

SLOVAK REPUBLIC

- The rapid catch-up relative to the upper half of OECD countries has continued thanks to strong labour productivity. However, labour utilisation is still lagging behind and potential employment growth stalled.
- Some progress has been achieved in the area of education, by increasing teachers' salaries and the quality of pre-primary education as well as in product market regulation, by reducing some barriers to entrepreneurship. More needs to be done to scale up and increase the efficiency of public employment services, activation and training programmes.
- Strengthening jobseekers' activation, especially on training and job-search support, removing obstacles to labour mobility and encouraging female labour force participation would increase overall labour utilisation. Reducing barriers to competition, especially in non-manufacturing industries, and strengthening innovation and education outcomes would increase productivity.
- Activation programmes and more inclusive education policies would reduce income inequality by improving employability and integration of most vulnerable groups, in particular the Roma and youth. Those policies would also reduce the relatively high regional income disparity.

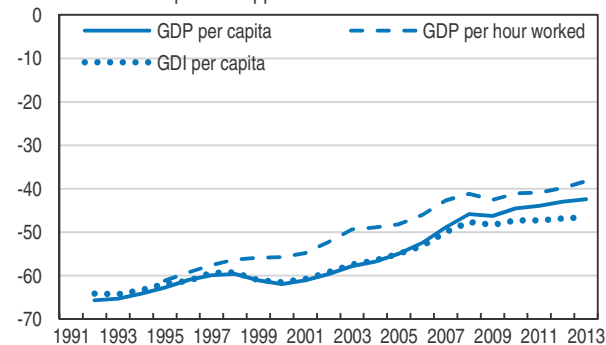
Growth performance indicators

A. Average annual trend growth rates

Per cent


	2003-08	2008-13
Potential GDP per capita	4.8	1.9
Potential labour utilisation	0.9	-0.8
<i>of which:</i> Labour force participation rate	-0.2	-0.2
Employment rate ¹	1.4	-0.7
Trend employment coefficient ²	-0.3	0.1
Potential labour productivity	3.9	2.7
<i>of which:</i> Capital deepening	-0.6	0.3
Labour efficiency	4.3	2.2
Human capital	0.2	0.2

B. Convergence in GDP per capita and productivity has continued

Per cent Gap to the upper half of OECD countries³

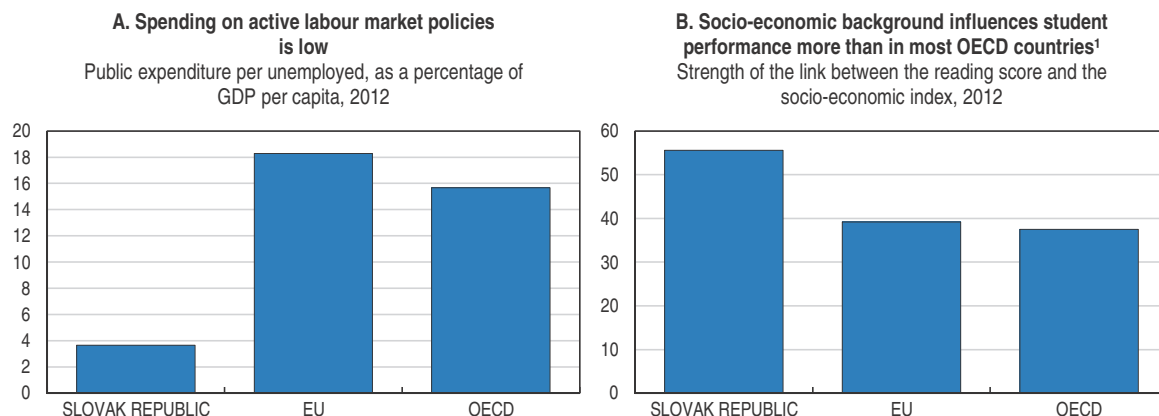
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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Policy indicators



1. Defined as the estimated coefficient from the country specific regression of PISA reading performance on corresponding index of economic, social and cultural status (ESCS).

Source: Panel A: OECD, *Public expenditure and participant stocks on LMP and Economic Outlook Databases*. Panel B: OECD (2013), *PISA 2012 Results: Excellence through Equity (Volume II): Giving Every Student the Chance to Succeed*, PISA, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264201132-en>.

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Going for Growth 2015 priorities

Priorities supported by indicators

Improve funding, equity and effectiveness of the education system. PISA test scores are below the OECD average and the school-to-job transition is weak. Low educational quality is associated with low equality of opportunities, especially for Roma children. This hampers productivity, labour utilisation and equity.

Actions taken: Pilot projects of secondary vocational education including workplace training (dual education) were launched in 2013. A new Act on Vocational Education and Training is planned for December 2014. Teachers' wages have been increased but remain among the lowest of OECD countries. Several kindergartens have been involved in European funded projects aimed at promoting the inclusion of Roma children in pre-school education. The 2015 Budget approved the allocation of EUR 5 million funding for extending or reconstructing pre-school education facilities.

Recommendations: Expand pilot projects of vocational education in secondary institutions and develop professional tertiary education programmes. Publish information on labour market outcomes of graduates on a regular basis. Extend tuition fees in tertiary education backed-up by income-contingent repayment loans. Reduce inequality of opportunity, in particular for Roma children, notably by strengthening their enrolment in pre-school education and reducing their enrolment in special schools.

Strengthen policies to promote activation, life-long training and labour mobility. Low labour mobility and high long-term unemployment depress both labour utilisation and productivity.

Actions taken: Reforms initiated in May 2013 have streamlined active labour market programmes and set preconditions to increase the client-orientation of public employment services (PES). The launch of a web portal and development of a back office IT system have contributed to improving PES capacities.

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Recommendations: Strengthen the resources of PES. Develop individualised job-search support. Expand training measures for the unemployed. Narrow public work programmes. Target wage subsidies for youth to the most vulnerable. Promote participation of workers to lifelong learning. Remove obstacles to the expansion of a private residential rental market, and phase-out financial support, such as subsidised loans, to homeownership.

Reduce barriers to female labour force participation. Women with young children have low employment rates.

Actions taken: The quality of educational services for children aged from 3 to 6 years increased but access to childcare for children below 3 years old remains one of the lowest among EU countries.

Recommendations: Expand affordable and high quality childcare facilities. Shorten the duration of parental leave entitlements. Remove fiscal disincentives to work for second earners notably by cutting the tax allowance for non-working spouses.

Other key priorities

Improve the business environment and reduce regulatory barriers to competition. Existing impediments to competition, administrative burdens and inefficiencies in the judicial system limit productivity growth.

Actions taken: The introduction of a “silence is consent” procedure and the creation of single contact points in 2013 to handle notifications and licenses via the Internet have simplified the process of opening and operating a business.

Recommendations: Resume the privatisation process of remaining public stakes in network industries. Strengthen competition in retail trade and abolish compulsory chamber membership for professional services while maintaining required standards of professional qualifications. Simplify tax compliance and procedures for firms involved in projects financed by EU structural funds. Renew the fight against corruption and improve the efficiency of the judicial system.

Improve the innovation support framework. Low research and development (R&D) expenditure and innovation activity in the business sector constrain the capacity to adopt new technology and hamper productivity growth.

Actions taken: The Smart Specialization Strategy, adopted in November 2013, should promote co-operation between business and academia. The JEREMIE initiative (aimed at providing funding to innovative SMEs) has continued for the 2014-20 programming period.

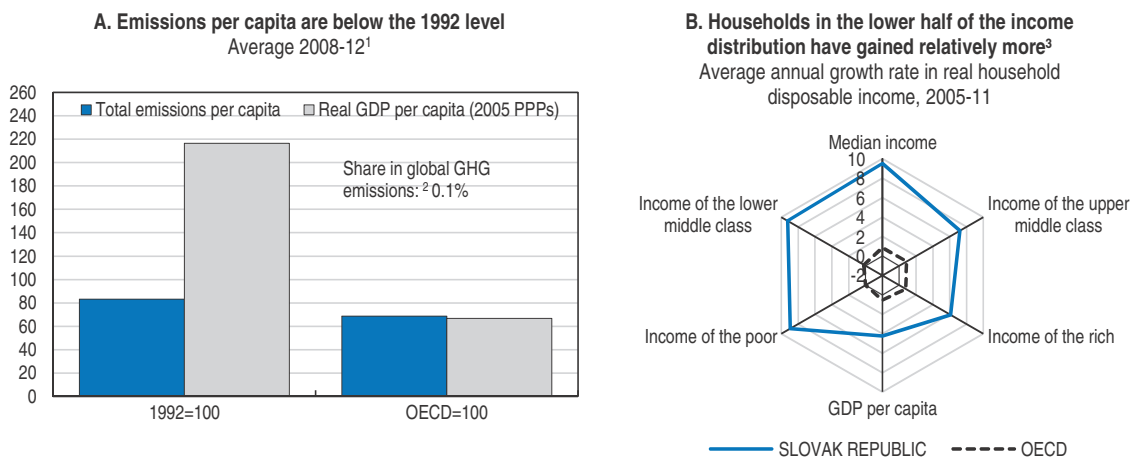
Recommendations: Encourage co-operation between public and private R&D institutions, especially through clusters. Encourage business R&D by introducing R&D tax credits. Continue promoting access to venture capital. Facilitate the adoption of new technologies of firms in lagging regions, in particular by providing innovation vouchers and support to local clusters. Continue developing digital literacy.

Reform areas no longer considered a priority in Going for Growth

For the Slovak Republic, all priority areas from the 2013 issue of *Going for Growth* are maintained.

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Beyond GDP per capita: Other policy objectives



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178803>