



# COMPETITIVE SLOVAKIA

## THE TEN COMMANDMENTS FOR THE 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 talents of its people.

Dynamic technological and societal changes already present challenges for our country in terms of high level of digitization, the necessary skills, and the automation of processes with broad societal impacts. 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. With the exception of Luxembourg, we are also the country with the highest percentage of secondary 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 going beyond electoral cycles.



## TROUBLESHOOTING BETWEEN THE CONTENT / FORM OF EDUCATION AND ACTUAL NEEDS (NOT ONLY) THE LABOR MARKET

*A significant proportion of secondary school and university graduates within 5 years from graduation find their job outside their field of study. According to data from [trendyprace.sk](http://trendyprace.sk), while in 2018 43% of university graduates had optimal employment in the labor market, in the case of secondary school graduates it was only 27%.*

### 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 4 years.

### SOLUTION

**Greater degree of flexibility in the Vocational Education Act** in such a way that the quality of secondary vocational school graduates is evaluated by professional organizations, or that the output of education is a graduate meeting the standards of the relevant sector of the economy.



## EDUCATION SYSTEM AS ATTRACTIVE ENVIRONMENT FOR YOUNG PEOPLE

*According to OECD Education at Glance 2017, as well as the European Commission's Spring 2018 report, public spending on education in Slovakia remained at a low level in the last decade, with a direct impact on continual delays in corrective action, 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 SK education system - from his training, expertise, soft skills to his willingness to lifelong learning and to bring innovative elements to teaching. The teacher is the pillar of any education system and we therefore call for any action in the educational reform to reflect the needs of teachers.

### SOLUTION

**Reducing the number of pedagogical faculties** (or significantly reducing the funding of low-quality pedagogical faculties) **and redirecting the saved money to the 3-4 best ones.** Due to their reduced number, we recommend introducing more demanding job interviews and introducing the use of modern technologies and innovative teaching methods as a mandatory part of the preparation.



## A COMPLEX AND FUNCTIONAL SYSTEM FOR LIFELONG LEARNING (LLL)

*Lifelong learning is a long-term education focused 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 participates in further education.*

#### REASON

We see lifelong learning as an indispensable part of the solution to the problem, how to ensure decent jobs for more people and better respond to the needs of the economy in terms of the skills of the population within industry 4.0. The emphasis of re-setting the LLL system should be in its flexibility and ability to respond to new challenges. We also perceive employers as the second potential source of LLL funding. We consider it natural that part of the costs associated with financing the continuing education of their employees can be offset by employers against the corporate tax liability.

#### 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 the so-called personal account, or training fund, which is 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 assessment base, which is now the basis for calculating the total levies, without contributing to the levy on labor or public finances.



#### A BALANCED AND FLEXIBLE LABOR CODE FOR EMPLOYEES AND EMPLOYERS

*The current wording of the LC has been in force since 2001, but its philosophical set-up is based on an unbalanced and inflexible relationship between employer and employee typical for the planned economy.*

#### REASON

The current wording of the Labor Code and related labor legislation does not reflect the dynamic changes in 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

**Streamlining and reengineering the Labor Code on the principle of a free and fair agreement between employee and employer.** The modern philosophy of the Labor Code should reflect the social dynamics of the 21st century and Slovakia's shift from an “assembly workshop” to a knowledge-based economy, based on development and innovation.



#### FLEXIBLE FORMS OF EMPLOYMENT AND FREEDOM IN EMPLOYEE-EMPLOYMENT RELATIONSHIP

*The most common flexible forms of employment in the labor market include unequal work time scheduling, homework and telework, platform employment, condensed working week, flexible working time, or part-time work or job sharing. However, these forms of employment are not sufficiently treated in the Labor Code, or in many cases they precisely limit 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 improve the quality of life of employees and maintaining jobs for the future. Flexible forms of employment use eg. employees when retiring or upgrading their qualifications, or people with disabilities. In this sense, we also propose to provide for the possibility for parents (if they are interested) to work part-time or otherwise flexible during maternity / parental leave (eg. in the form of a home office).

#### SOLUTION

**In cooperation with international institutions (EU, OECD, WEF, etc.), clearly define the various flexible forms of employment and, through changes in the labor market, increase the flexibility of the employer-employee relationship so that employees have more opportunities to define their own relationship with the employer.** As an example of greater flexibility, we propose to delete the obligation to provide recreation allowances, and to give employers the option of providing them to their employees by mutual agreement, while maintaining its maximum amount, but without any deductions.



#### FAIR AND BALANCED COLLECTIVE LABOR RELATIONS

*For the establishment and operation of a trade union at an employer, the trade union does not need to meet any representativity criteria, nor does it require that at least one employee of the employer for which the trade union wishes to be a member of the trade union and / or trade union. The absence of fair rules regulating collective labor relations enables the emergence of so-called speculative branches.*

#### REASON

The principle of trade union activity connected with the fulfillment of legal conditions in the form of demonstration of representativeness has been incorporated into the legislation in the SR 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. The proposed amendment aims to prevent the emergence of so-called speculative trade unions, which today harm both employers and employees and deviate from the original intention of the establishment and operation of trade unions.

#### SOLUTION

**Establishment of trade union rights in relation to the employer to follow the fulfillment of legal conditions by demonstrating representativeness.** We also propose to unify the rules for the establishment and of trade unions with the rules applicable to other associations under Act No. 83/1990 Coll.



#### MORE EFFICIENT AND FAIR TERMINATED EMPLOYMENT

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

#### REASON

The proposed measure is intended to streamline the termination process and to eliminate the double penalty for invalidity of termination. 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.**



## MORE FLEXIBILITY IN CLOSING FOR A PERIOD OF DETERMINATION AND AGREEMENTS ON WORK PERFORMANCE OUTSIDE THE EMPLOYMENT

*At present, it is possible to agree a fixed-term employment relationship for a maximum of two years and to extend it for a maximum of twice within the 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

Significantly increase flexibility on the part of employees and availability of workforce for employers; the elimination of black work and increased competitiveness within the V4 region. In the Czech Republic it is possible to arrange repeatedly a fixed-term employment even for 9 years, in Germany it is 5 years. The standard in other European countries is 3 years (Poland, Romania).

## SOLUTION

**Change the maximum duration of employment (for a maximum of three years), whereby the employment of a specific period could be extended or renegotiated within three years at most three times.** 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.



## PREDICTABLE MINIMUM WAGE

*The current legislation defines 6 categories of minimum wage according to the degree of labor intensity. Raising the minimum wage is not linked to increasing labor productivity but to political decisions.*

## REASON

The current system of tax and levy burdens is 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

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



## 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

Maintaining the most talented students is a key priority for the development of future workers and the growth of the competitiveness of the economy. Taking part of the study 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. At the same time, we are aware that other conditions also play an important role in deciding on a possible return - in addition to family ties, it is also the functioning of public institutions or law enforcement.

#### SOLUTION

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