Table of Contents

Acronyms ......................................................................................................................11
Assessment and Recommendations .............................................................................13

Chapter 1. Strong Growth but an Ageing Workforce ................................................31
1. A successful transition followed by catching-up
   with the European Union .......................................................................................32
2. Risk of labour shortage due to ageing population ..................................................34
3. Economic growth had a positive impact on labour market trends .........................35
   Rising employment and declining unemployment ...............................................35
   Labour has been reallocated to more productive sectors,
   mainly within manufacturing ..............................................................................40
   Few self-employed, but relatively high number of unpaid
   family workers .....................................................................................................42
   Informal employment is declining and does not seem to be
   a major problem .................................................................................................43
4. Education has improved, but its efficiency remains low .........................................44
   Increasing educational attainment .....................................................................44
   Difficult transition from education to work .......................................................45
5. Maintaining social cohesion ....................................................................................47
   Low income inequality thanks to a strongly redistributive
   tax/benefit system ...............................................................................................47
   Wage inequality in Slovenia is close to OECD average .....................................49
   Social expenditure ...............................................................................................51
   An ageing population will put pressure on health expenditure .......................52
6. Conclusion ..............................................................................................................53
Bibliography .............................................................................................................55

Chapter 2. Flexicurity and Activation in the Labour Market ....................................57
1. Introduction .............................................................................................................58
2. Further adjustments of labour legislation should be considered .........................58
   EPL reform should facilitate the use of indefinite-duration contracts ...............60
Working-time rules are flexible, but part-time work is not very common......................................................................................................62

3. Collective bargaining and wage setting ..........................................................64
   The level of the minimum wage should be reconsidered,
   especially for youth ..........................................................................................68
   Relative wages have responded well to economic change ..................................69

4. Labour taxation, informality and enforcement of labour law .........................71

5. The public employment service .......................................................................74
   The ESS should focus on its core activities ......................................................76
   Job brokerage, counselling and activation strategies ..........................................78

6. Too many of the jobless receive no unemployment benefits .........................81
   Activation strategies should be improved for priority groups .........................84

7. Active labour market programmes (ALMPs) ..................................................86
   Performance monitoring and evaluations should be made systematically ..........90

8. Conclusion .......................................................................................................90


Bibliography .......................................................................................................95

Chapter 3. Social Policy and Family Assistance ...................................................99

1. Introduction .......................................................................................................100

2. Overall spending on social policy ....................................................................101

3. Social assistance ...............................................................................................104
   The level of social assistance ...........................................................................104
   With economic growth, the number of cash social assistance beneficiaries went down .................................................................................107
   Recent reforms aimed at activating unemployed people but have not fully succeeded yet .....................................................................................107

4. Family and housing policies ............................................................................109
   Family benefits ..................................................................................................111
   Subsidies for kindergarten ................................................................................112
   In family outcomes, Slovenia generally scores well, but fertility rates remain very low ..........................................................................................112
   Providing adequate and affordable housing to vulnerable groups remains a policy challenge ..........................................................115

5. Evaluations of social transfers .........................................................................116
   Social transfers have a relatively broad coverage ..............................................116
Social transfers contributed significantly to the lowering of poverty risk in recent years
Financial incentives to take up low-wage work are relatively weak

6. Conclusion
Bibliography

Chapter 4. The Slovenian Pension System’s Reform Process

1. Introduction
2. Overview of the pension system reforms and key challenges
   - A very gradual reform process due to lack of political consensus
   - Key challenges for the Slovenian Pension System
3. The financial sustainability of Slovenia’s pension system
   - Slovenia’s population is ageing
   - The number of pension beneficiaries is increasing
   - The medium/long-term sustainability of pension spending is challenged
4. Challenges for future pension policy in Slovenia
   - The increase in the retirement age is too slow, especially for women
   - The disincentives for early retirement are too small
   - Indexation undermines the sustainability of pension spending
   - Additional incentives are needed for voluntary supplementary pensions
5. Conclusion
Bibliography

Tables

Table 1.1. Exports and imports of goods and services, 1995-2007
Table 1.2. Main demographic characteristics of the Slovenian population, 1985-2007
Table 1.3. Labour force status of the Slovenian population, 1996-2007
Table 1.4. Employment/population ratios by gender for selected working-age groups in OECD and accession countries, 2007
Table 1.5. Manufacturing enterprises: economic performance, employment and wages, 2000-07
Table 1.6. Employed persons by job status in Slovenia and selected EU countries, 2007
Table 1.7. Poverty and inequality indicators, mid-2000s
Table 2.1. The incidence of temporary jobs compared with EPL scores in European countries
Table 2.2. Working time
Table 2.3. Trends in average wages
Table 2.4. Tax wedge on labour cost
Table 2.5. UI beneficiaries and registered unemployed persons in 2007
Table 2.6. Expenditure on ALMPs as a percentage of GDP
Table 2.7. Participants entering ALMPs (selected programme categories)
Table 3.1. Families with children have considerably higher NRRs in Slovenia than on average in the OECD
Table 3.2. The number of social-assistance beneficiaries has been decreasing since 2005
Table 3.3. Parental compensation and child benefits
Table 3.4. A higher risk of poverty among elderly women
Table 3.5. Low-wage work brings only limited income gains
Table 4.1. Basic characteristics of the 1999 PDIA
Table 4.2. The net replacement rate is decreasing
Table 4.3. IPDI’s expenditures (in percentage of GDP) have been decreasing over the 2000-07 period
Table 4.4. Average total number of pension beneficiaries is increasing
Table 4.5. Slovenia’s national estimates of age-related public expenditures

Figures

Figure 1.1. GDP per capita in selected OECD member and accession countries
Figure 1.2. Population by age and gender in 2008 and 2060
Figure 1.3. Incidence of long-term unemployment (>12 months) in Slovenia and OECD countries, 2007
Figure 1.4. Employment by economic sector in Slovenia and selected OECD countries, 2007
Figure 1.5. Expected years in education and not in education for 15-29-year-olds, 2006
Figure 1.6. Impact of tax and benefit systems on income inequality in selected EU countries, 2006
Figure 1.7. Relative earnings from employment, 2006 or latest available year
Figure 1.8. Social expenditure in Slovenia and OECD countries, 2005 ....................51
Figure 1.9. Ratio of population aged 65 and over to the total population, 2005 and 2050..........................................................................................................................52
Figure 1.10. Health expenditure in Slovenia and OECD countries, 2005..........................................................................................................................53
Figure 2.1. Strictness of the Employment Protection Legislation (EPL) in 2008 .......................................................................................................................61
Figure 2.2. Trade union membership in OECD countries and Slovenia..........................................................................................................................65
Figure 2.3. Minimum wage as a percentage of the average wage in OECD countries and Slovenia ..........................................................................................68
Figure 2.4. Registered unemployed persons ........................................................................75
Figure 3.1. Social spending has decreased in Slovenia, but remains above OECD average........................................................................................................102
Figure 3.2. Slovenia has a mature social protection system........................................103
Figure 3.3. Slovenia scores well in terms of family outcomes........................................114
Figure 4.1. The effective retirement age is much lower in Slovenia than in other OECD countries..................................................................................135
Figure 4.2. Net replacement rate in Slovenia is above OECD countries average ..................................................................................................................136
Figure 4.3. The old-age dependency ratio will increase faster in Slovenia than in most OECD countries .................................................................................140
Figure 4.4. Publicly mandated pension spending in Slovenia is much higher than the OECD average ................................................................................142

Boxes

Box 2.1. The Economic and Social Council (ESC) .......................................................59
Box 2.2. The principal trade unions and employer associations in Slovenia..................................................................................................................64
Box 2.3. Labour taxes and social insurance contributions ........................................72
Box 2.4. The Employment Service of Slovenia (ESS): organisation and resources..............................................................................................................79
Box 2.5. Unemployment insurance .............................................................................82
Box 3.1. Family benefits in Slovenia ........................................................................110