

BUSINESS SERVICES IN SLOVAK REFORM ECONOMY

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One of the main impulses to services growth in Slovak economy considers being the transition to a market economy early in the 90th years of the 20th century. There were developed new types of services at that period - production services (within them business services), and also – consumer services (tourism, and others), which had no justification in planned economy. In the research we consider business services as a section K under the European Activity Classification Nomenclature (NACE Rev. 1).

Services developed in the most reform period, after dilapidation of Soviet Union, and became a considerable part of economy with an important influence on economy growth. There was undeveloped business services market before 90th years in Slovakia. Slovak economy has gone through a period full of changes. These changes are demonstrated in a volume and a dynamic of services production, especially market services focusing on business services; it is essential to consider these changes also as an effect of the Slovak integration into the Common market. Services employment increased in 1990 – 2000 from 44.7 % to 56.1 %, in the aggregate of 11.4 points in Slovakia. There was a 12.8 percentage of business services in GDP and 5.8 in employment in 2005 in Slovak republic. Relation of business services on the value added creation compared to manufacturing was more than 50 %. Typically, business services enterprises in Slovakia are private, 99 % of all. A lot of them exist just only short time; one third of business services enterprises in 2005 were founded just in 2000.

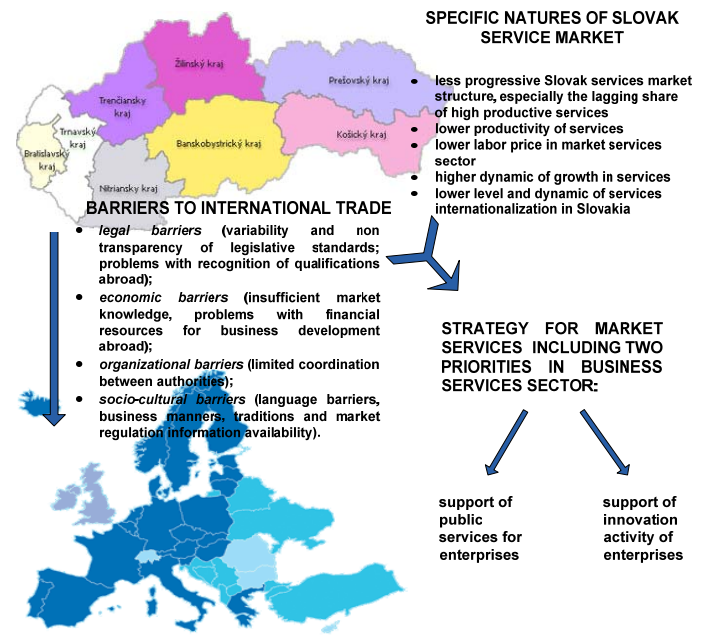
Development of market economy is strongly connected with business services in Slovakia. Business services helped private small and medium enterprises to expand. They acted as a stimulating factor in regional development (by solving local manufacturing problems) and also as an important factor affecting labour force, it's skills and qualification.

Analysis of regional business services market confirms leadership of region around capital city Bratislava – *Bratislavský kraj*. There is a big difference between Bratislavský kraj and other regions. *Bratislavský kraj* is most productive Slovak region with 228 % of real average GDP production per inhabitant in Slovakia; 32 % of services production and 23 % of total employment; 41 % of all employees in business services sector are located in there.

Several specifics of Slovak services market result from the analysis and comparison with European services market. Slovak republic is characterized by less progressive Slovak services market structure, especially the lagging share of high productive services; lower productivity of services; lower labor price in market services sector; higher dynamic of growth in services; lower level and dynamic of services internationalization in Slovakia.

On the one hand there is a high annual growth rate of market services in Slovakia; on the other hand bigger part of that growth is produced by less productive market services and only less part by high productive services as business and financial services.

The research results show that providers of business services did not fully use the opportunities created in the reform process. It indicates the need for further development enhanced by the opportunities on the European common market. The results of interviews with the business services enterprises pointed out that 85 % of these enterprises felt competitive mostly at national market and only 44 % accounted themselves competitive also at common market. They want to compete with high quality of produced services, goodwill, good professional and specifications knowledge, product specialization and low price also.



They identify legal barriers to trade (variability and non transparency of legislative standards; problems with recognition of qualifications abroad); economic barriers (insufficient market knowledge, problems with financial resources for business development abroad); organizational barriers (limited coordination between authorities); socio-cultural barriers (language barriers, business manners, traditions and market regulation information availability).

Evolution of services market in Slovakia created a need of policy regulation. Therefore Slovak Ministry of Economy decided to create strategy for market services including business services. Conceptual framework *Starting point of market services support policy by 2013 year, with perspective by 2020 year* was elaborated by initiative of Slovak Ministry of Economy in 2006. This work includes Projection of market services development strategy; projection gives attention also to planned business services support strategy by 2013 and 2020 years.

Strategy includes two relevant priorities in business services sector:

- ✓ support of public services for enterprises and
- ✓ support of innovation activity of enterprises.

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