

SLOVAK REPUBLIC

Priorities supported by indicators

Improve funding and effectiveness of the education system (2005, 2007, 2009)

Recommendations: Expand pre-school education, reduce stratification, provide additional funding for schools with high proportion of groups at risk of under-achievement, foster integration of Roma children, make vocational education more relevant to the labour market and introduce tuition fees backed by greater loan availability for all tertiary students.

Actions taken: Kindergarten is free of charge for five-year-olds since 2008. The government encouraged integration of technical and vocational secondary schools, and universities have been allowed to set tuition fees for part-time students since 2007.

Reduce the tax wedge for low-income workers (2005, 2007)

Recommendations: Reduce social security contribution rates for lower wage earners, ensure that the minimum wage remains sufficiently below the average wage, and introduce an in-work benefit.

Actions taken: An in-work benefit (employee bonus) was introduced in 2009 for workers on regular job contracts with salaries close to the minimum wage.

Reduce the implicit taxes on continued work at older ages (2005, 2007)

Recommendations: Further raise the retirement age in line with gains in life expectancy while making pension benefits adjustments for early and late retirement more actuarially neutral.

Actions taken: No action taken.

► **Reduce regulatory barriers to competition (2005, 2009)**

Recommendations: Facilitate the entry of new market participants in liberal professions and network industries, reduce the administrative burden on corporations and limit the use of special voting rights.

Actions taken: The government passed a law on unfair practices in commerce in 2008. The 2007 change in the regulatory framework in gas and electricity sectors laid down non-discriminatory rules for competition and gave network access possibilities to all new market entrants.

Eliminate barriers to female labour force participation (2009)

Recommendations: Shorten the duration of parental leave entitlements in favour of childcare subsidies and reduce the tax wedge on second earners.

Actions taken: No action taken.

Other key priorities

Reform housing markets (2007, 2009)

Recommendations: Strengthen competition in construction, improve targeting of housing subsidies, ease the rights of existing tenants and speed up resolution of tenancy disputes.

Actions taken: No action taken.

Strengthen the judicial and law enforcement systems (2005, 2007)

Recommendations: Improve accountability in the justice system and make greater use of transparent and open procedures for public procurement.

Actions taken: The requirement to publish a public procurement contract notice was made more widely applicable in 2008.

► **Improve the activation of the long-term unemployed (2009)**

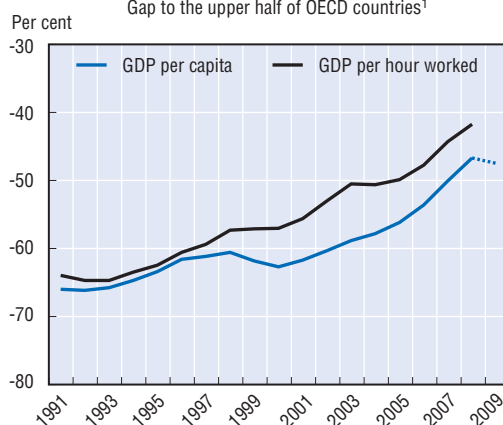
Recommendations: Expand training measures, strengthen job search and job acceptance requirements, strengthen the capacity of the Public Employment Service (PES) and narrow the targeting of subsidised job creation to the long-term unemployed.

Actions taken: The Employment Services Act was enacted in 2008, extending the competency of the PES and tightening reporting requirements for job seekers in order to accelerate the turnover of the unemployed.

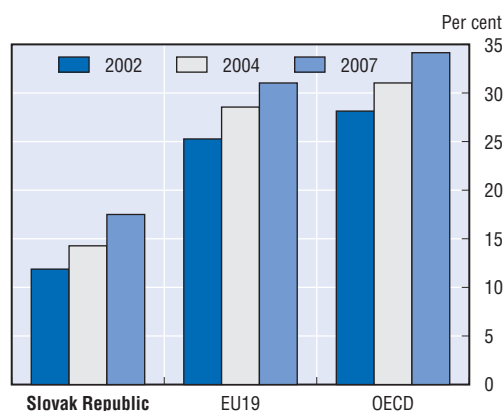
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- The wide gap in GDP per capita relative to the upper half of OECD countries narrowed significantly before the recent crisis. This mainly reflected labour productivity convergence while labour input did not contribute.
- Progress has been made in some key priority areas. Notably, steps have been taken to enhance the effectiveness of the education system and to make product markets somewhat more flexible. In addition, labour tax wedges have been lowered for low-income earners. However, these remain core priority areas, as well as more broadly measures to raise labour participation of female and older workers. Little progress has been made to reform housing markets.

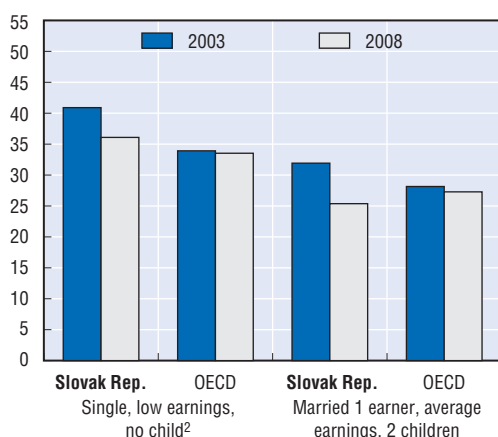
A. Gaps in GDP per capita and productivity had been narrowing prior to the crisis
Gap to the upper half of OECD countries¹



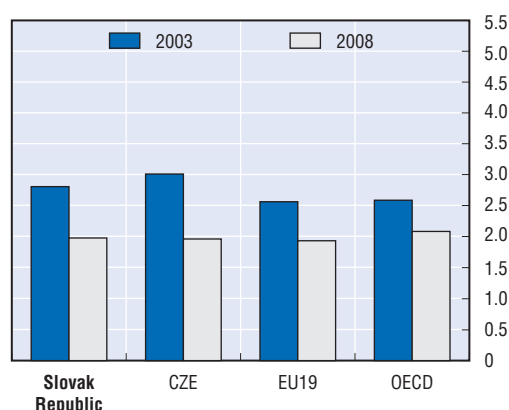
B. The share of the population aged 25-34 with tertiary education remains low



C. The tax burden on labour income has been reduced
Percentage of total labour compensation



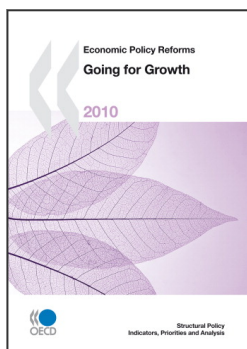
D. Barriers to competition in the network sectors have been reduced³
Percentage of average worker earnings



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gap in GDP per capita for 2009 is an OECD estimate, based on the *OECD Economic Outlook*, No. 86.
2. Low earnings refer to two-thirds of average earnings.
3. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Chart B: OECD (2009), *Education at a Glance*; Chart C: OECD, *Taxing Wages Database*; Chart D: OECD, *Product Market Regulation Database*.

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