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## Human capital management: evaluation of selected unemployment aspects

**Abstract.** Effective using of human resources is a base for successful development of economy both on enterprise and regional/national levels. Despite significant progress in economics, Slovakia still faces high unemployment which has not been significantly reduced either when Slovakia joined the EU. In this research paper we evaluate selected personal aspects of unemployment in Krupina district which is one of the most problematic regions and exceeds above-average values of unemployment rate. Proven causalities between unemployed people (registered jobseekers) have been identified simultaneously focusing attention on facts which should be taken into account when managing unemployed people. The results of the research show us that elderly people who have worked long term and subsequently lost their jobs hardly cope with unemployment. Relatively low percentage of the unemployed is interested in retraining, even in the case of certain job following. Willingness and interest of the unemployed to create a job for themselves by starting business is also very low. Nevertheless, expenditures to support business start-ups of the unemployed increased markedly in the region examined in the recent years.

**Keywords:** Human Resources; Unemployment; Personal Aspects; Regional Development

**JEL Classification:** O15

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### Управління людським капіталом: оцінка окремих аспектів безробіття

**Анотація.** Ефективне використання людських ресурсів є основою успішного розвитку економіки як на рівні підприємства, так і на регіональному та національному рівнях. Незважаючи на значний прогрес у галузі економіки, Словаччини, як і раніше, притаманний високий рівень безробіття, що не зміг знизитися навіть тоді, коли країна приєдналася до ЄС. У представленій дослідницькій роботі оцінюються окремі аспекти безробіття на прикладі району Крупина, який є одним із найпроблемніших, оскільки рівень безробіття там перевищує середнє значення по країні. У статті також визначено причинно-наслідковий зв'язок між кількістю безробітних (зареєстрованих осіб, що шукають роботу) і діями менеджменту в цій сфері. Результати показують, що люди похилого віку найважче переживають втрату роботи. Порівняно мале число безробітних зацікавлене в перекваліфікації навіть за умови гарантованого працевлаштування. Бажання й готовність безробітних створити собі робоче місце, почавши власний бізнес, також незначне.

**Ключові слова:** людські ресурси; безробіття; управління людським капіталом; регіональний розвиток.

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### Управление человеческим капиталом: оценка отдельных аспектов безработицы

**Аннотация.** Эффективное использование человеческих ресурсов является основой успешного развития экономики как на уровне предприятия, так и на региональном и национальном уровнях. Несмотря на значительный прогресс в области экономики, Словакия по-прежнему сталкивается с высоким уровнем безработицы, который не смог снизиться даже в результате вступления в ЕС. В данной исследовательской работе оцениваются отдельные личностные аспекты безработицы в районе Крупина, который является одним из самых проблемных районов, где этот показатель превышает среднее значение по стране. В статье также определены причинно-следственные связи между количеством безработных (зарегистрированных лиц, ищущих работу) и действиями менеджмента в этой сфере. Результаты показывают, что пожилые люди наиболее тяжело переживают потерю работы. Сравнительно малое число безработных заинтересовано в переквалификации даже при условии гарантированного трудоустройства. Желание и готовность безработных создать себе рабочее место, начав собственный бизнес, также незначительно.

**Ключевые слова:** человеческие ресурсы; безработица; управление человеческим капиталом; региональное развитие.

**Introduction.** Efficient usage of human resources is the basis for successful business operations. As well as an enterprise, the state has access to available workforce at a local, regional and respectively national level, which should be used effectively. In addition to linking education to the labour market and creating conditions for the employment of young graduates, it is also necessary to manage active labour market

policies effectively in the context of efficient usage of resources in the human capital of the unemployed. Thus, we can speak of some kind of human capital management in the form of unemployed people which is effective work with registered jobseekers, who are to be included in working life repeatedly by using appropriate instruments of active labour market policy.

To be able to use sources effectively in working with the unemployed, it is also needed to take into account subjective factors of unemployment which are the unemployed themselves, their psychological status and opinions to unemployment, and tools of labour market policy used.

**Brief Literature Overview.** As defined in work of Hangoň, T. & Gerka, M. (2009) [1], unemployment which is characterized by significant features of social-economic phenomenon on multinational level, is considered to be one of the main problems of global society and one of the results of global poverty. In society based on market mechanisms and democracy, existence of unemployment itself is its natural phenomenon and attribute.

Schrageova M. (2011) [2] states the claim of Hartl & Hartlova, according to whom unemployment is defined in the psychological context as a situation where there is a certain group of people in society who could work and mostly would also like to, but for the lack of employment opportunities they are not able to.

From a psychological point of view experiencing this difficult situation is usually tough especially in the mid-term unemployment, when it comes to feelings of uselessness, frustration, loss of sense of life, sadness, the symptoms of depression and neurosis, increased consumption of alcohol and drugs and others also appear.

For employers, it is difficult to find qualified staff, for personnel whose ideas differ from conventional stereotypes, it is more difficult to make use of them and the unemployed apply for a job uselessly for months.

This situation can only be changed by increased labour market flexibility. Factors leading to greater labour market flexibility are included in the European Employment Strategy. These factors are based on the four pillars which are employment of staff, their adaptability, promoting entrepreneurship and equal opportunities for all regardless of age, sex and education, state Štepanková, P. & Vecerník, J. (2003) [3].

Distinctive problem arises in the EU in the field of youth employment. Graduates represent one of the riskiest groups endangered in terms of long-term unemployment. The most alarming situation is in Greece, Spain, Portugal and unfortunately also in Slovakia. The EC Report (2011) [4] points out a part from high youth unemployment weaknesses in education and low investment in science and research in Slovakia and emphasizes the large space in youth employment in the age group 15-24 years old. Young Slovaks with the elementary education completed only or incomplete secondary education are the worst.

According to Balazova, E. & Papcunova, V. (2014) [5] practice expects from a graduate to be expert – professional with standard as well as innovative features. Theoretical foundations of the graduate can be considered as standard features in relation to the use in practice. In addition, however, the practice requires of the graduate to come up with innovative ideas that could be implemented in practice.

The above mentioned facts support the view of Fenton, T. (2010) [6] presented at a conference New Vision in HR 2010 held in Slovakia who stated: «Employees are not means of production, but human beings. Allow people to unleash their potential and they will reciprocate by engaging, increased productivity and innovation».

**Purpose** of the scientific article is to identify and evaluate the selected personal aspects of the unemployed registered in the records of the Office of Labour, Social Affairs and Family in the selected district Krupina in the context of the proper management system settings when working with the unemployed and active labour market policies.

**Methodology.** Available knowledge and information obtained from primary and secondary sources were used in processing this scientific article.

Secondary sources were primarily data and knowledge gained by studying, processing and analysis of scientific and professional publications as well as statistics available Statistical Office of the Slovak Republic (Regional database RegDat).

The primary source of information was the research conducted by us using a structured questionnaire. Respondents (sample selection) were job seekers registered in the records of the Central Office of Labour, Social Affairs and Family in district Krupina as a model region that we have chosen aiming to review selected aspects of unemployment.

Krupina has long been in a group of regions with above-average unemployment and at the same time situated in Banská Bystrica Self-governing Region which is the most problematic region in terms of employment within the Slovak Republic. The total number of respondents was 151, which of 55.63% were women and 44.37% men.

*Wilcoxon test* was used for statistical evaluation of the results of our research which is a non-parametric alternative to the paired T-test applied when comparing two related samples or to assess the differences of repeated measurements on one sample (BOUNDLESS, 2014) [7].

*Kolmogorov – Smirnov test.* This is a non-parametric test, which also ranks among the compliance tests of divisions. Its use is appropriate for testing ordinal data in one selective file while it is desirable to compare our preferences to theoretical or hypothetical preferences (layout). It is designed to test the null hypothesis  $H_0: F(x) = G(x)$  for all  $x$  falling into  $R$  against the alternative hypothesis  $H_1: F(x) \neq G(x)$  for at least one  $x$ , where  $F$  and  $G$  are functions of distribution of two independent files. A test characteristic of  $D$  is calculated on the base of the relationship:

$$D = \max |E_i - T_i|$$

This is compared with tabulated values of  $H$  which calculation is dependent on our chosen level of significance and is given by the functional relation:

$$H = \frac{1.36}{\sqrt{n}}, \alpha = 0.05$$

To verify the representativeness of the selective file of respondents, we used the test statistic Chi-square of goodness, which can be expressed as follows:

$$\chi^2 = \sum_{i=1}^r \frac{(n_i - e_i)^2}{e_i}$$

From our previous calculation of the test characteristics and its subsequent comparison with the theoretical value we can confirm the hypothesis  $H_0$  which presumed representativeness of the selective file, and therefore we consider our selection of the selective file of the surveyed jobseekers in the district Krupina as representative.

## Results

**1. Development and current state of unemployment in Slovakia and in the district Krupina.** The problem of unemployment is a long term phenomenon in economy of Slovakia accompanying the national economy of the state ever since the Velvet Revolution and the subsequent transformation period. Despite the fact that the Slovak economy gradually recorded recovery and growth, aiming to eliminate unemployment significantly as a whole has failed.

If we take a look at the evolution of unemployment in the period after 2000, we can say that in the first part we note a positive trend in Slovakia, and thus unemployment declined every year until 2007, when it reached the lowest level of 7.99%. The positive development was caused mainly by foreign direct investment and a creation of the subcontracting network following as well as Slovakia's joining into the EU. There was similar situation also in the district Krupina studied by us where curve of unemployment basically copies nationwide trend, but only since 2002. It reached its lowest level in 2007, at 13.80%, but then it started to rise up as in the whole country to the level of 21.12% in 2012 which is substantially more than national average (14.44%). The situation then subsequently stabilized and began to improve, while at the end of 2013 the unemployment rate in the region was 16.55%. The level of decrease in 2013 was in the district Krupina more dynamic than the dynamics of decrease in the Slovak Republic as a whole. However, the

unemployment rate in the region remained over the nationwide average during the entire period, which was at the end of 2013 at 13.50% (for details see Figure 1).

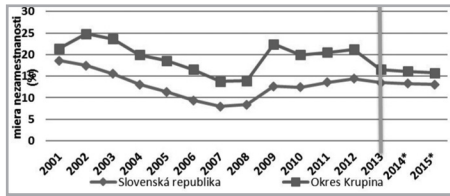


Fig. 1: Comparison of the registered unemployment rate development in of Slovakia and the district Krupina in the years 2001-2013 and forecasts to the end of 2015 (in %)

Source: Statistical Office of the SR, own research

Based on the available data from the of Statistical database RegDat [8] we have compiled forecast of the unemployment in Slovakia and in district Krupina through the use of software SAS Wizard and the application of two adaptive methods for time series approach (exponential smoothing and Box Jenkins methodology). On this basis, we can conclude that by the end of 2015, we expect both a decrease in the unemployment, in the case of Slovakia to 13.06% and to 15.74% in Krupina. Despite the expectation of a positive trend, it is necessary to draw attention to the fact that it is rather stabilization of the current situation with very slight positive trend expected, while the rate of decline in the district Krupina could be a bit higher than in the SR as a whole. But we do not expect any dramatic improvement in the labour market.

**2. Selected personal aspects of unemployment in the district Krupina** Unemployment itself can have several causes. Those objectives are especially bad economic situation and the state of the economy of the country or its regions. An important role is also played by the subjective causes, which depend to a significant extent on the individuals themselves - the unemployed, whose attitude and approach to this problem is more than important.

**2.1. Psychological aspects of unemployment.** An important area that should not be forgotten in the examination of unemployment as not only economic but also sociological phenomenon in modern society based on market economy is its psychological aspects, and so exploring attitudes and feelings of individuals themselves who have lost their jobs or are registered as unemployed persons.

Based on the research realized by us we have found out that the vast majority of respondents (78%) bear with job loss negatively, particularly in terms of permanent income loss. On the contrary, only 15.33% were positive responses to the job loss, namely from the viewpoint of obtaining more free time (for details see Figure 2). According to our findings, these responses were indicated mainly by younger jobseekers that are just starting to work and yet are not fully aware of the consequences of losing their jobs because they feel safety and help given by their parents.

The above described status even deepens with the benefit of the hindsight (Figure 3). Based on the evaluation of the jobseekers responses surveyed, we can conclude that almost 88%

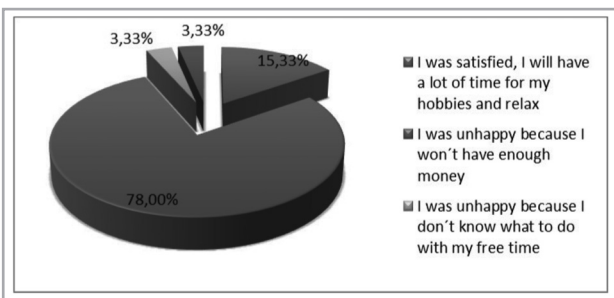


Fig. 2: Perception of unemployment by jobseekers immediately after job loss (in %)

Source: Own research, own processing

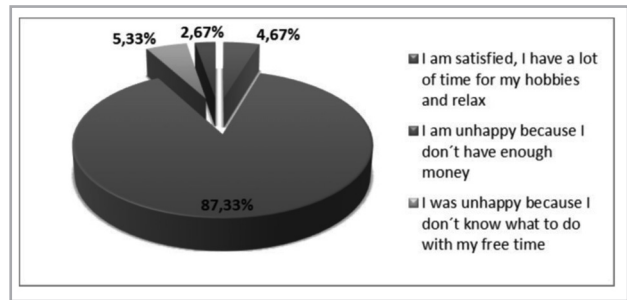


Fig. 3: Perception of unemployment by jobseekers with hindsight (in %)

Source: Own research, own processing

of them saw their situation negatively due to lack of finances, with only less than 5% of the unemployed feeling satisfied with the status stated. Feelings the unemployed at the same time change also depending on the length of their unemployment.

Based on Wilcoxon T-test, used when comparing the psychological aspect of perception of unemployment just after the job loss and with the hindsight, we have found out, based on the calculated P-value, that the mean values of the sample (repeated measures) were not statistically different i.e. we can say with 95% probability that there is no statistical difference in the perception of unemployment just after job loss and the hindsight (Table 1).

| Tab. 1: Comparison of the unemployed job seekers perception |   |           |          |        |
|---|---|-----------|----------|--------|
| Tests for Location: $\mu_0=0$                               |   |           |          |        |
| Test  |   | Statistic | p Value  |        |
| Student's t   | t | 2.945665  | Pr >  t  | 0.0037 |
| Sign  | M | 7         | Pr >=  M | 0.0026 |
| Signed Rank   | S | 71        | Pr >=  S | 0.0049 |

Source: Own research, own processing

The vast majority of job seekers (approx. 51%) have also had had feelings of inferiority after the job loss. By contrast, only about 12.5% of jobseekers had no such feelings, the other nearly 37% of jobseekers were unable to clearly address this issue, see Figure 4.

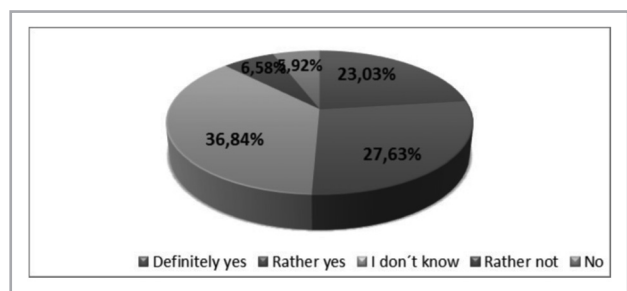


Fig. 4: Feelings of inferiority of the unemployed jobseekers (in %)

Source: Own research, own processing

We have also found out from our observations that the feeling of inferiority was clearly felt rather by older jobseekers, or by those who had worked long and subsequently lost their jobs than those of younger age, or jobseekers who worked shorter period respectively did not work at all.

**2.2. The unemployed and their willingness to further education.** The current Law No.5/2004 Coll. on Employment Services [9] and on amendments to certain acts of subsequent legislation creates in addition to unemployment benefits as a passive instrument of labour market policy also framework containing several instruments of active labour market policy.

Precisely different retraining courses are a tool to obtain additional knowledge and skills for the unemployed, who will

thus be able to apply after their graduation to a different than the original occupation or sector of the economy. With the research realized by us we therefore tried to identify the willingness and interest to undergo retraining course in order to get a new job.

Willingness to attend training course in order to get a new job in the district of Krupina has surprisingly only about 1/8 of the unemployed, another ca. 21% answered that they would rather undergo this kind of training than not. Approximately the same size, however, is the group of those who would not attend such training and this despite the fact that they would have lost the opportunity to get a new job (Figure 5). The data obtained have also been subject to a statistical test of relative share. We found that only ca. 27-41% of the unemployed have a general interest in re-training courses. The interest in retraining courses among the unemployed does not exceed 41%.

**2.3 The unemployed and their perception of doing business opportunities.** One of the ways to ensure a job for an unemployed is the initiation and subsequent implementation of business activities. It is a business activity as one of the real possibilities of ensuring income without a necessity of finding a new job with another employer after job loss. At the same time this form of earning gives a person certain degree of freedom and self-regulation of working time and performance.

Based on the evaluation of the data collected, we came to a finding that the absolute majority of registered unemployed in district Krupina did not consider at all the possibility to start a business (72.19% of respondents). Only symbolic 3.31% of the unemployed respondents in the selected region considered doing business respectively are considering, while at the same time none of the respondents see it as clear certain possibility of solving their unemployment and ensuring of income. For details see the previous Figure 6.

From the results of the Kolmogorov-Smirnov test as specified in Table 2 we can conclude that we accept the hypothesis claiming that the differences between the theoretical and empirical frequencies are not random, and therefore differences in the willingness of jobseekers to do business are statistically significant. We can see from the conclusion, that it is statistically proven that the unemployed in district Krupina have essentially no interest or commitment to start a business and thus solve the question of their future employment, respectively the problem of unemployment and household income.

Despite these facts, in terms of implementing active labour market policies, the most significant increase of subsidy funds

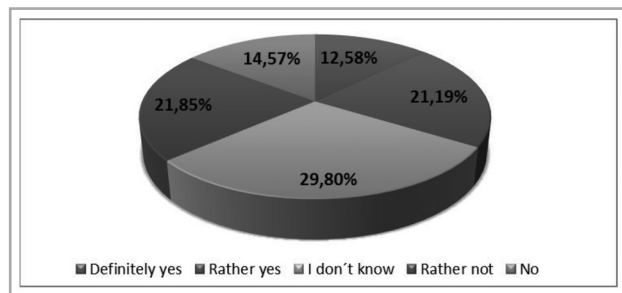


Fig. 5: The willingness of jobseekers to undergo retraining in the district Krupina (in %) Source: Own research, own processing

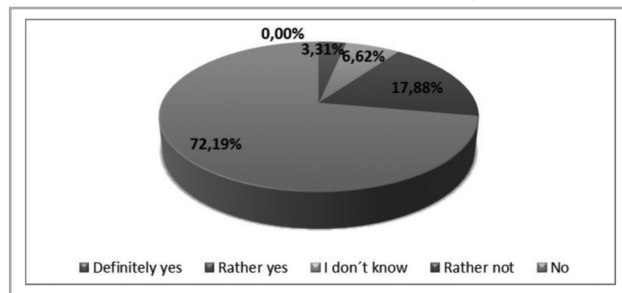


Fig. 6: The willingness of jobseekers to do business in the district Krupina (in %) Source: Own research, own processing

|              |            |                           |
|--------------|------------|---------------------------|
| n            | 151        |                           |
| alfa         | 0,05       |                           |
| D calc       | 0,5673289  | max. value of abs (Fi-Gi) |
| D tab        | 0,11067523 |                           |
| D tab < Dvyp |            |                           |

Source: Own research, own processing

was implemented in the district Krupina allocated for the support (contributions) for the self-employment, and thus starting up a business, where e.g. in 2010, there was spent more than 500,000 EUR.

**Conclusions.** Unemployment is both an economic and social problem in today's society. Slovakia tackles unemployment only with great difficulties. Despite the positive trend in our country after the accession to the EU, the situation deteriorated again after the outbreak of the economic crisis, and from that time no significant reduction has been reached. In addition, in Slovakia there are still significant regional disparities.

The unemployment has a significant impact on people in terms of the psychological aspects. The results of the research show us that elderly people who have worked long term and subsequently lost their jobs cope with the unemployment the worst. On the contrary, there are young people who lack working habits. Unemployment is perceived by them as a state which gives them time for their own activities. The situation gets worse with increasing duration of unemployment. For this reason, it is important for the work with the unemployed to create space for the earliest possible involvement in working life.

From the perspective of active labour market policy, it is necessary to carefully evaluate the use of resources to implement retraining courses, because really relatively low percentage of the unemployed is interested in retraining, even in the case of certain job following. Willingness and interest of the unemployed to create a job for themselves by starting business is also very low. Nevertheless, expenditures to support business start-ups of the unemployed increased markedly in the region examined in the recent years. It is highly probable that the number of unemployed have accepted subsidy only through very acceptable conditions by the Office of Labour, Social Affairs and Family. This presumption is also supported by the fact that recently there has been a nationwide adjustment of legislation and terms of the assistance for starting business in order to limit speculative use of subsidies and subsequent termination of business by the beneficiaries.

In general, it is necessary to work actively with the unemployed. In the context of active labour market policy and managing of the unemployed, it is necessary to use available resources efficiently and allocate them taking also into account the individual treatment, needs, motivations and psychological aspects of jobseekers.

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