

LABOUR MARKET



S A R I O

Slovak Investment
and Trade Development Agency

1 Legal framework

Employer/employee relations are governed by the Labour Code, which regulates such matters as establishment of employment, dismissal, working hours, annual vacation, salary conditions, working conditions, protection of expectant mothers, protection of adolescent employees, work safety and health regulations.

Establishment of employment

The following types of employment contracts are possible according to the Labour Code:

- Employment for a definite term (for up to three consecutive years)
- Employment for an indefinite term
- Employment for reduced working hours

Additional extra-employment agreements are possible:

- Off-employment agreements
- Specific task agreement

If the contract is for a definite term, this cannot exceed three years. Otherwise, the contract is deemed to be of indefinite duration and can only be terminated on notice following the occurrence of a limited range of termination events.

Trial period

The trial period agreed in the employment agreement must not be longer than three months. During this period either party can cancel the contract at any time and without having to state the reason.

Termination of employment

The Labour Code stipulates a notice period of two months for terminating employment by written notice given by the employer or by the employee. A three-month notice period is required if the employee has been working for the employer for more than five years. The employee does not have to state the reasons for leaving, but the employer can only terminate an employee's contract in compliance with conditions set out in the Labour Code. The notice period starts from the first day of the following month following delivery of notice.

When notice is given by the company to the employee, one of the following reasons must be stated:

- The company (or a part of the company) is being disbanded or transferred.
- The employee is made redundant by a written resolution of the employer based on the organizational changes.
- The employee is not able to work for long-term health reasons.
- The employee does not meet the preconditions for the job (e.g. there is unsatisfactory performance of the employee).
- Other serious reasons, e.g. substantial company restructuring.

If both parties agree, employment can be terminated at any time. If employment is terminated as a result of organizational changes or cutbacks, the employee is protected by at least a two-month termination period (or at least a three-month termination period if he/she has been working for the employer for more than five years).

Furthermore, the company can terminate an employment contract immediately if:

- The employee is convicted of an intentional criminal act
- The employee seriously breaches work discipline

Redundancy and severance payments

The Labour Code provides for a severance payment of at least two months average earnings and three months earnings for employees with more than 5 years of service with the employer.

If the employee agrees with the two-month notice period (three-month notice period for employees with more than 5 years of service with the employer), the employer is still obliged to pay the severance payment and the employee's regular salary.

Working hours

The weekly working time is 40 hours, excluding breaks (min. 30 minutes), which are not paid. One 30-minute break has to be provided if the employee's working time is longer than 6 hours. Additional breaks may be arranged between the employer and the employee or the employer and a trade union.

Shifts: Employees who work alternatively on two shifts can work a maximum of 38 and $\frac{3}{4}$ hours per week. Employees who alternatively work on three shifts or on a continuous basis can work a maximum of 37 and $\frac{1}{2}$ hours each week.

Overtime work

Overtime work shall not exceed on average 8 hours per week during not more than four consecutive months, unless the employer agrees to a longer period with the representatives of the employees; however, this period shall not be longer than 12 consecutive months. The maximum amount of overtime work that an employer may request from an employee in any calendar year shall be 150 hours.

The employer can agree with the employees, if there are serious reasons, on overtime work in excess of the limit set above, to the extent of not more than 250 hours per employee.

Bonuses for overtime work

The employee is entitled to his normal wage plus a special bonus equal to at least 25% of his average salary for overtime hours worked (working on Saturday is also considered as overtime work). If the employer and the employee agree to leave as a consideration for the overtime work, the employee shall be entitled to one hour of leave for one hour of overtime work; with no entitlement to any special bonus.

In a collective agreement, an employer may agree on a set of employees with whom it is possible to agree that potential overtime will be included in their pay, up to a maximum total of 150 hours per year. If the collective agreement does not define such a set of employees pursuant to the first sentence, the employer may agree with managers and with employees responsible for planning, systems, creative, methodological or commercial activities, employees who direct, organise or coordinate complex processes or an extensive set of highly complex equipment, that their pay will include overtime, though not more than 150 hours per year.

Wage for night work

The term "night work" means work performed between 10.00 p.m. and 6.00 a.m. With regard to night work, the employee shall be entitled to a special bonus for each hour of the night work of at least 20% of the minimum wage claim stipulated in § 120 of the Labour Code.

Wage for work during bank holidays

As a consideration for work performed during bank holidays (15 days in the year), the employee shall be entitled to his normal wage, plus a special bonus of at least 50% of his average earnings (Sundays are also considered bank holidays in this respect). If the employer and the employee agree on leave as a consideration for work performed during bank holidays, the employee shall be entitled to one hour of leave for one hour of work during bank holidays; with no entitlement to any special bonus.

Bank holidays in Slovakia

1 January	New Year's Day
6 January	Epiphany
March/April, exact date varies	Good Friday
March/April, exact date varies	Easter Monday
1 May	Labour Day
8 May	Victory over Fascism
5 July	St. Cyril and St. Method
29 August	Slovak National Uprising
1 September	Constitution Day
15 September	Our Lady of Sorrows
1 November	All Saints' Day
17 November	Velvet Revolution Day
24 December	Christmas Eve
25 December	Christmas Day
26 December	St. Stephen's (Boxing) Day

Vacation and time off

In addition to public holidays, employees are entitled to at least 20 days of paid vacation. If an employee has at least 15 years of working experience, this period increases to at least 25 days.

Pension age

The pension age for both men and women is 62 years of age in general. Pensioners can still work if they wish to.

Comparison among V4 countries

The following table compares various aspects of the Slovak labour market with the neighbouring countries. All these countries belong into the European Union and therefore the law is similar. The maximum probation period is 3 months for all.

	Minimum wage (€)	Minimum age of employees	Maximum overtime ordered by employer	Maximum overtime agreed with employee	Statutory holiday (days/year)
Slovakia	307.70	15	8 hours/week, 150 hours/year	400 hours/year	20 (25 after 15 years of employment)
Hungary	272.80 (73 500 HUF)	16	8 hours/week, 200 hours/year	300 hours/year	20 (max. 30 at age of 45+)
Poland	323.59 (1,317 zloty)	18	8 hours/week, 150 hours/year	Collective labor agreement or employment contract	20 (26 after 10 years of employment)
Czech Republic	309.95 (8,000 CZK)	15	8 hours/week, 150 hours/year	416 hours/year	20 (25 after 15 years of employment)

Source: SARIO, 2010, Used average exchange rates for January 2010

2 Employing foreigners

Before arriving in the territory of the Slovak Republic, a foreigner who is from a non-EU member state has to apply in writing to the appropriate Office of Labour, Social Affairs, and Family for a work permit, either by himself/herself or through the future employer or through the legal person or natural person to whom he/she should be posted to perform work. A foreigner from an EU member state does not need a work permit. The appropriate Office of Labour, Social Affairs, and Family issuing the work permit is the office of territorial competence at the work location of the foreigner.

The application for issuing a work permit has to be accompanied by the employer's promissory statement to employ the foreigner.

The appropriate Office of Labour, Social Affairs, and Family may grant the foreigner a work permit, providing that the vacancy could not be filled by a job seeker in the register of job seekers. In issuing the work permit the Office shall consider the labour market situation. *There is no legal claim to the issuance of a work permit.*

A work permit is also required for a foreigner

a) employed by an employer whose domicile or site of organisational unit with labour law personality is outside of the territory of the Slovak Republic and posted by that employer to perform work in the territory of the Slovak Republic, based on a contract concluded with a legal person or with a natural person;

b) who is going to be employed in a border area of the Slovak Republic, who would return at least once a week to the state of his/her permanent residence neighbouring the Slovak Republic; a border area of the Slovak Republic is defined as the territory of a district neighbouring the state borders.

Issuance of a work permit is not required for a foreigner who is a partner of a business company, or the authorized body of a business company, or a member of the authorized body of a business company performing an activity on behalf of the business company in the territory of the Slovak Republic, or who was assigned to perform activities in the territory of the Slovak Republic within the framework of services of an employer whose domicile is in another EU member state.

Validity of the work permit shall expire upon lapse of the period of issuance, upon termination of the employment before lapse of the period of validity of the work permit, upon lapse of validity of the residence permit issued to the foreigner, or upon expiry of the residence permit for other reasons, etc.

The appropriate Office of Labour, Social Affairs, and Family issues the work permit with a **two-year validity** at most; with six-month validity in any one calendar year at most in the case of seasonal work, in which case a period of at least six months shall separate two individual employments in the territory of the Slovak Republic.

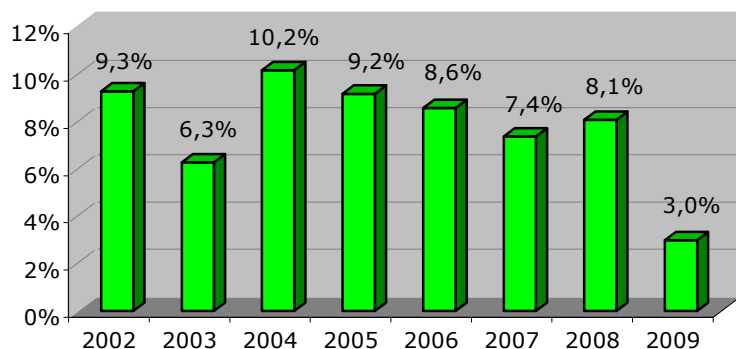
The employer is obliged to inform the Office in writing about the commencement and termination of the employment of an EU citizen and his/her family members and about the commencement and termination of the employment of the foreigner who is not required to submit a work permit within seven working days of the commencement and termination of employment. The employer is obliged to inform the Office in writing within seven days, of the fact that the foreigner who had been granted a work permit either did not commence the employment or his/her employment finished before the expiration of the employment period specified in the work permit. Furthermore, the employer is obliged to inform the police about the termination of the employment of the foreigner from a third country (other than EEA member state).

Valid from January 1, 2010, certain categories of foreigners do not have to possess a temporary residence permit for the purpose of employment for up to 90 days from the day of entering to Slovakia. Consequently, they will be allowed to begin their employment immediately after entering Slovakia if they hold the pertinent work permit. This measure is for employees sent by their employers to Slovakia for a short-term period, or employees of strategic investors.

3 Wages

The average monthly salary is still low compared to those paid in Western Europe and slightly lower than in Poland, Hungary and Czech Republic. In 2009, the average gross wage was € 744.50 per month, excl. obligatory social security contributions. The minimum monthly wage in 2010 is € 307.70.

The wage growth since 2002 has been following:



Source: The Statistical Office of the Slovak Republic, www.statistics.sk, 2010, Sario calculations, www.sario.sk, 2010

Social security contributions in Slovakia cover all the contributions in which there are no extra or hidden costs for the employer. The employer has to pay the social security costs for his employee of 35.2% on top of his salary. The employee pays for himself the social security costs of 13.4%.

The contributions in Slovakia are upwardly limited. Everything earned above this figure is not subject to social security payments.

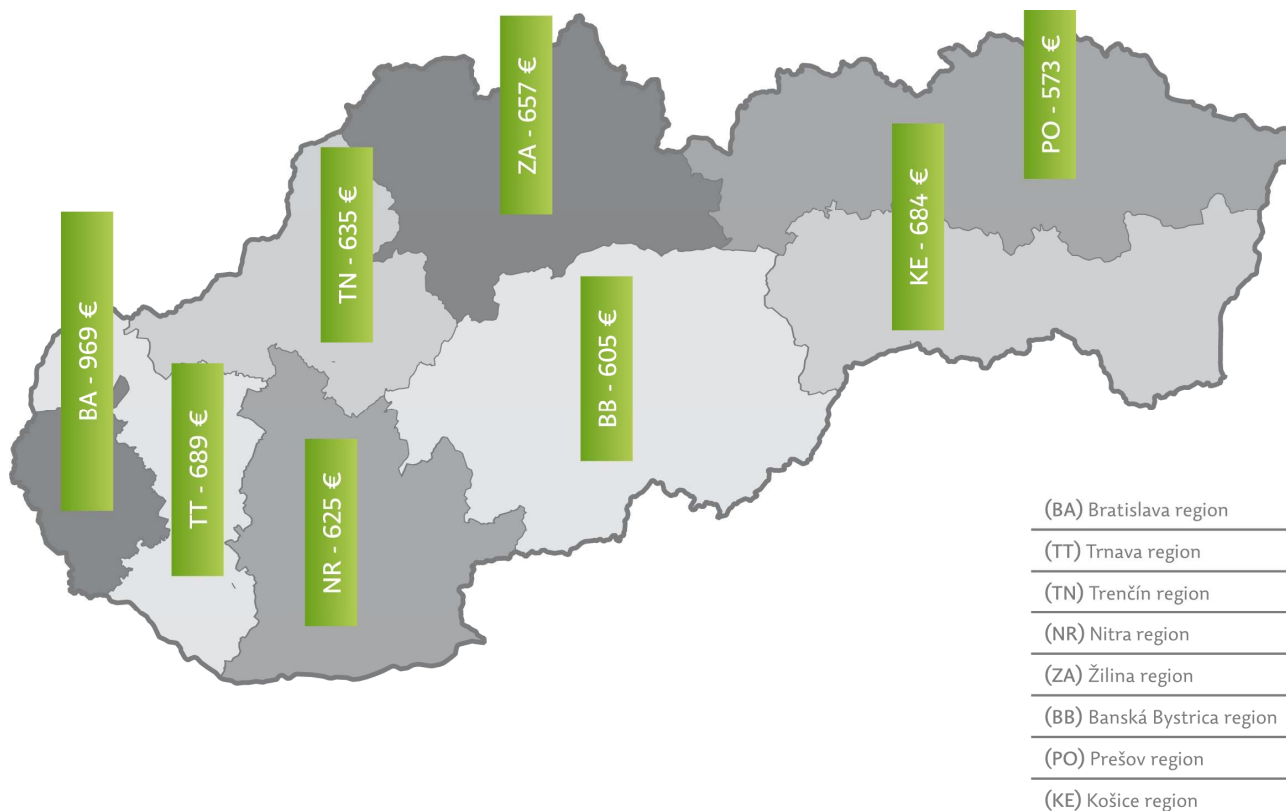
Average monthly wage and labour costs in EUR in 2009

	Slovakia	Czech Republic	Poland	Hungary
Average monthly wage	744.50	900	856	782
Social Security paid by employer	35.2%	26%	14.93%–18.16%	29%
Monthly total labour costs	1,007	1,134	983 – 1,011	1,009

Source: National Statistical offices of Czech Republic, Hungary, Poland, Slovakia, 2010

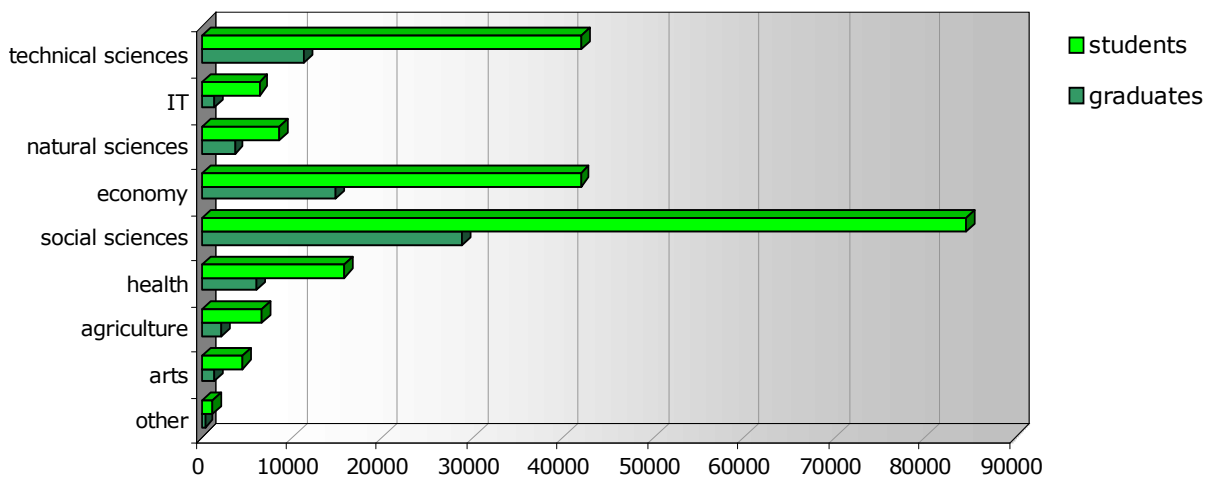
Regional and sector differences

There are significant regional and sector differences in the level of wages within Slovakia. The latest regional data are from 2009. The highest average monthly salary was in Bratislava region, the lowest in Prešov region.



Source: Statistical Office of the Slovak Republic, www.statistics.sk, 2010, data are from 2009

In 2009 the highest salaries were in information and communication, financial and insurance services and electricity and gas supply. The lowest salaries were in hotels and restaurants, building industry and agriculture.



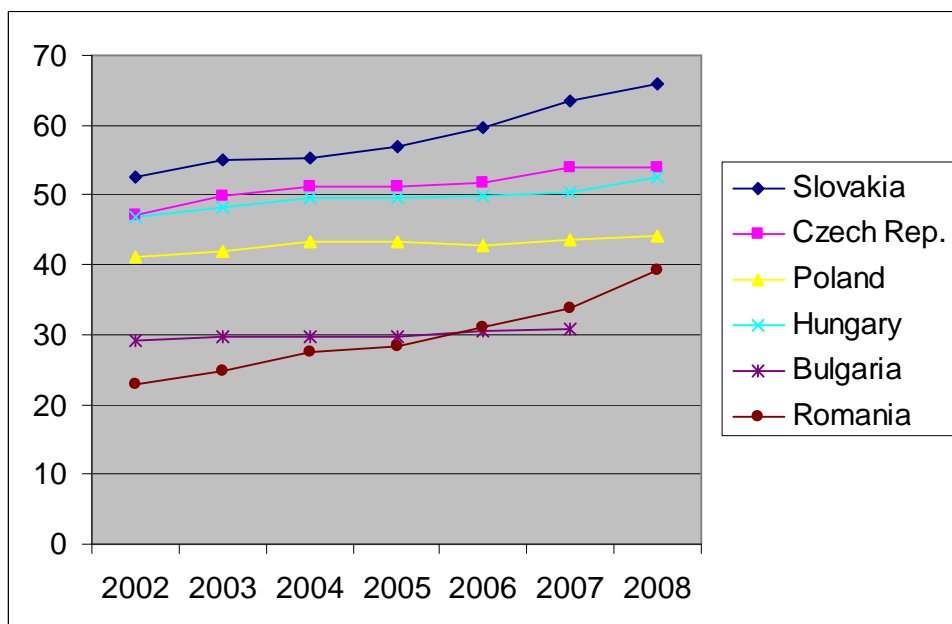
Source: Statistical Office of the Slovak Republic, www.statistics.sk, 2010

4 Labour productivity

Labour productivity is presented per hour worked. It is expressed as GDP per hour worked. It is intended to give a picture of the productivity of national economies expressed in relation to the European Union (EU-15) average. Basic figures are expressed in Purchasing Power Standards (PPS), i.e. a common

currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries.

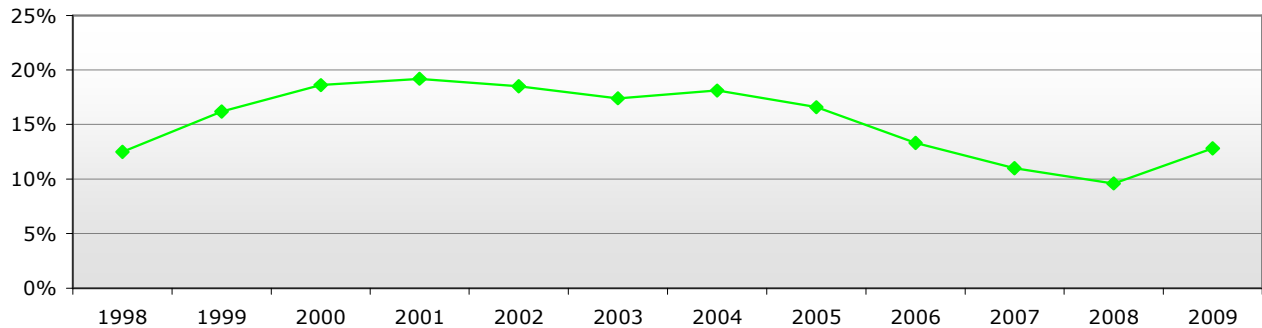
Labour productivity in Slovakia continuously rises. In comparison with the Czech Republic, Poland, Hungary, Romania and Bulgaria, Slovakia had the highest labour productivity in 2008 (data for 2009 are not yet available).



Source: Eurostat, www.epp.eurostat.ec.europa.eu, 2010, EU 15 = 100

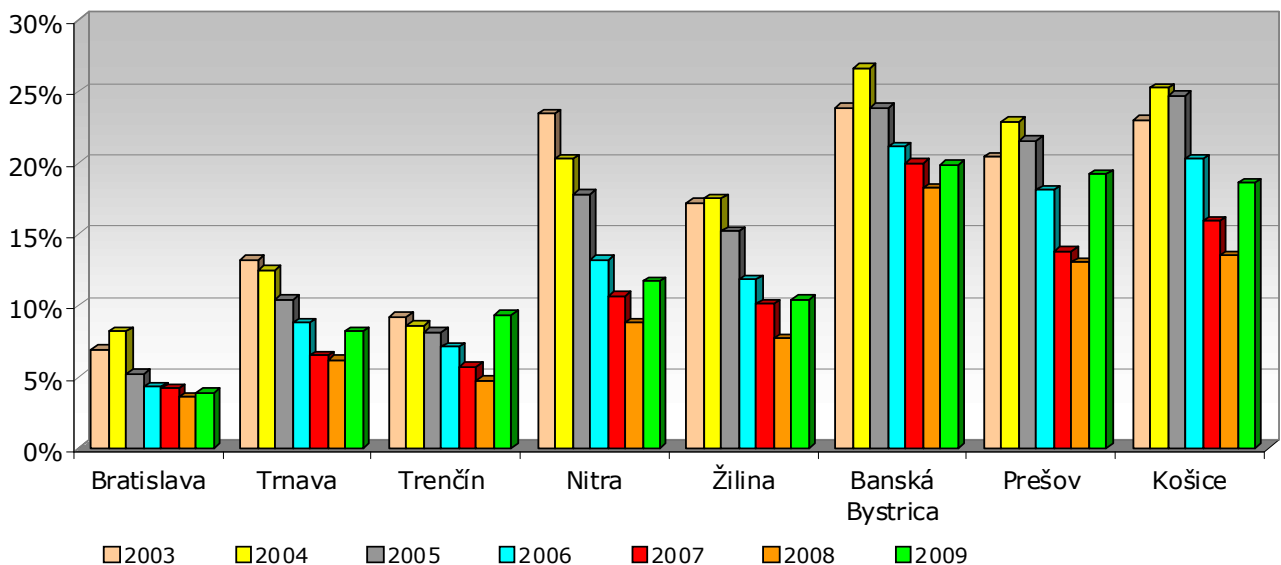
5 Unemployment

In recent years the unemployment level has fallen considerably, thanks also to foreign direct investments, to 9.6% in 2008. However, because of the economic crisis, some companies were forced to discharge employees, thus total unemployment rose to 12.8% in 2009. This means that the availability of skilled and productive labour force has increased.



Source: Central Office of Labour, Social Affairs and Family, www.upsvar.sk, 2010

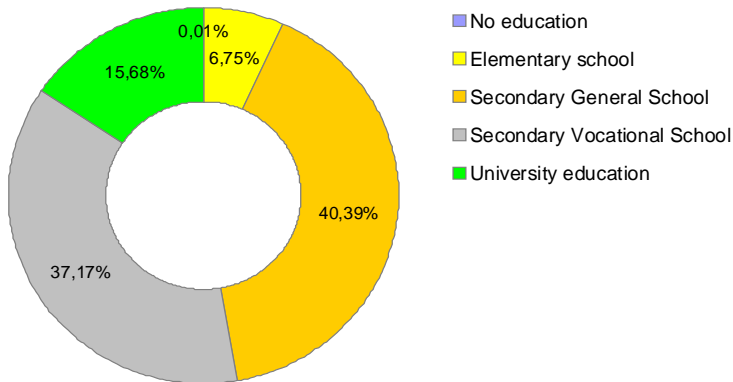
Also the unemployment level differs according to region. The lowest level of unemployment in 2009 was in Bratislava region, the highest in Banská Bystrica, Prešov and Košice regions.



Source: Central Office of Labour, Social Affairs and Family, www.upsvar.sk, 2010

6 Education

Slovakia reaches one of the highest shares of workforce with the secondary, higher and the university education among all the European countries. Furthermore, the share of people with a university education is on the rise.



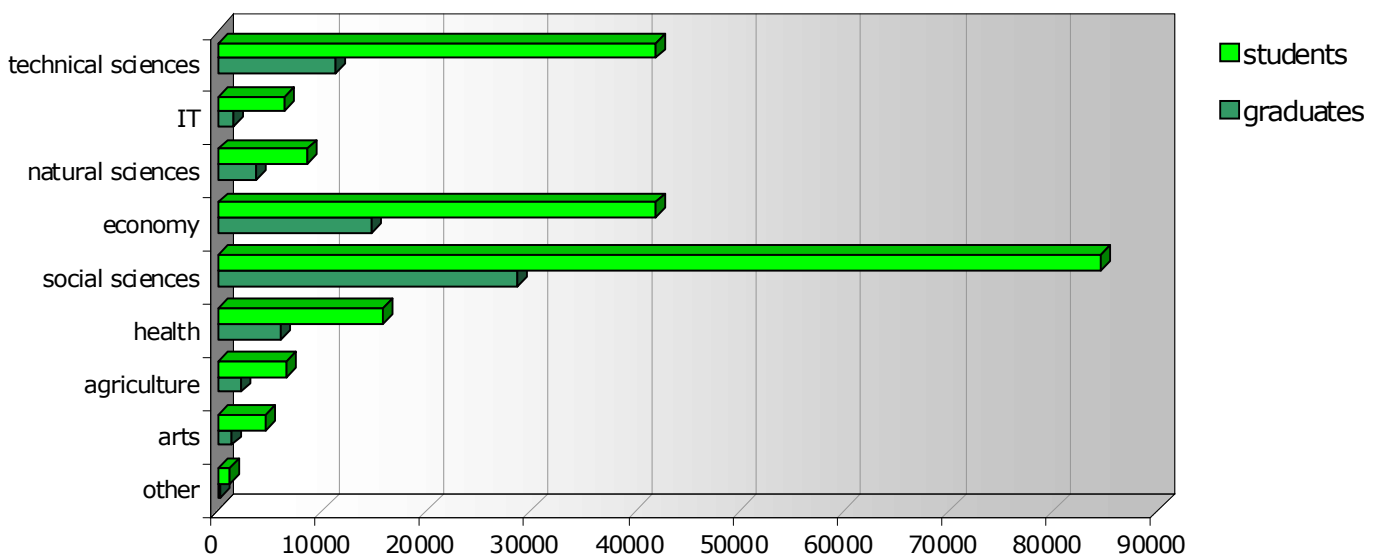
Source: Statistical Office of the Slovak Republic, www.statistics.sk, 2010

The workforce of more than 2.1 million has a strong tradition in engineering and mechanical production. Foreign companies frequently praise the motivation and abilities of Slovakia's workers who also possess good language and computer skills.

University education in numbers

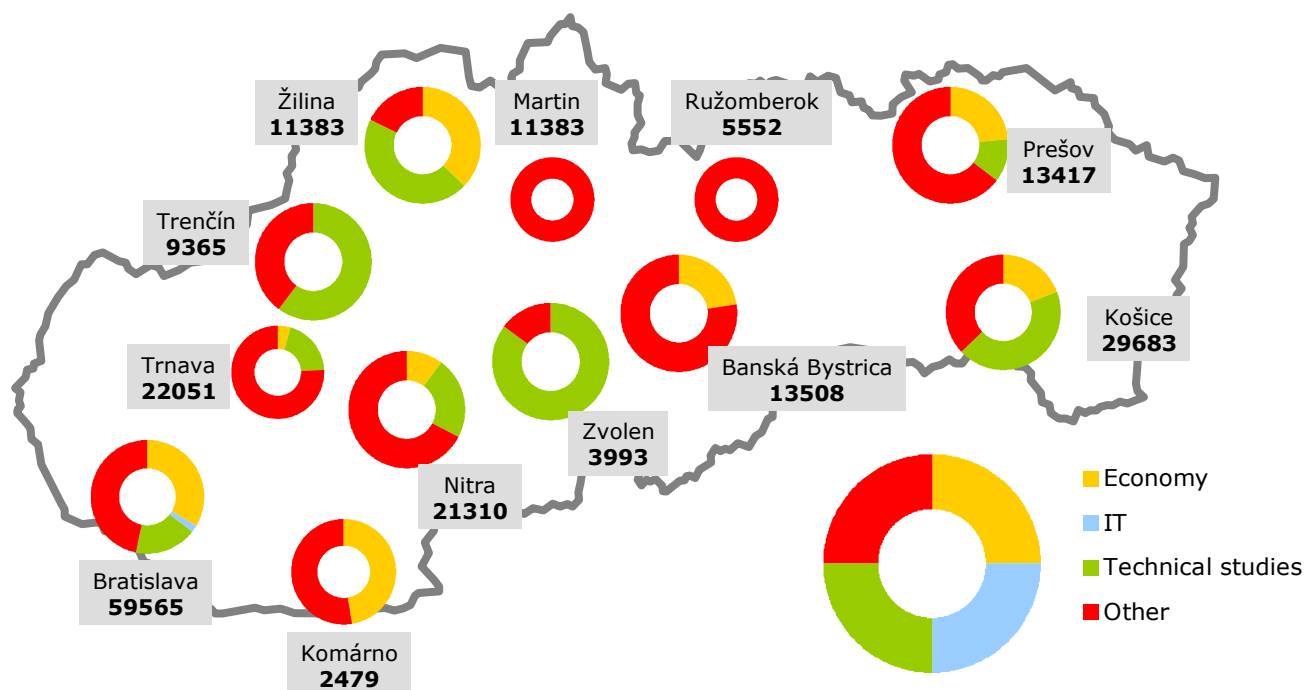
There are 33 universities in Slovakia spread all over the country. In the academic year 2009/2010, there were 211,553 students enrolled at Slovak universities and 69,809 graduated (both data include Bachelor and Master studies). There are two reasons behind these large numbers: the baby boom in the 1980s and a high percentage of secondary school graduates that enrol in universities. Slovakia is among the top countries in the world of secondary school graduates attending university.

The subject of studies is following:



Source: The Institute for Information and Prognosis in Education, www.uips.sk, 2010, SARIO calculations, 2010

Study of technical subjects is concentrated mainly in Trenčín, Žilina, Zvolen, Košice and Bratislava. Economy is studied mainly in Bratislava, Komárno and Žilina. Following is the distribution of study



subjects in Slovakia.

Note: IT is involved also in technical studies. Due to the methodology of statistics result of the Institute for Information and Prognosis in Education, it was not possible to put it as separate category.

Source: The Institute for Information and Prognosis in Education, www.uips.sk, 2010, SARIO calculations, 2010

Secondary schools

Slovakia has a well established system of specialised training and vocational schools. To accommodate the changing requirements on the labour market, secondary schools are being given a higher degree of control in creating their own educational programmes to meet the current needs of the local industry.

Language skills

Slovakia is an export-oriented economy that can offer a workforce with a high degree of language skills. The foreign language most often spoken is English. The proximity to Austria and Germany has resulted in German being the second most-spoken foreign language. The result has been the inflow of multilingual contact centres and shared services centres.

Slovaks are taught a foreign language mostly already at primary schools and later on deepen their language knowledge (or start learning a language) at secondary schools.

The most common foreign languages taught at Slovak secondary schools in 2009/2010 were:



English
85.76%



German
60.84%



French
7.93%



Russian
7.56%



Spanish
2.99%



Italian
0.72%

Source: The Institute for Information and Prognosis in Education, www.uips.sk, 2010, SARIO calculations, 2010

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