

# COMPETITIVE SLOVAKIA

Strategic Priorities of RÚZ



SLOVAK EMPLOYERS' FEDERATION IS A MEMBER OF:

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# Employers' Priorities and Recommendations

## THE ROAD TO COMPETITIVENESS

The Slovak Employers' Federation (hereinafter referred to as RUZ) is Slovakia's most important employers' organization, representing the interests of Slovak employers since 2004 across all sectors of the economy.

The document Competitive Slovakia was created in close cooperation with our member organizations and presents the view of employers on key challenges and necessary reforms that Slovakia needs to strengthen its competitiveness within and outside the European Union. The document proposes a set of specific measures that will contribute to the development of the country. RUZ will actively promote their implementation in the interest of a modern, stable and predictable business environment.

# COMPETITIVE SLOVAKIA - STRATEGIC PRIORITIES OF RUZ

Both Slovakia and the European Union (hereinafter referred to as the EU) have recently lost their edge in global competition. Several parts of the world have beaten Europe in both innovation and in efficiency of economic activities.

Although more than 35 years have passed since the Velvet Revolution, former (Czechoslovak) president Havel's statement that "our country is not thriving" is very relevant again. Unfortunately, this is true both of Slovakia and of the EU as a whole.

This situation cannot be reversed by turning a blind eye to reality, which is the approach of the current EU political representation. The very first paragraph of the EU Competitiveness Compass already significantly distorts reality. Truly excellent talents are looking for employment outside Europe, in the USA or in Asia. Experienced workforce is reaching retirement age and in many areas of industry and agriculture, there is no one to replace them, as the education system has failed to adequately respond to the needs of the labour market for decades. Private capital finds better and more stable appreciation outside Europe. The Single Market contains so many barriers and exceptions that in many sectors, they are more damaging for trade than the global trade wars that have just begun. Since the COVID-19 pandemic, there is neither stable and predictable legal environment, nor basic respect for the rule of law.

The only way to reverse this dismal state of affairs is to call a spade a spade. Truth and rational behaviour, cleansed of ideological deposits, which has been the basis of European civilization since the Enlightenment, must once again become the imperative. Orwellian newspeak (such as the "replacement" of the Green Deal with the Clean Industrial Deal) is not a solution to the problems - moreover, it is downright harmful, as it distracts from the problems and their solutions. The search for truth and rational, scientifically based solutions cannot give way to the so-called "higher principles" often defined by various interest groups.

As employers and entrepreneurs, we are convinced that the way out of this dismal situation is to return to the roots of the market economy. It is only in this way that innovations meeting the real needs of consumers can gain ground. Only in this way is it possible to achieve a situation where we will not accumulate debt, either at the level of EU Member States or the EU itself, and excuse it with "noble" goals. An efficient allocation of all scarce resources can only be achieved this way.

Adopting more regulation, at the European or the national level, is definitely not the solution. On the contrary, we must return to the principles of subsidiarity and proportionality, which are the fundamental pillars of European law. Our government must be ready to loudly and emphatically reject all efforts aimed at circumventing or bending these principles. Competition has led the European civilization to its most glorious moments. Its weakening has always led to stagnation and decline. The same also applies to competition between the legal systems of individual European countries.

When interpreting and enforcing the priorities of the Slovak Employers' Federation, mentioned further in this document, we will primarily focus on increasing the competitiveness of the Slovak economy, while protecting basic rights and freedoms, including the right to do business and to strive for happiness through one's own efforts.



## 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)** Build a genuine Single Market through more effective enforcement of existing single market legislation, as well as by removing administrative and trade barriers.
- c)** Advocate a fair, stable and predictable regulatory framework for business at national and European levels, with comparable and non-discriminatory conditions for all economic activities and all business entities and groups. This should ensure a level-playing field for everyone.
- d)** Introduce a uniform system for transposing EU legislation to eliminate gold-plating and cherry-picking.
- e)** 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.

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

**g)** 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 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 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 lowest 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.



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## Introducing a standardized legislative process, reducing bureaucracy and improving law enforcement

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# 3.

- a)** Further standardise the partnership and social dialogue on upcoming and pending legislative changes with impact on the business environment. Ensure easy access to studies and impact analyses of laws and regulatory measures and strengthen the role of working groups and commissions in law-making process.
- b)** Increase the transparency and predictability of the legislative process: limit expedited legislative proceedings to justified cases only, limit frequent and opaque amendments to legislation, strengthen the binding nature of the Legislative Rules of the Government of the Slovak Republic, publish dossiers for approval by the government well in advance, comply with the rule that legislation affecting the business environment must take effect on January 1 and July 1 of each calendar year, and conduct dispute resolution proceedings also regarding bills proposed by members of parliament or by committees).
- 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)** 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 impact 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).
- e)** Foster the implementation of e-government and ensure the functionality of one-stop shops in order to enable effective communication between businesses and public authorities. Significantly support the digitalisation of all sectors of economic activity, with a focus on adequate cyber security and data security.
- f)** 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.
- g)** Ensure expert discussion with all relevant entities and a standard legislative process when proposing and approving legislative changes.



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## Linking the education system to labour market needs

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# 4.

- a)** Develop the curriculum area “Me and the World of Work”, built around three core components: Technology, Entrepreneurship and Initiative, and Career Education, at the primary school level, while strengthening career guidance and counselling across secondary and tertiary education. The aim is to increase young people’s awareness of future career opportunities and improve the alignment of the education system with current and future labour market needs.
- b)** Introduce a systematic and professional labour market forecasting system to optimise the financial and personal planning of secondary schools. Revise the overall structure and modernise the content of study and training programmes. Adjust the per-student funding formula for secondary schools and optimise the school network in line with current labour market needs.
- c)** Ensure the effective operation of the dual vocational education and training system in line with current labour market needs, establish and further develop the operating framework for “Centres of Excellence in Vocational Education and Training”, and support the development of inter-company vocational training centres for key sectors.
- d)** Improve the quality of teaching in mathematics, physics, computer science and other STEM disciplines, and systematically prepare schools, teachers and students for the successful implementation of a compulsory school-leaving examination in mathematics.
- e)** Ensure the involvement of industry experts in teaching theoretical subjects at secondary vocational schools. Amend the qualification requirements for vocational school teaching staff to allow practitioners and experts to teach as well.
- f)** Align the system of tertiary education with the standards of OECD countries. Increase the attractiveness of Slovak higher education institutions in order to reduce the number of students leaving Slovakia and to prevent brain drain. Ensure the effective functioning of the governing boards of public universities.
- g)** Develop, implement, and monitor the fulfilment of societal demand for the public higher education system, and ensure professional and continuous evaluation of graduate employability, with the outcomes influencing the funding of higher education institutions.
- h)** Support the development of an effective lifelong learning system; support the implementation of the Adult Education Act; coordinate the flow of EU financial resources to the private sector and employees; enhance access to career guidance; and promote the activities of the Alliance of Sector Councils.

i) Create and implement the Strategy for Talent Development in Slovakia; support the establishment and operation of Talent Acquisition Centres in countries of strategic interest to the Slovak Republic to attract future talents and specialists needed by the Slovak labour market.



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## Introducing modern labour legislation and promoting job creation

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5.

a) Abolish the rates of minimum wage entitlement for the relevant degree of work difficulty in the Labour Code.

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

h) Remove from the Act on Collective Bargaining the provision on the binding nature of a higher-level representative collective agreement for other employers and their employees in the respective sector.

i) Implement measures to limit the abuse of provisions of labour legislation (sick leave, caring for a family member, doctor's visit, etc.)



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## Digital transition and support for applied research, development and innovation

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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)** When adopting European legislation related to the development of the Digital Single Market, promote harmonization and uniform implementation rules in order to avoid legal uncertainty and the possibility of differing interpretations in various EU Member States. Ensure that, when transposing the AI Act and other digital legislation (GDPR, DSA, DMA), only the minimum European requirements are applied without adding domestic red tape, and that companies can experiment with deploying and using artificial intelligence without fear of crippling fines.
- c)** Advance the digital transition of public administration to its completion, leveraging automation and digitization to deliver tangible process improvements and achieve real savings. This should include workforce optimization measures that help free up labour capacity for the private sector. At the same time, limit the creation of state-owned IT companies or agencies that would compete with private IT providers, and avoid the development of government-owned artificial intelligence solutions.
- d)** Ensure that government agencies interconnect their databases so that data from citizens and businesses is requested only once. Establish a Central Public Administration Portal that delivers a user experience comparable to commercial digital services, built on a fully integrated government IT ecosystem.
- e)** Continue increasing earmarked expenditure relative to operational (institutional) expenditure when financing research, development and innovation projects.
- f)** Guarantee a minimum share of the GDP as public expenditure for the support of applied science and research and for the development of research and for innovation infrastructure.
- g)** Fully apply the Implementation Plan of the Research and Innovation Strategy for Smart Specialisation of Slovakia for 2021-2027 (RIS3 SK 2021+).

- h)** Support applied research and innovation within the framework of the implementation of the RIS3 SK 2021+ domains; develop instruments to intensify cooperation between universities, the Slovak Academy of Sciences (SAV), public and private sectors, and remove legislative barriers in this area.
- i)** Increase support for science, research and innovation through a super-deduction - from the current 100 percent of expenditure (cost) spent on research and development to 200 percent.
- j)** 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 2035, or for 15 years). Within this policy, define strategic national programmes with guaranteed funds from the state budget.
- k)** 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.
- l)** Increase the support for, and the number of projects based on partnerships between research institutions and industry with a focus on developing an innovation ecosystem and breakthrough research and development, as well as supporting and streamlining the conditions for knowledge and technology transfer from the research community to industry and economic practice.
- m)** Strengthen support for applied research and development from European Structural and Investment Funds: creation of research and development consortia consisting of business, academia and the public sector; reduce administrative burden; and expand indirect support of R&D to a level comparable with other EU countries.
- n)** Make every effort to ensure a comprehensive revision of the National Research, Development and Innovation Strategy of the Slovak Republic 2035 together with the representatives of employers' associations, taking into account their comments.
- o)** Require the allocation of European funds, including within the next financial cycle, for applied research and development projects, and for the implementation of innovations aimed at increasing the competitiveness of the Slovak industry on both European and global markets, as well as for the introduction of technological and product innovations.

**p)** Allocate the European Structural and Investment Funds for a complete digitalization of public services for employers and employees, especially focusing on health and social services and setting up a unified data collection, analysis and evaluation.

**q)** Significantly reduce bureaucracy in the health and social sectors and eliminate unnecessary administrative requirements.

**r)** Within the reform of the support system for research, development and innovation and the preparation of the new Act on Science, Research, Development and Innovation, promote modifications that will fundamentally contribute to increased competitiveness of Slovak industry: significantly support applied research and development; support innovation; build the technical infrastructure for research and development in the business sector; make the technical infrastructure of science and research at universities and institutes of the Slovak Academy of Sciences accessible for businesses.

**s)** Support, primarily from the state budget and other public sources, applied research, development, and innovation projects in industrial sectors and other areas of the economy, carried out primarily by private-sector industrial enterprises in collaboration with universities and research institutes of the Slovak Academy of Sciences in the cross-cutting priority areas of robotization and the use of artificial intelligence.

**t)** Significantly support, through the state budget and other public funds, corporate research focused on priority areas and strategic initiatives within the framework of RIS3 SK 2021+.

**u)** Support, through the state budget and other public funds, the systematic development and renewal of research and technology infrastructure and ensure its sustainability not only in the academic sector, but especially in the business sector of research, development, and innovation.

**v)** Systematically support the involvement of private-sector research and development entities in the research infrastructures of the European Strategy Forum on Research Infrastructures and other international research infrastructures.

**w)** As part of support for research and development projects funded from the state budget through the Agency for the Support of Research and Development:

- increase support for applied research and development focused on tangible outcomes for industry and economic practice;
- support thematic calls for proposals in accordance with the priorities of RIS3 SK 2021+ and EU priorities;
- support calls for proposals to support young scientific and research staff in the business sector through the implementation of applied research and development projects.

- x) Adopt incentive measures to encourage greater participation by research institutions affiliated with business entities in the Horizon Europe program and its successor programmes.
- y) As part of efforts to support innovation in the business sector, ensure the revitalization of the Innovation Fund, with a focus primarily on technological and product innovation in line with the priorities of RIS3 SK 2021+.
- z) Promote international cooperation and active participation in European projects.



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## Reforming the energy regulatory framework and ensuring competitive energy prices

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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. Ensure the promotion of sustainable energy production and its availability while maintaining competitive prices. As part of the electricity market design, examine how to more effectively pass on the cost benefits of electricity from renewable and low-carbon sources to consumers – including energy-intensive sectors and households – by improving the functioning and application of existing market rules, with such measures being supported by thorough impact assessments.
- b) Increase available resources to compensate eligible industrial installations for indirect costs under the state aid scheme for enterprises in sectors exposed to a risk of carbon leakage due to high indirect emission costs.
- c) Prepare and notify a state aid scheme for energy-intensive sectors based on the Clean Industrial State Aid Framework (CISAF), concerning temporary relief on wholesale electricity prices, and secure funding for this mechanism.
- d) Amend the system of transmission and distribution charges in order to provide new services in the energy sector, such as flexibility. Introduce a single-tariff system for transmission and distribution charges.
- e) Preserve the diversification of network charges and tariffs in the electricity sector according to the consumption and the use of connection capacity by customers (so-called banding for system charges such as TPS and TSS), including an exemption from charges

for self-generation and self-consumption within a single industrial site under the system tariffs, in order to maintain competitiveness of energy-intensive industries in the EU Single Market and also stay competitive against third countries.

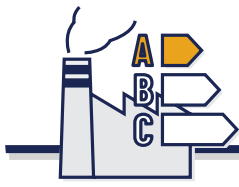
**f)** Ensure a transparent and predictable legislative and regulatory framework that respects the rules of sound regulation and the legitimate interests of consumers and energy suppliers. Create conditions for appropriate interventions on the energy market in crisis situations in order to maintain market stability and resilience and to ensure continuity of energy supply for all consumers, including energy intensive industries.

**g)** Ensure a regulatory framework that promotes the production of electricity, gas and heat from renewable energy sources; 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.

**h)** Support the production of electricity and heat from nuclear energy as a source without direct CO<sub>2</sub> emissions in order to achieve the decarbonization goals of the Slovak Republic, including support for the construction of small modular reactors (SMRs).

**i)** Prioritise the use of European funds and domestic funds for investments in infrastructure projects, modernisation of the energy sector, increasing energy efficiency, as well as promoting investments in renewable energy sources and low-carbon sources, including nuclear energy. Promote new energy sources, including measures to enhance flexibility, with the aim of ensuring the long-term and reliable operation of the Slovak power grid. At the same time, support the development and integration of energy storage facilities that increase grid flexibility, stabilize supply from renewable energy sources, and contribute to energy security.

**j)** Request financial support from European and national funds to optimize the energy intensity of the operation of health care facilities and social service facilities that were not eligible for financial support for these activities.



## 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 premium”.
- b) Advocate for reform of the European Union Emissions Trading System (EU ETS) and the Carbon Border Adjustment Mechanism in order to protect the competitiveness of domestic industry (in line with the RUZ Priorities for a Competitive EU).
- c) Promote the effective use of European funds and support mechanisms (the Modernisation Fund and domestic resources - e.g. the Environmental Fund) and facilitate their use for investments in industry decarbonisation, in projects improving 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. Pay particular attention to promoting energy storage technologies that enable more efficient use of renewable energy sources, reduce emissions, and optimize the energy intensity of production.
- d) Promote long-term sustainability of investments in green technologies and introduce measures to support a functioning market for green and European products.
- e) 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.
- f) Increase the resilience and strategic autonomy of the EU and its Member States by ensuring a stable supply of both critical and strategic raw materials. Pursue an assertive trade policy to diversify sources and develop domestic capacities for the exploration, extraction, processing and recycling of raw materials.
- g) Promote material- and technology-neutral conditions for the circular economy that will support high-quality recycling and efficient use of resources, improve the functioning of the secondary raw materials market, and increase the availability and quality of such materials.



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## Avoiding mismanagement of public finances and eliminating corruption

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9.

- a) Significantly reduce the rate of redistribution of funds by the public sector.
- 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 the authority of industry associations in licensing and authorising market entry through restrictive conditions.



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## Efficient and transparent use of EU funds

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10.

- a) Significantly improve the efficiency of the use of the European Structural and Investment Funds, 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 regions.

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

**e)** In the event of serious geopolitical events, identify and 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 the current crisis, repay EU debt and improve the lives of future generations.

**f)** Adhere to the schedule for calls for proposals. Eliminate delays and cancellations of calls for proposals over long periods (months and years).





2026

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