

Keep the market flexible.  
Supply of specialists  
shrinking.  
Slovak labour still attractive.

## SETTING THE AGENDA

## HR &amp; LABOUR

Next week

AUTOMOTO /  
INVESTMENTHR firms call on cabinet  
to keep market flexible

HR firms believe  
Slovakia should avoid  
rigid labour legislation  
and support  
education

BY MARTA ĎURIANOVÁ  
*Spectator staff*

MOST Slovak companies that have experience with market economies for a little more than a decade have learned during the past several years that the quality of human resources is one of the most important business assets and a pillar of successful business performance. Managers have discovered that they should not neglect maintaining and developing new talents.

In the field of HR legislation, Slovakia succeeded in building one of the most flexible labour markets in the EU. HR companies stress that the new government should try to keep or even increase this high level of flexibility.

According to Miroslav Poliak, partner of Amrop Jenewein Group (AJG), in the industrial sector the years from 1998 to 2003 represented a business start up period for many new companies in Slovakia. This was a period when "quantity" was more important than "quality" with regard to human capital.

During this time it was necessary to find large numbers of suitable people in a very short period, he said. This was a time when HR know-how from abroad was intergraded into the local environment. However, during the last 4 years as companies have reached a level of stability and sophistication in the market the HR needs are gradually changing from quantity to quality.

"This means the companies have started to be more focused on internal promotions to develop more robust levels of internal expertise because there is such a shortage of qualified workers and there is such a high number of investors that are coming into such a small market. The automotive sector is especially noticing this lack of qualified labour in the areas of R&D, quality control, logistics, engineering and purchasing," Poliak explained.

He is of the opinion the change is evident not only in case of foreign companies but also Slovak companies. "The first years of most business, is mostly concerned with crisis management. They have been more focused on the investments into technologies, know-how, new equipment and restructuring. In this time "human capital" did not have a very big impact on them. During



TASR

■ Education should correspond to the needs of the labour market.

the last years however this situation has changed and human capital has an increasingly important place in their strategies and budgets."

HR firms all agree that the massive influx of foreign investment that Slovakia experienced during the last government of Prime Minister Mikuláš Dzurinda, had a great impact on human resources from various points of view.

"The influx of investors that were a result of economic reforms and the positive investment climate in Slovakia, resulted in an increased interest in HR consulting. We are experiencing more requests from companies, most of them seeking to hire top and mid-level Slovak managers with proven career track, specialization and language knowledge," said Mariana Turanová, managing consultant of Target SK.

Dana Blechová, senior consultant and head of the office of Iventa Slovakia Management Consulting, believes that the large foreign direct investments focused mainly on the car industry shifted the focus of HR to this sector. As a result, "the management needs of the investments created a massive shortage of qualified managers for positions such as quality manager, production manager, etc."

Slovakia has also become one of the main target countries for shared service centres, putting pressure on the availability of young multilingual university graduates.

Blechová also mentioned another trends in HR during the last several years: central and eastern Slovakia is generally experiencing greater hiring levels also due to influx of investment in this sector and fluctuation connected with salary increases of the top professionals in Western Slovakia is causing concern among international investors. Additionally, as more

Slovak top-managers are being recruited, the "expat manager" period in Slovakia is also beginning to disappear.

In the area of HR itself, the quality approach in HR consulting needs further development with contingency search still being a big issue, Blechová emphasized.

Contingency firms are transaction oriented firms that get paid only if a job candidate that they present to the firm is selected for the position. Contingency firms have a great "deal flow" of candidates, which means that they can meet short-notice staffing requirements. On the other hand, contingency firms rarely take the time to really get to know the company's needs.

On the contrary, retained search firms are consulting oriented, they get the same fees no matter how long it takes to find the right job candidate. Retained search firms fill the company's vacancies by getting to know your company's needs and finding the person with the exact skills to fill your needs. They are generally best for sourcing senior-level management positions.

Igor Šulík, partner of Amrop Jenewein Group, agrees that the executive search market is seeing more contingency firms operating in the area of human capital consulting.

"It is important that clients differentiate the types of services provided by retained executive search firms and contingency recruiters. As of now, there are still only two companies, in the Slovak market, that adhere to the highest professional and ethical standards in the industry as stipulated by the Association of Executive Search Consultants (AESC)," he said.

HR firms believe there are still many challenges for the new government to improve conditions in the labour market and increase the quality of the

human capital in order for Slovakia to continue to be more attractive to investors.

Poliak of AJG pointed out it is necessary to change the education system to be more flexible with regard to the needs of the labour market.

"More action from the government but also local municipalities is necessary, so that, for example, the business incubators should fall under the sphere of influence of those institutions and should not be the concern of Volkswagen, PSA, KIA or other big investors. We also need qualified teachers, who know the new trends in their area of expertise and are able to teach more than just theory." Internet penetration enabling access to the latest trends, information and know-how should also be one of the key areas of the new cabinet's attention.

Another of the partners at AJG, Šulík, added that the Labour Code should continue to be at least as flexible as it currently is if not even more flexible.

He also emphasized that it should become a priority for private and state companies to adopt corporate governance principles. "[The government should] introduce policy that would require companies implement certain corporate governance principles and undergo regular review of their boards performance for compliance with the best practices in the area of corporate governance."

He believes this would enable relevant stakeholders of companies to be better informed and would largely contribute to quality within the business sector.

Blechová of Iventa Slovakia Management Consulting added that the new cabinet should not change tax reform since this is a big attraction for foreign investors.

Gerard Koolen, managing partner of Luger & Makler would welcome easing the legislation on personnel leasing. "The more flexible hiring/firing legislation is, the more people (especially unqualified workers) will find jobs. If you compare countries with rigid firing legislation (such as in France, Netherlands, Germany, Scandinavian countries) with countries having a very easy firing legislation (Hongkong, US, UAE) you come to the conclusion that the easier it is for companies to let go of redundant people, the lower the unemployment rate. Government should understand that the more flexible employment works, the more unqualified people (which at present are the most difficult group of workers in Slovakia to employ) will get jobs."

Supply of specialists  
feared shrinking

Rising investments reveal shortage of qualified labour

BY MARTA ĎURIANOVÁ  
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A TRADITION of producing quality engineers and technical professionals has long been a source of pride for Slovakia, but the growth of foreign direct investment has exposed holes in the labour market that need to be filled.

Slovakia was once stuffed with heavy industry firms, many of which went bankrupt after the fall of Communism, causing technical professions to lose much of their allure. As a result, education in the vocational technical schools, and even universities, has become outdated and unable to match the needs of modern foreign industry.

After 2000, the country's business environment improved and the first large investments from car manufacturers, among other technical industries, started coming in, which increased the demand for qualified white and blue collar workers.

However, the effects of the past remain, and the demand for good engineers and technicians still surpasses the supply.

HR firms emphasise a restructuring of the education system is urgently needed for two reasons: to supply the necessary labour and decrease unemployment.

"Slovakia used to be proud of having a solid base of technicians and electro-technical, mechanical engineers and civil engineers. Nowadays, there is a serious lack of such people, and investors (mainly automotive, electro-technical) are finding it difficult to recruit, for example, process engineers, line managers for production, and specialists in general," said Mariana Turanová, managing consultant of Target SK.

Therefore, investors have begun taking over the role of bringing the needed knowledge to students.

"The corporate sector can wield influence by communicating its needs to schools," Turanová added. "It can also support the schools, involve students in the production process during studies and motivate them to join a company after graduating."



ČTK

■ Technical professionals are once again in demand.