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Competitive Slovakia

THE TEN COMMANDMENTS FOR A COUNTRY OF TALENT

As a Member State of all relevant international institutions, Slovakia is undoubtedly a modern and successful country. Investors, entrepreneurs and value makers have long seen it not only as a cheap assembly shop or call center, but also as a country with higher added value. However, as representatives of a broad coalition of employers, we are convinced that our country is not making full use of its economic potential and is gambling dangerously with its most valuable asset - the talent of its people.

Dynamic technological and social changes already present challenges for our country in terms of high level of digitization, the necessary skills, and the automation of processes with broad impacts on communities. As a small, open economy, fully dependent on the global market, Slovakia is the country with the highest risk of losing or changing jobs in the OECD as a result of automation. Except for Luxembourg, we are also the country with the highest percentage of high school students leaving the home education system in Europe and we are a country with unnaturally significant regional differences.

We are therefore convinced that the Slovak education system and the labor market need acute resuscitation and a direct link to the needs of a modern society based on the use of talent, innovation and industry 4.0. The biggest social change since the 19th century industrial revolution is happening now: modified business models, new types of jobs, a revolutionary change in employment relationships and the accelerated need for new skills have a major impact on how people, businesses and the state will function. The lack of the required skills intensifies the global struggle for talent. Therefore, Slovakia urgently needs to put into practice concrete improvements in labor legislation and the education system based on an expert approach reaching beyond electoral cycles.



ELIMINATING THE DISCREPANCY BETWEEN THE CONTENT AND FORM OF EDUCATION AND THE ACTUAL NEEDS OF THE LABOR MARKET

A significant proportion of secondary school and university graduates within five years of graduation find their job outside their field of study.

REASON

Taking into account the wider societal needs, employability of graduates is the most credible feedback of the quality of the education process from the perspective of employers and the state. At university level, we see the importance of supporting shorter “professional” forms of university studies, which are common practice in most OECD countries where the average length of university studies does not exceed four years.

SOLUTION

Greater degree of flexibility in the Vocational Education Act so that the quality of secondary vocational school graduates is evaluated by professional organizations, or that the resulting graduates meet the standards of the relevant sector of the economy.



ATTRACTIVE EDUCATIONAL ENVIRONMENT FOR YOUNG PEOPLE AND AN ACTIVE ROLE OF THE TEACHER ADAPTED FOR THE 21ST CENTURY

According to OECD Education at Glance 2017, as well as the European Commission's Spring 2018 report, public spending on education in Slovakia has remained at a low level during the last decade, which resulted in continual delays in corrective action, lack of political will to make education a top priority, and demotivating levels of remuneration and social status of teachers.

REASON

Employers perceive the changed role of the teacher in the 21st century as the most important aspect of resuscitation of the Slovak education system - from pedagogical training, expertise, and soft skills to the willingness to commit to lifelong learning and to introduce innovative elements into the teaching process.

SOLUTION

Reducing the number of pedagogical faculties (or significantly reducing the funding of low-quality pedagogical faculties) **and redirecting the saved money to the three or four best ones.** We also recommend introducing more demanding entrance exams as well as including modern technologies and innovative teaching methods as a mandatory part of the preparation.



A COMPLEX AND FUNCTIONAL SYSTEM FOR LIFELONG LEARNING (LLL)

Lifelong learning focuses on the development of skills and knowledge from youth through the entire duration of working age, primarily regulated by the Lifelong Learning Act in Slovakia. It includes pre-school, school (formal) but also non-formal (further) education. In comparison with other EU countries, Slovakia lags behind in the participation of people in further education, where according to EC data only 3% of the working-age population takes part.

REASON

We see lifelong learning as an indispensable part of the solution to the challenge of ensuring decent jobs for more people and better responding to the needs of the economy regarding industry 4.0 skills. The emphasis of the new LLL system setup should be on its flexibility and the ability to respond to new challenges. We perceive employers as the second potential source of LLL funding, with the possibility to offset part of the costs against corporate taxable income.

SOLUTION

Increasing the motivation of people to actively participate in the LLL system through an appropriately set up system of multi-source financing. The basic pillar is a so-called personal account, or training fund, created by citizens for the needs of co-financing further education. Citizens create mandatory savings for their retraining or acquiring new skills. We propose a contribution to further education through a percentage of the levies on the citizen's tax assessment base, which serves as the basis for calculating the total levies, without increasing the employer's costs or public finances.



A BALANCED AND FLEXIBLE LABOR CODE FOR EMPLOYEES AND EMPLOYERS

The current wording of the Labor Code (LC) has been in force since 2001, but its philosophical setup is based on an unbalanced and inflexible relationship between employer and employee typical for the planned economy.

REASON

The current wording of the LC and related labor legislation does not reflect the dynamic changes in the 21st century society and does not adequately prepare Slovakia for the challenges of industry 4.0. In combination with tax and levy legislation, it acts as a demotivating element in the labor market for both employees and employers.

SOLUTION

A leaner and more efficient LC on the principle of a free and fair agreement between employee and employer. The modern philosophy of the LC should reflect the social dynamics of the 21st century and Slovakia's shift from an "assembly workshop" to a knowledge-based economy.



FLEXIBLE FORMS OF EMPLOYMENT AND FREEDOM IN THE EMPLOYEE - EMPLOYER RELATIONSHIP

The most common flexible forms of employment in the labor market are not sufficiently dealt with in the Labor Code, in many cases limiting their flexibility.

REASON

The changing nature of the economy and labor as such requires new forms of employment. Flexibility in labor relations not only leads to a more efficient use of the workforce, but first and foremost to improved quality of life of employees and maintaining jobs for the future.

SOLUTION

In cooperation with international institutions (EU, OECD, WEF, etc.), clearly define the various flexible forms of employment and, through changes in the Labor Code, increase the flexibility of the employer-employee relationship so that employees have more options to define their own relationship with the employer.



FAIR AND BALANCED COLLECTIVE LABOR RELATIONS

Currently, for the establishment and operation of a trade union at an employer, the trade union does not need to meet any criteria of representation. It is also not required that at least one employee of the given employer is a member of the trade union. The absence of fair rules regulating collective labor relations enables the emergence of so-called speculative unions.

REASON

The principle of trade union activity demanding the fulfilment of legal conditions in the form of demonstration of representativeness has already been incorporated into the Slovak legislation for some time. Employers do not deny the role of trade unions, but the employer-trade union relationship continues to be based on a philosophy typical of the planned economy and does not reflect the dynamic changes in 21st century society.

SOLUTION

Basing the rights of a trade union organization in relation to the employer on the fulfilment of legal conditions by demonstrating representativeness. We also propose to unify the rules for the establishment of trade unions with the rules applicable to other associations under Act No. 83/1990 Coll.

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MORE EFFICIENT AND FAIR TERMINATION OF EMPLOYMENT

The employer's sanction for invalid termination of employment is the obligation to provide the employee with wage compensation of up to 36 times of his/her average wage, and at the same time to re-employ the employee.

REASON

The proposed measure is intended to make the termination process more effective and to eliminate the double penalty for invalid terminations. At the same time, following the example of the V4 countries, a lower wage compensation ceiling should be introduced.

SOLUTION

We propose to remove the concurrence of the claim for wage compensation and the obligation to recruit the employee (so called offer obligation) in case of invalid termination of employment.

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MORE FLEXIBILITY IN FIXED-TERM EMPLOYMENT AND WORK AGREEMENTS OUTSIDE EMPLOYMENT RELATIONSHIPS

At present, it is possible to agree a fixed-term employment relationship for a maximum of two years and to extend it no more than twice within these two years. The current regulation of work activity agreements allows for an agreed activity of no more than 10 hours per week and, for work contracts, a maximum of 350 hours per calendar year.

REASON

A significant increase of flexibility on the part of employees and of the availability of workforce for the employers as well as the elimination of illegal employment and increased competitiveness within the V4 region.

SOLUTION

Increase the maximum duration of fixed-term employment (for a maximum of three years) with the possibility to extend or renegotiate up to three times within the three year period. We also propose that work arrangements should allow work of 20 hours per week and, in the case of work contracts, of 700 hours per calendar year.

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PREDICTABLE MINIMUM WAGE

The current legislation defines six categories of minimum wage according to the degree of work intensity. Raising the minimum wage is not linked to increasing work productivity but to political decisions.

REASON

The current system of tax and levy burdens is a disincentive to employees, as any increase in the minimum wage leads to an increase in state budget revenues at the expense of an increase in the net income of employees.

SOLUTION

Fixing only one minimum wage amount without additional degrees and 'multiplications'. We also suggest linking the growth of the minimum wage to the growth of work productivity and the unlinking of the extra pay for work over the weekend and night to the minimum wage.

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TURN BRAIN DRAIN INTO TALENT FLOW

According to the OECD report on Slovakia from 2017, up to 14% of Slovak students attend foreign schools and another approximately 13% of students go abroad after graduation. More than 3/4 of them never plan to return to Slovakia.

REASON

Keeping the most talented students is a key priority for the development of future workers and the growth of the competitiveness of the economy. Completing part of their studies abroad and gaining work experience is desirable from the perspective of the business environment in Slovakia, provided that talented people are motivated to return home.

SOLUTION

An effective system of career and educational counselling with the participation of the private, public, non-profit and academic sector. The platform of professional career and educational counsellors aims to inform secondary school students about career opportunities in their field of study and the possibilities of university education in Slovakia. For the return of talent from abroad, it should serve as an information bank of job opportunities in Slovakia.