

# Divergence of some socio-economic indicators between rural and urban areas in Slovakia

## *Sociálno-ekonomické rozdiely medzi mestom a vidiekom na Slovensku*

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**Abstract:** The article is dealing with the evaluation of socio-economic development in Slovakia from the point of view of urban and the rural regions in 1999–2005, based on analysis of regional socio-economic indicators. This development is characterised by deepening differentiation between the urban and rural districts in the demographic structure of population, employment, unemployment, level of wages and salaries and private enterprising activities. Demographic structure in the rural regions, compared to the urban regions, is characterised by the increase of the share of population in post-productive age, ageing index and the unfavourable index of economic burden. Employment in the rural regions decreased at a more rapid rate than in the urban regions. From the unemployment point of view, there are significant regional differences in the SR. The worst affected are the regions of Eastern and south of Central Slovakia which suffer from the underdeveloped economic infrastructure, lower level of education, bankruptcy of the dominant industrial employers and a large share of agrarian population, where impact of transformation measures was the most severe. Unemployment rate in the rural regions was 2.2 times higher than in the urban regions in 2005. Growth rate of average wages and salaries is slower in the rural regions compared to the urban ones and the average of the SR. In the period of 1999–2005, the level of average wages and salaries in the rural regions accounted for 62.4% of average wages and salaries in the urban regions, during which the time trend of increasing wage disparity was continuing all the time. The trend of utilisation of cheap labour force for short part-time jobs is evident, particularly in the rural regions, which is in contrast to the growth of the standard of living and sustainable development of underdeveloped regions. The differentiation of economic level between urban and the rural regions is expressed also in the share of entrepreneurial entities in economically active population which tells against the rural regions in spite of the diminished differentiation in this indicator in 1999–2005. The declining rate of growth in number of entrepreneurs in the urban regions is a consequence of the saturation of spatial and employment opportunities, while there is a substantially larger potential of acceleration of private enterprising in the rural regions. Continuation of this development leads to the socially unacceptable differentiation and undesirable development of dual economies in the country and that is why it is necessary to solve this issue as a priority within the framework of the strategy of economic development of the SR.

**Key words:** rural area, ageing index, employment, unemployment, wages, entrepreneurial activity

**Abstrakt:** Článok sa zaoberá zhodnotením sociálno-ekonomického vývoja na Slovensku z pohľadu mestských a vidieckych regiónov v rokoch 1999–2005 na základe analýzy regionálnych socio-ekonomických indikátorov. Tento vývoj je charakteristický prehľbujúcou sa diferenciáciou medzi mestskými a vidieckymi okresmi v oblasti demografickej štruktúry obyvateľstva, zamestnanosti, nezamestnanosti, úrovne miezd a podnikateľských aktivít. Demografická štruktúra na vidieku v porovnaní s mestskými regiónmi sa v sledovanom období vyznačovala rastom podielu obyvateľstva v poproduktívnom veku, zvýšením indexu starnutia a nepriaznivým indexom ekonomického zaťaženia. Zamestnanosť vo vidieckych regiónoch klesala rýchlejšim tempom ako v mestských regiónoch. Z pohľadu nezamestnanosti existujú v SR značné regionálne rozdiely. Najhoršie sú postihnuté regióny východného a juhu stredného Slovenska, charakteristické nerozvinutou ekonomickou infraštruktúrou, nižšou úrovňou vzdelanosti, zánikom veľkých priemyselných zamestnávateľov a vysokým podielom poľnohospodárskeho obyvateľstva, kde sa ekonomické transformačné kroky prejavili v najväčšej miere. Miera nezamestnanosti vo vidieckych regiónoch bola v roku 2005 2,2 krát vyššia ako v mestských regiónoch. Tempo rastu priemerných miezd vo vidieckych regiónoch je nižšie ako v mestských regiónoch, resp. v porovnaní s priemerom SR. Výška priemerných miezd na vidieku číni 62,4% priemernej mzdy zamestnancov v mestských regiónoch, pričom trend narastajúcej mzdovej disparity pokračoval

počas celého obdobia rokov 1999–2005. Badateľný je trend využívania lacnej pracovnej sily na krátkodobé pracovné úväzky, najmä na vidieku, čo je zároveň v protiklade so zvyšovaním životnej úrovne obyvateľstva a trvalo udržateľným rozvojom zaostávajúcich regiónov. Diferenciácia ekonomickej úrovne medzi mestskými a vidieckym regiónmi sa prejavuje aj v podiele podnikateľských subjektov na ekonomicky aktívnom obyvateľstve, ktoré vyznieva v neprospech vidieka, i keď sa rozdiely v tomto ukazovateli v rokoch 1999–2005 zmenšili. Klesajúca dynamika nárastu podnikateľov v mestách je dôsledkom saturovanosti priestorových a zamestnaneckých možností, zatiaľ čo na vidieku existuje podstatne väčší potenciál pre rýchlejší rast podnikateľských aktivít. Pokračovanie tohoto vývoja vedie k spoločensky neakceptovateľnej diferenciácii a neželateľnému rozvoju duálnych ekonomík v krajine, a preto je potrebné riešiť túto problematiku ako prioritnú v rámci stratégie hospodárskeho rozvoja SR.

**Kľúčové slová:** vidiek, index starnutia, zamestnanosť, nezamestnanosť, mzdy, podnikateľská aktivita

One of the most important problems of the Slovak rural regions consists in decreased competitiveness compared to urbanised areas. The present economic and socio-demographic dynamics signals that the differences between the most developed and the least developed areas continue to be increasing (The Quest for Equitable Growth 2005)<sup>1</sup>. Slovakia is characteristic for its unevenness in the economic and social development of the territory. On one hand, there were formed some developed regions with mostly urban structure, with strongly developed economic activities (particularly production and service activities). On the other hand, there were formed underdeveloped regions where more factors act in a synergetic adverse way. These are the areas having an unfavourable location potential, predominantly with rural structure, with the underdeveloped and weakly diversified economic structure, lower educational level of the population etc. This line acquires clear spatial contours – in the direction from the capital Bratislava to the east of the republic. Longer-term fixation of this extreme differentiation threatens with

the fixation of double track development of national economy. Thus, unhealthy, dual speed economy with all economic and social consequences is coming into being. Therefore, the basic priority of support of the development of the rural regions is the creation of the conditions and favourable environment contributing to the elimination of the decreased competitiveness of the rural regions, thus helping spatial equality of chances of the rural and urban population.

## METHODOLOGY

This paper is based on secondary analysis of hard data of the regionally differentiated socio-economic indicators (on the NUTS IV level) and their interpretation. In spatial analysis, the classification of the rural regions in accordance with the OECD (Creating Rural Indicators 1994) was used. Primary source of data were regionally aggregated data and statistics obtained from the Statistical Office of the Slovak Republic, the Centre of Labour, Social Affairs and

Table 1. Share of rural population in the population of the SR

Type of region	Number of communities		Communities area		Number of population	
	total	%	km <sup>2</sup>	%	total	%
Predominantly urban	73	2.5	2 053	4.2	599 787	11.2
Predominantly rural	870	30.1	15 798	32.2	1 368 705	25.4
Significantly rural	1 948	67.4	31 183	63.6	3 411 561	63.4
Rural in total	2 818	97.5	46 981	95.8	4 780 266	88.9
SR in total	2 891	100.0	49 034	100.0	5 380 053	100.0

Source: Balance of population migration by communities of the SR in 2003 (2004)

<sup>1</sup> According to the World Bank, the SR registers on the NUTS III level the second largest dispersion in regional unemployment rate in the EU 25 countries, just behind Italy. SR also registers the second highest regional unemployment rate in the EU 25 (on the NUTS II level).

Family etc. Based on all-area regional structure spatial aggregations were constructed and compared to the indicators characterising the type of territory. The basis for the classification of the rural regions are communities with the density of population below 150 inhabitants per 1 km<sup>2</sup> (Table 1). The total number of such rural communities is 2 581 (89%).

On the NUTS IV level, out of 79 districts of Slovakia, there are 70 rural ones. Out of them, there are 31 districts predominantly rural, where the share of rural population is less than 50%. In the remaining 39 districts, the share of population living in rural communities is between 15–50%. Urban districts are the districts of the two biggest cities Bratislava (I–V) and Košice (I–IV) with less than 15% of population living in rural communities.

## DEMOGRAPHIC DEVELOPMENT

In demographic development, a significant change occurred in 2004 (after three-year decrease of population caused by natural migration in 2001–2003), Slovakia registered natural growth again in 2004, when the number of live-births was higher than the number of deaths (by more than 1.8 thousand). Identically, as in the EU countries, the population in Slovakia gets older in spite of the fact that we belong to the countries with the least share (11.5%) of population above 65 years of age (EU 15 average is 16.6%). In 2005, life expectancy increased slightly again, an average life expectancy at birth of men exceeded level of 70 years (70.11), and that of women is approaching 78 years (77.90). From the age structure point of view, the process of ageing of population is going on as share of children's component is decreasing and

the share of the population in post-productive age is increasing further on. Women affect this increase to a much wider extent than men.

In 2005, there were 36 rural districts with the negative total growth (i.e. decrease of population) and 34 districts registered total population increase.

In 2005, the share of population in productive age was lower in the rural regions than in the urban regions (by 1.96 percentage points). For some time, already the share of population in post-productive age is increasing in the rural regions. In the period from 1999 to 2005, the total number of this group of population increased by 58.5 thousand in the rural regions and the dynamics of growth is rising (in the urban regions by 13.8 thousand persons). In the period under consideration (1999–2005), the share of pre-productive population decreased in the rural regions (from 20.23% to 17.03%) which is associated mainly with significant reduction of natural increase (Table 2).

Influenced by the decrease of share of children's component and the increase of the number of persons in post-productive age ageing index significantly increased in 2005 to 112.2 in the rural regions in the monitored period and this trend permanently continues. A particularly unfavourable relation between pre-productive and post-productive component of population (ageing index is higher than 100) exists in almost two thirds of the rural regions (45 districts). It means that per 100 inhabitants in an age group of 0–14 years, there are already 112 persons in the post-productive age (Ageing index = ratio of number of persons in post-productive age to persons in pre-productive age).

Changes in age structure of rural population are reflected also in the economic burdening of popula-

Table 2. Development of age structure of population in urban and the rural regions in 1999 and 2005

Territory	Population			Population (%)		
	pre-productive age	productive age	post-productive age	pre-productive age	productive age	post-productive age
<b>1999</b>						
SR total	1 069 374	3 361 114	968 169	19.81	62.26	17.93
Urban regions	116 981	450 108	123 077	16.95	65.22	17.83
Rural regions	952 393	2 911 006	845 092	20.23	61.82	17.95
<b>2005</b>						
SR total	894 308	3 454 415	1 040 457	16.59	64.10	19.31
Urban regions	88 878	434 619	136 833	13.46	65.82	20.72
Rural regions	805 430	3 019 796	903 624	17.03	63.86	19.11

Source: Age structure of population of the SR (1999–2003)

tion in productive age. The index of economic burden (ratio of number of persons in the pre-productive and post-productive age to persons in productive age) in the rural regions showed worse parameters in 2005 than in the urban regions. In the given year, there were 56.6 dependent persons per 100 inhabitants in productive age in the rural regions, while this number was only 51.9 persons in the urban regions. A trend of the increase of the non-productive component of population at the expense of the productive component started in the rural regions (unlike the urban regions).

According to the *Institute of Economic Research of the Slovak Academy of Sciences* (Identification of preconditions 2004), the educational level of population in regions is significantly asymmetrical. It shows strong concentration of population with the highest levels of education in the Bratislava region and with the lowest levels of education in all other regions. Disparities in the settlement of population with university education together with the generally lower level of qualification of rural employees represent significant limitations in the support of private enterprising in the rural regions (e.g. support of information technologies, foreign languages literacy, etc). The fact that good quality human potential resources (population, education) are still concentrated particularly in bigger cities makes it difficult to start the development trends in the rural regions. It creates significantly different initial conditions as well as development preconditions.

## EMPLOYMENT

The level of employment rate by education points out to the significant interconnection between the level of education and opportunities for employment in the labour market. As far as 86% from the total number of population with university education aged 15–64 years were employed in 2003, while from the population with primary education, only 15.4% were employed. The decrease of employment in the monitored period (i.e. 1999–2003) was more significant in the rural regions than in the urban regions. The primary sign of restructuring in agriculture was the process of the gradual and extensive growth of labour productivity, but with a noticeable push out of a part

of employees to the Register of Job Applicants. Thus model of agrarian economy with increased productivity was implemented which has its socially adverse consequences consisting in high unemployment rate together with a very low employment participation of rural population. Employment in agriculture (including forestry) decreased (as compared to 1999) in all rural regions. Despite this continuous decrease of employment, agriculture and forestry play an important role in regional employment. In 21 districts, employment in agriculture exceeded 10% of the total number of the employed persons in the district in 2003. The largest share of employment in agriculture had small districts such as Sobrance, Poltár, Krupina, Turčianske Teplice, Gelnica, Banská Bystrica, Medzilaborce, Detva, further on in the infrastructurally underdeveloped agricultural southern districts such as Veľký Krtíš, Dunajská Streda, Komárno, Rimavská Sobota, Košice-suburbs and in the selected districts of north-western Slovakia (Levoča, Kežmarok, Snina). Out of the total number of employed persons in the SR, there were 5.2%<sup>2</sup> (99.4 thousand persons – according to the Selective Survey of Labour Force) employed persons in 2003, from economically active population this share was 3.8%. In 1980, there were 15 inhabitants per 1 permanent employee in agriculture, in 1990 there were 18 inhabitants and in 2003 already 54.1 inhabitants per 1 permanent employee in agriculture in the SR<sup>3</sup>.

## UNEMPLOYMENT

From the unemployment point of view, there are significant regional differences in the SR (Table 3). Regions with high unemployment rate are concentrated mainly in the Eastern and Central Slovakia. On the contrary, the lowest unemployment is in the Western Slovakia, particularly in the Bratislava districts. In the rural regions, the situation is much worse than in the urban regions. Principal factors of increase of regional polarisation of the rural regions were structural problems of big, dominant employers in the region, infrastructural underdevelopment and weak integration of the handicapped social groups and ethnic minorities into labour market.

Mainly in the rural regions in which there was strong agriculture, the problems with restructuring

<sup>2</sup> It means that agriculture bound approx. one nineteenth of the total employment in Slovakia (every 19<sup>th</sup> employee in national economy was employed in agriculture).

<sup>3</sup> Based on the given figure, we cannot simply judge that one employee in agriculture “kept” 54 inhabitants of the SR in 2003, because of the incomparable starting situation in the terms of the openness of economy and agrarian market in the SR in 1990 and 2003.

Table 3. Development of unemployment rate (%)

Territory	1999	2000	2001	2002	2003	2004	2005
SR total	17.1	18.0	18.7	17.9	17.4	17.1	15.3
Urban regions	9.2	8.8	8.2	8.9	7.3	8.6	7.6
Rural regions	20.8	19.6	20.3	19.3	19.3	18.6	16.6

Source: Results of the selected survey of labour force (1999–2005), calculations by the RIAFE

and transformation of agriculture and the whole economy are persisting. Naturally, it was projected to the significant branch and territorial changes which were reflected not only in the employment decline but also in the altered job requirements. The structure of job demand changed substantially. In particular, so-called peripheral regions of Eastern and Central Slovakia are characterised by the insufficient economic infrastructure with a large share of unemployed agrarian population which was most affected by the transformation changes. These persons, with regard to their structural characteristics, are becoming a considerably problematic social group from the point of view of reintegration into the labour market.

According to the data from the Centre of Labour, Social Affairs and Family ([www.upsvar.sk](http://www.upsvar.sk)), more than half – 38 rural districts showed the average registered unemployment rate higher than the SR average (15.30%) in 2005. Districts with the highest unemployment rate are in the long term mostly in eastern Slovakia and on the south of Central Slovakia. The level of 25% (state of unemployment by the end of 2005) was exceeded by 3 districts: Rimavská Sobota, Revúca, Veľký Krtíš.

Unemployment rate in the rural regions is several times higher than unemployment in the urban regions (in 2005 it was 2.2 times higher) and rural unemployment was higher by 1.3 percentage points than the SR average in that year.

Agrarian population was pushed out to the margin of labour market by market economy. For some social groups, it meant a status downfall (particularly in the

social group of agrarian population which already by the end of the nineties of last century “exhausted” the previously accumulated capital of the combined income from their legal employment and from personal homesteads). Certain part of agrarian population which was already in the past pushed out to long-term unemployment (mainly rural population of the Southern and Eastern Slovakia) is characterised also by the interfusion of social and ethnic exclusion at the same time. *“There is an occurrence of significant social differentiation with the culture of dependence on social incomes”* (Buchta 2005).

#### LEVEL OF WAGES AND SALARIES

The growth dynamics of average wages and salaries in the rural regions is lower than in the whole national economy and markedly lower than in the urban regions. In 1999, average wages and salaries of an employee in the rural regions were 69.7% of the average wages and salaries of an employee in the urban regions. In 2005, this ratio was already 62.4%, i.e. an employee in the rural regions did not reach even two thirds of the average wages and salaries of an employee in the urban regions (Table 4). Differences in average wages and salaries of rural and urban employees (salary disparity) are deepening from year-to-year (Table 5). An analogical deepening of salary disparity (but with lower dynamics) is discernible also between rural employees and the average wages and salaries of employees in the whole national economy.

Table 4. Development of average wages and salaries in national economy in enterprises with 20 and more employees

Territory	Average wages in enterprises with 20 and more employees (SKK)							Index 2005/1999
	1999	2000	2001	2002	2003	2004	2005	
SR total	10 961	11 864	12 764	14 203	15 335	16 923.00	18 432.66	1.7
Urban regions	14 404	16 030	17 508	19 548	21 437	23 699.94	25 992.62	1.8
Rural regions	10 039	10 792	11 490	12 779	13 675	14 982.58	16 221.87	1.6

Source: Employees and wages and salaries in economy of the SR, regions and districts (1999–2003), calculations by the RIAFE



Table 5. Comparison of relations (%) of wages and salaries in the rural regions to average wages and salaries in the urban regions and to the average of national economy (in enterprises with 20 and more employees)

Year	Relation of average wages and salaries in rural areas to urban areas in %	Relation of average wages and salaries in rural areas to the SR average in %
1999	69.70	91.59
2000	67.32	90.96
2001	65.63	90.02
2002	65.37	89.97
2003	63.79	89.18
2004	63.22	88.53
2005	62.41	88.01

Source: Employees and wages and salaries in economy of the SR, regions and districts (1999–2003), calculations by the RIAFE

“In agriculture, the cost-effective type of employment of workers is being implemented (with repeated utilisation of free reservoir of rural labour force) by means of breaking down the contracts of work to short-term works (mostly realised based on contracts of work accomplishment) without social security of these employees and having a negative impact on the amount of their pensions” (Buchta 2005).

In the overall context of permanent pressure on the increase of competitiveness, it is evident that the long-term policy of cheap labour force is socially and economically risky and unsustainable because cheap labour force restricts the inevitable replacement of live labour by materialised labour, negatively deforms production structure and could lead to a more permanent technical lagging resulting in the decline of competitiveness. A significantly low cost of labour in agriculture and employment uncertainty contributes in such a way to handicapping of agrarian labour which is becoming an existential alternative to the constantly reduced group of rural population.

## ENTREPRENEURIAL ACTIVITIES

Stronger economic power of the urban regions can be observed from the significantly favourable share of number of entrepreneurs – natural persons

per 100 inhabitants in the economically active age in the urban regions compared to the rural regions (Table 6). In 2005 there were 16 entrepreneurs per 100 inhabitants in the economically active age in the urban regions, in the rural regions there were only 13 entrepreneurs per 100 inhabitants. Differences between urban and the rural regions were diminished in this indicator in 2004 and 2005.

In the rural regions in 2005, 306 255 natural persons running their own business were represented by tradesmen, freelance jobs and independent farmers which means there was a growth by 27.3% compared to 1999. On the other hand, growth dynamics of entrepreneurs in the urban regions was lower (10.4%) which is the consequence of higher saturation and thereby also lower absorption ability of these regions. In the urban regions, we see that although there was an absolute growth in the number of entrepreneurs, their share in the total number decreased from 18.6% in 1999 to 16.6% in 2005, i.e. while there is an absolute growth, their share of the total number of entrepreneurs is decreasing. On the contrary, the growth of number of entrepreneurs in the rural regions accelerated in 2003 (year-to-year growth by 10.4%) and 2004 (year-to-year growth by 9.5%).

In 2005, there were 55 073 enterprises (legal entities) in the rural regions which was more than in 1999 by

Table 6. Development of entrepreneurial activity

Territory	Share of physical persons per 100 inhabitants in economically active age						
	1999	2000	2001	2002	2003	2004	2005
SR total	11.11	11.00	11.22	11.30	12.46	13.54	13.79
Urban regions	15.20	14.97	16.23	15.38	16.90	15.61	15.72
Rural regions	10.46	10.36	10.47	10.71	11.82	13.18	13.46

Source: Selected data on regions of the SR (1999–2005), calculations by the RIAFE

17 370 (by 31.5%). Growth dynamics of enterprises was slightly higher in the rural regions than in the urban regions what can be explained by the limited spatial and employment potential of the urban regions. Share of enterprises in the urban regions oscillates approximately at 35% level (from the total number of enterprises in the SR) in the long term. Although there is a higher density of entrepreneurs and enterprises in the urban regions, the dynamics of their growth is higher in rural areas. Decisive factors of development of small enterprises in the rural regions are purchasing power of population, employment rate, unemployment rate, transport accessibility, socio-demographic composition of population, proximity of urbanised centres, quality of life, etc.

## CONCLUSION

The existing process of economic transformation had different regional impacts. Dynamic development poles had been arising and regional disparities had been increasing. Continuation of this development generates the danger of increasing and socially unacceptable differentiation, thereby unequal chances for the population and entrepreneurial activities in underdeveloped regions at the same time as well. A group of problematic marginal regions, from the point of view of the socio-economic development of regions, is concentrated primarily in the eastern and southern parts of Central Slovakia. The accompanying sign of these regions is also a low level of education and high representation of risk groups of population. Continuation of the existing development generates the danger of conservation of dual economies. This is one of the principal reasons why it is necessary to

solve this aspect in the framework of wider context of regional and economic strategy.

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