

The past and future of the local business environment

by  **David Rubin,**
CEO,
Elite Language Center



Without question, there have been remarkable improvements in the local business environment in Slovakia over the past decade — a comparative reduction in bureaucracy, more accountability from government and business about the rule of law, a greater diversity of industries, and a markedly increased international business presence. However, a number of issues still hinder progress.

Major improvements in the local business environment

Over the past near-decade of working in Slovakia, I have witnessed phenomenal improvements in the local business environment. Notably, these include positive steps towards the reduction of bureaucracy, greater transparency in handling processes and tenders, more accountability from government and business about respecting the rule of law, more international involvement in the marketplace, and heightened diversification of industries throughout the country. But there are still a number of issues that prevent businesses — particularly smaller ones — from realizing their full potential.

Issues affecting the labor market

The number one problem for many businesses, smaller ones in particular, is finding qualified people. Since the labor code was amended in 2011, Slovakia's attractiveness to foreign skilled labor has been greatly reduced. Despite positive steps in certain respects, the labor rules in Slovakia still act as a major barrier to recruitment in certain business areas, such as education and language training. As a laborer in that market, I rejoice at my own worth, as the demand far outstrips supply. As a business owner, however, I am less thrilled. There is clear demand for my industry's services, yet the irony is that I am at times forced to turn away business when there is a shortage of qualified people.

Aside from the labor laws, foreign workers are expected to put up with what seems to be a deliberately burdensome process to live and work in Slovakia. For one thing, tax, health, and social insurance obligations for both employer and employee make a standard employment contract unattractive to a worker who does not plan on staying in the country for an extended time. Not to mention the administrative burden and personal frustration that many face when dealing with the Foreign Police department, despite recent improvements in terms of facilities and the new online appointment booking system.

At present, a better financial alternative to an employment contract is for workers to obtain a personal business license (živnosť) and work as a freelance contractor. However, it is not so simple to suggest that someone come to Slovakia and start their own business, with all the administrative, regulatory, and financial obstacles it entails. With little to no English spoken by the public sector, and the lack of clarity about where to find information about each step (not to mention anecdotal evidence about conflicting instructions from individual public servants), it comes as no surprise that neighboring markets are often seen as more lucrative and welcoming.

Changes and challenges expected in the years to come

A number of challenges lie ahead for the Slovak business environment in the next few months and years. For example, will there be another financial crisis? Depending on who is reading the tea leaves, we could soon be expecting a major slowdown. Despite rapid and impressive development, the Slovak economy is still one that I would describe as too many eggs in too few industry baskets. Until now, insufficient focus has been placed on encouraging economic diversification.

Political currents elsewhere in the EU and on the world stage will also have an impact on Slovakia. Will the Brits finally manage to achieve Brexit? Nobody can predict how this Greek tragedy will end. Will the US resume its normal trade relations with the EU? Recent threats of car tariffs

only underscore how vulnerable Slovakia remains to the whims of its trading partners and supply chains. Can Slovakia and the EU resolve the structural imbalances domestically and within the bloc? The city/country divide grows ever wider.

Infrastructure must be built to allow the lifeblood of commerce to flow to all extremities. Labor movements — especially with younger workers — towards the western urban areas must be reversed and special emphasis placed on supporting small enterprises in less prosperous regions.

”
Despite rapid and impressive development, the Slovak economy is still one that I would describe as too many eggs in too few industry baskets.”

Planning for the future

If recent history tells us anything, it's that Slovakia is an incredibly resilient country. The clear trend here is towards growth, rule of law, and increasing development. It has also been a beacon to the world in demonstrating that it is absolutely possible to transition from socialism to the free market and authoritarianism to democracy. These changes are slow and the progress sometimes fragile, but the forward momentum cannot be denied. Now it's up to business and government to work more closely together to tackle the very real issues hindering the Slovak labor market from realizing its full potential.

”
The number one problem for many businesses, smaller ones in particular, is finding qualified people. Since the labor code was amended in 2011, Slovakia's attractiveness to foreign skilled labor has been greatly reduced.”