



Strategija razvoja slovenije
Slovenija **jutri** 

A modern
welfare state

Where we stand today

Judging by the system of social security and, relatively, also by the attained living standard, the risk of poverty and income inequality, Slovenia is among those EU member states with favourable labour market conditions. The standard of living is improving, while the risks of poverty rate and income inequality are decreasing, and are currently among the lowest in the European Union.

Slovenia's system of social protection successfully buffered the shocks of transition in the 1990s. The systems of social protection have been adapted to the needs of the population, and provide a relatively high level of protection. Health insurance and health security yield relatively favourable results; however, in view of the high share of gross domestic product (GDP) which the health system accounts for, and increasing expenditure resulting from population ageing, there is a growing need for a more effective use of funds. Access to public goods and services is improving; however, some deficiencies remain to be dealt with, including the most problematic ones: the exclusion of part of the population from health insurance, long waiting lists for certain health services, and non-uniform regulations stipulating services for people needing long-term care.

According to the latest data, Slovenia spent

24.8 per cent of GDP within general government expenditure on social security in 2003, while the EU average for the same period stood at 28 per cent of GDP.

While the budgetary burden is still acceptable, projections show that, due to population ageing, it can increase quickly. Therefore, systems will need to be adapted to the future demographic structure (the pension system has already undergone a more long-term reform). Population ageing also changes the relative significance of individual systems. As the number of elderly people increases, so does the need for long-term care. For the current and next generations, the pension insurance system buffers these pressures by delaying the age of retirement, and with additional insurance schemes, should provide sufficient income after retirement.

Labour market trends are positive: the employment rate is increasing, approaching 66 per cent, unemployment is slowly declining, and through temporary and part-time employment the labour market is becoming more flexible. The problems which persist are structural unemployment, especially among the older population, a relatively high level of inflexibility with regard to employment security under current employment and other legislation, and insufficient interest in life-long learning. The supply and demand of labour are unbalanced. The percentage of

long-term (more than one year) unemployed people is high, which proves that the labour market is not flexible enough, and that it is difficult to find work once a job has been lost. There are also many unemployed among the young, which shows that too few new jobs are being created, and that first job seekers have difficulties finding work.

The system of social transfers (various social benefits from budget funds) is vast and complex, and in many cases fails to encourage citizens to work. In Slovenia, there are over one hundred types of social benefit, which at present are obtained from different institutions. Similarly, the income considered in determining eligibility for receiving benefits is categorised in various ways. The property of the beneficiary is only considered when determining a small number of benefits. Family members or household members are defined differently, which also influences decisions on eligibility. Because of the lack of transparency within the system, users present their situation differently, and not infrequently fail to provide all the relevant information. Consequently, the authorities demand more and more documents, which, needless to say, leads to dissatisfaction among applicants.

Financial benefits make up the majority of social transfers. The coordination of cash entitlements is carried out in different ways: with regard to consumer goods prices, the minimum wage, net salary, the average net salary per capita in the Republic of Slovenia, the starting wage in the non-business sector, business sector salaries, reference prices, available budget funds, the holder of the social insurance policy, or the local community. Such variegated and inadequate ways of coordinating social transfers give rise to certain inconsistencies and injustices, and cast doubt on the sustainability of funding.

Citizens who are left without any means of subsistence are ensured minimum subsistence funds through their right to financial benefits. The majority of people who are receiving cash entitlements are unemployed. Among them, the most rapidly growing group comprises people with higher and university education, i.e. young first job seekers. Many of the unemployed literally cannot find suitable work, and under the current legislation, they are not obliged to accept work which is deemed unsuitable or inappropriate. People who work, and thus provide for themselves on their own, see the passive conduct of the recipients of cash benefits capable of work as an injustice.

What we seek to achieve

Social reforms focus on four fundamental areas:

- the labour market, where we seek to improve its flexibility, encourage employment, and increase active job search and employment;
- social transfers, where our primary goal is to establish a system that will offer more motivation for work and at the same time be more socially just;
- the pension system, where we seek to offer more incentives for prolonged employment, ensure the long-term sustainability of the system and increase the scope of pension insurance;
- the health care system, where the primary concern is to ensure that the current standard of public health services will not have to be lowered as a result of growing costs. Therefore, existing resources will need to be managed more efficiently on both macro and micro levels.

These changes do not imply sacrificing the welfare state or threatening rights, but creating a more just and sustainable welfare state that would encourage people to lead more active lives. The changes are imperative, mainly because of globalisation and the ageing of Slovenian society. Both require adjustments to the social system, not only in Slovenia, but in all European countries.

Social transfers

With regard to social transfers, changes are aimed at simplifying and standardising the current and highly complex system of social entitlements, which at times allows for the unjustified accumulation of benefits, and creates conditions in which individuals, after they have been deprived of their benefits or these have been reduced, are not interested in employment. By reforming the system of social transfers and the labour market, we seek to establish an environment that will encourage people to be active, and in which they will find work more easily and faster, and at the same time enjoy the necessary level of social protection. The fundamental change we seek to achieve in this respect is to encourage unemployed people and beneficiaries of social transfers to actively seek work, develop their potential, and accept occasional and temporary employment, as well as other work which does not necessarily mean employment, but does mean being active. A more transparent and simplified system of social transfers will ensure support to those who really need it, meanwhile, the exploitation and abuse of the system of social rights, which is quite common today, must be prevented.

Integrating records

Integrated records result in better decision-making by the competent authorities, and greater transparency, and also facilitate the easier tracking of changes. With regard to this, the tracking of enquiries must also be done in order to limit the possibility of service providers abusing data access.

The one-stop-shop principle

Social work centres would become access points based on the 'one-stop-shop' principle. In this way they would have the ability to decide on a greater number of benefits, and provide basic information even on benefits not directly within their competence. This would enable simplified and transparent procedures, and a more rational use of funds.

Harmonising factors that influence decision-making on social benefits

Inconsistencies within the system and cases of manipulating information to make it most favourable for an individual with regard to a specific benefit will be eliminated when uniform definitions of all or the majority of benefits are introduced.

Harmonising procedures for determining levels of social assistance

It is expected that in the future, all financial benefits will be determined in a uniform manner, i.e. the majority on the basis of price rises of consumer goods, and some on the basis of pay increases.

Increasing opportunities for active job search and preventing the pitfalls of unemployment and inactivity

The measures are aimed at creating additional opportunities for the unemployed to remain active. The powers for determining activity and peoples' willingness to work would be transferred entirely to employment offices. Financial benefits would be available only to people who:

- are incapacitated and therefore unable to work;
- cannot find any employment;
- work, but with an income that is too low for subsistence;
- literally cannot survive by working.

Encouraging and providing life-long learning

The fundamental goal is to improve the opportunities of individuals in the labour market, since insufficient, inadequate and unfinished education, and a lack of know-how, skill and qualifications are the main reasons for reduced employability.

Increasing the flexibility of the labour market and facilitating employment

Administrative obstacles and employers' fears of employing new labour must be eliminated. Both employed and unemployed persons must be encouraged to retrain more readily in order to improve their employment opportunities and social security.


How we aim to achieve this

Integrated records will reduce stress on citizens. Decision-making processes regarding benefits will thus be faster and better, while the possibilities for abuse will also be reduced. The single access point system will enable people to obtain benefits on an easier and more straightforward basis. In the future, instead of making multiple trips to the municipal administrative unit, the employment office and the like, a single visit to a social work centre will suffice. Standardised

definitions and considerations of income, property, number of family members, etc. will contribute to more efficient and just decision-making, better system management and sustainability of financing.

In order to prevent long-term unemployment and passivity among the unemployed, a measure is being introduced to compel them, after six months of unemployment, to accept a job that may require a lower level of education (up to two levels lower than the one held by the unemployed person). Unjustified refusal of employment offered will result in cessation of financial benefits for a period of six months. This is to ensure that recipients of benefits develop working habits, gather experience, improve their social inclusion, and contribute to society by working. An employer hiring an unemployed person (a recipient of cash benefits) will be eligible for a state subsidy of SIT1.5 million (approx. €6,250).

The Government of the Republic of Slovenia will devise and develop motivation programmes in order to stimulate unemployed persons to re-enter formal and informal education, or to join programmes aimed at improving literacy. It will also introduce incentives for companies investing in education and the training of their employees, especially those whose posts could be jeopardised due to inadequate qualifications.



Particular emphasis will be placed on gathering experience, improving knowledge and increasing employment potential.

In addition, the Government of the Republic of Slovenia seeks to reduce obstacles to employment for indefinite periods, and encourage part-time employment and other types of flexible employment. The restructuring of student work will mean that students will no longer enter the labour market without formal work experience. The government programme also foresees fewer regulated professions and, consequently, more employment opportunities.

Calculations made at the time of the Autumn Report and Working Paper 12/2005 (IMAD 2005) show that after the reforms are implemented, employment growth will increase by almost one percentage point, while unemployment will decline faster. The Government of the Republic of Slovenia expects that by 2008, there will be 12,000 more employed persons and 15,000 fewer unemployed persons as the result of the reforms. The government also foresees the creation of an additional 35,000 jobs, and 25,000 fewer unemployed persons by 2010, while by 2013 the numbers are expected to stand at 50,000 and 35,000 respectively.

Much like the rest of Europe, Slovenia is facing demographic changes resulting in increasing life expectancy and a lower birth rate. With regard to these changes, not only the social system, but also the health-care and pension systems must be modified accordingly.

The health system

The main challenge presented by the health system is the finding of a balance between an increasing need for health services and the capacity of the system.

Therefore a more efficient use of existing resources needs to be promoted, and initiatives encouraging more rational behaviour by providers and consumers of health services need to be established, thus facilitating a better meeting of actual needs with available resources.

Our vision is to establish an integrated, safe, quality, transparent and effective health system for Slovenia, which is a prerequisite for the safe mobility of citizens within it.

The objectives of the health system are:

- to ensure the best possible access to health programmes, while making solidarity and social justice two fundamental values;
- to ensure cost efficiency in the entire system;
- to ensure the integrated quality of health services, including cross-disciplinary examinations of patients;
- to ensure its long-term financial sustainability and stability;
- to ensure that it has a uniform and integrated information system.

How we aim to achieve this

To achieve these objectives, ensure a better and more effective health system, and provide the best health opportunities, the goals of health-care policy need to be planned and assessed on the basis of measurable indicators; the system of compulsory health insurance needs to be adjusted; and the practice of public health service providers needs to be improved.

Adjustments to the compulsory health insurance system will provide long-term financial and social sustainability for the system. The extent and rights deriving from compulsory health insurance funds will adapt to the available funds, in line with European standards.

By improving the work of public health service providers, the effectiveness of the health system and the extent and quality of health services will improve. To rationalise the use of limited resources, the management of available resources and staff will improve. We will prepare the necessary analysis of the possibilities for privatisation, the investment of private funds, and private work in hospitals or the entire health system.

The government will provide public services for preventive health care at primary, secondary and tertiary levels. Conditions to facilitate the efficient professional control and protection of patient's rights will be established. The appropriate horizontal and vertical integration of the health system will be established to ensure quality, rational, and, above all, timely care for patients.

A new regime is planned for the long-term care of the elderly and also anyone else who needs it. A new system would remedy the current lack of integration of services and provide equal rights and access to services for everyone.

The pension system

According to the Statistical Office of the Republic of Slovenia (data for 2005), pensioners already constitute more than one quarter of Slovenia's population. The average number of persons included in the compulsory insurance scheme is increasing every year, amounting to 845,842 persons in 2005. Population projections show that in the developed countries, including Slovenia, the number of persons aged 65 or over is predicted to double, accounting for almost one third of the population.

Demographic changes (longer life expectancy, low birth-rate, etc.) and resulting social and economic conditions are clearly reflected in the number of pension beneficiaries and the fact that the number of employed persons who support a single pensioner is decreasing (in 2004 the ratio between insured persons and pension beneficiaries was 1.7 to 1).

Some measures of the pension reform of 2000, which was based on the consensus of all social partners, will only be implemented in 2024, when all its final effects are known. Long-term projections of generation calculations have already shown that the pension reform positively influences the financial sustainability and stability of the pension system, and should therefore be fully implemented.

Even though Slovenia still has the lowest employment rate of older persons and the lowest average age of retirement, the measures stipulated in the pension reform have extended the retirement age by 2.2 years. Due to the effects of changes in the population age structure, particularly after 2020, pressures on financing pensions from public funds will increase.

How we aim to achieve this

For the long-term attainment of the set objectives, radical changes will need to be implemented. The measures proposed in Slovenia's Development Strategy seek to facilitate appropriate and sustainable pensions by:

- increasing the number of insured persons within the entire population and ensuring a financially sustainable pension system based on a model of inter-generational solidarity (earlier inclusion/participation of the young, longer employment of older persons);
- prolonging the active period of every individual;
- additionally adjusting the pension system to current conditions and future trends.

Within the reform package approved by the government the following measures which will additionally improve the environment for a safe and active old age have been proposed:

- more incentives to remain active for a longer period;
- ensuring the payment of contributions to pension insurance from all kinds of individual's incomes, thus increasing the value of contributions to the pension fund;
- forming an appropriate combination of social acceptability and economic sustainability within the compulsory pension insurance;
- systemic separation of collective and individual insurance;
- introduction of additional incentives for voluntary pension insurance.

With these measures the government seeks to enable the older generation to live a full and rich life after retirement, while contributing to Slovenia's sustainable development.



More information:

- Ministry of Labour, Family and Social Affairs: <http://www.mddsz.gov.si/>
- Ministry of Health: <http://www.mz.gov.si/>
- Institute for Pension and Disability Insurance of Slovenia: <http://www.zpiz.si>
- http://www.slovenijajutri.gov.si/fileadmin/urednik/dokumenti/The_Framework_of_Economic_and_Social_Reforms_for_Increasing_the_Welfare_in_Slovenia.pdf
- Slovenija jutri! <http://www.slovenijajutri.gov.si/>

The brochure Modern Welfare State is a part of the Communication Strategy of the Slovenian government. It aims to raise awareness of the implementation of Slovenia's Development Strategy and promote understanding of the impact of economic and social reforms on life in the country.

Published by: Ministry of Labour, Family and Social Affairs, Ministry of Health, Government Office for Growth, and Government PR and Media Office
Issued by: Government PR and Media Office
Design and page layout: Pristop, d.o.o.
Language editing: Secretariat-General of the Government of the Republic of Slovenia,
Translation, Interpreting and Revising Service
Printed by: Mond Grafika, d.o.o.
Print run: 20,000 copies
August 2006





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Public Relations and Media Office**

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