SLOVENIA

Priorities supported by indicators

Reduce state involvement in the economy (2011)

Recommendations: Facilitate new entry in network industries by reducing state ownership and boosting competition. Devise a rigorous and transparent regime for determining which state assets should remain in public hands.

Actions taken: A draft strategy on the management of state assets was sent to the government in June 2011.

Ease employment protection legislation (2011)

Recommendations: Further reduce notice periods and administrative burdens on individual dismissals and relax the conditions under which individual dismissals are legitimate.

Actions taken: No action taken since the "mini-jobs" bill was rejected by referendum in April 2011.

Raise the statutory retirement age and reduce disincentives to work at older ages (2011)

Recommendations: Increase the statutory retirement age and limit access to early retirement. Introduce greater financial incentives to deferred retirement. Give more weight to inflation in the pension benefit indexation formula.

Actions taken: No action taken since new pension legislation was rejected by referendum in June 2010.

Other key priorities

Improve tertiary education outcomes (2011)

Recommendations: Implement policies to increase completion rates in tertiary education. 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.

Actions taken: In March 2011, the government adopted the National Higher Education Programme 2011-20, which was later backed by Parliament in May 2011 and included proposals to recover part of costs from students who extend their studies beyond normal study durations.

Reform wage bargaining (2011)

Recommendations: Rather than postponing them, abolish the remaining steps of the horizontal equalisation of public sector wages, which resulted in disproportionate public sector wage increases in the past. Ensure the minimum wage is indexed to inflation for a while.

Actions taken: The authorities introduced a freeze on 2011 public sector wages. The minimum wage was increased by 23% in early 2010, while allowing gradual implementation (with employees' consent) by 2012 for firms facing economic difficulties.

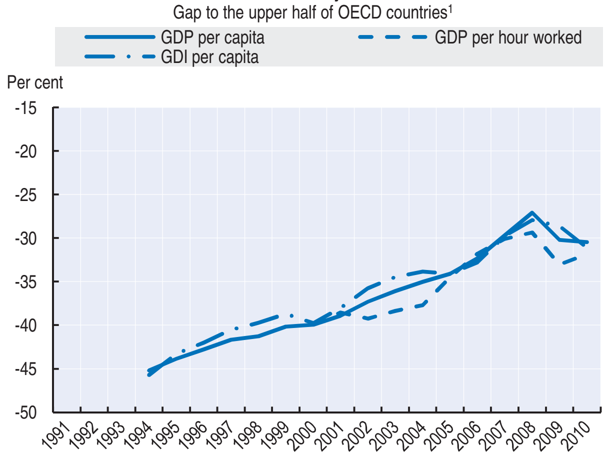
SLOVENIA

- After some steady narrowing prior to the crisis, the income gap relative to the upper half of OECD countries has widened again. The labour productivity shortfall almost entirely explains this gap.
- In key priority areas, some progress has been made in the management of state-owned assets, while attempts to reform the pension system and ease employment protection legislation have failed.
- In other areas, to mitigate the labour market impact of the crisis, a short-time work scheme and subsidies for compensating temporarily laid off workers were introduced and later phased out. In addition, active labour market policies have been scaled up, eligibility conditions for unemployment benefits relaxed and benefit levels increased.

Performance and policy indicators

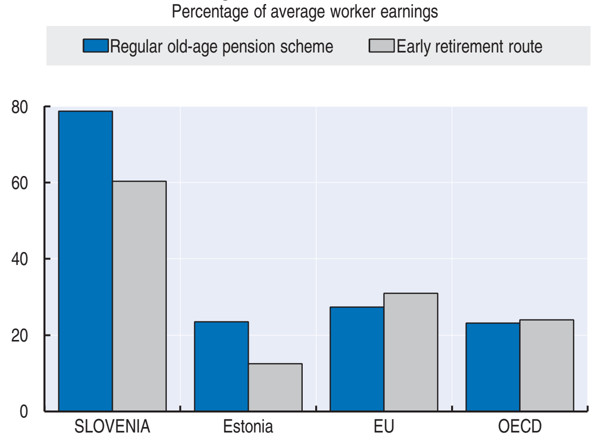
A. Convergence in GDP per capita and productivity has stalled recently

Gap to the upper half of OECD countries[1]



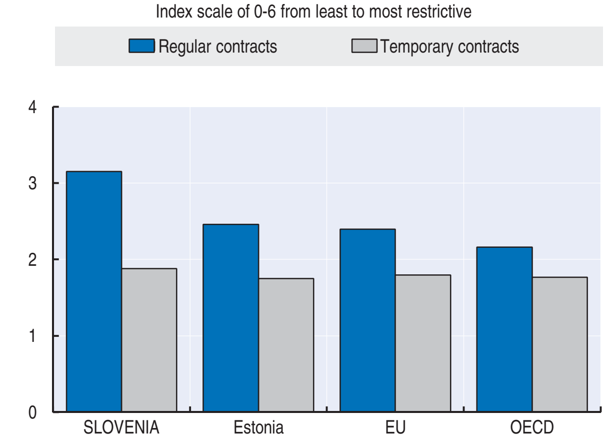
B. Implicit taxes on continued work at older ages are among the highest in the OECD, 2009[2]

Percentage of average worker earnings

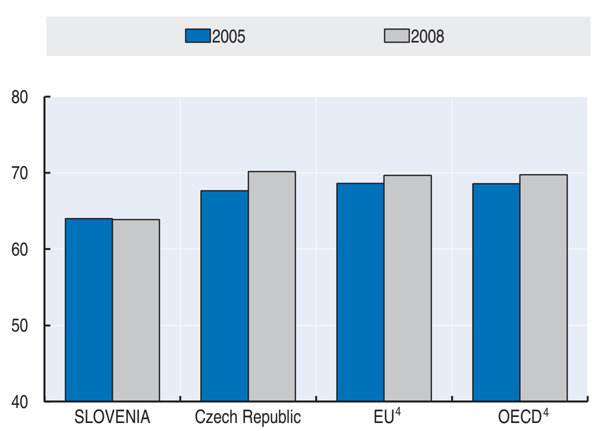


C. Employment protection legislation for regular workers is comparatively stringent, 2008

Index scale of 0-6 from least to most restrictive



D. Tertiary education completion rates remain relatively low[3]



1. 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).
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. Completion rates in tertiary-type A education represent the proportion of those who enter a tertiary-type A programme and graduate from at least a first tertiary-type A programme.
4. Average of European countries in the OECD. In 2005, EU and OECD averages exclude Chile, Greece, Ireland, Israel, Korea, Luxembourg, Spain and Turkey; and Canada, Estonia, Hungary, Italy in 2008.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: 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 and OECD calculations; Chart C: *Employment Database*; Chart D: OECD (2010 and 2008), *Education at a Glance*.

StatLink http://dx.doi.org/10.1787/888932565718