

SLOVAK REPUBLIC

GDP growth has accelerated and contributed to a narrowing of the large income gap vis-à-vis OECD countries, but further reforms are essential to maintain progress and reduce unemployment.

Policy priorities

Reduce the tax wedge for low-income workers

Challenge and recommendations: To improve incentives for job creation for unskilled workers, it was recommended that employers' social security contribution rates for low-skilled workers be cut significantly. The fiscal cost of this should be funded by expenditure cuts in less urgent areas.

Actions taken: The government has stated that it will consider small across-the-board cuts in social security contribution rates when the fiscal position permits.

Reform the education system to improve human capital

Challenge and recommendations: To improve educational outcomes in primary and secondary schools, it was recommended that measures to promote increased accountability be introduced. To improve tertiary sector outcomes, it was recommended that tuition fees be permitted, and competition between institutes promoted.

Actions taken: A proposed government bill to introduce fees in tertiary education was rejected by the parliament.

Reduce state control of business operations in network industries

Challenge and recommendations: To improve competition in network industries, it was recommended that the involvement of the government be limited and that the new regulatory framework be fully enforced, including through close monitoring of price developments.

Actions taken: Competition authorities are more closely monitoring price developments and competition conditions. Some anti-competitive actions by dominant incumbents have been punished with large fines.

Strengthen the governance of the judicial and law enforcement systems

Challenge and recommendations: To ensure a more efficient, transparent, and rules-based business environment, it was recommended that the governance of the judicial and law enforcement systems be strengthened.

Actions taken: The Ministry of Justice continues to promote legislative improvements, including new bankruptcy legislation which came into force in January 2006. However, the lines of accountability for judicial outcomes remain weak and perceived corruption remains quite high.

Progressively increase the statutory retirement age for public pension eligibility

Challenge and recommendations: In order to make the pay-as-you-go pension system sustainable, it was recommended that the statutory retirement age be progressively increased to 65 years. It was also recommended that some rules in the new pension system be refined.

Actions taken: No actions since the 2003 Social Insurance and Old-Age Pension Saving Acts.