



Slovenia abandons cuts to family benefits

ESPN Flash Report 2019/07

NADA STROPNIK – EUROPEAN SOCIAL POLICY NETWORK

JANUARY 2019

Description

Fiscal consolidation measures implemented since mid-2012 reduced the levels of family benefits and income ceilings for entitlement, as well as paternity/ parental leave salary compensation. Low-income families were exempt. Family benefits were not adjusted to inflation. These measures were finally abandoned on 1 January 2019.

Based on political and public consensus, Slovenia had been upgrading the family policy it inherited from the socialist period after independence. In 2012, for the first time, the trend in family policy was reversed. Important austerity measures with no pre-evaluated social impact were implemented on 1 June 2012 (Public Finance Balance Act, 2012).

The levels of most family cash benefits, subsidies and paternity/ parental leave salary compensation, as well as income ceilings for entitlement to family benefits, were temporarily lowered. The birth grant and the large-family allowance, to which all families were previously entitled (all large families for the latter), were restricted to beneficiaries with a per capita income below 64% of the average wage in Slovenia. Child allowances were reduced by 10% for beneficiaries with a per capita income over 42% of the average wage, and were no longer paid to those with a per capita income of 64% or more of the average wage. Family benefits were no longer adjusted to inflation.

Parental and paternity leave salary compensations were temporarily decreased to 90% of the amount on which social security contributions were paid in the previous 12 months, if that basis was €763.06 or above. The ceiling was also lowered from 2.5 times to 2 times the average wage in Slovenia. The Act on Emergency Measures in the

Field of Labour Market and Parental Care (2013) set the same ceiling for maternity leave salary compensation, which used to be unlimited.

A permanent cut was made to the early childhood education and care (ECEC) subsidy. Free ECEC for the second child in families with two children in ECEC at the same time (in force since 2008) was replaced by a subsidy amounting to 70% of the ECEC fee.

Two positive permanent changes in family policy were brought in by the Public Finance Balance Act (2012). The first one is a parental fee subsidy paid from municipality budgets to registered childminders caring for children on the childcare centres' waiting list (the municipalities publish central waiting lists for places in public childcare centres in their territories). The subsidy amounts to 20% of the cost of the ECEC programme in which the child would be included if there were enough vacancies. The second one is a slight increase in the parental allowance (received by those who are not entitled to the maternity and parental leave salary compensation), which was also linked to the net minimum wage level.

The temporary measures should have been in force until the year that follows the year in which economic growth exceeded 2.5% of GDP, which was the case in 2014. The Act Amending the Exercise of Rights to Public Funds Act (2015) was adopted in November 2015. It annulled some of the cuts in child allowances, but at the same time

LEGAL NOTICE

This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

introduced an additional condition for annulling the remaining financial consolidation measures. These were to remain in force until the year that follows the year in which both the economic growth exceeded 2.5% of GDP and also the annual increase in the employment rate in the age group 20-64 years exceeded 1.3 percentage points. Both conditions were fulfilled in 2017.

As GDP had been continuously growing since 2014 (by as much as 4.9% in 2017), a birth grant was already received for each child born in 2018 (Act Amending the Parental Protection and Family Benefits Act, 2018). The remaining temporary measures, including the ban on adjustments for inflation, were abandoned on 1 January 2019.

Outlook & commentary

With the lowering of income ceilings for entitlement to family benefits implemented in June 2012, income-tested child allowances became even more targeted while formerly universal rights (the birth grant and the large-family allowance) became income-tested. This divergence from the long-term trend in family policy was strongly criticised in society, and NGOs, experts, politicians and the general public frequently called for the annulment of these money-saving measures. There was particularly fierce

opposition to the Ministry of Finances' intention, in November 2018, to continue with the financial consolidation measures in family policy, and even to abolish child allowances for lower middle-income families as well as the large-family allowance with a view to reining in the 2019 budgetary outlays. The general public, NGOs, political parties (including those in the coalition government) and the minister responsible for family herself joined the protest, which led to a halt in the discussion of further budgetary cuts affecting families.

It is true that the fiscal consolidation measures did not affect (most of) the families who were already experiencing poverty and social exclusion, or were at high risk of becoming poor or excluded, since these families were exempt from cuts in entitlements. The lowest income threshold for any entitlement was a per capita income of 42% of the net average wage (€414.70 in 2012). Most of the negative impact was borne by individuals and families on a medium (but, in absolute terms, barely sufficient) income. Without child allowances and a full ECEC subsidy for the second child, in particular, these families had suffered a considerable reduction in their disposable income, and were at increased risk of poverty and social exclusion.

Further reading

Zakon o spremembah in dopolnitvah Zakona o starševskem varstvu in družinskih prejemkih (ZSDP-1B) [Act Amending the Parental Protection and Family Benefits Act] (2018), Official Gazette of the Republic of Slovenia, No 14/2018: <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2018-01-0587?sop=2018-01-0587>

Zakon o spremembah in dopolnitvah Zakona o uveljavljanju pravic iz javnih sredstev (ZUPJS-E) [Act Amending the Exercise of Rights to Public Funds Act] (2015), Official Gazette of the Republic of Slovenia, No 90/2015: <http://www.uradni-list.si/1/objava.jsp?sop=2015-01-3503>

Zakon o interventnih ukrepih na področju trga dela in starševskega varstva (ZIUPTDSV) [Act on Emergency Measures in the Field of Labour Market and Parental Care] (2013), Official Gazette of the Republic of Slovenia, No. 63/2013: <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/114178>

Zakon za uravnoteženje javnih financ (ZUJF) [Public Finance Balance Act] (2012), Official Gazette of the Republic of Slovenia, No. 40/2012, with amendments: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6388>

Author

[Nada Stropnik](#) (Institute for Economic Research)