

COMPETITIVE SLOVAKIA

Strategic Priorities of the NUE



NATIONAL UNION OF EMPLOYERS IS A MEMBER OF:

Work Plan of the National Union of Employers for 2023

(With a 2024 outlook)

The Work Plan “Competitive Slovakia - Strategic Priorities of the NUE” is a fundamental document of the National Union of Employers (NUE). It is prepared in cooperation with the NUE member organisations and is updated annually to reflect the employers’ view on all key areas. It identifies all the necessary changes that need to be implemented in order for Slovakia to maintain or increase its competitiveness among the countries of the European Union (EU).

COMPETITIVE SLOVAKIA - STRATEGIC PRIORITIES OF THE NUE

Favourable business environment, transparent legislative process, legal stability, predictability, and enforceability of the law are indispensable prerequisites for ensuring prosperity, employment, and social development in any market economy. This is even more true in the current situation of deep economic and geopolitical crisis, intensified by the reverberations of the global pandemic, the war in Ukraine, high energy prices and shortages of critical raw materials and resources. However, in recent years the Slovak Republic has in many respects experienced stagnation and even a continuous deterioration of crucial indicators, which significantly threatens its competitiveness vis-à-vis other EU Member States and third countries.

Competitive, resilient and prosperous businesses are the engine of a sustainable economy and prosperous society. Slovakia therefore needs to re-create the conditions that enable businesses to operate efficiently, increase productivity, create jobs, and at the same time innovate, invest and prosper.

For this reason, the employers associated in the NUE urge the government, the individual political parties and the social partners to prioritise the following areas and promote these measures:



Promoting a competitive Slovakia and a competitive EU

1.

- a) Promote policies aimed at increasing the competitiveness of Slovakia and the EU by introducing structural reforms, reducing bureaucracy, administrative and regulatory burdens, and increasing entrepreneurial freedom for companies.
- b) At national and European level advocate for the establishment of a fair, stable and predictable regulatory framework for business

with equal and non-discriminatory conditions for all economic activities. This should help to ensure a level-playing field with foreign competition.

c) Introduce a uniform system for transposing of EU legislation to eliminate gold-plating and cherry-picking.

d) Refine the system of regular consultations on EU legislation with social partners to provide them with timely information on upcoming legislative proposals, to enable their participation in negotiations with EU partners when preparing Slovakia's positions and to receive feedback on the outcomes of the EU legislative process, including information about the positions and the voting of Slovak representatives.

e) Reduce and remove the negative impacts of domestic and European legislation on the global competitiveness of Slovak and European industry.

f) In response to new geopolitical risks and challenges - results of the global pandemic and the war in Ukraine - encourage the adoption of steps towards building a European sovereignty and reducing dependence on raw materials and key selected products (semiconductors, agricultural products). Moreover, promote a new model of economic growth and investment to increase the resilience and competitiveness of the European economic base.



Reforming the tax and levy system, eliminating "hidden taxation"

2.

a) Increase the efficiency of tax collection while reducing the tax and administrative burden on taxpayers. Encourage voluntary compliance with tax obligations and strengthen the partnership between taxpayers and tax administrations.

b) Abolish sector-specific taxes and levies.

c) Reform the health, social security and pension systems to make them more efficient and provide benefits to participants, while reducing levy rates, administrative burdens and other costs. Stabilise the second pillar provision (occupational pensions) by anchoring its protection in the Constitution of the Slovak Republic.

d) Significantly reduce the payroll tax paid by employers to avoid a disproportionate increase in the overall cost of labour.

- e) Introduce a flat value added tax (VAT) rate and reduce it to the maximum possible level.
- f) Champion responsible enterprises through incentives such as lower tax burdens (similar to the EU taxonomy), support for their own energy production, etc. Introduce active incentives and means to promote low-emission technologies.
- g) Facilitate a pro-active government support for the introduction of a Single VAT Registration Number (VRN) across the EU.



Introducing a standardized legislative process, reducing bureaucracy and improving law enforcement **3.**

- a) Further standardise the partnership and social dialogue on upcoming and pending legislative changes with impact on the business environment. Ensure an easy access to studies and impact analyses of laws and regulatory measures and strengthen the role of working groups and commissions in the process of law making.
- b) Increase the transparency and predictability of the legislative process (limit expedited legislative proceedings to justified cases only, reduce frequent and unclear amendments to legislation, strengthen the binding nature of the Legislative Rules of the Government of the Slovak Republic, submit supporting materials to the Government well in advance, introduce set dates for the entry into force of essential legislation - always 1 January and 1 July of the calendar year).
- c) Initiate changes in the submission of parliamentary legislative proposals towards greater transparency of the process and more legal certainty for the addressees of the law - make parliamentary proposals also subject to comments, including the compulsory impact assessment and mandatory inter-departmental comment procedure (“MPK”).
- d) Reform permitting and licensing procedures, and shorten the timeframes associated with them (especially in the areas of construction and land-use planning, where they slow down the growth of key infrastructure sectors).
- e) In line with the Regulatory Impact Assessment (RIA) implement the “one in - two out” principle when adopting new regulations (for every new regulation with an im-

pact on the business environment remove two older regulations). Reduce the overall regulation of the business environment by removing regulations that have lost their justification (ex-post deregulation).

f) Foster the application of e-government and ensure the functionality of one-stop shops to enable effective communication between businesses and public authorities.

g) Implement reforms in the judiciary, in particular increasing the efficiency and timeliness of law enforcement, achieving consistent decision-making practice, increasing personal accountability of judges, significantly reducing the length of court proceedings and fostering the specialisation of courts and judges in specific agendas.



Linking the education system to labour market needs

4.

a) Prepare and apply the Strategy for Talent Development in Slovakia, support the creation and operation of Talent Acquisition Centres in the countries of interest to the Slovak Republic in order to acquire talents and specialists for the Slovak labour market.

b) Introduce systematic and professional forecasting of labour market needs necessary for the adjustment of the output of secondary and tertiary education institutions; ensure an expert and continuous assessment of the employability of graduates, which would be linked to their financing.

c) Reform the system and content of study fields, including the addition of teaching digital and financial literacy, adjust the amount of the government's financial contribution per pupil for secondary schools, and optimise the network of secondary schools in line with the current labour market requirements.

d) Complete the building of a functional dual-education system in the context of current labour market requirements, support the development of centres of excellence in vocational education and training, build umbrella training centres for key industry sectors.

e) Improve the quality of teaching of mathematics, computer science and other natural sciences and gradually reintroduce the compulsory final exam in mathematics

and at least one other science subject in grammar schools and technical secondary vocational schools.

f) Align the structure of tertiary education with the standard of OECD countries, increase the attractiveness of Slovak universities in order to retain the best students in Slovakia; ensure the effective operation of the boards of public universities.

g) Build a functional system of lifelong learning, pool the resources of enterprises, employees and the state with European resources, strengthen career counselling and ensure the full operation of the Alliance of Sector Councils.

h) Ensure the involvement of experts from companies in teaching theory in secondary vocational schools. Modify the qualification requirements for the vocational school teaching staff so that practitioners and experts can teach too.



Introducing modern labour legislation and promoting job creation

5.

a) Abolish the minimum wage claims for the relevant salary grades in the Labour Code.

b) Establish a binding mechanism for the adjustment of the minimum wage in the absence of an agreement between the social partners, which should be 50 per cent of the average wage or 60 per cent of the median wage in the national economy.

c) Clarify and simplify the legislation on occupational safety and health (OSH) in line with the principles of modern OSH common in developed EU countries, in order to eliminate the administrative and financial burden on businesses without negative impacts on the health and safety of employees.

d) Remove barriers to cross-border labour mobility within the EU.

e) Facilitate and simplify the provision of sufficient skilled labour from third countries, harmonise legislation and significantly reduce repression (fines, licence revocation).

f) Align the Labour Code and related regulations with the needs of the digital economy and the labour contracts of the 21st century.

g) Reduce the interference of the state in the remuneration of workers (additional allowances).



Digitalisation and support for applied research, development and innovation

6.

- a) Help entrepreneurs and their employees to digitalise their businesses and operations. Support European Commission (EC) measures to improve infrastructure and broadband connectivity for all citizens and businesses, to remove regulatory burdens on network operators and overall redundant regulation - prioritise self-regulation.
- b) Continue increasing earmarked expenditure relative to operational (institutional) expenditure when financing research and development projects.
- c) Guarantee a minimum share of the GDP as the public expenditure for the support of applied science and research and for the development of research and for innovation infrastructure.
- d) Support applied research and innovation within the framework of the implementation of the RIS3 SK domains; develop instruments to intensify cooperation between universities, the public and private sectors, and remove legislative barriers in this area.
- e) Increase support for science, research and innovation through a super-deduction - from the current 100 per cent of expenditure (cost) spent on research and development to 200 percent.
- f) Develop a national policy for research, development and innovation that comprehensively covers the needs of this field over the next ten years (at least until 2030, or for 15 years). Within this policy, define strategic national programmes with guaranteed funds from the state budget.
- g) Set favourable conditions for the entry of venture capital into science, research and innovation, simplify regulation for investment funds. For example, create financial incentives for research and development under Act No 185/2009 Coll. on incentives for research and development; or create tax incentives for manufacturing companies that are investing in applied research, development, innovation and innovative companies, or that are purchasing intellectual property.
- h) Fully apply the Implementation Plan of the Research and Innovation Strategy for Smart Specialisation of Slovakia.
- i) Increase the number of projects based on partnerships between research institutions and industry; facilitate the conditions for knowledge and technology transfer from the research environment into practice.

j) Strengthen support for applied research and development from EU Structural Funds: creation of research and development consortia made of business, academia and public sector; reduce administrative burden; and expand indirect support of R&D to a level comparable with other EU countries.

k) Make every effort to ensure a comprehensive revision of the National Research, Development and Innovation Strategy of the Slovak Republic 2030 together with the representatives of employers' associations, taking into account their comments.

l) Require the allocation of funds from the Recovery and Resilience Plan of the Slovak Republic to applied research and development projects, to innovations aimed at improved competitiveness of the Slovak Republic's industry on European and global markets, as well as to the introduction of technological and product innovations.



Reforming the energy regulatory framework and ensuring competitive energy prices

7.

a) Promote reforms of gas and electricity market at the EU level to reduce energy prices, which are much higher in Slovakia than in third countries. Provide support for green energy production and availability while maintaining competitive prices.

b) Consistently apply state aid for enterprises within the Temporary Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia.

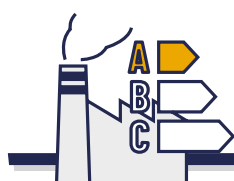
c) Allocate sufficient resources from the Environmental Fund to compensate eligible industrial operators for indirect costs under the state aid scheme for enterprises in sectors that are expected to be exposed to a real risk of carbon leakage due to high indirect costs.

d) Review the system of network charges and tariffs in the electricity sector with the aim of reducing them or dividing them into bands (according to the level of consumption), with help of, e.g. the Environmental Fund. Ensure a transparent and predictable legislative and regulatory framework that respects the rules of sound regulation and the legitimate interests of consumers and energy suppliers.

e) Ensure a regulatory framework that promotes the production of electricity, gas and heat from renewable energy resources; remove unnecessary barriers in obtaining permits for utilising of these sources; promote faster connection of sources to the grid and the production and consumption of biomethane and zero-emission and low-emission hydrogen in the heating, industry and transport sectors.

f) Prioritise the use of European funds and domestic funds for investments in infrastructure projects, modernisation of the energy sector, increasing energy efficiency and promoting investments in renewable energy.

g) Create conditions for appropriate interventions on the energy market in crisis situations in order to maintain market stability and resilience and to ensure continuity of energy supply for all consumers, including energy intensive industries.



Decarbonisation of industry, environment and waste management

8.

a) When adopting legislation related to environmental protection and climate change, take into account the needs of Slovak industry, promote and support measures that have the smallest „green surcharge“.

b) Promote the effective use of European funds and support mechanisms (the Recovery and Resilience Plan of the Slovak Republic, the Modernisation Fund and domestic resources - e.g. the Environmental Fund) and facilitate their use for investments in industry decarbonisation, in projects improving the condition of the environment, and other investments contributing to the fulfilment of Slovakia’s international commitments in the field of climate protection as well as European climate goals.

c) Promote long-term sustainability of investments in green technologies and introduce measures to support a functioning market for green products.

d) Reform the environmental impact assessment process to reduce the regulatory burden of both permitting and licensing procedures, accelerate these procedures and reform waste management legislation.



Avoiding mismanagement of public finances and eliminating corruption

9.

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- a) Significantly reduce the redistribution of public finances.
 - b) Undertake a comprehensive audit of public expenditure, reassess the effectiveness of state-provided services and the possibilities of using other, more efficient, alternatives. On the basis of the audit, implement measures to increase the efficiency of public administration, including the reduction of headcount due to digitalisation of public administration.
 - c) Introduce centralized public procurement.
 - d) Ensure that every public procurement process is publicly accessible and auditable throughout its course and that it is as fast and efficient as possible.
 - e) Make public sector managers personally and materially liable for overpriced procurement and for all violations of public procurement laws and regulations.
 - f) Reduce administrative and technical barriers to market entry, limit licensing and remove the possibility of authorising market entry by meeting restrictive conditions from industry associations.



Efficient and transparent use of EU funds

10.

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- a) Significantly improve the efficiency of the use of the European Structural and Investment Funds, the Recovery and Resilience Plan of the Slovak Republic, the Modernisation Fund, grants or contracts with European institutions.
 - b) Eliminate administrative burden in the use of EU funds and state aid and eliminate regulation beyond the mandatory EU rules. Ensure that state aid upholds a level playing field and does not distort the EU single market in the short or long term.

c) Apply the principle of equality in the provision of EU funds and state aid for small, medium-sized and large companies, taking into account the specific situation of certain sectors and their regional location.

d) Apply transparent evaluation criteria and select independent evaluators of applications for EU funds.

e) As part of the EU's response to the post-pandemic situation and the energy crisis, implement both short-term emergency measures and long-term reform measures to stabilise the economy and provide incentives for the most affected sectors and strategic value chains. Promote rapid and effective use of financial assistance to businesses and public ventures, and the necessary reforms to deliver the growth needed to recover from today's crisis, repay EU debt and improve the lives of future generations.



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