



# Slovenia seeking consensus on pension reform through a White Book on pensions

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## Description

*A “White Book on pensions” was presented by the Slovenian government to the public on 13 April 2016. It represents the basis for a public debate on a new pension reform. The cornerstones of the proposals include equal conditions for both genders, rising pensionable age, indexation with inflation, points system and development of the second pillar.*

The Slovenian pension system is far from being sustainable in the long-run (Majcen and Sambt, 2014). The sustainability of Slovenian social security systems will be under severe pressure due to the population ageing caused by a low fertility rate, increasing life expectancy and a decreasing share of the active population. According to the Eurostat projections, the share of Slovenia's population aged 65+ will rise from 17.3% in 2013 to 29.4% in 2060. This will be due to an increase in life expectancy at birth by slightly more than seven years (by about six years at age 65) and one of the world's lowest total fertility rates (1.2 in 2003, raised to 1.55 in 2013). Already in 2000 the ratio of insured persons to pension recipients had been critically low (1.8), and it decreased to 1.37 in 2015. In the last 25 years the new cohorts were on average 20% smaller than before, so Slovenia can expect about 125 thousand fewer persons of working age. Together with the retirement of the “baby-boom” generation this will cause a continuous negative pressure on the sustainability of the pension system after 2025.

Regarding the adequacy of pensions, three negative processes could be detected: incomplete or repeated freeze on pension indexation within the period 2010-2016, changes in the social assistance benefits and increasing number of persons working part-time or

on fixed-term working contracts. The first has a negative and long-term effect for all the existing pensioners. The second additionally negatively influences the adequacy of pensions for pensioners with low pensions and older persons whose state pensions has been replaced by a permanent cash social assistance. The third extends the adequacy problem to the future years. According to our own estimations, actual net replacement rates reveal this negative trend in the coming decades – from 0.609 for women and 0.588 for men in 2013, they are expected to steadily decline towards 0.527 and 0.528 respectively in 2060 (White book on pensions, 2016a).

In April 2015 the Slovenian Government established an expert Working Group with the task of preparing a White Book on the pension and disability insurance reform. The Working Group's specific tasks were to: a) analyse the current situation concerning pensions and disability insurance, b) analyse the effects of the 2012 pension reform, and c) draft a list of potential solutions that would ensure fiscal sustainability of the pension system and adequate pensions. The Working Group's Final Report was presented to the public on 13th April 2016 (White book on pensions, 2016a and 2016b).

The most important proposed potential solutions are: equal retirement

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conditions for both genders; increase in pensionable age to 67 years and 15 years of insurance period; pension assessment base calculated from the best 34 years; introduction of a point system; indexation of pensions by the consumer price index after a transition period of 20 years; bonus for work beyond 40 years of insurance period; abolition of early age retirement and actuarial penalties; inclusion of earnings from any type of work into the base for payment of social contributions; equal treatment of all types of work as concerns payment of the social security contributions; search for additional income sources for contributions payment (apart from income from work); more active approach to raising people's awareness of the importance of supplementary pension insurance; and (possibly) introduction of compulsory supplementary pension insurance schemes.

So far, there has been no (negative) reaction from the political parties, social partners, general public or even press. The only exception has been the criticism expressed by the President of the coalition Democratic Party of Slovenian Pensioners.

## Outlook & Commentary

The need for a new pension reform is obvious, and the White book on pensions, as an expert basis, was an important first step.

The Government's approach to this issue has been a proper one. It did not launch a new proposal for the pension reform but rather prepared a comprehensive analysis of the demographic projections and their impact on the long-term sustainability of the pension system. Additionally, for each component of the pension system a list of possible solutions and open issues for further

discussion has been prepared together with estimated impact on long-term sustainability and adequacy of pensions. It has also recognised the urgent need for labour market reform related to the future pension reform – a special report on proposed adequate solutions on the labour market will be prepared by the Ministry of Labour, family, social affairs and equal opportunities. The Government emphasised that a consensus will have to be reached among the social partners regarding the proposed revisions and solutions. With enough time available and with no adverse reactions from the social partners so far, we can expect a constructive negotiation process and a final version of the new pension reform that will meet the planned objectives.

The Slovenian tripartite Economic and Social Council has recently decided to establish a working group that will examine the content of the White Book and try to find a consensus regarding the proposals presented in it, starting in July 2016.

### Further reading

Majcen, B., and Sambt, J., Estimation of the long term needs of the pension system [Izdelava ocene dolgoročnih potreb pokojninskega sistema], Institute for Economic Research, Ljubljana, October 2014.

White Book on pensions [Bela knjiga o pokojninah], Ministry of Labour, Family, Social Affairs and Equal Opportunities, Ljubljana, April 2016a. Available at:

[http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti\\_pdf/dpd/Bela\\_knjiga\\_o\\_pokojninah.pdf](http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti_pdf/dpd/Bela_knjiga_o_pokojninah.pdf)

The Key findings of the White Book on pensions [Ključne ugotovitve Bele knjige o pokojninah], Ministry of Labour, Family, Social Affairs and Equal Opportunities, Ljubljana, April 2016b. Available at:

[http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti\\_pdf/dpd/Povzetek\\_-\\_kljucne\\_ugotovitve\\_Bele\\_knjige\\_o\\_pokojninah\\_130416.pdf](http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti_pdf/dpd/Povzetek_-_kljucne_ugotovitve_Bele_knjige_o_pokojninah_130416.pdf)

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