Performance of The Slovak Economy in Relation to Labor Productivity and Employment

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Abstract

The regions which are located in the European environment have different primary sources, their quality and their level of utilization, which has a direct impact on their performance and subsequent productivity. The aim of this paper is to evaluate the performance and productivity of the Slovak economy in relation to employment in the period from 1995 to 2012. We assume that between employment and performance of the Slovak economy in individual periods is a strong dependence. This analysis confirmed our assumption. The productivity growth of the Slovak economy is directly proportional related to the ability of enterprises to respond successfully to new challenges in the field of innovation and the optimal use of productive resources. The correct interpretation of the results of performance and employment in the national economy can greatly help to clarify the situation on the labor market and thus to diagnose conditions that influence to a greater extent the behaviour of people of working age.

Keywords: Performance, Labor Productivity, Gross Domestic Product, Employment, Slovakia;

1. Introduction

The economy of each country has undergone a certain historical development that had an impact on shaping of society and economy. The Slovakia economy also has undergone a relatively complicated development and various
stages of transformation. The transformation of the economy from a centrally planned economy to a market economy has been in virtually all countries of Central and Eastern Europe accompanied by a decline in GDP and a decline in industrial production. The decline was caused by a number of factors such as: deformed structure of the economy, loss of markets of the former RVHP association, trade liberalization (and the associated formation of very strong competitive environment) (Adamisin and Kotulic, 2013).

The essence of the national economy is the economic activity of people that can be described as branched and intricately structured process of various activities. Baranik and Farkasovska (2001) argue that its result is tangible and intangible goods and services meeting the needs of society. In examining the development of society, we find that all phenomena and processes in its past and present are mutually interconnected and they are also mutually conditioned. The national economy based on the rule of the system for which is characteristic that it constitutes a holistic complex of interconnecting elements and creates a specific compliance with its surroundings.

According to Rektorik et al. (2007), the structure of the national economy is constituted purposefully and it reflects the composition of its individual parts and the relationships between them. It is represented by a system of production layout, the social sphere, State and local authorities on the basis of selected criteria and the relationships between them. Within the sectoral structure of the national economy, the individual sectors represent the subsystems (or elements) of the system of the national economy. The sector consists of a group of economic activities, historically incurred in the process of division of labor. They are distinguished by the nature of the needs that are met by a given production.

Dubcova et al. (2008) states that one of the fundamental determinants of the direction and development of the Slovak economy was the existence of mineral deposits, around which the mining towns began to grow and develop (for example, Banska Bystrica, Banska Stiavnica, Kremnica, Nova Bana). They have become the centers of economic growth and development, as well as technological breakthroughs and modernization of mining for a long period. They recorded the biggest expansion in the second half of the 18th century. The development of more modern sectors and industry in our country has not been so dynamic. There were manufactories e.g. for the production of substances, but traditionally in our area was the economy the most focused on agricultural production and the production of raw materials. Our economy retained this direction until the 20th century. On the Slovak territory was within the Hungarian industry accumulated mainly metallurgical industry and chemical production, production of paper, food products and building materials, which are very closely connected with the direct use of potential of above mentioned raw material base of our territory. Later, when Slovakia became part of the common Czechoslovak Republic, it was more oriented to the production of agricultural products and raw materials, in comparison with the Czech economy, which at that time was more focused on industry. The industry began to more accumulate in Slovakia in the period before World War II. This was especially the armaments industry (Dubnica nad Vahom, Povazska Bystrica), which was directly linked to the new political and economic situation and impending war. After World War II, the Communist Party came to power in our country and virtually every sectors were nationalized. The agriculture has undergone a special form of nationalization mainly the transformation on state farms and uniform agricultural cooperatives (Sira, 2013; Huttmanova et al., 2013; Ubreziova et al., 2009). Slovak economy has become a planned organized for a long time, without existing competitive struggle. There were built primarily large industrial enterprises in order to industrialize the country, whose impact was later signed by the health of the population, as well as the deterioration of the environment and its components, and sometimes until the devastation of the country. At this stage of development, for the Slovak economy was typical feature of low technical level of manufacturing, lower quality and therefore lower competitiveness of products and often lack of profitability of manufacture. There was produced a large number of products for which demand was low, and on the other hand, the certain types of products were not and so in our economy they were almost completely absent. The economy was highly centralized and planned. After 1989, this concept of the economy collapsed and the economy based on market principles began to build. With this political and economic change come many new problems, necessary changes in legislation, in the social sphere (unemployment), the transformation of the sectors, privatization, restructuring and so on. There started to show the negative aspects of a market economy as unemployment, especially in regions with a one large, dominant company, where was subdued or suspended production, or in regions with a single industry. The transition to a market economy and the related changes were necessary also in terms of the forthcoming accession of Slovakia to the European Union. After Slovakia's accession to the EU, the economy orientated on the overall restructuring of the economy, increasing competitiveness and effort.
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