

THE DEVELOPMENT OF UNEMPLOYMENT IN NUTS II REGION OF EASTERN SLOVAKIA

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Abstract

The development of unemployment in nuts ii region of Eastern Slovakia

Eastern Slovakia belongs to the most undeveloped NUTS II regions of the European Union. This region reaches high level of the unemployment rate, what together with the low production of GDP per capita forms unfavourable living conditions for its inhabitants. This article studies the development of the unemployment rate and the partial structures of unemployment in the region. It identifies key factors which affect the unemployment. It turns the attention to the potential of the region in the fight against the unemployment, from the point of view of its macro-regional and meso-regional position in the European space. It identifies specific subregions within the Eastern Slovakia and analyses its intraregional disparities in the context of labour market stability.

Key words

Eastern Slovakia, unemployment, unemployment rate

1. Introduction

The Velvet revolution in 1989 has brought big changes for former Czechoslovakia and its successive states. Political and economic systems of central planning were replaced by the market economy. Democratic society has been established. Its characteristic features were the freedom of business and the transition from ineffective state ownership to more effective private ownership. Needs of the labour market have changed. While until 1989 almost everyone was working and the working places were created mainly for people with low education and qualification, after the conversion to the market mechanism, the newly developed working places increasingly required a higher degree of qualification and education. As a result of that, lower educated and qualified labour force from the previous era had immense problems with its assertion on the labour market.

In the time of Slovak republic (SR) formation in 1993, the differences in the unemployment rate between Slovak regions were low. But from that time on, the regions formed on the territory of SR have begun to be characterized by the difference in the unemployment development. On the one hand, there were regions whose unemployment rate grew only very slowly but on the other hand, there were also regions whose rise of unemployment was very rapid. Among such regions is the NUTS II (The Nomenclature of Territorial Units for Statistics) region of Eastern Slovakia, which additionally is also among the regions with the highest unemployment rate within the whole European Union.

In 1996 and 2001 the reorganization of the territorial-administrative division took place in the Slovak republic. Thus in Slovakia (region NUTS I) came into being 4 NUTS II regions, 8 NUTS III regions, 79 LAU I regions (districts) and 2891 LAU II regions (municipalities). 8 so-called self-governing regions with rather significant autonomous powers (e.g. educational system, health service, transportation infrastructure, territorial development, etc.) were created at the level of the NUTS III regions. The NUTS II region Eastern Slovakia consists of two self-governing regions - Prešov region and Košice region.

The Statistical Office of the European Communities (EUROSTAT) monitors and evaluates the regional structure of the European Union particularly on the basis of data from NUTS II statistical regions. As reliable and accessible statistical data exist in the Slovak republic only since 1997, the development of the unemployment rate and the partial structures of unemployment in the Eastern Slovakia will be analyzed only from then on. We will try to find out mutual interconnections that have conditioned the changes in the development of these indicators.

1.1 Methodology

The development of unemployment in the Eastern Slovakia will be analyzed on the grounds of data from Labour, Social Affairs and Family Headquarters concerning the years 1997-2008. The trends in the progress of the unemployment rate will be monitored on the level of NUTS II region i.e. the Eastern Slovakia en bloc. The years during which the trends in the development have changed will be shown in the map and the situation in LAU I regions (districts) will be displayed. We will try to reveal main factors and connections that have influenced the development of the unemployment rate. We will also analyse the changes of the development of the unemployment rate in the districts within the Eastern Slovakia. The difference between the highest and the lowest value of unemployment rate in each district of

the Eastern Slovakia in 1997-2008 will be calculated and drawn in the map. By means of this method we will acquire the information about the stability of regional labour markets in the Eastern Slovakia. We will also outline the development of the partial unemployment structures.

2. The location of the region and its demographic characteristics

Eastern Slovakia with an area of 15 726 km² occupies around 32% of total country's area. 1 600 000 people inhabiting this territory form about 29% of Slovakia's population.

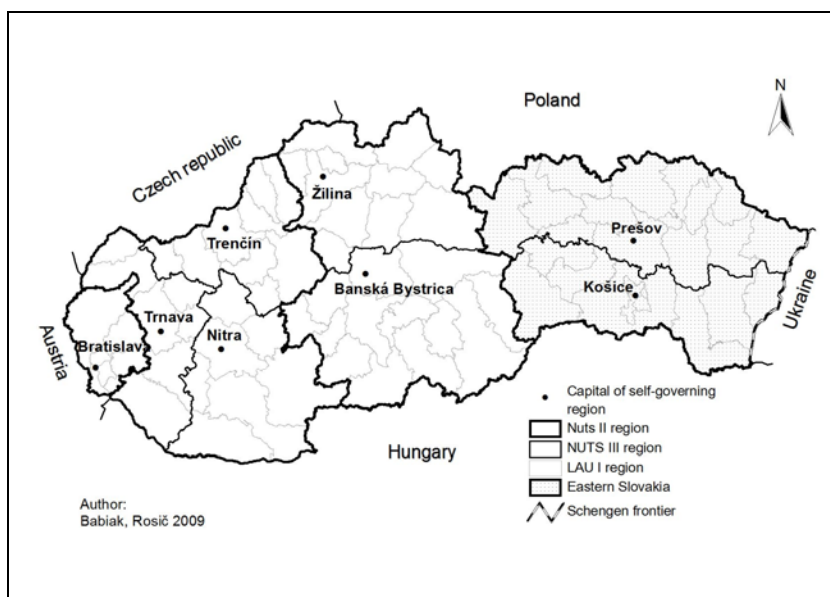


Fig. 1: Location of the Eastern Slovakia

The population is concentrated mostly in the central part of the region (area of Košice and Prešov); peripheral districts (mainly eastern and north-eastern districts) have sparse population and very specific settlement network (very high number of municipalities with very low number of inhabitants). From the total number of 1106 municipalities of the Eastern Slovakia, only 40 of them have town status whereas only 3 of them have over 50 000 inhabitants (Košice, Prešov, Poprad).

The natural increase in the Eastern Slovakia achieved the rate of 3,36‰ in 2008, what was highly over the average level of SR (0,78‰). High natural increase rate in certain districts of the Eastern Slovakia closely correlates with the ethnic structure of population. High natural increase is produced mostly by the gypsy community (that is related especially to the districts of Kežmarok, Stará Ľubovňa, Sabinov, Levoča, Spišská Nová Ves etc.). Due to high proportion of gypsy communities (distinguished by very specific demographic behaviour, which is characterised by extremely high natural increase) in the total number of population, not only the above mentioned districts but also the whole area of Eastern Slovakia have become the population epicentres of SR.

The situation in the field of the net migration is much different. Eastern Slovakia is markedly depopulating region with a net migration decrease of -1,19‰ in 2008. The most critical situation is in the north-eastern and eastern districts that recorded the highest net migration decreases (globally highest net migration decrease was in the city districts of Košice but the fact is conditioned by the suburbanization tendencies, when the population of the city moves into its suburbs). Districts like Svidník (-4,53‰), Stará Ľubovňa (-4,43‰) and Snina (-3,27‰) achieved the highest net migration. The reasons for the migration loss in the north-eastern districts are mainly poor socioeconomic conditions. From the aspect of net migration, the only progressive district of the Eastern Slovakia is the district of Košice-okolie (5,74‰). Dominant factor of its progress is the process of suburbanisation. Very negative phenomenon which was attacking the Eastern Slovakia for several years is the emigration of the qualified labour forces. The majority of emigrating labour forces are predominantly young and educated people.

In 2008, total population movement in the Eastern Slovakia reached the level of 2,17‰, what was over the average of SR (2,08‰). The reason of this state was mainly a noticeable natural increase of population. In 2008, the highest total increase was achieved in the districts of Kežmarok (10,49‰), Košice-okolie (9,78‰) and Levoča (6,70‰). In the same year, the highest total decrease of population was noticed in the districts of Medzilaborce (-5,36‰), Košice III (-4,65‰) and Košice I (-4,54‰).

The structure of population by educational attainment in the Eastern Slovakia is slightly unfavourable in comparison with the national average (according to the Population Census, 2001). In 2001, people with university education formed 8,8% of the total number of inhabitants of the Eastern Slovakia (in SR it was 9,8%); and people with elementary education formed 21,9% (21,5% in SR). What is very remarkable is the correlation between the high proportion of inhabitants with elementary education and the high proportion of inhabitants of gypsy nationality in the individual districts of the Eastern Slovakia.

2.1 The location of the region in the context of meso-regional and macro-regional relations of European space

NUTS II region of the Eastern Slovakia which does not even reach 50% of the average GDP per capita of EU-27 (in purchasing power parity) belongs to the most underdeveloped regions of the European Union. Its location is unfavourable in comparison with the developed centres of Europe that are far away from the region. It is directly joined to other least developed regions of the European Union, with which they together create continuous belt on EU's eastern border. From that point of view, we can only hardly expect an important forwarding stimulus that would come from the surrounding regions and would "start up" the Eastern Slovakia on the way of its more decisive socioeconomic development.

In the terms of economic power, Eastern Slovakia has until recently belonged to the completely weakest regions of the European Union. Its position has been relatively improved after the entry of Bulgaria and Romania into the EU. Their regions are economically even weaker. According to the unemployment indicator, Eastern Slovakia also belongs to the worst regions of the EU.

One of the distinctive problems of the European Union is the problem of regional disparities. The differences in basic economic indicators (GDP per capita,

employment, unemployment) mention 2 tendencies, namely the west-eastern gradient of poverty i.e. "the eastern the poorer" or more precisely - less economically developed; and peripheral poverty i.e. regions that are more remote from the economic centre of the country show lower quality of socioeconomic development. Great differences are also in the development of the regional disparities within the individual countries. While in new EU countries (12) the regional disparities tend to increase (mostly in Bulgaria, Slovakia and Hungary), in the countries of "old" EU (15) the differences between their regions decrease (see e.g. Eurostat Regional Yearbook).

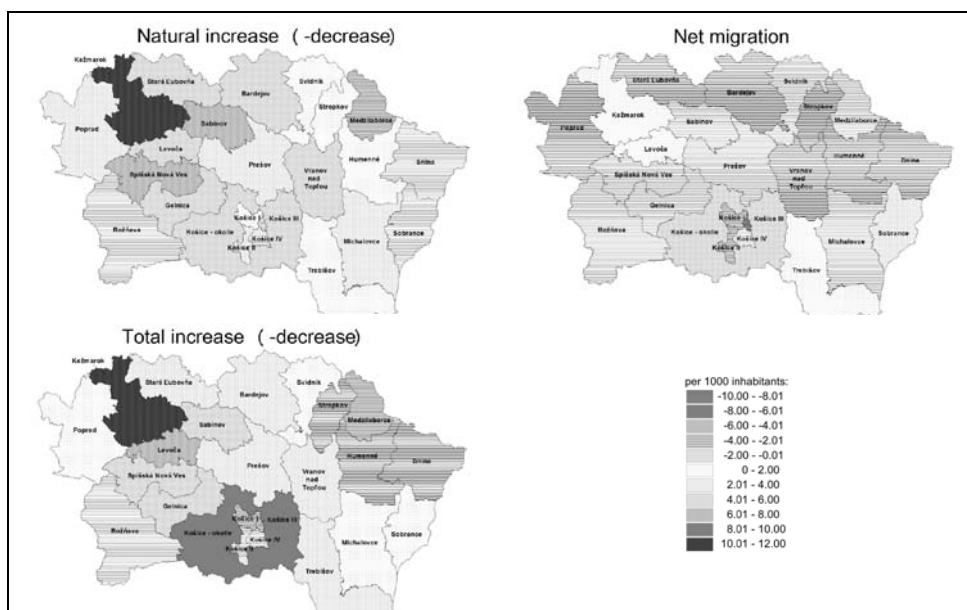


Fig. 2: Demographic characteristics of the Eastern Slovakia (2008).
Source: Statistical Office of the Slovak Republic.

Positive fact for the unemployment in the Eastern Slovakia was its entry (and the entry of the other countries) into the Schengen Area in 2007. Eastern Slovakia opened its northern (with Poland) and southern borders (with Hungary). This fact helps to establish contacts and co-operation on the meso-regional level with southern Polish regions or eventually with northern regions of Hungary. Thus the entry of the region into the Schengen Area - so far in minor sense but still - contributes to reduction of the unemployment in the Eastern Slovakia, since it supports the mobility of labour forces and capital on the both sides of the border.

Tab. 1: NUTS II regions of Europe by macroeconomic indicators (2006).

GDP per capita in PPS ² EU27 = 100%		Unemployment rate ³ (%)	
1. Inner London (UK ¹)	335,9	1. Agder og Rogaland (NO)	1,9
2. Luxembourg (LU)	267,1	2. Zeeland (NL)	2,1
3. Région de Bruxelles (BE)	233,3	3. Vestlandet (NO)	2,3
4. Hamburg (DE)	199,7	4. Praha (CZ)	2,4
5. Groningen (NL)	173,7	5. Oslo og Akershus (NO)	2,5
19. Bratislava region	148,7	57. Bratislava region	4,3
228. Western Slovakia	62,8	174. Western Slovakia	7,8
243. Central Slovakia	49,2	259. Eastern Slovakia	14,9
252. Eastern Slovakia	44,0	261. Central Slovakia	15,3
271. Poranesna Jugoslovenska Republika Makedonija (MK)	29,4	262. Sachsen-Anhalt (DE)	15,7
272. Yuzhen Tsentralen (BG)	27,8	263. Berlin (DE)	16,3
273. Severen Tsentralen (BG)	26,9	264. Région de Bruxelles (BE)	17,1
274. Severozapaden (BG)	25,4	265. Leipzig (DE)	17,2
275. Nord-Est (RO)	24,7	266. Mecklenburg-Vorpommern (DE)	17,4

1.-BE-Belgium, BG-Bulgaria, CZ-Czech republic, DE-Germany, LU-Luxembourg, MK-Macedonia, NL-Netherlands, NO-Norway, RO-Romania, UK-United Kingdom.

2.-275 regions with available data are compared (EU + Croatia and Macedonia).

3.-272 regions with available data are compared (EU except Slovenia and Denmark, but +Croatia and Norway). The regions with the highest unemployment rate are 4 French overseas departements (Reunion, Guadeloupe, Martinique, Guyane) and 2 Spanish autonomous regions (Ceuta, Mellila).

Source: Eurostat, 2009.

3. The development of unemployment rate

During the whole monitored period 1997-2008 the unemployment rate in the Eastern Slovakia was over the Slovakian average (Fig. 3). The trends of the unemployment rate development were the same on both levels; the differences were only in the intensity of the phenomenon. Years 1997-1999 were characterized by the marked increase in the unemployment rate. In 2000 and 2001, the unemployment rate on both monitored levels decreased but it consequently increased; and in 2002 the period of its continual and considerable regress has started. The period of the constant reduction of the unemployment rate lasted until 2008, when the consequences of the economic crisis became more apparent.

The situation within the districts of Eastern Slovakia was much different. In this region we can observe relatively distinctive intraregional disparities in economic efficiency among individual districts what was as well displayed at the high level of the unemployment rate that was demonstrated in each district during the whole period of monitored time. On the one hand, there were distinctively problematic districts that achieved highest accounts of the unemployment rate within all districts of the Eastern Slovakia during the monitored period. On the other hand, there were districts that during the whole period belonged to the group of with the lowest unemployment rate.

In 1997, the code of the National Council of the Slovak Republic (further only NC SR) No. 387/1996 of the Collection of Laws on unemployment has come into effect. This law "for the first time completely defines the targets of the employment politics and establishes the Labour, Social Affairs and Family Headquarters for its execution" (Gerbery 2007). In the beginning of the monitored period (1997), the unemployment rate in the Eastern Slovakia was at the level of 18,60%. In SR, the unemployment rate reached the limit of 13,37%. The unemployment rate in individual districts of Eastern Slovakia was very different and it moved in the

interval from 10,33% in the district of Košice IV to 26,85% in the district of Vranov nad Topľou.

Rapid increase of the unemployment rate was noticed in 1998. In the Eastern Slovakia it increased to 22,43%, in SR to 16,43%. Concerning individual districts, Košice I district reached the lowest value of the unemployment rate (12,54%); the highest value was in the district of Vranov nad Topľou (31,06%). Very fast increase of the unemployment rate continued also in 1999 (Fig.3). In this year, the unemployment in the Eastern Slovakia reached its historical maximum (27,15%), what was by 7,05% more than in SR (20,10%). Also the majority of Eastern Slovakia's districts reached their maximums in this year. In 1999, the absolutely highest unemployment rate was reached in the districts of Trebišov (35,21%), Sobrance (34,45%) and Rožňava (34,11%). In the same year these three districts also achieved the highest annual growth of the unemployment rate at the level of approximately 7,50%. The lowest unemployment rate achieved the districts of Košice II (16,05%), Košice I (16,13%) and Košice IV (17,41%). The rise of the unemployment during 1997-1999 is connected with significant displays of macro-economic unbalance and also with a total decrease of productivity of the Slovak economy, what in consequence meant that more and more people lost their jobs. These factors have activated a demand for stabilization of the Slovak economy. It should stop the negative trend of development and create conditions for subsequent economic increase.

Year 1998 was a distinctive milestone for the unemployment development. The election to the National Council of SR took place as well as the replacement of the previous government. New government, being conscious of the disagreeableness of the macro-economical development, entered the way of courageous economic and social reforms, whose far-reaching implications were manifested in later years.

In 2000, after many years of increase, the unemployment rate decreased. Unfortunately, the rate was not reduced because of the unemployed's integration into the labour market (in the sense of their full-time employment). The establishment of so-called public-benefit services performed by the unemployed citizens had the greatest influence on the decrease of the unemployment. It meant that a selected group of the unemployed had to carry out some compulsory work – several hours per month, for a municipality within which they were living. The sort of work was ordered by the municipality and it was done for the public purposes. Those unemployed, who practiced this kind of work, were for the statistical purposes not registered as unemployed people. Such step taken by the government was indeed contradictory. It was welcomed by municipalities which thus have gained free labour forces for some kind of work; and the performance of such work was positive for the unemployed citizens in the sense of keeping their working habits. But on the other hand, this regulation did not solve the real unemployment because the unemployment rate was reduced only formally.

The unemployment rate in the Eastern Slovakia dropped in 2000 to the level of 24,32%, in SR it was 18,80%. In 2001, after the cancellation of the public-benefit services for municipality, the unemployment rate in the Eastern Slovakia once again increased to 26%. The rate in SR has also increased and its height oscillated under 20% level. The highest unemployment rate of all districts of the Eastern Slovakia was registered in the districts of Trebišov, Rožňava and Michalovce; the lowest was in the city districts of Košice.

In 2002, the change of the trend in the development of unemployment has begun. Slovak economy was stabilized. It was caused by the government, which made some unpopular restrictive actions and economic reforms. The government thereby created convenient conditions for entrepreneurship; the position of the country in the eyes of the foreign countries was improved and the flow of the foreign investments that meant the creation of new working places has started. Since then, the unemployment rate in SR as well as in the Eastern Slovakia and all its districts has begun to decrease.

In the first year of the continual year-by-year unemployment's decrease i.e. in 2002, the typical feature of the macro-economic development in SR was the stagnation of employment. It can be assumed that the diminution of the unemployment in this year was probably in a high degree caused by moves of one part of the unemployed people off the labour market (to retirement, outside the Slovak labour market, etc...). The unemployment rate in the Eastern Slovakia dropped in 2002 to the level of 25,15%, in SR it decreased to 18,64%. The highest rank of the unemployment was reported from the districts of Sobrance, Rožňava and Kežmarok (all of them over the level of 33%).

The favourable trend continued in 2003 as well. Besides the constantly advantageous economic situation, the effect of the Law on the unemployment also influenced the decrease of the unemployment. According to the law, registered unemployed citizens were required to report the results of the search for their job on the Labour, Social Affairs and Family offices every 14 days (they had to bring the acknowledgement from particular employer about their aspiration for the job; they had to bring a stamp from the employer). Already mentioned act also meant the rejection of some candidates for employment from the evidence. Rejected citizens were not active in the search for the job, relying only upon the Labour, Social Affairs and Family Offices (or they were registered there only for the social benefits). This is partially acknowledged by the fact that the highest decrease of the unemployment rate was in the districts with the highest share of gypsy communities. These communities are famous for the exploitation of social benefits (it is connected especially with the districts of Kežmarok, Vranov nad Topľou, Sabinov, Bardejov, Trebišov). In this year the absolutely highest unemployment rate was achieved in the districts of Sobrance, Rožňava and Trebišov; the lowest unemployment besides the city districts of Košice was also in the districts of Poprad and Stará Ľubovňa (Fig.3). The unemployment rate in the Eastern Slovakia dropped in 2003 to 22,95%, in SR it dropped to 17,04%.

Year 2004 was very important for the next development of the unemployment rate. Code which verified a tax reform in SR is in force since 1.1.2004. So-called "equal tax" was established. This fact markedly improved business environment in the country and motivated individual subjects to enterprise and thereby to create new working places. The realization of the tax reform has had a substantial effect on the inflow of the important foreign investments which supported the creation of new working places in SR. Another important change which has influenced the decrease of the unemployment rate was the Code No .5/2004 Collection of Laws on the employment services. This law has also meant the establishment of extensive arrangements within the active labour market policy, most used of which has become so-called absolver practice. These steps were contributing for both - an employer as well as for an absolver. In May 2004, an important event happened. It

was the entry of the Slovak republic into the European Union. For SR it meant an outflow of one part of the labour forces abroad, especially into the countries that have opened their labour markets for the new coming countries (Great Britain, Ireland, Sweden). Large part of the labour force which left the country was particularly from the Eastern Slovakia. On one hand, the outflow of the labour forces was from the reduction of the unemployment rate point of view a positive factor. On the other hand, a large portion in the structure of emigrants was formed by young and educated people, whose involvement in Slovak labour market would be much more beneficial for Slovak economic as well as for the development of the Eastern Slovakia.

In 2004 the unemployment rate in the Eastern Slovakia decreased to the level of 20,41% and in SR to 14,63%. Within the districts of Eastern Slovakia, the highest unemployment rate proved the districts of Kežmarok (27,98%), Trebišov (27,79%) and Rožňava (27,68%). The lowest unemployment rate was traditionally in the urban districts of Košice and in the districts of Stará Ľubovňa and Poprad. Considerable decrease of the unemployment rate has continued also in 2005 and 2006. Creation of new working places was constantly progressing, the economics recorded high development and the unemployment in all districts of the Eastern Slovakia decreased. Most significant drop of the unemployment rate in the period of 2005-2006 was achieved in the districts of Snina, Medzilaborce, Stropkov, Sobrance (unemployment rate reduction was here influenced not only by the creation of new working places but also by the high level of work emigration) and the district of Poprad (the important role had the expansion of the biggest concerns of the machine industry, electrical engineering and chemical industry to the district and the arrival of another important investors – as mainly the city of Poprad itself has high investment potential due to its attractive location at the foot of the High Tatras mountains and its developed infrastructure). At the end of 2006, the districts of Trebišov (24,07%), Kežmarok (24,04%) and Rožňava (23,15%) reported the absolutely highest unemployment rate.

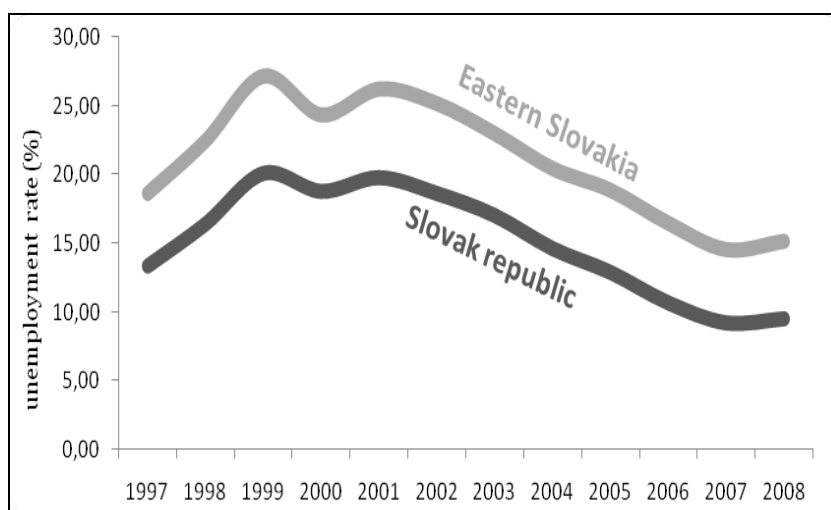


Fig.3: Unemployment rate development in 1997-2008 (as of 31.12.).

Source: Labour, Social Affairs and Family Headquarters.

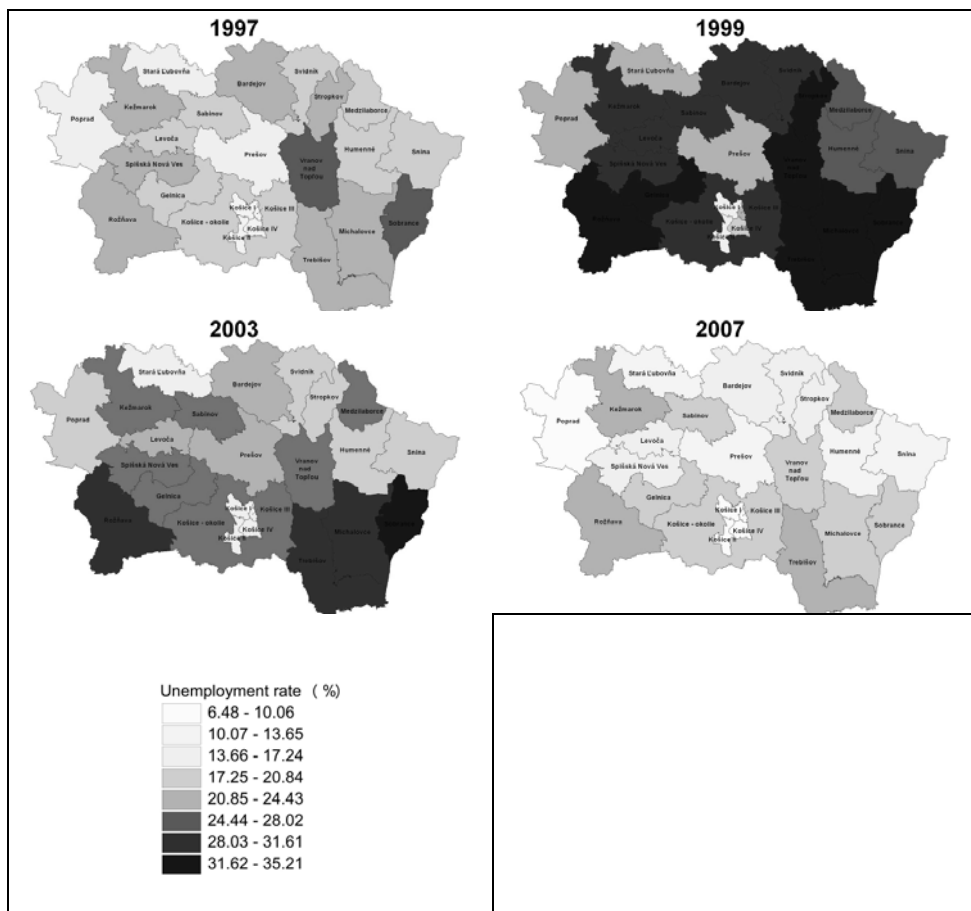


Fig. 4: Unemployment rate in the districts of the Eastern Slovakia.
Source: Labour, Social Affairs and Family Headquarters.

The lowest unemployment rate within the whole monitored period was in SR and in the Eastern Slovakia in 2007 (Fig.3). In SR as a whole the unemployment rate dropped for the first time under the level of 10% (to 9,23%) and in the Eastern Slovakia under the level of 15% (to 14,50%). The highest unemployment rate in 2007 was again in the districts of Rožňava (21,69%), Trebišov (21,12%) and Kežmarok (21,12%). The city districts of Košice and the district of Poprad achieved the lowest unemployment rate (under 10%).

Year 2008 meant the end of favourable period of the economic development and the decrease of the unemployment rate in the SR. The reason was the crisis which overgrew from the financial sector in USA to the worldwide economic crisis. The productivity of Slovak economy has begun to fall rapidly and the regress of the production in companies has started, what resulted in the increase of the number of unemployed citizens. In 2008, the unemployment rate jumped in Eastern Slovakia by 0,6% to the level of 15,10%, in SR it increased by about 0,3% to the level of 9,53%. The ranking of Eastern Slovakia's districts with regard to the height of the

unemployment rate remained the same; the lowest unemployment was still achieved in the urban parts of Košice and the district of Poprad; the highest unemployment was in the districts of Rožňava, Trebišov and Kežmarok.

4. Intraregional structure of Eastern Slovakia in the context of intensity of changes in the unemployment rate

In general, socioeconomically developed regions (usually with low unemployment rate but it is not a rule, see region Brussel and other) with diversified economic base usually have lower intensity of changes in the unemployment rate that use to change only very slowly in the period of time (it either rises or falls). On the other hand, relatively high intensity of changes in the unemployment rate that either rises or falls is the characteristic feature of the less developed regions. In such regions usually dominates so-called secondary labour market, where the working places are of lower status and of lower wage scale. The qualification demands on the employees are here much lower than on the employees in so-called primary labour market. There is only a small possibility of the further increase in qualification and career development, whereby the working places are typically less stable. On the other hand, in comparison with the primary labour market, the acquirement of new working posts on the secondary labour market is much easier. For these reasons, there is much greater fluctuation of employees within the secondary labour market than within the primary one and the regions where secondary labour market prevails, usually record big changes in unemployment rate throughout the time.

There are noticeable socioeconomic differences not only between the western and eastern part of Slovakia, but also between the individual districts of Eastern Slovakia as well. Within Slovakia so-called west-eastern gradient (the more eastern the less economically developed) and so-called peripheral marginality (peripheral regions are less developed) can be seen. One of the proofs is the different level and development of the unemployment rate in these districts. The indicator of changes in the unemployment rate (it is the difference between the highest and the lowest unemployment rate in a given district within the period 1997-2008; Fig.5) points to the narrow meso-regional connections between the individual districts of the Eastern Slovakia.

As seen in the Fig. 5, the area of the Eastern Slovakia can be - from the intensity of changes in unemployment rate viewpoint - divided into two parts: western and eastern. The boundary between these parts presents the eastern frontier of the districts of Stará Ľubovňa, Sabinov, Prešov and Košice-okolie. The western part of the divided area has had in general lower intensity of changes in the unemployment rate than the eastern part (the lighter shade predominates here). If we enlarge the scale of our research, than within the districts of eastern and western part we can also see some territorially compact subregions with similar intensity of changes in the unemployment rate during the monitored period 1997-2008.

The most intensive changes in the unemployment rate in the given period showed the compact belt of districts near north-eastern Slovakian frontier. This line begins with the district of Bardejov and ends with Sobrance district (the exception was the district of Medzilaborce, where the intensity of changes was lower). The reason for this case was probably the fact that this district has a very small population. Seeing that this district has a lack of working opportunities, the majority of population works outside the district, predominantly in the environs of Bratislava and in Czech

republic where they have fixed employment. Another large part of the population from the district works in the public sector [education, health services, social services, authorities of the state administration, etc...]. In contrast with the private sector, higher stability of working places is typical for the public sector, thus inhabitants of these regions have relatively stable employment. (For that reason, the changes in unemployment rate were less intensive in the district of Medzilaborce during the period of years 1997-2008 than in the neighbouring districts). The districts of north-eastern Slovakia have very similar physiogeographical and socio-economical features. From the vertical segmentation point of view, the dominant elements of land structure in this subregion are uplands (except from the district of Sobrance, where lowlands prevail). Those uplands are characteristic for the great number of small villages, with weakly developed infrastructure, what does not create favourable conditions for their development. Working places are less stable (agriculture, forestry). Some of the industrial factories which were dominant employers in the subregion for a long time have serious problems (or they have already crashed). At the same time new factories were established. They were predominantly joined with the automobile industry. Together with the economic depression in automobile industry, the crisis in the new established corporations (but not only in them) has come. So big fluctuation of the labour forces arose and the intensity of changes in the unemployment rate in this subregion during the whole evaluated period was very high.

The next regional configuration with similar development was created by the triplet of districts: Vranov nad Topľou, Trebišov and Michalovce. Relatively large changes in this region were influenced by various factors. The whole subregion is located in the East-Slovak lowland. Majority of population of this subregion is working in the fields which are connected with agriculture (either in the agriculture itself or in industrial sectors that are connected with agriculture). Gradually, with the crisis in agriculture (which was characteristic for the whole SR not only for this subregion) the problems also in these fields started and people were losing their jobs. Another reason for the increase of the unemployment rate is the ethnic structure of the population. The large gypsy community is typical mostly for the districts of Vranov nad Topľou and Trebišov. The community has also extraordinary natural increase. Seeing that Gypsies are so-called "unemployable", they constantly affect the rise of the number of the unemployed people. On the other hand, particularly during the years 2002-2007 considerable reduction of the unemployment took place in this subregion, what was in concord with the trend prevailing in the whole SR. In such ways, relatively big changes occurred in the unemployment rate within this subregion.

The western part of NUTS II region Eastern Slovakia had more steady development in the unemployment rate than the eastern part during the period of years 1997-2008. The lowest variation in the unemployment rate achieved the city districts of Košice (the only exception was the district of Košice III, where very distinctive increase of the unemployment rate occurred during the years 1997-2000 in comparison with the other city districts of Košice. Since 2001, the rate of the unemployment began to fall and in these days it is again at the level of the other city districts of Košice) which have the most diversified economic structure and which show the absolutely lowest unemployment rate within the scope of the districts in Eastern Slovakia.

As Fig. 5 shows, in the western part of Eastern Slovakian region, the territorially compact subregion with rather high intensity of changes in unemployment can be

seen. It consists of the districts of Levoča, Spišská Nová Ves and Gelnica. This subregion is mountainous; the quality of transportation infrastructure is low (on the other hand, main Slovak railway and road line run through the subregion and nowadays the highway is built). Important feature of the region is the high share of gypsy population (with their demographically and socioeconomically specifics mentioned above). During the period of Slovak economy decline and subsequent stagnation (until 2002), the unemployment rate in this subregion grew very quickly, and vice-versa, since 2002 it has dropped rapidly. As the economic base of the subregion was not much diversified and rather unstable, later on in connection with educational and qualification structure of the population, only the less stable working places were created and thus the intensity of unemployment rate changes in 1997-2008 became high.

5. Partial structures of unemployment in Eastern Slovakia

The structure of unemployment by sex was very variable with alternating dominance of males or females throughout 1997-2008 period. Approximately until 1999, the Slovak economy had immense problems. The biggest problems had the branches which employed mostly men (especially armaments and mechanical engineering industry). For the given reason, the participation of men in the unemployment by sex was rising (in 1999, the ratio of unemployed men to unemployed women in Eastern Slovakia was 58:42). Since 1999, the economic situation was stabilized and after the implementation of the reforms, the economic development of Slovakia has fully started. In connection with these reforms, foreign investments began to flow; however, they created large number of new working places mostly for men (predominantly in automobile industry and other branches of engineering industry and related subcontract branches). The result of this process was relatively noticeable increase in the unemployed of women in the structure of the unemployed by sex. The next important phenomenon was the collapse of textile industry in Slovakia in recent years. By 2007, the ratio of unemployed men to women in Eastern Slovakia has changed and at the end of the year it moved at the level of around 45:55.

The development of the unemployment by age structure (according to regular 5-years age groups) in the Eastern Slovakia in years 1997-2008, is characterised by the gradual fall of the share of the youngest age groups (up to 19 years old and between 20-24 years old), and by the maintenance of the constant share of mid-class age groups (25-44 years old) and by the growth of the share of oldest age groups (45 years old and more). The participation of individual age groups in the unemployment rate in 2007 was following: the youngest age groups - 17% (two 5-year age groups), the middle age groups - 12% (4 groups) and the oldest age groups - 6% (3 groups). By the year 2008 the ratio of the age groups became balanced, with each group maintaining the ratio of around 12% (except of the age group up to 19 years old, which has around 2% share).

From the perspective of the unemployment structure according to duration of the unemployed's registration, the distinctive problem for Slovakia is the long-term unemployment (unemployment lasting longer than 12 months). The share of long-term unemployed was continuously rising during the period 1997-2006 (from 40% in 1997 to 57% in 2006). The change of this trend happened in 2007, when the long-term unemployment decreased (to 55%). It was connected with the favourable conditions on the labour market, especially with good labour market policy. In 2008

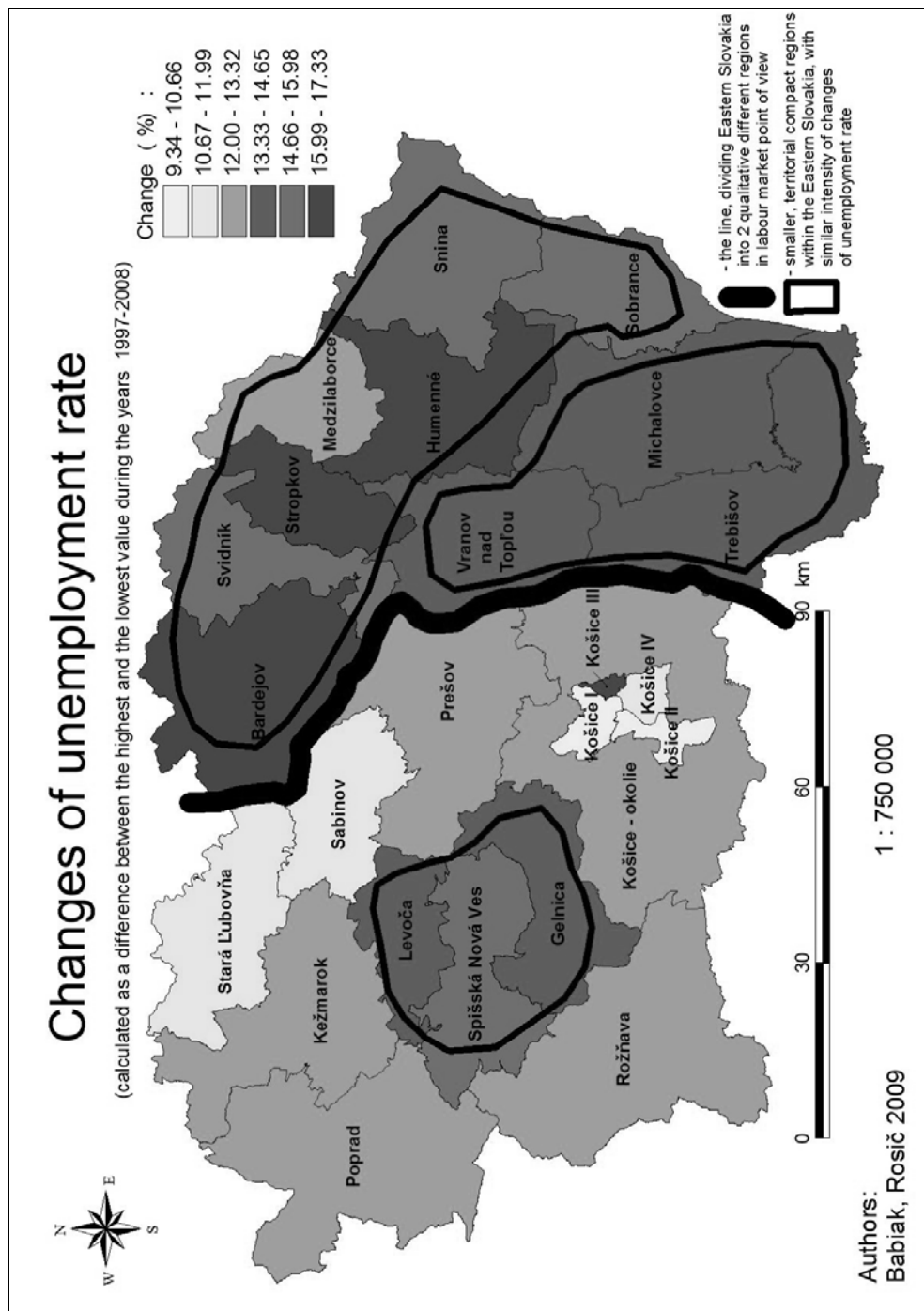


Fig. 5: Changes of unemployment rate in the years 1997-2008.

happened another, this time considerable drop in the long-term unemployed share, from 55% in 2007 to 48% in 2008. This marked decrease of long-term unemployment was not caused by increased employment on the labour market, but by the statistical effect when relatively short-term and mid-term unemployment increased, what was caused by massive redundancies on the grounds of the economic crisis.

In the structure of the unemployment by education attainment, the unemployed with elementary education dominated in Eastern Slovakia. They formed about 40% portion of the unemployment. The unemployed with secondary school education (either with GCE or not) formed 55%, the university educated population created 5% share.

6. Conclusion

Eastern Slovakia has the second highest unemployment rate in the Slovak republic. It belongs to NUTS II regions with the highest unemployment rate in the whole European Union. In spite of the fact that the region achieves favourable values of natural and total movement we assume that its demographical potential is low. Although it records quantitative increase of population, its quality as a consequence of emigration of young and educated people rather degrades.

The location of Eastern Slovakia in the context of EU regional structure is very disadvantageous. Eastern Slovakia is situated in the centre of the poorest and the most backwards macro-region of the EU which is located at its eastern frontier (this macro-region extends along the whole eastern frontier of the EU from the Baltic States on the north to Bulgaria and several north-eastern regions of Greece to the south). From that aspect, we can only hardly expect some positive development stimulus from the neighbouring NUTS II regions, which would reduce the unemployment rate in the Eastern Slovakia.

The analysis of the unemployment rate changes at the level of LAU I regions refers to heterogeneous regional structure of Eastern Slovakia as a whole. There are compact regional configurations of problematic districts within the Eastern Slovakia with similar economic base and unemployment problems.

If we resume all the factors that have favourably affected the changes of the unemployment rate and the changes of partial structures of the unemployment in Eastern Slovakia, we will find out that almost all these factors belonged to the macro economical arrangements and to the steps which were accepted at the level of SR as a whole. The factors which affect the reduction of unemployment that would go out from the endogenous activities of NUTS III regions (self-governing regions of Prešov and Košice) or some subregions are represented only in very limited extent. It points either at the insufficient endogenous activity, or at the external factors that go beyond the reach and influence of the decision-making authorities of NUTS III self-governing regions (region NUTS II Eastern Slovakia as such, in spite of the fact that it represents a basic comparative unit of the regional structure of the EU; in the law system of the SR, it does not have any decision powers nor even the competencies and authorities which would control its development as a whole; it is only clearly statistical unit, its endogenous development policy could be realized only on the basis of the coordination of the endogenous development policies of the Prešov and Košice self-governing regions).

Among these external factors are e.g. regional policy of the country, infrastructure building policy of over regional or European importance, the policy of the state grants and money distribution from the eurofunds but also the unattractive location potential of the individual regions for the input of the investments etc.

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THE DEVELOPMENT OF UNEMPLOYMENT IN NUTS II REGION OF EASTERN SLOVAKIA

Summary

NUTS II region of the Eastern Slovakia belongs in terms of macro-economic indicators to the least developed regions of the European Union. Compared to the other EU regions, it reaches not only very low GDP per capita (in purchasing power standards), but also very high unemployment rate. Eastern Slovakia is largely a rural region. From the total number of 1106 municipalities of this region, there are only 40 towns. Moreover, only 3 of them have more than 50 000 inhabitants (Košice, Prešov, Poprad). The core area of the region from the concentration of inhabitants and economic activities point of view is Košice - Prešov agglomeration. Demographic potential of the Eastern Slovakia from the aspect of employability of its population is at least, comparing to the other Slovak NUTS II regions, rather low and becomes worse. Such negative trend is supported by two simultaneously running processes: on the one hand, the Eastern Slovakia records a negative net migration. In the structure of emigrants young and educated people who cannot find jobs on a local labour market predominate. On the other hand, although the Eastern Slovakia records very high annual natural increase, the biggest share of which is created by the Roma people, who as a whole are characterized by extremely low level of education and very high share of long-term unemployment. Therefore, potential of the Eastern Slovakia's population for integration on a labour market develops negatively.

Very disadvantageous is location of the Eastern Slovakia in the context of distribution of core economic areas of Europe. This NUTS II region is integral part of a large (and in terms of macroeconomic indicators such as GDP per capita and unemployment rate most underdeveloped) macro-region, lying on the eastern frontier of the European Union.

The development of unemployment rate in the Eastern Slovakia is due to the reorganization of the territorial-administrative division of the country in 1996 and to the existence of reliable and accessible statistical data only from 1997 on, analyzed for the period of 1997-2008. During the whole monitored period 1997-2008 the unemployment rate in the Eastern Slovakia was over the Slovak average. This period can be from the aspect of developmental trends of unemployment rate divided into two sub-periods: first sub-period (1997-2001), characterized by an increase of unemployment rate, and second sub-period (2002-2007), characterized by massive decrease of unemployment rate.

The rise of the unemployment during the first sub-period is connected with significant displays of macro-economic unbalance and also with a total decrease of productivity of the Slovak economy, what in consequence meant that more and more people lost their jobs. This negative trend was characteristic for the Slovak economy during the whole 1990's and was linked with its transition. Such processes have activated a demand for stabilization of the Slovak economy, what should cease the negative trend of development and create conditions for subsequent economic increase.

A distinctive milestone for the development of unemployment rate was year 1998, when the election to the National Council of Slovak republic took place and the previous government was replaced. New government, being conscious of the

disagreeableness of the macro-economical development, entered the way of courageous economic and social reforms. However, far-reaching implications of those reforms were manifested only in later years and unemployment rate continued to rise until 2001. Relatively marked annual decrease of unemployment rate in Eastern Slovakia was in 2000. This was, however, not a result of employing of the unemployed, but of the establishment of so-called public-benefit services, which lowered the unemployment rate only artificially.

The change of the trend in the development of unemployment in both Slovak republic and Eastern Slovakia has begun in 2002. Slovak economy was stabilized. The government made some unpopular restrictive actions and economic reforms and thereby created convenient conditions for entrepreneurship; the position of the country in the eyes of the foreign countries was improved and the flow of the foreign investments that meant the creation of new working places has started. Since then, the unemployment rate in Slovak republic as well as in Eastern Slovakia and all its districts has begun to decrease.

The marked decrease of unemployment rate in sub-period 2002-2007 was influenced by many factors. To a large extent it was a consequence of positive development of global economy, what meant a massive inflow of foreign direct investments into the Slovak economy, creation of new working opportunities and guaranty of satisfactory demand for the Slovak exporters. But this massive inflow of FDI was caused by many liberal reforms in Slovak economy, from which probably the most significant was establishment of the flat tax system. The Law on the unemployment has also changed and extensive arrangements within the active labour market policy were established. Year 2008 meant the end of favourable period of the economic development and the decrease of the unemployment rate in the Slovak republic. (Not only) Eastern Slovakia was hit by the economic crisis and the unemployment rate has begun to rise.

Intraregional structure of the Eastern Slovakia in the context of intensity of changes in the unemployment rate of its districts (LAU I regions) is heterogeneous. In the sub-periods of increase (1997-2001) and decrease (2002-2007) of unemployment rate, the region of the Eastern Slovakia as a whole did not develop harmoniously. It means that unemployment rate of particular districts of the Eastern Slovakia did not rise and fall with more or less balanced speed but that there were formed some territorially compact subregions with similar intensity of changes in the unemployment rate during the monitored period 1997-2008.