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Obsah Contents

THE PERCEPTION OF IMPORTANT ASPECTS OF PERSONNEL MANAGEMENT IN SMEs

Jaroslav BELAS, Jr., Zoltan ROZSA, Zdenko METZKER

Abstract

Small and medium-sized enterprises (SMEs) are generally considered to be a flexible, efficient and progressive part of the economic system worldwide. Personnel management is an integral part of every business. Its importance lies in the systemic management of human resources, which should ensure a comprehensive and effective management of human capital in the company. In SMEs, personnel management is usually performed by an individual or a smaller group of people. Therefore, on the one hand, this activity is significantly easier for this segment compared to larger companies. On the other hand, it can be assumed that in the managerial practice of SMEs there are no sophisticated approaches to personnel management, which represents certain limits and limitations in personnel work. The aim of the article is to present and quantify important factors of personnel management in the SME segment. Part of the set goal is to compare the approach of entrepreneurs according to the size of the company, the education of entrepreneurs and the age of the entrepreneur / manager. Following the stated goal of the research, empirical research was carried out in Slovakia through an online questionnaire on a sample of 250 respondents. Statistical hypotheses were verified using descriptive statistics methods (percentages) and Pearson statistics (chi square and Z-score). Empirical research has yielded some interesting findings. A large part of entrepreneurs confirmed that they apply a participatory management style in the management of the company, which can be perceived as a positive trend. It is also possible to perceive positively the situation that a large part of entrepreneurs appreciated the importance of human capital for the company. SMEs regularly evaluate the performance of employees and motivate them to innovate their work practices. On the other hand, we found that the attitude of SMEs to understand and apply CSR is not correct and probably many of these companies do not understand the importance of CSR for society.

Key words:
Small and medium sized Enterprises, Personal Management, Slovak SMEs

JEL Classification: L26, J24, M12, O15 https://doi.org/10.52665/ser20210201

INTRODUCTION

Small and medium-sized enterprises (SMEs) are generally considered to be a flexible, efficient, and progressive part of the economic system worldwide (Zuzek and Zvirbule, 2018). Compared to large companies, SMEs are quite sensitive to changes in the business environment, they have several specific aspects that determine their approach to corporate management as a whole and are also reflected in the process of human resource management in the company, respectively in the field of business risk management (Psychogios et al., 2016). In this context, e.g., Zuzek and Zvirbule (2018) emphasize the following factors: the dominant role of the owner in the management of the company, dynamics, flexibility and openness of the business model and rapid response to changes in the environment and the ability to respond quickly to internal problems (close contact with employees).

Personnel management is an integral part of every business. Its importance lies in the systemic management of human resources, which should ensure a comprehensive and effective management of human capital in the company.

In SMEs, personnel management is usually performed by an individual or a smaller group of people. Therefore, on the one hand, this activity is significantly easier for this segment compared to larger companies. On the other hand, it can be assumed that in the managerial practice of SMEs there are no sophisticated approaches to personnel management, which represents certain limits and limitations in personnel work.

The originality and excellence of this research lies in the fact that we surveyed the attitudes of entrepreneurs in the SME segment in Slovakia. As part of this research, we addressed a significant sample of respondents, thanks to which we obtained relevant data.

The structure of our paper is as follows. In the theoretical part, the views of other researchers in the field are presented and subsequently the scientific gap is defined. The next part the research goal, methodology and description of empirical data. Then we deal with the results and a short discussion on them. The final part of the article summarizes the results of research in an integrated form, the limits of research and the focus of further research.

Theoretical part

The basic pillar of every company are its people and company management. In this context, Ivanová et al. (2014) emphasize that "the effective operation of any company is based on the optimal use of material, financial and human resources. The result of the company's activities depends on the quality, structure and level of human resources in the production process."

The term human capital is often used in international literature. According to Alay and Jeppe (2013), human capital is a store of knowledge and skills contained in the workforce that is the result of education and work and gives the workforce its value. Human capital is one of the key factors for SMEs' sustainability and growth (El Shoubaki et al., 2019; Kot et al., 2018). Companies with employees, who develop their knowledge and skills, have higher growth and profitability than organizations in which employees lack these qualities (Gomezelj and Antonič, 2015). Irwin et al. (2018) describes this feature as a competitive advantage for the company. Synek et al. (2006) state in this context that, in contrast to the concept of the so-called "Human resource management", which was typical of the 1990s, the concept of "human capital" emphasizes more the active role and renewable nature of human capital as the most valuable part of "intellectual capital". It represents the ownership of knowledge, applied experience, organizational technology, the quality of the customer relationship and the expertise of employees.

Personnel management is defined the most as an activity with focused attention on the company's human resources. The main goal is to fulfil the dreams and ideas of the company, to achieve success and competitive advantage by means of good placement of capable and skilled employees in strategic places for the organization. The organization is a separate economic system that constantly affects not only the internal but also the external environment of the organization.

The basic characteristics of personnel management include unification of strategic personnel management with the strategy of the organization, personnel management is connected with the organizational culture of the company and thus affect the process of acquiring dedicated employees (Kachaňáková et al., 2011).

The basic tasks of personnel management in the organization include ensuring the appropriate number of employees to meet the goals of the organization - employees should have the required education and qualifications to perform the position. Personnel management must also consider the factor of job variability when selecting. Align the behaviour of employees with the strategic goals of the organization - in the effective functioning of employees is a prerequisite for their better education and thus the creation of opportunities to make better use of their work skills (Kachaňáková et al., 2011).

Fulfilling these tasks requires the use of various activities, which we refer to as personnel activities. They have the task of fulfilling the content of personnel management itself.

Synek et al. (2006) state that personnel work is carried out in the company through activities provided by the personnel department and in a certain organizational structure, which is determined by the organizational structure of the company, the size and structure of human resources.

In this context, Heilmann et al. (2018) point out that large companies can usually ask for human resources experts in HRM (Human Resouces Management) problems of the company, while in SMEs HRM tasks are usually performed by business owners or potential managers who do not specialize in HRM.

(Psychogios et al., 2016). According to Heilmann et al. (2018) Small business managers are rarely formally trained in the implementation of HRM procedures, and companies do not have developed HRM structures, formal HRM policies, or related programs. At the same time, the authors emphasize the need for agile and innovative human resource management practices that seem to be based on the own cultural needs of SMEs and are supported in companies brave enough to do things their own way.

Increasing the contribution of human resources in the field of efficiency of individual organizations is a very challenging task. Personnel management also has an impact on the performance and success of the organization.

Nowadays organizations are realizing that it is employees and their potential, perceived in organizations as human capital, that is a crucial variable for its performance, competitiveness and future (Stachova et al., 2020; Smolarek and Sułkowski, Ł., 2020). In this context, the fact that they state in their survey is interesting, namely that only about half of the respondents involved (SMEs in Slovakia) had a strategic concept of human resources management in the form of a normative document.

Majtan et al. (2016) emphasize the importance of applying a participatory leadership style in the company, which is characterized by mutual communication between stakeholders, in the management process the manager consults with subordinate employees, considers their views on management, and allows them to participate in the management process.

Corporate Social Responsibility (CSR) plays an important role in the context of personnel management. CSR follows from the concept of sustainable development, according to which not only economic but also social and environmental aspects are important in economic development (Zuzek and Zvirbule, 2018).

Zuzek and Zvirbule (2018) draw attention to the fact that most studies on CSR focus mainly on large companies, while the importance of applying CSR in the SME environment is very important (similarly other authors, eg. Haque et al., 2020; Baumann-Pauly et al., 2013). The authors also present some benefits for socially responsible companies: improving the company's image, creating new business opportunities (new markets, innovations, better technical solutions, etc.), increasing the attractiveness of the company as an employer (socially responsible business takes care of employee development), increasing work efficiency through the improvement and rationalization of processes, the synergistic effect in society and in the environment as a result of intensive communication within society and with different social groups.

Ahmed and Streimikiene, D. (2021) emphasize the importance of solving problems related to the environment. According to the authors, on the one hand, green innovation plans are only used if organizations believe that they will pay off in terms of profitability. On the other hand, they present the belief that CSR is a good way to enterprise to maintain its value, conduct, and accountability based on its needs' expectations of external and internal stakeholders. CSR plays a key role in improving a company's competitiveness.

According Marakova et al. (2021) „The competitive advantage of enterprises in the conditions of market economy is not generated merely by ensuring high quality products and services. Therefore, in their strategies, they need to involve elements such as corporate social responsibility." According to them, CSR must be linked to the regular activities of the company and the profile of its activities in order to improve its image and reputation, which in turn increase customer satisfaction and profits. CSR also facilitates access to external capital, reduces the cost of working with partners, improves the potential to attract the best employees, reduces business risk and increases stability and development opportunities.

CSRs significantly affect employee loyalty, and thus greater employee commitment to the company. Finally, the findings suggest that the greater the employee's loyalty, the greater the company's performance, and competitiveness (Stojanovic, et al., 2020).

Paper´s objective, methodology and data

The aim of our research article is to present and quantify important factors of personnel management in the SME segment. Part of the set goal is to compare the approach of entrepreneurs according to the size of the company, the

education of entrepreneurs and the age of the entrepreneur / manager.

Following the stated goal of the research, empirical research was carried out in Slovakia through an online questionnaire. Data collection took place from September 2020 to January 2021 through an online questionnaire published on the survio.com website. We randomly selected 10,100 SMEs in Slovakia. The "Cribis" database in the Slovak Republic was used to define the basic set of respondents and then address them. We contacted selected SMEs by e-mail with a request to fill in a published questionnaire. The average rate of return for the questionnaires was as follows: 2.52%. The questionnaire could be completed by the owner or top manager of the small and medium-sized enterprise (hereinafter referred to as the "respondent").

The total number of respondents was 255, of which 76% were owners and 24% were managers (hereinafter referred to as entrepreneurs). The largest share of respondents in terms of their legal form were limited liability companies 76.86% (N = 196). In terms of the business sector, these were mainly companies providing services 60.78% (N = 155). Most companies carried out their activities in the Bratislava Region 24.71% (N = 63).

The structure of the sample of respondents is as follows: company size: 61% of micro-enterprises, 24% of small enterprises and 15% of medium-sized enterprises; Entrepreneurship education: 4% stated secondary education without a graduation exam (GCSE), 22% stated secondary education with a GCSE, 4% stated a university degree of the 1st degree, 63% stated a university education of the 2nd degree and 9% stated a university education of the 3rd degree.

Based on theoretical knowledge and the results of discussions with selected entrepreneurs operating in the SME segment, the following statistical hypotheses were formulated:

H1: There are statistically significant differences in the overall structure of responses in the T1 evaluation*: I apply a participatory management style (when making decisions, I take into account the views of colleagues and employees)* based on:

H1A: size of enterprise

H1B: education of manager / business owner

H1C: age of manager / business owner

H2: There are statistically significant differences in the overall structure of responses in the evaluation of *T2: I consider people in the company to be the most important capital* based on:

H2A: size of enterprise

H2B: education of manager/business owner

H2C: age of manager / business owner

H3: There are statistically significant differences in the overall structure of responses in the *T3 evaluation: The owner (manager) should regularly evaluate the performance of his subordinates and motivate them to innovate work practices* based on:

H3A: size of enterprise

H3B: education of manager/business owner

H3C: age of manager / business owner

H4: There are statistically significant differences in the overall structure of responses in the *T4 evaluation: CSR allows our company to obtain satisfied, loyal and motivated employees* based on:

H4A: size of enterprise

H4B: education of manager / business owner

H4C: age of manager / business owner

Within the established hypotheses, we will also compare statistically significant differences in the positive answers of respondents. Statistical

hypotheses were verified using descriptive statistics methods (percentages) and Pearson statistics (chi square and Z-score). This method makes it possible to quantify statistically significant differences within defined sets of respondents. According to Řezánek (2007), the description of the Chi - square of the goodness - of - fit test is approached as follows. We test the hypothesis H0: $\pi_i = \pi_i$, 0, where i = 1, 2, ..., K (K is the number of categories) and $\sum\pi_i$, 0 = 1, against the alternative hypothesis H1: H0 does not hold. If the constants π_i, 0 are equal, then we can express the null hypothesis as H0: $\pi_1 = \pi_2 = ... = \pi_k$. For $n\pi_i$, 0 ≥ 5, the chi-square statistic given by the relation is used

$$\chi^2 = \sum_{i=1}^{K} \frac{\left(ni - n\pi i, 0\right)\mathbf{2}}{n\pi i, \mathbf{0}}$$

,

where $n\pi_{i,0}$ is the theoretical (expected) occupation of the i-category in the selection of range n. Assuming that the hypothesis H0, chi-square, has a distribution with (K - 1) degrees of freedom, ie. χ^2 χ^2 [k - 1]. Therefore, we compare the calculated value of the mentioned test criterion χ^2 with the quantile [K - 1].

We calculated the p value of chi square as follows. In the statistical software SAS JMP version 16.0, we compiled contingency tables, calculated the value of the chi-square distribution (χ^2) for the statistics and the corresponding degrees of freedom, and then determined whether or not the probability that the deviation of the observed values was due to chance. To verify the chosen hypothesis, we compared the found value of probability with the selected level of significance α = 0.05 as the lowest critical limit of probability with which we reject the null hypothesis.

We used z-test for two-way proportional comparison of incidence. We calculated the Z-score value in MS Excel Microsoft 365 software. Using a web calculator, the value of Z-score to p-value (two-sided) was converted by comparing it with the selected level of significance α = 0.05, decided to confirm or reject the selected hypothesis (Zero hypothesis (H0) for the test is that the proportions are the same. An alternative hypothesis (H1) is that the proportions are not the same).

Results and discussion

In the following tables the results of empirical research and their statistical processing are presented.

Table 1: I apply a participatory management style (when taking decisions, I take into account the views of colleagues and employees)

T1		**A**		**B**		**C**			
	SK TOTAL	Micro enterprise	SME	High school	University	Age 45-	Age 45+	**Z-score A**	**p-value A**
1. Total. agree	84	43	41,00	15	69	28	56	-1,73	0,08
2. Agree	127	81	46,00	30	97	37	90	**Z-score B**	**p-value B**
1+2 TOTAL	211	124	87,00	45	166	65	146	-2,13	***0,03***
1+2TOTAL%	82,75	79,49	87,88	73,77	85,57	78,31	84,88	**Z-score C**	**p-value C**
3. disinterested	34	24	10,00	13	21	15	19	-1,30	0,19
4. disagree	9	7	2,00	3	6	2	7		
5.total. disagree	1	1	0,00	0	1	1	0		
TOTAL	255	156	99	61	194	83	172		
Chi-square		6,84		6,28		5,28			
p-value		0,14		0,18		0,26			

Source: own data collection

82.75% of respondents agreed with the T1 statement, 13.33% did not agree and 3.92% of respondents disagreed with this opinion. These results need to be seen as positive. The share of respondents who agreed with the T1 statement: I apply a participatory management style (I take into account the opinions of colleagues and employees when making decisions), ranging from 73.77% (secondary education) to 87.88% (small and medium-sized enterprises). The research results point to the fact that there are no statistically significant differences in the overall structure of respondents' responses in all variables examined based on: size of education company, manager / business owner, age of manager / business owner. Chi-square P-values: 0.14 / 0.18 / 0.26. The P-value of the Z-score (0.03) showed that there are statistically significant differences in the positive attitudes of the respondents of their education. University-educated respondents significantly agreed with the T1 statement (85.57% / 73.77%).

H1A unconfirmed.

H1B partially confirmed.

H1C unconfirmed.

Table 2: I consider the people in the company to be the most important capital.

T2		**A**		**B**		**C**			
	SK TOTAL	Micro enterprise	SME	High school	University	Age 45-	Age 45+	**Z-score A**	**p-value A**
1. total. agree	149	86	63	31	118	47	102	-0,41	0,68
2. agree	75	50	25	20	55	25	50	**Z- score B**	**p-value B**
1+2 total	224	136	88	51	173	72	152	-1,16	0,25
1+2 total %	87,84	87,18	88,89	83,61	89,18	86,75	88,37	**Z- score C**	**p-value C**
3. disinterested	30	19	11	9	21	10	20	-0,37	0,71
4. disagree	0	0	0	0	0	0	0		
5.total. disagree	1	1	0	1	0	1	0,00		
TOTAL	255	156	99	61	194	83	172		
Chi-square		2,40		4,90		2,17			
p-value		0,49		0,18		0,54			

Source: own data collection

87.84% of respondents agreed with the T2 statement, 11.76% did not agree and 0.39% of respondents did not agree with this opinion. These results need to be seen as positive. The share of respondents who agreed with the T2 statement: I consider people in the company to be the most important capital, ranging from 83.61% (secondary education) to 89.18% (higher education). The research results point to the fact that there are no statistically significant differences in the overall structure of respondents' responses in all variables examined (examination based on: company size, manager's / owner's education, manager's / owner's age). P-value of chi-square: 0.49 / 0.18 / 0.54. The P value of the Z-score (0.68 / 0.25 / 0.71) indicates that the differences in positive attitudes to the T2 statement are not statistically significant. Based on the above, it can be confirmed that there are no statistically significant differences in the structure of positive answers in the evaluation of T2: I consider people in the company as the most important capital based on: size of company, education of manager / business owner, age of manager / business owner.

H2A unconfirmed.

H2B unconfirmed.

H2C unconfirmed.

Table 3: The owner (manager) should regularly evaluate the performance of his subordinates and motivate them to innovate work practices.

T3		**A**		**B**		**C**			
	SK TOTAL	Micro enterprise	SME	High school	University	Age 45-	Age 45+	**Z- score A**	**p-score A**
1. total. agree	120	54	50	24	96	33	83	-3,81	***0,0001***
2. agree	105	50	37	29	76	33	72	**Z-score B**	**p-value B**
1+2 total	225	104	87	53	172	66	155	-0,38	0,71
1+2 total %	88,24	66,67	87,88	86,89	88,66	79,52	90,12	**Z- score C**	**p-value C**
3. disinterested	27	30	7	6	21	10	17	-2,33	***0,020***
4. disagree	2	2	4	1	1	2	0		
5. total. disagree	1	20	1	1	0	5	0		
TOTAL	255	156	99	61	194,00	83	172		
Chi-square		22,30		5,77		6,69			
p-value		***0,0001***		0,22		***0,003***			

Source: own data collection

88.24% of respondents agreed with the T3 statement, 10.59% did not agree and 1.18% of respondents did not agree with this opinion. These results need to be seen as positive. The proportion of respondents who agreed with the T3 statement: The owner (manager) should regularly evaluate the performance of his subordinates and motivate them to innovate work procedures, ranging from 66.67% (micro-enterprise) to 90.12% (> 45 years). The research results point to the fact that there are statistically significant differences in the overall structure of respondents' responses in case A: company size (χ^2= 22.30; p = 0.0001) and C: age of manager / business owner (χ^2 = 6.69; p = 0.003). The P value of the Z-score indicates that the differences in positive attitudes to the T2 statement are statistically significant (A: company size: p-value 0.001 and C: manager's / owner's age: p-value 0.020).

H3A confirmed.

H3B unconfirmed.

H3C confirmed.

35.69% of respondents agreed with the T4 statement, 50.20% did not take a position and 14.12% of respondents disagreed with this opinion. These results cannot be perceived as positive. The share of respondents who agreed with the T4: CSR statement enables our company to acquire satisfied, loyal and motivated employees, ranging from 31.15% (secondary education) to 39.39% (SMEs). The research results point to the fact that there are no statistically significant differences in the overall structure of respondents' responses in all variables examined. The P value of the Z-score indicates that the differences in attitudes to the T4 statement are not statistically significant. Based on the above, it can be confirmed that there are no statistically significant differences in the structure of positive answers in the evaluation of T4: CSR allows our company to obtain satisfied, loyal and motivated employees based on: company size, manager's / owner's education, manager's / owner's age.

Table 4.: CSR enables our company to acquire satisfied, loyal and motivated employees.

T4		A		B		C			
	SK TOTAL	Micro enterprise	SME	High school	University	Age 45-	Age 45+	**Z- score A**	**p-value A**
1.Total. agree	18	11	7	1	17	7	11	-0,98	0,32
2. Agree	73	41	32	18	55	22	51	**Z- score B**	**p-value B**
1+2 total	91	52	39	19	72	29	62	-0,85	0,40
1+2 total %	35,69	33,33	39,39	31,15	37,11	34,94	36,05	**Z-score C**	**p-value C**
3. disinterested	128	80	48	31	97	44	84	-0,17	0,86
4. disagree	28	19	9	7	21	7	21		
5. total. disagree	8	5	3	4	4	3	5		
TOTAL	255	156	99	61	194	83	172		
Chi-square		1,40		6,37		1,53			
p-value		0,84		0,17		0,82			

Source: Own data collection

35.69% of respondents agreed with the T4 statement, 50.20% did not take a position and 14.12% of respondents disagreed with this opinion. These results cannot be perceived as positive. The share of respondents who agreed with the T4: CSR statement enables our company to acquire satisfied, loyal and motivated employees, ranging from 31.15% (secondary education) to 39.39% (SMEs). The research results point to the fact that there are no statistically significant differences in the overall structure of respondents' responses in all variables examined. The P value of the Z-score indicates that the differences in attitudes to the T4 statement are not statistically significant. Based on the above, it can be confirmed that there are no statistically significant differences in the structure of positive answers in the evaluation of T4: CSR allows our company to obtain satisfied, loyal and motivated employees based on: company size, manager's / owner's education, manager's / owner's age.

H4A unconfirmed.

H4B unconfirmed.

H4C unconfirmed.

In our research, up to 83% of respondents confirmed that they apply a participatory management style in the management of the company, which means that these entrepreneurs / managers take into account the opinions of their colleagues and employees when making decisions. This trend can be described as positive, as other research also confirms the effectiveness of this approach in leading people. According to Majtan et al. (2016) it is the participatory approach to employee management that brings the best results. Up to 88% of the respondents consider the people in the company to be the most important capital, which is a relatively high number, and this trend can also be described as positive. The importance of human capital in a company is emphasized by many authors, because companies that increase the knowledge and skills of staff generally have higher growth and profitability, which means that strengthening human capital is a competitive advantage for them (Gomezelj and Antonič, 2015; Irwin et al., 2018). Based on this research, it is possible to present the opinion that SMEs regularly evaluate the performance of their employees and motivate them to innovate work processes. This trend was confirmed by up to 88% of respondents. Respondents' attitudes towards the T4 statement

are not very optimistic, only 36% of them agreed with the statement that CSR enables our company to acquire satisfied, loyal and motivated employees.

In general, it can be assumed that if the company is identified with the principles of the CSR concept, it should pay considerable attention to the satisfaction of its employees, and it can also be assumed that satisfied employees will be loyal and motivated. Horbulák (2015) states that at the social level the company should focus on the health and safety of employees, the quality of employment policy, care for education and retraining of employees, it should also employ people with poorer employment opportunities. Interesting results are presented by Stachova et al. (2020), who carried out continuous research in the field of personnel management in Slovakia in the years 2016 to 2019. In the analysed years, 66 - 85.4% of organizations declared the existence of a human resources management department or personnel department or at least HR manager. The survey also showed that more than half of Slovak companies have a person in top management responsible for human resources management, and this level was reached in the fourth year of the analysis and remained there until last year. At present, it can be stated that this ratio has stabilized at around 55%. Is it little or much?

Conclusion

The aim of our paper was to evaluate the current situation in the field of personnel management in the SME segment. As SMEs play an important role in the national economy of each country, we focused on personnel management and personnel risk management options. Small and medium-sized enterprises are increasingly a popular type of business and make a significant contribution to job creation, thus contributing to the country's economic growth. Significant factors of personnel management in the area of personnel risks in a given segment were defined. We quantified the importance of defined factors in the researched area and compared personnel management in the field of personnel risk management in terms of company size, education and age of the entrepreneur.

Empirical research has yielded some interesting findings. A large part of entrepreneurs confirmed that they apply a participatory management style in the management of the company, which can be perceived as a positive trend. It is also possible to perceive positively the situation that a large part of entrepreneurs appreciated the importance of human capital for the company. SMEs regularly evaluate the performance of their employees and motivate them to innovate their work practices. On the other hand, we found that the attitude of SMEs to understand and apply CSR is not correct and probably many of these companies do not understand the importance of CSR for society.

In the context of this research, certain limits can be defined, which can be seen in a limited, albeit representative, sample of respondents, resp. in the timing of research for the favourable phase of the economic cycle. At the same time, the research results show that the issue of personnel management in the context of the application of CSR policy can be an interesting area of research.

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TOWARDS A STRONGER SOCIAL ECONOMY IN LATVIA – PRACTICAL RECOMMENDATIONS FOR CLOSING INFORMATIONAL GAPS AND DRIVING SOCIAL ECONOMY

Kristīne CASNO, Daina ŠĶILTERE, Biruta SLOKA

Abstract
Social entrepreneurship has turned into a global movement hoping to fight various social and economic problems. Social enterprises combine a social mission with economic activities and often achieve their social impact and economic goals with limited resources, therefore an understanding of effective utilization of finances allocated for marketing purposes is extremely valuable but scarce. Social enterprises are also becoming increasingly recognized and researched in Latvia, however, marketing aspects have not been analyzed much and therefore are significant for enhancement of social economy in Latvia. The purpose of the research is to further investigate the most effective informational strategies for closing the informational gaps about social economy within Latvian society that were identified previously. Research methods used: analysis of scientific publications and previously conducted research and analysis of survey results conducted by Kristīne Casno. Research results indicate that the previously identified top three most preferred information channels (social networks, television and radio respectively) are equally effective for informing consumers with both low and high awareness levels of social economy in Latvia, except for a few nuances that are identified by Authors.

Key words:
Social enterprise, social economy, information channels, social entrepreneurship, survey

JEL Classification*:* M14; M31; M38 https://doi.org/10.52665/ser20210202

Introduction

The significant role social enterprises play in tackling various social and economic problems across the world is recognized by governments, researchers and consumers who choose to buy products that deliver social impact. Social enterprises often operate in unfavorable conditions characterized by low competitiveness, insufficient support from authorities and limited resources. While there is a wealth of research conducted regarding various aspects of social entrepreneurship, research concerning marketing, which may provide practical hands-on knowledge for social enterprises and assist in their decision-making processes, is relatively scarce on a global scale, including Latvia. Therefore, the purpose of this research is to investigate the most effective informational channels that could be used by both social enterprises as well as social economy support organizations and institutions to fill previously identified information gaps about social economy in Latvia. Tasks of research are to analyze recent research findings on social entrepreneurship globally and also in Latvia and further elaborate and research the information channel preferences among respondents with below average awareness levels about social enterprises in Latvia, including respondents living in Riga and Zemgale, respondents of age groups 16-25 and 26-35, respondents of male gender and respondents with secondary education. Research methods: scientific publications and previous conducted research results analysis, survey of current customers in social enterprises carried out by Kristīne Casno. For survey data analysis there are applied indicators of descriptive statistics: indicators of central tendency or location (arithmetic mean, mode, median), indicators of dispersion (variance, standard deviation, range and standard error of mean), testing of statistical hypotheses using t – tests.

Literature Overview

Social enterprises today are appreciated and acknowledged as powerful social and economic change agents across the world (Nicholls, 2006, p. 3). In addition to brining

solutions to various economic and social problems, social enterprises are also praised for their potential in delivering sustainable regional development (Blagoycheva, 2019, p. 489-493; Dobele, 2013, p. 23), innovative solutions (Monroe-White, Zook 2018, p. 499; Tkazc, 2016, p. 22), providing support to the welfare state (Baglioni, 2017, p. 2329). Research by Calò et al indicates that social enterprises, given appropriate long-term funding, have the potential to perform similar to public health care providers or even surpass them on several aspects (Calò et al, 2019, p.160). Social enterprises are appreciated not only for their ability to provide the aforementioned services directly, but also for their positive effect on health of society via social determinants of health such as developing a sense of ownership and control, improving the conditions of the physical and social environment and providing meaningful employment (Macaulay et al, 2018, p.211). Social entrepreneurship is also highly regarded as a potentially effective approach in delivery of sexual health services as donations for sexual health programmes are declining (Tucker et al, 2012, p. 1-6). Seibel also argues that social entrepreneurship practice can also be successfully applied to improve the lives of formerly incarcerated women (Seibel, 2019, p. 16-27).

The global reach and popularity of social enterprise movement is evidenced by *Global Entrepreneurship Monitor: Special Report on Social Entrepreneurship* (Bosma, et al, 2016, p. 1-44) and also reflected by numerous courses offered by universities worldwide as well as by activities of a number of research centres dedicated to social entrepreneurship both in Europe and North America (Nicholls, 2006, p.8) that are actively further exploring the topic of social entrepreneurship and helping social enterprises excel at what they do. Researchers have yet to agree upon an all-inclusive and clear definition of a social enterprise (Dacin et al, 2010, p.39-41; Young, Lecy, 2014, p.1308-1309; Goncalves et al, 2016, p. 1589-1592; Powell, Osborne, 2014, p.26; Defourny, Nyssens, 2017, p. 2471), because in reality the understanding of what a social enterprise is often differs from country to country to due to cultural, political and economic factors (Kerlin, 2010, p.166-167). Nicholls argues that a social enterprise is defined primarily by a strategic and central focus on social impact combined with economic activity (Nicholls, 2006, p.13) and so far there is no disagreement among researchers regarding this aspect of a social enterprise (Young, Lecy, 2014, p. 1309).

The success of the field of social entrepreneurship has attracted attention of scholars around the world. Researchers continue to investigate various aspects of social enterprises – the concept of social enterprise itself (Young, Lecy, 2014, p.1319-1322; Kerlin, 2010, p.166), social enterprise typology (Defourny, Niesens, 2017, p. 2473-2489; Līcīte, 2018 b, p.181-184; Saebi, 2019, p.76), innovation generated by social enterprises (Monroe-White, Zook, 2018) etc. The role of social entrepreneurship in provision of healthcare and social services is especially highly regarded in United Kingdom where a large number of research studies have looked at various aspects of social enterprise operation within the healthcare system (Calò et al, 2018, p. 1790-1814). Another focus of research concerns ability of social enterprises to acquire funding (Castellas et al, 2018, p.130-155). Access to capital is one of the main obstacles inhibiting growth of social economy (Castellas et al, 2018, p. 130) which successful social enterprises today are well able to overcome (Goncalves et al, 2016, p.1587). Research by Castellas et al indicates that even in the mature Australian social economy, impact investment sector prioritizes financial returns over social impact and does not fully serve the needs of social enterprises, especially at the early stages of operation. Consequently, Castellas et al suggest that investment logic based on primarily financial considerations may affect Australian social economy landscape by allowing only a certain type of social enterprises to survive in the long- term (Castellas et al, 2018, p.132-152). While the overall amount of research accumulated about social enterprises is impressive, the research concerning marketing aspects of social enterprises which, in practice, would be among the most useful topics with practical application for social enterprises, is comparatively scarce (Mitchell et al, 2015, p. 288- 290).

European Union, with 2 million social economy organizations fully recognizes the significant role social enterprises play in furthering the economies and contributing to the social services schemes of its member countries by offering various support programmes and

developing various legal aspects to enhance the competitiveness of social economy (European, 2020). In the developed countries social enterprises are enjoying strong support from governments contrary to the less-developed countries where social enterprise movement is propelled by society as a reaction to a variety of needs that are not provided by the public sector (Tkacz, 2016, p. 25). While the United Kingdom has achieved what can be characterized as "the most developed institutional support structure for social enterprise in the world" (Calò et al, 2018, p. 1792), in Latvia the social economy sector historically has been driven by societal need and is only at the early stages of development yet, although considerable achievements have been made.

While the concept of social entrepreneurship in Latvia is known since approximately 2009, roots of early social entrepreneurship in Latvia, reflected by activities of various associations and social movements oriented towards promotion of education, culture and national identity, go back as far as the middle of 19th century (Līcīte, 2018 a, p. 16-23). The much awaited Law of Social Enterprise came into force on the 1st of April, 2018 (Saeima, 2017), marking a turning-point in the history of social economy sector in Latvia and brining to a close the active work on legal aspects of social entrepreneurship, prompted by European Union policies, since 2014 (Līcīte, 2018 a, p. 30). While de-facto social enterprises had the opportunity to gain the official status of a social enterprise, many existing de-facto social enterprises, evaluating the benefits and risks of changing the organizational form to a limited liability company, chose not to do so (Līcīte, 2018 a, p. 23). The number of social enterprises who have gained the official status of a social enterprise is steadily growing and has reached 100 active social enterprises (Register, 2020), compared to 79 at the end of November, 2019 (Casno, Šķiltere, Sloka, 2020 c, in print), majority of them being new social enterprises which is a positive trend that confirms the recognition of the importance of social economy within Latvian society. Overall, social enterprises in Latvia operate across different sectors, but work-integration enterprises, focusing on development of design products, are most popular (Līcīte, 2018 b, p. 182; Register, 2020).

Since not all social enterprises have gained the official status of a social enterprise, it is difficult to assess the size of social economy in Latvia. It is estimated that in fact there are about 200 social enterprises in Latvia, majority of them located in Riga, generating turnover of 2000 EUR to 2 million EUR annually depending on the sphere they operate in (Līcīte, 2018 a, p. 41-43). L. Līcīte proposes to classify social enterprises in Latvia in four key categories based on two factors – the initiative (either public or private) and intensity of support instruments (lower or higher) – i.e. the self-initiative model, the company-initiated development model, municipality participation model and government participation model (Līcīte, 2018 b, p. 183-185).

Overall, research conducted in Latvia regarding social entrepreneurship mostly concerns various economic aspects (Līcīte, 2018 b, p. 180). Economic gains that social enterprises can potentially bring to the economy have been calculated (Dobele, Dobele, 2014, p. 30-39). Attention has been also paid to evaluation of competitiveness of social enterprises which has been established as low (Dobele, Pietere, 2015, p. 48-49), the role of local governments as a support instrument for social enterprises (Lis et al, 2017, p.1-55) and theoretical models of social enterprises in Latvia (Līcīte, 2018 b, p.180-186). Researchers agree that among other obstacles, lack of marketing skills are deficient in Latvian social enterprises (Lis et al, 2017, p.9; Līcīte, 2018 b, p. 182; Līcīte, 2018 a, p.49), therefore Casno, Šķiltere, Sloka have focused on various aspects of this important topic of research recently (Casno, Šķiltere, Sloka, 2019, a, b; Casno, Šķilere, Sloka, 2020).

In Latvia Casno, Šķiltere, Sloka have found that consumers of social enterprises are, on average, most motivated to make socially responsible purchases by such factors as product or service quality, social impact and convenience of the shopping location but the factors that have the most influence on the number of repeat purchases are pleasant atmosphere and friendly service (Casno, Šķiltere, Sloka, 2019 a, p.97). While among information channels that are most preferred by consumers of social enterprise products or services in Latvia are social networks, followed by television and radio, communication via e-mail was found to have a significant potential in generation of repeat purchases

(Casno, Šķiltere, Sloka, 2019 b, p. 24-25). While the research of L. Dobele from 2015 indicated low overall awareness of social entrepreneurship in Latvian society (Dobele, Pietere, 2015, p. 48-49), which is also consistent with recent research results from Poland (Reichel et al, 2019, p.2-7), Casno, Šķiltere, Sloka from 2019 indicate average or below average information levels about the field of social economy in Latvia, highlight and statistically confirm the vital role information plays in driving social economy, accentuating the existence of an informational saturation point, and point out several informational gaps that should be specifically targeted - consumers with lowest information levels about social economy in Latvia: with place of residence in Riga and Zemgale, with regards age groups: consumers of ages 16-25 and 26-35, with regards gender: males, and with regards educational level: consumers with secondary education (Casno, Šķiltere, Sloka, 2020, in print).

Goal and Methodology

Building upon previous research results with regards preferred information channels of consumers of social enterprise products and services in Latvia and the identified informational gaps, Authors' goal was to combine the existing knowledge and focus on an in-depth research answering the question: which informational channels would be most efficient at closing the awareness gaps about social economy, providing a clear focus for informational strategies that would allow to further drive social economy in Latvia.

Tasks or research were first, to analyze recent research findings on social entrepreneurship both worldwide and in Latvia and second, to analyze in depth the preferences for receipt of information about social enterprises among respondents whose awareness of social economy sector in Latvia was established as below average, specifically focusing on previously identified target groups.

Among research methods applied were scientific publications analysis, analysis of previously conducted research results and quantitative research for data collection purposes - specifically, a survey that was available online and was filled out by 329 respondents, 224 of whom completed surveys in full. Main characteristics of respondents were as follows: 84% females and 16% males, 80% of age 16-45 with a university degree, majority had purchased social enterprise products or services in 2018. For survey data analysis indicators of descriptive statistics (indicators of central tendency or location), indicators of variability as well as independent t test for comparison of means were applied.

Findings

First, Authors were interested to establish the distinct preferences for information channels of respondents whose information level about social economy was lower than average and determine if they were statistically significantly different compared to preferences of consumers with above average awareness levels. Main statistical indicators on evaluations of information channel preferences of respondents with below average (1-5) awareness levels (measured on a 10 point scale) are presented in table 1.

Table 1: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents with information level about social enterprises of 5 or below

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
	Valid	119	128	127	138	122	129
	Missing	28	19	20	9	25	18
Mean		3.53	4.25	6.16	7.67	1.84	6.33
Standard. Error of Mean		0.277	0.281	0.263	0.216	0.170	0.290
Median		2	3	6	8	1	7
Mode		1	1	10	10	1	10
Standard. Deviation		3.016	3.185	2.967	2.538	1.876	3.289
Variance		9.099	10.142	8.800	6.443	3.521	10.815
Range		9	9	9	9	9	9
Minimum		1	1	1	1	1	1
Maximum		10	10	10	10	10	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Based on comparison of mean indicators for preference of various information channels, social networks are the most preferred means of communication among respondents with below average awareness about social economy, followed by television and radio, which is consistent with previous research results regarding consumer preferences for various information channels (Casno, Skiltere Sloka, 2019, b).

Authors also wanted to investigate if there were any differences in preferences for information channels among respondents with above average awareness levels about social enterprises, compared to respondents whose awareness level was below average. Main statistical indicators on evaluations of information channel preferences of respondents with above average (6-10) awareness levels (measured on a 10 point scale) are presented in table 2.

Table 2: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents with information level about social enterprises of 6 or above

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
	Valid	80	86	80	92	78	86
	Missing	15	9	15	3	17	9
Mean		4.40	5.93	6.41	8.32	2.78	6.35
Standard Error of Mean		0.330	0.343	0.294	0.224	0.299	0.345
Median		4.5	6	7	9	1	8
Mode		1	10	8	10	1	8; 10

Standard Deviation	2.954	3.180	2.627	2.148	2.637	3.198
Variance	8.724	10.113	6.904	4.614	6.952	10.230
Range	9	9	9	9	9	9
Minimum	1	1	1	1	1	1
Maximum	10	10	10	10	10	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of mean indicators reveals that respondents with above average awareness levels have a stronger preference across all information channels, but there are minimal changes with regards the order of preference. Social networks still dominate as the most preferred means on communication, followed by a preference for radio and televison. Overall, the differences in preferences for information channels between respondents with below average and above average information levels are statistically insignificant across all information channels investigated (sig. 0.05), as reflected in table 3.

Table 3. Results of the independent samples t-test between respondents with below average and above average awareness levels about social economy in Latvia for respondents' preference for receipt of information from selected information channels.

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Printed media	Equal variances assumed	0.101	0.752	-0.664	57	0.510	-0.513	0.773	-2.062	1.036
	Equal variances not assumed			-0.673	36.707	0.505	-0.513	0.763	-2.060	1.033
E- mail	Equal variances assumed	1.098	0.299	-0.400	60	0.691	-0.350	0.876	-2.102	1.402
	Equal variances not assumed			-0.411	36.782	0.684	-0.350	0.853	-2.078	1.378
Radio	Equal variances assumed	0.073	0.788	1.865	58	0.067	1.211	0.649	-0.089	2.510
	Equal variances not assumed			1.926	38.074	0.062	1.211	0.629	-0.062	2.483
Social networks	Equal variances assumed	0.936	0.337	-0.762	63	0.449	-0.406	0.532	-1.469	0.658
	Equal variances not assumed			-0.767	37.017	0.448	-0.406	0.529	-1.477	0.666
Direct mail	Equal variances assumed	4.111	0.047	-1.123	57	0.266	-0.682	0.607	-1.897	0.533
	Equal variances not assumed			-1.003	27.319	0.325	-0.682	0.680	-2.075	0.712
Television	Equal variances assumed	0.328	0.569	1.654	59	0.104	1.385	0.837	-0.291	3.060
	Equal variances not assumed			1.606	32.540	0.118	1.385	0.862	-0.371	3.140

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Authors conclude, that the most effective channel of communication with consumers irregardless of their awareness level about social economy is social networks. In case of available funding, the next most preferred information channel for consumers with lower information levels, most of whom may be also potential consumers, is television, followed by radio. In

order to more effectively reach existing consumers who may also have higher awareness levels, social enterprises and support organizations may gain better results by selecting radio over television as their second and third options. E-mail communication, considering the mode indicators, could be a viable option for communication in aforementioned group as well.

Authors were also interested in determining the preferred information channels of previously identified consumer groups where information gaps about social entrepreneurship were most characteristic – consumers with below average awareness levels: residing in Riga and Zemgale, belonging to age groups of 16-25 and 26-35, of male gender and with secondary education. Main statistical indicators on evaluations of information channel preferences of respondents residing in Riga with below average (1-5) awareness levels (measured on a 10 point scale) are presented in table 4.

Table 4: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents with information level about social enterprises of 5 or below residing in Riga

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
N	Valid	65	69	70	77	65	72
	Missing	15	11	10	3	15	8
Mean		3.05	4.35	5.89	7.56	1.46	6.03
Standard Error of Mean		0.331	0.378	0.365	0.307	0.180	0.414
Median		2	4	6	8	1	6
Mode		1	1	10	10	1	10
Standard Deviation		2.666	3.143	3.058	2.693	1.448	3.512
Variance		7.107	9.877	9.349	7.250	2.096	12.337
Range		9	9	9	9	8	9
Minimum		1	1	1	1	1	1
Maximum		10	10	10	10	9	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of indicators of central tendency or location: arithmetic means, mode and median indicates that respondents with below average awareness levels about social economy in Latvia residing in Riga most prefer such information channels as social networks, followed by television and radio, which is consistent with results for the overall group of respondents with information levels about social economy of 5 or below (Table 1). It should be noted that the mean indicators for respondents with awareness about social economy of 5 or below residing in Riga, compared to the overall 5 or below information level group, are slightly weaker for the top three most preferred information channels (namely, social networks, television and radio) and slightly stronger for e-mail. Authors conclude that, since e-mail has been evaluated with 8 and above (on a ten point scale), by 23% of respondents in the respective group, e-mail as an information channel may serve as an additional focus for targeting consumers in Riga, given the high cost of radio and television advertising.

Main statistical indicators on evaluations of information channel preferences of respondents residing in Zemgale with below average (1-5) awareness levels (measured on a 1-10 point scale) are presented in table 5.

Table 5: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents with information level about social enterprises of 5 or below residing in Zemgale

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
N	Valid	9	9	9	10	8	9
	Missing	1	1	1	0	2	1
Mean		4.67	3.33	7.44	8.20	1.88	7.00
Standard Error of Mean		1.143	0.943	0.930	0.892	0.743	1.155
Median		4	3	7	9.5	1	9
Mode		1	1	7	10	1	10
Standard Deviation		3.428	2.828	2.789	2.821	2.100	3.464
Variance		11.750	8.000	7.778	7.956	4.411	12.000
Range		9	8	9	9	6	9
Minimum		1	1	1	1	1	1
Maximum		10	9	10	10	7	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of indicators of central tendency or location: arithmetic means, mode and median indicates the previously observed trend of highest preference for social networks which, contrary to respondents of the same group residing in Riga, are followed by radio, leaving television in the third place. It should be noted that the mean indicators for respondents with awareness about social economy of 5 or below residing in Zemgale, compared to the overall 5 or below information level group, are slightly higher for social networks, television and radio and lower for e-mail. Authors conclude that social networks could be the most cost-effective means of communication for targeting potential consumers in Zemgale, followed by radio and television and do not recommend investing in direct marketing activities for this purpose.

Main statistical indicators on evaluations of information channel preferences of respondents of age group 16-25 with below average (1-5) awareness levels (measured on a 10 point scale) are presented in table 6.

Table 6: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents of age group 16-25 with information level about social enterprises of 5 or below

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
N	Valid	11	11	12	13	10	13
	Missing	2	2	1	0	3	0
Mean		4.55	4.64	6.58	7.08	1.30	6.92
Standard Error of Mean		1.082	1.081	0.892	0.866	0.153	0.990
Median		6	4	7.5	8	1	9
Mode		1	1	10; 9; 8; 6	10; 9	1	10
Standard Deviation		3.588	3.585	3.088	3.121	0.483	3.570
Variance		12.873	12.855	9.538	9.744	0.233	12.744
Range		9	9	9	9	1	9
Minimum		1	1	1	1	1	1
Maximum		10	10	10	10	2	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of indicators of central tendency or location: arithmetic means, mode and median indicates that preferences of respondents of age group 16-25 with awareness levels about social economy of 5 or below are similar to the respective general group (Table 1) – most preferred are social networks, television and radio. It should be noted that the mean indicators for respondents of age group 16-25 with awareness about social economy of 5 or below, compared to the overall 5 or below information level group, are slightly higher for television, radio and e-mail but slightly lower for social networks. Authors conclude that, given the relatively small sample of respondents in this age group, social networks should still be considered a priority in selection of information channels.

Main statistical indicators on evaluations of information channel preferences of respondents of age group 26-35 with below average (1-5) awareness levels (measured on a 10 point scale) are presented in table 7.

Table 7: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents of age group 26-35 with information level about social enterprises of 5 or below

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
N	Valid	52	56	58	63	57	61
	Missing	12	8	6	1	7	3
Mean		3.31	4.32	6.24	7.86	1.46	6.34
Standard Error of Mean		0.372	0.409	0.376	0.275	0.166	0.425
Median		2.5	3.5	6	8	1	7
Mode		1	1	10	10	1	10
Standard Deviation		2.683	3.058	2.861	2.184	1.255	3.316
Variance		7.198	9.349	8.186	4.770	1.574	10.996
Range		9	9	9	9	7	9
Minimum		1	1	1	1	1	1
Maximum		10	10	10	10	8	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of indicators of central tendency or location: arithmetic means, mode and median indicates that preferences of respondents of age group 26-35 with awareness levels about social economy of 5 or below are similar to the respective general group (Table 1) – most preferred are social networks, followed by television and radio. It should be noted that the mean indicators for respondents of age group 26-35 with awareness about social economy evaluation of 5 or below, compared to the overall 5 or below information level group are slightly higher for all top three information channel preferences. Authors conclude that the previously identified options of importance of social networks, followed by television and radio are the most effective information channels for reaching this age group.

Main statistical indicators on evaluations of information channel preferences of respondents of male gender with below average (1-5) awareness levels (measured on a 10 point scale) are presented in table 8.

Table 8: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents of male gender with information level about social enterprises of 5 or below

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
N	Valid	23	24	25	24	23	25
	Missing	3	2	1	2	3	1
Mean		2.48	5.54	5.20	6.38	1.26	5.48
Standard Error of Mean		0.565	0.659	0.586	0.696	0.220	0.731
Median		1	6.5	5	7.5	1	6.00
Mode		1	1	5	10; 1	1	10; 1
Standard Deviation		2.711	3.230	2.930	3.411	1.054	3.653
Variance		7.352	10.433	8.583	11.636	1.111	13.343
Range		9	9	9	9	5	9
Minimum		1	1	1	1	1	1
Maximum		10	10	10	10	6	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of means indicates social networks as the highest evaluated preference of respondents of male gender with awareness levels about social economy of 5 or below. The second most preferred information channel in this group is e-mail, which Authors find consistent with previous research results with regards receipt of information across various information channels by gender (Casno, Šķiltere, Sloka, 2019 b, p. 28), leaving television and radio as third and fourth most preferred options respectively. The dominance of evaluation of 1 (scale 1-10) across mode indicators suggests that men with low awareness levels about social economy may not be interested in the subject thus informational campaigns for this groups may be challenging and resource consuming. Authors conclude that, considering the current data, social networks and e-mail communication may prove to be the most cost-efficient channels for reaching out to the male audience with regards topics of social economy.

Main statistical indicators on evaluations of information channel preferences of respondents with secondary education with below average (1-5) awareness levels (measured on a 10 point scale) are presented in table 9.

Table 9: Main indicators of descriptive statistics for question "Which information channels would you prefer as a source of information about social enterprises and their offers?" for respondents with secondary education with information level about social enterprises of 5 or below

		Printed media	E-mail	Radio	Social networks	Direct mail	Television
N	Valid	7	9	9	10	9	9
	Missing	3	1	1	0	1	1
Mean		3.86	4.00	5.22	7.80	1.56	5.56
Std. Error of Mean		1.280	1.302	1.222	0.696	0.556	1.069
Median		3	1	5	8	1	6
Mode		1	1	1	10	1	6
Std. Deviation		3.388	3.905	3.667	2.201	1.667	3.206
Variance		11.476	15.250	13.444	4.844	2.778	10.278
Range		9	9	9	5	5	9
Minimum		1	1	1	5	1	1
Maximum		10	10	10	10	6	10

Source: Authors' construction based on questionnaire developed by Kristine Casno and survey conducted in 2019, n=329

Comparison of means indicates that preferences of respondents with secondary education with awareness levels about social economy of 5 or below are similar to the respective general group of respondents with identical awareness levels (Table 1). While a mode indicator of 1 for radio and 6 for television may suggest that there may be some nuances with regards to the most effective means for communcation with this group, a larger respondent sample is necessary for further conclusions. Authors conclude that the previously identified pattern of communication (social networks, followed by televison and radio) may be most appropriate for informational purposes within this group.

Discussion

Authors main aims of this research were to further elaborate previous research results with regards to identified information gaps within Latvian society about social economy in Latvia and prepare practical recommendations for closing those gaps and increasing the informational reach which would in turn further enhance the social economy sector in Latvia.

Although Authors find the trends for information channel preferences accross the discussed groups to be somewhat similar, there are nuanced differences such as, for example, preference for radio over television or vice versa. In cases of limited marketing budgets, taking those nuances into account may result in higher and more effective informational reach, however, additional research with a larger respondent sample may be required to further validate this, especially with regards male audience, audience of age group 16-25 and audience with secondary education.

Current research is limited to social enterprises with operations in the Latvian B2C market in such spheres as education and culture, charity shops and design products. Including social enterprises working in other fields (e.g. catering, social services etc.) and those operating in the B2B market may generate additional insights with regards overall awareness of social economy in Latvia and recommendations with

regards increasing the informational reach and closing informational gaps.

Conclusions

It is clear that social networks are the most preferred means of communication with consumers about topicality of social enterprises irregardless of how much they have been informed about social economy previously which should serve as additional encouragement for Latvian social enterprises to invest, if possible, in development and maintenance of social networks as their primary mode of communication. The next most preferred means of communication for consumers with below average information levels about social economy is television, followed by radio, which is also consistent with previous research. However, for more effective communication with existing consumers whose awareness levels about social economy may be higher, radio should be preferred over television as the second best information channell choice and additionally social enterprises may consider communication via e-mail as well.

Consumers with below average awareness levels about social economy residing in Riga are to beinformed preferrably via social networks, television and radio respectively, which also holds true for consumers in Zemgale, except they may find communication over radio more appealing than televion. While e-mail communication, given the high cost of mass media advertising, has potential for good results for consumers residing in Riga, email as a means of communication with consumers in Zemgale may not bring the expected returns. Cosidering the relatively small sample of respondents of age group 16-25 and respondents with secondary education, Authors conclude that social networks should be the main focus for information purposes with consumers of age 16-25, while the previously identified preference trend of social networks, television and radio can be effectively applied to inform consumers with secondary education as well. The aforementioned top three informational channels should be also selected to fill in the informational gaps in consumer audience of age 26-35. However, informational activities for consumers of male gender may be more effective if in addition to social networks, e-mail communication is selected as an informational channel, leaving television and radio only as third and fourth best options respectively.

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UNEMPLOYMENT IN SLOVAKIA DURING THE COVID-19 PANDEMIC

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Abstract

Labour market developments have been on a positive trend in recent years. Employment and unemployment were not projected to change significantly. The advent of the COVID-19 pandemic halted this trend. The labour market, the economies of countries and their governments have been exposed to new challenges. In our paper, we focus on the evolution of employment and unemployment in the first to third waves of the pandemic in the Slovak Republic. We focus on a time series analysis of labour market developments by education, last occupation and sectors of industry. The above analysis may serve to further investigate this issue in the future and to track developments over a larger time period.

Key words:

COVID-19 pandemic, labour market, registered unemployment, Slovak Republic, Structure of unemployment

JEL Classification: E24, J20, J40 https://doi.org/10.52665/ser20210203

Introduction

In today's globalised world, national economies are highly interconnected, which brings many benefits on the one hand, but also several risks on the other. These include various unexpected negative phenomena, recessions, unrest and new diseases. The spread of the coronavirus pandemic COVID-19 has affected the lives of people all over the world and has had a negative impact on the economic performance of countries and also on the situation on the labour market, not excluding Slovakia. The aim of the paper is to assess changes in registered unemployment during the duration of the COVID-19 pandemic in the Slovak Republic.

Literature overview

The world has witnessed many challenging situations throughout history. These challenges were wars sometimes or revolutions that reshaped the socio-politics completely. Yet, another challenge has been contagious diseases. The world had witnessed many epidemics, e.g. the plague of the Medieval and its variations and the great influenza of 1918–1920. The ongoing COVID-19 pandemic will most likely have many devastating global effects (Ceylan et al., 2020).

Many other authors have expressed similar views. As stated Korzeb and Niedziolka (2020), the global pandemic COVID-19 has contributed to an unprecedented situation. It has affected the existence of every human being, the way of life of entire communities and the functioning of almost all sectors of the economy. No one was really prepared for the effects of the COVID-19 crisis. Wang and Flessa (2020) stated that the Covid-19 pandemic constitutes one of the greatest medical, social, economic and political challenges for the last decades. Similarly, Sukharev (2020) points out that the current pandemic situation presents serious threat that requires profound changes in the economic life of people and the activation of microbiological and medical research.

The Covid-19 global pandemic has not only caused infections and deaths, but it has also wreaked havoc with the global economy on a scale not seen since at least the Great Depression. Covid-19 has the potential to destroy individual livelihoods, businesses, industries and entire economies (Laing, 2020).

The emergence of COVID-19 and the subsequent measures to contain it were a sudden and massive shock to public and private life. The effects of this are visible in every aspect, starting with an economic downturn, to new social

challenges, changed working routines, reduced transport and energy consumption etc. (Römisch, 2020).

Within a short period of time an enormous number of far-reaching decisions have to be made within a highly complex system of interdependent virological, pharmaceutical, behavioural, legal, social and economic frameworks (Wang, Flessa, 2020). These decisions aimed at stopping the pandemic have reduced the economic performance of countries and caused problems in the labour market. Countries have seen a decline in GDP, a fall in employment and a rise in unemployment.

Measures aimed at slowing the epidemic have not affected different sectors equally. Sectors such as tourism (Antosova et al., 2020), air transport and the international transport of goods (Gray, 2020, Sokol, Pataccini, 2020), and supply chains (Kerr, 2020, Larue, 2020) have been most affected. Trade in agricultural and food products has been relatively stable, but restrictions on cross-border movements of people lead to shortages of seasonal labour (Kerr, 2020). On the contrary, during this period there has been a boom in digitisation (Dannenberg et al., 2020), the development of online shopping (Goddard, 2020), will likely be maintained after the pandemic restrictions are over.

In addition to the development of digitalisation, some authors point to other positives of the pandemic. As stated Dvořák et al. (2020), one of the most positive effects of COVID-19 pandemic might be the clearing of the markets including the labour market. Even though the current economic situation is far from the perfect competition, the pandemic might create enough stimuli to induce some profound changes that are likely to remain for long time.

Many economists compare the crisis that arose in the context of the COVID 19 pandemic with the previous crisis in 2009 (Jeris and Nath, 2020, Sokol and Pataccini, 2020, Sukharev, 2020) and foresee even greater problems. Unemployment trends were also different from unemployment trends during previous recessions. As reported by Michalek (2021), unlike previous recessions, the coronavirus-induced recession caused a sharp increase in unemployment in an extremely short period of time. After the easing of measures, the labour market situation improved rapidly, and when the epidemiological situation deteriorated again, the tightening of measures was again quickly translated into a worsening of the labour market situation. The above-mentioned facts indicate a high sensitivity and flexibility of unemployment developments to the measures taken or their severity. Frank, Morvay et al. (2021), however, stress that government measures to support employment retention alone are not a sufficient explanation for the relatively modest increase in unemployment in 2020; the impact of the demographic factor, i.e. the decline in the number of working-age people, clearly needs to be added.

Goal and Methodology

This paper focuses on a detailed analysis of registered unemployment in the Slovak Republic. It aims to assess the changes in registered unemployment during the duration of the COVID-19 pandemic in the Slovak Republic. We use data from the monthly statistics of the Slovak Labour, Social Affairs and Family Office. The period under study is 12/2019 - 10/2021.

We first focus on the evolution of the number of jobseekers. Next, we assess the evolution of the inflow and outflow of jobseekers in each month of the period under study. We then assess the structure of inflows of jobseekers in terms of sector, occupation and educational attainment.

Findings and discussion

The COVID-19 pandemic, like in other countries of the world, has also had a negative impact in the Slovak Republic. As reported by Uhlerová et al. (2020), the outbreak of the pandemic in mid-March 2020 resulted in significant restrictions and interference in the functioning of the economy through government measures to reduce mobility and social contact and thus slow the spread of the disease. The epidemic measures had their social and economic impacts.

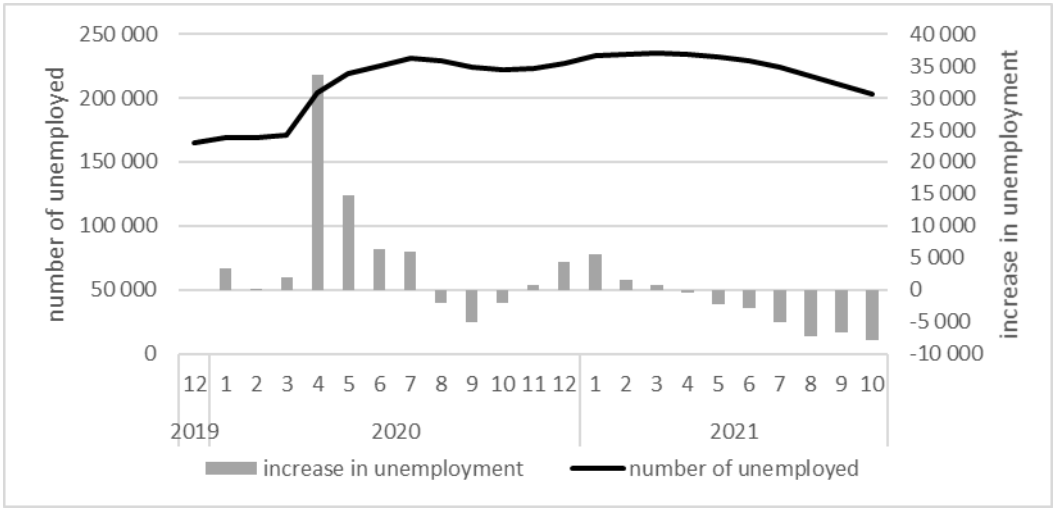
The effects of the COVID-19 pandemic largely influence the economic performance of

the economy in the Slovak Republic. To reduce coronavirus infection, the Slovak Republic has adopted many restrictions and anti-epidemiological measures, which result in a negative impact on the Slovak labour market. (Švábová et al., 2021)

The coronacrisis has manifested itself in the Slovak labour market with a sharp rise in unemployment. Especially the weaker groups of the population were at risk. People with lower qualifications and lower wages were more likely to be employed in occupations that could not be performed from home and were therefore more at risk of losing their jobs. (Dujava, Peciar, 2020)

Figure 1 shows the evolution of the number of registered unemployed and the increase in registered unemployment during the COVID-19 pandemic in the Slovak Republic.

Figure 1: Development of registered unemployed during COVID-19 pandemic in Slovakia



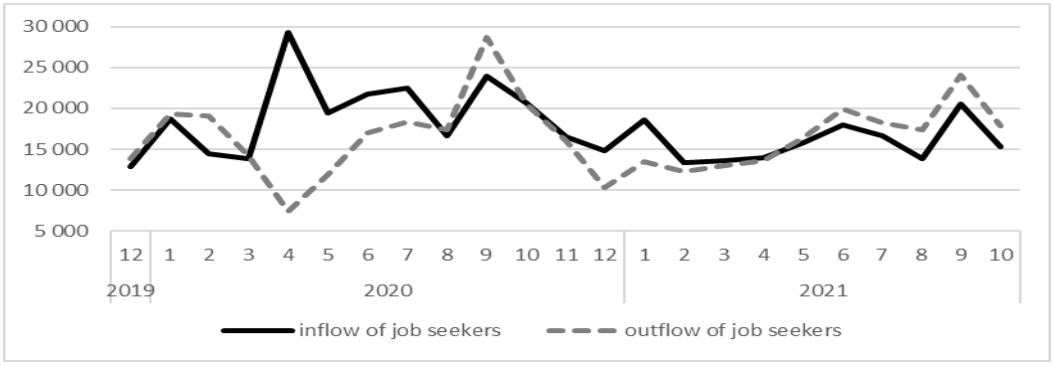
Source: UPSVaR, 2021, own processing and calculating

Figure 1 shows that the largest increase in the number of unemployed was recorded in April 2020 (by 33 613 persons), and the number of registered unemployed increased slightly in the following months as well. From August 2020 onwards, the number of registered unemployed decreased slightly, but already in November the number of unemployed increased again, reaching its highest value in March 2021 (234 942 persons). Since then, a decrease in the number of registered unemployed can be observed, with the highest in October 2021 (by 7 837 persons).

The trend in the registered unemployment rate was similar to the trend in the number of unemployed. The highest registered unemployment rate was recorded in April 2021, namely 7.91%. Since then, it has gradually decreased and reached 6.98% in October 2021.

The figure below shows the growth and decline in the number of jobseekers by month in 2020 and 2021.

Figure 2: Inflow and outflow of job seekers during COVID-19 pandemic in Slovakia



Source: UPSVaR, 2021, own processing

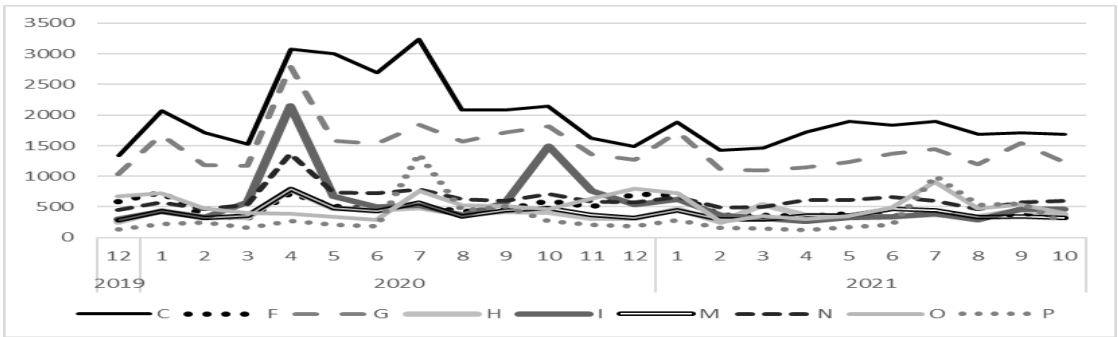
Figure 2 clearly shows that the largest increase in the number of jobseekers was in April 2020, namely 29,275. At the same time, this month saw the smallest decline in the number of jobseekers, with only 7397 persons, of whom 5921 found a job on the labour market. The June and September increases in the number of registered unemployed were mainly influenced by graduates of secondary schools and universities. In September 2020, the share of graduates in the inflow of the number of unemployed was 26.16%, in September 2021 even 27.34%.

These developments show that the first wave of the pandemic had the most negative impact on the rise in unemployment. By contrast, in the case of the second wave of the pandemic, employers were more flexible in their response and many were able to find alternative ways to stay in business (except in sectors that had to cease operations altogether). (Frank, Morvay et al., 2021) Even during the third wave of the pandemic in the autumn of 2021, labour market impacts were no longer significant, as the outflow of jobseekers was greater than the inflow. It is important to note, however, that despite a smaller than expected rise in unemployment, the average number of hours worked by employees declined, which is also related to the government's measures to maintain employment.

As Michálek (2021) notes, the COVID-19 pandemic had a significant impact on unemployment in every region, industry, occupation, and major demographic group in Slovakia. However, its impact and influence was highly differentiated regionally, by sector, occupation and demographics.

Therefore, in the following we examine the inflows of job seekers according to several aspects. First, we will assess the inflows of jobseekers by the last job in selected SK NACE sectors (Figure 3).

Figure 3: Inflow of job seekers by the last job in selected SK NACE



Source: UPSVaR, 2021, own processing

Explanations:

C Manufacturing

F Construction

G Wholesale and retail trade; repair of motor vehicles and motorcycles

H Transportation and storage

I Accommodation and food service activities

M Professional, scientific and technical activities

N Administrative and support service activities

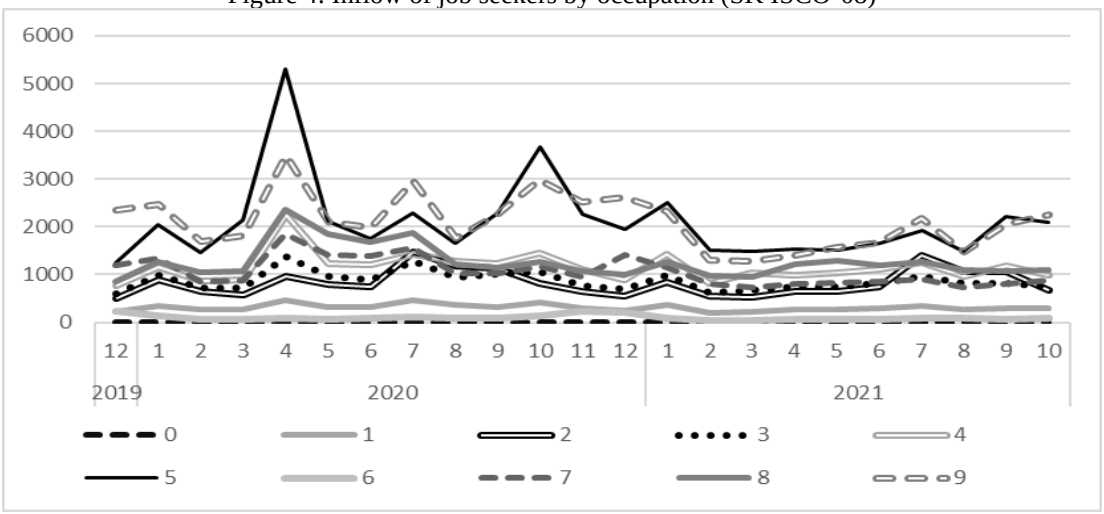
O Public administration and defence; compulsory social security

P Education

The largest increase in the number of unemployed was in the industrial production sector (by 3,234 in July 2020), which is the largest employer in the Slovak Republic. Furthermore, the pandemic mainly affected employees from wholesale and retail trade; repair of motor vehicles and motorcycles and accommodation and food service activities (mainly 4/2020 and 10/2020). When comparing the increases in the number of jobseekers in each sector in 2020 and 2021, it is clear that in 2021 the COVID-19 pandemic did not cause as severe an impact on the labour market as it did in 2020.

Next, we examine the inflows of jobseekers by occupation (SK ISCO-08) – Figure 4.

Figure 4: Inflow of job seekers by occupation (SK ISCO-08)



Source: UPSVaR, 2021, own processing

Explanations:

0 Armed forces occupations

1 Managers

2 Professionals

3 Technicians and associate professionals

4 Clerical support workers

5 Service and sales workers

6 Skilled agricultural, forestry and fishery workers

7 Craft and related trades workers

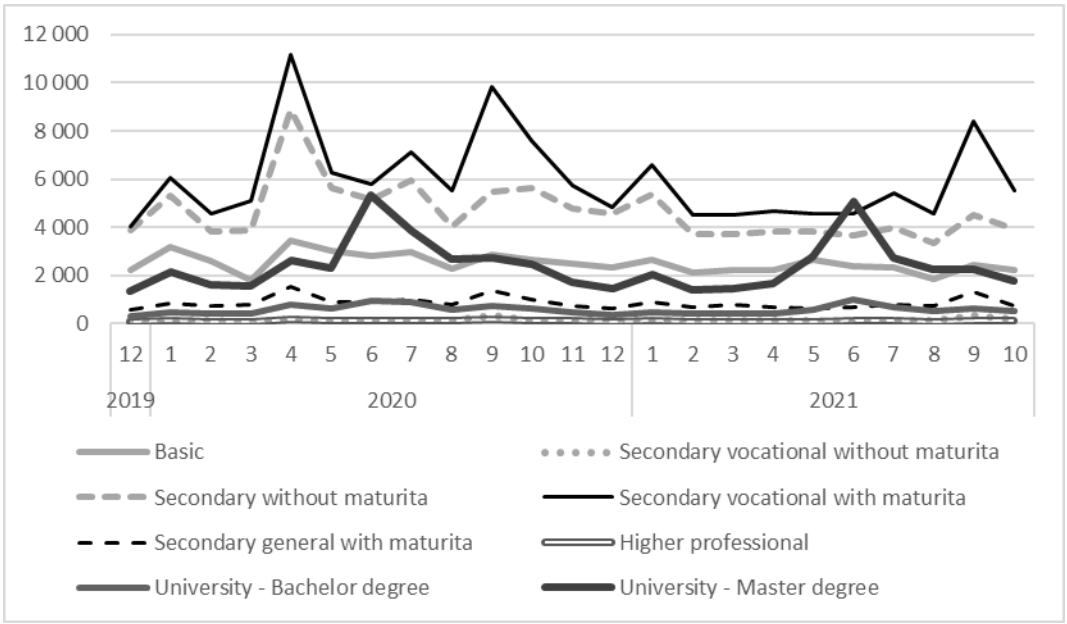
8 Plant and machine operators, and assemblers

9 Elementary occupations

Assessing the impact of the pandemic on individual occupations, we can conclude that most of the inflow of jobseekers worked as service and sales workers (an increase of 5303 in April 2020) and elementary occupations. This is related to previous findings, i.e. the sectors that were most affected by the pandemic. Conversely, the pandemic had the least impact on the increase in the number of unemployed from the armed forces occupations and skilled agricultural, forestry and fishery workers groups.

We have shown the inflows of jobseekers by education in Figure 5.

Figure 5: Inflow of job seekers by education



Source: UPSVaR, 2021, own processing

In terms of the educational structure of job seekers, it is evident that persons with secondary vocational education with a high school diploma and secondary education without a high school diploma contributed most to the increase in the number of job seekers, as these groups make up the largest part of employed persons in the SR. It is interesting to observe the increase in the number of unemployed university graduates in June 2020 and 2021. This stems from the fact that during a worsened labour market situation, even highly qualified individuals have difficulties finding immediate placement on the labour market and are therefore registered as jobseekers for a certain period of time.

Conclusion

We assessed the adverse impact of the massive spread of COVID-19 on the Slovak labour market using data on registered unemployment. Our findings showed that the largest increase in the number of unemployed was recorded in April 2020 due to the measures taken by the government aimed at stopping the disease. However, as the government also took measures to mitigate the impact of these interventions, unemployment did not increase as significantly as expected, but the number of hours worked did decrease. Subsequent waves of the pandemic did not cause such a sharp increase in the number of unemployed. The largest number of registered unemployed was in March 2021, and the number of jobseekers has been declining since April 2021.

In terms of the structure of applicant inflows, it can be noted that the largest inflows were in Industrial production, wholesale and retail trade; repair of motor vehicles and motorcycles; and accommodation and food service activities. In terms of occupations, the largest inflow of jobseekers was from the service and sales workers and elementary occupations group. When examining the educational structure of jobseekers, we found that those with a secondary vocational education with a high school diploma and a secondary education without a high school diploma accounted for most of the increase in the number of jobseekers.

The pandemic threatened such jobs to a greater extent, the nature of which makes it impossible to perform them from home. It was the use of homeworking (in the context of its regulation at a time of tightened anti-pandemic measures wherever the nature of the work tasks allowed it) that could thus have protected some jobs (Frank, Morvay a kol., 2021, Dujava, Peciar, 2020).

Michálek (2021) points out that as a result of employment protection measures, the state has protected a third of jobs, but this may change if the state stops supporting firms. Therefore, there is a need to focus more on active labour market measures that create jobs and not just maintain them.

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COMPARISON OF THE DEVELOPMENT OF COMPETITIVENESS OF THE ECONOMY OF THE SLOVAKIA AND THE CZECH REPUBLIC

Jaroslav VYHNIČKA, Veronika ŽÁRSKA

Abstract

Nowadays, more and more attention is paid to competitiveness not only at the corporate level, but also at the international level, resp. macroeconomic. Individual countries compete with each other and want to know what their position is compared to potential competitors. Our goal is to find out the achieved values of individual indices of the development of the competitiveness of the economy of the Slovak Republic and the Czech Republic on the basis of available information and statistical data and to compare these values. In the article, we use available studies that deal with the issue of competitiveness of national economies, but also examine what criteria can be used to measure and distinguish which country is "better" and more competitive.

Key words:
competitiveness economy, Global competitiveness index, economic development, macroeconomic, market

JEL classification: A10, E60, F00 https://doi.org/10.52665/ser20210204

INTRODUCTION

Nowadays, more and more attention is paid to competitiveness not only at the corporate level, but also at the international level, respectively macroeconomic. Individual countries compete with each other and want to know what their position is compared to potential competitors. Monitoring competitiveness has brought with it the process of globalization, and governments in all countries are aware of the importance of this indicator for the progress of any economy. In recent decades, many international organizations have proposed their own criteria on which to draw up evaluations. These criteria are constantly being updated, expanded and incorporate current trends. They also try to increase the base of the countries being compared, so that the final evaluation is as meaningful as possible. The World Economic Forum and the International Institute for Management Development are currently among the most respected organizations dealing with this issue, and these two will be included in this article.

Literature overview

If we take a deeper interest in the concept of competitiveness, we will find that the definitions are not uniform. La Falce et al. (2020) are of the opinion that in most of them, however, we find productivity or the ability to compete with other entities as the main criterion for assessing competitiveness. According to Oliver Cann (2016), competitiveness is a set of institutions, policies and factors that determine a country's level of productivity. Thus, this broadly understood concept creates a number of smaller subjects and factors. Christos et al. (2014) define it as the way in which countries and entrepreneurs manage all their competencies to achieve prosperity or profit. As Klvačová and Malý (2008) state, the growth of competitiveness is one of the most important goals pursued by the governments of individual states worldwide. A country's competitiveness can be characterized as its ability to be attractive to foreign investors in accordance with their own criteria. At the same time, it should be emphasized that it is necessary to distinguish between the concepts of economic and business competitiveness, although they may be related to some extent. At the same time, however, it is not possible to separate the growth of the competitiveness of the macro-environment from the micro-environment, because together they create synergies that give high added value to the whole population (Majtán et al., 2011). At the

same time, no economic entity can be competitive in the absolute sense. Because if we want to mark a state as competitive, we can do so only in comparison with other states (Slaný et al., 2006). The basic study of competitiveness at the state level is Portera (1990), which examines the four pillars of national competitiveness, the so-called "Porter's diamond", namely the equipment of production factors, domestic demand, related and supporting industries and corporate strategy, but also structure and rivalry. The competitiveness of national economies is also derived from other indicators that indicate the success of the economy in international comparison. At the same time, it is derived from the surplus of the trade balance or the competitiveness of multinational companies that are based in the economy. Dollar and Wolff (1993) reject the trade balance as an indicator of the competitiveness of the economy and recommend measuring competitiveness through productivity and per capita income. However, there are examples of definitions that look at this issue from a business perspective and refer, for example, to cost competitiveness (Neumann, 2017). At present, the introduction of innovation is considered to be the most important criterion for increasing competitiveness in most countries. At the organizational level, we can define innovation as a certain development / generation, or the use and acceptance of new ideas and behaviors (Walker, 2008). Damanpour and Wischnevsky (2006) add that the mere adoption of an innovation is a process that results in the assimilation of a product, process or practice that is new to the adoption organization. However, innovations in business conditions that are influenced by the government, such as amendments to laws, changes in the field of tax policy and others. Reforms to support or. to increase the country's competitiveness, according to Klvačová and Malý (2008), they appear to be one-off, but in reality we encounter the fact that it is a never-ending process. This is evidenced by the fact that the Lisbon Strategy is referred to as the forerunner of the Europe 2020 strategy. Its goal was to make the EU the most competitive and dynamic economy by 2010. The EU must ensure the coherence of the policies of the individual Member States, because as a whole it can only make better progress if the differences between these countries are reduced, so it could be said that the EU's goal is the convergence of the Member States. Therefore, the goal of the Lisbon Strategy was to set the same priorities for all states, which were to be met in a given period. These included measures relating to development, research and innovation, education, employment and the business environment. However, many of them failed to materialize, so the European Council approved a new, follow-up strategy called Europe 2020. It is Haipeter (2020) and Pfeiffer (2015) that are talking about a fundamental change in the current pandemic situation, which is mainly digitization. It has a major impact on the transformation of industry and services, and thus represents a new world of employment and a radical shift in the conditions under which the work itself will be carried out, and this in turn affects the very competitiveness of individual countries.

Goal and Methodology

Nowadays, more and more attention is paid to competitiveness not only at the corporate level, but also at the international level, respectively macroeconomic. Individual countries compete with each other and want to know what their position is compared to potential competitors. Our goal is to find out the achieved values of individual indices of the development of the competitiveness of the economy of the Slovak Republic and the Czech Republic on the basis of available information and statistical data and to compare these values. In the article, we use available studies that deal with the issue of competitiveness of national economies, but also examine what criteria can be used to measure and distinguish which country is "better" and more competitive. Thanks to this, we can assess its position and work on the future improvement of lagging areas. Our findings then allowed us to shape the direction of the paper and its problems.

Findings

According to the achieved values of the Global Competitiveness Index, individual countries are divided into three stages of development and two intermediate stages. Two criteria are used to assign a country to the relevant development phase. Under the first

criterion, the amount of GDP per capita is determined, within the second, what is the share of the country's export of primary products in total exports, ie. what is its share of mineral exports in total exports. Each sub-index is assigned weights that take into account the importance of a particular pillar for a given stage of development. The countries that perform best in the basic requirements sub-index are referred to as factor-driven economies. Those countries that show the highest values under the efficiency sub-index are referred to as efficiency-driven economies. Unlike countries in the first stage, wages in these countries are higher, productivity is rising. The third stage of development includes countries that show good results in the sub-index of increasing innovation and are therefore referred to as innovation-driven economies. The Slovak Republic, but also the Czech Republic, is in the third development study.

Table 1 Weights of sub-indices for the relevant stages of development

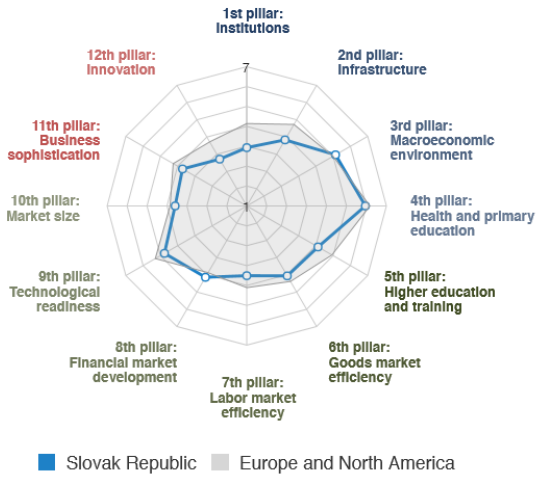
	STAGE OF DEVELOPMENT				
	Stage 1: Economies that are driven by factors of production	**Transition from stage 1 to stage 2**	**Stage 2: Economies that are driven by efficiency**	**Transition from stage 2 to stage 3**	**Stage 3: Economies that are driven by innovation**
GDP per capita in USD	< 2 000	2 000 -2 999	3 000 -8 999	9 000 -17 000	> 17 000
Scales for basic requirements	60%	40 - 60%	40%	20 - 40%	20%
Scales for increasing efficiency	35%	35 - 50%	50%	50%	50%
Scales for innovation and sophisticated factors	5%	5 - 10%	10%	10 - 30%	30%

Source: The Global Competetiveness Report (2015)

The following two schemes show the position of the Slovakia and the Czech Republic in relation to the average of Europe and North America. The blue lines are the connected values that the country has achieved in the respective pillar. The diameter of Europe and North America is marked in gray. The WEF offers this clear treatment to make it clear at a glance which areas the country is better than average and, conversely, where it lags behind the average. According to the WEF, in 2017 the Slovak Republic lags the most in the implemented innovations, the quality of public institutions, infrastructure, but also in higher education and training, or the efficiency of the labor market. On the contrary, slightly better than the average of Europe and North America, the Slovak Republic passed the assessment of the macroeconomic environment and the maturity of the financial market. The WEF cites high levels of corruption, inefficient government bureaucracy, tax levels, tax regulations and an insufficiently educated workforce as the most problematic factors for the functioning of the Slovak economy. The Czech Republic lags only slightly behind the average in the introduction of innovations, the quality of public institutions and the development of infrastructure. Even in these weaker areas, however, it shows better results than the Slovak Republic. In particular, the macroeconomic environment and the maturity of the financial market are at a high level and the other pillars assessed are roughly around the average of Europe and North America. According to the WEF, the most problematic factors in the Czech Republic also include tax regulations, excessive bureaucracy, the level of taxation, but also political instability. The Business Alliance of Slovakia (PAS), a partner organization of WEF, positively evaluates the shift of the Slovak Republic in the GCI ranking, as since 2014 the Slovak Republic has been improving its position every year. However, it is emphasized that the Slovak Republic should

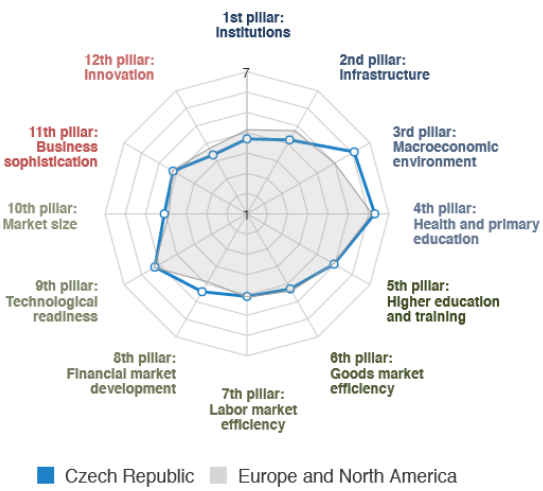
have ambitions to penetrate until the first thirty. According to the PAS, this shift could be accelerated by the government by introducing reforms in the business environment. In the Czech Republic, the WEF CMC Graduate School of Business is a partner organization. In terms of competitiveness, it emphasizes Industry 4.0 and the associated building of cities according to the SMART CITY concept, in which technologies play the most important role. He believes that this is the way in which the Czech Republic can continue to improve its position in the GCI.

Scheme 1: GCI values in the Slovak Republic in 2017



Source: The Global Competetiveness Report (2017-2018)

Scheme 2: GCI values in the Czech Republic in 2017



Source: The Global Competetiveness Report (2017-2018)

Despite the fact that the GCI values achieved by the two countries do not reach such large differences (maximum difference of 0.5 points in 2015 and 2017), they significantly affect the country's ranking in the competitiveness rankings. E.g. in 2015, another 36 countries were placed between the Slovak Republic and the Czech Republic, in 2017 it was 28 countries. In 2013, both countries fell to an all-time low - the Slovak Republic ranked 78th, the Czech Republic 46th. As for the specific achieved values of both countries, they are in the range of 4.1 - 4.8 throughout the monitored period, which, given the set scale from 1 to 7, cannot be considered a completely negative position.

Table 2: Achieved index value

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	4,4	4,3	4,2	4,2	4,1	4,1	4,1	4,2	4,3	4,3
CR	4,6	4,7	4,6	4,5	4,5	4,4	4,5	4,7	4,7	4,8

Source: World Economic Forum (2008-2017)

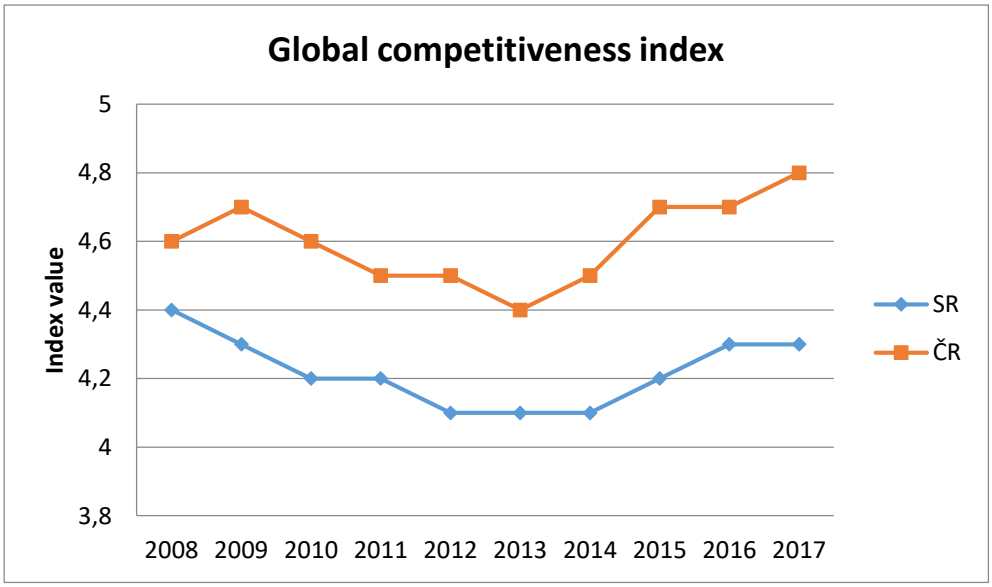
Table 3: Ranking in evaluation

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	46	47	60	69	71	78	75	67	65	59
CR	33	31	36	38	39	46	37	31	31	31

Source: World Economic Forum (2008-2017)

When comparing the competitiveness of the Slovak Republic and the Czech Republic in the years 2008-2017 on the basis of the results achieved in the renaming of the global competitiveness index, we found that the Czech Republic achieved higher competitiveness for all monitored years, i. higher ability to assert itself in the global environment. As the base index proves, although the competitiveness of the Czech Republic decreased during the period under review, in recent years it has been able to rise again, even to higher values than at the beginning of the period under review. We recorded the lowest value of the basic index in 2013, when it fell to 95.65%, the highest in 2017, when it rose to 104.35%. The chain index, which expresses the year-on-year change, also reached its lowest value in 2013, but its highest in 2015, when it rose to 104.44%. The competitiveness of the Slovak Republic also decreased in the middle of the observed period, at the end it started to increase, but it did not increase to the value reached in 2008. The values of the basic index fell below 100% for all monitored years, with a minimum recorded in 2012-2014 - value 93.18%. The chain index developed more positively and the highest year-on-year growth occurred in 2015, when it rose to 102.44%.

Graph 1: Global competitiveness index



Source: Own source (years 2008-2017)

Table 4 Chain index

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	-	97,73	97,67	100,00	97,62	100,00	100,00	102,44	102,38	100,00
CR	-	102,17	97,87	97,83	100,00	97,78	102,27	104,44	100,00	102,13

Source: Own source

Table 5 Basic index

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SR	-	97,73	95,45	95,45	93,18	93,18	93,18	95,45	97,73	97,73
CR	-	102,17	100,00	97,83	97,83	95,65	97,83	102,17	102,17	104,35

Source: Own source

Conclusion

Macroeconomic competitiveness is a very important indicator of the progress of the overall development in a given country. Since it cannot be understood in absolute terms, it is necessary to compare at least two countries in its assessment, which was also the aim of this article. We compared the Slovak Republic and the Czech Republic on the basis of the Global Competitiveness Index. For a better overview, the work includes an analysis of the time series, i. compilation of chain and base index. In the article, we identified with the ideas of several authors. For example, Christos et al. (2014) define competitiveness as the way in which countries and entrepreneurs manage all their competencies to achieve prosperity or profit. At the same time, Klvačová and Malý (2008) say that the growth of competitiveness is one of the most

important goals pursued by national governments worldwide. Based on this, the development of many factors that play a significant role in competitiveness is moving in a negative direction in Slovakia. At the same time, however, it must be stated that a change in the trend of these factors is possible, but mostly by gradual steps over a longer period. This future development depends primarily on the activities of the government and its decisions, which are largely influenced by individual factors of competitiveness.

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DEMOGRAPHIC DEVELOPMENTS IN THE SR IN CONTEXT OF THE LABOUR MARKET IMPACT

Veronika ŽÁRSKÁ

Abstract

Most developed countries have had to deal with demographic change in recent decades, which has an impact on the functioning of society as a whole. The aim of this paper is to analyze se-lected demographic indicators such as the struc-ture of the population according to productivity, birth rate, mortality or educational level of the population and to define the impacts of their development on the functioning of society. In order to achieve this goal, we became acquaint-ed with our theoretical publications, while ad-hering to this theoretical knowledge and then supplementing with statistical data. In the pro-cessing of the work were used mainly general scientific methods such as description, induc-tion, deduction, method of analysis or synthesis.

Key words

demographic change, labor market, population aging, Slovak Republic

JEL Classification: : J10, J11, J19 https://doi.org/10.52665/ser20210205

Introduction

Demographic development in the context of the changes it brings is becoming an increasingly discussed topic, especially in developed countries. One of the most serious problems at present is the aging of the population, which affects not only the Slovak Republic and other European countries, but also other developed countries around the world. In most of them, there is a simultaneous decline in birth rates and a prolongation of life expectancy at birth, which raises concerns about the future. The declining birth rate is caused by the so-called demographic-economic paradox - with the growing GDP of the country, increasing education and independence of women, the gross birth rate in individual countries is also decreasing. This effect is called bottom-up aging. On the other hand, as a result of ever-improving health care, mortality is declining, leading to longer life expectancy and contributing to an aging population. This effect is in turn referred to as population aging from above. Both of these facts lead to an increase in the index of economic burden of persons. A situation arises where more and more people are receiving a pension and fewer and fewer people have to work for these pensions. There is an imbalance that needs to be addressed as soon as possible, as all the above facts directly affect the Slovak Republic.

Goal and Methodology (Times new roman Body text 10)

The main goal of the paper is to analyze the demographic development in Slovakia and to point out the trends that have manifested themselves in recent years. In order to achieve this goal, it was first necessary to study several theoretical publications dealing with the issue. We subsequently supplemented the theoretical knowledge with statistical data taken from the Statistical Office of the Slovak Republic. General scientific methods such as induction, deduction, analysis, synthesis, abstraction or descriptive method were used in the processing of the paper. The method of comparison was also used to compare the data.

1 Demographic changes in the Slovak Republic

Demographic developments, especially the aging of the population, are significantly affecting the functioning of the labor market. In the long run, Slovakia is expected to have to cope with significant demographic changes. The most important will be the already mentioned gradual aging of the population, but also the increase in the educational level of the population (Dujava, Pécsyová, 2020). These two

factors should have a positive effect on the unemployment rate - a slight decrease in the unemployment rate is expected due to an increase in the share of the retired population, which ranks among the inactive in the labor market. At first glance, however, the positive development will be accompanied by several problems. The largest will be the functioning of the pension system, the next will be the insufficient scope of the labor supply. The age of the average worker is expected to continue to increase. This will in turn increase the amount of experience delivered to the labor markets. This experience is valued by default in the labor market, which is likely to have an impact on wages and potentially on other outcomes (Böhm et al., 2020). The number of economically active population has been declining in recent years, mainly for the following reasons:

- population aging (people are living to an older age and fewer children are being born at the same time. National governments are trying to mitigate the effects of an aging population, in particular by raising the retirement age. However, this approach cannot be applied indefinitely.)

- increasing the number of students at schools (more and more students continue their studies at university after graduating from high school - retained workforce)

- work abroad (many inhabitants of the Slovak Republic go to work abroad / border areas due to better working conditions or higher earnings, and therefore do not fill vacancies in the Slovak Republic)

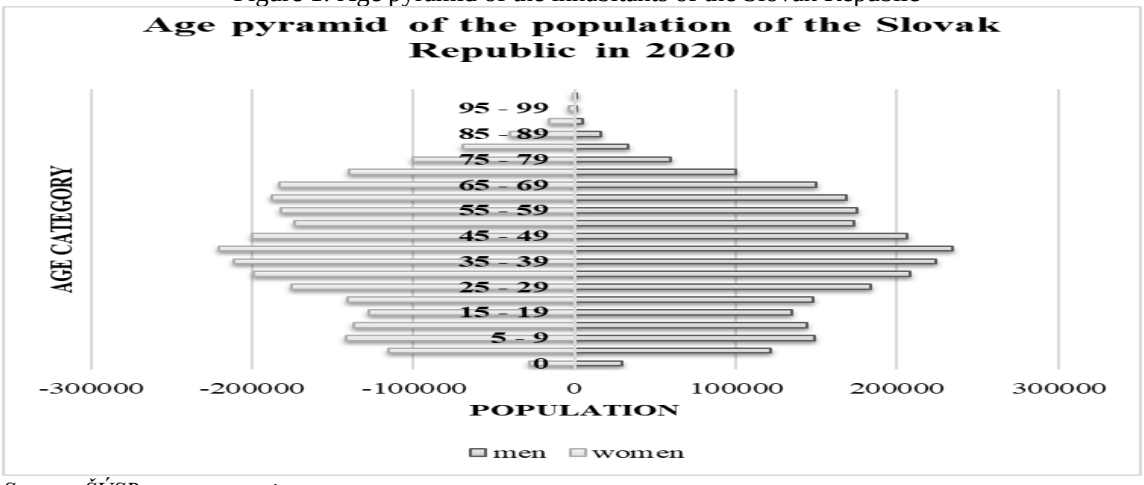
- labor immigration to the Slovak Republic is low, conditions in Slovakia do not attract labor from abroad.

For these reasons, there will be an increasing situation where labor supply will not be able to completely replace those who are retiring.

1.1 Population aging

The aging of the population is manifested by an increase in the older age groups of the population in absolute and relative terms, and it occurs as a result of the improvement of some social conditions (Dimitrová, 2007). The aging of the population will probably be very important in the coming decades not only in the Slovak Republic, but also in other developed countries. Persistently low birth rates and higher life expectancy are changing the shape of the age pyramids of individual countries. This situation will lead to an increased burden on people of working age, who will have to provide funding for the social expenditure needed for a range of services needed to support an aging population.

Figure 1: Age pyramid of the inhabitants of the Slovak Republic

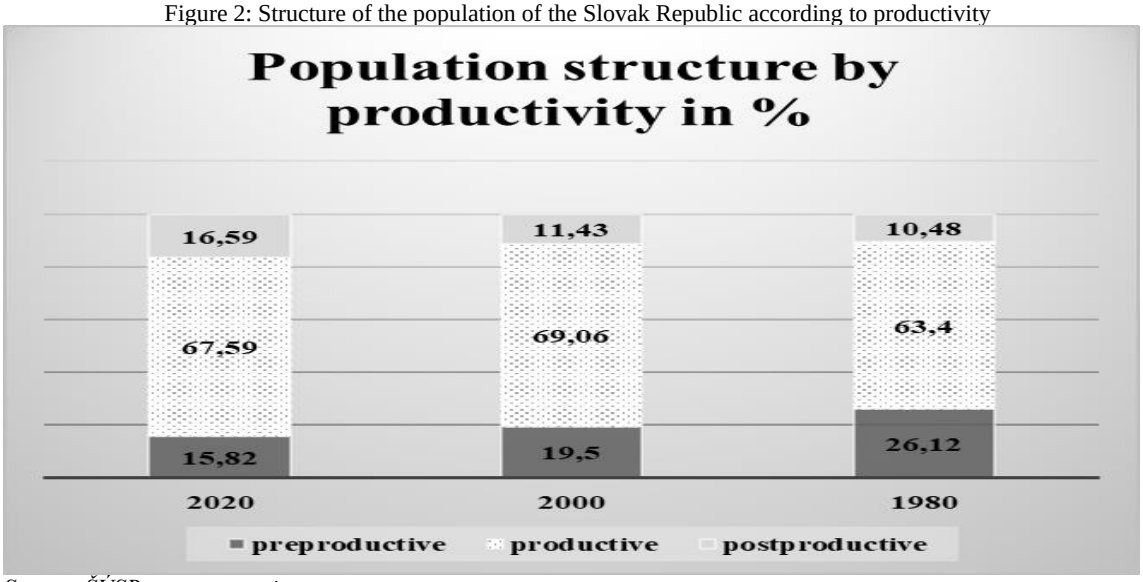


Source: ŠÚSR, own processing

If we look at the age structure of the population of the Slovak Republic, we can see that the population aged 30-44 is the most represented. However, the population approaching retirement age is also increasingly represented. Its size already exceeds the size of the pre-productive age population, and such a development may pose a problem in the future, especially as regards the functioning of the currently set pension system.

On the one hand, however, this situation appears to be positive - as job vacancies will increase due to the decline in labor supply, employers will be forced to compete actively for employees, e.g. also by raising wages. Thus, it will support the acceleration of wage growth, which has been relatively significant in recent times. A partial solution will also be the fact that employers will increasingly try to use previously less typical labor resources, such as. more students, mothers with younger children, the long-term unemployed, old-age pensioners or foreigners (Karšay, 2018). In addition, the digital transformation of society, together with other processes taking place in the background of Industry 4.0, is expected to lead to the loss of many jobs. As a result, declining labor supply could be sufficient. However, it is not clear when more significant changes will take place, as the possibility of digitization and automation does not mean that it will actually be introduced. This is because there are certain economic, social, legal and other regulatory constraints that cause significant delays between the invention of new technologies and their adoption and dissemination worldwide (Islam, 2018).

Figure 2: Structure of the population of the Slovak Republic according to productivity



Source: ŠÚSR, own processing

If we look at the structure of the population according to productivity also from the point of view of the development in the past, it can be clearly stated that the aging of the population is more and more pronounced and the population in the post-productive age is increasing, while the share of the population in the pre-productive age is decreasing. While in 1980 the post-productive age population was only 10.48% and by 2000 there was only a slight increase, over the next 20 years its share increased to 16.59%. The share of the pre-productive age population has decreased by 10.3 percentage points since 1980 to 15.82% in 2020. While in 1980 and 2000 the pre-productive share exceeded the post-productive share, in 2020 the pre-productive share was already 0.77 percentage points point lower than the share of post-productive.

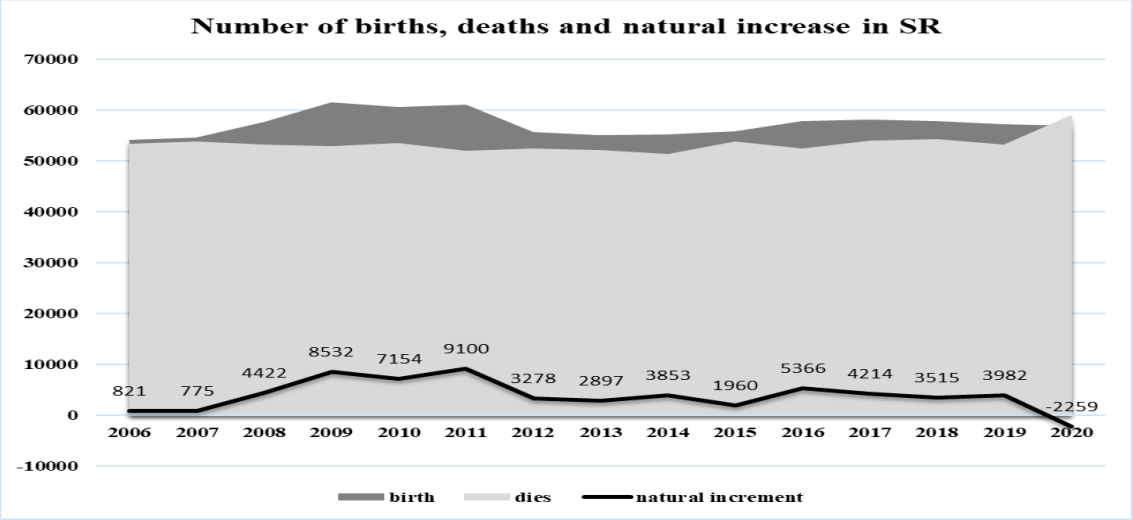
Although it is not yet entirely clear at first sight, a gradual decline in the pre-productive component and an increase in the post-productive one will lead to a gradual decline in the working-age population, with other potential problems. In addition to dramatically increasing

the dependency ratio of older people and growing labor supply more slowly than demand, which may put upward pressure on wages, account must also be taken of the fact that the age structure of the workforce has also changed significantly in recent times, which may also affect the functioning of the labor market (Papadopoulos et al., 2017).

1.2 Development of birth rates and mortality

The age structure of the population depends on the birth rate and mortality rate. The difference between births and deaths represents the natural increase / decrease of the population. The following chart shows the development of these indicators over the last 15 years.

Figure 3: Number of births and natural increase in the SR



Source: ŠÚSR, own processing

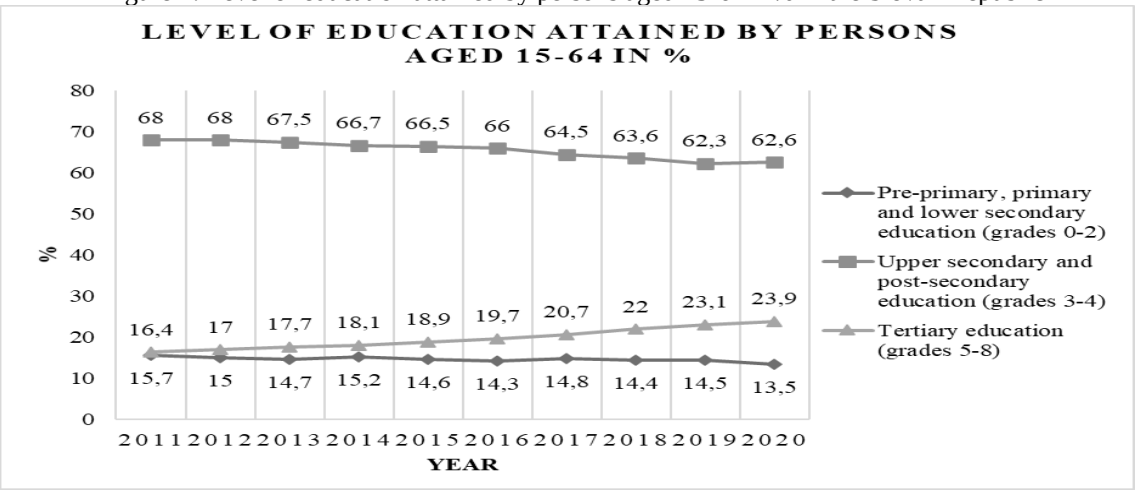
The birth rate in the Slovak Republic during the entire period under review, with the exception of 2020, was higher than the mortality rate, ie in all years, except in 2020 affected by the Covid-19 pandemic, we recorded population growth. After the increase in birth rates in the years 2008 to 2011, there was also a more significant increase in natural population growth. Birth rates fell again in 2012, but have started to rise slightly again in recent years. The number of births ranged from 54,000 to 61,000. Mortality remained at approximately the same level throughout the period under review. The number of deaths ranged from 51,000 to 54,000 people. The exception was 2020, which in recent months has been affected by high mortality from Covid-19 infectious respiratory disease and the number of deaths has exceeded 59,000.

1.3 Increasing the level of education

Another demographic trend worldwide is the increase in the educational level of the population. The need to increase the educational level of the population is contributed to by the current trends in the world economy, which are leading to increasing demands on the workforce in terms of the range of knowledge, skills and abilities. Hübelová (2013) states that the growth of education and increasing the level of human capital is currently one of the key factors for the development of society as a whole, as in post-industrial society the emphasis is on creativity and the ability to adapt to change, and developing these two skills is not possible without sufficient education. The increase in the educational level of the population also occurs thanks to the so-called the mechanism of cultural transmission, which takes place at school and in the family and still tends to follow each other.

This mechanism is based on the fact that the quality of education of one generation affects the opportunities of the next generation (Storesletten, Zilibotti 2000). Assuming that the older generation was only lower educated, the younger generation would also not be sufficiently educated and the level of education in society would not increase.

Figure 4: Level of education attained by persons aged 15-64 in% in the Slovak Republic



Source: ŠÚSR, own processing

The share of people with tertiary education is increasing and the share of people with upper secondary, but also primary and lower secondary education is decreasing. Since 2011, the share of university graduates in the 15-64 age group has increased by 7.5 percentage points to 23.9% in 2020. On the other hand, the share of people with upper secondary and post-secondary education has fallen from 68% to 62.6% in 2011. % in 2020, ie by 5.4 percentage points. The number of people with pre-primary, primary and lower secondary education also decreased, but only slightly, from 15.7% in 2011 to 13.5% in 2020, a decrease of 2.2 percentage points in this category.

2 Other selected indicators monitored within demographic development

In addition to the indicators monitored above, there are many others that are monitored in the context of demographic developments and have an impact on the labor market situation. The following table lists the most common.

Table 1: Demographic development - selected indicators

Demographic development - selected indicators	2020	2019	2010
Total population	5 457 873	5 450 421	5 424 925
Gross birth rate	10,38	10,46	11,12
Gross mortality rate	10,82	9,76	9,84
Average age - men	39,65	39,45	37,09
Average age - women	42,79	42,59	40,28
Life expectancy at birth - men	73,47	74,31	71,62
Life expectancy at birth - women	80,17	80,84	78,84
Natural increase per 1000 inhabitants - gross rate	-0,45	0,7	1,28
Gross marriage rate	4,35	5,44	4,68
Divorces per 100 marriages - divorce rate index in %	34,92	31,91	47,28

Source: ŠÚSR, own processing

The population of the Slovak Republic increased by 32,948 inhabitants to 5,457,873 from 2010 to 2020. The gross birth rate, which expresses the number of births per 1,000 inhabitants in the observed period (1 year), decreased in the compared years from 11.12 to 10 , 38. The gross mortality rate, which expresses the number of deaths per 1,000 inhabitants in the observed period (1 year), decreased very insignificantly until 2019 - from 9.84 to 9.76. In 2020, however, it increased to 10.82 due to the pandemic. On the positive side, both the average age of men (from 37.09 years to 39.65 years) and women (from 40.28 to 42.79) increased during the period under review, and the annual increase in this indicator was not affected by Covid-19 either. Also, until 2019, life expectancy at birth (life expectancy at birth) increased, which is defined as the average number of years a person at age x is likely to survive, assuming that mortality rates do not change. It increased from 71.62 years to 74.31 years for men and from 78.84 to 80.84 years for women, so it can be stated that women live to an older age on average. However, excessive mortality in 2020 contributed to a decline in life expectancy at birth for both men (73.47 years) and women (80.17). The gross rate of natural increase, which expresses the natural increase of the population per 1000 inhabitants of the average state for the observed period in the monitored area, decreased from 1.28 to 2019 from 1.28 to 0.7. In 2020, a natural decrease in population was even recorded in the Slovak Republic (-0.45). The gross marriage rate, which is defined as the number of marriages per 1000 population on average over the period under review, increased from 4.68 marriages per 1000 population in 2010 to 5.44 marriages per 1000 population in 2019. However, in 2020 it fell to 4.35, as many citizens postponed marriages due to restrictions imposed in connection with the pandemic. On the positive side, the divorce rate, which refers to the number of divorces per 100 marriages in the same period, has fallen since 2010 from 48.28% to 31.91% in 2019. In 2020, it rose slightly again - to 34.92% . It can be assumed that social isolation in particular contributed to this, which repeatedly checked the quality of individual marriages. The index of economic burden of persons recording the number of persons in pre-productive age (0-14 years) and post-productive age (65+ years) per 100 persons in productive age (15-64 years) increased from 38.23% to 48%, as for the future, it is necessary to change the current setting of the Slovak pension system.

Conclusion

Demographic development in the Slovak Republic and related trends raise a number of questions about the future functioning of the company. The birth rate has decreased and its timing has changed, which is reflected, for example, in the increase in the average age of the mother at first birth. In addition, many families have so-called childlessness. The values of society have changed, many people prefer to build a career over parenthood. However, not all aspects of demographic change are necessarily negative. Increasing the educational level of the population is currently considered to be one of the few positives. Although the population seems to be aging from below as a result of increasing education and the growing position of women in society, as women prefer a different way of life, increasing levels of education also have positive effects. It leads to a decline in unemployment in the long term and is also necessary in the light of the rapid pace of technological progress, the expanding digitization and electronics. Individual countries are trying to influence demographic development in various ways and mitigate its negative effects. However, this is not a matter of time and the manifestations of individual measures will usually only become apparent in the medium term.

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