

Development of the Regions of Slovakia also from the Perspective of the Community Development and Economic Crisis

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Abstract

The paper has got three parts. First part was analysing and assessing the development of the Slovak regions based on several regional indexes in the time scale 2002-2006. The stress was given especially to the development of disparities of among the regions. Second part of the paper was focused on the development of the regions from the long run perspective of the development of the Slovak Republic. The third part was devoted to the influence of the financial and economic crises upon the Slovak economy, particularly the influence on its regions.

Key words: regional development, Regional Environmental Openness Index, crises.

JEL Classification: O18, R58, Q56

1 Introduction, aim and methods

It is not easy to assess and evaluate the level of the region, its economy and level of people living in it. Typically, this kind of evaluation is considered to be inaccurate and ambiguous. Assessment requires the consideration of many coherent and mutually co – operating indicators.

Considering analysis in the evaluation of regions which we have already made, we think that we would reach the relative accuracy of considering economic - social level of a particular region in the country from the following set of indicators:

- Regional gross domestic product per one inhabitant of the region
- Rate of unemployment in the region
- Monthly wage of employees in the region
- Net monthly household income in the region.

To the four of these characteristics, we have added the indicator "index of environmental openness", as well as economic indicators must be in harmony with the environment.

On the basis of the value of these indicators, we can assess the level of individual regions more comprehensively and their levels can be compared with each other. Knowledge of quantified values of these indicators can serve us well for the analysis of finding reserves for development in these regions and also to assess their development economic - social trends.

In assessing the regional level is not enough just to know it and point to the disparities among regions. It is necessary to come to the perception whether this level is changing and how it is changing as well as how differences in levels among regions are developing.

In the first part of the contribution, according to analysis we would like to become familiar with economic - social level of our regions and also know the developing tendencies.

In the second part of the contribution we will refer to the changes expected in the regions and regional economic policy based on developing long-term vision for the development of Slovakia. We also analyze impacts and implications of the current (2007 – 2008) global economic crisis in the regions of Slovakia in the third section of the contribution.

2 Development of the regions of Slovakia

As it was already mentioned in the introduction, assessment of the level of the region requires the evaluation of the economic as well as social aspect. Without considering the fact whether we treat the state as a whole or only its regions, social aspect is decisive for people, which means their level of living. However this does not mean that the economy in which they live should be ignored.

Although the economy is not determining for the people of the region, it functions as a precondition for fulfilling its social aspects, thus filling a certain standard of living in the region. This is the reason why the assessing of the level of the region is based on its level of economic, which means of gross domestic product (GDP). It expresses economic level and economic performance of the region.

The absolute size of the value of the GDP of a particular region and its contribution to establishment of a national (regional) gross domestic product (RGDP) may serve us to assess the economic potential of the region, its growth and its development tendencies.[1]

To compare the economic level of particular regions, the value of created NGDP must be allocated to the region's population to obtain the RGDP per one inhabitant. This indicator can then be regarded as the starting and basic indicator for assessing the maturity of subnational regions.

2.1 Level and its development in the regions of Slovakia

The following Table 1 compares the evolution of RGDP generated per capita (per inhabitant) in the regions of Slovakia for the period 2003 - 2006.^{1, 2,3}

¹ The five-year period 2002 - 2006 here are the past five years because the Statistical Yearbook of Slovakia in 2008 or Regional Statistical Yearbook of Slovakia in 2008, still do not value RHDP per capita for 2007, let alone in 2008.

² Regional gross domestic product per capita share of the two indicators in regional gross domestic product in which the criterion applies to the place of work of compiling a second indicator of the average population permanently resident in the region, which is based on the principle residence. In most regions, may cause major problems to compare these two indicators based on different principles. In regions with high attendance for the work of others surrounding regions (eg, as in our case in the Bratislava region) is the indicator (NGDP per capita), overrated. This has to be in the analysis using indicator NGDP per capita, taking into account and create value NGDP to be more realistic.

³ The article compares the regions of Slovakia and also evaluates the points and the scale from one to eight points. The best performance indicator is rated one and the worst eight points. This is how NGDP indicator per capita, as well as the other indicators had been rated.

The data values of Table 1 show that:

- Bratislava region created the highest RGDP per capita in a whole reported five years. It was always higher than the GDP per capita in Slovakia.
- In making the highest RGDP per capita in five-year period, on the second place was the Trnava region
- Always in the whole period, Prešov region has the lowest production of RGDP per capita. It is compared to the Bratislava in 2002 with 27.4%, in 2006 with 23.3%. It was also compared to Trnava region in 2002 with 62.0%, in 2006 with 44% 9.
- None of the regions, except for Bratislava, has reached national average of GDP per capita
- In all regions of Slovakia in this period, each year RGDP per capita has increased. Most grew was noticed in Trnava region (164.7%) and Bratislava region (140.2%). The lowest increase was noticed in Trenčín region (108, 7%), Banská Bystrica region (115.7%) and Prešov region (119.5%)

Even according to NUTS II, the highest production of RGDP per capita was noticed in Bratislava region for that period. This was followed by the West Slovakia, then the middle Slovakia and eastern Slovakia as the last. Eastern Slovakia created in 2002 33.5% NGDP of Bratislava region per capita, in 2006 it was only 29.5% [2].

2.2 Rate of Unemployment

The unemployment rate, in relative form, quantifies the utilization of one of the most important primary factors of production - labor. It expresses the ratio of the number of unemployed people actively looking for work on the economically active population.⁴

The unemployment rate significantly correlates with the production of RGDP per capita. Unemployment and its growth expressed in the rate of unemployment is a barrier and hinder the overall development of RGDP and RGDP per capita.

Data on unemployment rates and its changes in different regions over the period 2002 - 2006, is shown in the following Table 2

The data in Table 2 shows that:

- The lowest unemployment rate for the five-year period analyzed in the years 2002 - 2006 was in the Bratislava region,
- The second lowest unemployment rate was in Trenčín region
- The highest rate of unemployment was in Banská Bystrica region, then Košice region and the last one was Prešov region. These three regions have always had higher unemployment rates than the average level of Slovakia,
- Unemployment rate in that period in each region declined from year to year.

⁴ Regional Statistical Yearbook of Slovakia provides two methods of calculation and the unemployment rate by LFS and registered unemployment rate (the Labor Ministry guideline of Slovak Republic). The difference between them is that when unemployment rates are set out in the numerator the number of unemployed by the Labor Force Survey (LFS) and in the second method the registered unemployment rate sets out in the numerator the number of disposable applicants for job.

Table 1 Gross domestic product per capita in the regions of Slovakia (in euros)

Region, SR	2002		2003		2004		2005		2006		2006/2002		2006	
	EURO	Score e*	EURO	Score e*	EURO	Score e*	EURO	Score e*	EURO	Score e*	ratio (%)	Score e*	R/SR (%)	Score e*
Bratislava region	25 061	1	25 869	1	27 940	1	33 019	1	35 144	1	140,2	2	234,1	1
Trnava region	11 078	2	11 988	2	13 024	2	14 658	2	18 246	2	164,7	1	121,5	2
Trenčín region	10 136	3	10 584	3	11 456	3	11 974	4	11 023	7	108,7	8	73,4	7
Nitra region	9 370	6	9 969	5	10 917	4	12 041	3	12 844	3	137,0	3	85,5	3
Žilina region	9 050	7	9 190	7	9 995	7	11 164	6	12 145	5	134,2	4	80,9	5
Banská Bystrica region	9 577	5	9 877	6	10 179	6	9 730	7	11 083	6	115,7	7	73,8	6
Prešov region	6 861	8	6 970	8	7 395	8	7 979	8	8 199	8	119,5	6	54,6	8
Košice region	10 004	4	10 216	4	10 893	5	11 440	5	12 647	4	126,4	5	84,2	4
SR total	11 083		11 199		12 359		13 566		15 012		135,4			

Source: Statistical Yearbook of the SR, 2007, Statistical Office of SR, Statistical Yearbook of the Regions of Slovakia 2008, [3] [4], Note: e*- score evaluation

Table 2 Registered unemployment rate in regions of Slovakia (in%)

Region, SR	2002		2003		2004		2005		2006	
	EN	Score e*	EN	Score e*	EN	Score e*	EN	Score e*	EN	Score e*
Bratislava region	5,2	1	4,0	1	3,4	1	2,6	1	2,3	1
Trnava region	13,0	3	11,1	3	8,8	3	7,2	3	5,3	3
Trenčín region	10,9	2	8,9	2	8,1	2	6,8	2	5,2	2
Nitra region	21,5	5	19,1	5	14,8	5	11,4	5	9,1	5
Žilina region	14,7	4	13,2	4	11,1	4	9,3	4	7,0	4
Banská Bystrica region	23,8	7	22,8	8	19,5	8	18,3	8	16,1	8
Prešov region	23,0	6	19,6	6	17,5	6	15,8	6	13,7	6
Košice region	24,3	8	22,2	7	18,9	7	17,5	7	15,2	7
SR total	17,5		15,6		13,1		11,4		9,4	

Source: Statistical Yearbook of the SR, 2007, Statistical Office of SR, Statistical Yearbook of the Regions of Slovakia 2008, [3] [4] Note: e*- score evaluation

According to NUTS II, region of Bratislava and western Slovakia had a relatively low unemployment rates. Actually, throughout the period of five years, it was lower than the national average. In contrast, the region medium Slovakia and in eastern Slovakia was always higher, exceeds the ten or twenty percent. The unemployment rate in that period in all regions declined. It decreased also in the national average. If it was 17.5% in 2002, so in 2006, Slovakia had the rate of unemployment 9.4% [5].

Development is currently (2009-2010) affected by new applicants for employment. These people are students who leave schools. It is a result of complex processes, what kind of school they leave. In the project motivation selected aspects of these results were also examined. Motivation⁵ is the acronym of the project "Promoting positive images of SET⁶ in young people under gender perspective", which was supported by the European Commission under 7FP⁷. Researchers came to an interesting result in regarding young people's motivation in selecting schools and then the occupation. One of the international results was the following statement " Parents play the role of supporter: Encourage pupils own opinions and choices as long as they try. They expect motivation and dedication and choosing a study that is on the same level as their competence. Teachers are important for adding information, knowledge and competence of their subject. They also play an important role in motivating the enthusiasm for their subject matter. This influences girls more than boys." [6]

2.3 The monthly wage of employee

The following Table 3 presents data on average gross monthly wage of the employee. It's about basic - the tariff wage, set by wage law. There are every particulars including filling staff, resulted to the employee from these regulations.

Average gross monthly wage of employee reflects to some extent employee's share of GDP produced in the region. It is intended by level of the economy in the region, the structure and efficiency of economic activities in the region.

The value of the data of Table 3 shows that:

- The highest monthly wage in the whole analyzed period, was aimed at employees in Bratislava region
- After the Bratislava region, the second highest monthly earnings, thanks to the steel combine U.S. Steel in Košice, was aimed at employees in Košice region
- The lowest monthly wage of employees during this five year period, were in the Prešov region
- Relatively stable, increasing monthly wage was in the Trnava region
- In all regions of Slovakia monthly gross wage of employees grew in the analyzed period. The fastest and most noticeable grew was in Košice and Trenčín region at least in Žilina region. If you compare the monthly wage in the Slovak regions, all regions except

⁵ "More information on www.motivation-project.com "

⁶ SET – Science, Engineering and Technology

⁷ "Motivation -" Promoting positive images of SET in young people under gender perspective "and is funded Coordination Action within the 7th Framework Program of the European Commission (Grant Agreement no. 217843) Involved are the following persons: Felizitas Sagebiel (coordination) and Jennifer Dahmen in Germany, Anita Thaler, Christine Wächter and in Austria, Anne-Sophie Genin-Godfroy and Cloé Pinault in France, Els Rommes in the Netherlands, in Spain Carme Alemany, Bulle Davidsson in Sweden and Natasa Urbančíková and Gabriela Kofveková in Ireland. For further information see www.motivation-project.com. "

Bratislava had lower wages than the monthly national average. Bratislava region surpassed him in 2002 to 33.3% in 2006 to 25.0%.

From the perspective of NUTS II, the highest monthly wages were given to employees in the region Bratislava. The second highest monthly wages were given in the western region of Slovakia. In order for third place there was eastern Slovakia and region of central Slovakia was on the fourth place [7].

2.4 Net cash income of household

Net cash income households can be characterized as an additional indicator of monthly gross wages of employee which reflects social security of region's inhabitants.

Net cash income of private households (as member income - one person in household), is created by: net working income, part of income from private business which are selected for a household, social income (pension benefits, health insurance, state social benefits, social assistance and unemployment benefits) and other income (income from property, income from the sale of agricultural products, revenues from institutions and individuals, income from loans ...).

The following table 4 reflects the data value of net cash income per household in 2002 - 2006.

According values of the data in Table 4, we make the following assessment:

- The highest net cash income per household in the year 2002 as well as in the five-year period was noticed in the Bratislava region,
- The second highest net cash income per household were in Trnava region and Košice region
- The lowest net monthly household income across the five-year period was in the Prešov region, after it in Žilina region, Banská Bystrica region and Trenčín region
- Concerning the net cash income for households in regions of Slovakia the relative fixity of growth did not hold as it was the case with indicators of RGDP per capita, rate of unemployment and gross monthly salary of the employee. Reason can be found in values of net cash income of households. They consist more strictly of social aspects.

But if we compare Slovakia in terms of NUTS II, the value of net cash household income and its growth and development clearly determines ranking of regions, as in all three previous indicators, as follows: Bratislava region, western, central and eastern Slovakia at last place.

Table 3 Average gross monthly wage in Slovakia region (in euros)

Region, SR	2002		2003		2004		2005		2006		2006/2002		2006	
	EURO	Score e*	EURO	Score e*	EURO	Score e*	EURO	Score e*	EURO	Score e*	ratio (%)	Score e*	R/SR (%)	Score e*
Bratislava region	646,45	1	672,38	1	749,82	1	812,55	1	833,25	1	128,9	7	125,0	1
Trnava region	463,95	3	493,59	3	568,98	3	604,73	2	618,64	3	133,4	4	92,8	3
Trenčín region	434,38	6	466,51	4	515,80	5	551,25	5	603,93	4	139,0	2	90,6	4
Nitra region	433,74	7	450,64	7	494,99	7	529,68	7	579,03	6	133,5	3	86,9	6
Žilina region	460,90	4	454,59	6	522,61	4	556,53	4	588,3	5	127,6	8	88,3	5
Banská Bystrica region	437,63	5	455,45	5	495,36	6	537,18	6	565,92	7	129,3	6	84,9	7
Prešov region	406,56	8	421,43	8	448,02	8	484,63	8	539,5	8	132,7	5	80,9	8
Košice region	474,57	2	524,33	2	569,14	2	595,76	3	662,25	2	139,5	1	99,4	2
SR total	484,53		509,83		565,59		614,22		666,38		137,5			

Source: Statistical Yearbook of the SR, 2007, Statistical Office of SR, Statistical Yearbook of the Regions of Slovakia 2008, [3] [4], Note: e*- score evaluation

Table 4 Net monthly household cash income in the regions of Slovakia (in SKK)

Region, SR	2002		2003		2004		2005		2006		2006/2002	
	SKK	Score e*	SKK	Score e*	SKK	Score e*	SKK	Score e*	SKK	Score e*	ratio (%)	Score e*
Bratislava region	8451	1	8872	1	10257	1	9828	1	11487	1	136	1
Trnava region	6392	6	6902	5	7205	2	7640	3	8615	2	135	2-3
Trenčín region	6410	5	7019	3	6660	8	7296	5	8521	4	133	4
Nitra region	6382	7	6830	6	6938	5	7853	2	8594	3	135	2-3
Žilina region	6454	4	6615	7	7088	4	7265	7	8349	5	129	5
Banská Bystrica region	6523	3	6904	4	6907	6	7290	6	8316	6	127	6
Prešov region	6175	8	6318	8	6669	7	6713	8	7457	8	121	7
Košice region	7041	2	7410	2	7093	3	7342	4	8121	7	115	8
SR total	6714		7089		7279		7567		8615			

Source: Statistical Yearbook of the SR, 2007, Statistical Office of SR, Statistical Yearbook of the Regions of Slovakia 2008, [3] [4], Note: e*- score evaluation

2.5 Index of environmental openness

A significant part of the evaluation of economic and social success or failure of the region is increasingly becoming an assessment of the environmental situation in the region. We used the method consistent with the Method of Rozehnal, K. (2007)⁸, which allowed us self-comparison with results in the Czech Republic (in this paper comparison is omitted). We can summarize briefly that the index of environmental openness was constructed by the point method of these indicators:

- Density of population,
- Emissions of pollutants from stationary sources,
- The quantity of wastes discharged into surface waters,
- The production of waste [8].

Data on these key indicators for each region were prepared with help of Regional Statistical Yearbook of Slovakia 2007⁹. Another approach consisted in finding the lowest indicator values (thus less pollution, the better). 1000 points was assigned to the region with the lowest value and per mille was calculated field to the other regions to that threshold. Number without boarder became the result. Instead of simple number of points we can compare indices obtained for each region by the assistance by the weighted average number of points.

According to values of environmental indicators we reach spot indicator of environmental openness of the region. The higher value region acquired the better openness it has. After indexation of environmental openness index, which reaches values ranging from 0,1 to 1, while the closer to 1, the region is more open. The final point analysis for individual regions presents Table 5.

Table 5 The point index and indicator of environmental openness in the year 2006

Region /Index	Spot indicator of environmental openness of the region	Index of eco-region's openness	Ranking
Bratislava region	0.40	1617.41	8
Trnava region	0.74	2965.83	1
Trenčín region	0.61	2438.10	5
Nitra region	0.68	2712.42	4
Žilina region	0.54	2166.17	7
Banská Bystrica region	0.68	2728.70	3
Prešov region	0.72	2881.68	2
Košice region	0.58	2312.80	6

Source: modified Pitoňák, T. 2008th The market environment. Thesis. Head / and Ing. Gabriela Koľveková, Ph.D. Košice: Department of economic theories. Faculty of Economics University. 74 p. [9]

⁸ Rozehnal Karel, The problems of measurement of regional disparities in the environmental conditions of the CR, regional disparities, N.1 2007 [online], cited [5/4/2009], p.40, Available from <http://disparity.vsb.cz/dokumenty2/wp_1.pdf> , translated.

Ing. Karel Rozehnal, develop environmental openness index for regions CR for 2005 at the Department of Regional Economics and Environment in Ostrava.

⁹ Regional Statistical Yearbook of Slovakia 2007, the Statistical Office of the Slovak Republic, 2007, [online], cited [18/3/2009], Available from <<http://portal.statistics.sk/showdoc.do?docid=16783>>

Precise figures are contained in the work: Pitoňák, T. 2008. The environmental market. Thesis. Head / and Ing. Gabriela Koľveková, Ph.D. Košice: Department of economic theories. Faculty of Economics University. 74 p.

We have not count this indicator to the overall evaluation in Table 6, because of multiple point's method which was used. According to the results of the ranking it is obvious that the Bratislava region has a low level of environmental openness, while the Prešov region was rated as second best.

2.6 Conclusions from the analysis assessing the level of Slovakia's regions

In the following Table 6, the evaluation of economic and social levels of the regions of Slovakia for the period 2002 – 2006 is summarized.

The overall assessment of the level of regions of the SR showed us also scored regions in terms of values of a set of four basic indicators, namely: RGDP per capita, unemployment rates, gross monthly wage of an employee and net household income.

According to the data values in individual years 2002 - 2006 in various regions of Slovakia and a set of values of the four indicators, we made the following conclusions:

- In 2002, the ranking of regions in assessing their levels was as following: Bratislava region, Trnava region, the third and fourth place in Trenčín region and Košice region, then Žilina region, Banská Bystrica region, Nitra region, and the eighth - the last place Prešov region
- In 2003, there were no changes in the order of the levels measured in the Bratislava region - the highest level and in Prešov region - the lowest level. In measuring the level of the regions, the second place was reached by Trenčín Region, Trnava region on the third place, fourth place for Košice region, the fifth and sixth place for Banská Bystrica region and Nitra region. The seventh place was reached by Žilina region
- In 2004, the first place, as in previous years and the highest rating, was reached by the Bratislava region. The second place belonged to Trnava region and third place belonged to Trenčín region. The fourth and fifth place in evaluating the level was accounted to Žilina region and Košice region. Sixth place went to Nitra region, Banská Bystrica region engaged seventh place and eighth place - the lowest rating level, as in previous years was still included in the Prešov region
- In 2005, ranking in the evaluation of the level of the regions was as following: Bratislava region, Trnava region, Trenčín region, Nitra region, fifth place belonged to Košice region, on the sixth place was assigned to Žilina region, the seventh place belonged to Banská Bystrica region, and still in the last eighth place, Prešov region remained
- Last year of evaluation in 2006, assessment was unchanged from the previous year of assessment in Bratislava region - first place in the evaluation for achieving the highest level as in all previous years. Even in in Presov region the order was not changed – it was at the last, eighth place and remained the lowest level. The second, the highest level of assessment was noticed in Trnava region with a long-term position. The third and fourth place in evaluating the level were reached by Trenčín region and Nitra region. Košice region degraded evaluation from previous years and got to sixth place. Seventh place - the second lowest rating level have longer belonged to Banská Bystrica region. The eighth - the last place in the evaluation of the regional level has been resided for a long run to Prešov region.

The overall assessment of the regional level for those five years showed the order of regions in Slovakia and it is as follows: Bratislava region, the second place for Trnava region, the third and fourth place in Trenčín region and Nitra region, the fifth place for Žilina region, the sixth place for Košice region, seventh place for Banská Bystrica region and the eighth place – with the lowest economic and social level remained and still remains to Prešov region.

Table 6 Overall assessment of the level of Slovakia's regions

Region, SR	Score				The overall assessment of the level of regions of Slovakia (year)											
	GDP / capita.	% unemployment	The average monthly wage	Net household income	2002		2003		2004		2005		2006		Total	
					Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank		
Bratislava region	02	1	1	1	1	4	1									20/1
	03	1	1	1	1			4	1							
	04	1	1	1	1					4	1					
	05	1	1	1	1							4	1			
	06	1	1	1	1									4	1	
Trnava region	02	2	3	3	6	14	2									58/2
	03	2	3	3	5			13	3							
	04	2	3	3	2					10	2					
	05	2	3	2	3							11	2			
	06	2	3	3	2									10	2	
Trenčín region	02	3	2	6	5	16	3-4									78/3
	03	3	2	4	3			12	2							
	04	3	2	5	8					18	3					
	05	4	2	5	5							15	3			
	06	7	2	4	4									17	3-4	
Nitra region	02	6	5	7	7	25	7									104/6
	03	5	5	7	6			23	5-6							
	04	4	5	7	5					23	6					
	05	3	5	7	2							16	4			
	06	3	5	6	3									17	3-4	
Žilina region	02	7	4	4	4	19	5									103/5
	03	7	4	6	7			24	7							
	04	7	4	4	4					19	4-5					
	05	6	4	4	7							22	6			
	06	5	4	5	5									19	5	
Banská Bystrica region	02	5	7	5	3	20	6									113/7
	03	6	8	5	4			23	5-6							
	04	6	8	6	6					26	7					
	05	7	8	6	6							27	7			
	06	6	8	7	6									27	7	
Prešov region	02	8	6	8	8	30	8									149/8
	03	8	6	8	8			30	8							
	04	8	6	8	7					29	8					
	05	8	6	8	8							30	8			
	06	8	6	8	8									30	8	
Košice region	02	4	8	2	2	16	3-4									89/4
	03	4	7	2	2			15	4							
	04	5	7	2	3					19	4-5					
	05	5	7	3	4							19	5			
	06	4	7	2	7									20	6	

Source: own processing of the data in Tables above

Prešov region in each year in analyzed five-year period amounted lowest RGDP per capita, the lowest wage of employee, the lowest net income per household and one of the largest unemployment rates.

The analysis showed that differences between the regions did not undermine, but enlarged. It is confirmed by particular developments of RGDP per capita, but also by employee wages and net household income. As we mentioned earlier (section 2.1) developments in RGDP per capita in the Prešov region in comparison with the Bratislava region and Trnava region is in the lower level. Similarly, net household income reached worse level. If Prešov region in 2002 amounted to 79.0 % to the Bratislava region and 96.6% to Trnava region, so later in 2006 it was 65.0% to Bratislava region and 86.5 to Trnava region.

From the perspective of the NUTS II assessment of level development works also clearly to disadvantage the eastern and central Slovakia. Differences between central Slovakia and eastern Slovak on the one hand and western regions of Slovakia and Bratislava region on the other hand, are increasing. It is confirmed by the following comparison results:

If in 2002 RGDP per capita in Eastern Slovakia in relation to the Bratislava region accounted for 33.5%, against 83.0% in western Slovakia and the Slovak Republic as a whole to 75.8%, so in 2006 it was compared to the Bratislava region by only 29.5%, to western Slovakia only 70.0%, and decline towards Slovakia to 69.1%.

The relative decrease was noticed also in a net cash household income. If in the 2002 net cash income households represented in eastern Slovakia to Bratislava region 75.8%, to western Slovakia it was 100.2% and to Slovakia as a whole it was 95.4%, so in 2006, in comparison to the Bratislava region it was already only 67.8% in western Slovakia to 90.8% in Slovakia as a whole.

The development of levels in regions analyzed for a period of five years suggests that the incentives from the state economic policy in favor of Eastern and Central Slovakia, which would reduce the differences in the regions of Slovakia are poorly ineffective and do not bring needed effect.

3. Regional economic policy in terms of long-term vision of Slovakia

The contribution of the previous section shows that disparities between regions in Slovakia are not decreasing but increasing. Eastern and Central Slovakia are lagging behind the western Slovakia. National economic policy is not encouraging enough for investment in central and Eastern Slovakia.

From that finding, based on previous analysis, we showed that increasing economic and social levels in the region are dependent on multiple, linked to each other's internal and external factors. Long-term vision of the development of Slovak society counts with multifactorial elements operating at regional development by 2030. It has been prepared under the project „Vision and Strategy of development of the Slovak Society“, which was approved by the Government, in its Resolution no. 906 of 25th October 2006. Economic Institute of Slovak Academy of Science (SAS or SAV) in Bratislava was the referee and supervisor of the project.

Long-term vision provides coherence of changes in economic and social development of all forms of governance in public administration – it means the state, as well as regional (upper-tier territorial units - VUC) and local.

Against the state economic policy which we can to some extent identified as one of the key external factors that would motivate the development of regions, particularly those lagging

behind, there are no objections. Government interventions in the regional sphere, and some guiding of economic development and social progress of the country does not encounter resistance among economists and even among politicians. But the reality is such that none of the government in Slovakia since 1993 has created, not even implemented effectively motivating state economic policy for the regions. However, as the SITA claims, Slovak governments from 2001 until the end of May of this year provided aid to support 83 investment projects. Corporates have been granted investments` incentives of a total amount 27.135 billion. CZK (900.7 million. Million) [10].

Foreign capital goes to those regions where the best conditions for its appreciation can be found. The best conditions for investors and their capital are those which bring the maximum profit with minimum cost¹⁰. Bratislava region and western Slovakia have such best conditions for foreign investors. They still do not exit in Central and Eastern Slovakia, particularly, for the reason that this this region does not have satisfactory transport infrastructure for them and their marketing products. The current government (in 2009) has understood the need for construction of highways in central and eastern Slovakia. Their construction and completion will certainly contribute to creating better conditions for foreign investors.

Appropriate transport infrastructure is not the sole cause of non-use of potential resources available to central and eastern Slovakia, especially in terms of manpower. There is a need and approach for more cooperating education system for business, which concerns the entire secondary and higher education in Slovakia.

It is discovered that external factors and the state care of regions are not crucial for regional development, although they are necessary. Endogenous resources of the particular region are determining. Each region represents a specific geographical area with their resources - physical, human, technical, social, Their maximum and effective use and continuous enhancement creates a foundation of changes to increase economic and social level in regions.

Changes in the regions themselves in all areas of operation of the region are those resources which can help the development of regions. These changes involve those in the organizational structures of the region, in its management, in its competence, which it should have, in determining, the involvement of the leadership of the region but also in its people,

In all these spheres of activity of the region the quality, rationality and efficiency should be primary.

Organizational structure of public administration at all levels of governance, including the level of the region should be designed for securing full range of rights of citizens. Development of public administration should be in accordance with the development of civil society. Eligibility for citizens of the availability of public administration is one of the good aspects of the well functioning services for citizens of each territorial unit - the region.

The management of public administration, including the level of the region but also local government, is expected to be rational, efficient, transparent and non corruption operating. All

¹⁰ Foreign investors are placing their capital in the relatively most beneficial environment within the country and at the same time there are obtaining other benefits by the government (relief tax, subsidy as investment's stimuli, because the foreign direct investments are in competition – struggle among the regions within one state and also among other states.

today's inefficiencies in public administration are tied to people - human resources. It is this area of public administration and that means even regions which is degraded by the mechanisms of power of political parties and its appointment of people to senior positions.

These posts should be occupied by professionally and morally highly matured personalities. The candidates of political parties do not always meet these criteria.

For the longer term stability, it is necessary to consider and resolve the responsibilities between government and regions. It is necessary to come out of the importance of the competencies for the state and region. Its importance is determined by that level of self administration, which functions as its own, so who is more, respectively largely relates to national or regional level.

Each competency is associated with the management, decision making and its security. It is associated with the cost of its implementation and even with obtaining funds in some competences. Competencies, but also their financial security, should be divided between the state and region as to not disturb their intrinsic property, namely they should belong to that degree of control inherent in which they functions as their own. Moreover they should belong to that sphere which can close the issues with most concern, rational and effective choices. The best conditions for such decisions contain degree of control that is close enough to the real information needed for decision making. Citizens and their benefits from those decisions should be determining and the ultimate criterion for deciding.

Finally, to the regional economic policy: The hitherto development of regions and economic policy combined with regions shows that regions themselves have a decisive influence on changes in their own development. The question how will particular regions change, evolve and prosper, depends particularly on them, on their rational management and decision making.

Each region is first and foremost architect of his own success but also failures. For example, to rely on the state - the government is not reasonable. Government can assist and help to solve problems that the region has but it can not substitute the leadership in the region. Management of the region must be self-engaged in the development of its region. Engagement for the region is required not only from its leaders but also from the people of the region. This can only create a situation where the lack of funds would not be the cause of backwardness.

4. Impacts and consequences of the global economic crisis on Slovakia and its regions

Slovakia has a highly open economy despite of a fact that it has lower population density and it is small country with a relatively small domestic market of goods and services. If we give the ratio of value of turnover generated by foreign trade to gross domestic product (GDP), the openness will be reflected as the ratio expressed by number around 170, 0%,

Slovakia is export-oriented market economy. The value of exports represents about 80 percent of GDP and import value has a little more, because our current account balance of payments has been for a long time passive¹¹. High openness of the country economy to the world also brings its higher dependence.

¹¹ Since 1993, when Slovakia was established as a separate country, Slovakia was only in 2004 in an active trade balance. Current account balance represents the trade balance of foreign trade.

At present (2009) economic crisis arises in the foreign trade an interesting situation that the decline in our exports is decreasing even more import components for manufacture of export goods and thus may occur in some intervals of the year, record trade deficit of active balance.

At present (2008-09) virtually every market economy is part of the world economy, consequently, shocks, financial and economic crises in some countries, depending of a degree of interconnectivity, influence each other. Financial and economic crisis that has arisen in the U.S. in 2007 as a result of this connectivity among economies shifted to other countries in the world and to Europe. Slovakia did not create nor financial neither economic crisis, but it is now (2009) a part of it, because its economy is interconnected with the economies of countries already hit by the crisis.

The economic crisis¹² in the Slovak economy started to show in the last quarter of 2008. It has shown fully in the beginning of this year (2009). There exists more reasons of the Slovak economy's slump, but the principal is that there has been a significant decline in our exports. Slovakia sold to the countries of Europe almost 95% of its exports. Our major trading partners are Germany and the Czech Republic. And since they also lost their outlets they do not purchase from us as much as before.

For the first half of this year, Slovakia exported about one-third less goods and services than for the same period the previous year. Our businesses and especially businesses with foreign capital, which are largely producing for export, are forced to reduce production. Most affected sectors are the automobile and mechanical engineering. In the first half of this year, car production fell by half compared to last year.

There is a certain paradox that exports of the products of industry and particular in the automobile industry, which in 2007 helped the growth of Slovak economy by 10, 4%, is now the cause of a deep economic downturn. It turns out that the strong focus on certain types of production, this time in the automobile industry, especially when there are not fully secured sources inside the country for such production, is not good. It is flawed.

According to the manufacturing industry, the production growth in the first quarter of this year compared to same period previous year was only in the manufacture of computer, electronic and optical products for 20.6% and in manufacture of coke and refined petroleum products by 1.5%. In other sectors, production decreased. Relative most decline in the first quarter of this year was noticed in the manufacture of electrical equipment by 44.9%, in the manufacture of transport equipment by 40.9%, production of metals and metal products by 29.8%, production of chemicals and chemical products by 29.3%, manufacture of rubber, plastics as well as other non-metallic mineral products by 27.2%, manufacturing machinery and equipment by 24.1%, [11].

If we summarize the reasons that stalled the development of our economy, they are:

- Lower production of industry as decreased demand for our exported goods and services
- Lower investment and making stock of companies,
- Decline in household consumption,
- Two week long loss of gas supplies from Russia in January this year (2009),
- The weakening of currencies in surrounding states against the euro, which we have adopted as the common currency at the beginning of the year (2009).

¹² In Slovakia, in our opinion there should be a discussion about the economic crisis and its impact, because our financial sector was not and still is not characteristic by the elements of crises i.e. shortage of money in financial institutions – banks and providing toxic loans in such extent, which would meant its crises.

Previous economic impacts are as follows:

According to the original forecast GDP should increase in Slovakia in 2009 by 6.5%. According to the decline in production in the first half of the year it is likely to fall on its 6.2% in comparison with the previous year.

State budget (SB) deficit at the end of June this year (2009) was 1.1 billion Euros and exceeded the yearly plan. It was larger eight times in comparison to the same period the previous year.

Revenues of SB were in the first half of 2009 lower by 11.2% than in the first six months in 2008 and they accounted only 35.1% of projected annual revenues. The collected taxes were about 1 / 3 less than in the last year, which represents only 31.5% of annual assumption. By contrast, spending in the first six months of this year rose by 7.4%, which represents a 40.4% of annual budget.

Increased unemployment is the consequence of declined production. The number of unemployed rose from 234 thousand in September 2008 to 280 thousand at the end of April 2009. Registered unemployment rate at employment offices reached 11.8%. Further increase in unemployment is expected, however slower, and the unemployment rate would be the end of the year (2009) between 12 to 13 percent. The number of unemployed could rise to up to three hundred thousand. Economic crisis will not select. It affects the economy as a whole and also each of its regions, irrespective of whether the region is richer or poorer. Slovakia is affected the whole, including richer western Slovakia or the poorer middle and eastern Slovakia.

But it is quite logical that the impact of economic crisis has a larger influence on poorer regions, which has painful consequences. For the region, where high unemployment was the economic crisis even before, closure of a single larger company, which they have, do not improve but worsen living conditions for residents.

Global economic crisis has a strong impact on the business firms irrespective of the region. According to surveys, it affects big business more visible and they are largely owned by foreign capital. Today (2009), most of these firms are mainly concentrated on survival. This does not mean that small and medium enterprises, respectively businesses where the owners are domestic businesses, are immune to the economic crisis. Small and medium enterprises compared to large are more flexible, and they can adapt more aroused crisis conditions.

Because of the economic crisis several businesses released workers. Virtually all automobile companies and their associated plants for components for carmakers reduce staff numbers. Many foreign companies has left the Slovak market because of its search of operation at lower production costs and in labor¹³. According to Slovak Press Agency - SITA about 300 companies left from Slovakia, respectively released part of employees, or used other forms for the reduction of its production, such as shift reduction, reduction in working time. The growth of unemployment due to economic crisis affects each region. In all regions, unemployment has increased.

¹³ The adoption of the euro in Slovakia as the EU's single currency, became more expensive in our workforce in comparison with neighboring countries.

Search more advantageous conditions for the operation, particularly through lower production costs, it is quite natural and logical phenomenon for firms during the economic crisis. Firms should not only look for more favorable conditions with lower production costs, but lower production costs alone would be caused for example by new efficient technologies, more efficient form of organization,

Originally we wanted to put in the paper and calculate how the economic crisis has manifested in various regions, particularly in terms of reducing employment and increasing unemployment. We asked the individual VUC to provide us with information on this issue. Unfortunately, we did not meet with understanding¹⁴.

According to the growth of unemployment, the most affected regions are Banská Bystrica region, Prešov region and Košice region. They have also had the highest rates of unemployment until now and economic crisis will further increase them. Unemployment has also increased in other regions.

The problem in the labor market is not only in reducing jobs but also in the fact that the structure of vacancies is completely different from the structure of people - workers who are applying for a job.

Serious problem in our unemployment is that especially in the regions of central and eastern Slovakia, the majority of the unemployed are long-term unemployed. Around 75% of people do not work more than for two years (mainly Roma). Those who do not work for years are unable to work, even though the economic situation improves and the economic crisis passes.

Conclusion

Economic crisis is an economic phenomenon inherent in market economy based on to capital relations. As an economic phenomenon it has its social implications for all social groups and all spheres of social activity. It expresses the discrepancy between the relatively unlimited trends in growth of production and the possibilities of realizing this growth through the needs and purchasing power of households. The economic crisis is also a form of conflict resolution, which is also its consequence. This contradiction is not only national but also global economy in the world economy. It brings the decrease in production and thus a decrease in GDP, it reduces employment and increases unemployment, reduces wages and household incomes, but also the profits of entrepreneurs.

For any market economy, the economic crisis is also inspiration for its own recovery. Healing process is a way out of crisis and a creation of more rational and efficient way for a new economic growth, better than it was in the previous period, of which the crisis occurred. Creating the conditions for economic recovery must not be neglected or slowed.

For our economy as a whole and its regions, it namely means to create a new perspective on the development of our economy. One of them is fact, that it is necessary to consider the implementation of structure of production based on the satisfaction of domestic needs and our consumption as well as our export orientation. Too high openness of the economy and the vulnerability of production for domestic consumption may not always be the best solution.

¹⁴ The data we have available are incomplete and could distort the situation. Also a list of companies that have already departed from Slovakia or are planning to leave is incomplete and therefore not listed here.

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