SLOVAK REPUBLIC

Notwithstanding significant convergence of GDP per capita vis-à-vis *the OECD average in recent years, substantial productivity and labour utilisation gaps remain.*

Priorities supported by indicators

Reduce the tax wedge for low-income workers

High employer social insurance contributions raise labour costs, lowering employment prospects especially for low-skilled workers and young people.

Actions taken: Little action has been taken recently to reduce the tax wedge for low-income earners. A reform of the pension system effective since 2004/5 tightened the relation between pension contributions and pension benefits, reducing labour supply disincentives from pension contributions for middle- and high-income earners.

Recommendations: Introduce an in-work benefit for low-income households with children, financed by cutting industrial and agricultural subsidies, while ensuring that the minimum wage, notably for youth, remains sufficiently low that it does not hamper employment prospects.

Improve funding and effectiveness of the education system

Test-scores of 15-year-olds overall are below the OECD average and scores are strongly related to socio-economic background. Graduation rates from upper-secondary programmes are high but entry rates into university are below average. The unemployment incidence of vocational school leavers is high.

Actions taken: New state examinations for final-year secondary-school students have been introduced. Teachers' salaries and spending on university teaching personnel have been raised.

Recommendations: Raise the pre-primary school education coverage of children aged between three and five. Provide additional funds per pupil to schools with a high proportion of groups at risk of under-achievement. Postpone the age at which pupils are selected into different tracks. Make vocational training more relevant for the labour market. Introduce university study fees accompanied by student loans with income-contingent repayments.

Reduce the implicit tax on continued work at older ages

Participation rates among older workers are still low. The standard retirement age for men is 62 years and will reach 62 years for women in 2014. The implicit tax on continued work at older age in the pay-as-you go pension system is relatively high, creating incentives to retire early, notably for highly-skilled workers, who reach the minimum early retirement pension level more rapidly.

Actions taken: No change since the 2003 legislation introduced the funded pension pillar and set current retirement rules.

Recommendations: The retirement age should gradually be raised further in line with gains in life expectancy while making pension benefit adjustments for earlier and later retirement more actuarially neutral.

Other key priorities

- Reform housing markets to facilitate mobility, easing regulation of the private rental market, strengthening competition in construction and better targeting housing subsidies.
- Strengthen law enforcement. Improve accountability in the justice system by introducing performance measurement indicators and disseminating court statistics. Make greater use of transparent and open procedures for public procurement.

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