

SLOVAK REPUBLIC

The rapid convergence in GDP per capita relative to the upper half of OECD countries observed since 2000 stopped in 2009 but productivity convergence continued. Substantial gaps in labour utilisation and productivity remain. The 2009 recovery plan introduced flexible work time accounts enabling firms to better adapt to the economic cycle. To improve longer-term economic performance further actions are needed in the following areas.

Priorities supported by indicators

Improve the funding and effectiveness of the education system

Tertiary educational attainment of younger cohorts remains low and international student test (PISA) scores are below the OECD average, hampering productivity.

Actions taken: Since 2009, the public funding of universities relies more on output indicators.

Recommendations: Reduce stratification of the education system and foster integration of Roma children in the education mainstream. Make tertiary education more attractive by offering occupationally-oriented programmes. Introduce tuition fees combined with income-contingent repayment loans for all tertiary students.

Reduce regulatory barriers to competition

Substantial impediments to competition remain in network sectors and liberal professions, limiting productivity growth.

Actions taken: The government finalised the second phase of an action plan for assessing administrative burdens on business and barriers to entry in 2009.

Recommendations: Reduce administrative burdens on firms, strengthen competition in the telecommunications and energy sectors by resuming the privatisation process, and abolish compulsory chamber membership for liberal professions while maintaining required standards of professional qualification.

Reduce barriers to female labour force participation

Employment rates are very low for mothers, in particular those with young children, and for older women.

Actions taken: The statutory retirement age for women is being gradually raised and should reach 62 by 2014. Childcare subsidies have been reformed to allow parents to receive the benefit while working (from January 2011).

Recommendations: Shorten the duration of parental leave benefit entitlements in favour of childcare subsidies and further remove fiscal disincentives to work for second earners.

Other key priorities

Strengthen policies to promote labour mobility

The labour market is characterised by a high share of long-term unemployed in total unemployment and by low labour market mobility.

Actions taken: A portion of state funds which were previously used to support construction of owner-occupied housing has been diverted to rental housing projects in 2009 and 2010.

Recommendations: Expand training measures, strengthen the capacity of the public employment service, narrow the targeting of subsidised job creation, remove obstacles to the expansion of a private rental market, and improve the targeting of housing subsidies.

Improve the innovation support framework

R&D expenditures are low compared to the OECD average and decreasing in the business sector, limiting innovation activity.

Actions taken: The government introduced new public subsidies and tax relief to foster business R&D in 2009 and plans to support highly innovative firms by providing “risk capital” as returnable financial aid.

Recommendations: Create incentives to innovate by improving the business environment, reducing the administrative burden on start-ups, and facilitating access to venture capital. Strengthen the quality of public institutions involved in R&D funding. Foster the diffusion of information by encouraging collaboration between the public and private institutions in R&D, developing knowledge networks and facilitating access to ICT.

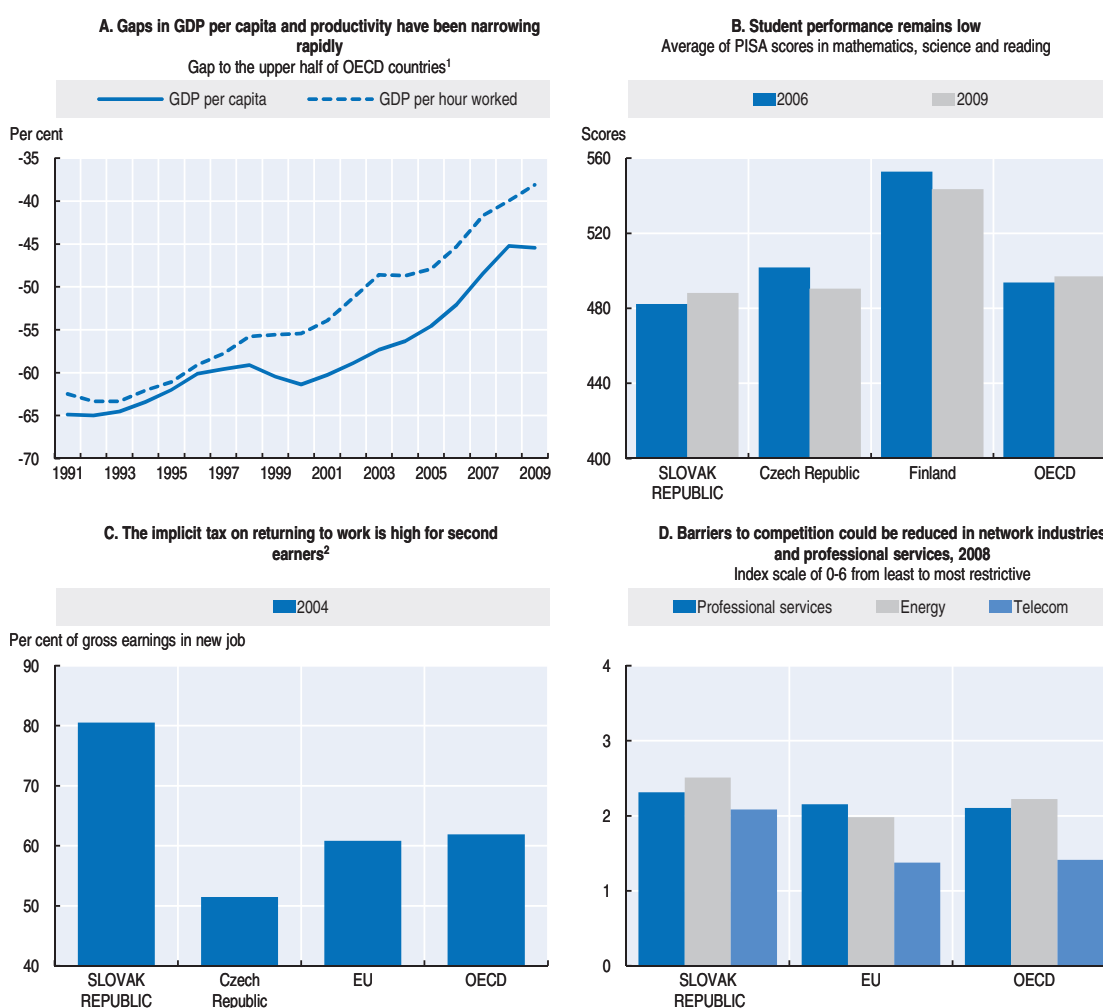
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Structural indicators

Average annual trend growth rates, per cent

	1999-2009	1999-2004	2004-09
GDP per capita	4.9	4.5	5.3
Labour utilisation	0.6	0.0	1.2
of which: Employment rate	1.0	0.5	1.5
Average hours	-0.4	-0.5	-0.3
Labour productivity	4.3	4.5	4.0
of which: Capital intensity
Multifactor productivity

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Taking into account childcare fees and changes of taxes and benefits in case of a transition to a job paying two-thirds of average worker earnings.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, PISA 2009 Database; Chart C: OECD (2004), Benefits and Wages: OECD Indicators; Chart D: OECD, Product Market Regulation Database.

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