



Influence of economic slowdown on condition of enterprises in the Małopolska Region

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This summary highlights main conclusions from the research completed in June 2009.

The purpose of the project was to research financial and personnel-related situation of enterprises from the Małopolska Region during global economic crisis. Quantitative method represented by CATI technique (telephone interviewing) has been applied for the research. Representative sample of **450** enterprises from the Małopolska Region was subject to the research.

Research was aimed at acquiring information from entrepreneurs concerning condition of their enterprise which has to face the global economic crisis. Results show unambiguously that enterprises in the Małopolska Region suffer from consequences of economic crisis. More than half of respondents reported that crisis has an adverse influence on their enterprise. On the other hand, we may conclude that pitch of recession differs among regions and branches. Symptoms of slowdown and methods of dealing with it are also different dependent on size of the enterprise.

The first aspect mentioned in the research concerns employment in enterprises from the Małopolska Region. Nearly 2/3 of representatives of enterprises from the Małopolska Region found that **level of employment** in their enterprises for the last year **was relatively constant**; in 19% of enterprises number of employees was reduced, and in 16% increased. Definitely the **most stable region in terms of employment** during the last year was the **Region of Nowy Sącz** (75% of enterprises under research), it was also the region with lowest ratio of employment reductions (11% of companies). For other regions stability of employment concerns similar percentage of enterprises - from 60 to 63%.

Employment tends to be more stable in small enterprises - which employ up to 50 people. 74% of these enterprises represented the same level as one year before. Level of employment remained unchanged also in half of medium and 39% of large enterprises.

Number of employees is most stable in transport enterprises (75%) and at service providers' (70%). Reduction of employment affected mainly manufacturers - every third enterprise classified as "industrial processing" had to deal with this problem.

On the one hand we can see that many of the enterprises kept employment on relatively constant level, but surely, the influence of recession can be noticed in analysis of motions on the employment market: only small increase, and what is more important, reduction of employment (in general, only a little bigger but e.g. if we consider medium companies only, it increases by 10%), which especially affected enterprises from the Małopolska Region.

In course of research attempt was made to recognize what the respondents perceive as reasons for reduction of employment. Nearly half of them (49%) considered **decreased number of orders** as most significant reason for reducing number of employees, the second reason (34%) was decreased turnover and the third one (21%) economic slowdown.

Another issue covered by the research was evaluation of financial situation of enterprises during the last year. **A little less than half of respondents (44%) declared similar level of financial situation, while according to 40% it got worse.** In total, only 14% of respondents could enjoy improvement of financial situation of their companies.

Region of Tarnów turned out to be most stable in terms of financial situation - more than half of enterprises from that region (53%) responded in this manner. In terms of improvement of financial situation, ratios are similar in all sub-regions of Małopolska.

Financial situation during the last year became worse mostly in transport enterprises and in those classified as "industrial processing".

In terms of branch condition, situation **remained unchanged** in the opinion of **38% of respondents**. Nevertheless, there are still many pessimists - **half of respondents (49%) found condition of branch worse**, while only 9% represented an opposite view.

Entrepreneurs from the Małopolska Region represent quite uniform view of domestic economy during the last year - nearly **two thirds (64%) of them considered it as aggravated**. Only 4% of respondents expressed view that our economic situation has improved. Economic situation is assessed negatively mostly by representatives of enterprises from Krakow. Economic situation in Poland was assessed in negative manner mostly by transport-related entrepreneurs (75%) and enterprises classified as "industrial processing" (69%).

Nearly 1/3 of all responding persons (31%) is not able to express opinion about economic situation of the Małopolska Region in comparison to the whole country. It may result either from lack of knowledge or from difficulty in determining symptoms of such a dynamic process.

Votes of majority of respondents can be divided into quite equal groups - **25% find economic situation identical in the whole country**, 20% represent pessimistic view that economic situation of the Małopolska Region is worse comparing to the country as a whole, and 18% find it better. The largest number of negative votes concerning economic situation of the Małopolska Region comparing to the general condition of Polish economy occurred in the Region of Tarnów - 30%.

Market of the Małopolska Region was evaluated most positively by enterprises classified as "hotels, restaurants, financial agents" (27% of positive indications), and most negatively by transport enterprises (29% of negative indications).

Respondents were also asked for their interest in credits. **31% of entities from the Małopolska Region applied for credit during last year.** Such applications were submitted most often by enterprises from Krakow (36%), more rarely by those from the Region of Krakow (24%). The smaller enterprise is the more rarely it applies for credit. A little more than half of large companies (51%) applied for credit, while in case of enterprises which employ up to 50 people only every fifth submitted such application (22%).

Respondents were requested to evaluate increase of risk related to running a business activity during last year according to influence of particular factors. As far as enterprises under research are concerned, risk related to running a business activity during last year increased mainly due to **expenditures involved in running a business (76%), global economic crisis (74%), rate of PLN to EUR (68%), holding of payments (63%), decreased demand on the Polish market (60%) and increase of competitiveness (59%)**. 88% of respondents declared that internal relations - between employees and director - had no influence on risk related to running a business activity.

Another mentioned issue was economic crisis itself and methods of fighting it. **More than half of respondents (52%)** declared that their enterprise **suffers from consequences of global economic crisis**. The most affected was the Region of Oświęcim (58%) and the least affected the Region of Tarnów (42%). 36% of enterprises under research confirmed implementation of actions aimed at reducing consequences of economic crisis. Most of these enterprises were situated in Krakow - nearly half of all, and the least of them in the Region of Tarnów - only every fourth one.

Actions aimed at reducing adverse influence of global crisis undertaken by enterprises from the Małopolska Region included among others: **reduction of expenditures, implementation of saving strategies (37%)**, and further, reduction of employment (around 16%) and development of activity, investments and reorganization (around 14%). Reduction of expenditures and implementation of saving strategy were referred to mostly in the Region of Krakow (51% of indications), while reduction of employment was applied most often in the Region of Oświęcim (23%).

Research show that **only every third representative of enterprises** in question (about 35%) declares to have knowledge concerning credit funds. This ratio is similar across the regions. Only 10% of enterprises which declare to have knowledge of funds has already taken

advantage of them. Most of these cases were observed in the Region of Krakow (14%) and Tarnów (13%), whereas in the Region of Oświęcim they were quite rare.

Small enterprises employing up to 49 people were most frequent beneficiaries of credit funds, while this form of financing was applied most rarely in medium enterprises (4%). As for European funds for development of employees' qualifications, 16% of entities under research took advantage of them. Around 35% of enterprises is going to make use of this form of support in the future. This form of support turned out to be most interesting for entrepreneurs from the Region of Nowy Sącz (41%) and the least attractive for those from the Region of Oświęcim (31%).