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Assessment of the implementation of  
the European Commission  
Recommendation on **active  
inclusion**

*A Study of National Policies*

Slovenia

Social Europe

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Assessment of the implementation of the  
European Commission Recommendation on  
**active inclusion**

**A Study of National Policies**

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**COUNTRY REPORT – SLOVENIA**



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## Summary

Efficiency and cost-effectiveness of social assistance is expected to increase because of better targeting (due to harmonised definitions of family and income) after the implementation of the new regulation of non-contributory social benefits in 2012. Cost-effectiveness will be achieved also indirectly through stimulation of the labour market activity (by additional weights in the minimum income equivalence scale and tapers on work income). The problem of inadequate amount of the minimum income was not solved by its considerable increase in 2012, since it remains below the level of the at-risk-of-poverty threshold. Work incentives in the benefit system include an improved management and conditionality of benefits, an activity supplement to the minimum income and taper on work income. Since the available databases did not allow proper ex-ante evaluation of the impact of new regulation of non-contributory social benefits implemented in January 2012, and following the implementation of first serious austerity measures in June 2012, a continuous and detailed evaluation of social consequences is needed.

The Slovenian labour market is rigid and segmented. Regulation adopted in recent years has so far contributed to higher income security, but not also to high labour market flexibility. Trade unions are not willing to seriously discuss the draft revisions of the Employment Relationships Act. They have achieved that major adopted labour market reforms and the pension reform were rejected in the referendums in 2011. Social partners should intensify negotiations on the Employment Relationships Act revisions in order to start removing reasons for high labour market segmentation.

In 2009 and 2010, the deterioration of the labour market due to the economic and financial crisis was mitigated by the Government intervention measures to preserve jobs and a significant increase in the scope of the active employment policy. However, in 2011 both the extent and impact of ALMP programmes were lower than in 2010. In 2009 and 2010 the ALMPs have developed significantly in terms of funds used for this purpose, the contents and variety of programmes, and the number of persons included in the programmes. However, the inclusion rate in the ALMPs remains low for groups hard to employ (particularly older and low-educated persons) and thus should be increased. The third pillar of the flexicurity concept (active employment policy and life-long learning) does not provide satisfactory results yet. The Employment Service of Slovenia (ESS) has not been sufficiently efficient. Based on the on-going evaluation the ESS will be modernised in order to improve the results regarding early detection of obstacles for employment and increase its efficiency in matching the labour market supply and demand. Life-long career orientation has to be further developed in order to alleviate a mismatch of skills and the labour market needs in the future; otherwise a strong need for other ALMPs will continue also in the situation of labour shortage that Slovenia is going to face in a decade-or-so due to its demographic development.

Particularly long-term care services are underdeveloped in Slovenia while it is obvious that the population ageing will substantially increase demand in near future. There is an urgent need for adopting relevant regulation in order to ensure availability and affordability of services, as well as financial sustainability of the system. Long-term care facilities should be increased in order to meet a growing demand, and diverse services should be developed taking into account a variety of needs.





## 1. Integrated comprehensive strategies

### 1.1 Comprehensive policy design

The approach has been - and appropriate steps were taken by the Government - to achieve comprehensive policy design that includes all three stands of the active inclusion strategy and take account of their joint impact on the social and economic integration of disadvantaged people and their possible interrelationships, including synergies and trade-offs. However, nowadays we could speak of a comprehensive policy design only if we include - besides the relevant legislation in force<sup>1</sup> - the new/amended legislation that was first passed and then rejected in the referendums<sup>2</sup> in 2011, and those important pieces of legislation that had been drafted several years ago but have not yet been submitted.<sup>3</sup>

The idea has been to provide adequate income support that also stimulates and acknowledges work effort. There is no trade-off between efficiency and effectiveness in the revised social benefits legislation in Slovenia, except for an explicit aims to prevent unjust accumulation of social benefits and exclude from the beneficiaries those persons who have savings and assets that can be used/activated in the periods of insufficient current income.

The new or revised labour market legislation was intended to facilitate the conclusion of employment contracts and decrease precarious employment that presents unfair competition to the regular employment. The pension reform had the prolongation of working life among its major aims.

Active labour market policies (ALMPs) are partly inadequate and insufficient. The institutional changes include further modernisation of the Employment Service of Slovenia aimed at early detection of obstacles to employment and better efficiency when matching the labour market supply and demand (GRS 2011a). One of the aims of the Labour Market Regulation Act (2010), implemented from the beginning of 2011, is to increase the effectiveness of the Public Employment Service, including its work with the most vulnerable unemployed social groups.

In order to decrease the risk of poverty, the Draft National Programme of Social Security for the Period 2011-2020 (2011)<sup>4</sup> foresees stimulating the inclusion of the social assistance beneficiaries into the active employment policy and the programmes of psychosocial rehabilitation (SPA 2011c). The adoption of the Social Entrepreneurship Act (2011) and the establishment of social enterprises also contribute to social inclusion of formerly inactive persons.

Access to quality services has been generally granted to the population of Slovenia. The Draft Social Security Services Act (2010) was intended to guarantee access as well as efficient and quality provision of various forms of support to individuals, families and the risk population groups. The new system would to the greatest possible extent take account of the people's needs and react to them appropriately and quickly. It would also enable people's active cooperation. The variety of services

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1 The new legislation includes the Minimum Wage Act (2010), Social Benefits Act (2010), Exercise of Rights to Public Funds Act (2010), Labour Market Regulation Act (2010) and Social Entrepreneurship Act (2011).

2 The Pension and Disability Insurance Act (2010), Mini Jobs Act (2011) and Prevention of Work and Hiring Labour in Informal Economy Act (2011).

3 Draft revisions of the Employment Relationships Act, Draft Social Security Services Act (2010) and Draft Long-Term Care and Insurance for Long-Term Care Act (MoLFSA 2010a).

4 In July 2011 the draft was submitted for public debate that lasted till 7 September 2011.

and providers would increase (MoLFSA 2010c). The draft act was withdrawn from public debate.

## 1.2 Integrated implementation

Unfortunately, the implementation across the three strands of the active inclusion strategy could not be integrated in recent years. This has particularly been due to the rejection of some important and well prepared pieces of legislation (pension reform and the labour market legislation) in the referendums in 2011 as a consequence of short-term interests of trade unions in Slovenia and political rivalry.<sup>5</sup> The same reason has delayed the adoption of several pieces of legislation.

The legislation in the area of guaranteeing sufficient resources was implemented on 1 January 2012. The revised/new labour market legislation needs to be adopted, which is also true for the new legislation on the social security services. The cooperation between Centres for Social Work and Employment Offices has very much developed in order to better target social assistance and unemployment benefits, as well as to include the unemployed into active employment policy programmes and thus support the (re)integration of people into the labour market. There has been a continuous process of improving active labour market policies serving people excluded from the labour market, as well as the efficiency of the Employment Service of Slovenia. The quantitative dimension of the ALMPs was weakened due to economic crisis too. With ineffective ALMPs, vulnerable groups (will) remain unemployed until (mostly early) retirement.

## 1.3 Vertical policy coordination

While it is effective, vertical policy coordination is not the subject of discourse. The opposite is true when a policy adopted at the national level does not fully take account of the time, funds and other resources needed for the implementation of a certain policy at the local level.

For instance, the amended Pre-school Childcare Act (2008) introduced free childcare for the second and any subsequent child from the same family if there are two or more children simultaneously attending childcare. For these children, childcare is paid from the state budget. However, the Pre-school Childcare Act (1996) requires that services should be available to all children and directs the municipalities to open additional classes or units, or to grant a concession, if the number of parents who have expressed interest to enrol their children into ECEC programmes is high enough to open at least one pre-school class. An increase in demand for vacancies has been registered following the implementation of the amended Pre-school Childcare Act in autumn 2008, and the municipalities did not have enough time to increase their capacities. Namely, the supply of pre-school childcare was almost completely meeting the demand until 2008. And, in addition to the impact of free childcare, the demand for vacancies increased due to a higher number of births in both 2008 and 2009 (ten per cent higher than in 2007) (SORS). Many municipalities in Slovenia are still not able to meet the demand, also due to a further increase in the number of births in 2010.

## 1.4 Active participation of relevant actors

Social partners have been actively engaged in the development, implementation and evaluation of strategies, firstly through the Economic and Social Council of the Republic of Slovenia (ESC). The ESC was primarily set up to deal with issues related to

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<sup>5</sup> This has resulted in a serious political crisis, blockade of any Government's initiative and pre-term Parliamentary elections. About a year has passed without any step forward.

the social agreement and wage policy, social policy, employment issues and working conditions, collective bargaining, prices and taxes, the economic system and economic policy. The Social Agreement for the Period 2007-2009 (p. 8) stipulated that the signatories "shall endeavour to reach all key decisions in the competent institutions in the economic and social fields as a result of reconciled interests of the social partners and the Government. (...) In order to build the maximum consensus, the Government shall adopt and submit to the National Assembly the acts whose contents directly address the working areas of employers and trade unions after the harmonisation with the latter."

The employers have been most interested in the labour market regulation; long periods of notice and high severance pays, for instance, are seen as serious obstacles for concluding permanent employment contracts. They were concerned about a high increase in the minimum wage in 2010 and they supported the Mini Jobs Act (2011). The employers have been take part in the active employment policy programmes.

In the course of the social dialogue, in January 2010 the trade unions, on the one hand, supported a separate minimum wage rise and, for the time being, refused to discuss other changes in the labour market as part of the 2010 social agreement. Employers' representatives, on the other hand, maintained that entering into dialogue about other changes in the labour market was a prerequisite for the minimum wage rise. It was made clear by the Government that it preferred the social partners to achieve consensus regarding changes in the labour market; however, should time show that there was a lack of willingness for dialogue among the social partners, it would take on the responsibility of putting forward the changes it deemed vital to ending the crisis and ensuring long-term development (Government ... 2010). Consequently, the Minimum Wage Act was adopted and the trade unions have not yet been willing to seriously discuss the draft revisions of the Employment Relationships Act, so it has not yet been put into the parliamentary procedure. The trade unions have also requested referendums in which the Pension and Disability Insurance Act (2010), Mini Jobs Act (2011) were rejected. They supported more severe sanctions for informal economy, but had some reservations regarding the Prevention of Work and Hiring Labour in Informal Economy Act (2011), which contributed to its rejection in a referendum (SPA 2011b). We evaluate all this as their negative role, led by short-term interests and neglecting possible medium- and long-term positive consequences for employment and the employed.

In 2010 the trade unions started pointing to the problematic working and living conditions of migrant workers, which had some positive consequences for those workers.

Prior to submitting the National Reform Programme (NRP) 2012-2013 (GRS 2012A) the new Government did not have enough time to discuss and negotiate the measures with the social partners, particularly the trade unions that, as a general rule, object to any cuts in the budget that decrease the attained worker's rights and social transfers of any kind. The biggest opposition party and some other relevant stakeholders also did not agree with most of the austerity measures to be adopted in the framework of fiscal consolidation. According to the Secretary General of the Education, Science and Culture Trade Union of Slovenia, at the Economic and Social Council meeting the Government has only informed trade unions about the contents of the draft NRP 2012-2013, while their co-operation in the process of drafting it would have been needed (Rebernik 2012). A vivid and sharp debate – in which the political parties, trade unions, employers' associations, NGOs, experts and the general public took part – had continued, this time on the Public Finance Balance Act (2012) that introduced the first serious austerity measures, mostly for the years 2012-2014. The trade unions strongly defended the workers' rights and were quite successful in the negotiations with the government.

Centres for Social Work, as service providers, were engaged in the revision of the social benefits regulation from the very beginning. Seminar and training courses were organised to prepare the staff for practical consequences for their work. People affected by poverty and social exclusion – social benefits beneficiaries in particular – were frequently and in many ways informed about the revision of the social benefits regulation.

Centres for Social Work have pointed to the problems that might arise from a premature start of the implementation of the new social benefits regulation adopted in July 2010.<sup>6</sup> The implementation was delayed from June/September 2011 to 1 January 2012 because some of the data registers were not available before the end of 2011. In January 2012 the Centres for Social Work were faced with a huge amount of work to be done. This caused organisational problems and a need for additional staff. Apart from that, the information system was not operating perfectly (Planet Siol.net 2012). A further constraint was the absence of personal income tax data. This tax was administered at the end of May 2012 for the second half of taxpayers (Repovž 2012). There were advance payments based on the benefits paid in 2011. However, this resulted in overpayments (mostly of child allowances) that have to be paid back by the beneficiaries. Those with lowest income will be allowed to delay the payment of excess benefits or/and pay them back in instalments. This is particularly true for social assistance beneficiaries and those who have to repay the balance for a higher number of months (Repovž 2012).

## **2. The impact and cost effectiveness of measures introduced or planned under the three strands**

The efficient targeting and relatively high level of benefits which redistribute income in Slovenia significantly reduce poverty and income inequality (Stropnik 2010). The systems of social protection and public services beneficially contribute to the current level of welfare, but are at the same time ever more financially unsustainable, even in the short term, amid the tightening of the economic situation, a significant deterioration of the fiscal position, the expected demographic developments and because they have not yet undergone any serious adjustments in the whole period of the crisis (IMAD 2012).

### **2.1 Adequate income support**

#### **2.1.1 Minimum income and other non-contributory social transfers to individuals and families**

The amended Social Assistance and Services Act (1992) introduced in 2002 the minimum income concept and the equivalence scale as the bases for social assistance. First steps towards the revision of the social protection system were taken in 2005, but - in spite of more-or-less continuous activities and due to a complexity and importance of the subject - the relevant legislation was adopted in July 2010 and implemented on 1 January 2012 (the delay was due to non-availability of some data registers). The new regulation has introduced profound changes in the non-contributory means-tested social benefits.

An accumulation of social benefits and the possibility to raise higher benefits due to the entitlement criteria that used to vary across various kinds of benefits had been issues in Slovenia. Namely, some social benefits were not taken into account in the

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<sup>6</sup> *The Social Benefits Act (2010) and the Exercise of Rights to Public Funds Act (2010).*

applicant's income when assessing entitlement to (other) means-tested social benefits. Consequently, people were unjustly entitled to more kinds of social benefits and/or higher amounts of benefits. Necessary changes were brought through the Exercise of Rights to Public Funds Act (2010) aimed at achieving a more efficient management and use of public sources through a better regulation of social and family benefits and the introduction of a simpler (one-stop shop concept), transparent and a more just and targeted (based on incomes and property) social transfer system. The act introduced uniform rules and procedures for the allocation of benefits and rules to avoid potential accumulation or exclusion of benefits. Information about families and their income is gathered from various registers, something that is assumed to reduce fraud and ease the administrative burden. The order in which to apply for cash benefits is defined: child allowance first, followed by social assistance, pension support and state educational grant. Previous benefits are counted in the family income when deciding on the entitlement and level of the following benefit. In this way, the accumulation of benefits is prevented.

The Social Benefits Act (2010) enacted a higher amount of the minimum income and a new equivalence scale that includes work incentive (see Annex 2). There are two levels of cash social assistance now: temporary assistance for employable beneficiaries and permanent assistance for unemployable beneficiaries. The latter is higher and is intended to improve the material situation of some groups at the highest risk of poverty (e.g. older people living alone). The former basic minimum income was equal to €230.61 per month, while the new one was set at €288.81 (i.e. about 25% higher). The minimum income level still remained well below the at-risk-of-poverty threshold, also due to the Act of Intervention Step because of Economic Crises for 2012 (2011) that lowered the amount set in the Social Benefits Act (2010) from €288.81 to €260.00 in 2012. As a consequence, the basic minimum income amounts to about 44% of the 2010 at-risk-of-poverty threshold, which is relatively low and not much better than the former less-than-forty per cent. However, if the person is working more than 128 hours/month, the minimum income accounts for about 69% of the at-risk-of-poverty threshold. In the case of two adults working more than 128 hours/month and having two children below the age of 14, the minimum income accounts for about 81% of their at-risk-of-poverty threshold. The Public Finance Balance Act (2012) fixed the minimum income at €260.00 until the end of 2014.

Until the end of 2011, the weight for a single person or the first adult in the family was 1, for further adults it was 0.7, and 0.3 for each child below the age of 18 and an older child (below the age of 26 years) in regular schooling. There was also an additional weight of 0.3 for single-parent families. Now the weights differ for the first and further children, and also include an additional weight of 0.19 for higher secondary school students to compensate for their education-related costs (since these students are no more eligible for the national educational grant). Consequently, the weights are defined for 13 family member types.

Both the number of beneficiaries and the average amount of cash social assistance were expected to increase considerably, even to double (Draft Exercise of Rights to Public Funds Act, 2010). However, surprisingly, the opposite has been the case, according to informal information provided by the Ministry of Labour, Family and Social Affairs staff.<sup>7</sup> There may be several reasons for that.

- The new computerised procedure applied by the Centres for Social Work and technical problems with databases<sup>8</sup> caused months-long delays in dealing with applications for social benefits in the beginning of 2012.

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<sup>7</sup> Unfortunately, the last official data are available for November 2011.

<sup>8</sup> The information system linking 37 data bases and 22 institutions was not checked properly and timely.



- Some families do not qualify for cash social assistance after child allowances are added to their income (and child allowances for higher secondary school students below the age of 18 are much higher from January 2012 because they are no more entitled to the national educational grant).
- Since property (savings and estate) is systematically taken into account, less people fulfil conditions for entitlement.<sup>9</sup>
- People's behaviour regarding the take-up of social assistance proved to be considerably subject to the fact that the amount of cash social assistance received will be reimbursed by the state after the death of the beneficiary from his/her legacy.<sup>10</sup> In the past, this act was not strictly implemented, but from 2012 on it is likely to be.
- After 12 months of receiving cash social assistance the beneficiary owning real estate is prohibited to alienate or burden that real estate since the Republic of Slovenia is entitled to a refund of the paid cash social assistance.<sup>11</sup>
- Children have a legal duty to maintain their parents who do not have enough means and are not able to provide for themselves, if the children are in a position to do so. This means that the parents become entitled to cash social assistance only after their children have proven not to be able to participate in their maintenance – which may be a serious constraint for some people in need (Stropnik 2011: 3), particularly now as the savings and estate are consistently taken into account. The elderly parents might not wish to expose their offspring to this intrusion.

Starting in 2012, the minimum pension support<sup>12</sup> (regulated by the Pension and Disability Insurance Act) was changed into income support<sup>13</sup> (social assistance benefit regulated by the 2010 Social Benefits Act). In 2011 there were roughly 50 thousand beneficiaries of the pension support. According to informal information provided by the Ministry of Labour, Family and Social Affairs, about 12 thousand beneficiaries have renounced the income support in the last two months of 2011 in order not to deprive their children from inheriting their real estate in kind and in full value. One should also consider that a certain proportion of former beneficiaries would not be entitled any more when the new income and particularly property criteria are taken into account.

The Exercise of Rights to Public Funds Act (2010) introduced income per family member instead of the cash social assistance beneficiary status as the criterion for the amount of the national educational grant and a subsidy for school meals.

The Act of Intervention Step because of Economic Crises<sup>14</sup>, adopted in December 2009, temporarily limited an increase in the outlays from the state budget,

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9 Now having access to information about fixed-term deposits, one Centre for Social Work in Slovenia, for instance, has realised that a Roma family (beneficiary of cash social assistance) has a million euros worth fixed-term deposit in the bank (Kržič 2012: 15).

10 The Inheritance Act from the 1970s stipulates that in certain circumstances the state may claim back the paid benefits from the estate of a deceased person that previously was on welfare - unless the state renounces this compensation because the heirs themselves do not have enough means to maintain themselves.

11 This stipulation was first implemented in 2010, and has prompted a public and expert debate as to whether social assistance is a right or simply a loan.

12 This support was granted to pensioners with a pension qualifying period shorter than 40 years (men) and 38 years (women) and the pension entitlement lower than the minimum pension for full pension qualifying period, upon a means test.

13 Entitled are - upon means test - permanently unemployable persons and persons who are permanently incapable for work, women older than 63 years and men older than 65 years (Social Benefits Act 2010, Article 7).

14 A more appropriate translation would be: Act on Intervention Measures Due to Economic Crisis.

municipalities' budgets, Pension and Disability Insurance Institute and Health Insurance Institute. It did so though a lower indexation of social transfers to individuals and households, and pensions. Only half of an increase in the consumer price index was taken into account for social transfers (benefits and subsidies). The benefits regulated by the Pension and Disability Insurance Act (disability benefit and other benefits under disability insurance, disability allowance, assistance and attendance allowance, etc.) were indexed by 50% of the average wage increase (rather than full). The total increase was not allowed to be higher than 50% of the forecasted average wage index that the government adopted as a basis for the preparation of the national budget. The following Act of Intervention Step because of Economic Crises (2010) did not allow any adjustment of social transfers and benefits regulated by the Pension and Disability Insurance Act in 2011 if the consumer price increase was not over 2% (which was the case). The Act of Intervention Step because of Economic Crises for 2012 (2011) did not allow any adjustments until the end of June 2012. The Public Finance Balance Act (2012) prolonged this till the end of 2012 for benefits regulated by the Pension and Disability Insurance Act, and till the end of 2014 for social transfers to individuals and households except for the minimum income level.

The government austerity package (Public Finance Balance Act 2012) scaled back social benefits, many of them received by families with children, which will have an unfavourable impact on the social inclusion target. The bulk of the savings will be borne by individuals and families with medium income.

Until the year that is following the year in which the economic growth exceeds 2.5% of the GDP:

- Child allowances will be 10% lower for beneficiaries with a per capita income over 42% of the average wage, and not received by those with a per capita income of 64% or more of the average wage;<sup>15</sup>
- Parental leave- and the paternity leave payment is decreased to 90% of the basis (from which the social security contributions were paid in the last 12 months) if that basis is €763.06 and over. The ceiling is also lowered from 2.5 times to 2 times the average wage in Slovenia;
- Parental allowance (received by those who are not entitled to the maternity- and parental leave payment) is slightly higher and linked to the net minimum wage level;
- Childbirth allowance and a large family allowance will be limited to beneficiaries with a per capita income below 64% of the average wage in Slovenia;
- National educational grant will not be received by students from families with a per capita income of 53% or more of the average wage.<sup>16</sup>

Permanent revisions include:

- Childcare for the second (younger) child from the same family co-currently included in subsidised childcare will no more be free of charge. Parents will have to pay 30% of the parent fee for their income bracket. Childcare will remain free of charge for each subsequent child.

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<sup>15</sup> Before June 2012, the beneficiaries included those with a per capita income up to 99% of the average wage.

<sup>16</sup> Before June 2012, the beneficiaries included those with a per capita income up to 64% of the average wage.

- Starting with the school year 2012/2013, a subsidy for snacks in primary and secondary schools will be limited to those with a per capita income up to 30% of the average wage in Slovenia.<sup>17</sup>
- Student meals will not be subsidized from 15 July to 15 August.

### 2.1.2 Incentive to work

#### *Minimum wage*

From August 2006 to February 2010 the Determination of Minimum Wage Act (2006) was in force. It established the amount of the minimum wage and the method of its annual adjustment. According to the Determination of Minimum Wage Act (2006) the minimum wage was adjusted on 1 August according to the forecasted consumer price index that the government adopted as a basis for the preparation of the national budget. This method did not foresee an extraordinary or early adjustment of the minimum wage in the case of effective consumer price index considerably exceeding the expected one. In 2006 and 2007 the increase in the minimum wage thus lagged behind an increase in nominal wages in the private sector (by about 2 and 4.5 percentage points), and it also suffered a decrease in real terms in 2007.

A study by Stropnik et al (2009) has shown that in 2009 the net minimum wage (about €460 net per month) amounted to only about 82% of the minimum costs of living estimated for a single person (€562.07). It was also below the 2007 at-risk-of-poverty threshold (about €495). This proved that the minimum wage did not guarantee a decent level of living. As a consequence of all this, and in order to maintain a work-incentive ratio between the minimum wage and the minimum income after a foreseen increase in social transfers, in March 2010 we witnessed the biggest increase in the minimum wage in Slovenia ever (by 23%), to €734 gross (Minimum Wage Act 2010), or €562 net. A gradual implementation till the end of 2011 was possible under certain conditions (if the immediate wage increase to the new amount of minimum wage would have caused difficulties for the employer - loss or bankruptcy - or lead to dismissals of a higher number of employees) and was opted for in the case of 30% of minimum wage earners.

Both the number of minimum wage earners and their proportion in the all employed (7.1 %) in 2011 were more than double the 2009 figures. A high increase in the minimum wage has worsened the competitiveness of the Slovenian economy and consequently caused a loss of jobs (IMAD 2012:63). Higher minimum wage has negative consequences for the self-employed (own-account workers) with low (declared) income who pay social security contributions from the minimum wage. They will suffer an annual decrease of €626.40 in their net income (Delić 2010).

The higher level of minimum wage will not, by itself, necessarily decrease in-work at-risk-of-poverty rate by itself since the income of persons/families living on minimum wage will most probably remain below 60% of the equivalent median income in Slovenia. A decrease in in-work poverty gap may be expected, also because personal tax allowances have been increased for low-income earners (see Section 2.2.3).

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<sup>17</sup> Before, all pupils and secondary school students were entitled to a general subsidy covering 2/3 of the price.



### *Incentive in the social protection system*

The cooperation between Centres for Social Work and Employment Offices has very much developed in order to better target social assistance and unemployment benefits, as well as to include the unemployed into active employment policy programmes and thus support the (re)integration of people into the labour market. Till the end of 2011 an unemployed person receiving cash social assistance was obliged to accept any employment, a contractual work or a work based on a copyright contract, and after three months also a suitable temporary or casual humanitarian or similar work offered or imposed by the Employment Service of Slovenia. The work had to correspond to physical and mental abilities of an unemployed person. Employment and suitable temporary or casual humanitarian or similar work were defined in the employment plan (Social Assistance and Services Act 1992, Article 36b). Since 2012, unemployed cash social assistance beneficiaries who are not receiving unemployment benefit and have received social assistance more than nine times in the last twelve months are obliged to take any employment offered by the Employment Service of Slovenia (ESS) (Social Benefits Act 2010, Article 42).

An important novelty brought by the Social Benefits Act (2010) is an activity supplement to be granted to the beneficiaries of cash social assistance who are working for at least 60 hours per month or are taking part in ALMPs, or are included in the psycho-social rehabilitation programmes. In the minimum income equivalence scale there is an additional weight of 0.28 for 60-128 hours of work per month and 0.56 for more than 128 hours of work per month. This is expected to stimulate activity and decrease the risk of poverty.

Cash social assistance beneficiaries are also allowed to exempt parts of their work income from the means-test. In Slovenia, a taper was introduced in the 1990s because the difference between low wages and the minimum income has acted as a strong disincentive to look for work. Tapers are also considered an incentive for social assistance beneficiaries to try to find work in the formal economy. This is particularly important in countries with a relatively large grey economy (Nelson 2011: 16). Till the end of 2011, income from occasional work and casual, non-periodical income<sup>18</sup> – received in the period of three calendar months before the submission of application – was exempt from the means test up to the level of minimum income of a single person or a family, per month (Social Assistance and Services Act 1992, Article 27d). From 2012, per month, the equivalent of half the minimum income is not taken into account if this comes from casual work, and 0-28-0.48 minimum income in the case of occasional work (depending on the characteristics of work performed) as an incentive to stimulate people to seek employment and remain attached to the labour market (Social Benefits Act 2010, Articles 22 and 23).

### *Unemployment benefit*

After the outbreak of the current economic and financial crisis it became clear that unemployment insurance frequently failed to guarantee sufficient security after losing employment. This was particularly the case of young employees who did not fulfil the condition for entitlement to unemployment benefit, which was 12 months of employment in the last 18 months. The condition for entitlement is milder in the Labour Market Regulation Act (2010)<sup>19</sup> (at least 9 months of employment in the last

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<sup>18</sup> Occasional income is the one received only once for a single performed job. Casual, non-periodical income includes inheritance, gifts, indemnities, redundancy, awards and other income received only once and not resulting from the occasional work.

<sup>19</sup> This act replaced a former Employment and Insurance against Unemployment Act (1991, revised many times).

24 months) while unemployment benefit in the first three months was increased from 70% to 80% of the assessment base).<sup>20</sup> On the one hand, the data do not prove any significant improvement in the unemployment benefit accessibility for the young unemployed: the share of beneficiaries increased by 0.9 percentage points in the years 2010-2011 (from 7.5% to 8.4% of the young unemployed). On the other hand, the average benefit amount has increased by 10% in 2011 (from €601 to €665.72) (IMAD 2012).

The Public Finance Balance Act (2012) lowered the unemployment benefit received after 12 months of entitlement from 60% to 50% of the basis. The consequences will be felt by unemployed persons older than 50 years and those with more than 25 years of insurance period. The act also decreased the maximum amount of unemployment benefit from €1,050 per month to €892.50.

## 2.2 Inclusive labour markets

The economic crisis and consequent deterioration of the labour market have reduced employment and kept unemployment at a relatively high level. In the period 2008-2010, the labour market situation of the young, low educated and men has worsened in particular (Kajzer 2011: 13), and has spread across highly educated young people in 2011 due to economic crisis. Adopted changes in the labour market regulation have so far contributed to higher income security, but not also to high labour market flexibility.

### 2.2.1 Investment in human capital

One of the main reasons for high youth unemployment is a mismatch of skills and the labour market needs, which is one of the bottlenecks to inclusive growth (Kajzer 2011: 14; GRS 2011a: 19). Namely, unreasonable numbers of students in tertiary education opt for social sciences while, despite favourable employment prospects and high private returns to study, the numbers of graduates in science, technology and other innovation-related disciplines remain low, also by international comparison (OECD 2011: 6). Also, a diminishing interest in short vocational upper secondary programmes is creating a skills deficit in the labour market. Employers in Slovenia have little influence on school curricula. In response to that, the NRP 2011-2012 (GRS 2011a: 33) promised to focus on the introduction of career guidance services in the whole cycle of education.

Serious structural problems in the Slovenian labour market include a low employability of older persons. Older workers, particularly those with very low qualifications, have difficulties in (re)entering the labour market. In the long run, such situation may be prevented or alleviated through the promotion of life-long learning (education and training) in order to keep knowledge up-to-date. The inclusion in life-long learning is decreasing with age. On average it was lower in 2011 than in 2010 (it was the second year of decrease for older persons) and has remained low particularly for older and low educated persons (for instance, 7.5% of persons aged 55–64 years were included in the second quarter of 2011, which was less than half of an average rate) (IMAD 2012: 38). A discrepancy between the inclusion in life-long learning of person with low education and those with tertiary education is the highest in the EU and has increased in 2010 (IMAD 2012: 39). After expiration of the Resolution on the National Programme of Adult Education in the Republic of Slovenia until 2010, the country lacks a strategic document on the policy and programmes in this area.

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<sup>20</sup> The assessment base equals the average monthly salary received by an insured person in eight (previously twelve) months prior to unemployment.

In the NRP 2012-2013 the Government promises to set up financial mechanisms supporting the development and introduction of life-long learning: advanced study programmes, adapted forms and methods of teaching different target student groups, and e-education (GRS 2012A: 14-15). Reinforcement of the concept of life-long learning is also among the foreseen education policy measures.

With the Labour Market Regulation Act (2010), the provision of services for a life-long career orientation has become a public service, which will increase the dissemination of information to persons and their motivation for life-long learning. As a result, the balance between labour market supply and demand is expected to be improved (GRS 2012A: 17). According to the NRP 2012-2013, "services for a life-long career orientation are already being provided to registered unemployed persons and to employment seekers whose employment is at risk; certain services are even available to other employment seekers (pupils, students and their parents). A special life-long career orientation programme for those employed in micro and small companies that have no human resource management on account of their modest size is also being implemented" (GRS 2012A: 17).

### **2.2.2 Active and preventive labour market measures**

In 2008, €67 million were planned for the ALMPs, but only €42 million were spent due to late calls and low interest by the unemployed and the employers. Financial resources for ALMPs were considerably increasing from 2008 to 2010, but in 2011 they accounted for less than two thirds of the 2010 resources (Table 1).

Compared to 2008, active labour market policies were more developed in 2009 and 2010, and much more persons were included. In 2008, 43.6% of the registered unemployed were included in the ALMPs, 57.1% in 2009, and 68.5% in 2010 (Kajzer 2011: 17). The number of persons included in active employment policy measures increased from 29,085 persons in 2008 to 52,987 in 2009. In 2009 the funds for promotion of employment and self-employment were over-proportionally increased, mostly due to the two intervention acts. The funds for programmes that directly create employment (public works, subsidised employment of different groups of unemployed and subsidising of self-employment) were over-proportionally increased too. In 2009, 4,300 subsidies for self-employment were granted compared to 1,599 in 2008. According to a rough estimation, after three years only half of the beneficiaries remain self-employed (Kristan 2011). The number of persons included in programmes of counselling and assistance in job search also increased over-proportionally in 2009 (the number of persons included into programmes of help with career planning and job search increased from 4,500 in 2008 to 7,770 in 2009) (Kump 2010). Positive trends continued in 2010.

In 2011, the quantitative dimension of the ALMPs was weakened due to economic crisis. The number of persons included in the ALMP programmes was by 31.3% lower in 2011 than in 2010 (IMAD 2012: 55). One would have expected the opposite since, in 2011, the two intervention acts aimed at preserving jobs were no more in force and the number of the unemployed somewhat increased. For instance, the number of subsidized self-employment beneficiaries has substantially decreased in 2011 (4,502) following its considerable increase in 2010 (to 5,148) (Table 1). This happened in spite of a very high interest for that measure, and was due to limited financial resources (IMAD 2012: 114). The inclusion in life-long learning and public works decreased too, while training at workplace increased by a quarter. More than 70% of the unemployed who had participated in the training at workplace programme in 2009-2011 got an employment by June 2011, almost half (45.45%) with the same employer (Kristan 2011).

**Table 1: ALMPs, Slovenia 2008-2011: funds, unemployed persons included and employed**

	Year			
	2008	2009	2010	2011
<b>Financial resources for ALMPs (€M)</b>	42	119	143**	92
<b>New contracts (number of unemployed persons)</b>				
Measure I	(33,036)*	10,859	16,203	11,408
Measure II	12,838	20,530	28,031	16,040
- Training at workplace	1,599	4,556	4,996	6,249
Measure III	6,045	15,355	24,482	18,453
- Subsidised self-employment		4,330	5,148	4,502
Measure IV	4,582	4,795	6,741	3,046
Public works		4,188	5,945	2,610
Incentives for social entrepreneurship			104	20
<i>Total I - IV</i>	<i>(56,501)*</i>	<i>51,539</i>	<i>75,457**</i>	<i>48,947</i>
<i>Total I - III</i>	<i>23,465</i>	<i>40,680</i>	<i>59,254</i>	<i>37,539</i>
<b>Unemployed persons employed through ALMPs</b>	10,606	45,920	52,949	59,669
As % of the average number of unemployed	16.8	53.2	52.7	53.9
<b>Average number of unemployed persons</b>	63,216	86,354	100,504	110,692

Sources: ESS 2009, 2010, 2011 and 2012.

Notes:

\* It is not clear if the figure is comparable with those for years 2009-2011.

\*\* Excluding two intervention acts: €114 million and 50,036 new contracts (ESS 2011: 100).

The number of new contracts (new unemployed persons included in the programmes) increased in the years 2009-2010, to a great extent due to the two labour market intervention acts, but then dropped in 2011 after the expiration of these acts (Table 1). Unfortunately, the inclusion rate in the ALMPs has been far below the average for

the groups of the unemployed that are hard to employ, particularly persons over 50 years of age and the long-term unemployed whose inclusion rate does not reach 20% (Kajzer 2011:17).

The number of unemployed persons employed through ALMPs was considerably higher in 2009-2011 than in 2008. This was due to both the effectiveness of the measures and a higher number of the unemployed following the outbreak of the economic crisis. The impact of ALMP programmes was lower in 2011 than in 2010. In the framework of employment, self-employment and public works programmes, around 10 thousand of the unemployed were activated, which was a third less than in previous years (IMAD 2012: 164).<sup>21</sup> Out of the unemployed who got a job in 2011, only one in six was activated in the framework of the ALMP programmes (employment, self-employment and public works programmes) (IMAD 2012: 166).

Slovenia has an activation approach with different programmes for different groups. However, their success is hard to judge since there have been few evaluation studies. A general opinion in Slovenia is that the ALMPs are partly inadequate and insufficient. With ineffective ALMPs, vulnerable groups (will) remain unemployed until (mostly early) retirement. The most urgent tasks and challenges for the ALMPs include their adaptation to the new structure of the unemployed (many highly educated young people cannot find employment) and strengthening of programmes aimed at preventing and decreasing long-term unemployment (Kajzer 2011: 20). The revisions of the ALMPs have been listed among the labour market policy measures for some time now, while the foreseen institutional changes include further modernisation of the Employment Service of Slovenia and are aimed at early detection of obstacles to employment and better efficiency when matching the labour market supply and demand. Currently, an assessment of the active employment policy key programmes is going on. The analysis of the efficiency of the measures implemented thus far will serve as the basis for their improvement in terms of their procedural and implementation schemes and in terms of their promotion of a greater labour market adaptability and increased employability of individuals.

From the beginning of 2011 the active employment policy is regulated by the Labour Market Regulation Act (2010). It is aimed at increasing the effectiveness of the Public Employment Service, including its work with the most vulnerable unemployed social groups. Further modernisation of the Employment Service of Slovenia is expected to have positive consequences too.

An increase in the long-term unemployment asks for a strengthening of those active employment policy programmes that decrease and prevent long-term unemployment. In Slovenia, the inclusion of the long-term unemployed was relatively low in the past (IMAD 2012:168). It is stated in the National Reform Programme 2012-2013 (GRS 2012A) that particular attention will be paid to activation of the long-term unemployed. Taking account of the age of the long-term unemployed, only some ALMPs (like public works) may be effective in the short run. In accordance with the adopted Guidelines for the Implementation of Active Employment Policy Measures for the Period 2012-2015 (GRS 2011b), special attention will be paid to young and older employment seekers.

In the NRP 2012-2013 there is a commitment that, in 2012, the Employment Service of Slovenia "will strive to provide – immediately upon registration or not later than within four months of registration – at least one activity that will help speed up the resolution of an unemployed person's situation" (GRS 2012A: 18). It will also pay

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<sup>21</sup> In 2010, the employment agencies contracted around 12 thousand workers, or 9.1 % of all temporary employment, which is almost three times the 2006 figure (3 thousand workers, or 2.3% of all temporary employment) (IMAD 2012: 55).



special attention to the cross-border employment of unemployed persons and job seekers with reduced employment opportunities in the domestic market.

Now, more emphasis is being placed on the promotion of the social assistance beneficiaries' inclusion into ALMPs, in particular of those 75% of the long-term recipients who are employable. The measures are designed to motivate this group, help address their problems, and bridge the gap between them and the labour market (Nelson 2011:20). In order to decrease the risk of poverty, the Draft National Programme of Social Security for the Period 2011-2020 (2011) foresees incentives for the inclusion of the social assistance beneficiaries into the ALMPs and the psychosocial rehabilitation programmes (SPA 2011c). In the National Reform Programme 2012-2013 the Government set an objective to include 50% more cash social assistance beneficiaries into the active employment policy programmes in 2012 than in 2011 (13,198 inclusions). In 2012, more recipients of cash social assistance will be included in public works and other active employment policy programmes. The social activation programmes will be launched (motivation programmes and programmes for building positive and active behavioural patterns) that are intended for the long-term recipients of cash social assistance.

In 2012, a new "mentorship scheme" is planned within the framework of a new active employment policy measure to "replace a worker at a job and job sharing", with the purpose to pass work experience, knowledge and skills from older workers to younger unemployed persons, and enable systematic introduction of new employees into the working process on the other hand.

### **2.2.3 Work incentives and disincentives resulting from tax and benefit systems**

Incentives resulting from the benefit system are presented in Section 2.1.2. They include an improved management and conditionality of benefits, an activity supplement to the minimum income and taper on work income.

In order to alleviate the income tax burden for low-income tax payers, a supplement to the general tax allowance was introduced in January 2008 (Personal Income Tax Act 2006, with revisions). It amounted to €2,000 per year for tax payers with taxable income up to €6,800, and to €1,000 for those with taxable income amounting to €6,801-9,000. These ceilings of taxable income were increased in July of the same year to €8,300 and €9,600 respectively. Both revisions were effective starting with the taxation of 2008 income. According to the calculations provided by the Ministry of Finance, due to the supplement to the general tax allowance the net minimum wage increased from €426.23 to €453.72 per month (for the person without dependants). The increased disposable income of persons in the lowest income brackets has somewhat alleviated the risk of poverty and social exclusion. Following an increase in the minimum wage (Minimum Wage Act 2010) and starting with the taxation of 2010 income, a supplement to the general tax allowance was increased to €3,019.83 per year for tax payers with taxable income up to €10,200, and has remained €1,000 (in fact, it was adjusted to €1,047.50) for those with taxable income amounting to €10,201-11,800. Due to that, the disposable net income of the person earning €10,200 increased by €483 (both at an annual level).

The Public Finance Balance Act (2012, Article 118) raised the net tax basis which is the threshold for tax bracket 3 from the current EUR 15,681.03 to EUR 18,716. This means that the highest tax rate of 41% – presuming that the taxable person does not apply for other allowances in addition to the general allowance – applies to an amount which is 1.5 times the average wage. In addition to that, in the years 2013 and 2014 there will be the fourth tax bracket: the marginal tax rate for the net tax basis exceeding €69,313 will be 50% (Article 199).

#### **2.2.4 Support for the social economy**

The Social Entrepreneurship Act was adopted in 2011 and implemented in January 2012. It focuses on socially beneficial activities and employment of hard-to-employ people and promotes self-employment, job creation and the integration of people with disabilities in the labour market. This is a new formal form of entrepreneurship in Slovenia, although a number of associations, sheltered workshops and institutes in Slovenia already work under the principles of social entrepreneurship, employing a total of 17,000 people. The act defines as socially beneficial the activities focused on employment of disabled persons, first-job seekers, the unemployed, welfare recipients, long-term unemployed and other hard-to-employ people. There are subsidies for new jobs, a lower VAT rate for social entrepreneurship products and services, advantage in public procurements and some other kinds of preferable treatment.

Česen (2012) would have expected higher social benefits of a relatively great number of pilot social enterprises financed from the ESF in 2010 and 2011. The invested €10 million would be sufficient for a thousand minimum wage jobs a year and not only 43 that were created. Prior to the implementation of the Social Entrepreneurship Act (2011) the author would have expected an analysis of the situation and challenges, cost-benefit analysis, analysis of good practices, development strategy and action plan for social entrepreneurship.

An increased support for social entrepreneurship was foreseen in the NRP 2011-2012 among the active labour market programmes too (GRS 2011a:34). In the framework of the ALPMs, 104 persons benefited from incentives for social entrepreneurship in 2010 and only 20 in 2011. According to the NRP 2012-2013, the employment of the long-term cash social assistance beneficiaries with various complex problems will be promoted through the development of social entrepreneurship (GRS 2012A: 19).

Among the active labour market policies, measures for the employment of people with disabilities, incentives for companies employing people with disabilities, sheltered workshops and some other measures were foreseen in the NRP 2011-2012 (GRS 2011a: 34).

#### **2.2.5 Efforts to increase access to employment**

The state subsidizes employers who employ the beneficiaries of cash social assistance in order to decrease dependency on social assistance through earning a living (Social Benefits Act 2010, Article 41). The beneficiary should have received cash social assistance for at least 12 months in the last 16 months and be employed for at least two years.

Training at workplace (the ALMPs programme) is organised for an ever higher number of unemployed persons. A considerable increase was registered in 2011 (see Table 1).

The rejected Mini Jobs Act (2011) was one of the efforts to increase access to employment since it included unemployed persons and pensioners in the scheme. The inclusion of pensioners would have prolonged the labour market activity of the elderly in a kind way, while the unemployed would have had a possibility to keep in touch with the labour market and search for new jobs.

In 2009 and 2010, two intervention acts aimed at preserving jobs during the economic crisis eased the situation on the labour market: the Subsidising of Full-Time Work Act (adopted in January 2009) and the Partial Reimbursement of Wage Compensation Act (adopted in May 2009). Both acts (i.e. subsidy schemes) contributed to slower growth in unemployment and a slower drop in employment. Partial subsidy for companies temporarily reducing their working time from full-time to part-time was aimed at maintaining existing jobs by reducing the cost of labour for the employers while, at

the same time, enabling the employees to have a full-time pension contribution period. The government provided a subsidy amounting to €60/120 per month per employee whose working time was reduced by 4/8 hours per week. Enterprises were benefiting from the measure for the period of 6 months, with a possibility of a 6-month extension. The programme phased out in the end of September 2010 after having subsidised full-time work of almost 66 thousand employees at 904 employers, at the cost of €33 million (Kajzer 2011: 18).

On the basis of the Partial Reimbursement of Wage Compensation Act (2009), rather than being dismissed, up to 50% of redundant employees "temporary waiting for work" (i.e., being temporarily laid off) were receiving a wage compensation amounting to 85% of their average wage in the last three months. The state refunded half of the wage compensation to the employer. Respective employees had the right and were obliged to use 20% of working hours for training. The training programmes were provided by the employer, for which he received €500 from the state (Apohal Vučkovič et al. 2010: 26). The employer could have received the refund in the period of 12 months, but not longer than 6 months per employee. The interest was great. The last contracts terminated in the end of March 2011. Due to timeliness and efficiency of the measure, it had a positive impact on the labour market situation; over 25 thousand jobs at 946 employers were saved, which cost €27 million (Kajzer 2011: 18). Only 7.4% of persons, for whom the refund was received, were registered as unemployed in the end of March 2011 (ESS 2011).

In 2011, the state intervened at the labour market considerably less than in 2010. Incentives for employers to create new jobs decreased from € 6.1 million to €3.3 million (IMAD 2012).

### **2.2.6 Efforts to tackle labour market segmentation**

Labour market segmentation is recognised as a bottleneck to inclusive growth. The major segmentation of the Slovenian labour market is the division on safe permanent employment (generally characteristic for the older part of the labour force) on the one hand, and a considerably less safe flexible employment (fixed-term or temporary, prevailing for the young who are first job seekers or perform work through student work brokerage service) on the other. Student work is particularly precarious since it does not provide students with social security (depriving them from pension and unemployment insurance rights) or any kind of employee protection, and is generally not recognised as work experience. Long periods of notice and high severance payments are among the key reasons for the employers to offer fixed-term employment contracts.

In the framework of structural labour market reforms aimed at increasing flexicurity and addressing the labour market segmentation, two acts (the Mini Jobs Act and the Prevention of Work and Hiring Labour in Informal Economy Act) were approved by the Parliament in 2011, but then rejected in the referendums. In addition to that, the trade unions have been opposing revisions of the Labour Relationships Act, so it has not yet been put into the parliamentary procedure.

The Mini Jobs Act (2011) should have regulated paid, temporary or occasional work (or time-limited work in a longer period) performed by students, retired people, unemployed persons and other inactive people. In that act, mini jobs were limited in duration and annual earnings, which was positive. It was primarily aimed at regulating student work, which is the most widespread precarious form of employment in Slovenia.

Student work is income tax-exempt work up to €3,100 year. It is also appealing to employers due to absence of strict conditions for starting and ending the engagement of students, low labour cost (low hourly rate, exemption from payment of social



security contributions and, until the end of 2008, pay-roll taxes). Students are very flexible (in terms of working conditions, especially working time – prepared to work in the evenings, over the weekends, etc.) and since they are not working through a regular employment contract the employers do not have many obligations towards them (Trbanc 2009). Student work has outgrown its initial frame and has become a competitor to regular forms of work (MoLFSA 2010b). Since a great number of students occupy workplaces on a temporary basis, jobs are not available to (these same) young people after having completed their education. There is also a certain degree of fraud associated with student work too, since sometimes it is actually performed by non-students (relatives and friends, retired persons, etc.).

According to "each work counts" principle, mini jobs were meant to be subject to payment of some social security contributions (for pension and health care insurance). Hours of work (their full-time equivalent) would have been counted in years of service and in the pension insurance period while the earnings would not have been counted in the calculation of the pension base. The regulation of mini jobs would have been favourable for employers, too, due to lower labour cost and a more simple administrative procedure compared to employment contract. It would also have contributed to the labour market flexibility at co-current guarantee of the basic social security rights.

The Public Finance Balance Act (2012: Article 130) raised the concession fee paid from student work from 14% to 25%, thereby considerably reducing the cost competitiveness of such work. The collected funds will be earmarked for educational grants.

Rigid contractual arrangements strongly protecting the employees do not prove to be more reliable than the flexible ones. They result in less formal employment, more precarious work arrangements and more informal economy since in these ways the employers are trying to protect themselves too. With the aim of realising the flexicurity concept, the Employment Relationships Act will be amended. The Government presented the Draft revisions of the Employment Relationships Act (2010) and launched a public debate in March 2010, but it faced a strong resistance by the trade unions, so there has been no progress in negotiations. According to the Government's proposal of the revisions, the period of notice is to be shortened and the highest severance pay decreased. In order to compensate for higher labour market flexibility, the Labour Market Regulation Act (2010) has already introduced more security in the form of a milder condition for entitlement to unemployment benefit and a higher unemployment benefit in the first three months, which would particularly benefit young people.

The foreseen amendments to the Employment Relationship Act would "approximate/unify different types of contract relationships, particularly from the aspect of rights and obligations, in particular with regard to payment of contributions and the conditions existing upon termination of work (reducing the costs of hiring and firing in cases of indefinite employment contracts, severance pay, establishment of a severance payment fund). It is foreseen that unnecessary formal procedures, which the case-law has proved to be excessive obstacles to firing, will be withdrawn (GRS 2011a: 36). These changes would enable a decrease in the labour market segmentation according to the type of work contract.

## **2.3 Access to quality services**

### **2.3.1 Social security services**

The Draft Social Security Services Act (2010) was presented in December 2010 and the public debate was foreseen until February 2011. Currently there is no mentioning of that draft/act at the website of the Ministry of Labour, Family and Social Affairs. The basic purpose of that act was to guarantee access as well as efficient and quality provision of various forms of support to individuals, families and the risk population groups. The new system would to the greatest possible extent take account of the people's needs and react to them appropriately and quickly. It would also enable people's active cooperation. The variety of services and providers would increase (MoLFSA 2010c).

A draft National Programme on Social Security 2011-2020, aimed at upgrading the quality of life of families and individuals, was submitted for public discussion until early September 2011. It refers to the ten-year period in order for it to be compliant with other development documents, especially the National Reform Programme and the Europe 2020 strategy. Its purpose is to ensure social inclusion of all population groups, decrease the risk of poverty and upgrade social assistance services. In order to decrease the risk of poverty, the draft Programme foresees incentives for inclusion of the social assistance beneficiaries into the active employment policy measures and the programmes of psychosocial rehabilitation. Other measures include stimulating the development of various preventive programmes and increase in the number of preventive programmes for the promotion of solidarity, non-discrimination and decrease in inequality in all areas of life and work (SPA 2011c). According to the draft National Programme on Social Security, the providers of services would have a greater autonomy, while users would have a say in the planning and implementation of services.

### **2.3.2 Employment and training services**

The employment and training services are presented and evaluated in Section 2.2.2.

The Labour Market Regulation Act (2010) has introduced: (1) new active labour market policy measures, such as job rotation and job sharing, (2) new providers of the ALMPs programmes, (3) inclusion of social partners at the local level, and (4) systematic monitoring and evaluation of active labour market policy measures. The responsibility of employment counsellors has been increased and services vary according to the situation of individual job seekers. Cooperation between the Employment Service of Slovenia and Social Care Centres has become obligatory (Kump 2010).

### **2.3.3 Housing support and social housing**

The situation in the housing market in Slovenia has not improved in the recent decade. It has been characterised by the limited availability and affordability of housing for young people: long waiting lists for social housing, insufficient availability of favourable housing loans, poor development of the private rental sector, insufficient availability of student housing, and absence of a co-operative sector. House purchase is usually possible only through intra-family transfers. Renting of housing in the private sector is expensive while social housing is of a low quality (Cirman 2006). In order to improve the position of tenants, more non-profit/social housing should be available.

With the amended Housing Act (2008) the rent subsidies were made available also to those renting at market prices and having applied for non-profit housing if they fulfil income and means conditions applicable to the recipients of subsidised rent in non-

profit housing. The Human Rights Ombudsman (2011) has been warning of inappropriate income census that should be raised in order to enable more people to apply for a rent subsidy.

According to the Act on the National Housing Savings Scheme and Subsidies for Young Families Solving their Housing Problem for the First Time (2007), a young family<sup>22</sup> qualified for an income-tested subsidy when for the first time resolving its housing problem by purchasing, constructing, reconstructing or changing the purpose of existing premises or buildings. The subsidy was granted per family member for a maximum of eight years. In June 2011 the subsidy was decreased from €300 to €120 per family member (Sklep ... 2011), which was expected to result in a decrease or a slow-down in the solving of a housing problem of young families. The Public Finance Balance Act (2012) abolished the national housing savings scheme<sup>23</sup> and subsidies for young families solving their housing problem for the first time. According to Minister of Infrastructure and Spatial Planning, the two programmes cost a lot without having any proper impact. In the future the Government intends to increase accessibility by providing more apartments for rent and subsidising housing costs of persons will low income (Križnik 2012).

There is very little evidence, data and reporting in general on the developments in social housing in Slovenia. The demand for social housing is exercised and observable only when public tenders for allocation of social housing are open. Unfortunately, there is no comprehensive data for all local authorities in Slovenia (Mandič 2010).

The main impact of the financial and economic crisis in the period 2008-2010 was that, due to reduced financial resources, the level of fitting of a housing unit prior to its allocation has decreased to a minimum (Mandič 2010).

The NRP 2012-2013 promises to improve the housing conditions of the Roma people. The Government "will update the current incentives addressed to municipalities to purchase land and provide basic public utility services in Roma settlements, and link them with the incentives to expedite the spatial planning of Roma settlements. This will also speed up the legalisation of Roma settlements, a prerequisite for improving their living conditions" (GRS 2012A: 21).

#### 2.3.4 Childcare

All approved programmes of public and private day-care centres/providers are entitled to a subsidy. On average, it amounted 68% in both 2008 and 2011 (Čelebič 2012). Since January 1998, at least 20% of the costs were covered by local communities; this was a basic subsidy. The parent fee amounting to 80% of the costs was thus considered as full payment and was paid by families with a gross monthly income per family member over 110% of the average gross wage in Slovenia. Additional subsidy amounted to 10%-70% of the price, depending on the income per family member as compared to the average wage, and the family property. Families on social assistance were exempt from paying fees altogether. The Exercise of Rights to Public Funds Act (2010), implemented in January 2012, decreased the maximum parent fee to 77% of the price. It is paid by families with a net monthly income per family member over 99% of the average net wage in Slovenia. Families receiving cash social assistance are no more automatically exempt from paying parent fees, but only if their income per family member is below 18% of the (net) average wage in Slovenia.

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<sup>22</sup> The young family is a two- or one-parent family with at least one pre-school child.

<sup>23</sup> It constituted the basis for stimulating long-term housing savings, an increase in the amount of favourable long-term housing credits, as well as subsidising young families solving their housing problem for the first time.

The amended Pre-school Childcare Act (1996; 2008 amendments) substantially increased the public subsidy. From September 2008, childcare was free of charge for the second and any subsequent child from the same family if there were two or more children simultaneously attending childcare; parents paid only for the older/oldest child, and namely the rate for one lower income bracket. A 50% reduction in the payment for children aged 3 years and over was enacted to be implemented gradually between 1 January 2010 and 1 January 2014; thus, from 1 January 2010 the payment will be lower for five-year-olds, from 1 January 2012 for four-year-olds and from 1 January 2014 for three-year-olds, but it has been delayed by intervention acts due to economic and financial crisis.

The supply of pre-school childcare was almost completely meeting the demand until 2008. The access rate in 2008/09 was 49.2% for children below 3 years of age and 84.1% for children aged 3 to 5 years (Ložar 2009). An increase in demand for vacancies has been registered in autumn 2008 following the implementation of the amended Pre-school Childcare Act. In addition to that, the number of births in both 2008 and 2009 was ten per cent higher than in 2007 (SORS). In 2010 there were 10,006 more children included in organised childcare than in 2008. In the school year 2011/2012 as much as 77.6% of all children of the proper age (81,221 children) were included in nurseries/kindergartens: 55.7% of children up to age of 3 years and 92.0% of older pre-school children (Ložar 2012). In the year 2011/2012 Slovenia achieved the EU 2020 target (Čelebič 2012). It is very likely that the demand will decrease from September 2012. In the meantime the facilities have been increasing since the municipalities are obliged to meet the demand which exceeded the number of places by 3,278 in 2008, by 5,173 in 2009 and by 4,882 in 2010 (SORS). The majority of children enrolled in pre-school childcare attend all-day programme (97.7% in the school year 2011/2012). The number of children from socially disadvantaged families enrolled in pre-school education has been increasing (Čelebič 2012).

### **2.3.5 Long-term care services**

Being one of the European countries with a fastest growing elderly population, Slovenia has to adapt its public service capacity to meet the growing demand for places in various kind of accommodation adapted to the needs of the elderly, the elderly care, and other services proving support to the elderly population. For some time now, legislation is being drafted that will regulate the financing of health- and long-term care (MoLFSA 2010a). The system of long-term care for all those who, for various reasons, cannot care for themselves and need the help of others will be comprehensively regulated for the first time. The aim is to meet the demands for greater accessibility and establish a proper ratio between still sustainable level of public expenditure and quality and quantity of services provided to the population (Kmet Zupančič 2011).

Care facilities and programmes – particularly for older and disabled persons - have been increasing through private initiative (mostly part of the public service) and non-governmental organisations (IMAD 2012: 60). Nevertheless, currently about a half of potential demand for care services (either institutional or home-based) cannot be met (MoLFSA 2010a). In the next ten years in Slovenia the number of people over eighty is expected to increase by about 50% (Government Communication Office 2011). One of the positive steps is the Social Entrepreneurship Act (2011). Another two will be the acts that will upgrade the healthcare system by 2020: the Health Services Act and the Health Care and Health Insurance Act.

In the National Reform Programme 2012-2013, commitments regarding long-term care are very general and have been repeated for a number of years without any result: new legislation will be introduced (which has been the commitment for several years), the community forms of social care enhanced, and the development of social

services supported by public works (GRS 2012A: 20). In the draft National Programme on Social Security 2011-2020, the number of beneficiaries of the community care social assistance programmes is expected to increase compared to the number of persons included in the institutional forms of care, allowing people to remain in their living environments (Government Communication Office 2011; SPA 2011c).

### **2.3.6 Health services**

In July 2011, the Government approved the document "Upgrade of the Health System up to 2020 – A Step Forward" (Nadgradnja ... 2011) aimed at achieving a sustainability of the health system along with the preservation and improvement of a high quality level as well as geographical and financial accessibility of health services for all inhabitants. Preserving universal access to necessary and professionally justifiable healthcare services and rights stemming from health insurance is one of the primarily objectives of the foreseen healthcare reform.

On 20 October 2011 the Parliament urgently approved the Act Amending the Health Care and Health Insurance Act (2011) that guarantees universal health insurance to the children in Slovenia. Namely, children of the employed persons whose employers failed to pay social security contributions were not covered by health insurance. With more such cases being discovered in recent years, the adequate regulation had been foreseen to be provided by the new Health Care and Health Insurance Act which has been delayed (SPA 2011a).

In the Social Benefits Act (2010), implemented in January 2012, two new entitlements are directly linked to the social assistance beneficiary status: the beneficiaries do not have to pay the contributions for mandatory health insurance and the difference to the full cost of health services (not paid through mandatory health insurance). This is important because of a decrease in the percentage of the price of certain health care services that is covered from the mandatory health insurance (from 25-40% to only 10% (IMAD 2012: 59).

A gradual reduction of waiting times is the only concrete measure foreseen in the National Reform Programme 2012-2013, but the way to achieve it is not well explained (the use of information technologies will standardise work processes is the explanation given) (GRS 2012A: 20-21).

## 3. Financial Resources

### 3.1 National resources

The revised 2011 state budget and the 2012 state budget, adopted in 2010, did not foresee any reduction in the provision of social services compared to 2010, but rather an increase in beneficiaries of many of these services (Revisions of the 2011 Budget of the Republic of Slovenia, 2010; The 2012 Budget of the Republic of Slovenia, 2010). In July 2011, the Ministry of Labour, Family and Social Affairs announced that, in the coming years, spending on social security would remain unchanged as the share of GDP while efforts would be made to increase the efficiency of projects (Government Communication Office (2011c)). The intervention acts adopted in 2009-2011 only limited or abolished the adjustment of social benefits without changing their levels or entitlement rules. It was only with the Public Finance Balance Act adopted in the end of May 2012 that national resources for benefits and services in the area of active inclusion were cut down.

Consequently, expenditure on social benefits and other kind of cash and in-kind support was increasing in the period 2008-2011. In the state expenditure on social benefits, family- and children related transfers accounted for 10.1% in 2008, 10.6% in 2009 and 10.5% in 2010. Unemployment related social transfers accounted for 1.7% in 2008, 3.1% in 2009 and 3.7% in 2010. Cash and in-kind social benefits increased by 2.2 percentage points of GDP in 2009 (which was also due to a decrease in GDP in that year) and by further 0.7 percentage point of GDP in 2010. In 2011, an increase was almost fully due to an increase in the number of unemployed and socially threatened (IMAD 2012: 45-47). Considering a negative trend in GDP in 2012, the share of social transfers might increase in 2012 too, causing serious problems for public finances. However, the final outcome will depend on the impact of austerity measures implemented in June 2012.

Spending on active employment policy measures is evident from Table 1.

Public expenditure on long-term care accounted for 0.91% of GDP in 2009 (IMAD 2012: 180). Public expenditure on pre-school education increased by 0.56 percentage points of GDP in 2009 (IMAD 2012: 61). This was due to a higher number of providers, classes and children. Further increase will be caused by higher number of births and a consequent need for more vacancies.

The Public Finance Balance Act (2012) is supposed to decrease expenditure from the state budget:

- on housing subsidies to young families and housing saving by €3.1 million annually in 2012, 2013 and 2014;
- on pre-school childcare by €5.3 million in 2012 and €21.5 million in both 2013 and 2014;
- on school snacks subsidies by €4.7 million in 2012 and €19.0 million in both 2013 and 2014;
- on cash social assistance by €3.4 million in 2012, €19.5 million in 2013 and €21.4 million in 2014;
- on family benefits by €4.3 million in 2012, €44.0 million in 2013 and €44.9 million in 2014;
- on tertiary student meals by €1.3 million annually in 2012, 2013 and 2014;
- on state educational grants by €0.5 million in 2012 and €0.75 million in both 2013 and 2014 (GRS 2012b).



In the revised 2012 state budget there are €34.3 million less (€316.19 million) for various kind of social assistance and €13.7 million less for various family benefits, including parental leave compensation (€647.75 million) (Special part of the draft 2012 state budget).

In the revised 2012 state budget there are also €7.35 million less (or €149.34 million) for the ALMPs. For instance, there will be €7.68 million less (€36.54 million) available for counselling and assistance in job search and €5.6 million less (€39.68 million) for social inclusion and social entrepreneurship. On the other hand, there are €7.2 million more (€44.24 million) available for promotion of employment and self-employment. Also, €80.33 million more (€284.64 million) have been allotted for social security of the unemployed (Special part of the draft 2012 state budget).

### **3.2 Municipal resources**

Municipalities, the key providers of social housing, have witnessed various degrees of revenue decrease, which has had impact on their financial resources for housing (the Public Housing Funds). Mandič (2010) reports that in the Municipality of Ljubljana, for instance, the financial resources for housing have decreased by 50% in the period from 2008 to 2010 (due to a decrease in the municipal budget as a consequence of lower tax revenues and the change in funding of municipalities from the state budget). In April 2012 the Municipality of Ljubljana announced that housing loan payments would no more be subtracted from the family income when deciding on the parent fees for childcare. Consequently, families will move to higher income brackets and have to pay higher fees (Suhadolnik 2012).

### **3.3 Use of EU Structural Funds**

The European Social Fund (ESF) has co-financed the ALMPs in Slovenia. It has also co-financed some of the programmes aimed at the development and modernisation of the Employment Service of Slovenia (ESS). In 2011 these projects were: Project Office – Modernisation of the ESS; Contact Centre; Promotion of Employability, Education and Social Inclusion of Migrant Workers and Their Families; National Coordination Point for Life-long Career Orientation; Development and Promotion of Services and Instruments for Life-long Career Orientation of the Unemployed, Other Job Seekers and the Non-active; Introduction of Electronic Documentation System in the ESS; and EXPAK.AT.SI (ESS 2012).

In the framework of the Operational Programme of Human Resources Development for the period 2007-2013, the European Commission certified its co-financing amounting to €3.2 million in 2009 and €104.7 million in 2010. Out of the total amount in 2010, €30.0 million were spent on the promotion of entrepreneurship and flexibility, €34.3 million on the promotion of employability of job searchers and the non-active, €23.5 million on the development of human resources and life-long learning, €2.1 million on equal opportunities and promotion of social inclusion, while the rest was spent on institutional and administrative capacity and technical assistance (ESS 2010 and 2011).

According to the Annual Reports of the Employment Service of Slovenia (ESS), the ESF has financed their programmes as shown in Table 2.

**Table 2: ESF's co-financing of the ESS's programmes and reforms (€ million)**

	Year			
	2008	2009	2010	2011
Programmes	8.0	31.7	44.8	46.3
Institutional reform	-	0.1	2.0	3.4
Total	8.0	31.8	46.8	49.7

Sources: ESS 2009, 2010, 2011 and 2012.

A relatively great number of pilot social enterprises were financed from ESF in 2010 and 2011, prior to the implementation of the Social Entrepreneurship Act (2011) in 2012 (Česen 2012).

Two examples of good practice are presented in Section 4.1. Seven more can be found in Černigoj and Koren (2011: 14-16).

## 4. Monitoring and evaluation

Through the Economic and Social Council of the Republic of Slovenia (ESC) the social partners have a formal possibility for active engagement in the evaluation of the active inclusion strategies. However, the impact of their engagement to a large extent depends on the amount and quality of information they are provided with. Due to that, trade unions (in particular) and employer associations conduct their own small-scale research, which sometimes happens to be one-sided, unreliable and limited in scope.

The National Reform Programmes and the National Social Reports have a rather important role in the monitoring and evaluation of active inclusion strategies. If nothing else, they ask for a periodic and systematic overview of challenges, developments and realisation of tasks set in the year before. Explanations have to be provided for delays or inactivity in a certain area, which may lead to a better identification of obstacles and ways how to remove them.

### 4.1 Social experimentation/innovation

Social experimentation/innovation has been used in the development of active inclusion measures. This is particularly true in the field of labour market inclusion, though the new approach to granting social benefits – based on the Exercise of Rights to Public Funds Act (2010) – may also be considered a social experiment. For instance:

MOSAIC - Association for Social Inclusion has been implementing an alternative strategy of social inclusion of vulnerable social groups on the basis of their training and employment in the developmentally perspective activities that are related to ecology and based on natural and cultural heritage of the Pomurje region. In this way they will improve the possibilities for the employment of vulnerable social groups (persons hard to employ and the disabled in particular) in activities such as ecological agriculture, ecological foodstuffs processing, traditional building, and environmental care (Pronay 2011; MOSAIC 2011a and 2011b).

In order to reintegrate (train and employ) the homeless, the first thrift store »Old Goods, New Use« was opened in 2010 in Ljubljana by the Kings of the Street - Association for Help to the Homeless and their Self-Help (Kralji ulice 2011). Donated goods are sold at low prices (mostly to people who would not be able to buy new and more expensive goods) and the income is used in accordance with the Association's



aims: for social integration of the marginalised groups, development of humanitarian activities, ecological purposes, etc.

## 4.2 Evaluations of active inclusion measures

Macroeconomic modelling was used for assessing the impact of planned revisions in the social policy regulation and structural reforms. As to our knowledge, expertise of researchers from the Institute of Economic Research, Ljubljana, and the Faculty of Economics, University of Ljubljana was used. This narrow co-operation between the Government (ministries) and experts (economists) has been continuously going on for several years. The results/studies are generally not made public unless the Government decides to use them as arguments in the documents and information it provides, or in the debate.

The revisions of the minimum wage and the minimum income, as well as the regulation of entitlements to benefits from public sources – all approved in 2010 - were also based on studies, simulations and evaluations provided by experts from the Institute of Economic Research, Ljubljana, and the Faculty of Economics, University of Ljubljana, but are not made available to the general public. A review of the basic amount of minimum income was performed in 2009 in order to check its suitability eight years after its introduction (Stropnik et al. 2009). The results were also a basis for the revised minimum wage level, effective from March 2010. Kump (2011) has used the Slovenian static microsimulation model for the evaluation of effects of the social benefits reform for the beneficiaries.

Unfortunately, it has not been possible in Slovenia to properly evaluate and monitor the distributional and social impact of the social benefits reform (neither *ex ante* nor *post festum*) because of the lack of an appropriate merged database. The best available one consists of too old data and, what is most important, it does not contain the data on savings and assets. Namely, starting from 2012, these two elements are seriously and consistently taken into account, along with the income data, when stating the entitlement to various social transfers and their amount.

New regulation (Labour Market Regulation Act 2010) introduces systematic monitoring and evaluation of active labour market policy measures. In its 2011 recommendations on the National Reform Programme 2011 of Slovenia (EC 2011: 6), the European Commission encourages the evaluation of the effectiveness of the Public Employment Service (career guidance and counselling services in particular) in order to improve the matching of skills with labour market needs (recommendation no. 5). Currently, an assessment of the active employment policy key programmes is going on.

The Institute for Economic Research participates in the 7th Framework Programme research project »ANCIEN (Assessing Needs of Care in European Nations)«. The results so far include the objectives of the long term care policy in Slovenia and evaluation of the supply of and demand for formal and informal long term care.

## 5. Recommendations

Priority actions to strengthen integrated comprehensive active inclusion strategy:

- Regulation adopted in recent years has so far contributed to higher income security of the unemployed, but not also to high labour market flexibility. Social partners should intensify negotiations on the Employment Relationships Act revisions in order to start removing reasons for high labour market segmentation.
- There is an urgent need for adopting relevant regulation in the field of long-term care in order to ensure availability and affordability of services, as well as financial sustainability of the system in the conditions of rapid population ageing.

Priority actions to strengthen policies/measures:

- Since the available databases did not allow proper ex-ante evaluation of the impact of new regulation of non-contributory social benefits implemented in January 2012, and following the implementation of first serious austerity measures in June 2012, a continuous and detailed evaluation of social consequences is needed.
- Currently low inclusion rate of groups hard to employ (particularly older and low-educated persons) in the ALMPs should be increased considerably.
- The Employment Service of Slovenia should be modernised in order to improve the results regarding early detection of obstacles for employment and increase its efficiency in matching the labour market supply and demand. The evaluation of its performance should not take too long.
- Life-long career orientation has to be further developed in order to alleviate a mismatch of skills and the labour market needs in the future, otherwise a strong need for other ALMPs will continue also in the situation of labour shortage.
- Long-term care facilities should be increased in order to meet a growing demand, and diverse services should be developed taking into account a variety of needs.

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## Annex 1: Summary tables

Table 1

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work		X		X				X		X		
For those who cannot work	X			X				X		X		

Table 2

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work	X			X				<b>A very rough average for all services</b>	
For those who cannot work	X				<b>Not applicable</b>			<b>A very rough average for all services</b>	

