OECD ECONOMIC SURVEY OF SLOVENIA 2017

Boosting investment through better skills and regulation

Ljubljana, 5 September 2017

The economy is rebounding after a long recession
Growth is strengthening

Quarterly GDP (Y-o-Y changes)

Source: OECD Analytical Database.
Income convergence has resumed

Income/capita gap to the upper half of OECD countries

Source: OECD Analytical Database.
The unemployment rate is declining

% of labour force aged 15-64

Source: OECD Employment and Labour Market Statistics (database)
Well-being is high

OECD Better Life Index (higher is better)

Source: OECD (2016), Better Life Index database
Income inequality is low

Income redistribution (90/10 ratio of the average income of the top decile to that of the bottom decile), latest available data.

Source: Calculations based on the OECD Income Distribution Database.
Bolstering investment is key for higher productivity

Total investment, as a percentage of GDP

Source: OECD, Analytical database
Firms are facing increasing labour shortages

% of firms reporting labour shortages

Source: Eurostat, Industry database.
Businesses face a heavy regulatory burden

Product market regulation indicator, index scale of 0 – 6 from least to most restrictive, latest available data

Source: OECD PMR indicators database.
Securing fiscal sustainability
Gross public debt is now declining

Source: OECD
The fiscal deficit is still falling

Source: OECD
Ageing endangers fiscal sustainability

General government gross debt, % of GDP

Source: OECD calculations based on OECD (2017), OECD Economic Outlook: Statistics and Projections (database), December; OECD (2017), Main Economic Indicators.
Key fiscal and spending recommendations

- The government should pursue its 2020 fiscal balance objective, and preferably frontload consolidation to avoid overheating.

- It should also maintain spending ceilings, pursue efficiency improvement and adjust the structure of public spending to avoid a renewed increase in public debt.

- Faster, well thought-out privatisation would reduce public debt and the high level of contingent liabilities.

- Pension system:
  - Raise the effective and statutory retirement ages.
  - Cover shortfalls through additional contributions and lower pension indexation.
  - Increase incentives to work longer.

- Health-care system:
  - Allow hospitals to adjust their health services to changing demand, by including multi-year investments and allowing them to keep cost savings.
Raising wages and living standards by investing in capital and skills
Long-term unemployment remains high

Share of long-term unemployed (over one year) in total unemployment

Source: OECD, Labor Force Survey - Sex and Age composition database
Older workers retire early, undermining inclusiveness

Employment rate for older workers (aged 55-64), 2016

Source: OECD, Labor Force Survey - Sex and Age composition database
Older workers have low literacy skills

Mean literacy and numeracy proficiency scores for 55 – 65 year-olds, 2015

Source: OECD, Survey of Adult skills (PIAAC), Table A3.2 (L) and (N)
Better tertiary educational outcomes will boost investment in skill-intensive sectors

Mean literacy and numeracy proficiency scores for adults with tertiary education, 2015

Source: OECD, Survey of Adult skills (PIAAC), Table A3.2 (I) and (N).
Key recommendations in the labour market and skills development

- Improve general skills of vocational students through use of problem-based learning, combined with retraining of teachers. Raise the work-experience content of technical programmes.

- Increase training to help long-term unemployed to re-enter the labour market.

- Improve life-long learning by using adult training vouchers or tax credits to increase training opportunities.

- Eliminate the legal requirement that wages increase automatically with age.

- Harmonise the maximum duration of unemployment benefit across age groups.

- Link university funding to students' labour market outcomes.

- Equalise tuition fees for full- and part-time students on a per course basis, coupled with grants and loans for those from poor families.
Fostering productivity by improving regulation and enhancing competition
Regulatory quality could be improved

Source: 2014 Regulatory Indicators Survey results
Entry barriers hinder investment in new technologies

Real gross value added per worker in professional services is low, PPP, 2014

The competition authority has had few successful cases

Enforcement outcomes, 2014

Source: The Slovenian Competition Protection Agency
State owned enterprises are still present in many sectors

Source: Slovenian Sovereign Holding (http://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb# - February 2017); ORBIS data base.
Key recommendations for improving regulation and enhancing competition

- Apply consistently a common RIA framework:
  - including effective quality control, and
  - training to carry out ex ante and ex post regulatory evaluations.

- Simplify judicial proceedings.

- Increase the competition authority’s resources and staff expertise.

- Shrink the list of regulated professions, and, where regulation is retained, move to less restrictive forms.

- Develop a common approach to cost-benefit analysis for project selection.
Key recommendations for improving regulation and enhancing competition (continued)

- Strengthen SOE governance:
  - by directing them to focus on core activities,
  - allowing more management pay flexibility and
  - strengthening supervisory boards.

- Follow through with privatisation, and narrow the group of SOEs that are considered strategic.

- Implement effective separation of activities and non-discriminatory third-party access to networks. Privatise competitive activities, except in sensitive sectors.

- Avoid technology biases in renewable-energy subsidies.
More Information…

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