

SLOVAK REPUBLIC

Convergence in GDP per capita has continued, but the gap with the best-performing OECD countries remains large, reflecting still low levels of labour utilisation and productivity. Recent reform plans include improving the entrepreneurial environment and modernising the framework for R&D, but reform efforts should go further, in particular in the following areas.

Priorities supported by indicators

Raise education achievement and tertiary attainment

Education achievement is below the OECD average and unduly influenced by socio-economic background. Tertiary education attainment, albeit increasing, is low compared with other OECD countries, with negative effects on labour market outcomes and productivity developments.

Actions taken: Universities were allowed to set tuition fees for part-time students. The Modernisation Programme Slovakia 21 was launched, envisaging short and medium-term measures to enhance the institutional framework of education.

Recommendations: Foster the integration of Roma children into the education system and further reduce stratification of the school system. Make tertiary education more attractive by offering 2-3 year occupationally-oriented programmes. Extend tuition fees to full-time students and introduce student loans with income-contingent repayments.

Reduce regulatory barriers to competition

Despite some progress in making economic regulation more competition-friendly, substantial impediments to competition remain, particularly in network industries and liberal professions, limiting productivity growth. Entry barriers are high in most sectors and administrative burdens remain excessive.

Actions taken: The government passed a law on unfair practices in commerce. In addition, the government is planning to enhance the regulatory framework within the Modernisation Programme Slovakia 21, with specific measures still being under discussion.

Recommendations: Facilitate the entry of new market participants, particularly in the energy and telecommunications sectors and in liberal professions, where compulsory chamber membership should be abolished. Reform the public sector in order to reduce administrative burdens on corporations.

Eliminate barriers to female labour force participation

While overall female labour force participation is relatively high, employment rates are very low for mothers, in particular those with young children. This mainly reflects fiscal disincentives for second-earners. In addition, generous parental leave benefits over a long period may lead to skill attrition, which makes it more difficult for women to return to work.

Actions taken: Kindergarten fees were abolished for 5-year-olds.

Recommendations: Shorten the duration of parental leave entitlements in favour of childcare subsidies. Reduce the tax wedge on second earners by cutting the tax allowance and by phasing out free health insurance for non-working spouses.

Other key priorities

- **Housing policies.** Facilitate labour mobility by removing hurdles for the establishment of an effective private rental market. Review regulations regarding the supply of new housing, ease the rights of existing tenants and improve the targeting of housing subsidies.
- **Work incentives for the unemployed.** Improve the activation of the long-term unemployed by expanding training measures, introducing job search and job acceptance requirements and strengthening the capacity of the public employment service. In addition, narrow the targeting of subsidised job creation to the long-term unemployed.

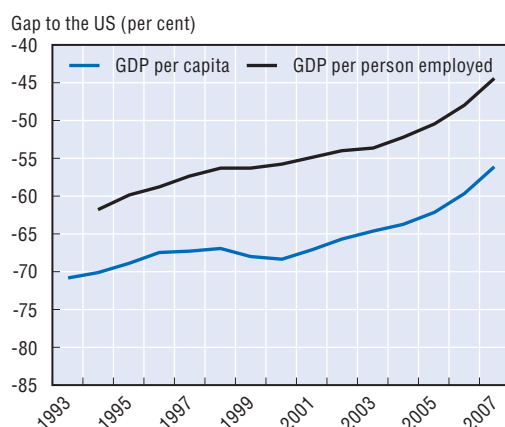
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Structural indicators

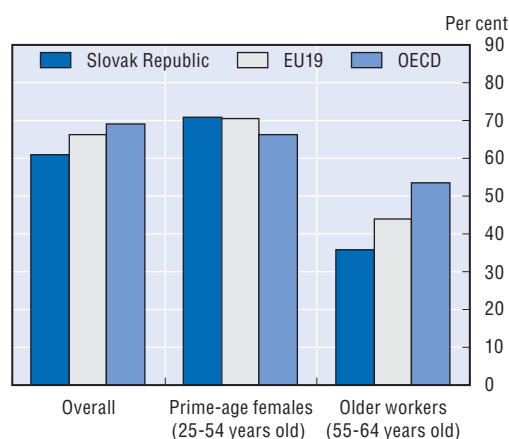
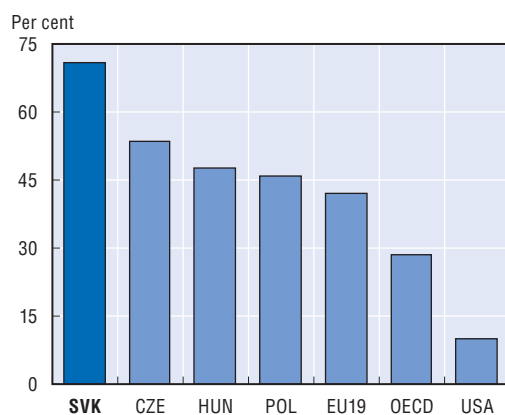
Average annual trend growth rates, per cent

| | 1997-2007 | 1997-2002 | 2002-2007 |
|-----------------------------|-----------|-----------|-----------|
| GDP per capita | 4.9 | 4.0 | 5.8 |
| Labour utilisation | 0.1 | -0.8 | 0.9 |
| of which: Employment rate | 0.7 | 0.0 | 1.4 |
| Average hours | -0.6 | -0.7 | -0.5 |
| Labour productivity | 4.8 | 4.8 | 4.8 |
| of which: Capital intensity | .. | .. | .. |
| Multifactor productivity | .. | .. | .. |

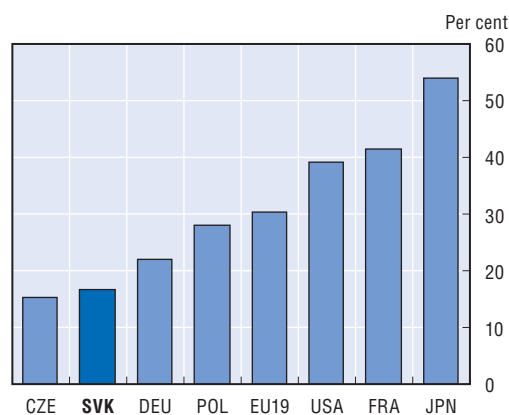
Source: Estimates based on OECD Economic Outlook, No. 84, Vol. 2008/2.

A. Gaps in GDP per capita and productivity have continued to narrow but remain large¹

B. Employment rates are low except for females, 2007

C. The incidence of long-term unemployment is very high, 2007²

D. The share of population aged 25-34 with tertiary education is low, 2006



1. Percentage gap with respect to US GDP per capita and per person employed (in constant 2000 PPPs).

2. Persons unemployed for 12 months and more as a percentage of all unemployed persons.

Source: Chart A: OECD, National Accounts Database; Charts B and C: OECD, Labour Force Statistics Database; Chart D: OECD (2008), Education at a Glance.

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