as covering all cases where the decision to migrate is taken freely by the individual concerned, for reasons of 'personal convenience' and without intervention of an external compelling factor. (Unesco, 2016). Taking this definition into account a migrant does not refer to refugees, displaced or forced or compelled to leave their homes. The proposal of Special Rapporteur of the Commission on Human Rights' considers migrants to be "(a) persons who are outside the territory of the State of which they are nationals or citizens, are not subject to its legal protection and are in the territory of another State; (b) persons who do not enjoy the general legal

recognition of rights which is inherent in the granting by the host State of the status of refugee, naturalised person or of similar status; (c) persons whose fundamental rights are not legally protected by virtue of diplomatic agreements, visas or other agreements. (Pizarro, 2002). The broad concept of migration covers crossing the boundary of a political or administrative unit for a certain minimum time period or for instance, it covers the movement of refugees, displaced persons, as well as economic migrants. United Nation's definition specifies a refugee as an individual who "owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality, and is unable to, or owing to such fear, is unwilling to avail himself of the protection of that country" (Giacco et.al., 2016). Thus, refugees, in addition are seeking for the safe place to live and to work, which they do not have at their homelands.

A mobility of workers may be understood as the movement of people from one state to another state (a host state) because of performing a working activity i.e. work performed in relation to the employer's superiority and employee's being on the subordinate level, particularly work by the employee for the employer, following the employer's orders, on behalf of the employer, in the working time assigned by the employer, for the wage or reward on the territory of the other state different from his/her domestic country. To the broader extent working activity is meant to perform the work for which the employee or entrepreneur is rewarded, the most frequently they receive the cash for the work performed (Uramová, Orviská, 2014). According Wojcak (2013) labour mobility is a working activity which enables to fulfil person's expectation of becoming successful in the labour market in the other state different from a domestic one. It is the situation of changing a place of residence due to a certain purpose for workers, which is firstly, to work and secondly, to fulfil expectations of their own. It is required to distinguish whether the person was delegated by his/her employer to perform the job for a certain time on behalf of the company and on the other side it may be a personal decision of a person to work abroad. We consider labour mobility as a working activity abroad, which is performed by the person on the base of working agreement for an agreed reward. Labour mobility is voluntary, or it is a consequence of the globalization; it is a certain advantage for the citizens because legal obstacles of labour force international movement are being removed. A positive feature of the labour mobility is that migrating employees can complement missing job positions on all levels of labour force, e.g. highly specialized positions with scarce expertise, or jobs not considered attractive for the EU citizens, Moreover,

there is a shortage of qualified or unqualified labour due to the negative consequences of demographic evolution.

Students mobility, e.g. Erasmus plus and others have been believed that it will be beneficial to Europe, its member states and regions, even to nourish an overall sense of European patriotism. This is obviously true for countries lagging behind economically and doing their best to get closer and catch up the results of developed countries (Workie Tiruneh, & Stefánik, 2014). On the other side, students mobility has a negative impact on the free labour force movement. It includes the threat that bright students will be offered research or attractive working positions. Emphasizing a potential risk of brain drain, Crescenzi et al. (2016) made a research what can drive students to return back to their domestic countries. They focus on recent studies that stress the prevailing importance of economic factors but stressing that there is a recent shift towards the factors as quality of life, tolerance and local creativity, social networks, regional socio-environmental conditions as other important factors for urban European migration. (Crescenzi et al., 2016, p.604 - 606).

Goal and Methodology

Free movement of labour force must be perceived from economic, social, cultural and legal perspective. The objective of the scientific paper is to investigate the situation in Slovakia in the area of free Slovak labour mobility legislation within the EU and the employment of citizens from other EU member states or other foreigners in Slovakia. Moreover, this paper presents a) the analysis of migration development especially focusing on free movement and recent trend of migration in Slovakia and within the Visegrad Four countries compared to the data of OECD and the EU members. The EU member states are in charge of the employment policy that must respect the rights of the labour force regulated in primary and secondary EU legislation. In general, each citizen of the European Union has the right to work and live in other EU member state without being discriminated referring to his/her state nationality and for the work performed he/she must be rewarded in accordance with the EU norm and National legal regulations and directives. A type of mixed-methods approach (synthesis, deduction, analysis, comparison) called sequential explanatory design is used, in which firstly, theoretical thresholds are compiled and processed, then the research continues by collection and analysis of the quantitative and qualitative data, that allows better understanding and interpreting the data collected. Results are analysed and compared,

focusing on the characteristics of a Slovak position. Data were obtained from the OECD and ministries of Slovak Republic databases and Statistical authority of the Slovak Republic.

2. Legislation for Migrating Labour in the European Union and Slovakia

The European Union accepts numerous regulating measures not only to finance job creations, but also those which contribute more significantly to the protection of rights for migrating workers. The Treaty on the Functioning of the European Union (further abbreviated TFEU) states that all EU member states must consider their economic policies and support for unemployment as their common interest and coordinate them mutually. Individual matters are modified in the treaty (TFEU) in relation to the free movement of people and associated provisions on social security are modified particularly in following articles of the Official Journal of the EU – C83:

- Article 18 TFEU on non-discrimination.
- Articles 20 and 21 TFEU dealing with Union citizenship and free movement rights.
- Articles 45-48 TFEU on the free movement of workers and social security co-ordination.
- Articles 49-53 TFEU as they relate to the freedom of establishment of self-employed persons (OJ-C83, 2010).

2.1. Freedom of labour mobility for removing unemployment in the EU legislation

In March 2016, the European Commission proposed the revision of rules on workers' posting which comprises in granting equal rules on remuneration to posted workers as they are in effect for local labour, in general, not covering only the minimum wage issue. This must be applied for the period not exceeding 2 years. (EC, 2016). Wefers (2017b) states the labour market is experiencing a strong segmentation into normal and atypical - non-standard forms of work resulting in deepening the problematic phenomenon of increasing capital profits and reducing employees' salaries. She adds that political measures in Germany under the name „Hartz I-IV“^{viii} in the years 2002 till 2006 constitute one of the biggest social reforms. Because of these reforms, there has been a) an increase in the number of people threatened by poverty, b) pessimistic expectations of lower, future pensions and c) postponement of state benefits transfers to the future (Wefers, 2017a).

A primary EU legislation complemented by the secondary legal acts of an international significance and must be applied in EU member states and it is obligatory for employers to act socially responsibly in accordance with EU legislation. Institutions of the European Union assist to regulate movement of EU member-state workers within workers' free movement policy, so as Slovakia. Citizens of the EU member states must be employed or to have sufficient resources and health insurance so that they may establish residence in another member state of the European Union, no residence permit is required. If an uninterrupted residence lasts five years, EU national is granted the right of permanent residence. There are no border controls in the EU member states covered by the Schengen Agreement. A residence permit is required for the non - EU immigrants, immigration of country of residence are applied.

Table 1. Schengen Area and Migration Regime

MIGRATION REGIME IN SCHENGEN AREA	
within Schengen area RIGHT OF FREE MOVEMENT	Out of Schengen area RIGHT OF FREE ESTABLISHMENT

Source: own processing

As stipulated in the Treaty (TFEU) and reinforced by the case-law of the European Court of Justice, the freedom of establishment and the freedom to provide services guarantee mobility of businesses and professionals within the EU (Maciejewski, Pengelly, 2016).

2.2. Slovak Legislation and its Economic Instruments to Support Employment

In Slovakia adhering to the Act on employment services enables to provide financial support from public resources: a) for hiring disadvantaged applicants for employment (§50), allowances for commuters (§53), allowances for creating new

working positions (§53d), financial assistance to support employment sustainability in small and medium enterprises (§53e), and allowances to sustain a handicapped person employed (§56a). The Slovak government approves various economic measurements encouraging creation of new working positions to cease young people emigrating, but the reality proves them not to be sufficiently attractive and therefore efficient.

Slovak economic measurements to support:

- | | |
|---|---|
| <p>1. A creation of new working positions</p> | <p>Act No. 364/2014 Coll., on health care allowances amending and complementing the former Act No. 580/2004 Coll. and Act No.95/2002 Coll. on insurance</p> <p>Act No. 595/2003 Coll. on Income tax</p> |
|---|---|
2. An increase of net income for low income groups - introduction of a new tax-deductible item in the amount of €380 a month in order to compensate a low-income person (whose monthly income does not exceed €570) for a health care obligatory payment in Slovakia. In this way employees or sole-proprietors whose gross income is lower than €570 will have a higher net income. Effectiveness of this measure is to be proved in creation of favourable conditions to reinclude these people in the labour market and in 2014 it led to the support of 2800 citizens on a monthly basis (The office of Government of SR, 2015). A minimum wage has increased from €435, the last approved value to a new value of €480 to be applied since 2018.
3. A return of Slovak citizens - introduction of the economic measurement by the government of Slovak Republic in July 2015 (Ministry of Sport and Education of SR, 2015) which includes:
- i) €10,000 initial assistance given to the people, up to the age of 40, who graduated abroad (master and doctoral degree)
 - ii) one-time financial assistance, maximum amount of €500,00 is given to the people who are highly qualified professionals, working abroad more than 10 years at the managerial positions fulfilling certain terms.

In addition, the government took an initiative and supported formation of newly created working positions. Certain measures that were introduced are financed from the European Social Fund and co-financed from the state budget.

2.3. Employment of foreign workers in Slovakia

Equality of opportunities, equal pay conditions for men and women for equal work, a ban of,

discrimination (due to gender, marital and family status, race, skin colour, language, age, health state, religion, political or other belief, union activity, national or social origin, ethical or state nationality, property possessions etc.) from citizens' employment perspective in Slovakia is guaranteed by the Slovak Constitution and Labour Code and incorporated in particular acts and legal directives and it is directed by the principle of equal treatment (constituted in the Labour Code) in the area of social and health care, providing goods, services and education and for the area of labour-law relations.

Slovak legal system provides suitable conditions for employment of foreigners from the EU member states and from third-country nationals and their right of family integration is respected adhering to mentioned legislation and the Act No. 404/2011 Coll. on the residence and the Act No. 480/2002 Coll. on asylum politics. In Slovakia equal conditions are created for both domestic and foreign citizens to choose their employment. Slovak measures to simplify the hiring process of foreigners were possible owing to:

- Directive 2011/98/EU of the European Parliament and of the Council of 13 December 2011 on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State.
- Establishing a single application procedure for a single permit including permit to reside temporarily and work in the territory of a Member State and a single application procedure leading to the blue card EU issuance within a single legal act and introducing more effective application procedure also for third-country nationals.

These measures were introduced, after being incorporated into the Slovak Act on services for employment, in order to ease employment procedures of foreigners.

Note: The content of these laws is:

a) temporal reduction of unemployment benefits for people older than 52 years; younger people have to be mobile within their region and having received for one-year unemployment compensation have to accept even working places without social insurance and paid under the collective arrangement,

b) unemployment benefits and material need benefits were put together, material needs benefits can be received only by people able to work,

c) support of self-employed work by digressive contributions for a maximum of three years if the yearly income does not exceed 25.000 €,

d) establishment of one-person stock companies (Ich-AG), mini jobs – the employed persons does not have to pay any taxes, the employer pays contributions to social and health insurance and a 2 % rate of taxes from the remuneration, midi jobs – employees pay a graduated contribution to social insurance, jobs through Job Agencies, 1€ jobs – job opportunities that cover the costs for taxes and social insurance.

Findings and discussions

German, French and South Korean investors create the largest group of foreign investors in Slovakia, including the employees of these corporations. A new Jaguar investment is bringing another group of British investors and managers who will enlarge a foreign community in Slovakia.

Regular statistic surveys elaborated by the Statistic Authority of the Slovak Republic are evidence that other member state citizens work in Slovakia.

According to the Ministry of the social and family affairs in Slovak Republic there were 54,056 EU foreigners and 50395 third -country nationals working in our territory by the end 2017, which include 69645 permanent and 34570 temporary residence stays.

The table 2 presents the number of citizens registered as residents in Slovakia. Apart from the worker, his family members also have the right to reside in Slovakia and must be registered for being temporary or permanent residing in Slovakia. The number of the valid residences issued officially to the third –country nationals has been increasing (87% increase since June 30th, 2014 up to December 2017), the EU national workers within the same period grew up by 15.42%). The pace of the growth was almost six times faster in the number of valid residences permits approved for third-country nationals than the ones for EU-nationals. All in all, the total number of valid residence permits approved in Slovakia has increased by about 42% since 2014.

Table 2. Number of valid residence permits in Slovakia in the period of 2014-2017.

Nationality type	30.06. 2014	31.12. 2014	30.06. 2015	31.12. 2015	30.06. 2016	31.12. 2016	30.06. 2017	31.12. 2017
Third-country nationals	26950	29171	31043	35261	37217	41232	44747	50395
	100%	+8.24%	+15.19%	+30.84%	+38.10%	+53.00%	+66.04%	+87.00%
EU nationals	46833	47544	48379	49526	50749	52015	53187	54056
	100%	+1.52%	+3.30%	+5.75%	+8.36%	+11.06%	+13.57%	+15.42%
TOTAL	73783	76715	79422	84787	87966	93247	97934	104451
	100%	+3.97	+7.64%	+14.92	+19.22%	+26.38	+32.73%	+41.57%

Source: own elaboration using the data (Ministry of Interior Affairs of SR, 2014,2015,2016,2017).

The most abundant proportion of the Slovak labour market in 2016 was taken by citizens from the Czech Republic and Hungary, then third –country nationals who obtained the work permit, e.g. from Serbia, Monte-Negro, Ukraine, Macedonia, Albania etc. (OECD, 2016). In 2017 the most of foreign workers in Slovakia were Czechs, Hungarians, Romanians, Poles, German, Italians, Austrians, Englishmen and Bulgarians from the EU (representing top 10 permanent residence permits, it also included Ukraine which is third country nationals' group) and top 10 temporary residence permits were approved for citizens from the third country nationals' group - Ukraine, Serbia, Russia, Viet Nam, Iran, Korean Republic, China (PRC), Macedonia (FYROM), the

USA, Turkey (top 10) and other nationalities for both temporary and permanent valid residence permits.. (OECD, 2017).

Slovakia and its neighbouring countries have good relations, the largest group of deported workers are from Ukraine because of not respecting our law in the area of e.g. smuggling, human trafficking, illegal work etc., definitely caused by worsening living conditions due to the war conflict in Ukraine.

Citizens of member states or third-country nationals have not always respected Slovak law and commit crimes and therefore they are bound to be deported from Slovakia. The table 3 shows the number of people deported from Slovakia.

Table 3. Number of persons who received decisions to return to their country issued in 2014, 2015, 2016.

	2014	2015	2016	2017	
	Number of citizens				Ranking
Ukraine	501	770	1185	1770	1./1./1./1.
Syria	25	250	44	18	6./2./5./9.
Afganistan	75	129	14	6	2./3./13./21.
Kosovo	22	92	4	2	7./4./31./41.
Iraq	4	55	80	15	20./5./3./13.
Russia	29	36	32	31	5./6./6./5.
Serbia	34	31	107	239	3./7./2./2.
Pakistan	15	27	12	2	17./8./16./42.
Vietnam	31	15	57	140	4./12./4./3.
Moldova				32	-/-/-/4.
Romania				20	-/-/-/6.
Czech R.	12	8	3	12	
Poland	2	9	4	13	
Hungary	13	4	13	19	-/-/-/8.
Total number of people: ordered					
to leave the country in 2014, in 2015, in 2016, in 2017.					
received orders	1027	1720	1839	2531	
performed orders	725	1261	1462	1802	

Source: own elaboration using the data (Ministry of Interior Affairs of SR, 2014, 2015, 2016, 2017).

Illegal employment

Results of the control conducted by state administration authorities in 2015 revealed persons performing illegal work and deportations from Slovakia due to the crime, see table 3. The results of the control confirmed an existence of this undesirable phenomenon. Revised and updated legislation in Slovakia has dealt with illegal work and illegal employment. It has led to banning performing illegal work and illegal employment and to performing controls in accordance with its legal framework i.e. the Act No.82/2005. Coll. on illegal work and illegal employment. The illegal employment is defined as employment under such terms when an entrepreneur

(who is a natural or legal person) exploits a dependent work of a natural person and has not signed a working contract with him/her and there are not fulfilled terms for the employment of the third-country nationals. Dependent work is defined by the Labour Code No. 311/2001 Coll. as a working activity performed in relation to the employer's superiority and employee's being on the subordinate level, particularly work performed by the employee for the employer, following the employer's orders, on behalf of the employer, in the working time assigned by the employer, for the wage or reward. In other words, the employer deliberately breaks the law if he does not act in conformity with the legislation.

Table 4. Controls of Illegal Employment

in Slovakia:	Fines levied	Amount	Law broken
2014	934 employers	€2752400	illegal employment
2017	1226 employers	€5000000	illegal employment

Source: Adapted by author based on: (Ministry of Labour, Social Affairs and Family of the Slovak Republic (2015)

Controls by the empowered authorities are conducted regularly at the enterprises to reveal black labour employees, penalties to the employer may be in the interval <2,000€; 200,000€> for employing people illegally. The control of 18,411 various Slovak enterprises and 49,093 sole proprietors revealed 3,384 illegal employees in 2017, an yearly-increase by 15.7%, but went up by 58,3% compared to 2014 (2,138 employed illegally: 833 women and 1,305

men) including workers from the EU member states (Romania, Hungary) and recently from Serbia and Ukraine. In the case of law violation economic entities were penalized. The measure accepted in 2014 was amended, since that time an employer must report the announcement of new employees to the social security in 10 days, but definitely it must be done by the time of control being performed.

The most frequent violation revealed was due to not valid working contracts (signatures missing), workers not registered. We consider more frequent controls and penalties to be a very efficient instrument to fight against illegal work (Ministry of Labour, Social Affairs and Family of SR, 2015). Negative experiences occurred, people utilizing free movement within the EU break the law of the countries where they work, e.g. committing criminal acts as drug trafficking, documents counterfeiting, human trafficking etc. Totally 771 citizens of Slovakia are imprisoned abroad out of which 524 in Czech republic, 88 in Austria, 65 in Great Britain and 21 in Spain creating a negative image of Slovakia abroad and has an impact on the formation of a general public opinion in EU member states and the consequence of it is weakening or lost trust toward economic mobility from Slovakia (Public prosecutor's office of SR, 2015).

There was an increase in number of international students amounting to 3 million in 2013, choosing OECD as the country of choice for their scholarship, out of which 23% were Chinese enrolling to the

OECD universities, it declined by 7% in the following year, in spite it Chinese students are the largest group in the OECD universities. On average 13% study at master level and 22% at doctoral level, 55% of international doctoral graduates earned a degree in engineering or science. In 2014 from 11000 students enrolled for studying in Slovak universities, 81% were students from OECD countries, 75% from EU28 and 58% were women. Table 5 shows the number of foreign students entering Slovakia, Czech Republic, Hungary and Poland, also historically tied countries to V4Group countries: Austria and Germany, the trend of students coming is increasing, a surprising fact a decline in Hungary compared to 2008, but the trend shows a steady growth since 2011, which may be considered the first year of financial crisis recovery. The share of international students coming from Central Europe and certain Asian countries is relatively low, the possible reason is not sufficient income for the families to afford to send children to study abroad. (lowest GDP in V4Group countries and certain Asian countries are developing countries also with very low GDP)

Table 5. Foreign students entering V4Group countries and Austria and Germany in 2008-2015.

	2008	2009	2010	2011 Year of decline	2012	2013	2014	2015	Change in % 2014-2015* 2008-2015**
SR	300	300	300	300	500	700	900	1300	+37, +385
CR	1000	1200	1400	1000	1900	2300	2500	5500	+118, +285
HU	7800	9200	4000	3700	3900	5400	5100	5800	+13, -25
PL	4500	5300	7300	3900	6000	16900	22900	29800	+30, +567
AU	3000	3100	3500	4000	4700	4600	5400	5900	+10, +98
GE	22200	24200	23500	21200	32300	36900	40400	44100	+9, +99

Legend: Slovakia (SR), Czech Republic(CR), Hungary (HU), Poland (PL), Austria (AU), Germany (GE).

**First number in the last column means the change in percentage from 2014 to 2015, **the second number of the last column means the overall change in percentage comparing 2015 to the base year 2008.*

Source: processed by the author based on (OECD, 2017),

Conclusion

National legal systems in the area of Labour law are harmonized as a consequence of the EU legislation. The agency EURES assists with the employment policy to a large extent. Freedom of the mobility has a positive impact on individual economics of the EU member states.

Relatively high number of Slovak citizens work abroad, many times they are very qualified and Slovakia may lose these people not being able to offer

them attractive living condition at home. We recommend the following measures to be implemented to protect people before leaving the country, thus to:

- carry on adapting the process of secondary technical schools and universities to the requirements of economic practice in order that graduates may enter the labour market better prepared and capable of adjusting to the employers' requirements. Educated labour force increases the work productivity and is more

flexible to growing working requirements and changes in demanded skills and by that it contributes to the higher quality of life.

- b) intensify support of small and medium enterprises and support of young people employment within operational programs to protect before leaving the country.,
- c) provide financial resources from the structural funds into the regions where GDP is reaching below 75% of the EU average and for creating new working positions for handicapped labour force.
- d) utilize the scheme of assistance *de minimis* (to support social inclusion, employment and education of the employees)
- e) provide irrevocable financial loans to young workers in the area of agricultural production, where requirements for the education are less strict and therefore accessible also for workers from marginalized social groups.

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Finally, presented data demonstrated that Slovak citizens make use of freedom of labour force movement. Third-country nationals also participate in the Slovak labour market. Our labour market is not freed of undesirable phenomena e.g. illegal work which deforms legal labour market. We conclude unambiguously that there aren't any legal or economic obstacles of implementing free movement of labour in Slovakia, which is in compliance with measures of the EU and the International Labour organization. The measurements of the Slovak government should be aimed at supporting employment growth because since 2007 the number of the jobs in the manufacturing production have decreased remarkably by 64,000 working positions.

To enable labour mobility under such conditions requires increased financial resources and the legislation, thoroughly prepared and put in effect, in order that labour mobility may be implemented and coordinated well by all EU member states.

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THE IMPACT OF BUSINESS EDUCATION ON THE STRENGTH OF MIGRATION FLOWS

Jarmila VIDOVÁ, Peter SIKÁ

Abstract

An important source of economic growth is undoubtedly human capital that represents knowledge and experience. Its forming is impacted by family environment, especially during the education process is. Education is a process that cannot be underestimated. It needs to be constantly improved, as we still face many challenges in Europe, such as unemployment and transforming the world of work. Risk in the labor market are those who have the problem of finding an appropriate job at their place of residence and have to move to work. The paper focuses on the need for entrepreneurship to be included in the education process, which is a possible solution to the above-mentioned problems. In the European Reference Framework, entrepreneurship is considered to be one of the eight key competences for lifelong learning. The Global Entrepreneurship Monitor surveys show that a higher level of entrepreneurial competence education brings a higher level of perceived opportunities, entrepreneurial intentions, and start-up activities.

Key words

Enterprise, housing, human capital, migration, regional labor markets, regional population.

JEL Classification: A21, J20, J21

Introduction

Social development at all times is characterized by certain problems requiring new solutions. The nature of migration processes has different causes: political, social, economic, ethnic as well as religious. Migration is a natural phenomenon accompanying human society since its inception. Migration as a part of the development of human civilizations has intensified in latter-day history in the 17th century and has been related to the technological advances and maritime discoveries. The migration's basic and main objective, conditioned by rational thinking, is to improve the current situation. (Baková, 2015, p. 48). The migration can be understood as a movement of the population, the process of moving people beyond their permanent residence from one municipality, city, region, continent to another. (Rolný, Lacina, 2001, p. 231). Migration is perceived by the experts as a natural phenomenon with its positives as well as negatives (Bargerova, 2016, p. 87, Divinský, 2009, p. 45). European countries have gained new colonies and supported their inhabitants on purpose to settle down on new territories. Based on the estimates, in the period lasting from the 17th century up to 1944, around 70 million people moved from Europe to America and around 17 million in the African States and Australia within the international migration process. Europe was a continent where migrants were coming from all over the world as well as the territory from where they left, which significantly influenced its present character (Schroth, 2003, p. 56). One

should be aware that uncontrolled migratory movements and large migratory flows can cause serious problems of social and economic nature, and not only in certain regions but also on a global scale. They can lead to endangering the safety of people's lives, the overall stability and harmonious development of states, as well as relations between nations and cultures (Csámpai, Haládik, 2002, p. 9). The cause for mass resettlement can be found in a society that has lost its stability, does not guarantee security for citizens, endangers the inherited status, and is not capable of being on the economic, social and legal upswing.

Slovakia is not one of the traditional migrant destination countries. It is a culturally homogenous country that has not been affected by a dramatic increase in migration during the 20th century. Until recently, the Slovak Republic was almost exclusively a country of origin of migrants, thus a country from which citizens have migrated to foreign countries for various reasons. Only Slovakia's accession to the European Union and the Schengen area brought more significant changes. The Schengen Agreement, ratified in 1985 by France, the Federal Republic of Germany and the Benelux countries, later also by other European Union states, allows the free movement of persons in the territory of the Contracting States and makes controls at the external borders more strict. In the period since 2004, illegal and asylum migration decreased and legal migration has increased four-fold in the Slovak Republic (SR). Despite the fact that the growth of the population of foreigners in Slovakia was the second highest among

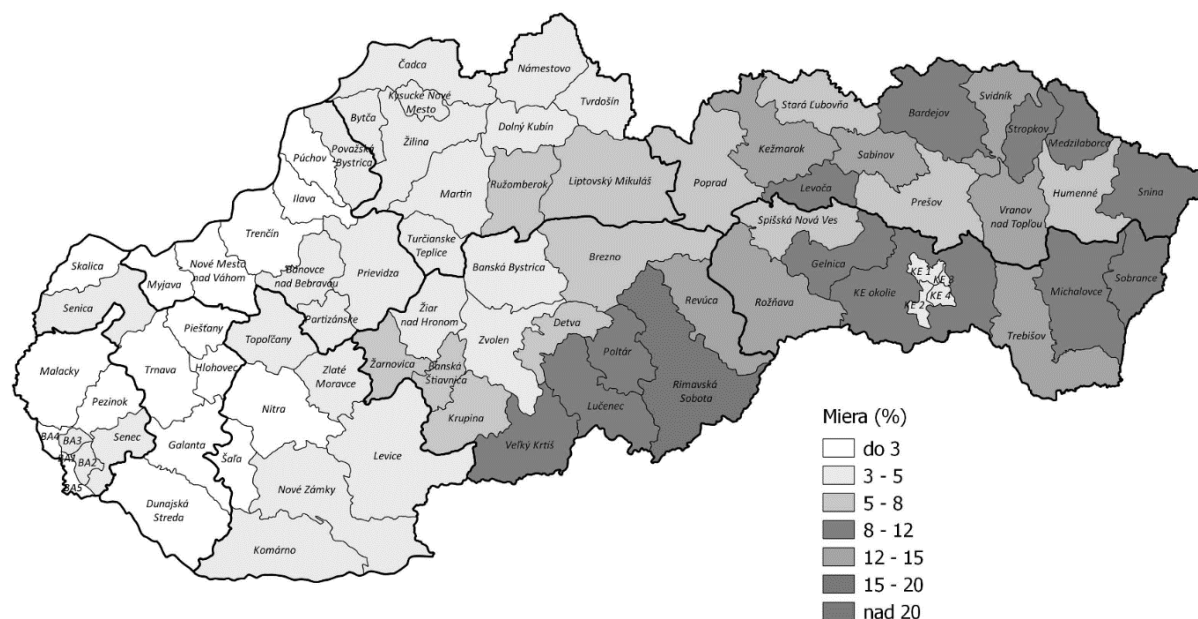
all EU Member States between 2004 and 2008, the representation of foreigners in the population remains low in comparison with other EU countries. Foreigners today form 1.9% of the population in the SR and their number is slowly, but continuously, increasing. In 2017, they lived by 11,204 more than a year earlier, which represents an increase of 12%. As regards the relocation of the Slovak population, this has been significant since 2004. The reason is migration for work, business and study. As regards the internal migration of the population of the SR, people from regions with low job vacancies, below the age of 40, are moving away. The problem is also the fact that the migration of university graduates, especially in the Bratislava region, is increasing, thus the districts of Banská Bystrica or Prešov region are depopulated. This may mean an increase in the number of poor people in the future due to an inappropriate learning process, slowly responding to current labour market needs. The contribution focuses on entrepreneurial education as a basis for human resource development as a starting point for reducing unemployment and migration.

1 Unemployment as a prerequisite for increasing the intensity of migration flows

Reducing the unemployment rate is a problem that has been addressed in Slovakia since 1990. This was happening mainly due to restructuring processes, when many enterprises were privatized, subsequently abolished and the number of unemployed has risen. The total number of registered job seekers in the SR was 187,759 at the end of March 2018. On a month-on-month basis, the decrease of 5,562 occurred, which compared to March 2017, is less by 69,799 people.

In relation to European countries, dealing with unemployment is an everyday problem, especially when we look at structural unemployment. Structural

unemployment is a discrepancy between demand for work and job offers. This discrepancy may arise when the demand for a certain type of work increases and the demand for another type of work decreases, which means that job offers do not need to adapt quickly to these changes. The reason for structural unemployment is also the insufficiency of a professional structure (when a certain group of people cannot find a job because they do not have knowledge necessary for current job vacancies at the same time, professionally trained for another profession) and the regional structure (there may be job vacancies that would satisfy the unemployed, but are located in another area). Almost a quarter of registered unemployed people in Slovakia are young people under 29 years of age, representing 46,900 people. Up to the age of 20, there were 6,300 people without work, between the ages of 20 and 24, 18,300 unemployed and over 22,000 job seekers aged 24 to 29. Another 23,300 unemployed were aged 30-34. In the range from 35 to 39 years of age, the labour offices posted 24,200 job seekers, with 24,300 unemployed aged between 40 and 44, and 21,300 job seekers between the ages of 45 and 49. From the age of 50 to 54, there were 23,300 unemployed, in the 55 to 59 age group there were 25,900 unemployed. Almost 8,000 people without work were over 60. Most job seekers under the age of 29 were from the Prešov and Košice Regions. In the Prešov Region there were 12,700 people and the Košice Region recorded 10,500 unemployed in this age category. The third worst in this indicator is the Banská Bystrica, where 7,300 unemployed to the age of 29 years were registered. Conversely, the Trnava and Bratislava Regions have the smallest problems with the employment of young people. In the Trnava Region, more than 2,200 people under 29 years of age were unemployed and the Bratislava Region recorded 2,400 unemployed young people under 29 years of age. (Figure 1)

Figure 1. The registered unemployment rate in the SR as of 31.3.2018 (districts)

Source: Central Officer of Labour, Social Affairs and Family

Technological progress, changes in the world market, foreign investment flows and environmental problems contribute to the emergence of structural unemployment. The growth in unemployment rates is a limiting factor in the growth of available pensions and the assumption of growth in the share of social incomes in relation to unemployment and the overall inadequacy of pensions. This is significantly noticeable in the regions where people have to move to work, since their income is not enough to cover the cost of living. In order to address structural unemployment, economic policy can use either a protectionist policy to provide benefits and contributions to job seekers, like companies as well, in order to obtain financial incentives for employment. We also include education and re-qualifications.

The second is a market-oriented policy focused on reducing benefits for job seekers or the deregulation of rules concerning employment or hiring. Allowances for job seekers include: an allowance for self-employment intended to help partially reimburse expenses associated with operating self-employment; an allowance for the performance of graduate internship if the applicant fails to find his/her first job whereas he/she has the opportunity to perform this practice and where he/she will gain and develop their skills and practical experience; work attendance allowance – monthly allowance for a job seeker who has found a job and has right for partial reimbursement of travel expenses due to commuting to a place of work that is other than his/her place of residence; an allowance for supporting mobility to work (support in a form of partial reimbursement of

costs for living associated with changing the place of residence when obtaining employment).

Allowances to support employers includes: an allowance for employing a disadvantaged job-seeker (e.g. a citizen under 26 years, a citizen older than 50 years, severely disabled people, long-term unemployed persons); an allowance to support retaining the jobs (when retaining jobs even when there are serious operational reasons); an allowance to support the creation of job position in the first regularly paid job (employing young people under 25 or 29 years); an allowance for activation activity in the form of smaller general services for the municipality or in the form of smaller services for the self-governing region (to support the retention of work habits in case of long-term unemployed person); an allowance for transport to employment (in providing day-to-day employee transport to work and back home); an allowance to creating a new job (investment aid for creating a new job). These contributions, which are provided to citizens and employers, increase the costs of the state. For the year 2016, the expenditure of the Slovak Republic on active labour market measures amounted to €171.6 million. Assistance to small and medium-sized enterprises was granted in 2016 in the form of state aid from the ESF and from the State Budget of the Slovak Republic in the amount of €100.51 million representing 92.33% of the total provided state aid.

Thus an active labour market policy aims to help people not become unemployed and prevent the long-term permanence of this state. The extent to which the country enters processes in the labour market, what support they provide or what job demands they

require is the internal matter of each state. The basic services of this policy include the provision of suitable employment, professional counselling services and support for the creation of job vacancies, and especially education and training for the labour market. The state education policy has the role of preparing students for the labour market. If the set up fails and schools do not produce graduates whose profiles are in accordance with the requirements of employers, they cannot apply to the labour market and remain unemployed.

The Slovak Republic is undergoing a period where it is beginning to struggle with an insufficient number of skilled workforce in certain regions. Mainly foreigners come to the regions with a shortage of labour and thus point to the insufficient mobility of the domestic workforce. The role of the Europeans is growing beyond the borders of the European Union. For example, the annual number of Ukrainian immigrants has increased more than double since the end of 2013. A substantial number of the arrivals also consist of Serbian citizens, attracted to work in industry. From non-European countries, mainly the people of Vietnam, China and Korea come to Slovakia. Foreign immigrants are attracted to regions with a large number of job vacancies. More than 75% of those who worked upon arrival in 2016 were employed in districts that account for only one-sixth of the unemployed in the SR. Up to four out of ten foreigners applied in Bratislava or its surroundings. Overall, the western part of the country is more attractive than the rest of the territory for migrant workers. Two-thirds of citizens from other countries found work in 2016 in the Bratislava, Trnava and Nitra Regions. The least amount of foreigners worked in the Banská Bystrica Region. Within the amendment to the Act on Employment Services, coming into effect since May 2018, it simplified employment conditions of third-country nationals in selected professions where the lack of qualified labour force and districts with an average registered unemployment rate of less than 5% has been proven. The sufficient mobility of workers on the labour market helps workers to better select their work and more efficiently allocate the workforce between firms.

2 Education as a factor in (not) minimizing migratory flows

The current challenge today is the migration flows caused by economic, social, population, cultural, political, security and environmental impacts. A key topic at this year's World Economic Forum meeting has become climate change, gender inequality and education. Education as a key issue is also a key issue for the United Nations to meet

Sustainable Development Goal No. 4 Agenda 2030 - Ensuring Inclusive, Equitable and Quality Education and Promote Lifelong Learning Opportunities for All.

Supporting education, whether in moral, financial or material terms, should reflect the importance of this process for all society. (Orbánová - Velichová, 2016; Veselková, 2016). Education helps to develop personality and the development of society as a whole, and it helps the development of humanity, the development of civilization and the transfer of cultural values, too. Knowledge has a fundamentally revolutionary character already according to Toffler (1970).

Education is one of the best and most effective factors for achieving sustainable development. The rate of early school leaving (% of the population aged 18-24), the tertiary education rate (% of the population aged 30-34) and the rate of participation in lifelong learning (% of the population aged 30-34) have been used as indicators that can best describe their level of the population aged 25-64). Slovakia is included among countries with a lower rate of early retirement than the EU average. However, there is the warning of a recent growing trend of this indicator. Despite the tertiary education rate in Slovakia having been on the rise for a long time, the share of the university-educated population is low compared to most EU member states. A low percentage of the population is involved in lifelong learning, with the participation rate constantly decreasing in recent years. The rate of early school leaving in the 18-24 age group was 10.1% in the EU in 2016, and 6.9% in the Slovak Republic, placing Slovakia among countries like Ireland, Luxembourg, Greece and the Czech Republic, where the rate of early school leaving is lower. Despite this, an increase in the number of young people who have dropped out of school early has been recorded in recent years in the Slovak Republic. This is mainly true for young non-employed people, where the rate of early school leaving in 2016 compared to 2010 is 1.8 pp for men and 1.4 pp for women. The total rate of early school leaving has increased by 2.2 pp in the Slovak Republic in 2016 compared to 2010. There is a downward trend in most EU countries.

Education is primarily a means to secure income, but currently there are more than 2,200 graduates in Slovakia without work. According to the Eurostat database for 2017, 50% of young people in the European Union are unemployed, half of whom are aged 20 to 34 years old not willing to move to work. Within their country, 21% of young Europeans are willing to move to work, 12% would move to another EU country and 17% are willing to leave the EU for work. This is most noticeable in Bulgaria, where 12% are willing to move within the country and 23% to

another EU Member State. Similarly in Slovakia, 14% of young unemployed people are willing to move to work within their own country, but 23% would prefer to move to another EU country. Young people in Romania and Germany (identically 37%) and Czech Republic and Ireland (identically 35%) are most willing to move for work within their country. Young unemployed people in Estonia and Croatia (26%) and Slovenia (25%) are most willing to leave for work to another EU country. In terms of leaving the EU due to employment, young people in Sweden (34%), Spain and Finland (28%) and France (27%) are particularly willing.

2.1 Entrepreneurship education and its support in the European Union

Education policy and its direction are within the competence of the Member States and the European Union does not interfere with their educational competencies. However, in relation to the long-term problem of youth unemployment in European Union countries, they are calling on states to provide young people with practical entrepreneurial skills before completing their compulsory education, in order to encourage business start-ups as a means of reducing unemployment.² Several systems to support business development specifically focus on unemployed young people.³

In 2012, the report of the European Commission confirmed that those who have undergone entrepreneurship programs and activities demonstrate more entrepreneurial attitudes and intentions, obtaining work before employees are able to make more significant innovations and, last but not least, create more new companies. The need for obtaining entrepreneurial education in all education sectors is emphasized by the European Commission and the adoption of several documents focusing on entrepreneurship education.

Milestones of entrepreneurship education in the European Union

- 2003 – Green Paper on Entrepreneurship in Europe – the first entrepreneurship action plan for Europe, where education is considered to be a key factor of progress.
- 2006 – Oslo Agenda for Entrepreneurship Education in Europe – a detailed set of measures that could be taken by different interested parties.

- 2006 – European Reference Framework – Key competences for lifelong learning – a sense of initiative and entrepreneurship is among the eight main competencies.
- 2012 – The Entrepreneurship 2020 Action Plan – entrepreneurship education is identified as one of the three pillars to boost entrepreneurship growth in Europe.
- 2014 – Rethinking Education: Investing in Skills for Better Socio-economic Outcomes – Communication from the European Commission.
- 2014 – Conclusions of the European Council on entrepreneurship in education and education – calling on the European Commission and Member States to promote and integrate entrepreneurship education in education and professional preparation.

The Decisions of the European Parliament was debated at the plenary session of the European Parliament in Strasbourg in 2015, on promoting entrepreneurship for young people through education and professional preparation, which speaks about promoting the entrepreneurship of young people through education and professional preparation. The objective was to focus on support for the introduction of young people to the entrepreneurship education of young people, as we have mentioned, but even with the education obtained, it is not always possible to find work in each region. So sometimes the prerequisite of not remaining unemployed is to start their own business. It is education during studies i.e. even before the young person graduates. This is also related to dual education, for example, when an enterprise that produces a highly specialized product needs to employ a person who has some work experience. But a young person who has gone to school for 5 years has no work experience. This education should close this gap between market demand and the school system to the extent that a person will already have the work experience that will give him/her better prospects to work in a certain sector.

3 Discussion

For the purposes of the scientific status, we conducted a questionnaire targeted at identifying the attitudes of young people toward entrepreneurial education in the Slovak Republic. The survey consisted of 6 questions. The research sample was comprised of young people aged 15-25, divided into 3 age groups. 309 respondents participated in the survey. Of this, 64% were men and 36% were women. The respondents were divided into three age ranges. In the age range of 15-18 years, 45% of the

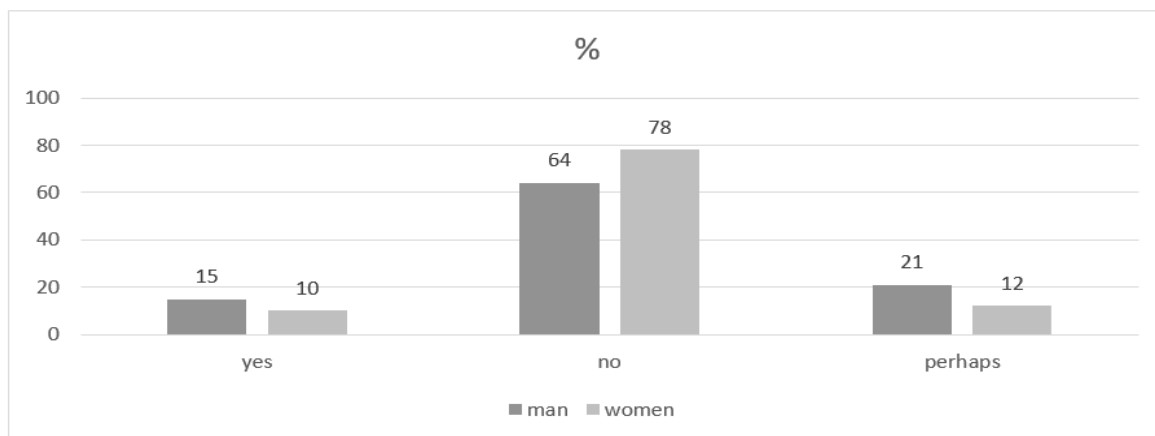
²“Moving Youth into Employment”, COM (2012) 727.

³The European Commission and the OECD on Youth Entrepreneurship in Europe, available at: http://ec.europa.eu/youth/news/20120504-youth-entrepreneurship-employment_en.htm.

respondents participated in the survey, 31% of respondents were aged 19-21 years old, and 24% of respondents surveyed were in the age range of 22-25 years old. In the survey we investigated whether the respondents had knowledge of entrepreneurial

education. A larger percentage of women at 78%, do not know the entrepreneurial business, only 10% aware of this concept. For the men, only 15% know this term, 64% not having information about entrepreneurial education.

Figure 2 Do you know the term “entrepreneurship education”?

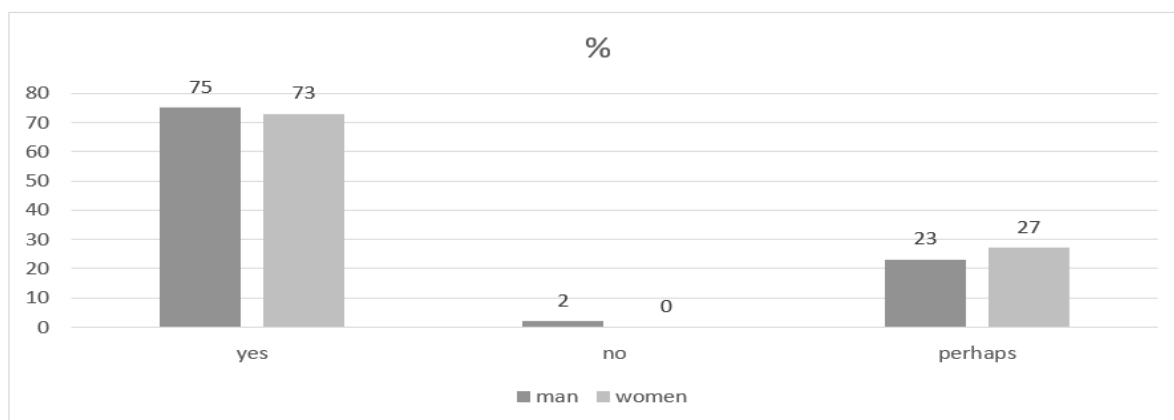


Source: own processing

When asked whether respondents would welcome the subject of entrepreneurial education in the schooling process, 73% of women are inclined to introduce such a subject into the schooling process,

27% would consider its introduction. Of the total number of men, only 2% would not do so, and up to 75% would welcome this subject.

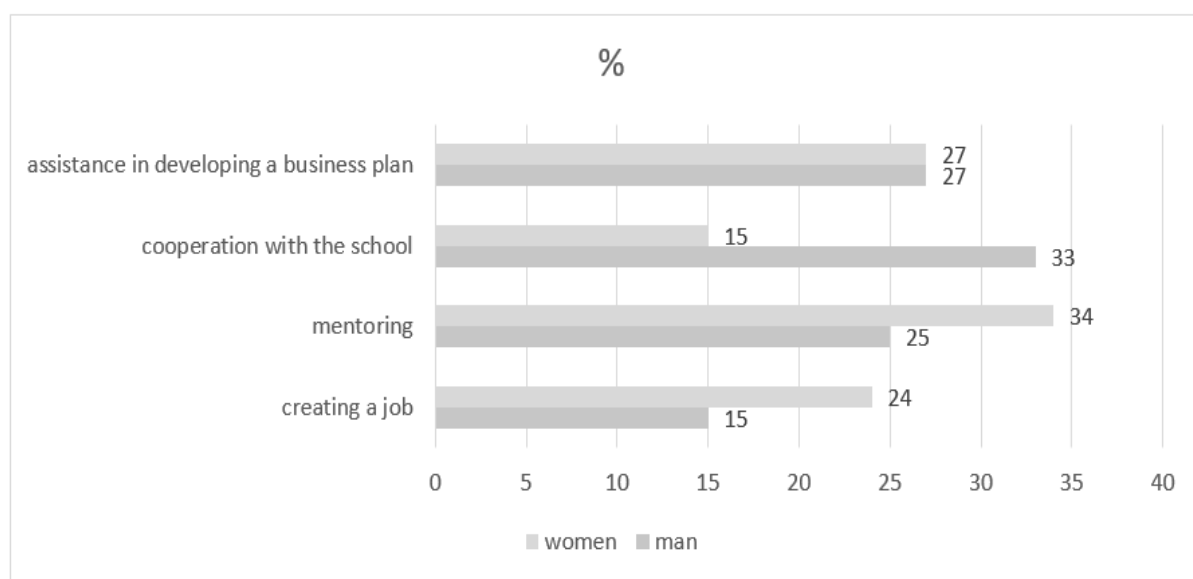
Figure 3. Would you welcome entrepreneurship education in the schooling process?



Source: own processing

The prerequisite for the success of entrepreneurship education is cooperation with entrepreneurial entities. Respondents perceive the contribution of companies in the creation of job vacancies, from this men at 15% and women at 24%. Most respondents expect cooperation with schools,

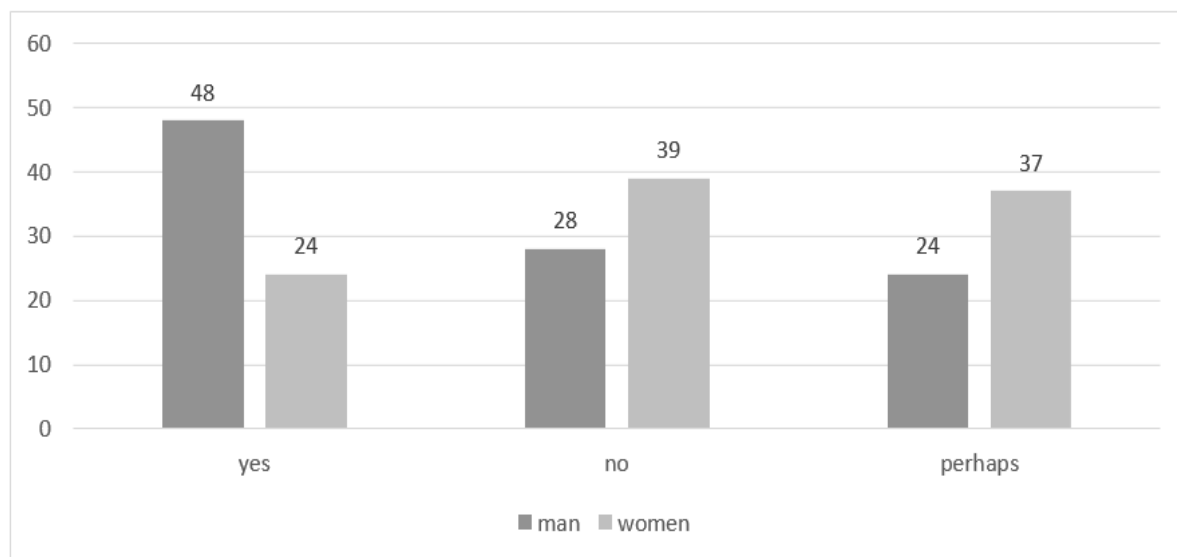
men at 33% and women at 15%. 34% of the women and 25% of the men were inclined toward mentoring, and the same percentage of 27% of men and 27% of women would welcome assistance in developing an entrepreneurial plan.

Figure 4. How do you conceive a company's contribution toward i.e. entrepreneurship education?

Source: own processing

We surveyed whether the respondents planned to do business after completing their education process. A larger percentage of men answered the question positively, 28% did not plan to do business and 24%

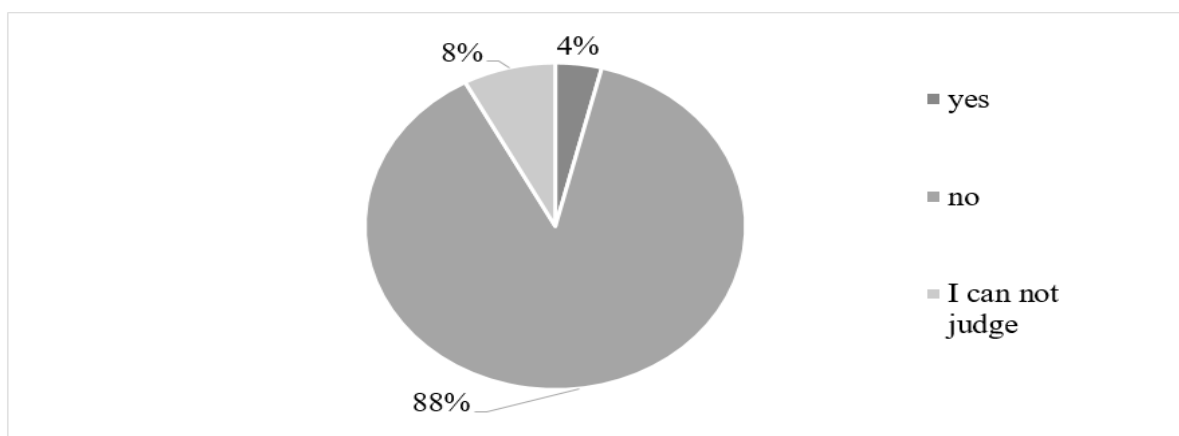
were undecided. Of the total, only 24% of women plan to do business, 39% do not plan to do business, and 37% are considering the possibility of doing business in the future.

Figure 5. Are you planning to do business after school?

Source: own processing

From the answers to the question on whether the respondents think that conditions are suitable for business in Slovakia, we wanted to discover what respondents think about the suitability of the conditions for doing business in the Slovak Republic.

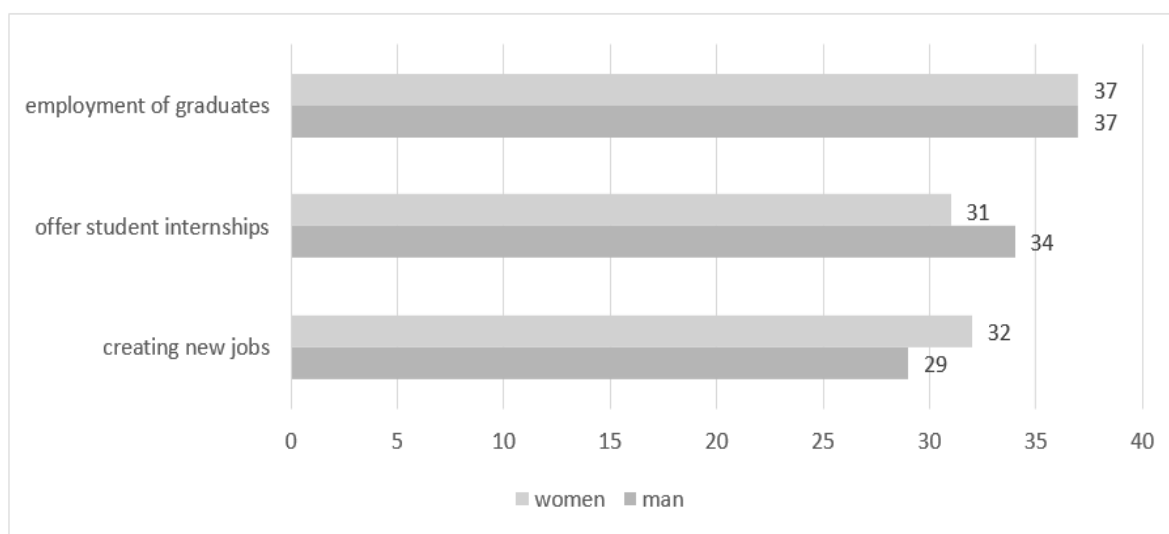
The responses demonstrated that 4% of respondents believe that conditions are suitable, 8% believe that there are no suitable business conditions and 88% cannot judge.

Figure 6. Do you think that doing business in Slovakia has suitable conditions?

Source: own processing

The survey also examined whether the willing respondents would contribute to reducing unemployment if they started their business. The responses showed that 37% of men and 37% of

women would employ graduates, 34% of men and 31% of women would offer an internship, and finally 32% of women and 29% of men would create new job vacancies.

Figure 7. How would your company contribute to reducing unemployment?

Source: own processing

3.1 Research conclusions and recommendations

Based on the survey and the evaluation of answers to individual questions, we can state that respondents aged 15 to 25 are interested in entrepreneurial education and would welcome it as a subject taught in schools. This is also due to the fact that respondents are thinking of starting a business

after graduating from their educational activities. It is a challenge for responsible institutions to address this issue more seriously. On the basis of the discovered facts, it is necessary to provide more information to students about doing business, the obstacles encountered by entrepreneurs, teach students to cooperate, learn how to develop a business plan, and get information on the possibilities of obtaining financial resources for starting a business.

Conclusion

The world around us is changing at an ever-increasing rate, resulting from changes in the technological, economic, social and environmental spheres. The discrepancy between the labour market and school graduates is not just a short-term discrepancy between the requirements of work experience and the offer, but also the inability to predict future labour market needs. Education is undoubtedly a process that has a significant impact on the development of an economy. This is mainly reflected through greater productivity, in the growth of tax revenues. Investment in education may be considered the most valuable investment for the competitiveness and future of individuals as well as the cohesion of society. In relation to employee training, according to Vodák and Kucharčíková (2011) it benefits both the enterprise and the employee himself/herself. It enables him/her to develop work skills, improves his/her qualification, level of education, acquire new skills and increases the expectation of higher job evaluation. The enterprise thus contributes to improving working relationships. Education must be systemically implemented as stated by Czikk and Čepelová (2006) and today, when there is the problem of youth unemployment, in order to introduce entrepreneurial education in schools, which

they would apply after graduation and avoid moving for work outside their region. Entrepreneurship education prepares people in order to become responsible and enterprising individuals. It helps people develop the skills, knowledge and attitudes necessary for meeting the objectives people have set for themselves. Entrepreneurship education requires more intensive cooperation and cohesiveness and a higher level of education providers in terms of adequate skills, knowledge and tools with which to support synergies between interested parties in the entrepreneurial system as well as inter-sectoral relationships and impacts.

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ENCOURAGING TO READ: A PROPOSAL TO IMPROVE READING COMPREHENSION AND LITERARY COMPETENCE IN UNIVERSITY STUDENTS

Miquel A. OLTRA-ALBIACH, Rosa PARDO COY

Abstract

The objective of this communication is to present an activity related to reading at university, in order to promote reading in students through various readings and the recommendation of them to colleagues. Several problems of our students (who have received literary training in their compulsory and post-compulsory studies and are, in theory, quite competent) appeared at the time of facing the reading of texts, both literary and academic. On the other hand, the activity provides us with a great deal of information about the expectations, the difficulties, the devices, the themes and the reading strategies used in everyday life and in the university studies. In conclusion, we highlight the positive reception of the proposal by students and the possibilities of completion in all university degrees. It is, in short, an academic practice that affects the integral formation of the individuals and the idea of lifelong learning, and that reaffirms us in the previous idea of the need to continue in some way to encourage reading and literary training in university students.

Key words

Literary education; reading comprehension; reading groups; Higher education; educational proposals

JEL Classification: M53, Z13, I25

Introduction

The importance of reading in all educational levels and stages of life is a reality that almost no one questions, although we find differences in interpretation in terms of reading figures, on the causes and on the solutions to the low rates of the reading activity that are detected in our environment. In the case of university students, we often find an insufficient degree of readership and literary competence, associated with a lack of motivation for reading. To be able to face these deficiencies in relation to reading, we propose an academic practice related to:

- a) The integral formation of the individual
- b) Learning throughout life
- c) The need to continue in some way promoting the reading and literary training of university students
- d) Motivation
- e) The development of diverse competences related in each case to the degree itself (general competences, specific or typical of the subject to which the activity is linked to).

As the activity was developed, this included spontaneously, from the selection of the reading texts, the future profession of the students as a backbone: therefore, it was considered the possibility of extrapolating the activity to students of any university

degree, from a selection of titles related to each university degree, which is motivating for participants.

1. Reading and literary competence in university students

Josep Ballester (2007) quotes Bierwisch in the definition of literary competence as a specific human capacity that enables both the production of poetic structures and the understanding of their effects. It is not an innate capacity, but it is conditioned by sociolinguistic, historical, aesthetic and other factors; also, Ballester remembers Fish's idea according to which the literary competence is the result of the internalization of the literary discourse and its characteristics, assimilated by our experience as readers. From these approaches, the literary competence would be necessary for the personal development, regardless of the age and the profession of the individual. Ballester also considers that literary education, covering both formal education and leisure activities, includes ethical, aesthetical, cultural and linguistic dimensions.

In the current curricula, it is supposed that the students arrive at the University with a certain level of literary competence and reader habit, acquired during their compulsory Secondary Education; In many cases this supposition does not correspond at all with the reality, as many studies in Spanish and Slovak

university students show: these lacks would affect both academic and daily life and, of course, also the literary text (González Moreyra, 1998; Echevarría Martínez y Gastón Barrenetxea, 2002; Arrieta de Meza & Meza Cepeda, 2005; Delgadová & Oltra-Allbiach, 2016; Oltra, Delgadová & Pardo, 2017).

Thus, among the main conclusions of some of these studies the following elements were highlighted: the importance of initial literacy to prevent all types of problems at higher level (Svrchová, 2011), the need for a greater number of activities related to the language in our university students for the development of skills related to the reading comprehension and appropriate to the level of demand of the higher studies; the reiteration of the idea that the problem is not only for languages teachers, but also for the teaching staff as a whole; that the literacy-related difficulties found in the PISA tests continue persisting in higher education, and that this is the acquisition of crucial skills in today's information society, in which citizenship is required skills that can only be obtained when you have a higher level reading aptitude; therefore, higher education institutions should integrate the various text processing skills and the various strategies of literary and non-literary reading, as well as the linguistic disciplines in their programs in order to build the proficient reading skills in their students.

2. Reading activities at the University. Possibilities and limitations

In most universities there are activities related to reading and writing, which students can access in their free time. Authors such as Martos (2007), Ballester (2007) or Lluch (2013), among others, emphasize the value of this type of initiatives in the construction of the reading and literary competence of students, which should not be limited to the years of compulsory school, but cover the whole life of the individual and affect the academic results of university students, that is to say, this competence clearly improves their skills related to language and specifically to the written language.

It is a reality, as showed in the preceding paragraph, that a large number of university students presents serious problems in the competences related to the language, both oral and written: among others, we emphasize the difficulty to select and to prioritize the relevant information and the purpose of the author, besides the lack of reading habit in general. It is a problem detected a decade ago by a number of authors (Echevarría Martínez & Gastón Barrenetxea, 2002) and that should be taken into account when designing

any action that intends to influence the reading and literary competence of students.

There are a lot of initiatives carried out by the universities that try to go into detail about the skills related to the writing of the students: literary competitions, lectures, courses, commemorations, workshops, bookcrossing,... that in many cases are effective, but at other times do not reach the whole of the university students since they draw the attention especially of those more qualified or more sensitive to reading and Literature. Therefore, we propose to go to the classrooms to get a response from as many participants as possible.

3. Planning and development of the proposal

In the proposal that was carried out in the degree in Early Childhood Education, we started from the idea that we would treat the reading club from the university students' perspective (therefore, adults) and their own tastes and reading preferences. The only condition at the time of choosing the readings was that there was a thematic axis linked to the teaching, in the school or in the figure of the teachers in general. Another possibility would have been to provide a list of works grouped thematically so that each student chooses the one most adapted to their tastes; however, we believe that an activity of this type and with these recipients should be based on the greatest possible freedom when choosing a reading. The phases of the activity were the following:

1. Choice of reading by each student.
2. Work presentation and reading of a fragment to the classmates. A total of 15 minutes per session.
3. Session (outside the academic hours) from one of the readings which will have been chosen by the students among those that have been presented throughout the course.
4. Creation of a *wiki* with reading reviews and images, grouped according to different criteria (subjects, authors' nationality, public to which they are directed...) to create a collaborative work that can be used by the successive courses. This *wiki* will grow up and can be a reference to start the activity also by future groups of other university careers, on where to find the copies, comments from readers, etc.

Among the different advantages of this kind of actions, we find the information that the students provide us when selecting readings and, above all, explaining the reasons for the choice and the arguments for and against the chosen reading. As for the proposed plays, it is interesting to value the

motivations and the vision that students have of their own degree from the reading they have searched from their own preferences, in addition to enhancing the humanistic aspect and the habits of reading, the discussion and the use of the oral language in public that must be present in any university graduate.

4. Students' opinion and new proposals

At the end of the course participants were provided with an eight items survey on the activity and its development, which in general obtained very positive responses. The survey helped us to detect the importance that students give to literary competence in the University and also to learn more about the difficulties they find when dealing with the written text (not only literary).

It is interesting also the fact that the activity helps us to know better what the students' expectations with respect to the profession for which they are prepared, how they conceive it and what is the professional profile they aspire to reproduce, all from the selection of plays that they will read and share throughout the activity.

As we explained above, the possibility of exporting this activity to other degrees became evident from the first sessions; this reading activity could be carried out outside the school hours, transversally among other subjects or linked to a specific subject of the curricula (always maintaining its voluntary character). In the following table we offer some possibilities of incorporation to various university degrees of the University of Valencia, transported through specific subjects and influencing the competences of the subject that can be worked through this proposal of reading promotion.

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We do not want to put aside at any time the limitation of the proposal, which in this case has to do with the lack of time available and with the fact of relying exclusively on the students' and teachers' willingness to be carried out. However, as we have indicated, it is an interesting possibility to deepen the literary competence of the students, necessary in the adult life of the literate people and that in many cases needs an obvious effort during the university studies.

Conclusions

As we said at the beginning, we intended, on the one hand, to carry out the exhibition of a classroom experience and, on the other hand, a proposal to be extended to other faculties, and which can be carried out practically from any subject (although it can be linked with preference, as it has been seen, in the humanistic or social art areas present in each degree). In short, it is a question of incorporating Literature into an area where it is practically left aside, if we make exception of the directly related degrees, such as Education or Philology, and to overcome literary education as necessary throughout life and the lack of motivating and meaningful proposals for university students in their closest environment and linked to the contents of each degree (independently of interesting initiatives already ordered and with a good follow-up from the public, like reading and creative writing workshops, competitions, etc). If we consider Literature and literary competence as necessary elements in the construction of intelligent and critical citizens, we will have to take advantage of any possibility that offers us the structure of the higher studies to facilitate the access from our students to literary works in a ludic and motivating perspective.

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