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- After having narrowed steadily prior to the crisis, the GDP-per-capita gap *vis-à-vis* the upper half of OECD countries, which primarily reflects a labour productivity shortfall, has widened since 2008.
- Limited progress has been recorded on past priorities and attempts to reform the labour market and pension system failed in 2011. Progress has been particularly slow in reducing state involvement in the economy. However, there has been some pick-up in the reform momentum recently, notably with the adoption of a new pension reform.
- Improving tertiary education outcomes and reducing excessive state involvement in the economy would help boost labour productivity. Faster increases in effective retirement ages and reform of wage determination allowing better alignment of wage and labour market developments would help further close the labour utilisation gap.
- Reducing job protection on regular employment with a view to narrowing the differences in contract provisions across workers would help to improve the labour market inclusion of younger and low-skilled workers, reducing thereby inequality.

Growth performance indicators

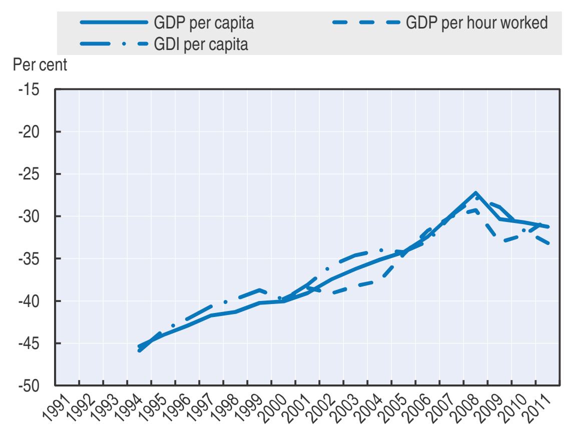
A. Average annual trend growth rates

Per cent

		2001-06	2006-11
Potential GDP per capita		2.7	1.0
Potential labour utilisation		0.3	-0.5
of which:	Labour force participation rate	0.3	-0.4
	Employment rate[1]	0.1	-0.1
Potential labour productivity		2.3	1.5
of which:	Capital intensity	1.2	1.2
	Labour efficiency	1.1	0.2
	Human capital	0.1	0.1

B. Convergence in GDP per capita has stalled in recent years

Gap to the upper half of OECD countries[2]



1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases.*

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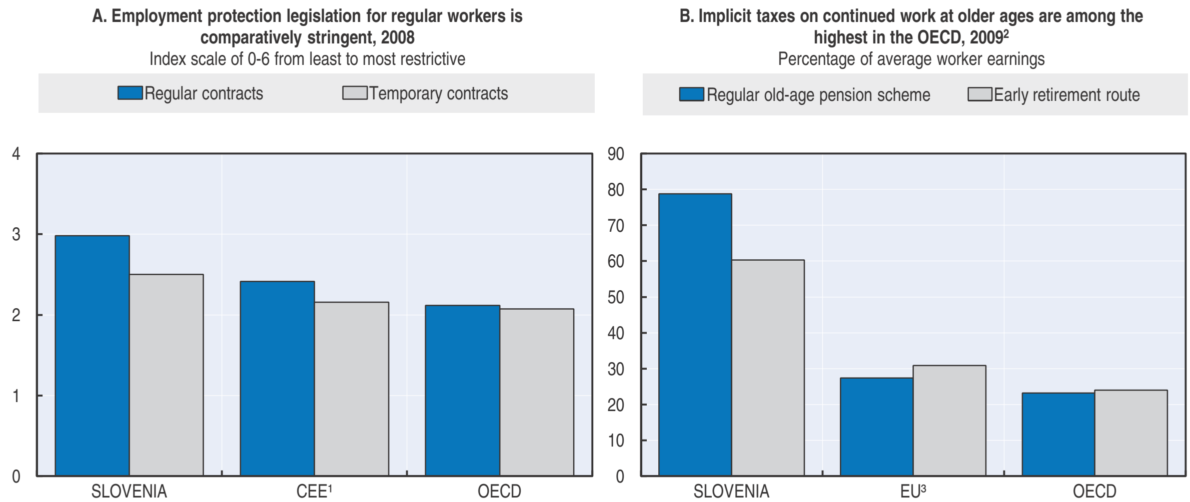
Policy indicators



1. Central and eastern European countries is the average of Czech Republic, Estonia, Hungary, Poland and Slovenia.
2. Implicit taxes on continued work for five more years embedded in the regular old-age pension scheme for 60 year-olds and in "early retirement route" (as defined in Duval, 2003) for 55 and 60 year-olds.
3. Average of 21 EU countries members of the OECD.

Source: OECD, *Employment Database*; Duval, R. (2003), "The Retirement Effects of Old-Age Pension and Early Retirement Schemes in OECD Countries", *OECD Economics Department Working Papers*, No. 370, OECD Publishing, OECD calculations and OECD pension models.

StatLink http://dx.doi.org/10.1787/888932777739

Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Ease employment protection legislation. The wide gap in job protection between regular and temporary contracts that has resulted from past reforms creates labour market duality and damages productivity.

Actions taken: No action taken since the "mini-jobs" bill, which aimed at further easing temporary contracts, was rejected by referendum in April 2011.

Recommendations: Further reduce notice periods and administrative burdens on individual dismissals and relax the conditions under which individual dismissals are legitimate. Phase out the preferential tax and regulatory treatment of student work to reduce labour market inequities.

Raise the statutory retirement age and reduce disincentives to work at older ages. The old-age pension system does not sufficiently incentivize older workers to remain active.

Actions taken: New pension reform was adopted in December 2012, which is expected to increase the effective retirement age by around two and a half years to 62 for women and by nearly a year to 63 for men by 2020. Pensions indexation has been cut to 60% of wage growth and 40% of inflation.

Recommendations: Adopt a significantly more ambitious reform to increase the statutory retirement age and contributory period, limit access to early retirement, introduce greater financial incentives to defer retirement, and give more weight to inflation in the pension benefit indexation formula.

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Limit wage growth in the public sector and for minimum wage workers. The statutory minimum wage relative to the median wage is high by OECD standards. The horizontal equalisation of public sector wages led to higher wage growth than warranted by macroeconomic conditions in the past and limited the adjustment of wages during the recent downturn.

Actions taken: The minimum wage was increased by 23% in early 2010, while allowing gradual implementation over two years. The remaining steps of the horizontal equalisation of public sector wages were implemented in May 2012, but overall net public sector wages were cut by 3%.

Recommendations: Ensure that the minimum wage rises no faster than inflation for a while and adopt a new social agreement introducing wage moderation over an extended period of time.

Other key priorities

Improve tertiary educational outcomes. Tertiary completion rates are low, weighing in on human capital formation and productivity.

Actions taken: No action taken.

Recommendations: Introduce tuition fees in public higher education institutions, along with student loans with income-contingent repayment. Tie access to student benefits to adequate progress in studies.

Reduce state involvement in the economy. Public ownership and control of enterprises is widespread, hampering productivity and foreign direct investment inflows.

Actions taken: A Slovenia Sovereign Holding was created to centralise state-owned assets and allow their easier privatisation, but the legislation could be challenged by referendum in early 2013.

Recommendations: Devise a rigorous and transparent regime for determining which state assets should remain in public hands and ensure autonomy of the board and management of the Holding. Privatise state-owned banks to bolster the stability of the banking sector. Facilitate new entry in network industries by reducing state ownership and boosting competition. In this context, allow competition authorities to be completely independent and provide them with adequate resources.

Previous *Going for Growth* recommendations no longer considered a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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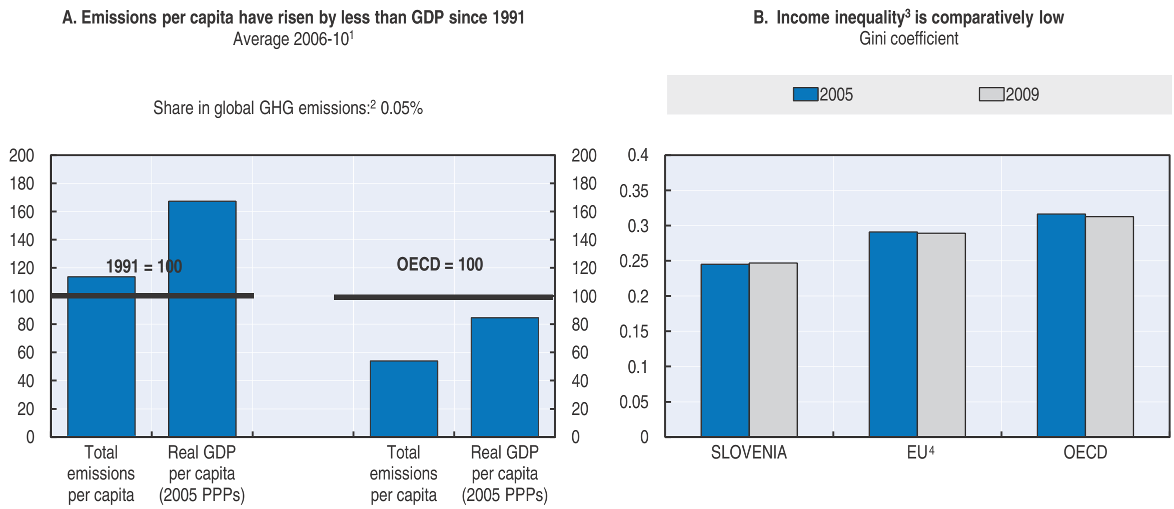
Other dimensions of well-being: Performance indicators



1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equivalised household disposable income for total population.
4. Average of 21 EU countries members of the OECD.

Source: *United Nations Framework Convention on Climate Change (UNFCCC) Database*; OECD, *Energy (IEA) Database* and *OECD Income Distribution Database*, provisional data (*www.oecd.org/social/inequality.htm*).

StatLink http://dx.doi.org/10.1787/888932777758