

# SECTORAL SPECIALISATION IN THE SR

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Continued from issue 8/2004

## 1.2 Employment and labour productivity

The development of employment<sup>1</sup> in the SR over the years 1996-2002 was influenced to a considerable degree by the transformation of society and the ongoing restructuring of the economy. From data on the number of those working in the SR it is clear that the largest structural shifts in the Slovak economy took place over the period 1997-2000. The restructuring resulted in a fall in the share of employment in agriculture, industry and construction and conversely, an increase in the share of employment in business and financial services, which was manifested in the growth of the share of these industries in total employment.

The most stable, on average for the EU, development trend in the employment structure was recorded in public services, business services and construction. The most important structural shifts occurred in agriculture and industry, which recorded a gradually declining share in employment and in the financial service sectors, the share of which had been continually growing up until 2001.

Compared to the EU average the SR has a higher share of those working in the production industries – agriculture and industry which over the period 1996 – 2002 on average accounted for almost 38% of the total employment in the SR, where the corresponding figure for the EU was approximately 26%. In the service industries the

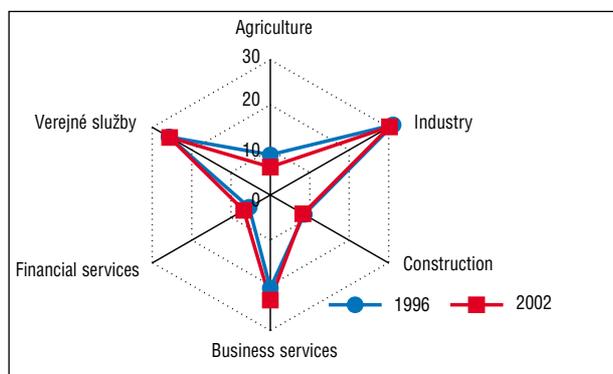
### SR – employment structure by sector

(data in %)

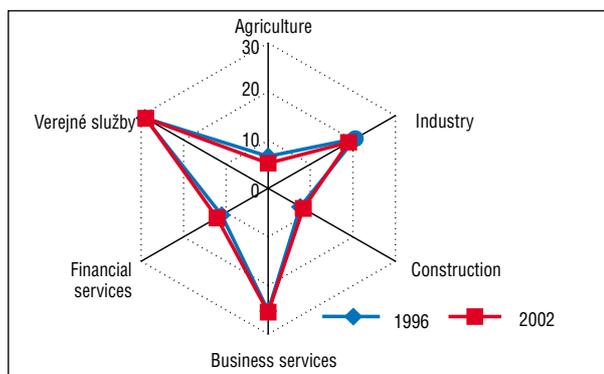
	1996	1997	1998	1999	2000	2001	2002	average 1996 – 2002
Agriculture	8.9	9.2	8.3	7.4	6.7	6.1	6.2	7.5
Industry	31.0	30.2	30.1	29.6	29.3	29.6	30.1	30.0
Construction	8.5	9.1	9.3	8.9	8.0	8.0	8.3	8.6
Total services	51.4	51.4	52.2	54.1	55.9	56.0	55.0	53.7
Business services	20.6	21.5	22.5	23.0	23.4	23.0	23.2	22.5
Financial services	5.3	4.7	5.2	5.5	6.1	6.7	6.7	5.7
Public services	25.5	25.1	24.5	25.6	26.4	26.2	25.1	25.5

Source: Statistical Office of the SR, Labour Force Survey

Graph 1 Employment by sector in the SR



Graph 2 Employment by sector in the EU

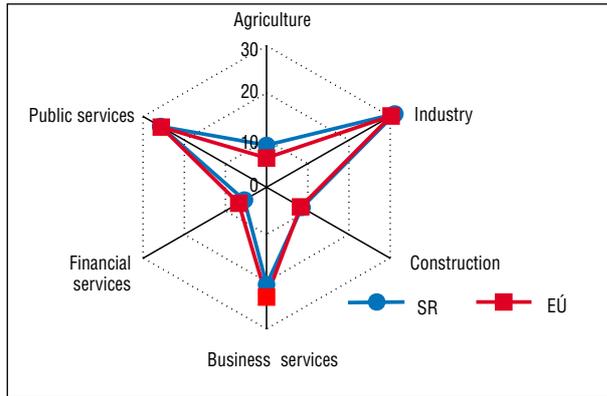


<sup>1</sup> As regards international comparability, this article focuses on data according to Labour Force Survey. According to this methodology the total number of those working includes employees, entrepreneurs (without employees as well as with employees), and assisting members of entrepreneurs' households. The total

number of those working, excluding those working in individual sectors also covers persons working in private households, in extra-territorial organisations and persons in the case of whom it was not possible to ascertain in which sector they worked (over the period monitored a total 0.0 – 0.4% share in the total number of those working in the SR).



**Graph 3 Employment by sector in the SR and EU in 1993 – 2002**



the methodology of measuring added value in individual sectors, in particular in services, which may distort the comparison of their productivity levels in the framework of a country or a wider economic area. For instance, in public service sector a considerable part of added value is formed by the wages of the public sector employees, their growth thus significantly affects the development of added value in this sector. Methodological problems are to be found also on the side of employment, since the data available by sector take account only of full-time work, in consequence of which labour productivity may in some sectors with a high number of persons working part-time be undervalued.

Comparing the development of sectoral productivity

**Sectoral employment structure in the SR and EU (average for 1996 – 2002)**

(data in %)

	Agriculture	Industry	Construction	Business services	Financial services	Public services
SR	7.5	30.0	8.6	22.5	5.8	25.7
EU – average	5.8	19.8	7.9	25.4	12.0	29.0
Countries above the EU average	GR 17.7	DE 24.8	PT 10.7	GR 29.6	LU 24.8	SE 37.3
	PT 12.8	PT 23.0	ES 10.7	ES 28.5		DK 35.8
Countries below the EU average	LU 1.6	LU 14.1	SE 5.5	SE 21.9	PT 6.4	LU 21.9
	GB 1.6	NL 15.5	FI 6.1	FI 22.4	GR 7.4	GR 22.6
	BE 1.9	GR 15.8	NL 6.2	DE 23.2		

Source: NBS recalculations from ILO data

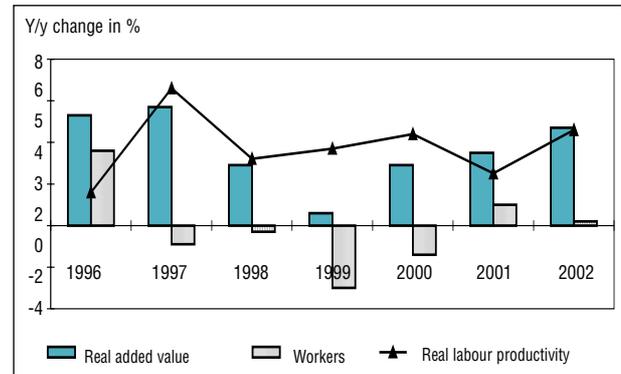
SR had a lower share of those working in public and business services than the EU average. Relatively significant differences were reported in financial services, where fewer than 6% of the total number of those working were employed in the SR in this sector, where in the EU their share represented 12%.

Structural shifts in employment in Slovakia were reflected in the development of labour productivity<sup>2</sup>, which was unstable in the period of 1996 – 2002 in the SR. In individual years labour productivity grew in the range of 1.6 to 6.6%, achieving on average for the period growth of 3.8% per year. Its development was influenced pre-eminently by growth in added value, since employment in the period in question (with the exception of 1996) fell, or grew only slightly. Conversely, employment in the EU was growing at a rather high pace over the whole period, which was reflected in the slower growth in EU/SR labour productivity.

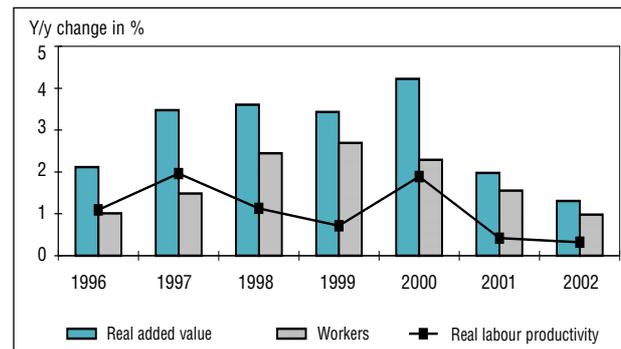
The sectoral view of the labour productivity development indicates sources of the development of aggregate productivity. Data on the development of productivity by sector are however marked to a significant degree by

<sup>2</sup> With regard to the availability of data this is measured as gross added value at constant prices per one working person.

**Graph 4 Development of labour productivity and its factors in the SR**



**Graph 5 Development of labour productivity and its factors in the EU15**





in the SR and the average for the EU it results that where the SR's productivity grew in all sectors, this development in the EU was differentiated – in construction it declined and increased only slightly in public and financial services. This fact may be explained by higher growth in added value in the SR in almost all sectors (with the exception of industry), as well as the divergent development in sectoral employment in the SR and the

fact that over the period of seven years the Slovak labour productivity level in relation to that of the EU increased from 43.7% in 1996 to 56.2% in 2002. Provided that Slovakia continues in pushing forward economy restructuring and in realising reforms, and provided that foreign capital inflows continue, it may be expected that labour productivity growth in the future will be faster than that for the EU countries.

**Comparison of the development of labour productivity and its factors in the SR and EU**

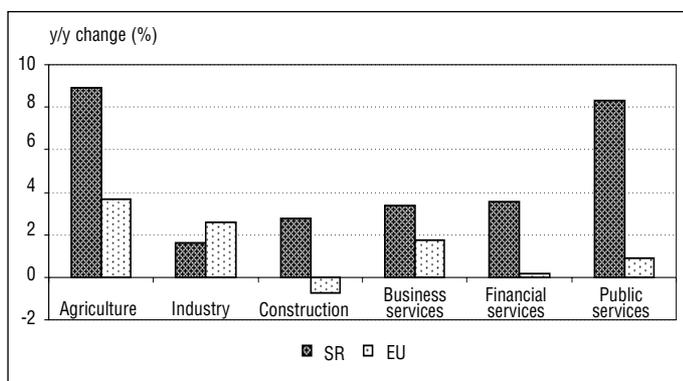
(average for 1996 – 2002)

(y/y change in %, constant prices)

	Total	Agriculture-	Industry	Construction	Business services	Financial services	Public services
<b>SR</b>							
Labour productivity	3.8	8.9	1.6	2.8	3.3	3.5	8.3
Added value	3.7	2.7	1.4	2.4	4.8	5.0	8.2
Employment	-0.1	-5.4	-0.2	-0.5	1.4	2.2	-0.1
<b>EU</b>							
Labour productivity	1.1	3.7	2.6	-0.7	1.7	0.2	0.9
Added value	2.9	0.7	2.6	2.0	3.8	3.7	1.8
Employment	1.8	-2.9	0.0	2.8	2.0	3.5	1.0

Source: NBS recalculations from documents of the Statistical Office of the SR, the OECD and ILO

**Graph 6 Comparison of labour productivity development by sector**  
(average for 1996 – 2002)



**Summary**

Analysis of the sectoral structure of the Slovak economy has highlighted the higher representation of agriculture and industry and the conversely lower representation of services compared to the average for the EU countries. While in the EU the share of services in added value created was on average 70%, services in the SR contributed 60% of the total added value created. In the EU more than 66% of the total number of those working worked in services, whereas the corresponding figure for the SR was only 54%.

EU, and which is documented by the data in the table below.

The values for labour productivity development for the period 1996 to 2002 were significantly unstable in the SR economic sectors compared to those of the EU. A relatively more stable trend in the SR could be seen in the labour productivity of agriculture (permanent growth since 1997), other sectors have, with lesser or greater time differences, witnessed alternating periods of its growth and decline. The most marked fluctuation in labour productivity was recorded in the public services. Despite relatively fast growth, the Slovak labour productivity level represented, on average for the period in question, only 49.6% of the EU average (at purchasing power parity) and did not even reach the level of the least advanced countries. A positive moment was the

However, over the period of seven years the Slovak economy recorded relatively important shifts in its sectoral structure, namely towards services, where this shift was also caused by foreign direct investment in trade and the banking industry. The level most closely approximating to that of the EU was reached in trade services, but the creation of added value and employment in financial services in the SR, despite dynamic changes, remained lagging behind the EU average. Public services have been least affected by the structural changes in the SR, retaining an almost stable share in the total added value as well as employment for the period in question. The share of public services in the SR economy thus still lags behind the EU level. The share of construction in the total added value as well as the employment in the SR is almost identical with that in the European countries. The sha-



res of agriculture and industry in the SR exceed their shares in the EU; however the trend of their reduction over the course of individual years is almost identical with that of the EU. However, in connection with the latest information on the flow of foreign direct invest-

ment to the automobile industry, at the very minimum stagnation in the share of industry in added value creation and employment may be expected.

**To be continued in issue 10/2004**