

## SLOVAK REPUBLIC

*Significant convergence in GDP per capita vis-à-vis the OECD average has been achieved in recent years, but substantial gaps remain in labour utilisation and productivity.*

### Policy priorities

#### **Reduce the tax wedge for low-income workers**

**Challenge and recommendations:** To promote employment of the low-skilled, it was recommended that an in-work benefit for low-income households with children be introduced and that the minimum wage be kept sufficiently low so as not to hamper employment prospects.

**Actions taken:** No measures have been taken to reduce the tax wedge on low-income households. The 2007 increase in the minimum wage leaves it sufficiently low (42% of the median wage) to avoid unduly harming employment prospects.

#### **Improve funding and effectiveness of the education system**

**Challenge and recommendations:** To improve education achievement, especially among children from less favourable socio-economic backgrounds, it was recommended that pre-school education be expanded, additional funding for schools with a high proportion of groups at risk of under-achievement be provided, and that the age at which children are selected into different tracks be postponed. It was also recommended that the value of vocational education be increased by making it more relevant to labour-market requirements and that tuition fees for all tertiary studies be introduced, accompanied by student loans with income-contingent repayment.

**Actions taken:** The government has decided to make kindergarten free of charge for five-year-olds from 2008 onwards. Some reduction in segregation is being achieved by encouraging the integration of technical and vocational secondary schools.

#### **Reduce the implicit tax on continued work at older ages**

**Challenge and recommendations:** In order to discourage premature withdrawal from the labour market, it was recommended that the 2003 pension reform which gradually increases the retirement age for women to 62 (the same as for men), be complemented by indexing the retirement age to life expectancy and by making pension-benefit adjustments for earlier and later retirement actuarially fairer.

**Actions taken:** No action taken. The government does not plan to make any change until the current reform is complete in 2014.

#### **Reform housing markets**

**Challenge and recommendations:** To facilitate labour mobility and improve the functioning of housing markets, especially the establishment of an effective private rental market, it was recommended that regulation be reviewed, resolution of tenancy disputes be speeded up, competition in construction be strengthened, and housing subsidies be better targeted.

**Actions taken:** No action taken.

#### **Strengthen law enforcement**

**Challenge and recommendations:** To reduce the costs of doing business and increase the efficiency of government spending, it was recommended that law enforcement be strengthened by improving accountability of the justice system, and that greater use be made of transparent and open procedures for public procurement.

**Actions taken:** A new law makes the requirement to publish a public procurement contract notice more widely applicable.