



**GROWING INEQUALITIES AND THEIR IMPACTS IN SLOVENIA**

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## Executive Summary

### **Inequality trends and who is affected**

According to the data, the inequality in Slovenia remained relatively stable and low over the period from independence in 1991 to the end of the 2008, when the current economic crisis hit Slovenia. Furthermore, according to the OECD document (OECD 2011), Slovenia was the most equal among the OECD countries at the international level in the late 2000s with a Gini coefficient of 0.24.

In addition to that, Slovenian households exhibit low indebtedness. Household debt in Slovenia is among the lowest in euro area countries. At the end of 2010, the debt in Slovenian households amounted to 31% of GDP, which is second only to Slovakia, (Noč 2011).

The level of education attainment and position on the labour market are the main drivers of inequality, while the redistributive role of the Slovenian social security system and tax system maintain relatively and absolutely low income inequality and at-risk-of-poverty rates.

Regardless of the fairly egalitarian nature of the current Slovenian society, there are groups with characteristics that put them at greater risk for falling into material depravity, poverty or social exclusion. Aside from the classic division between activity and inactivity in the labour market, where unemployed and inactive persons are more 'prone' to greater risk, there is growing differentiation among active persons as well. A growing segment of flexibly employed, mainly young, individuals hold positions in the labour market that could be described as precarious and insecure. On the other side, older persons, mostly retired, also have greater at-risk-of-poverty rates.

### **Social impacts of inequality**

In Slovenia, the indicators of material deprivation, the at-risk-of-poverty rate, and the cumulative indicators of poverty and social exclusion portray the society as relatively stable, as there were no major changes in any of these indicators. The share of those suffering from severe material deprivation has been around 5% (5.1% in 2005 and 5.9% in 2010), while the share of those suffering from poverty or social exclusion has been around 18% (18.5% in 2005 and 18.3% in 2010). The at-risk-of-poverty rate was 14% in 1997 and 13.6% in 2009 with no significant changes during this time.

Additionally, indicators on social cohesion show that Slovenia is a cohesive society, with strong family ties. Likewise, indicators on happiness and life satisfaction show a relatively stable trend from 2000 to 2009. On the other hand, the police have recorded an increasing number of crimes since 1998, accompanied by a rise in the prison population.

Slovenia is a society with a large share of homeowners (approximately 89%) due to privatisation of housing in the 1990s. Housing deprivation increased from 2005 to 2010, and there is still a high share of those living in an overcrowded dwelling. According to the Eurostat definition, 35% of households lived in overcrowded dwellings in 2010.

Other important trends in Slovenia include an increasing life expectancy, an ageing population and an increasing number of both single households and households without children. Of these, single households (mostly single elderly households) are among the most vulnerable and have the highest at-risk-of-poverty rate.

### **Political and cultural impacts**

Slovenia has experienced significant political changes with the transition to democracy. These are reflected in political attitudes and also civil society in general. The number of civil society organisations has doubled from 1990 to 2008. However, the data on participation in organisations or associations other than political parties or action groups still indicate that Slovenia is lagging behind the Western European countries and that civic life has not yet fully developed. For example, only approximately 2% have worked in organisations or association in the last 12 months during any period in the 2000s. Furthermore, union membership has been dropping since the transition.

Electorate turnout has been slowly decreasing (from 86% in 1992 to 63% in 2008) along with trust in parliament, which started at a relatively high level in 1991, decreased quite soon after that and stabilised at a lower level. However, around 2002, the trust in institutions again somewhat increased, which researchers link to economic growth at the time and the successful process of EU integration. General trust has been increasing since 1990, which researchers deem is a normalisation from the very low levels of trust in the early 1990s (only 17%) due to war and transition to democracy.

The public opinion in Slovenia is egalitarian, and there is low tolerance of income inequalities. There is even an increase in the shares of those perceiving inequalities as too large, despite the fact that Slovenia is, according to official statistics observed by Gini index, one of the countries with the lowest income inequality. It is interesting that attitudes regarding this issue have been generally always in favour of reducing income inequalities. Namely, in 1975, 61% of respondents felt that differences in income should be made smaller, while only 5% felt that they should be larger. In 2009, the share

increased to 87% of respondents feeling that differences should be made smaller and only 1.7% that they should be larger (Malnar 2011).

Within the last decade, poverty has been increasingly perceived as a result of injustice in the society – from 35% in 1999 to 61% in 2010. In line with this perception, the population exhibits high support for the redistributive role of the government, which has also been quite constant in the last decade.

### **Effectiveness of policies in combating inequality**

Due to relatively low and stable levels of inequality as well as low and stable levels of poverty in the last two decades in Slovenia, one could claim that the social policy has been quite successful in combating inequality. The data on at-risk-of-poverty rates before and after social transfers indicate that social policies reduce this rate by half. Important policies for combating poverty and inequality are:

- Active labour market policies;
- The minimum wage (introduced in 1995);
- The Personal Income Tax system. Until 2004, active income was taxed at progressive rates with five income brackets, later reduced to three.
- Social assistance and child benefits;
- Unemployment benefits; and
- The pension system (with the disability insurance system).

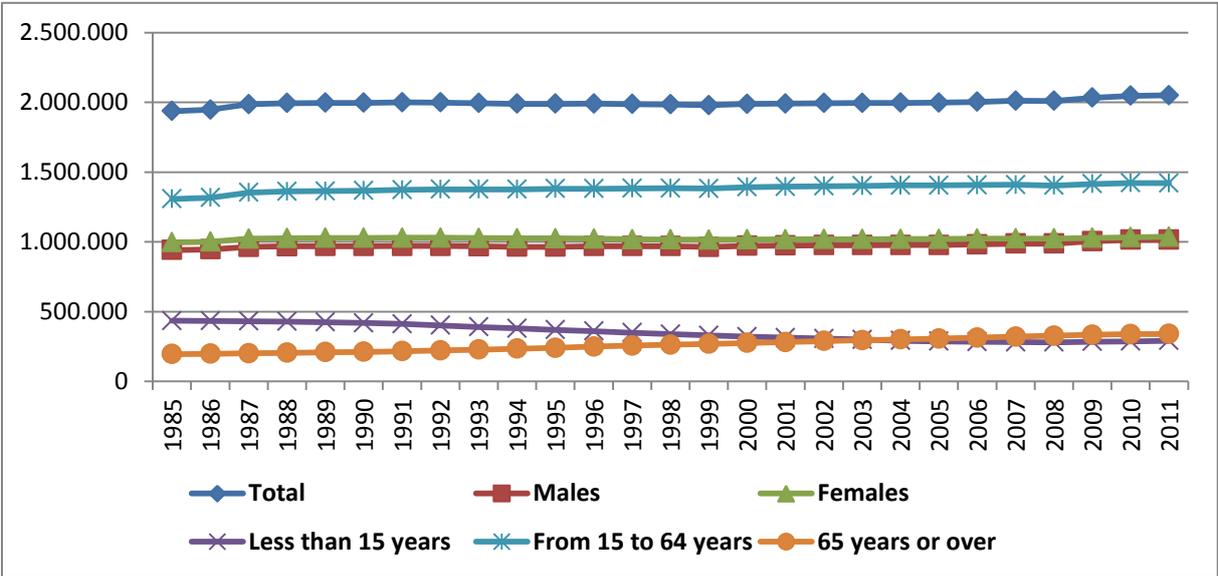
However, the current economic and financial crisis accentuated some problems in financing various elements of the social security system (unemployment benefits, social assistance and child benefits), causing the introduction of stricter criteria for obtaining these benefits, which in turn led to a lower number of eligible persons and/or households. Additionally, the pension system does not ensure sufficient income to prevent poverty to all receivers, as the at-risk-of-poverty rate is among the highest in the group of those aged 65 and older, especially among single elderly people.



**Introduction**

Slovenia, small country positioned in the middle of Europe, gained its independence in 1990. The population of Slovenia is quite constant, remaining around 2.000 million inhabitants since the 1980s, and the number of inhabitants is growing slightly. When observing the age structure of the population, the ageing of the population is evident, and the 65+ group is growing very quickly.

**Chart 1.1 Population in Slovenia**



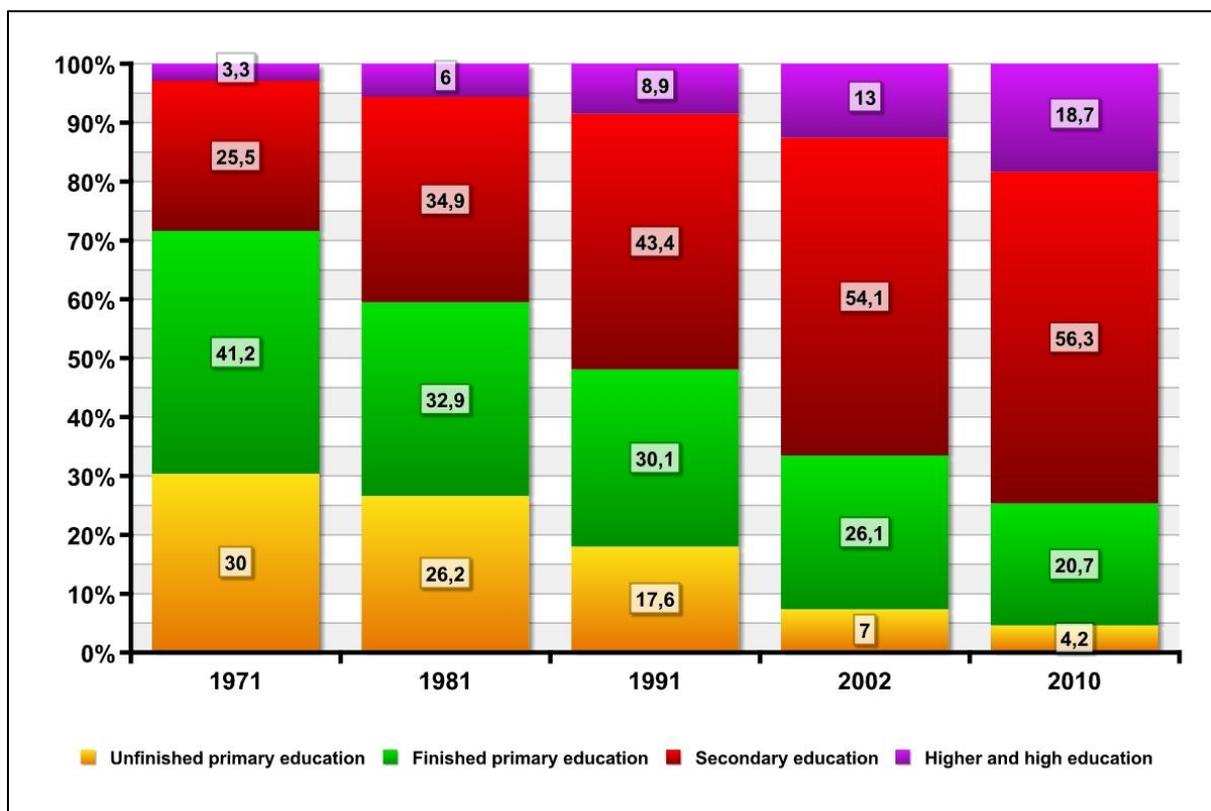
Source: Eurostat

Furthermore, changes in Slovenian society are also reflected in the educational structure with the relatively rapid growth of the percentage of the Slovenian population that is highly educated (from 3.3% in 1971 to 18.7% in 2010).

The goal of this report is to observe inequality trends in Slovenia in the last 20 years. When doing so, one has to first describe the major changes happening in the society during this time period. The changes have been significant due to the transition of Slovenia to a democracy and to a market economy.

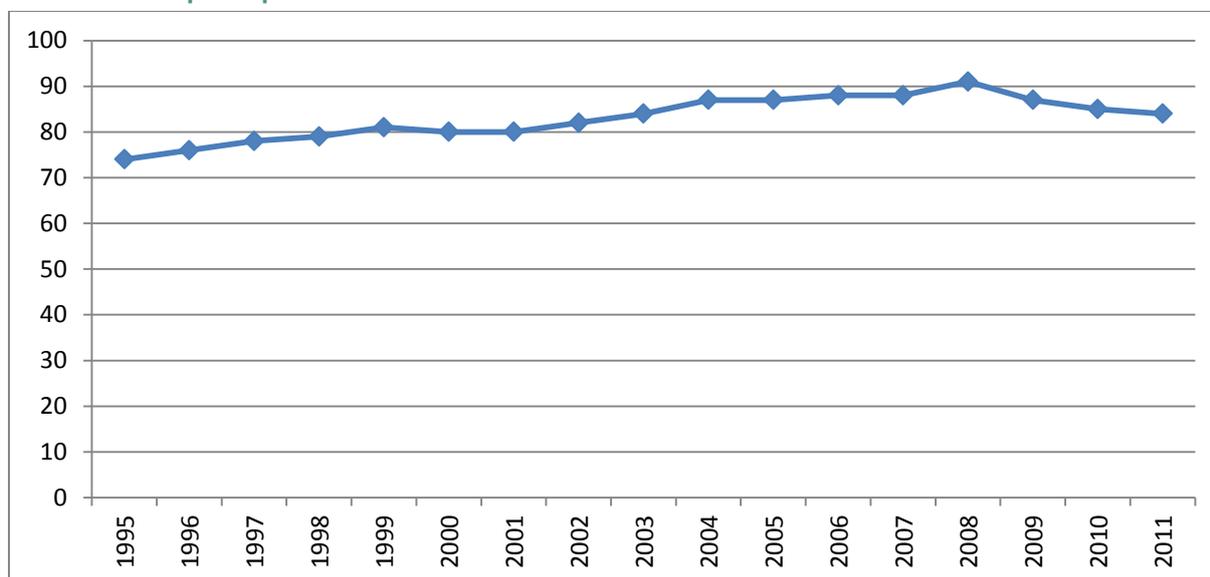
After 1990, the economic situation was unfavourable, as indicated by the real GDP growth rate. In 1991, this rate was negative; however, it experienced quick growth until 1995, after which the growth of the GDP has stabilised until 2008. This was followed by the significantly negative impact of the global economic crisis and negative GDP growth rate, similar to what occurred in 1991.

Chart 1.2 Educational structure of the Slovenian population (15 years and older), census data



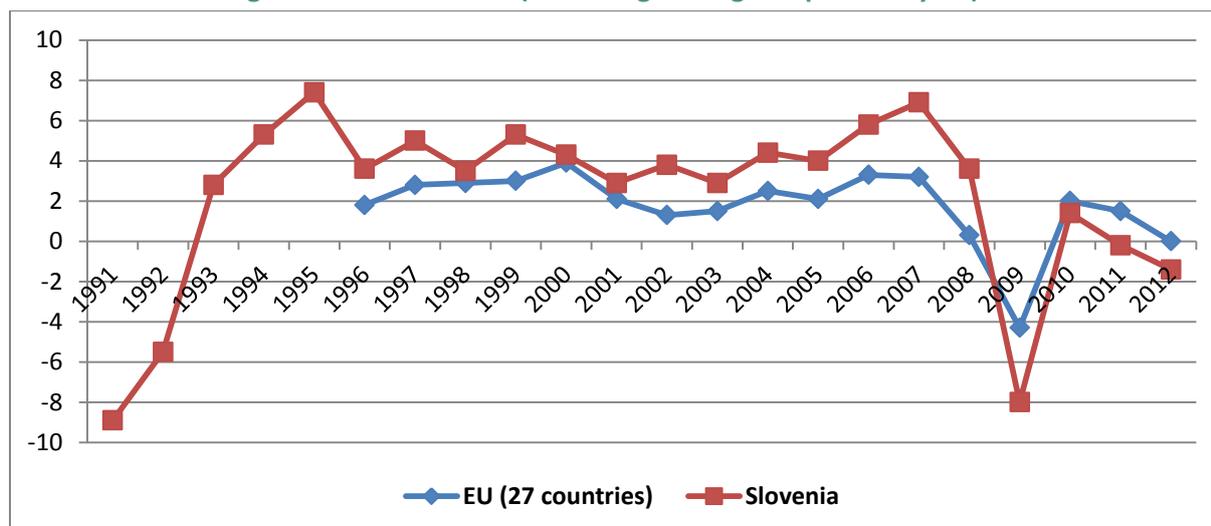
Source: SORS

Chart 1.3 GDP per capita in PPS – Slovenia



Note: EU 27=100

Source: Eurostat

**Chart 1.4 Real GDP growth rate – volume (Percentage change on previous year)**

Source: Eurostat

The turbulence caused by transition to the market economy also affected the labour market. During the transition, Slovenia's labour market experienced a substantial job loss, a decline in labour force participation and employment/population ratios, a particularly steep increase in unemployment rates<sup>1</sup> and the growth of structural unemployment. From the mid-1990s onwards, the situation continued to improve until the end of 2008, when a new economic crisis hit the Slovenian economy and labour market.

**Table 1.1 Main characteristics of the Slovene labour market for the period 1993 – 2011 (2. quarters)**

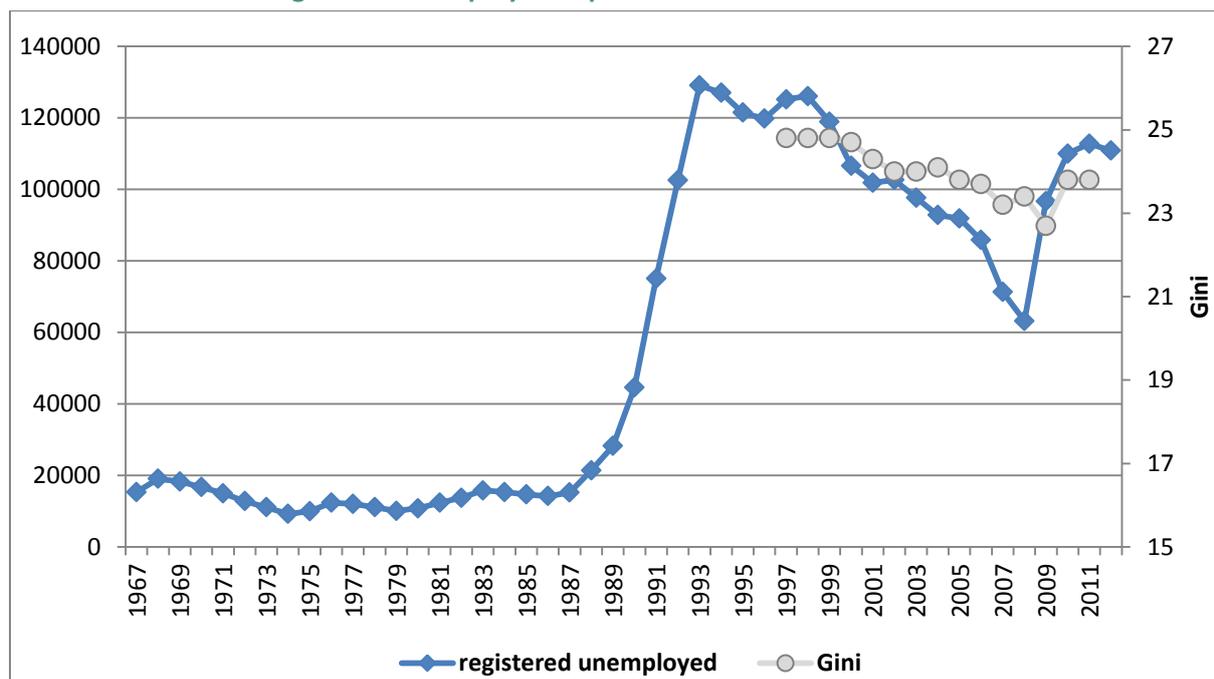
	1993/2 q.	2002/2 q.	2007/2 q.	2011/2 q.
Labour force	931,000	981,000	1,042,000	1,017,000
Persons in employment	845,000	922,000	994,000	938,000
Activity rate	57.7	58.1	60.2	57.8
Employment rate	52.4	54.7	57.5	53.3
Unemployment rate	9.1	5.9	4.6	7.8

Source: SORS, LFS data 1993-2011

Probably the most significant feature of this transitional period is the extraordinary increase of registered unemployment due to the economic crisis in a very short period of time at the beginning of the 1990s.

<sup>1</sup> In this period, registered unemployment increased from 15,000 in 1987 to 129,000 in 1993.

Chart 1.5 Number of registered unemployed in period 1967–2011



Source: ESS

During transition, changes were introduced in all societal fields, from the political sphere and the economic system to the welfare system, all of which influence inequality. Even though these changes have brought many positive developments, they have also brought new social risks.

The inequality grew slightly after the transition period (Gini index rose from 21.5 in 1987 to around 26 in the middle of the 1990s); however, it dropped again to around 23 before the crisis in 2008, which makes Slovenia one of the more 'egalitarian' countries (Malnar 2011, 953). Other indicators reveal a similar relatively egalitarian picture. Therefore, one could conclude that the transition to a market society has been relatively soft and inequalities have not risen significantly, especially when compared to many other transition countries (Malnar 2011). During this time period, economic inequalities have still somewhat grown, although less than in other transitional countries, according to research (Flere and Lavrič 2003, 182).

However, Dragoš and Leskošek (2003, 37) found that, in the period 1983–1993, income disparities resulting from employment barely increased, but those resulting from property and capital rose significantly when comparing the poorest and the richest deciles. The property income of the richest decile has increased from 17.5% in 1983 to 67.6% in 1993. The authors ascribe this to the process of denationalisation. This increase in inequality may be one of the reasons for the high shares of those perceiving Slovenian society as un-egalitarian. When asked, the majority of respondents in 2009 reported seeing Slovenian society as pyramidal, with the largest numbers comprising the very poor

topped by a somewhat weak middle class, while the real situation is supposed to feature strong upper and lower middle classes with small numbers in the high and low classes (Malnar 2011).

During transition, the composition of the elite has somewhat changed, and the occupational structure has changed from a predominance of manufacturing to a prevailing tertiary sector structure, with a slow emergence of the underclass (Flere and Lavrič 2003, 182). The full employment, which was typical before the transition, is still prevailing; however, flexible work forms, such as part-time and fixed-term contracts, have increased, but mainly among the younger population (Ignjatović 2002).

The social system has, to a large extent, protected established rights and benefits and reduced inequality in society. There were still significant changes to the social welfare system (see Kolarič 1992, Kolarič et al. 2009). Here the transition has coincided with general changes of the welfare states that also took place in Western European countries. Namely, the welfare state has started diminishing its responsibility for legislating on social rights, for the enforcement of these rights and for financing social policy and delivering services. In Slovenia, the state has kept the dominant position as a financial force, whereas the production of social services has been redistributed to the private sector. In the transition from socialist to post-socialist society, the Slovenian welfare system has been constituted as a dual model with elements of the conservative-corporate welfare system (a compulsory social insurance system, based on social partnership) and of the social-democratic welfare system (in which a strong public/state sector is still the dominant service provider of all types of services, to which all citizens are equally entitled) (Kolarič et al. 2009).

While the inequality has remained stable and low in the last period, the current situation in Slovenia has deteriorated somewhat. The current economic and financial crisis affects the whole society through public debt, the insolvency of Slovenian banks, rising unemployment rates and so on. This crisis has also accentuated some problems in financing various elements of the social security system, such as unemployment benefits, social assistance and child benefits. The austerity measures adopted by the current Slovenian government in order to reduce public debt are seriously affecting the population, especially those dependent on social security benefits and other kind of assistance and social rights, including pensions and associate benefits for the elderly and the disabled, as well as the staff (mostly in the public sector) providing the assistance.

## 2. The Nature of Inequality and its Development over Time

### 2.1 Has inequality grown?

According to the several documents (Čok 2003, Čok et al. 2011, Fuest et al. 2009, Stanovnik and Verbič 2012) and available data (SORS, IMAD, Eurostat, OECD), the inequality in Slovenia remained relatively stable and low over the period from independence in 1991 to the end of the 2008, when the current economic crisis finally hit Slovenia. Furthermore, at the international level, according to the OECD document (OECD 2011), Slovenia was the most equal among the OECD countries in the late 2000s, with a Gini coefficient of 0.24. The current economic crisis somewhat increased the inequality, but it still remains relatively low, mostly due to the increased redistributive activities of the state, mostly through social transfers, which also increased the spending and consequently the debt. In this chapter, we will try to present some recent trends in different aspects of inequality in Slovenia.

#### 2.1.1 Household income inequality

In this section, we will present trends on income inequality in Slovenia using different data sets and some more recent studies available.

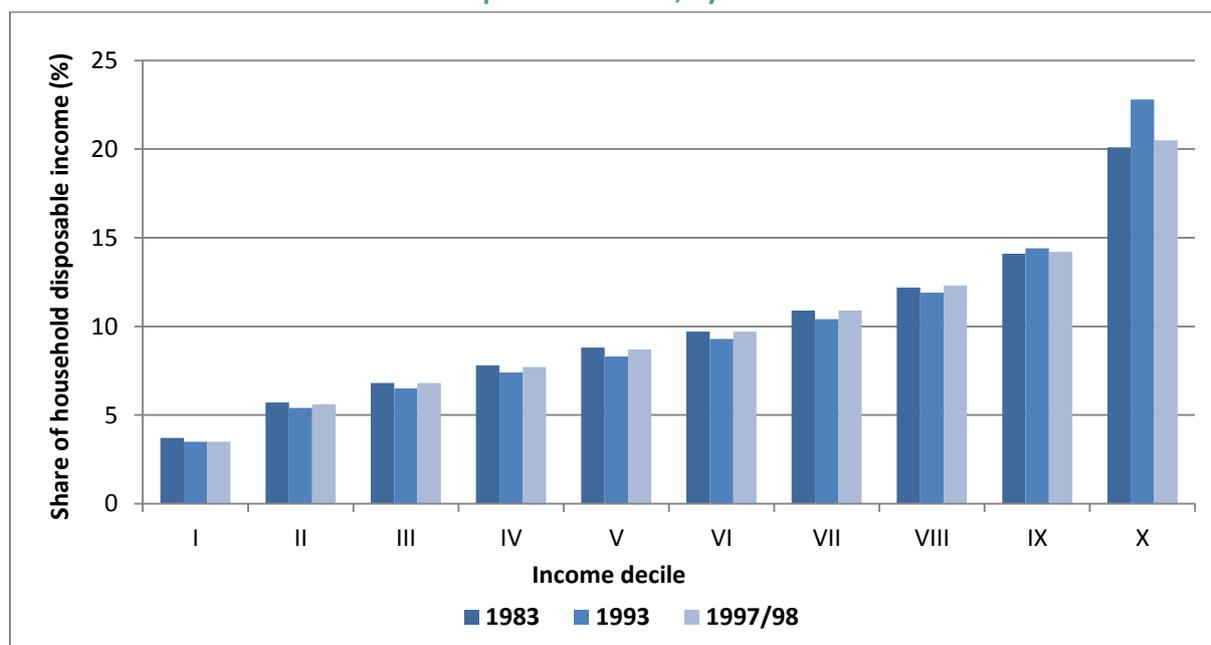
For the purpose of the income inequality analysis, we will divide the past 20 years of Slovenian history into two periods: 1) from independence in 1991 to 1997; and 2) from 1998 to 2011. The reason for such a division is very simple: for the first period, there is no official data on Gini coefficients, thus studies that cover this period will be used to measure income inequality. For the second period, the official Gini coefficients will be used as the measure of income inequality.

According to two studies that covered the period of transition to a market economy, inequality began to increase immediately after independence, mainly due to wage growth. As Stanovnik and Verbič (2012) found out in their study, the increase was due to a quicker increase of wages of those with higher education – especially for those with a university degree – and a slower wage increase for employees with lower education.

As the analysis made by Čok (2003) suggests, only small changes in the bottom of income distribution (in the shares of the lowest decile) occurred in the discussed period. The shares of the second to eighth deciles showed (see Chart 2.1) a decrease between 1983 and 1993 and an increase afterwards. The share of the top two deciles first increased between 1983 and 1993 and decreased

afterwards. This pattern suggests that the income was ‘taken’ from the top two deciles and transferred to the middle of the income distribution between 1993 and 1997/98. Given the importance of the highest two deciles in total household income, this result suggests that overall income inequality first increased between 1983 and 1993 and decreased afterwards. The results of the Lorenz dominance test support the suggestion that overall inequality increased in the period between 1983 and 1993 and decreased between 1993 and 1997/98.

**Chart 2.1 Distribution of household disposable income, by income decile**



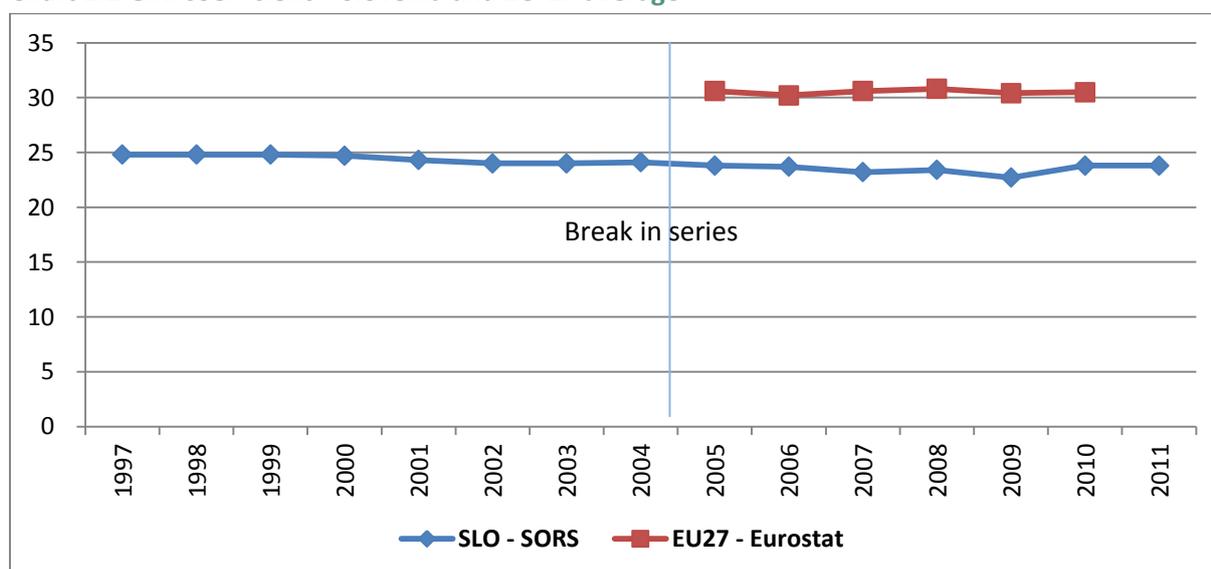
Source: Čok 2003, 8

According to Čok, the results suggest that the introduction of a capitalist system without formal limits on individual wealth changed the economic structure during the first years of independency. Denationalisation and privatisation were accompanying processes, which further influenced the composition of the society. Consequently, differences in income earned in the market (wages, etc.) increased.

On the other hand, the inequality of household disposable income reveals an opposite trend. This is a result of the characteristics of the tax system and an active social policy that offers a wide range of benefits for the most socially excluded population groups. The tax system provides a tax shield for low-income individuals, and an important part of social security benefits (social assistance and family benefits) are effectively tax-exempt, including the major share of pensions. It seems that, according to Čok, the Slovenian social and fiscal systems include an ‘appropriate’ combination of benefits and taxes for still keeping the inequality relatively low.

For the second period (1997 onwards), the official data series provided by the Statistical Office of Slovenia (SORS)<sup>2</sup> and Eurostat is used. However, this series is relatively short; both institutions provide the same information on the Gini coefficient from 2005 onwards. Although SORS provides the Gini coefficient as official data from 2005, there is actually a longer series (from 1997 onwards) for the Gini coefficient calculated by the same institution, but on a different basis<sup>3</sup>. In Chart 2.2, we provide this series instead of the shorter one. This series shows gradual decrease of income inequality during the whole period until 2010, when the influence of the current economic crisis finally emerged. Regardless of the increase in 2010, the Slovenian Gini coefficient is still much lower than the EU-27 average provided by Eurostat.

**Chart 2.2 Gini coefficient – Slovenia and EU-27 average**



Sources: SORS, Eurostat

<sup>2</sup> Definitions by Statistical Office of Slovenia are the following : The calculations are based on annual disposable net household income. Disposable household income in cash includes net incomes of all household members (employee cash or near cash income, including supplement for meals and transport to work, cash benefits or loses from self-employment, pensions, unemployment benefits, sickness benefits, education-related allowances, family allowances and social benefits, interests, dividends, regular inter-household cash transfers received) less regular inter-household cash transfers paid and regular taxes on wealth, including compensation for the use of building land.

Equivalence scale: In order to be able to compare the level of living for different households, we have to take into account their size and structure. For this reason we use equivalence scales, which take into consideration the economy of scale. The Statistical Office of Republic of Slovenia have used the OECD modified scale for the calculation of the income per adult equivalent member. The scale gives to the first adult in the household weight 1, to every other person 14 or more years old weight 0.5 and to children under 14 weight 0.3. Income per equivalent household member is calculated by adding income of all household members and dividing it by the number of equivalent household members. (SORS, available at [http://www.stat.si/doc/metod\\_pojasnila/08-025-ME.htm](http://www.stat.si/doc/metod_pojasnila/08-025-ME.htm))

<sup>3</sup> Until 2005, the basis was the Survey on Household Consumption. From 2005 onwards, it is the Statistics on Income and Living Conditions (SILC). The same change was made in the calculation of the at-risk-of-poverty rate.

These data also show that Slovenia, unlike most other developed countries during the economic boom before the crisis, managed to avoid increasing disparities of incomes in the population, despite some fiscal reforms which were in favour of slightly less progressive income taxation.

As already stated, the low income inequality in Slovenia is largely attributable to the implemented tax and social policy measures which have a relatively strong redistributive function in Slovenia. Without this redistributive function of the state, the inequality in Slovenia (measured either by the Gini coefficient or the at-risk-of-poverty rate) would be doubled, as in most other European countries. The comparison between years 2000 and 2009 shows the effectiveness of the implemented measures as well as the improvement of the overall wellbeing in Slovenian society. Thus, the data show that the at-risk-of-poverty rate before social transfers has been decreasing during the first decade of the 21<sup>st</sup> century (from 37.2% in 2000 to 22.0% in 2009). Simultaneously, the at-risk-of-poverty rate after social transfers also remained relatively constant and low at 11.3% in 2009.

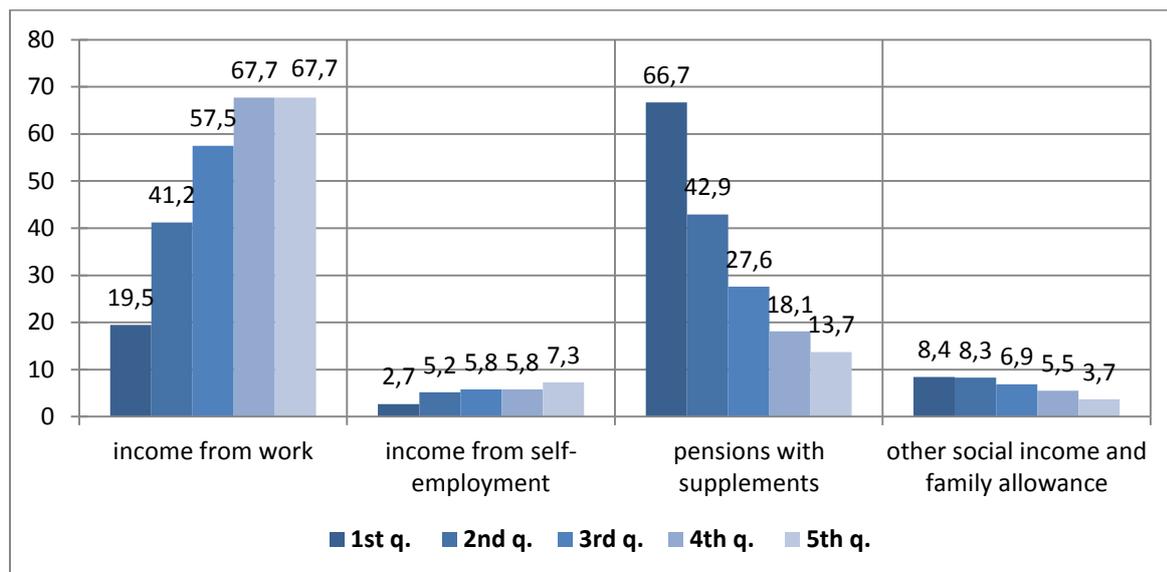
Although low, inequality in Slovenian society increased somewhat during the early stages of the crisis. According to the calculation for 2010, which was based on 2009 household income, the at-risk-of-poverty rate increased by 1.4 percentage points to 12.7%, meaning that approximately 254,000 people lived below the poverty line. This is an increase of 31,000 over the year before. Moreover, in 2010, as already presented, the income inequality increased in Slovenia. The Gini coefficient was 23.8% (22.7% in 2009), while the value of the income quintile share ratio rose from 3.2 to 3.4, meaning that the one-fifth of the population with the highest income had a level of income 3.4 times higher than the one-fifth of the population with the lowest income. This increase in income inequality and relative poverty is the result of the decreased income of a considerable part of households in 2009 due to the economic crisis and a loss of income from work. A major cause of the decreased income is that a considerable share of the population replaced their income from work with social benefits.

Actually, in 2011, household disposable income decreased for the third year in a row. The compensation of employees, which includes income from work and represents the largest category of disposable income, was lower in 2010, while business and other household income also decreased. Due to a more restrictive policy of adjustments, social benefits together with pensions, except social transfers in kind, grew only moderately (2.9% in real terms, i.e. slightly less than the average during the period 2000–2010).

Comparison of the structure of average annual available income of households by quintiles in 2000 and 2009 reveals that the structure remained relatively stable with some indications of the influence

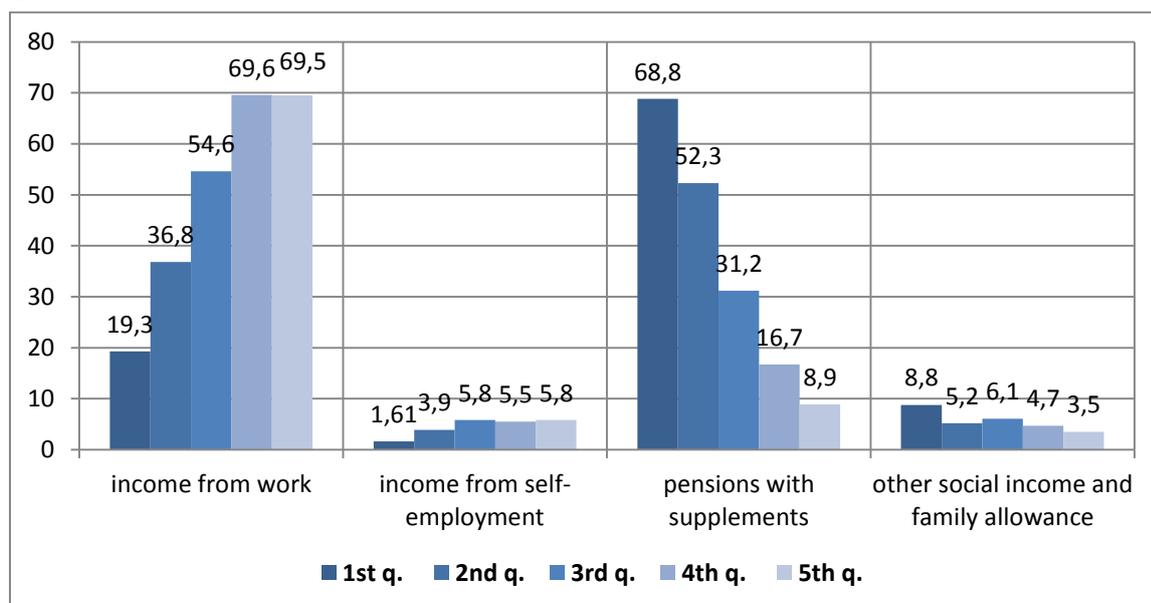
of economic crisis on the available incomes for particular quintiles. Thus, the second and third quintiles experienced a noticeable drop from 2000 to 2009 in the share of income from work. Furthermore, all quintiles experienced a drop in the shares of income from self-employment. On the other hand, the first three quintiles increased their shares of pensions with supplements in their structure of average annual available income.

**Chart 2.3 The structure of average annual available income of households by quintiles, Slovenia 2000**



Source: SORS

**Chart 2.4 The structure of average annual available income of households by quintiles, Slovenia 2009**



Source: SORS

The difference between the fifth and first income quintiles in household expenditure (see Table 2.1) increased somewhat in the 2000–2009 period (from 3.9 to 4.2), thus indicating some increasing inequalities between Slovenian households. It is interesting that the difference has been reduced in expenditures for alcoholic beverages and tobacco, while it increased the most in expenditures for: clothing and footwear; furniture, household equipment and routine household maintenance; transport; recreation and culture; education and expenditure on dwellings and houses.

**Table 2.1 Household expenditure – the difference between the fifth and first income quintiles by groups of allocated income**

	2000	2005	2006	2007	2008	2009
Total allocated income	3.9	4.2	4.4	4.2	4.4	4.2
Consumption expenditure	3.6	3.9	4.0	3.8	3.9	3.8
Food and non-alcoholic beverages	2.4	2.3	2.4	2.2	2.2	2.2
Alcoholic beverages and tobacco	2.7	2.1	2.1	1.7	1.8	1.8
Clothing and footwear	6.0	7.3	7.9	8.0	7.7	7.2
Housing, water, electricity, gas and other fuels	1.9	1.9	1.8	1.7	1.8	1.7
Furniture, household equipment and routine household maintenance	3.3	4.6	4.6	4.1	4.3	4.2
Health	2.4	3.9	3.4	2.5	2.4	2.5
Transport	9.4	7.8	9.2	9.1	10.8	10.4
Communications	3.1	3.0	3.0	2.9	3.0	2.8
Recreation and culture	4.5	5.5	5.4	6.0	6.0	5.8
Education	10.6	20.2	23.6	13.9	13.2	13.1
Hotels, cafes and restaurants	6.1	6.6	6.2	5.1	6.5	7.3
Miscellaneous goods and services	3.3	3.7	3.8	3.7	3.8	3.8
Expenditure on dwellings, house	10.6	9.5	10.0	10.2	12.3	12.5
Other expenditure	5.9	3.7	6.4	6.6	7.6	6.5

Source: IMAD (UMAR) 2012, Development report 2012

Slovenia has, from the years of independence onwards, changed income tax law several times, which has the strongest redistributive effect. On the other hand, changes to tax legislation did not have major effects on the reduction or the increase in income inequality.

Although statistics show a very favourable picture of income inequality, the belief among the public is to the contrary: they feel that the wage gap is increasing. However, the share of total disposable income received by the highest-paid class of individuals has not increased. The share of wage earners who have a salary higher than three average salaries remains at all times around 2%, and the share of those whose pay is higher than eight average salaries varies slightly below 0.01%.

The data also suggest that the relationships between the lower, middle and upper classes remain more or less constant. In 2009, the decile receiving the lowest pay received about 4.4% of all income and 20% of the lowest paid received nearly 10% of all income, while at the other end of the scale, the best paid 20% received more than 37%, and the highest percentage received more than 4.6% of total disposable income.

### 2.1.2 Wealth and debt inequality

The data on wealth and especially on debt inequality for Slovenian households is relatively rare and is not collected systematically. Here, we will present the available data on household borrowing and respective burden on households' incomes.

According to Ferk (2009), data from the beginning of the 1990s show a gradual increase in household borrowing until 1999, when the purchases of cars before the introduction of VAT markedly increased. After 2000, the indebtedness slowed down before it began to rise again in 2004, a trend which continued until the end of 2008. On the other hand, according to Noč (2011), household debt in Slovenia is among the lowest in countries in the euro area. At the end of 2010, the debt in Slovenia households amounted to 31% of GDP (second only to Slovakia, where it is 26% of GDP).

Regarding this issue, 70% of Slovenian households reported that they had no repayments of instalments in 2007, while purchases on instalments and consumer loans represented a heavy burden to 11% of all households with a greater proportion in the third quintile. Additionally, housing costs represented a heavy burden for nearly a third of households and for nearly half of the households in the first income quintile (see Table 2.2).

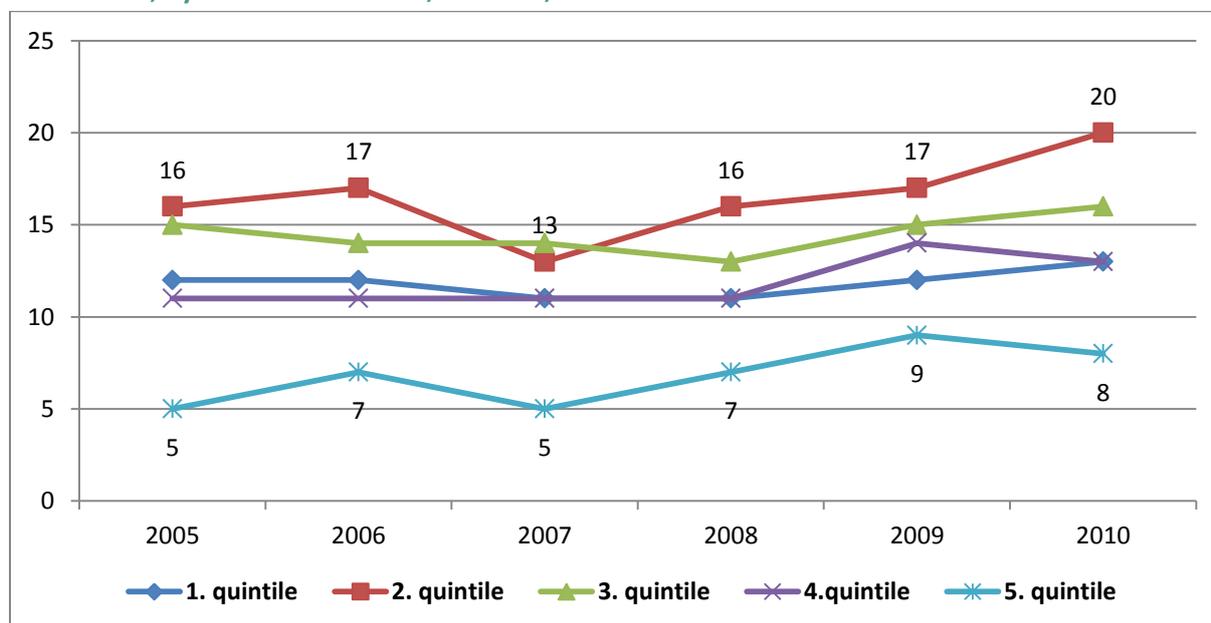
A closer look at the recent period, especially from 2007 onwards, shows an increasing share of the second quintile reporting repayment of debts as a heavy burden – from 13% in 2007 to 20% in 2010 (see Chart 2.5).

According to the Global Wealth Report (2011), Slovenia belongs to the group of countries with 25.000 to 100.000 USD per adult, together with the majority of other new member states and Portugal. By contrast, the majority of other European countries belong to the wealthiest group of over 100.000 USD per adult. However, as stated in the same report for the year 2010, notable cases of wealth can be found in Slovenia.

**Table 2.2 Burden on households with loans and late payments, Slovenia, 2007**

	How big burden represent for households purchases on instalments or other non-housing loans			Delays for households in the repayment of purchases instalments or non-residential loans in past 12 months due to financial reasons		How much burden represent housing costs for households			Household did not have instalments
	Heavy burden	Average burden	Not burden	Yes	No	Heavy burden	Average burden	Not burden	
Total household income	11	16	3	4	26	31	56	13	70
1.quintile	11	7	1	5	14	49	42	9	81
2.quintile	13	16	2	5	26	36	55	9	69
3.quintile	14	18	2	4	29	29	60	11	66
4.quintile	11	22	4	3	34	22	63	15	63
5.quintile	5	22	6	3	30	13	64	23	67

Source: Statistical Office of Republic of Slovenia - EU-SILC. Note: Households are classified according to the total income in the five quintiles. The first is the poorest 20%, while the fifth is the wealthiest 20% of households.

**Chart 2.5 Repayment of debts from hire-purchases or other non-housing loans as heavy burden for households, by household income, Slovenia, 2005–2010**

Source: SORS

### 2.1.3 Labour market inequality

In recent years, the global financial and economic crisis altered positive trends in the Slovenian economy and labour market, especially in the third quarter of 2008, when Slovenia achieved the highest activity and employment rates as well as the lowest unemployment (registered: 6.3% and Labour force survey (LFS): 4.1%) rates in its history as an independent state.

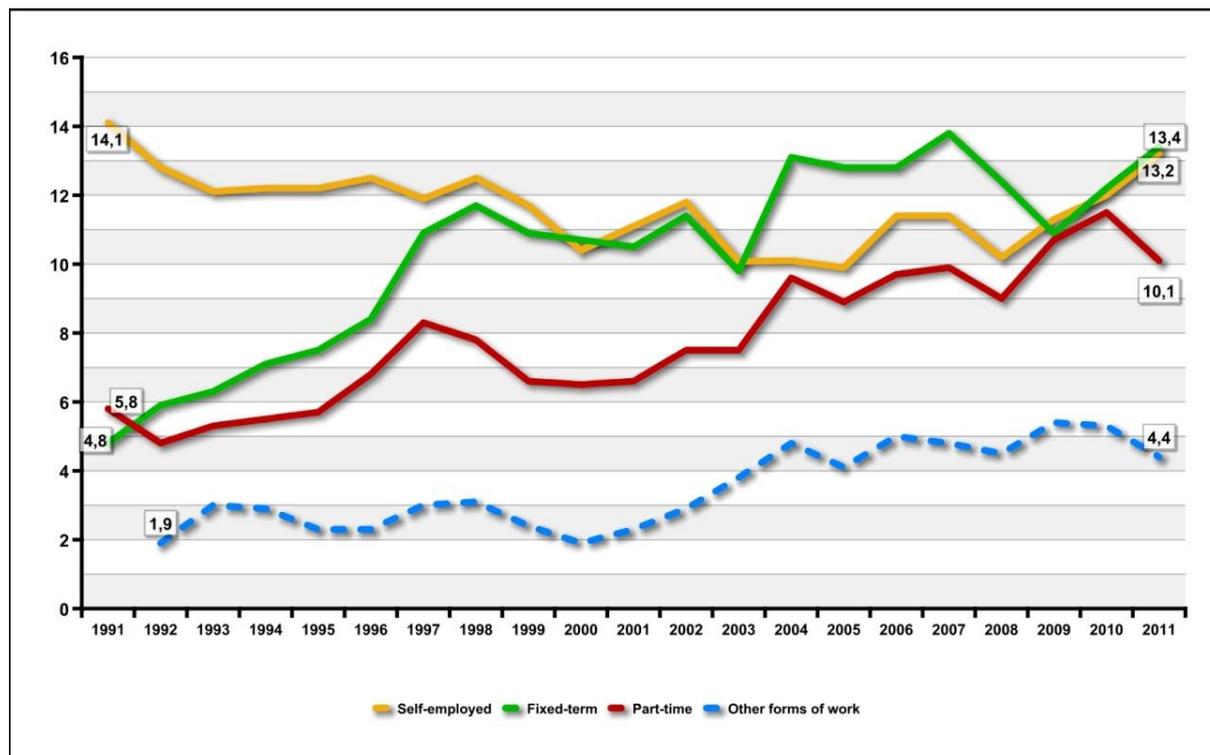
Following this period, the economic and labour market situation began to deteriorate quickly with reduced demand for Slovenian products and services. In the last four years, the number of persons in employment decreased by 70,000, and the registered and LFS unemployment rates almost doubled (11.7% in July 2012 and 8.2% in the second quarter of 2012, respectively). Such developments produced increased burden on the Slovenian social security system.

One of the most important features of the Slovenian labour market is its relatively quick flexibilisation especially in the last decade, when student work<sup>4</sup>, as one of the peculiarities of the Slovenian employment system, boomed. Due to the relatively secure position of employees with permanent contracts, fixed-term contracts, as well as student work, are widely used by employers as a flexibility leverage in order to lower the costs of production and to increase the organisational and labour force flexibility in companies. Such an employment pattern produces, among other things, strong dualisation and segmentation in the labour market with the younger workforce found predominantly in flexible and mostly precarious forms of employment, while the older workforce can be found in more secure permanent employment.

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<sup>4</sup> The student work in Slovenia has a unique position in the Slovenian labour market that is different than the position of student work in other EU countries. In Slovenia, students and pupils occupy a special labour market segment which is covered by Student Service Agencies that mediate work (temporary and occasional work) only to students and pupils that are in need for work or are willing to work in addition to studying.

Chart 2.6 Shares of flexible forms of work in Slovenian labour market



Source: SORS, LFS data

Thus, the flexibilisation of the labour market is another potential source of labour market inequality in Slovenian society.

Regarding the analysis of the inequality for the earlier period of Slovenian history, Čok (2003) determined that there was a shift (see Table 2.3) of the socio-economic categories of the heads of household during the transition. The share of *full-time employed, farmers and dependent household members* decreased, while the share of *self-employed, pensioners and unemployed* increased<sup>5</sup>.

<sup>5</sup> The definition of the head of household is the person in the household with the highest income. It is no surprise that the full-time employed were dominant as the heads of household in all three years.

**Table 2.3 Decomposition of inequality, by socio-economic category of the head of household**

	1983			1993			1997/98		
Socio-econ. category	Share (%)	$I_2$	$I_0$	Share (%)	$I_2$	$I_0$	Share (%)	$I_2$	$I_0$
full-time employed	55.5	0.152	0.069	43.8	0.273	0.100	48.1	0.200	0.088
farmers	7.4	0.682	0.209	2.8	0.348	0.112	1.6	0.172	0.085
self-employed	1.4	1.569	0.263	3.1	0.663	0.193	5.0	0.212	0.103
part-time and occasionally employed	-	-	-	1.1	0.655	0.460	0.5	0.155	0.062
unemployed	0.2	0.213	0.307	4.7	0.479	0.158	5.1	0.367	0.209
pensioners	31.3	0.232	0.104	39.2	0.244	0.107	37.7	0.235	0.107
dependent household members	4.2	0.185	0.094	4.7	0.276	0.141	1.9	0.254	0.184
other	0.2	0.363	0.204	0.7	0.632	0.241	0.1	0.222	0.099
All	100.0	0.305	0.110	100.0	0.358	0.134	100.0	0.240	0.117
Within-group Inequality		0.275 (90.2%)	0.095 (86.4%)		0.332 (92.7%)	0.113 (84.3%)		0.219 (91.3%)	0.104 (88.9%)
Between-group Inequality		0.030 (9.8%)	0.015 (13.6%)		0.026 (7.3%)	0.021 (15.7%)		0.021 (8.7%)	0.013 (11.1%)

For 1983, there is no data for part-time and occasionally employed.

Share – share of the heads of households in a constituent socio-economic category

( $I_2$ ) the squared coefficient of variation; ( $I_0$ ) the mean logarithmic deviation

Source: Čok 2003

The inequality indices show that there are substantial differences among the subgroups. The highest inequality exists in subgroups with minor shares. The *Self-employed* subgroup had the highest income inequality in 1983 and 1993 ( $I_2=1.569$  and  $0.663$ , respectively), while in 1997/98 they were replaced by the *unemployed* ( $I_2=0.3676$ ). On the other hand, the inequality indices of the biggest subgroup – the *full-time employed* – show an inequality below average in all three years.

Similarly, Stanovnik and Verbič (2012), analysing the income inequality<sup>6</sup> (on two different data samples<sup>7</sup>) of Slovenian employees, determined that income inequality of employees' net income (i.e. net of employee social contributions and personal income tax) has increased since Slovenia gained

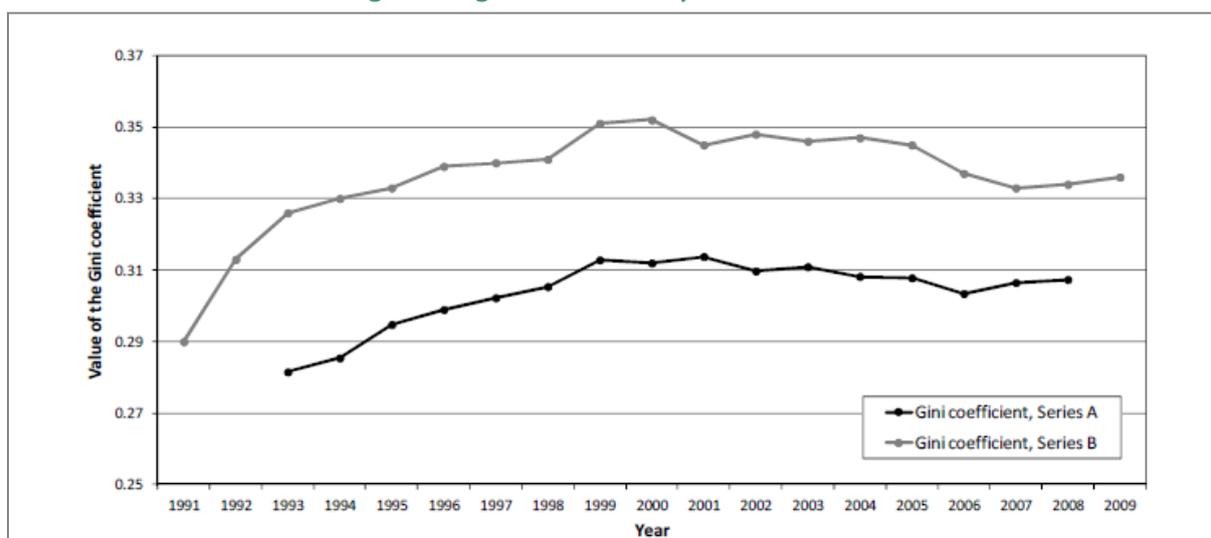
<sup>6</sup> The authors use the expression 'income' although 'employee net earnings' would be more appropriate.

<sup>7</sup> The first sample is obtained from SORS and consists of employees that satisfy both of the following criteria: (a) employed full-time (working at least 36 hours per week), and (b) employed at the same employer throughout the year. The second sample is obtained from the Tax Administration of the Republic of Slovenia (TARS) and consists of large random annual samples covering all persons liable for PIT.

independence in 1991. However, most of this increase occurred in the first years of transition, i.e. the early 1990s. Starting from 1994, when the institutional setting, including the Economic and Social Council, collective agreements and legislation on minimum wages, was firmly established, the increases in inequality were quite modest. Moreover, the increases in the inequality of net earnings were virtually negligible, due to the strong mitigating effect of personal income tax legislation. In other words, according to the authors, the personal income tax system acted as an effective brake, preventing the increases in inequality of gross incomes to be transmitted to increases in inequality of net incomes.

Also according to Stanovnik and Verbič (2012a), income inequality of employee income somewhat increased in the 1991–2009 period, using the Gini coefficient as the indicator of income inequality. Though increases in income inequality were moderate, the largest changes did occur at the very top of the income distribution, i.e. at the top 5% and top 1% of employees. Income inequality of employee net income remained fairly stable in this time period. In other words, the changes in personal income tax (PIT) dampened to a large degree the effects of increasing inequality in the distribution of employee gross income. These changes in the share of PIT paid can be related to changes in the PIT legislation. This legislation has strongly emphasised the lowering of the tax burden for the low-income population. Over the years, the share of PIT in the gross income of employees has decreased from 14.9% in 1991 to 12.6% in 2009, whereas the share of employee social contributions has decreased from 22.9% to 20.3% of gross income in the same time period. Both decreasing shares are mostly due to legislative changes of PIT, which occurred in 1994, 2005 and 2007.

**Chart 2.7** Gini coefficients for gross wages for both samples



Source: Stanovnik and Verbič 2012a, 15

Stanovnik and Verbič (2012) address the large increase in the value of the Gini coefficient in the early 1990s (see Chart 2.7) with the following explanation: wage compression and ‘egalitarianism’ of the socialist and self-management period ‘broke loose’ in these early years, resulting in a significant increase in wage dispersion. This increase can also be ascribed to the poorly regulated institutional setting. Afterwards, in 1994, mechanisms for negotiations between social partners were introduced in the form of the Economic and Social Council, a tripartite body comprising trade union organisations, employer organisations and the government, and an agreement on wage policy was also passed. In 1995, the National Assembly of the Republic of Slovenia passed *The law on promulgation of the agreement on wage policy and other labour remuneration and the social compact for 1995 and the setting of minimum and maximum wage*, which defined the first regulation on the minimum wage. Starting from 1997, the minimum wage was set in a special law. Overall, it seems that these mechanisms have prevented further significant increases in wage inequality (Stanovnik and Verbič, 2012).

Data on the Slovenian wage inequality using the Gini coefficient has also been analysed by another Slovenian institution, the Institute of Macroeconomic Analyses and Development (IMAD). The trend for Gini coefficient (see Table 2.4) in the 2007–2010 period shows a decrease in wage inequality despite the influence of the economic crisis. This is the opposite trend from the one suggested by the SORS’s and Eurostat’s data on income inequality for Slovenia.

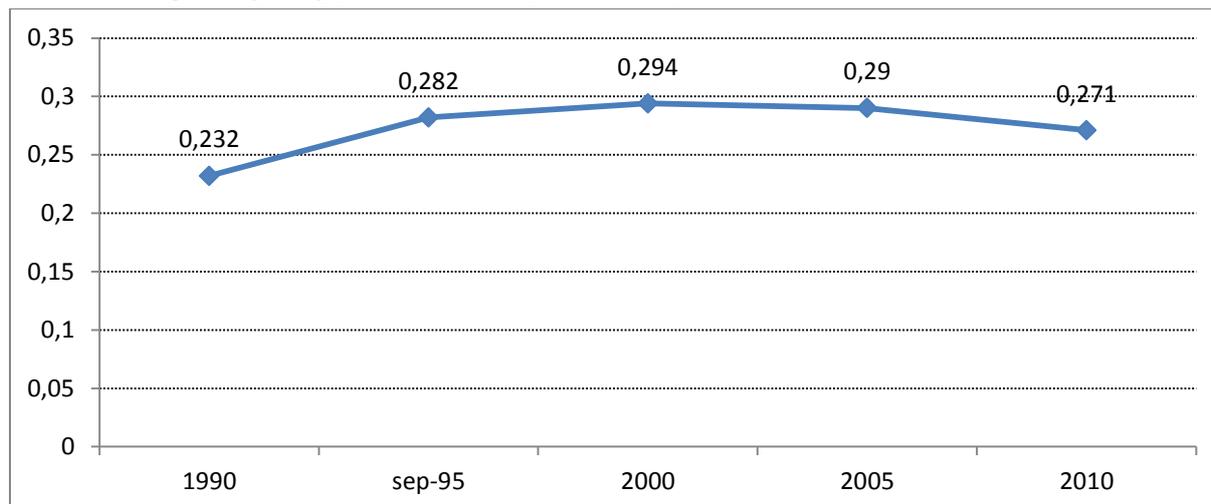
**Table 2.4 Wage inequality indicators, gross wages, 2000–2010**

	2000	2005	2007	2008	2009	2010
9 <sup>th</sup> decile/1 <sup>st</sup> decile ratio	3.46	3.47	3.61	3.62	3.67	3.45
Median/1 <sup>st</sup> decile ratio	1.70	1.67	1.73	1.74	1.74	1.68
9 <sup>th</sup> decile/median ratio	2.04	2.08	2.08	2.08	2.11	2.06
Gini coefficient	0.294	0.290	0.292	0.279	0.283	0.271
Share of low-wage employees, %	17.4	17.0	18.5	19.0	19.3	17.9
Highest/lowest gross wage ratio by sector	1.85	2.32	2.46	2.38	2.32	2.25
Gap between women’s and men’s average gross wage, %	12.2	6.9	7.8	7.6	3.0	3.5

Source: IMAD (UMAR) 2012, Development report 2012

Note: Calculations for the period 2008–2010 are based on data from administrative sources and refer to the entire year, whereas for the preceding period, they are based on the statistical survey for the month of September of the current year.

Chart 2.8 Wage inequality (Gini coefficient) in Slovenia, 1990–2010



Source: IMAD

According to the IMAD's data, after 2009, wage inequality decreased as a result of changes in the employment structure, an increase in the minimum wage, and wage stagnation in certain activities with the highest wages.

Furthermore, the ratio between the gross wage of the ninth and the first deciles (see again Table 2.4) was considerably reduced and reached the lowest value since 1999. Simultaneously, until the crisis broke, the highest/lowest average gross wage ratio continued to increase, but then started to fall in 2008 (2.19 in 2011). A decrease in the aforementioned ratio in recent years has been attributed to the coincidence of two occurrences: first, a rise in the minimum wage was accompanied by the relatively swift transition by most employers to its statutory amount, resulting in an increase in the lowest wages, and second, with the onset of the crisis, wage growth in financial activities stabilised.

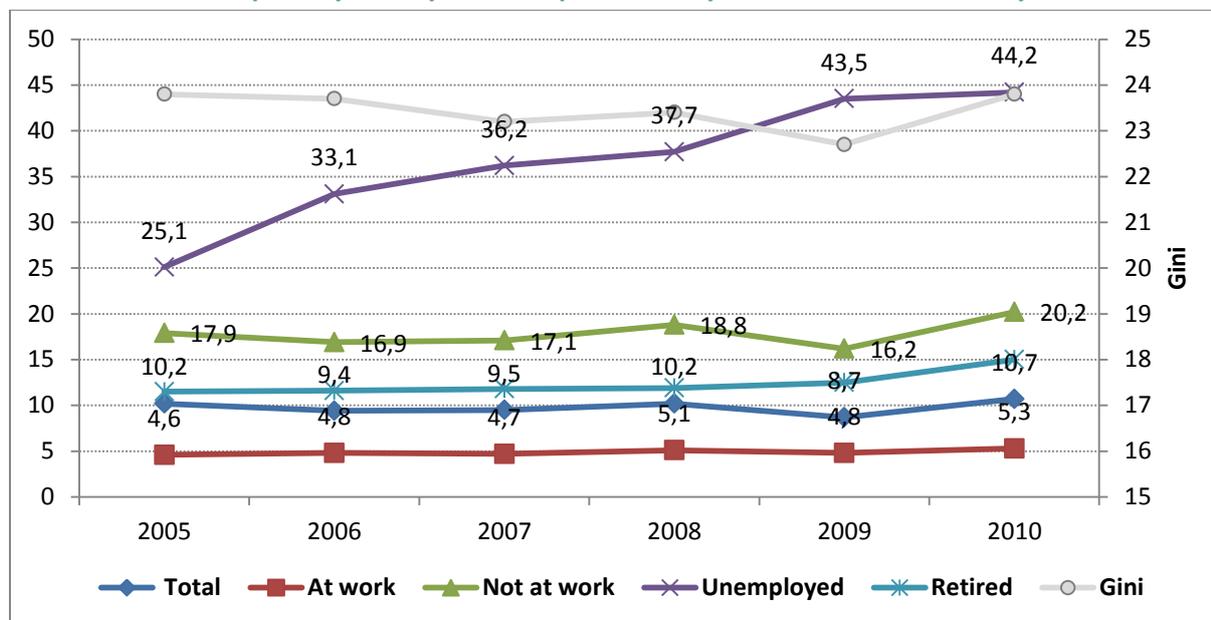
On the other hand, the at-risk-of-poverty rate broken down by the activity status shows that there are groups that are more affected by the status. This is especially true for the unemployed. During the past decade, the introduction of changes, especially tightening the eligibility criteria and the 'activation principle', contributed to reducing the share of unemployment benefit recipients. In 1992, the share of unemployment benefit and unemployment assistance recipients among all registered unemployed was 45.0%. In 2000, it was only 29.1%, and in 2008, this share dropped to 22.7%.

Moreover, the tightening of the eligibility criteria and new reform measures in the labour market contributed to the medium-term increase of the at-risk-of-poverty rates<sup>8</sup> from 10.0% in 2003 to 10.7% in 2009. The growth of the at-risk-of-poverty rates, especially in 2008, was evident in all segments. Thus, the at-risk-of-poverty rate of the working population, which has the lowest risk

<sup>8</sup> Cut-off point at 60% of median equivalised income after social transfers.

among all groups of the population, increased from 3.5% in 2007 to 5.1% in 2008. Unemployed persons have the highest rate of at-risk-of-poverty in the population (37.7% in 2008 and 43.5% in 2009<sup>9</sup>), indicating a very large difference in society as well as a strong dependence of an individual's living standards on its activity status in the labour market (see Chart 2.9).

**Chart 2.9 At-risk-of-poverty rate by most frequent activity status Slovenia, annually**



Source: SORS – Stat data portal

#### 2.1.4 Educational inequality

Education or educational attainment is clearly one of the most important factors influencing the person's position in the labour market and in the society. Slovenia has experienced important changes in the structure of educational attainment in the past decades. Some of this could be attributed to the increasing aspirations of the new cohorts and some to the explicit activities of the state, which has set some high objectives in enabling wider access to tertiary education by almost constantly reforming the Slovenian educational system.

<sup>9</sup> In the SILC survey in 2009, Eurostat changed the methodology of collecting data about the monthly status of the persons in the income reference year. Due to changes in methodology from 2009 onwards, inactive persons are classified into each category in more detail than is included in the administrative sources, and data from administrative sources are combined with data from the questionnaire. The status of the other inactive persons from administrative sources (housewives, unable to work, students, other inactive) is attributed from the answers in the questionnaire (prior to 2009, the sources of data were administrative sources). Because of this methodological change in 2009, there is a higher proportion of the unemployed and a lower percentage of other inactive persons among all persons classified by most frequent activity status.

The structure of educational attainment (see Table 2.5) of the Slovenian population in 2010 shows growing shares of technical, general upper-secondary and tertiary education in younger cohorts.

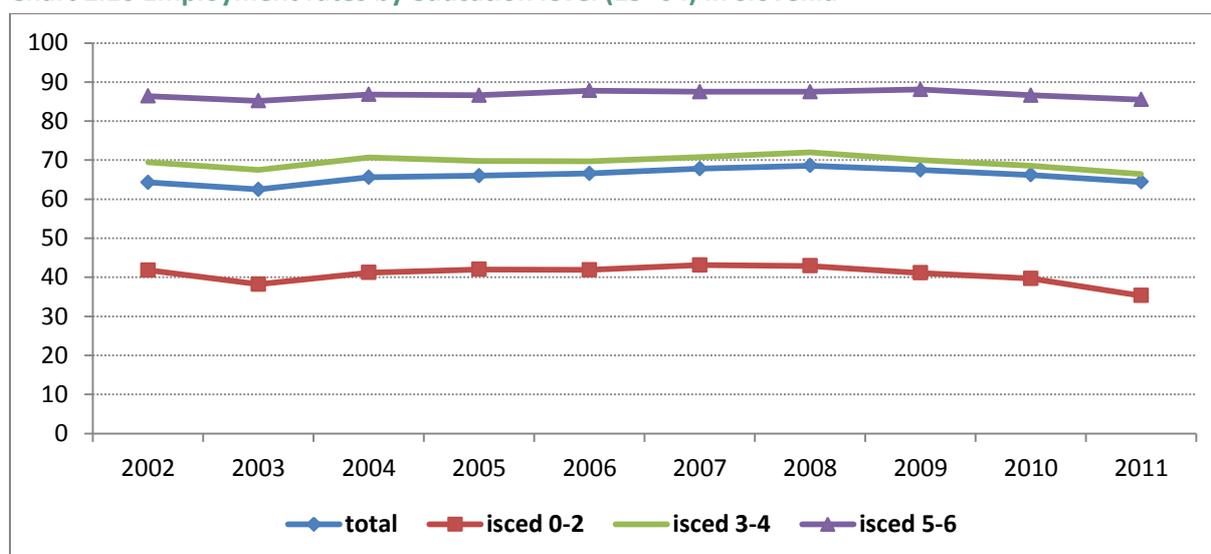
**Table 2.5 Structure of educational attainment of Slovenian population (15 or over) in 2010**

	Age groups (years)							
	total	15-24	25-34	35-44	45-54	55-64	65-74	75+
No education, incomplete basic	4.2	1.7	0.7	1.0	1.9	3.7	10.1	20.1
Basic	20.7	40.0	5.9	13.3	17.4	24.3	26.6	28.9
Short-term vocational, vocational upper-secondary	23.6	10.4	20.2	26.2	30.7	27.7	25.5	22.1
Technical, general upper-secondary	32.7	44.6	42.0	32.5	30.1	28.5	22.9	19.5
Tertiary	18.7	3.3	31.3	26.9	19.9	16.5	14.9	9.4
Total	100	100	100	100	100	100	100	100

Source: SORS 2010, stat yearbook, LFS data

Educational attainment, of course, has an important influence on a person's ability to get and retain a job in the labour market. Chart 2.10 clearly shows the differences in the employment rates affected by the educational attainment of the workforce.

**Chart 2.10 Employment rates by education level (15–64) in Slovenia**



Source: Eurostat

The Gini coefficient of education inequality steadily declined in Slovenia from 1961 to 2002. Furthermore, forecasts pointed to a further decline of the Gini coefficient, that is, towards higher education equity among the sub-population older than 15 years.

**Table 2.6 Gini coefficient for schooling, 1961–2002**

	15+		25+	
	Gini	Average years of schooling	Gini	Average years of schooling
1961	0.2723	6.30	0.2762	6.11
1971	0.2263	7.97	0.2316	7.97
1981	0.2258	8.65	0.2410	8.59
1991	0.1909	9.56	0.2053	9.63
2002	0.1557	10.28	0.1484	10.92
2011*	0.1349		0.1520	

Source: Flere 2004, 28

\*estimated projection

The analysis of the Gini coefficient for education shows that the male education Gini has been lower than the female education Gini since 1981, both showing a downtrend. As for the average years of schooling, men had always had the opportunity to study longer than women.

**Table 2.7 Gini coefficient for schooling, by gender**

	Male		Female	
	Gini	Average years of schooling	Gini	Average years of schooling
1961	0.2838	6.83	0.2512	5.84
1971	0.2325	8.40	0.2125	7.61
1981	0.2168	9.24	0.2292	8.21
1991	0.1762	9.95	0.1972	9.18
2002	0.1267	11.10	0.1582	10.53

Source: Flere 2004, 29

There is a very strong negative correlation between the education inequality measured by the education Gini and the average years of attained schooling. This means that a higher education attainment level in the population leads to better education equality (Flere 2004).

The inequality indices (Čok 2003) show the highest inequality among the less educated: in 1983 and 1997/98, it is found in the subgroups with *primary school*, while in 1993, it is found in the category *upper cycle secondary school*. On the other hand, the lowest inequality is found among well-

educated people: in the subgroup *higher education* (V+VI) in 1983, in the subgroup *university or more* in 1993, and in the subgroup *non university higher education* in 1997/98.

A recent study (Ivančič et al. 2011) examined the effects of different levels and types of education on the early labour market careers of young people in Slovenia in the period 1991–2006. The authors were particularly interested in how horizontal differentiation at the secondary level of education and the strengthened linkages between education and the labour market introduced by the 1990 educational reform affected labour market rewards of vocational education graduates. In addition, the authors analysed the effects of changes at the tertiary level with special emphasis on expansion and differentiation of the higher-education sector.

The results clearly attest to the importance of education, particularly in determining occupational status of the first job. At the secondary level, graduates from vocational education obtained first jobs that had substantially inferior occupational status compared to graduates from general secondary or secondary technical tracks. However, vocational education graduates find a first significant job faster than graduates from general secondary education. Graduates from technical education obtain jobs of comparable status but enter the labour market faster than general secondary graduates do, making this the best possible choice for young people who contemplate tertiary education but opt for entering the labour market after graduating from secondary education. Despite substantial educational expansion at the tertiary level, obtaining post-secondary or tertiary qualifications still pays off, especially in terms of occupational status. With their ranks declining in the course of educational reform, individuals with primary education or less constitute the losers of market transformation. They obtain jobs of the lowest quality, take very long to find a first significant job, and are most likely to lose them again.

## 2.2 Whom has it affected?

Due to the lack of more in-depth analyses, it is difficult to discuss various variables, such as gender, ethnicity or region, which would influence the status of a particular group.

Regardless of the fairly egalitarian nature of the current Slovenian society, there are groups with characteristics that put them at a greater risk for falling into material depravity, poverty or social exclusion. Those groups are more dependent on the different activities of the state and the growing number of non-governmental organisations.

One of the most important characteristics that increase the risk of falling into an unfavourable position is the labour market status of the person or household. Aside from the classic division

between activity and inactivity in the labour market, where unemployed and inactive persons<sup>10</sup> are more 'prone' to the greater risk, there is growing differentiation among active persons as well. While full-time employed with permanent employment have relatively secure positions in the labour market, there is a growing segment of flexibly employed with positions in the labour market that could be described as precarious and insecure. Here, as already described, the age of the employed person is the main point of differentiation – younger generations (at least those younger than 30 years of age) are predominantly found in the flexible forms of employment. On the other side, older persons, mostly retired, also have a greater at-risk-of-poverty rate in Slovenian society (18.3%). Regional differences exist in the unemployment rates, with higher rates in less developed eastern regions.

Moreover, in Slovenia, households without working members and with dependent children are the most vulnerable. Data on the at-risk-of-poverty rate of various socio-demographic categories of persons and households show that households without working members (40.1% of people below the at-risk-of-poverty threshold), especially households without working members with dependent children (74.8%), were the most vulnerable.

As expected, the at-risk-of-poverty rate was the lowest for work-intensive households, i.e. households in which all adult household members were in employment (3.5%), and for persons in employment (5.3%). Despite the fact that the at-risk-of-poverty rate was low for persons in employment, almost one-fifth of all persons who were living below the at-risk-of-poverty threshold were persons in employment. Regarding gender, women have slightly (for about 3 p.p.) higher at-risk-of-poverty rates.

As regards the type of household, one-member households (38.5%), single-parent households (31.4%) and couples with three or more children (13.6%) were the most vulnerable.

### 2.3 Interdependence between the above inequalities over time

There are no studies in Slovenia which would analyse the interdependence between the inequalities presented in this report. We can only speculate, at least for now, that there is some causality between the most important factors, such as education, age, type of (in)activity and type of

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<sup>10</sup> As regards the most frequent activity status, unemployed persons (44.1%) and retired persons (18.3%) were the most vulnerable. The at-risk-of-poverty rate was also high for women aged 65+ (27.1%) and for tenants (27.6%).

household, in producing greater risk for falling into a particular type of inequality and how those particular types of inequality are interrelated.

## 2.4 Why has inequality grown?

The presented (mostly official) data shows that, in the new millennium, income inequality actually declined for most of the period. Only recently, with the stronger effects of the economic crisis, has it started to grow again. As already stated, the most important reason for such a mostly positive trend is the redistributive role of the Slovenian social security system which, along with the tax system, with its activities and measures, maintains relatively and absolutely low income inequality and at-risk-of-poverty rates.

On the other hand, from 2005 onwards, there were some attempts to modify the current social security system towards a system in which personal responsibility for one's own wealth and status in the society would be more pronounced.

## 2.5 Conclusions: The 'national story' of evolving inequality drivers

The most important theme of the 'national story' is that Slovenia has managed in the past 20 years to keep (thus far) the main indicators of social inequality at relatively low levels.

This is the consequence partly of the still relatively strong influence of the socialist tradition in the majority of the Slovenian population. It is likewise partially the product of the steady development of the Slovenian economy and labour market and deliberate actions of the social security system that has been created and maintained during the last 20 years.

On the other hand, the Slovenian story is far from idyllic. The same development of the Slovenian society and its institutions which enabled its convergence in relation to more developed European countries, simultaneously keeping the 'egalitarian principle' still alive, also brought new divisions and new inequalities which are more or less still 'undercover' due to the relatively underdeveloped system of tracking and measurement, as well as the lack of official indicators. For example, the convergence to the modern global economy from the start of the new millennium also meant relatively strong liberalisation in the form of poorly controlled privatisation of major Slovenian formerly state-owned companies. This enabled frequent manipulations by the top management to produce a group of new rich so-called 'tycoons'. The new rich have quickly adopted modern ways of managing their wealth through collecting and keeping the material and non-material forms of wealth

that are difficult to trace. Moreover, on the other side, the same trends that have produced more winners have also produced more losers. Some of them have lost everything, including their living places, thus increasing the number of homeless people. In the early period, transition in Slovenia has led to increasing housing vulnerability and strengthened the structural causes of homelessness. At the same time, this vulnerability has not been recognised in the policy context, a situation which changed only gradually in the second decade of transition (Mandič and Filipovič 2008).

Thus, the strong perception of growing inequalities in Slovenian society<sup>11</sup> (as the opposite of what the main indicators of inequality are showing) could be less the product of 'mass paranoia' and more the product of common sense and actual perception of increasing differentiation in Slovenian society, which cannot yet be traced by the official indicators.

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<sup>11</sup> See Malnar, 2011, Chapter 4 in this Report



### 3. Social Impacts of Inequality

#### 3.1 Introduction

In this chapter, we try to present potential social impacts of inequality. We give an overview of trends in the last 10 to 20 years in different social aspects of people's lives, including patterns in poverty and material deprivation, housing, family, health, subjective wellbeing and others.

#### 3.2 Material deprivation

Material deprivation here is analysed based on the standard Eurostat indicators, which are indicators for observing social exclusion/inclusion, such as material deprivation and severe material deprivation, as defined in the EU2020 poverty target.

The share of people in Slovenia that are under (severe) material deprivation has been quite constant until 2008, when it slightly increased. This might correspond with the economic crisis in that year.

**Table 3.1. Materially deprived (% of population) in Slovenia**

	Severe material deprivation	Material deprivation
2005	5.1	14.7
2006	5.1	14.4
2007	5.1	14.3
2008	6.7	16.9
2009	6.1	16.2
2010	5.9	15.8

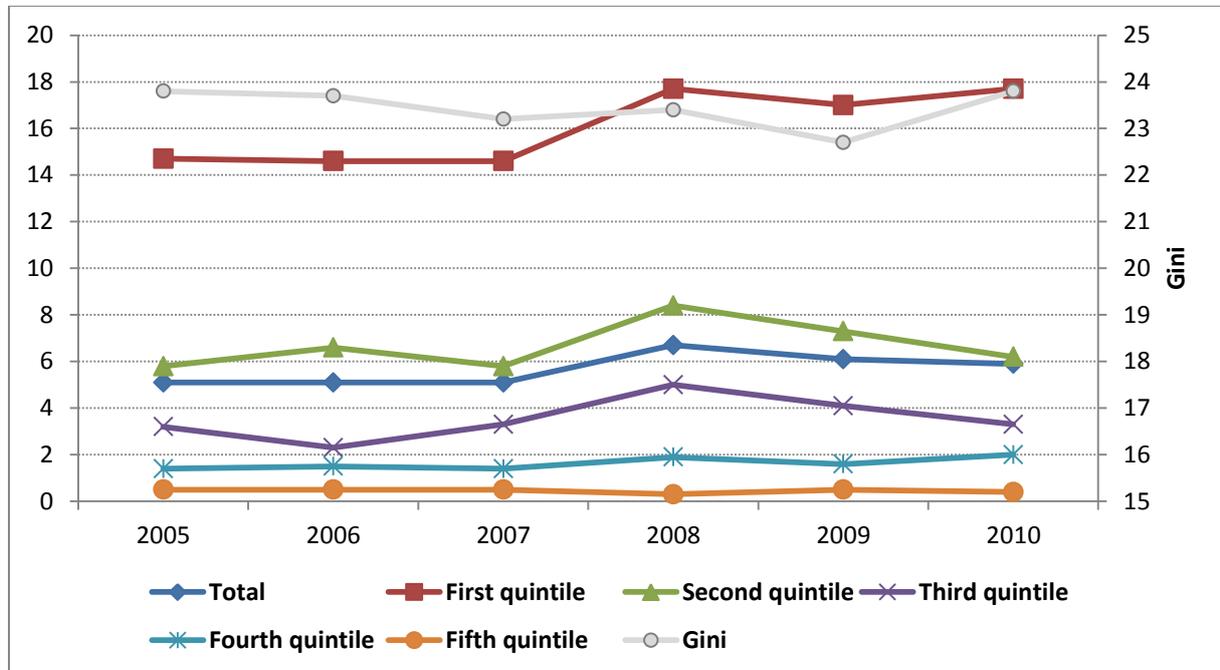
Source: Eurostat, Income and Living Conditions data

Note: The collection 'material deprivation' covers indicators relating to economic strain, durables, housing and environment of the dwelling. Severely materially deprived persons have living conditions severely constrained by a lack of resources. They experience at least 4 out of the 9 following deprivations items (and materially deprived experience 3 out of 9); they cannot afford i) to pay rent or utility bills, ii) to keep the home adequately warm, iii) to face unexpected expenses, iv) to eat meat, fish or a protein equivalent every second day, v) a week holiday away from home, vi) a car, vii) a washing machine, viii) a colour TV, or ix) a telephone.

When observing trends in severe material deprivation by age groups, gender and income quintile, the effect of economic crisis is evident in all, as there is a slight increase evident in 2008. Interesting to note is that the trends show that severe material deprivation has in all income quintiles increased in 2008, and in all but the first income quintile dropped in subsequent years. However, in the first

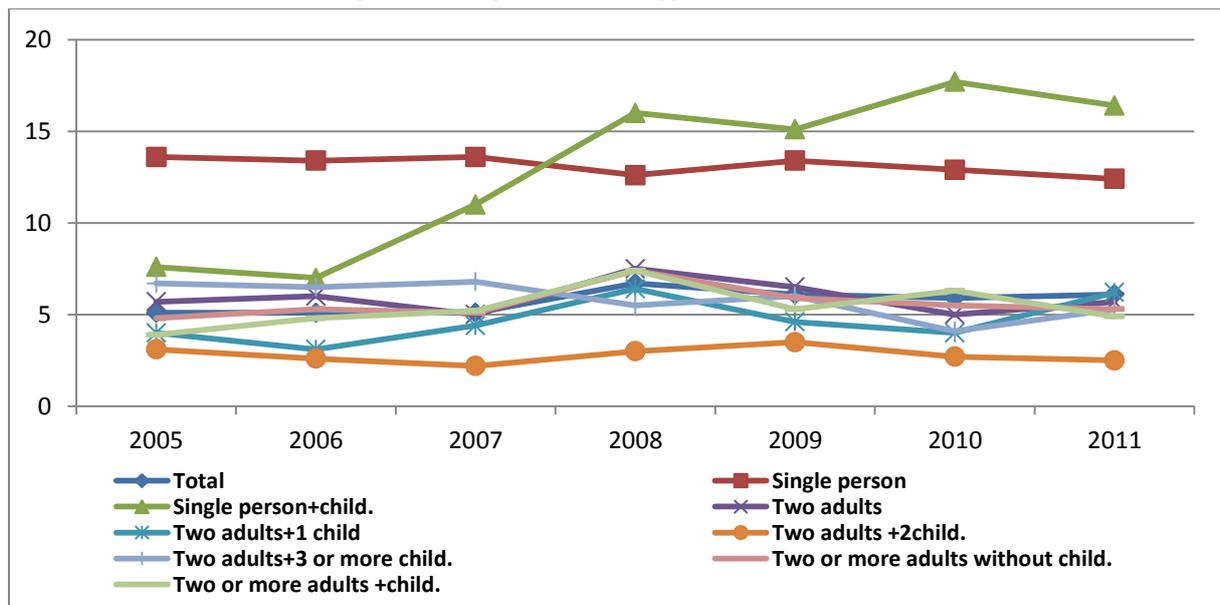
income quintile, shares of severely materially deprived increased in 2010, which could indicate growth of inequality. When observing households by type, we can see that the trends have been quite negative for single parents, as in their case, the share of those severely materially deprived increased significantly from 2006 to 2011.

**Chart 3.1 Severe material deprivation by income quintile**

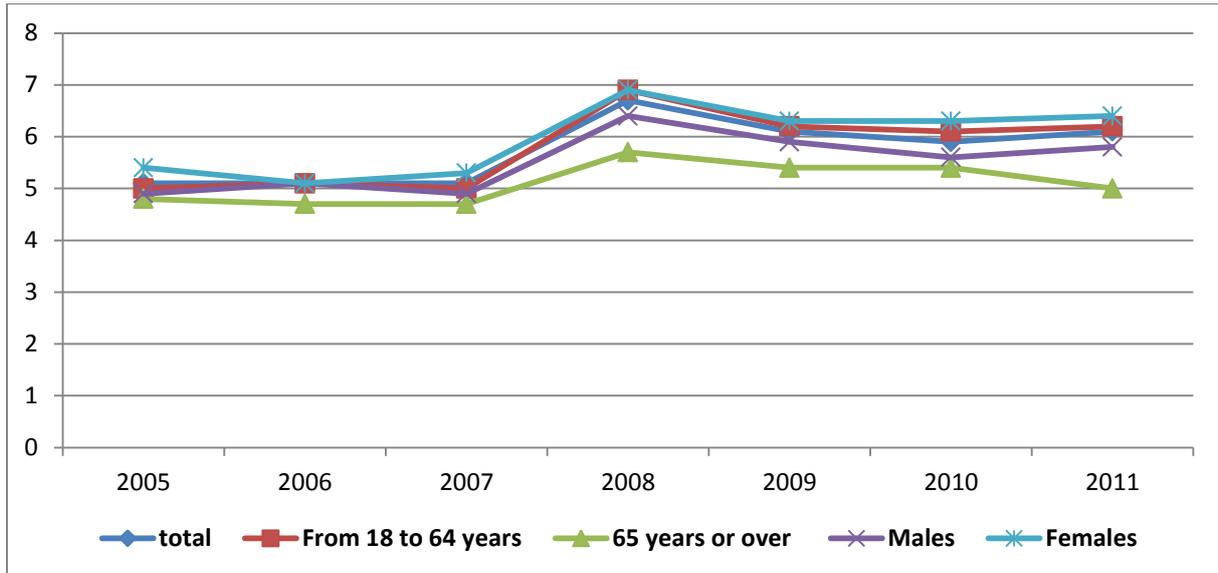


Source: Eurostat, Income and Living Conditions data

**Chart 3.2 Severe material deprivation by household type**



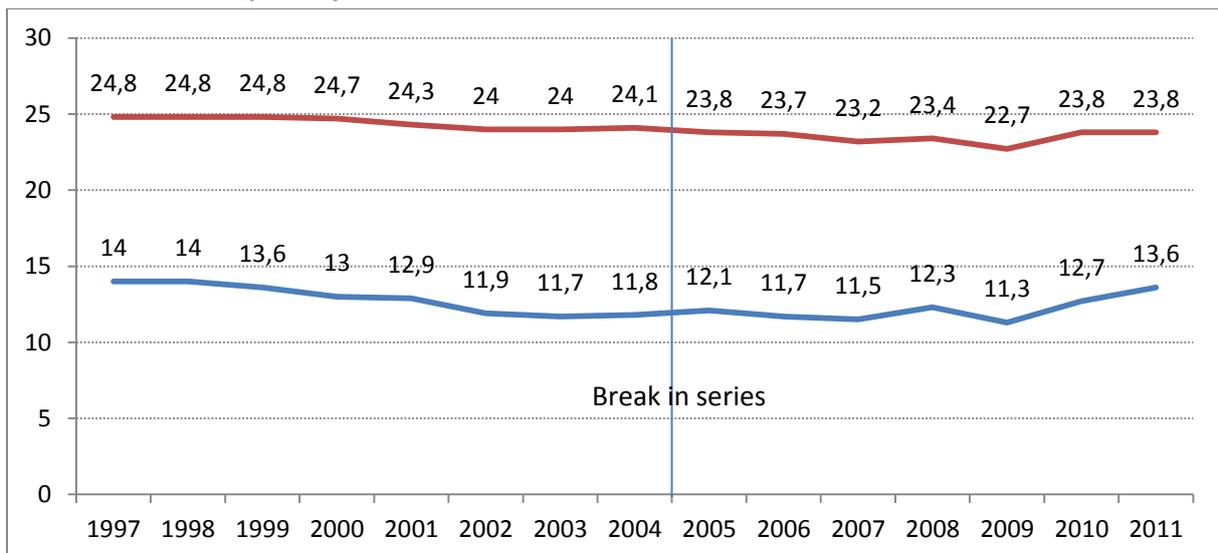
Source: Eurostat, Income and Living Conditions data

**Chart 3.3 Severe material deprivation by age and gender**

Source: Eurostat, Income and Living Conditions data

### 3.3 Cumulative disadvantage

The shares of those at risk of poverty are significantly decreased (halved) by social transfers. From 2000 to 2009, the at-risk-of-poverty rate has been quite constant, slightly higher for women compared to men and significantly higher for elderly compared to other age groups. The highest at-risk-of-poverty rates belong to jobless households with dependent children and single households. (See Appendix.)

**Chart 3.4 At-risk-of-poverty rate and Gini index for Slovenia**

Source: SORS

The share of people at risk of poverty or social exclusion (according to the definitions of Eurostat, Europe 2020) has been quite constant from 2005 to 2010 and does not show any significant effect from the economic crisis.

**Table 3.2 Cumulative disadvantage in Slovenia (% of population)**

	People at-risk-of-poverty or social exclusion
2005	18.5
2006	17.1
2007	17.1
2008	18.5
2009	17.1
2010	18.3

Note: People at-risk-of-poverty or social exclusion indicator corresponds to the sum of persons who are: at risk of poverty or severely materially deprived or living in households with very low work intensity.

Source: Eurostat, Income and Living Conditions data

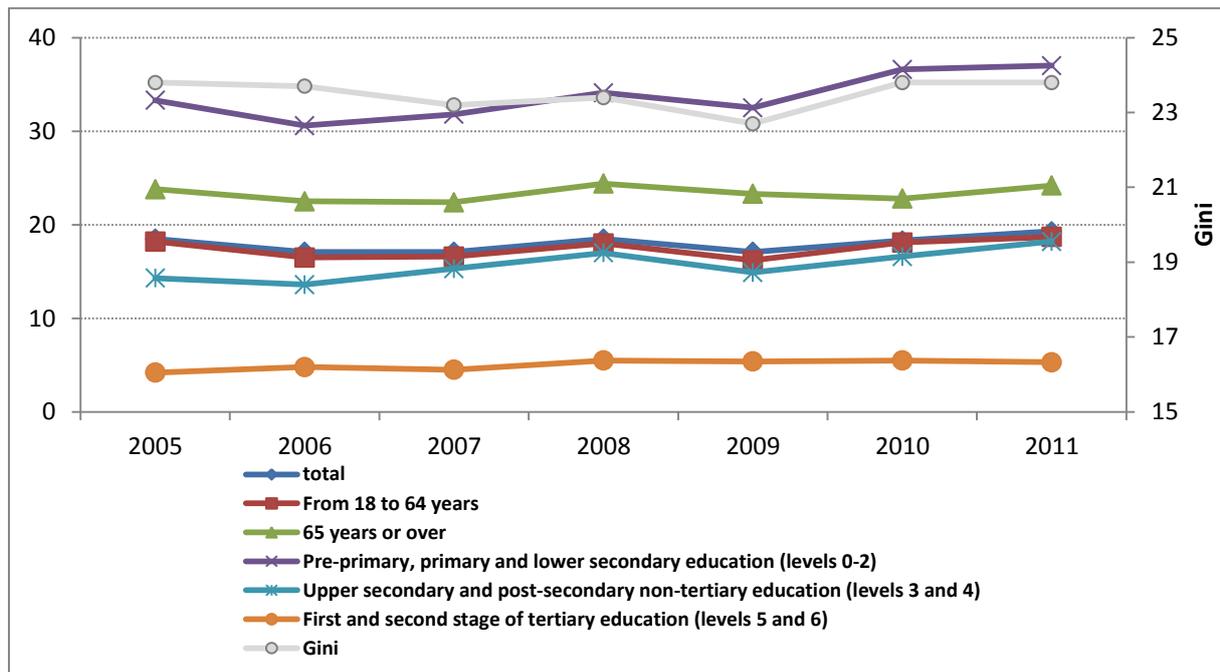
In Slovenia, the shares of those at risk of poverty or social exclusion in each income quintile are lower than is the EU-27 average. However, in the EU-27, the trend from 2005 to 2010 has been that of reducing the share of those at risk of poverty or social exclusion, while in Slovenia, this has remained almost constant with only slight changes in time. Similarly, trends in the shares of those at risk of poverty or social exclusion by age and education are quite constant from 2005 to 2011. The highest shares can be found in the lowest educated group and among the older age group.

The share of those suffering from multiple deprivations, according to EU2020 indicators, is very low. Namely, the share of those at risk of poverty, severely materially deprived and living in a household with low work intensity is 0.8% among men and only slightly higher (1%) among women in 2009. This is below the EU-27 average (in 2009, 1.7% for men and 1.5% for women). The shares are quite similar to those in 2007, when they were 0.9% for both men and women.<sup>12</sup>

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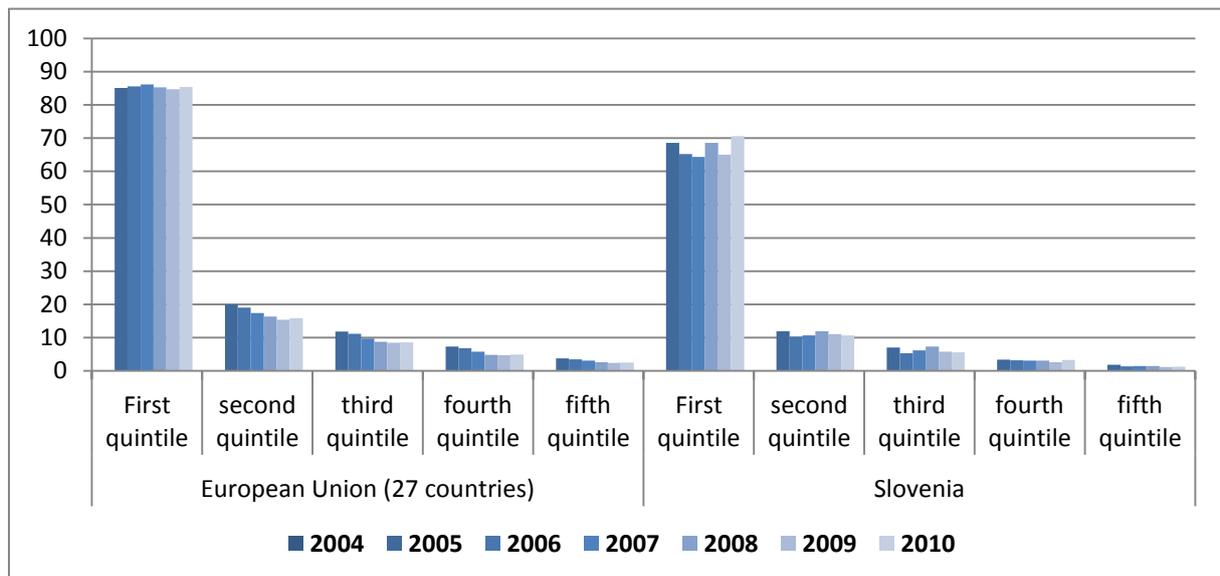
<sup>12</sup> Eurostat 2011

Chart 3.5 At risk of poverty or social exclusion (in %) by age and education (Slovenia)



Source: Eurostat, Income and Living Conditions data

Chart 3.6 At risk of poverty or social exclusion (in %) by income quintile



Source: Eurostat, Income and Living Conditions data

### 3.4 Indicators of social cohesion

Most definitions see social cohesion as the answer to individualisation and a goal to be reached to ensure sustainability, good relations, progress and peace (Pahl, 1991; Forrest and Kearns, 2001). Forrest and Kearns (2000, 996) define it in the following way: ‘a cohesive society “hangs together”; all the component parts fit in and attribute to society’s collective project and well-being; and conflict

between societal goals and groups, and disruptive behaviour, are largely absent or minimal'. They also distinguish five dimensions of social cohesion: social networks and social capital; common values and civic culture; place attachment and identity; social order and social control; and social solidarity and reductions in wealth disparities. Social cohesion is therefore closely linked also to the concept of social capital. This can be defined as 'features of social life - networks, norms and trust - that enable participants to act together more effectively to pursue shared objectives' (Putnam 1995, 664). The usual indicators for observing social cohesion and capital are consequently the levels of trust in a society (general and also institutional) as well as the strength of social networks, political participation and participation in voluntary activities. In general, however, we could say that Slovenia, as well as other post-transitional countries, has often been found to have less social capital and social cohesion. Uslaner and Badescu (2003) described this as a residual effect of state repression whereby people have learned not to trust and social networks are often very small and limited to close family and friends.

The other indicator of social cohesion that is relevant is social networks. As indicated by social network research (e.g. Hlebec et al. 2010; Hlebec et al. 2012), social support in Slovenia is strong and strong family ties dominate. In this predominance of strong family ties, Slovenia has been found similar to the so-called familialistic southern European countries (see Ogg 2005).

The research on social networks indicates that there were also some changes in the last 20 years in the composition of networks, even though in general this is shown to be quite stable. The research done by Hlebec et al. (2010) on social networks and their comparison in 1987 and 2002 showed that the effect of time on network composition is relatively weak, while the effects of age and marital status, as well as gender in some cases, are stronger. However, the effect of time is relatively strong when observing shares of co-workers and neighbours in the networks, which were considerably higher in 1987 than in 2002. It therefore seems that discussion partners have become less numerous and more intimate, which might be linked to transition and the changes it brings to society, or to other more general societal changes, such as a trend towards individualisation (Hlebec, Filipovič Hrast and Kogovšek 2010). It should, however, be noted that Slovenia seems to be a country with quite strong social cohesion, since not many people are without any sort of support. The share of respondents with nobody to turn to is only 3.8% (EQS data for 2007), which is by far the lowest in the EU-27 (Filipovič Hrast 2011).<sup>13</sup>

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<sup>13</sup> The share represents those that answer they have 'nobody' to turn to in response to the following questions: Do you have anybody to turn to: (1) in case of illness and in need of household help? (2) when you need advice in an important personal or family matter? (3) when you feel depressed and need to talk to someone? or (4) if you urgently needed 1000 euro (for NMS 500 euro)?

**Table 3.5 Integration with relatives, friends and neighbours, and participation in informal voluntary activities in 2006**

	Getting together with relatives	Getting together with friends	Contacts with relatives	Contacts with friends	Voluntary help to others
Daily.	12	19	14	20	5
Every week.	34	40	37	38	11
Several times a month.	22	20	20	20	19
Once a month.	18	13	16	11	20
At least once a year.	13	6	8	5	16
Never.	1	2	6	7	29

Survey on Living Conditions - social participation, Slovenia, 2006

Source: SORS, Statistics on Income and Living Conditions (EU-SILC) 2006.

The data from 2007 (European Quality of Life Survey) show that there are no large differences in contact with friends or neighbours between those with low and high income. However, research in Slovenia on social networks of the poor (Novak, Nagode and Dremelj 2008<sup>14</sup>) showed that the poor have smaller social networks including the support of socialising and other supports (e.g. emotional, health). The main difference in the scale of networks is that the scale is reduced by almost two-thirds when comparing the poor to the rest of the population. However, other supports also reveal a noticeable tendency of reduced scale. Among the poor, social isolation (defined as having no one to turn to) is also higher than in the remainder of the population. Even though small (from 3% to 10%), there is among the poor a higher percentage of those who have no one to turn to in cases of illness or emotional distress or for socialising.

**Table 3.6 The frequency of face-to-face contact with friends or neighbours (not living with the respondent) by income**

Income	More than once a day to once a week	Once or twice a month to several times a year or less often	Don't know	N
Lowest	86	13.7	0.2	187
Low	87.7	11.9	0.4	169
High	91.6	8.2	0.2	175
Highest	86.6	13.1	0.3	182

Source: EQLS 2007

<sup>14</sup> The data is from the 2002 survey.

### 3.5 Family formation and break down

When observing household composition, the most notable trend is an increase in the share of single households (adult without children) and also in couples without children. The number of single parents slightly increased in 2008 and 2009; however, it dropped again in 2010.

**Table 3.7 Household composition (in 1000)**

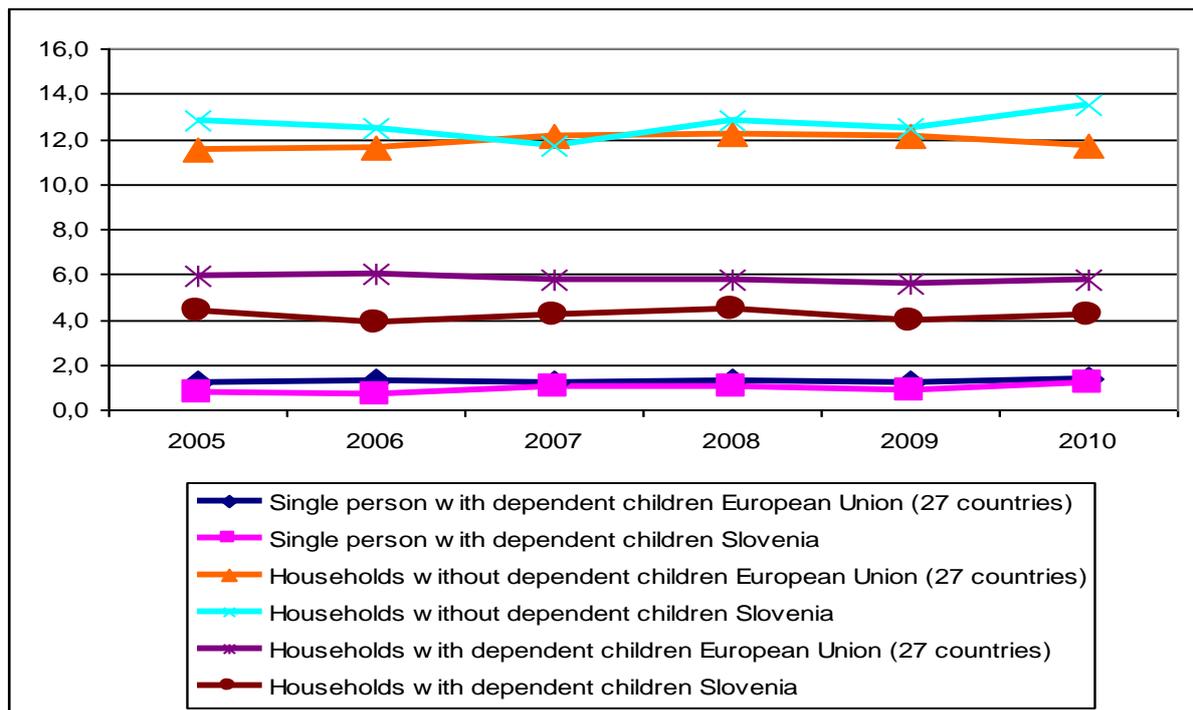
	2005	2006	2007	2008	2009	2010
total	1.534,4	1.546,3	1.554,8	1.571,8	1.576,1	1.585,6
Single adult with children	22,4	22,7	23,5	27,1	26,7	23,9
Single adult without children	180,0	181,8	171,6	195,9	207,5	223,8
Adult living in a couple with children	370,7	369,2	354,2	357,9	373,7	380,2
Adult living in a couple without children	268,5	271,7	276,3	291,3	305,0	318,2
Adult living in another type of household	692,9	701,0	729,1	699,7	663,2	639,5

Source: Eurostat

Note: Included aged 15 and over.

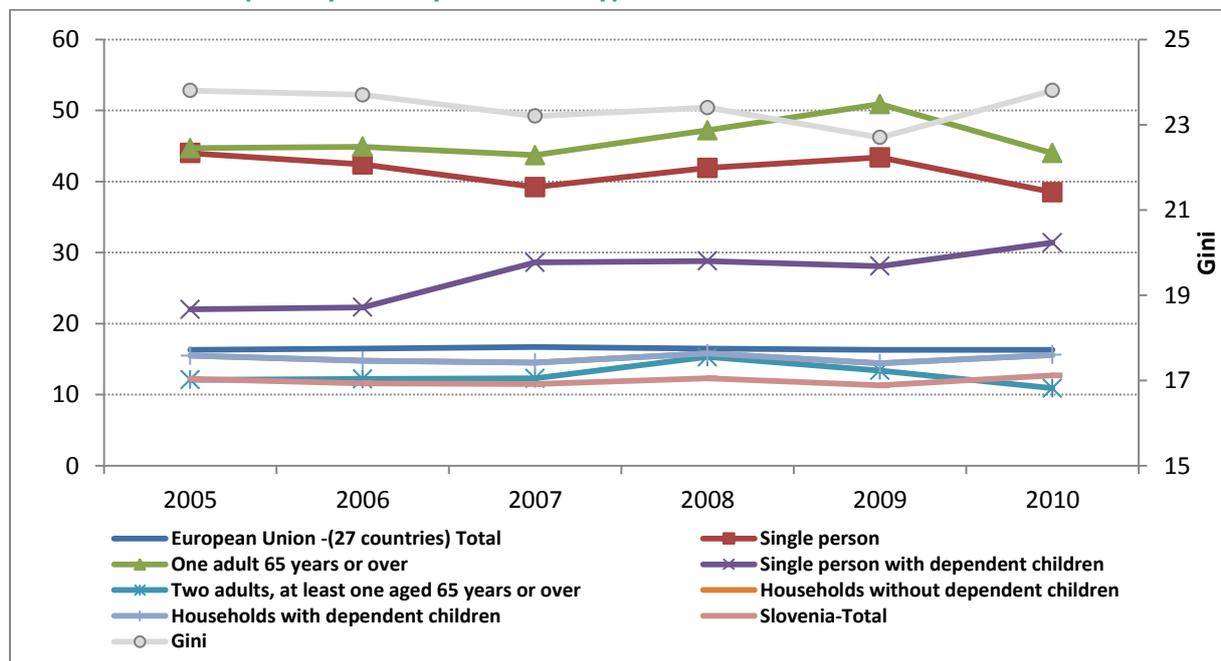
The shares of single households with dependent children having less than 60% of median income is similar in Slovenia to that in the EU-27. Also, shares of households without children living below 60% of median income is quite similar, with however a somewhat negative trend visible in Slovenia, as from 2007 the share of these households has been increasing. On the other hand, the share of households with children living below 60% of median income is quite constant and consistently lower in Slovenia than the EU-27 average. This is most likely, among other factors, linked to well-targeted welfare measures (i.e. benefits for families with children). However, it should also be noted that single parent households are still quite vulnerable and that the at-risk-of-poverty rate among these households is growing. Even more vulnerable are single households, in particular single older households, which have the highest at-risk-of-poverty rate.

Chart 3.7 Shares of households in group 'below 60% of median income' by household type



Source: Eurostat

Chart 3.8 At risk of poverty rates by household type



Source: Eurostat

The number of marriages consistently dropped until the year 2005, when it reached the lowest point with 2.9 marriages per 1000 persons. After 2005, the number has been slowly on the rise, reaching 3.2 in the year 2010. The age at first marriage for men is somewhat older than for women (see table

in appendix). Similarly, the trend for the fertility rate likewise dropped until 2003, when the trend has been slowly reversed.

**Table 3.8 Marriage and divorce rates**

	Marriages per 1000 inhabitants	Average age of men (at time of marriage)	Average age of women (at time of marriage)	No of divorces per 1000 inhabitants	No of Divorces per 1000 marriages
1980	6.5	27.5	24.1	1.2	186.6
1981	6.3	27.5	24.2	1.3	201
1982	6.1	27.6	24.2	1.3	217
1983	6.1	27.6	24.2	1.4	228.2
1984	5.9	27.1	23.8	1.3	222.9
1985	5.4	27.2	23.8	1.3	239.8
1986	5.4	27.6	24.3	1.2	214.8
1987	5.2	27	23.7	1.1	209.9
1988	4.6	27.3	24.2	1	225.1
1989	4.9	27.8	24.7	1.1	221.1
1990	4.3	28.7	25.4	0.9	218.2
1991	4.1	28.6	25.6	0.9	223.7
1992	4.6	29.3	26.1	1	215.6
1993	4.5	30	26.7	1	214.6
1994	4.2	30.2	26.9	1	231.3
1995	4.2	30.1	26.9	0.8	192
1996	3.8	30.4	27.2	1	265.3
1997	3.8	30.7	27.6	1	266.1
1998	3.8	30.9	27.8	1	275.5
1999	3.9	31.3	28.1	1	268.8
2000	3.6	31.4	28.4	1.1	295.1
2001	3.5	31.8	28.8	1.1	327.9
2002	3.5	32.3	29.2	1.2	347.8
2003	3.4	32.3	29.2	1.2	364.3
2004	3.3	32.6	29.6	1.2	367.6
2005	2.9	33	29.8	1.3	458.8
2006	3.2	32.8	30	1.2	366.5
2007	3.2	33.2	30.3	1.3	411
2008	3.3	33.2	30.2	1.1	335.1
2009	3.2	33.1	30.3	1.1	351.1
2010	3.2	33.7	30.8	1.2	372.2

Source: SORS

Table 3.9 Fertility rates

	Live births- total	Live births per 1000 inhabitants	Total fertility rate	Average age of mother at birth (all births)
1980	29902	15.7	2.11	25.3
1981	29220	15.2	1.96	25.4
1982	28894	15	1.93	25.4
1983	27200	14.1	1.82	25.4
1984	26274	13.5	1.75	25.3
1985	25933	13.1	1.72	25.5
1986	25570	12.9	1.65	25.6
1987	25592	12.9	1.64	25.6
1988	25209	12.6	1.63	25.8
1989	23447	11.7	1.52	25.9
1990	22368	11.2	1.46	26
1991	21583	10.8	1.42	26.3
1992	19982	10	1.34	26.4
1993	19793	9.9	1.33	26.7
1994	19463	9.8	1.32	27
1995	18980	9.5	1.29	27.2
1996	18788	9.5	1.28	27.4
1997	18165	9.1	1.25	27.7
1998	17856	9	1.23	27.9
1999	17533	8.8	1.21	28.1
2000	18180	9.1	1.26	28.3
2001	17477	8.8	1.21	28.5
2002	17501	8.8	1.21	28.8
2003	17321	8.7	1.2	29
2004	17961	9	1.25	29.2
2005	18157	9.1	1.26	29.4
2006	18932	9.4	1.31	29.7
2007	19823	9.8	1.38	29.9
2008	21817	10.8	1.53	30.1
2009	21856	10.7	1.53	30.1
2010	22343	10.9	1.57	30.3

Source: SORS

### 3.6 Health inequalities

As several researchers report, at the start of the 21<sup>st</sup> century, all European countries are faced with substantial inequalities in health within their populations. People with a lower level of education, a lower occupational class or a lower level of income tend to die at a younger age and to have a higher prevalence of most types of health problems<sup>15</sup>. Studies have shown Slovenia to belong in the East European welfare regime, where countries have a higher prevalence of ill health (according to indicators of self-rated health and limiting longstanding illness) and are characterised by the lowest average years of education<sup>16</sup>.

Life expectancy in Slovenia is increasing constantly, and has risen for both men and women approximately by three years from 2004 to 2010. However, life expectancy of men is still lower than that of women (76 years for men and 83 years for women in 2010). Life expectancy also differs among social and educational classes. Data show that life expectancy in Slovenia for men in the highest educational class in all observed age groups is lower than for women in the lowest educational class, which is true for only a few European countries (Corsini, 2010)<sup>17</sup>.

Infant mortality has consistently been dropping since 2005; however, from 2010 to 2011, we can see a slight increase in infant mortality rates.

In Slovenia, there are also regional differences in life expectancy and mortality. Namely, life expectancy is three years shorter in less developed eastern regions than in more developed western regions. These differences correspond to the differences in poverty rates among the regions<sup>18</sup>. There are also significant differences between regions in healthcare. There is an inadequate distribution in the number of people per team in primary healthcare in some of the more remote rural areas, in which there can be a lack of doctors and in which the workload of doctors is greater. (Albreht et al., 2009, cited in Health Inequalities Report 2011) Also a lack of availability of high-speed services in rural areas is measured as being inferior to urban centres by up to 40%<sup>19</sup>.

**Table 3.10 Life expectancy in Slovenia**

	Life expectancy		Infant mortality
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<sup>15</sup> Mackenbach (2006) : Health inequalities: Europe in profile. Rotterdam : University medical center Rotterdam.

<sup>16</sup> Eikemo, T. and Huisman, M. and Bambra, C. and Kunst, A. (2008) 'Health inequalities according to educational level in different welfare regimes: a comparison of 23 European countries.', *Sociology of health and illness*, 30 (4). pp. 565-582.

<sup>17</sup> Cited in Health inequalities in Slovenia 2011 report.

<sup>18</sup> Predlog strategije za zmanjšanje neenakosti v zdravju. Zavod za zdravstveno varstvo Murska Sobota.

<sup>19</sup> Health inequalities in Slovenia 2011 report. P.65

	females	males	
1999	79.5	71.8	:
2000	79.9	72.2	4.9
2001	80.4	72.3	4.2
2002	80.5	72.6	3.8
2003	80.3	72.5	4
2004	80.8	73.5	3.7
2005	80.9	73.9	4.1
2006	82	74.5	3.4
2007	82	74.6	2.8
2008	82.6	75.5	2.4
2009	82.7	75.9	2.4
2010	83.1	76.4	2.5
2011	:	:	2.9

Life expectancy at birth is defined as the mean number of years still to be lived by a person at birth.

Source: Eurostat

In Slovenia, there is also a particularly high suicide rate (second highest in EU-25, according to 2006 Eurostat data). The research has already shown that the most vulnerable and at-risk with the highest suicide rates are men, particularly those living in poverty, those who are unemployed and those who are alcoholics<sup>20</sup>.

The shares of those that evaluated their health as very good has been slowly increasing since 2005, and almost 18% of people rated their health as very good in 2010. However, the difference between those with lower and higher education is significant, as among those with higher education (level 5 and 6), more than 24% rate their health as very good (data for 2010). At the same time, the share among those with primary education (level 1) is only 4%.

<sup>20</sup> Predlog strategije za zmanjšanje neenakosti v zdravju. Zavod za zdravstveno varstvo Murska Sobota.

**Table 3.11 Self-rated health (% of very good) by education**

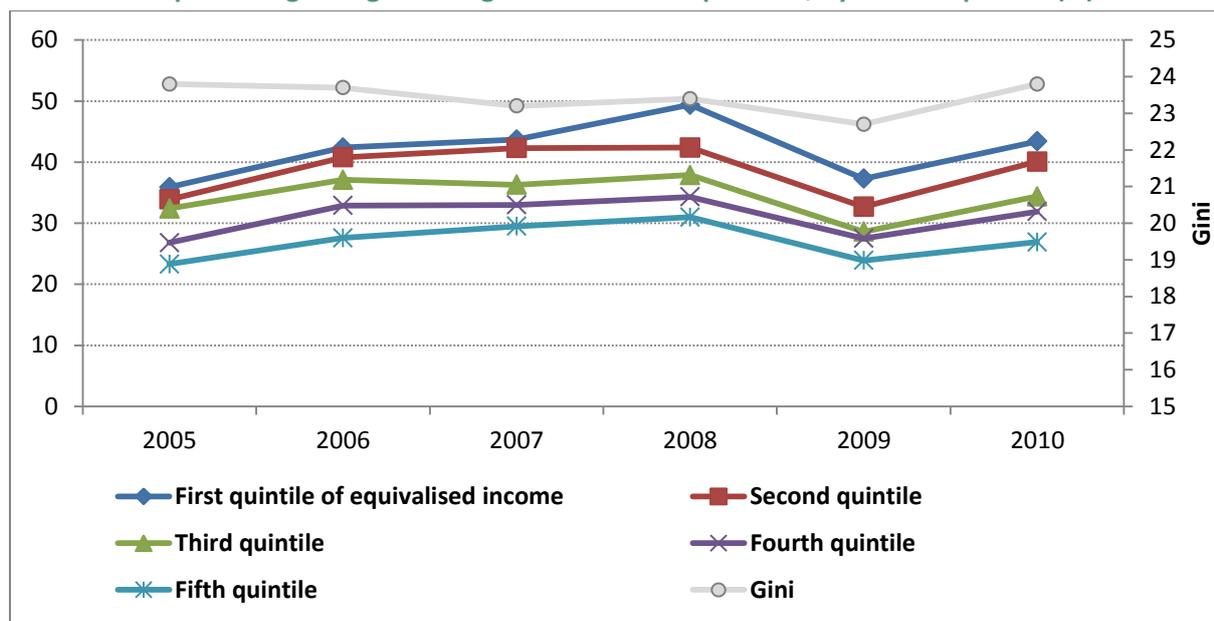
	2005	2006	2007	2008	2009	2010
total	14.8	15.9	15.8	16.4	17.2	17.9
Pre-primary education (level 0)	4.0	12.2	5.0	:	:	:
Primary education or first stage of basic education (level 1)	11.0	8.6	4.3	4.6	3.5	4.1
Lower secondary or second stage of basic education (level 2)	3.5	17.2	11.9	12.2	11.9	13.5
Upper secondary education (level 3)	16.1	16.8	16.3	17.0	17.8	18.2
Post-secondary non-tertiary education (level 4)	17.6	13.5	:	:	:	:
First stage of tertiary education not leading directly to an advanced research qualification (level 5)	22.6	24.2	22.3	21.9	24.3	24.0
Second stage of tertiary education leading to an advanced research qualification (level 6)	25.0	25.1	28.6	30.4	20.7	27.6

Source: Eurostat

There are also significant differences according to income in self-rated health. For example, in the first income quintile, only 10% of respondents evaluated their health as very good and 22% evaluated it as bad, while in the fifth income quintile, 23% evaluated it as good and only 7% as bad (Eurostat data for 2006)<sup>21</sup>. These differences among income quintiles seem to be even more accentuated in Slovenia than in some other Central and Eastern European countries (e.g. in Slovakia or Poland, the difference between first and last income quintile in self-perceived health is smaller) (Filipovič Hrast 2009).

In addition, the shares of those reporting a long-standing illness or health problem are consistently higher among those with lower income in the observed time period (2005–2010). In all income groups in the year 2008 (i.e. the year of the crisis), an increase in reported problems can be noted.

<sup>21</sup> Eurostat data on population and social conditions, Health, EU-SILC Survey, 2006. Definition: The percentage sum of people reporting bad or very bad health.

**Chart 3.9 People having a long-standing illness or health problem, by income quintile (%)**

Source: Eurostat, Public health statistics

However, Slovenia can generally be described as a country with a well-developed system of healthcare. It has a well-developed public network of health institutions. Access to healthcare services is ensured through compulsory health insurance, which covers almost 100% of population (for more on the characteristics of the health system, see Chapter 5). Even though the public healthcare system is the strongest, the last decade has seen increased privatisation of health services, especially of dental services. The consequence of this change can be higher inequality in accessing health services, as some can afford the private services and therefore skip the long waiting lists characteristic of public health services. This trend is reflected in the data. In the period 2000–2008, among total health expenditures, direct household expenditure increased the most (5.5% per year). The effect is that household expenditure as a percentage of total health expenditure in 2008 amounted to 12.7% (11.5% in 2000) and is already higher than the percentage of expenditures from voluntary health insurance (12.4%). In comparison with EU countries (16.4%, as reported by the WHO Regional Office for Europe, 2010), the percentage of out-of-pocket expenditure is still not high, as a result of the Slovenian system of supplementary health insurance, from which the differences up to the full value of health services are covered<sup>22</sup>.

<sup>22</sup> Health inequalities in Slovenia 2011 report.

The data show that accessibility of healthcare has not changed significantly between 2003 and 2007. However, waiting lists are very problematic, as already mentioned, along with waiting on the day of the appointment.

**Table 3.12 Accessibility of healthcare in Slovenia 2003 and 2007**

Had problems with...	2003		2007	
	all	65+	all	65+
Geographic accessibility	8,3	16,2	7,9	12,4
Waiting lists	20,1	26,0	22,4	22,8
Waiting on the day of appointment	22,9	27,2	22,7	20,7
costs	9,2	11,1	7,0	7,1

Source: Pahor, Domanjko, Hlebec (2011), data EQLS survey

### 3.7 Housing

There have been significant changes in the field of housing. Some have brought additional risks, while others could be described as lowering inequalities. Before the transition, housing was guaranteed by the state, but there was also a significant share of 'self-help building' (individual building of houses). However, since the transition, housing has seen the most noticeable decline in the role of government. The denationalisation and the privatisation of housing have been the most important policies. (see e.g. Mandič and Filipovič Hrast 2008).

Due to the privatisation of housing, there has been a significant shift in housing tenure. The public rented stock significantly diminished and the tenure structure changed from 32% in public rental in 1990 to approximately 9% in 1994. This was solely due to an increase of owners, from 65% in 1990 to 89% in 1994. The private rental sector has stayed practically the same, with approximately 3% (Mandic 2000). This change has increased the wealth of people who have bought the dwellings at favourable prices and who, in other circumstances, would not be able to become homeowners. This could therefore be seen as a process that decreased inequality.

However, the consequences of this change are not only positive. Privatisation has improved housing opportunities of those households that managed to buy their homes. At the same time, housing opportunities of other groups, particularly those that are vulnerable (low income and single households), waiting to be housed have worsened because of the decrease in the accommodations available for rent. In addition, negative impacts of privatisation can be seen in a long-term perspective. Namely, such redistribution presents some cohorts with a historically unique opportunity to collect the accumulated public resources, as in the case of tenants' 'right-to-buy' of rented housing, and leaves the following cohorts with fewer opportunities even for renting (Mandic

and Filipovic Hrast 2008). Consequently, chances of receiving non-profit rental housing are minimal due to general low availability of this housing. Even though it was envisaged that this sector would gradually develop, this has not happened. The declining availability and accessibility of housing after the transition can also be seen in the rising proportion of young adults still living with their parents (Mandič 1996, 36).

In a society full of homeowners, the housing is important. In the late 1990s, one could observe the first steps towards increased activity in the real estate market in Slovenia. The real estate market began to develop more quickly after 1998, when the demand for real estate, especially apartment real estate, began to grow in step with the growing purchasing power and population migrations driven by adaptation to job availability. On the other hand, the supply lagged behind the growing demand. The reasons lie in the unimplemented systemic solutions which affect the availability of real estate in the market (e.g. unclear ownership situations, legal procedures, absence of the market-based real estate tax, the state as an overlarge owner of primarily agricultural and forest land, etc.). Due to high demand and low supply, the prices have risen considerably. In Slovenia, the average sale prices of apartments grew by nearly 80% from 2003 to 2007 (GURS report 2007). After 2008, the prices began to fall, however not steeply.

The quality of the dwelling is generally lower in CEE countries when compared to Western European countries. Additionally, the dwellings are generally much smaller in the CEE region, resulting in an overcrowding rate in Slovenia that is much higher than the EU average. In that, it is similar to other Central and Eastern European countries. The trend is, however, a positive one, as the share of those living in an overcrowded dwelling has dropped from 42% in 2005 to 35% in 2010. As could be expected, the overcrowding rate is higher among those with lower income.

**Table 3.13 Overcrowding rate in Slovenia**

	total	Below 60% of median equivalised income	above 60% of median equivalised income
2005	42	50,7	40,7
2006	40,3	47,1	39,4
2007	39,9	48,9	38,7
2008	39,5	47,2	38,4
2009	38	44,4	37,2
2010	34,9	46,3	33,3

Source: Eurostat, EU SILC

The shares of those suffering housing deprivation has been increasing significantly. The share of those deprived of at least one item on the housing deprivation list has almost doubled from 2005 to

2010. This increase is mostly due to an increase in the share of those having a leaking roof, dampness or rot in their home.

**Table 3.14 Housing deprivation**

	1 item	2 items	3 items
2005	18,4	3,7	0,6
2006	22,7	4,2	0,4
2007	21,4	3	0,4
2009	34	5,7	0,4
2010	31,2	5,7	0,3

Source: Eurostat

Note: The indicator is defined as the percentage of the population deprived of each available housing deprivation item. The items considered are: leaking roof, damp walls/floors/foundation, or rot in window frames or floor; lack of bath or shower in the dwelling; lack of indoor flushing toilet for sole use of the household; and problems with the dwelling: too dark, not enough light.

In Slovenia, the share of homeowners with a mortgage is very low, only 7% of the population, while the share of homeowners without a mortgage is 80% of the population (Mandič 2012). This situation is a consequence of past situations, i.e. self-help building, privatisation and favourable purchase of dwellings in the early 1990s. Also, only a small share of people is in arrears on mortgage or rent payments (see Table 3.15 below). However, it should also be noted that, according to Cirman (2006), the accessibility of housing in Slovenia is poor in comparison to other countries. The use of housing loans is low, and since 1991, there has been a high dependence on loans from relatives.

**Table 3.15 Arrears on mortgage or rent payments (% of population)**

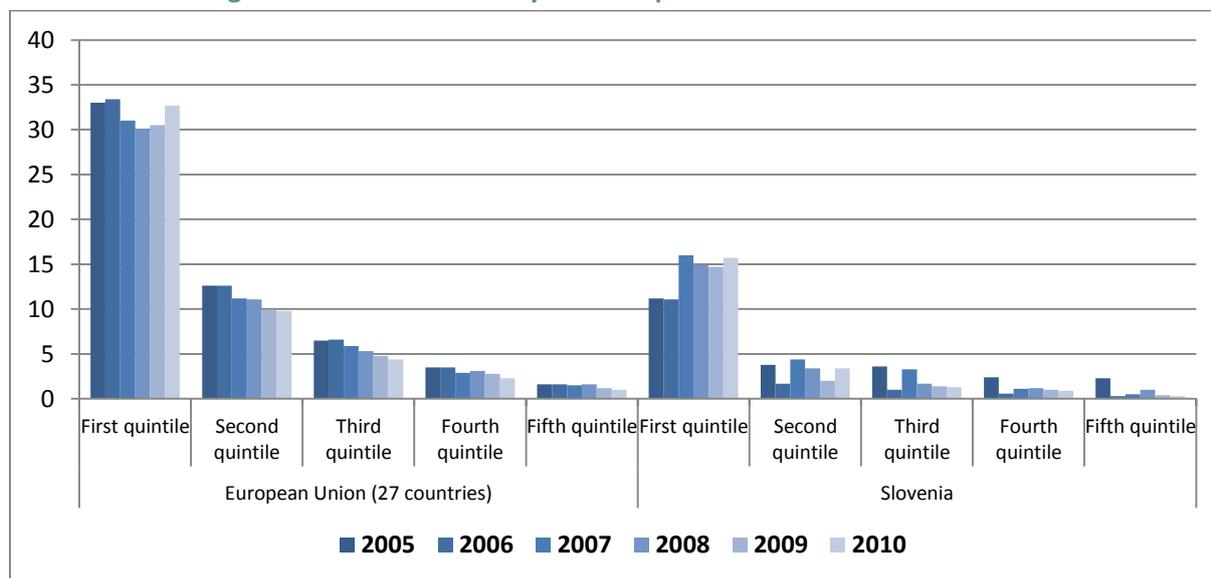
	GEO/TIME	2005	2006	2007	2008	2009	2010
European Union (27 countries)	Below 60% of median equivalised income	7.8	6.9	7.0	7.1	7.8	8.7
	Above 60% of median equivalised income	2.7	2.5	2.6	2.5	2.7	2.9
	Total	3.6	3.3	3.3	3.3	3.5	3.8
Slovenia	Below 60% of median equivalised income	8.1	4.2	7.4	6.5	5.0	6.2
	Above 60% of median equivalised income	2.0	1.3	1.7	2.2	2.1	1.8
	Total	2.7	1.6	2.3	2.7	2.4	2.4

Source: Eurostat

Partly due to high homeownership rates and a low share of owners with housing mortgages, the housing cost overburden rate is also quite low, much lower than the EU-27 average. However, in the

first quintile, this burden has increased from 2005 to 2010, while in other quintile groups, the overburden rate has dropped or stayed stagnant.

**Chart 3.10 Housing cost overburden rate by income quintile**



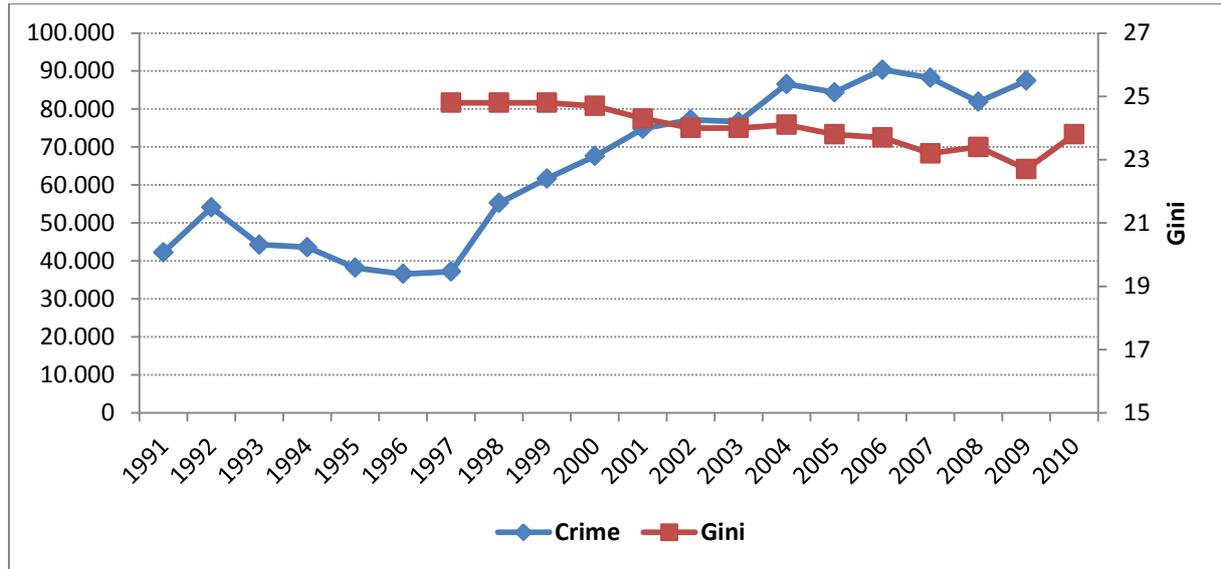
Source: Eurostat, EU SILC

Note: This indicator is defined as the median of the distribution of the share of total housing costs (net of housing allowances) in the total disposable household income (net of housing allowances).

### 3.8 Crime and punishment

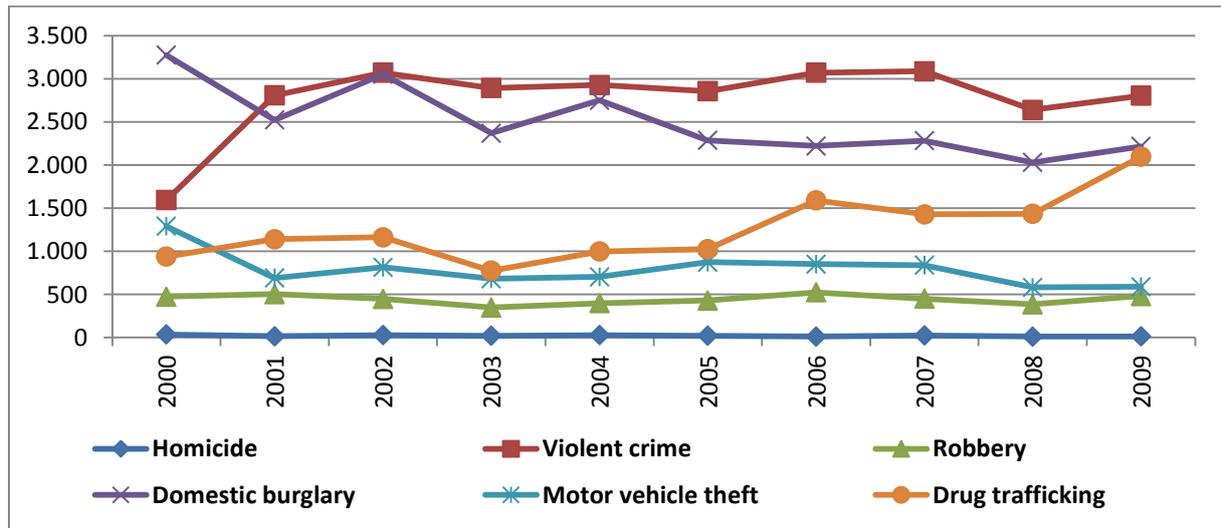
The number of crimes recorded by the police decreased in the first period of transition; however, beginning in 1998, it started to increase sharply until 2007, when a slight decrease can be noticed. The number of criminal acts has fluctuated in the last few years, but a quite sharp rise in number can be observed from 2009 to 2010.

Chart 3.11 Crimes recorded by the police – Slovenia



Source: Eurostat

Chart 3.12 Crimes recorded by police – by type



Source: Eurostat

When we observe certain types of crimes there are similar fluctuations with peak in 2002 and slight drop in 2008. Similarly, the number of convicted adults has been constant in the period from 2006 to 2010, while the number of convicted minors has been dropping, from 511 in 2006 to 330 in 2010. There is also an increase in economic/commercial crime, which has almost doubled from 2005 to 2010<sup>23</sup>.

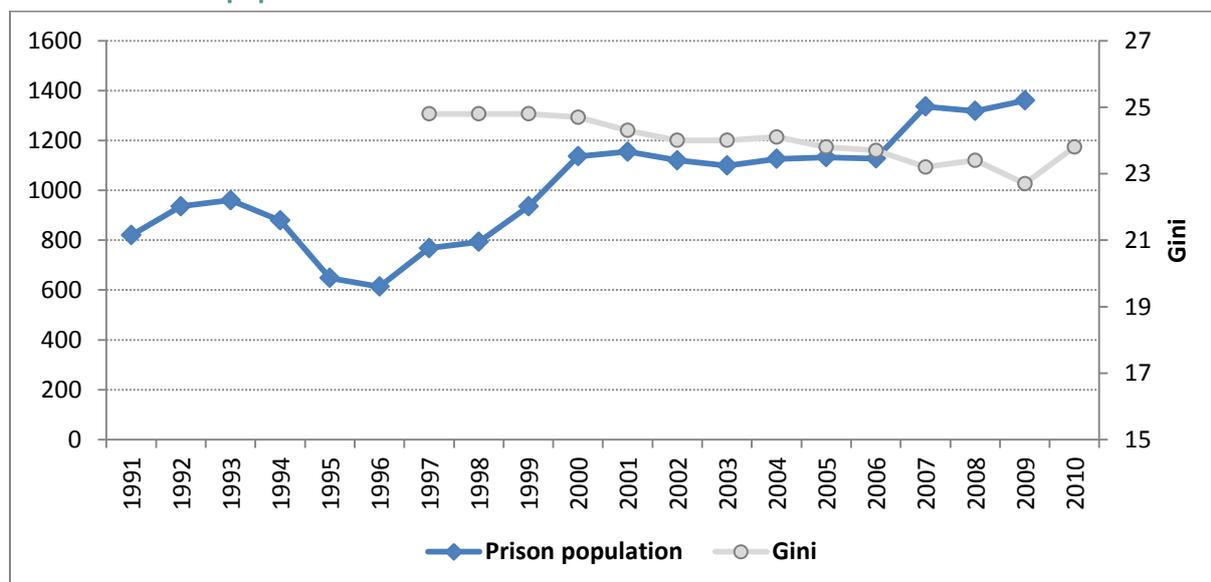
<sup>23</sup> Message of Slovenian press agency, 30.10.2011. <http://24ur.com/novice/slovenija/od-leta-2005-dvakrat-vec-gospodarskega-kriminala.html>

**Table 3.17** Number of convicted adults and minors

		2006	2007	2008	2009	2010
Adults	total	8119	8685	8739	8035	8093
	men	7149	7590	7712	7083	7171
	women	970	1095	1027	952	922
Minors	total	511	459	489	418	330
	men	469	436	455	392	303
	women	42	23	34	26	27

Source: SORS

Since 1991, the prison population quite constantly rose until 2000. After that, the number of people in prison stayed constant until 2007, when an increase can again be noticed.<sup>24</sup> The problem of overpopulated prisons has been often stressed in the media.

**Chart 3.13** Prison population in Slovenia

Source: Eurostat

### 3.9 Subjective measures of wellbeing

It is unquestionably a desirable goal for every society that people living in it reach high levels of life satisfaction and happiness, which can be measured in several different ways. As these are highly subjective concepts, they are dependent on many factors. As explained by Durkheim, the level of happiness is socially conditioned by the level of congruence between the scope and intensity of human needs and the means necessary to satisfy them. Consequently, in societies where human

<sup>24</sup> [http://www.mp.gov.si/si/o\\_ministrstvu/ursiks\\_organ\\_v\\_sestavi/dokumenti/letna\\_porocila/](http://www.mp.gov.si/si/o_ministrstvu/ursiks_organ_v_sestavi/dokumenti/letna_porocila/)

expectations are strongly limited, even pronounced social inequalities are not – because various groups in the system of social inequalities have specific needs and expectations – strongly related to differences in happiness levels. These circumstances can lead to strong feelings of relative deprivation, especially among lower social strata (cited in Bernik and Hlebec 2012). In their study of happiness in Slovenia, Bernik and Hlebec (2012) stated that longitudinal data on average levels of happiness are a valuable information source about the generalised acceptance of outcomes of change in transitional societies, as they indicate acceptance and legitimacy of the new social order. A pronounced gap between the most and the least happy would consequently indicate that social change is generating deep social and cultural cleavages. The authors assumed that the period of growing economic and social prosperity in Slovenia was also characterised by a more strongly competitive social climate in which those lacking the resources would experience this change negatively, which would also be expressed in their feelings of happiness.

The data show a slight but continuous upwards trend in the average level of happiness in Slovenia between 2000 and 2009, with increasing shares of those that are ‘very happy’. The main characteristic of the ‘distribution’ of happiness between the most and the least happy in the observed period is therefore its stability over time. There is an ‘expected’ difference in levels of happiness among the lower and higher educated. However, the gap between them has not widened, which suggests that there was either no increase in the feelings of relative deprivation or that any strengthening was not reflected in feelings of happiness (Bernik and Hlebec 2012).

**Table 3.18 The unhappy, happy and very happy between 1999 and 2009, in percent**

Years	Unhappy (0 – 3)	Happy (4 – 6)	Very happy (7 – 10)
SJM00/1	5.4	36.9	57.7
SJM01/2	5.1	35.8	59.1
SJM02/2	5.8	31.5	62.7
SJM03/3+4	3.5	31.9	64.6
SJM04/2	4.2	28.3	67.5
SJM05/1	4.1	29.1	66.7
SJM06/2	5.0	34.6	60.5
SJM07/1	5.0	37.8	57.2
SJM09/1	5.7	29.4	64.9

Source: Public opinion polls (SJM) 2000–2009. Happiness measured on a scale of 0-10 (Bernik and Hlebec 2012).

According to Eurobarometer data, Slovenia was ranked 10th among the EU countries in June 2010, with 85% of respondents satisfied with life (very satisfied and satisfied combined). Slovenia has the largest proportion of satisfied people among the new EU member states.

The number of very satisfied people has been quite constant until 2008. After 2008, somewhat higher dissatisfaction is visible among people though the slightly lower number of very satisfied and the slightly higher number of dissatisfied respondents (Development report 2011).

**Table 3.19 Life satisfaction in Slovenia, share of people in %**

	Very satisfied	satisfied	dissatisfied	Very dissatisfied
Oct 04	27	63	8	1
Jun 05	22	68	8	2
Oct 05	25	62	13	1
Apr 06	23	64	12	1
Sep 06	27	62	9	1
May 07	24	67	9	0
Oct 07	27	60	11	2
Apr 08	24	65	9	2
Oct 08	27	58	12	3
Jun 09	22	64	12	2
Nov 09	21	65	12	2
Jun 10	21	64	13	2

Source: Eurobarometer 2010 (cited in Development report 2011)

The subjective evaluations of living standards show only a slight worsening of living situation right after the transition, as the share of those reporting that they are lacking nothing or are limited only in luxury things was 35% in 1991, rose to 57% in 2000 and climbed even further to 68% in 2009.

**Table 3.20 Subjective evaluations of living standard – Slovenia**

	The share of those that lack nothing or are limited only in luxury things	The share of those that get by without difficulty
1983	52	Na
1991	35	Na
2000	57	Na
2002	Na	84
2006	Na	86
2009	68	Na
2010	na	84

Sources: SJM surveys (cited in Malnar 2011)

### 3.10 Intergenerational mobility

According to research on intergenerational mobility in 2006 (Jereb and Ferjan 2008), the prevailing class in Slovenia was the middle class, i.e. the routine non-manual class of higher-grade employees in fields such as administration and commerce (36.0%), followed by the routine non-manual class of lower-grade employees in fields such as sales and services (16.9%). Although there are only two million people in Slovenia, all public services must be maintained, which explains the very high percentage in these classes. There are low percentages of semi- and unskilled manual workers (1.6%) and of high class workers (2.4%), such as higher-grade professionals, administrators, officials, managers in large industrial establishments, and large proprietors. The authors also found that women are more strongly represented in middle than in higher classes, much more so than in other EU countries. (Jereb and Ferjan 2008).

Regarding intergenerational mobility, the study results indicate huge changes in the structure of society in Slovenia during the period of transition. However, the transition was not the only cause for these changes. In Slovenia, the attainment of independence also played an important part in society building. Significant changes in vertical mobility were noted. The total vertical mobility rate is higher for women (81.9%) than for men (76.5%), although the rate for men is high compared to other European countries and is ascribed to the outflow into the middle classes of administration (Jereb and Ferjan 2008).

Studies on intergenerational educational mobility indicate quite high inequalities. In their study, Flere and Lavrač (2003) found that young people whose fathers have completed higher education (or more) are 14 times more likely to enter a higher education system than those whose fathers have not completed higher education. When observing mothers, the ratio is even higher, 1:25. The authors have assessed this trend and situation as unmeritocratic and state that this is due to radicalisation of economic inequality. Their study also indicated that disparities in this area are currently increasing, while they diminished during communist times.

On the other hand, in their study of parental effect on occupational and educational attainment in Slovenia in the 20<sup>th</sup> century, Ganzeboom et al. (2000) found a negative linear trend in the parental effect over time, as follows the hypothesis on the modernisation process towards a more meritocratic society. However, similar to the findings of the study above, there was a drastic decrease in parental effect during socialism in comparison to other CEE countries, followed by a slight increase after the end of socialism (1990). The significant variations in parental effect over time are mainly the result of structural mobility factors, especially of a stronger political intervention in the education system and the labour market during socialism. As the authors concluded, it seems

that the destratification policies might have been quite just in the sense of equal access, but economically less efficient.

### 3.11 Conclusion

In Slovenia, the indicators of material deprivation, the at-risk-of-poverty rate, and the cumulative indicators of poverty and social exclusion portray the society as relatively stable, as there were no major changes or rises in any of these indicators. This corresponds to the already described conditions of stable growth and of low inequality in the society. It also reflects the relatively successful social welfare state that significantly reduces the at-risk-of-poverty rate through social transfers. Slovenia is a society with a large share of homeowners (approximately 89%) due to the privatisation of housing in the 1990s. This could be described as a process that had an equalising effect in the society as people who otherwise could not afford to buy a home were able to purchase it at favourable prices; however, the depleted rental stock meant that housing opportunities for the most vulnerable worsened.

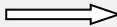
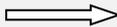
Additionally, as indicators on social cohesion show, Slovenia is a cohesive society, with strong family ties that also function as an important support network. Indicators on happiness and life satisfaction show a relatively stable trend from 2000 to 2009, with some small effects of economic crisis visible (higher dissatisfaction since 2008). On the other hand, one can see an increasing number of crimes recorded by the police since 1998, as well as a rise in the prison population.

The ageing of the population and the increasing life expectancy are important trends in Slovenia. Here, however, the differences between men and women are still quite large with women having significantly longer life expectancy compared to men. Along with the increasing number of elderly, there is also an increasing number of single households. These households (mostly single elderly households) are among the most vulnerable and have the highest at-risk-of-poverty rate. This societal change might prove very important for observing inequality in society in the future.

The data presented also indicates that the economic crisis has had a visible negative impact on the living conditions of the people (e.g. a rise in the at-risk-of-poverty rate and in shares of the severely materially deprived) and will consequently also potentially influence the increase in inequality in the future. For now, the Gini coefficient remains stable.

The table below illustrates the trends in inequality in the period from 1990 to 2010 and compares these trends to some selected indicators of social impacts, presented in this chapter.

**Table 3.21: Trends in inequality and selected indicators of social impact**

	1990-1997	1997-2005	2005-2010	Chart (C) or Figure (F)
Income inequality	n.a.			C2.2
Wage inequality				C2.7
SOCIAL IMPACTS				
At-risk-of-poverty rate	n.a.			C3.4
Severe material deprivation	n.a.	n.a.		C3.1
Crime rates	s 	s 		C3.11
Fertility rates				T3.9
Life expectancy				T3.10

Note: n.a. – data not available; s – change is substantial

## 4. Political and Cultural Impacts

### 4.1 Introduction

Slovenia has experienced significant political and cultural shifts with the transition to democracy and a market economy. The past experience of socialism is, however, significant in influencing the values and practices of people. In this chapter, we will describe the main trends and changes in political and civic participation as well as the change, or rather constancy, in the value systems of people.

### 4.2 Political and civic participation

#### **Civic participation**

The current status and development of a civil society is conditioned by the past development. Namely, during socialism, the previous tradition of civil society participation stopped. In the 1970s and more strongly in the 1980s, the regulations became less rigorous, and civil society began newly forming, with the development of new social movements, such as the feminist, ecological and peace subcultures. Many of these new movements were political active and influenced the transition to democracy. In the 1990s, new laws and regulations in this field were adopted, and the number of civil society organisations doubled in the period of transition, from 11000 in 1990 to 24644 in 2008. However, as researchers note, the state does not seem to recognise civil society as a relevant partner, and the influence of organisations is perceived as very small (Rakar et al. 2011, 21, 54).

The majority of civil society organisations rely on the work of volunteers, as the share of those employed in such organisations is very low. Specifically, the level of professionalization was 0.73% in 1996. This figure means that those employed in civil society organisations represented only 0.73% of all individuals employed in Slovenia, which is one of the lowest levels of professionalization in international comparison (Kolarič et al. 2002). Even a decade later, the level of professionalization did not change (Rakar et al. 2011, 33)<sup>25</sup>. Research from 2004 (Kolarič et al. 2006)<sup>26</sup> indicated that the amount of work done by volunteers would be equal to 7.125 fully employed workers. The research has also ascribed the low development of the civil society partly to the very well-developed network of public services that cover majority of the needs of the population (Rakar et al. 2011, 56).

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<sup>25</sup> Kolarič et al 2002. Zasebne neprofitno-volonterske organizacije v mednarodni perspektivi. Ljubljana: Fdv

<sup>26</sup> Kolarič et al 2006. Raziskava Nevladne organizacije v Sloveniji, CRP. Ljubljana: Fdv

However, we could still say that, in Slovenia, civic participation is only slowly developing. Namely, the share of those that had worked in an association in the last 12 months<sup>27</sup> was only 1.6% in 2008 (ESS data), which puts Slovenia among countries with the lowest civic participation. The low participation rate has remained constant from 2002. It is important to note that the data can vary quite a lot when comparing different surveys. For example, according to the World Value Survey (2005), 33% of respondents were active members of different civil society organisations, such as religious, sport and recreation, and culture organisations. The same survey has also shown that 21% of respondents have been active members of organisations such as unions, political parties and environmental organisation (Rakar et al. 2011, 25-29).

**Table 4.1 Percent of those who worked in organisation or association (other than political parties or action groups) in last 12 months**

	% of those that worked in organisation
2002	2.3
2004	1.7
2006	2.4
2008	1.6

Source: ESS

In Slovenia, among the civil society organisations, the largest majority are associations (*društva*) with 75%, followed by religious organisations (4%) and private institutes (6%) (*zasebni zavodi*) (Rakar et al. 2011)<sup>28</sup>. The share of associations has diminished since 1996, when they represented 95% of all civil society organisations. If we observe organisations according to their type, the structure shows continuity with the structure from the time before the transition. In particular, the majority of organisations are involved in the field of sport and recreation (28%), followed by culture (13%) and unions (12%). Much less represented are organisations that work in the field of social protection, education, research and health (Rakar et al. 2011).

The table 4.2 presents the membership in organisations by type of organisation. As described above, there is a high level of membership in unions and sport organisations. The latter increased significantly from 1992 to 1999 (from 8% to 17%). The strengthening of membership is also evident in all other organisation types, with the exception of unions (see below on union membership).

<sup>27</sup> As a way to improve things in the country or to prevent them from going wrong

<sup>28</sup> Rakar et al (2011): *Civilna družba v Sloveniji*. Ljubljana: Uradni list.

**Table 4.2 Membership in organisations**

Organisation type	Members 1992	Active members 1992	Members 1999	Active members 1999
Social	1.4	1.4	5	5
Religious	3	2	7	5
Cultural and educational	3	3	9	7
Unions	19	2	17	3
Political parties	3	1.3	3	1
Local communities	6	3	9	6
Human rights	0.1	0.5	1	0.4
environmental	1.7	1.4	3	3
Professional associations	6	2	7	3
youth	2	1.4	5	4
Sport	8	3	17	9
Women organisations	0.3	0.2	2	1
Peace movements	0.1	0.3	1	0.6
Health organisations	1.2	0.6	3	2
Other	5	3	10	6
none	61	-	48	72

Source: Public opinion polls (Rus and Toš 2005)

The data from the EUSILC survey from 2006 shows a similar picture, as 23% of respondents were active in church and other religious organisations and 20% in recreational groups and organisations, while only 12% were active in charitable organisations and only 5% in political parties or trade unions.

**Table 4.3 Participation in activities of formal organisations in Slovenia, 2006**

Participation in activities of formal organizations	Da / Yes
In political parties or trade unions.	5
In professional associations.	12
In church and other religious organisations.	23
In recreational groups or organisations.	20
In charitable organisations.	12
In other groups or organisations.	23

Survey on Living Conditions – social participation, Slovenia, 2006

Source: SORS, Statistics on Income and Living Conditions (EU-SILC) 2006.

After the transition, union membership began a sharp decline. Before the transition, in 1989, 69% were members of a trade union. In 1994, approximately 58.6% of the Slovenian workers were members of trade unions, which dropped to 42.8% in 1998. The sharpest decline (10%) was from 1994 to 1995 (Stanojević 2000, 39). In his research of trade union membership, Stanojević (2000) argued that the deunionisation in Slovenia in the first decade after the transition was due to the nature of unions under socialism. Before, they were indistinct associations of all social categories, but after the transition, the non-worker groups (better educated, middle and higher management groups) left the unions. In the second part of the 1990s, the union scene was further fragmented, as types of organisations began to appear that included employees from certain traditional industries and also those representing white collar workers. The share of unionised workforce has dropped further in the following years and was estimated to be 29.7% in 2008 (Estimates by J. Visser). However, it should be noted that Slovenia stands out among other CEE countries with a high share of workforce that is unionised. As noted by Crowley and Stanojević (2011), Slovenia is exceptional still in terms of its coverage rate for collective agreements, which is said to be close to 100%, due to its extension rules. The comparable coverage rate for other post-communist new member states is 27.4%, whereas the average coverage rate for the EU-15 is 78.8%. In addition, collective bargaining in Slovenia takes place predominantly at the sectoral level, framed by income policy agreements; almost all bargaining elsewhere in Eastern Europe takes place at the company level. Slovenia also has a fully functioning system of social dialogue (Crowley and Stanojević 2011).

### **Political participation**

When speaking of political circumstances in Slovenia, a little historical description is necessary, back to the socialist revolution and subsequent changes that led to the transition to democracy. In Slovenia, the socialist revolution was autochthonous, accomplished without any direct help from the Soviet Union, in distinction to other CEE countries. Following the break-up between Yugoslav and Soviet communist party leaders in 1948, Yugoslavia opened towards the West and started with gradual changes in its social order. This was not a one-way development in the direction of democratisation and openness, since the periods of liberalisation (the second half of the 1960s and in the 1980s) and repression (the beginning of the 1960s and in the 1970s) alternated (Tomšič 2008). Based on movements of intellectuals, cultural movements and other new social movements, which mobilised the public in the 1980s, the new coalition won the elections in 1990 and carried out a

plebiscite for independence (Deželan 2011, Tomšič 2008). The electorate turnout was very high (93%), and 88.5% voted for the independence<sup>29</sup>.

However this beginning of 'active citizenship' was followed by a certain level of disappointment in politics, which can be observed in lower levels of electorate turnout, decreased trust in political institutions and increased negative perception of politics (Fink Hafner and Koprivnik 2006). Malnar (2004) stated that Slovenia is, according to public opinion research (ESS 2002), one of the countries where people show the least interest in politics. According to Malnar's research, the average evaluation of the importance of politics on a scale of 1 to 10 is only 3.18.

The electorate turnout in general elections has dropped, from 73% in 1996 to 63% in 2008. In general, the electorate turnout in general elections ranges from around 60% (lowest in 2004) to 85% (highest in 1992). A similar electorate turnout can be seen in presidential elections, ranging from 58% (lowest in 2007) to 70% (highest in 1992). The electorate turnout in local elections ranges between 51% and 72% (Koprivnik 2010)<sup>30</sup>. The electorate turnout in European Parliament elections is much lower, but has been the same (28%) in both years of the election (2004 and 2008). This makes Slovenia one of the countries with the lowest electorate turnout for EP elections among the EU countries. The electorate turnout for the EP elections is usually lower than the electorate turnout in general elections; however, it is interesting that in the so-called new member states, it is lower than in 'older' member states, which could be due to higher euroscepticism, but also less information and familiarity with these elections (Schmitt 2005)<sup>31</sup>. Hafner-Fink (2005)<sup>32</sup> showed that in Slovenia the attitudes towards the EU and political competence influence participation in EP elections. An analysis of programmes has also indicated that political parties diminished their resources in campaigning in EP elections from 2004 to 2009 (Kustec Lipicar and Bilavčič 2010)<sup>33</sup>.

Among the factors influencing the stability of the electorate in EP elections compared with national elections is the population's satisfaction with the material conditions, which indicates that inequality and worsening of material conditions has affected the voting choices (Hafner Fink 2010)<sup>34</sup>.

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<sup>29</sup> <http://www.slovenskapomlad.si/1?id=225>

<sup>30</sup> In Kustec Lipicer (ed) *Č Politične vsebine in volilna kampanija*. Ljubljana FDV.

<sup>31</sup> In Krašovec (ed) : *Volitve v Evropski parlament : res drugoraredne volitve ?* Ljubljana : FDV

<sup>32</sup> In Krašovec (ed) : *Volitve v Evropski parlament : res drugoraredne volitve ?* Ljubljana : FDV

<sup>33</sup> In Kustec Lipicer (ed) *Č Politične vsebine in volilna kampanija*. Ljubljana FDV.

<sup>34</sup> In Kustec Lipicer (ed) *Č Politične vsebine in volilna kampanija*. Ljubljana FDV.

**Table 4.4** Electorate turnout

	% of total electorate turnout in general elections	% of total electorate turnout in EP elections
2009	n.a.	28.3
2008	63.09	n.a.
2004	60.5	28.4
2000	70.14	n.a.
1996	73.7	n.a.
1992	85.9	n.a.
1990	83.5	n.a.

Source: European election database and comparative political data set for all years, except for 1990 and 1992 Kustec Lipicer et al. 2011<sup>35</sup>

The electorate turnout for the referendum on the entrance into the European Union in 2003 was both much higher than for actual EP elections and similar to the electorate turnout in general elections, namely 60%. The share of those supporting entrance into the EU was 90%. Researchers ascribe the high support partly to a strong campaign by the government and almost absent counter-campaign (Eurosceptics were at the time more concerned with a campaign countering inclusion in NATO) and partly to a high consensus among political, social and economic elite in support of the EU (Lajh in Krašovec 2005)<sup>36</sup>. The referendums on the inclusion of Slovenia in the EU and NATO are, however, exceptions with their high electorate turnouts. In general, the electorate turnout for referendums is approximately 30% (Koprivnik 2010).

### 4.3 Trust in others and institutions

#### General trust

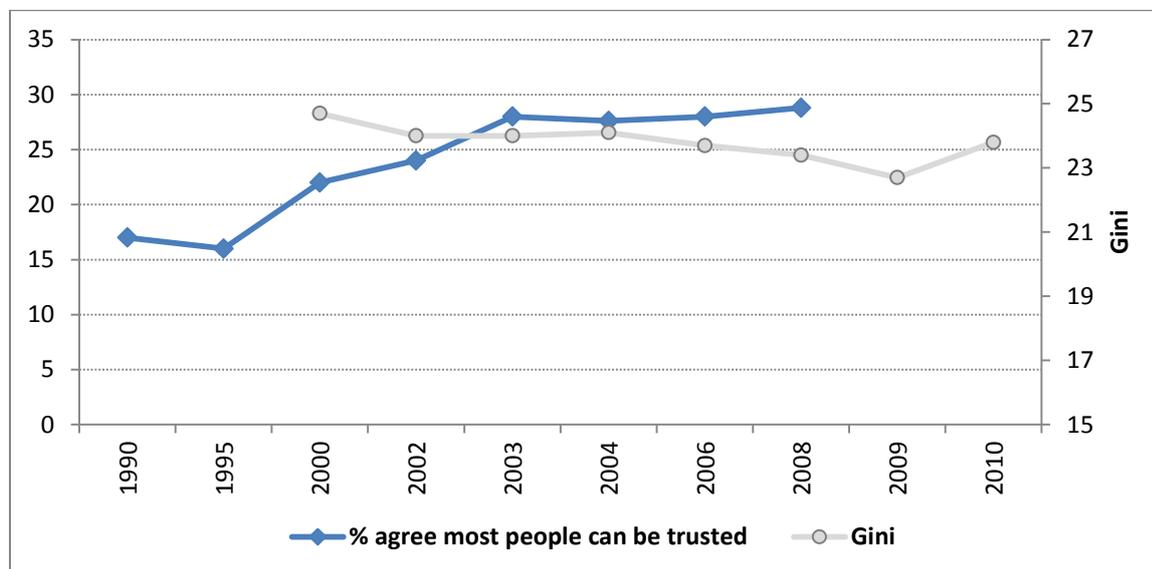
General trust in others has been increasing since 1990, which researchers deem is a normalisation from the very low levels of trust in the early 1990s (only 17%) due to war and the transition to democracy. Low levels of trust and social capital in Slovenia are linked partly to the socialist tradition with its atomization processes, where social instrumental reciprocity is strong, while more generalised trust and reciprocity are rare and limited more to the family (Iglič 2004). It is interesting to note that levels of trust have not increased with the same pace in all social groups. Namely, levels of generalised trust have first increased among the higher educated, due to the fact that they were

<sup>35</sup> Kustec Lipicer et al 2011: Volilni programi in Stališča. Ljubljana: FDV

<sup>36</sup> Lajh in Krašovec 2005 : Prvo volilno odločanje v okviru evropskega povezovanja. V Krašovec (ed) : Volitve v Evropski parlament : res drugorredne volitve ? Ljubljana : FDV

the first to overcome the negative consequences of economic and political transition. On the other hand, the lower educated and therefore those of lower socioeconomic class had almost the same levels of trust in 1995 and 2000, and this began increasing only after the year 2000 (Iglič 2004).

**Chart 4.1 General trust**



Source: ESS (from 2002 onward), World Values Survey 1990 in 1995, European Values Survey 2000, (in Iglič 2004)

Note: Answers higher than 5 were treated as 'trust' on the 0-10 points scale (ESS survey).

In the same research, Iglič (2004) also indicated that happiness and values influence the levels of trust, along with institutional determinants and socio-demographic characteristics (trust increases with age and education). As the author argues, low levels of happiness in Slovenia significantly influence low levels of trust. She argues that low levels of happiness are linked with high aspirations and therefore higher discrepancies between aspirations and reality. High aspirations are the result of intensive processes of social control and comparison, characteristic of a small society that is marked with low mobility and strong integration in primary social networks.

**Table 4.5 Trust by education**

Education level	1995	2000	2003
Primary	9	8	21
Secondary	16	22	24
tertiary	31	46	50

World Values Survey 1995, European Values Survey 2000, ESS 2003 (in Iglič 2004)

**Trust in institutions**

General trust as well as trust in institutions (i.e. parliament and the legal system) are quite low in Slovenia, as less than a third of the populations trust these institutions and people in general (in 2008). There have been no major changes since 2002, as only a slight increase in trust in parliament can be noted.

**Table 4.6 Trust in parliament and legal system in Slovenia**

	Trust in parliament (%)	Trust in the legal system (%)	Satisfaction with government
2008	28.8	28.1	4.28
2006	25.5	25.9	4.35
2004	23.3	22.5	4.47
2002	23	29.6	4.53

Source: ESS (from 2002 onward),

Note: Satisfaction is measured on scale from 0 (extremely dissatisfied) to 10 (extremely satisfied).

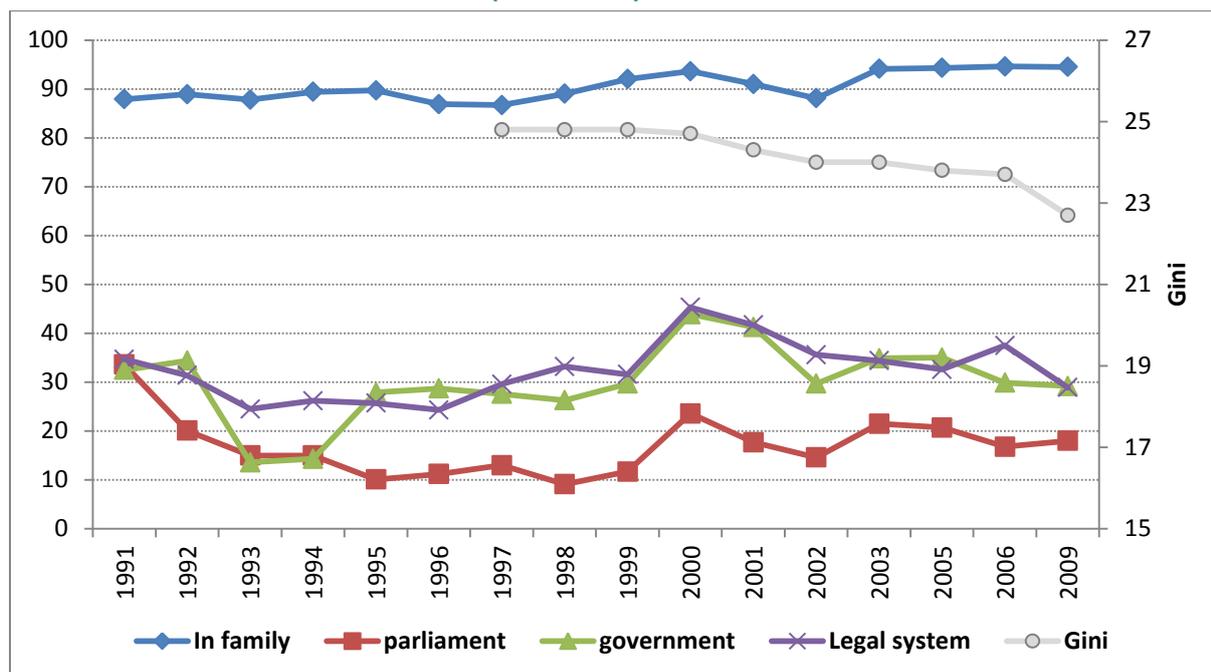
Toš (2007) has studied trust in political and civil institutions in Slovenia from 1991– 2006. In the beginning of transition (1991), trust in the political institutions was high, while trust in civil institutions was lower. This was followed by a decrease and stagnation (after 1993) of trust in political institutions in the next decade (until 1999), while trust in civil institutions rose in the same period. In 2000, the trust in institutions rose and was the highest, while after 2004, there was again a decrease of trust in political institutions, despite the change of government in that time.

In 1998, the initial trust in state institutions was spent and decreased significantly (e.g. trust in parliament dropped from 34% to 9%). This trend was later reversed, and in 2000–2001, a majority of institutions had the highest levels of trust measured. Important factors for these higher levels of trust were economic growth in this period, the successful process of integration in the EU and also high support for the left-wing government. In general, transitions to democracies are characterised by lower trust in political and other institutions. However, comparatively, Slovenia stands out as a country with relatively high trust in institutions (Toš 2007, 372).

In general in observed years (from 1991 to 2006) the highest trust is in family and friends (above 85%). Relatively high trust is also in educational institutions, president and the banks<sup>37</sup> (above 40%). The lowest levels of trust are in political parties, unions and church (below 30%).

<sup>37</sup> Except in the first three observed years (1991-1993) when trust has been below 30%, but has risen after that period.

Chart 4.3. Trust in selected institutions (1991–2006)



Source: SJM research (CJMMK FDV), cited in Toš 2007<sup>38</sup>

## 4.4 Political values and legitimacy

### Political values, extremism and tolerance

In Slovenia, tolerance for other ethnic groups is quite high, while less tolerance is displayed for groups such as homosexuals, alcoholics and drug addicts. The tolerance for the latter groups decreased from 1992 to 1999, while tolerance for foreign workers, Muslims and Jews significantly increased. It therefore seems that multicultural attitudes became stronger, but tolerance for alternative lifestyles decreased. In general, tolerance is higher among the younger and more educated (Rus and Toš 2005). Hafner Fink argued (2004) that low tolerance for foreigners has been part of the process of the formation of the new state and nationalistic attitudes, which have later on decreased, evident in the increased tolerance for immigrants.

<sup>38</sup> Question: People must trust someone and have a feeling of reliance on themselves and others. To what extent do you trust the following... Answers: not at all, little, a lot and entirely. Presented are the responses 'a lot' and 'entirely'.

**Table 4.7 Would not want for a neighbour**

	1992	1999	2002
Alcoholic	45	69	70
Drug addict	47	65	74
Homosexual	43	44	51
Those with criminal record	37	41	41
Roma	42	37	43
People with Aids	41	33	41
Muslim	38	23	26
Jew	37	17	22
Immigrants, Foreign workers	40	16	23
People of other race	40	12	16

Source: SJM 1992, 1999 (Rus and Toš 2005), SJM 2002 (Toš, Vrednote v prehodu 3)

However, this relatively high tolerance for foreign workers and other groups should be put into context along with the attitude of the state towards these groups. As some authors argue, the state has in its transition to democracy been quite discriminative in its practices, with one example clearly standing out, i.e. the 'erased'<sup>39</sup>. It also has ambiguities in minority regulation, despite having a positive image in the international community (Deželan 2011). There is specifically a gap between the normative framework and the actual situation, and there are also quite different treatments of the historic/traditional national minority, the Roma minority and the so-called modern national minorities, which remain largely unrecognised (Komac 2002 in Deželan 2011). Even though the measured tolerance towards Muslims is quite high, there were quite strong xenophobic reactions in Slovenia when the Islamic community planned to build a mosque in the capital Ljubljana<sup>40</sup>. Similarly, Kuzmanič (2002)<sup>41</sup> warns that with the establishment of the nation state, nationalistic ideologies became stronger, and therefore opposition to the 'other' (foreigners) became stronger.

Attitudes towards the Roma minority have not improved, as more than 40% would not want them as neighbours in both 1992 and 2002. Also, in several articles, different authors have emphasised the discriminatory practices towards the Roma people. This can be seen in media discourse, which emphasises the negative practices, such as what the Roma cannot do and do not have, and also

<sup>39</sup> The erasure of residents from former Yugoslav republics: citizens of former SFRY who failed to acquire Slovenian citizenship became subjects of the Aliens Act and had to acquire residence permits and were automatically erased from the register of the permanent population (Deželan 2011).

<sup>40</sup> The implicit negative attitudes have been present since 1969, when the Muslim community submitted its first proposal for building a mosque, hidden behind excuses of searching for the right location. After 2003, these issues have escalated and received a lot of media attention. They have polarised the public, while Islamophobic arguments against the project were common in the political as well as media discourse (Dragoš 2003).

<sup>41</sup> Poročilo o nestrpnosti 2002. Ljubljana: Mirovni Inštitut

presents them as a homogenous group. This attitude is also visible in educational practices, employment and other societal fields. There are, however, some good practices; for example, the Local Self-government Act established that certain local communities, including the Roma community, need to have a representative on the local council. Similarly, in education, some positive practices have been adopted, such as Roma assistants<sup>42</sup>.

The share of those agreeing that no further immigrants should be allowed in the country was the highest (13%) in 2004 and 2006; however, in 2008, this number dropped to 9%.

**Table 4.8 Xenophobia in Slovenia, % agreeing no further immigrants to be allowed to country**

Year	% agreeing no further immigrants to be allowed to country
2008	8,9
2006	12.8
2004	12.6
2002	10.5

Source: ESS data

The extremism is also evident in the political results. Namely, the extreme right-wing political party, the Slovene National Party (SNS), has been a member of parliament since 1992 until the last election in 2011.

**Table 4.9 The election results for Slovene National Party**

Election year	% of votes
1992	10.02
1996	3.22
2000	4.39
2004	6.27
2008	5.40
2011	1.80

Source: National Electoral Commission<sup>43</sup>

<sup>42</sup> Mirovni inštitut. Poročilo o nestrpnosti 2004.

<sup>43</sup> <http://www.dvk-rs.si/index.php/si/>

**Legitimacy**

On the left-right placement, the respondents in Slovenia have placed themselves slightly more to the left on a scale of 0 (left) to 10 (right), with no major changes from 2002 to 2008.

**Table 4.10 Left-right placement**

Year	Left-right placement
2002	4.70
2004	5.01
2006	4.78
2008	4.63

Source: ESS data

Satisfaction with the government is quite low. In all observed years (2002–2008), it was below one-third of respondents with no significant changes. Similarly, there is quite low satisfaction with the way democracy works in the country, as less than one-third of the population was satisfied in all observed years (2002–2008).

**Table 4.10 Satisfaction with democracy**

	Satisfaction with the way democracy works in the country (%)	Satisfaction with the national government (%)
2008	32	32.6
2006	31.1	28
2004	27.9	25.4
2002	29.4	28.8

Source: ESS data

**Attitudes towards European Union**

As already described, in Slovenia, there was strong support for entering the European Union. In fact, the share of those supporting Slovenia's membership was 90% in the 2003 referendum. However, the share of respondents that approve of the EU membership dropped from 49% in 2005 to 39% in 2010, which indicates a rise in scepticism.

The attitudes towards unification have not changed in the last few years, as approximately 40% of respondents were pro-unification in all observed years (2004, 2006 and 2008).

**Table 4.11 Attitudes towards EU in Slovenia**

EU approval	% EU membership approval	2010	39
		2005	49
Attitude to European Unification	% of population being pro further unification	2008	40
		2006	39.7
		2004	41.7

Source: ESS data on attitudes toward unification, EB\_73.1 (for 2010 and 2005)

#### 4.5 Values about social policy and welfare state

At the individual level, public attitudes towards welfare policies may be influenced by self-interest and by ideological preferences. Also the institutional characteristics of the welfare state are assumed to influence the attitudes and opinions at the individual citizen level (Blekesaune, Quadagno 2003)<sup>44</sup>.

In Slovenia, traditionally the public opinion has been very much pro-egalitarian, and there is low tolerance of income inequalities. The public opinion in general sees the differences in income as too large, despite the fact that Slovenia is, according to official statistics, one of the countries with the lowest Gini coefficients. What is interesting is that attitudes regarding this have not changed much, when comparing the period before and after the transition. Namely, in 1975, 61% of respondents felt that differences in income should be made smaller, and only 5% felt that they should be larger. In 2009, the situation was quite similar with 87% of respondents feeling that differences should be made smaller and only 1.7% that they should be larger. The highest share of those feeling that differences in income should be larger was 22% in 1990 (Malnar 2011, 955). The share of those that evaluate that income inequalities are too large has been increasing, from 48% in 1992 to 58% in 2009.

There has been a clear rise in the perceptions of injustice in the society, as the share of those who think that the cause of poverty is too much injustice in the society has risen from 42% in 2007 to 61% in 2010. At the same time, the share of those who believe that there are mainly personal reasons for poverty (e.g. person is unlucky or lazy) has diminished by half from 2007 to 2010. Slovenia, as well as Europe in general, is therefore more prone to interpret inequality and poverty in society in the context of structural determinants, rather than individual reasons, as is more typical, for example, in

<sup>44</sup> In their research, Blekesaune and Quadagno found that public attitudes towards welfare policies vary between nations, and this variation is related to both situational and ideological factors. For example, in situations of high unemployment, public support for welfare policies is generally higher, and for those directed towards the unemployed in particular. These effects appear to be stronger at the nation level than at the individual level, i.e. being unemployed oneself. Apparently, high unemployment triggers some changes in public attitudes towards the welfare state (ibid.).

the United States (Malnar 2011). Rus and Toš (2005) have found in their analysis of the 1999 data that the lower classes are more prone to interpret poverty as a result of laziness or a lack of willpower, compared to higher classes, who are more prone to interpret poverty as part of progress.

**Table 4.12 The causes and reasons of poverty (poverty attribution) – share of those who agree with the statements (%)**

	Because they have been unlucky	Because they are lazy and lack willpower	Because there is much injustice in our society	Because it's an inevitable part of progress
2010	7.1	14.2	61.1	11.5
2009	18.2	22.8	45.3	11.6
2007	14.7	21.6	42.2	14.7
1999	10.2	32.7	34.9	17.1

Source: EB, 1999 SJM 1999/3 (Toš 2004)

**Table 4.13 The factors for getting ahead in life**

	1992	2009
Hard work	53	71
Education	63	70
Coming from a wealthy family	22	31

Source: ISSP data

Note: Reported is the share of those that answered essential and very important.

In Slovenia, the population sees inequality as being linked to societal and structural determinants. Consequently, it is not surprising that the majority of people are positively inclined towards the involvement of the state in the redistribution of wealth and that the shares here are quite constant in time (see Table 4.14 below). It is equally interesting that these beliefs are common to all classes in Slovenia, as Malnar (2011) has not found any polarisation in the attitudes among income and educational groups. In fact, the difference is only in the intensity of support towards the lessening of differences in society and the role of government in that. However, support is very high in all of the groups.

**Table 4.14 Attitudes towards redistribution and paternalism**

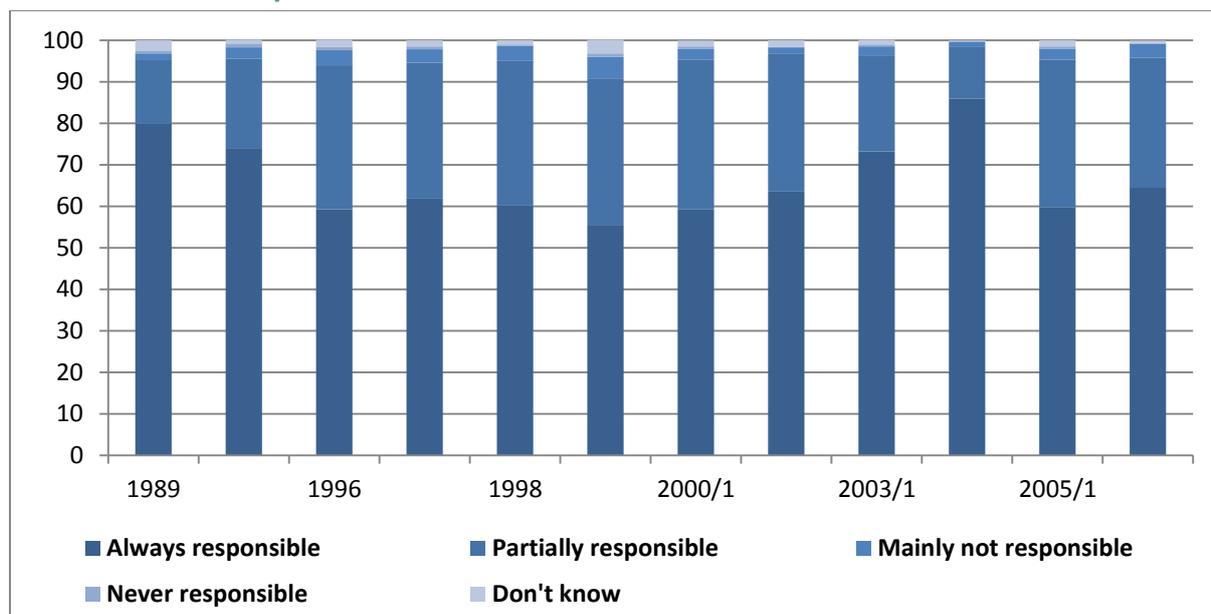
Preference for redistribution	% agree Government should redistribute wealth/income (ISSP data)	2006	54.2
		1996	57.1
	% agree Government should redistribute wealth/income (ESS data)	2008	85.8
		2006	78.9
		2004	83.7
		2002	83
Paternalism	% agree Government should provide jobs for everyone (ISSP)	2006	47.5
	% agree Government should provide jobs for everyone (SJM 1999/1)	1999	50*
	% agree Government should provide health care to all sick people	1999	76.2*
	% agree Government should reduce differences between rich and poor people	1999	54.7*

Sources: ISSP and ESS, SJM

\* Share of those that answered yes, entirely.

In Slovenia, data indicate that the role of the state and government is seen as very important and strong in both the distribution of wealth and the care of vulnerable groups. This is indicated, for example, in the high shares of those that see the government as responsible for the care of the retired and the elderly. This support dropped somewhat after the transition; however, it has risen again after 2000. Blekesaune and Quadagno (2003) found little national and personal variations in supporting welfare state policies for the sick and old and have explained this with self-interest. That is, nearly all people expect to be old and thus face a risk of being recipients of health and care services; thus, supporting welfare state policies for the sick and elderly is consistent with most people's self-interest. However, our data indicates that variations present in time could be linked to major societal changes, such as transition and reforms of the social welfare state (in this case, mainly pension reforms).

It seems also that tensions are the strongest between management and workers, as more than half of respondents (54.5%) perceive that there are tensions between these two groups. Also quite high is the perception of tensions between poor and rich (40% of respondents perceive it). Comparing tensions in 1999 and 2010, it seems that there are no significant differences.

**Chart 4.4 Should the government be responsible for ensuring a decent standard of living for the retired and the elderly?**

Vir: Toš (1997, 1999, 2004): Vrednote v prehodu, I., II. in III.

**Table 4.15 Inequalities and tensions in society**

	% agree poverty is widespread in the country	2010	82.5
Evaluation of income inequalities	% agree inequalities are too large	2009	58
		1999	50
		1992	48
Tensions in society	Tension between poor and rich people	2010	40.2
		1999	38.4
	Tension between management and workers	2010	54.5
		1999	57.9
	Tension between old people and young people	2010	22.1
		1999	25.7
	Tension between different racial and ethnic groups	2010	29.7

Source: Tensions: 2010, Eurobarometer, 1999 SJM 1999/2 (Toš 2004); income inequalities ISSP data, other: Eurobarometer 2010

## 4.6 Conclusions

Slovenia has experienced significant political changes with the transition to democracy. These are reflected in political attitudes and also civil society in general. After the 1990s, the number of civil society organisations has grown. However, the data on participation in associations still indicate that Slovenia is lagging behind the Western European countries and that civic life has not yet fully developed. Furthermore, union membership has been dropping since the transition. Despite this decrease in membership, unions still play an important and visible role in society (e.g. through pressures on the government and also prevention of the adoption of some of the reforms of the labour market and pension system via the referendum). Furthermore, the coverage rate for collective agreements is close to 100%.

Political participation and political attitudes indicate a very active and positive start in the beginning of sovereignty in the 1990s. However, electorate turnout has been slowly decreasing along with trust in parliament, which started at a relatively high level in 1991, decreased quite soon after that and stabilised at a lower level. However, around 2002, the trust in institutions again somewhat increased, which researchers link to economic growth at the time and the successful process of EU integration.

The public opinion in Slovenia is egalitarian, and there is low tolerance of income inequalities. There is even an increase in the shares of those perceiving inequalities as too large, despite the fact that Slovenia is, according to official statistics, one of the countries with the lowest income inequality (observed by the Gini index). Also, within the last decade, poverty has been increasingly perceived as a result of injustice in the society, and decreasingly perceived as a result of individual causes, such as laziness or luck. In line with this perception is the high support of people for the redistributive role of the government, which has likewise been quite constant in the last decade.

There is a lack of recent data that would enable observation of the impact of the economic crisis on the political and cultural values. However, a particularly sharp increase in perceptions of poverty as a result of injustice in society from the year 2009 to 2010 might be linked with the economic crisis, which resulted in higher unemployment and higher vulnerability of several population groups (e.g. elderly, unemployed, young).

In the table below, you can find a summary and comparison of the inequality trends from 1990 to 2010 combined with trends in selected indicators of political and cultural impact.

**Table 4.16: Trends in inequality and selected indicators of political and cultural impact**

	1990-1997	1997-2005	2005-2010	Reference Chart (C) or table (T)
Income inequality	n.a.			C2.2
Wage inequality				C2.7
<b>POLITICAL AND CULTURAL IMPACTS</b>				
General trust		s 		C4.1
Trust in parliament	s 			C4.3
Trust in legal system				C4.3
Xenophobia (attitudes toward immigrants)				T4.7
Preferences for redistribution of wealth by government				T4.14
Perceptions of poverty as result of injustice in society	n.a.		s 	T4.12

Note: n.a. – data not available; s – change is substantial

## 5. Effectiveness of Policies in Combating Inequality

### 5.1 Introduction

This part of the report presents the most important policies existing in Slovenia that target vulnerable groups and therefore influence levels of inequality in the country. Since we have not found any specific studies of the effectiveness of these policies on reducing inequality in the society, we are limited to describing the policies and providing a general evaluation of their impact.

The policies described relate to the labour market, taxation and the fields of social protection (e.g. social assistance, unemployment benefits), housing and education. We will also present the pension system, as this is important for preventing poverty of the elderly.

### 5.2 Labour income

#### 5.2.1 Collective bargaining

Slovenia has a relatively long tradition of tripartite social dialogue. In the late 1980s, the transition to a market economy required the development of a modern social dialogue based on the equality of social partners and a new legal basis for the regulation of the relations between them. Therefore, basic rights stemming from the Employment Act were adopted in 1989 to provide a new definition of labour relations and to introduce collective bargaining as a basic way of regulating the relations between employers and employees. Further elaboration of the legal regulation followed with the Slovenian Employment Act in 1990, which provided individual rights to be regulated by a collective agreement and defined different components of collective agreements. The legal basis for the functioning of a social partnership is also laid down in the Constitution of the Republic of Slovenia. Constitutional rights, such as freedom of trade unions, participation in management and the right to strike, oblige the government, the National Assembly and other relevant bodies in Slovenia to create adequate policies, taking into consideration the opinions and recommendations of social partners. From these elements emanates, compared to other transitional countries, a highly centralised collective bargaining system (fixed at the macro-national level), which covers almost the entire labour force. We can make an assertion that the collective bargaining system in Slovenia is highly inclusive.

Representatives of employers' organisations, trade unions and the government are associated in the Economic and Social Council (ESC), which was established in 1994 as the highest level of social partnership in Slovenia.<sup>45</sup>

In more recent periods, the social dialogue has been more difficult to achieve as the social partners sometimes make totally opposite demands and exhibit a lack of trust.

The framework of the wages system in Slovenia is defined in the Employment Relations Act (ERA). This fundamental act regulates individual employment relations and the basic principles of the wage system in Slovenia. The wage system regulates wages and some other income (e.g. pay for annual leave, retirement severance pay) as well as the reimbursement of expenses related to work.

In Slovenia, wage policy has been an important segment of the negotiations between the social partners. Over the last decade, the social partners have generally implicitly or explicitly agreed that real wage growth should lag behind productivity growth, measured by the real GDP growth per employee according to the System of National Accounts. The main guideline for bargaining wage adjustment agreements was that wage policy should, on one hand, support economic policy goals aimed at stable macroeconomic trends, and regulate the social position of workers through the institution of the minimum wage on the other.

### 5.2.2 Minimum wage

When the minimum wage was introduced in 1995, it was rising either at a faster or equal pace as the average gross pay, since it was adjusted according to the rise in inflation and partly in line with the rise in productivity or gross domestic product (GDP). The goal was that the minimum wage should gradually reach 58% of the average gross pay in the manufacturing sector. In the period from August 2004 to August 2005, the minimum gross wage reached 43.1% of the average gross pay, but after that, it dropped annually to 41.1% in 2008.

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<sup>45</sup> The establishment of the ESC was the result of formalising social dialogue in the Agreement on Wage Policy in Economy. The ESC engages mostly in the areas of social and collective agreements, employment, social and labour relation issues, economic system, international co-operation, trade union topics and related socio-economic matters. The functioning of the ESC is temporarily regulated by unanimously adopted rules and financed by the government. The ESC consists of 15 members, five each from the government, employers and trade unions.

Such trends, along with new objectives set by the Slovenian government (e.g. flexicurity and “making work pay” concepts) and constant demands from the trade unions’ representatives for increasing the minimum wage, brought the new Minimum Wage Act (MWA). The new MWA, implemented March 2010, set the new level of gross minimum wage at EUR 734.15, which is 22.9% higher than the previously existing level. The act, due to the high increase, allowed for a gradual introduction of the amount, but no later than 1 January 2012. From 1 January 2011, the gross minimum wage is EUR 748.10, which means the net amount is EUR 572.27. Thus, the ratio of the minimum wage to the average gross wage in the private sector, which was 44.2% in 2009, rose to 50.6% in the first quarter of 2011.

The increase of the level of the minimum wage has also increased the number of recipients. Although there are slight monthly variations, the average last year (March–December) was 42,905 recipients, but in this first quarter 2011, the number has risen to 46,740. Regarding the number of recipients, the largest increase was in trade (for 1,660) and manufacturing (1,440), while in construction and other diversified activities, the number in the first quarter of this year even decreased, probably as a result of layoffs. The proportion of recipients of the minimum wage of all employees has risen from around 7% last year (averaged from March to December) to 7.7% in the first quarter of 2011. In the private sector, the share of recipients increased from 8.5% (averaged from March to December) to 9.5%, while in the public sector, it increased from 2.5% to 2.9%.

In 2011 a smaller proportion of employers still took advantage of the option for a progressive transition to a statutory amount. In general, however, approximately 80% of the minimum wage recipients received this wage within the highest bracket. Compared to 2009, the number of minimum wage recipients and their share of the total number of employed persons (7.1%) more than doubled in 2011. A high increase in the minimum wage and the resulting deterioration in competitiveness in 2010 and 2011 also had an impact on the loss of jobs.

**Table 5.1 Average minimum gross wage, average gross wage and relation between them, Slovenia, 2000–2011**

	Minimum gross wage	Nominal growth of minimum wage	Real growth of minimum wage	Average gross wage	Nominal growth of gross wage	Real growth of gross wage	Relation between minimum wage and average wage
2000	322	10.3	1.3	800	10.6	1.6	40.3
2001	366	13.5	4.7	895	11.9	3.2	40.9
2002	408	11.5	3.7	982	9.7	2.0	41.5
2003	445	9.0	3.2	1057	7.5	1.8	42.1
2004	476	7.0	3.3	1117	5.7	2.0	42.6
2005	499	4.9	2.4	1157	4.8	2.2	43.1
2006	516	3.3	0.9	1213	4.8	2.2	42.5
2007	529	2.5	-1.1	1285	5.9	2.2	41.2
2008	571	8.0	2.2	1391	8.3	2.5	41.1
2009	593	3.7	2.8	1439	3.4	2.1	41.2
2010	679	14.6	12.6	1495	3.9	2.1	45.4
2011	718	5.7	3.8	1525	2.0	0.2	47.1

Source: IMAD 2012

### 5.2.3 Active labour market policies (ALMP)

In the area of rising activation and employability, ALMP measures have played a predominant role. Despite the increasing importance of ALMP measures in recent years, Slovenia's expenditure on active labour market policy programmes decreased in the second half of the 1990s and until the beginning of the economic crisis. Such trends additionally aggravate the efficiency of many ALMP measures that were introduced in the period before the crisis. Compared with EU countries, Slovenia earmarked a relatively small share of GDP for labour market policy. In 2007, Slovenia spent only 0.3% of GDP for labour market policy, of which the majority was spent on active labour market policy measures.

This trend was reversed in 2009 when, aggravated by the economic crisis, the situation in the Slovenian labour market and in society forced the Slovenian government to notably increase expenditure on labour market policies. The adoption of the supplementary budget enabled such an increase of expenditure on active labour market policy to total around 1.0% of GDP. The increase was mostly due to promoting employment, while the share of the expenditure on education and training remained relatively low.

### 5.3 Taxation

Since Slovenia's independence, there have been several changes of the country's tax system.

The Personal Income Tax (PIT) system remained almost unchanged from 1991 until 2004, when a new tax code was passed by parliament. However, this code was changed again in 2005, introducing a differentiation in the taxation of individual incomes according to their character – 'active' income is taxed at progressive rates applied to the annual tax base, while 'passive' income (i.e. income from interest, dividends and capital gains) is taxed at a flat rate, as in dual income systems. In 2006, the number of PIT brackets was reduced from five to three, and the top tax rate from 50% to 41%; the scheduler taxation of 'passive' income at a single 20% rate was retained. In 2009, a new tax at the rate of 49% was introduced, which is imposed on the income of management in companies receiving state aid.

The PIT is levied at the central government level, while a part of the revenues are attributed to municipalities. Net 'active' income is taxed according to a progressive rate with three brackets: 16%, 27% and 41%. Each individual is taxed separately. There are general allowances and special allowances for students, disabled persons, taxpayers older than 65, family allowances for every dependent child, and so on. A tax credit limited to 13.5% of the income is granted to pensioners and recipients of compensations for occupational disability. Dividends, interest and capital gains ('passive' income) are taxed according to a 20% flat rate; the rate for capital gains is reduced progressively (by five points) every five years of the holding period<sup>46</sup>.

The corporate income tax (CIT) rate has been gradually reduced from 25% in 2006 to 20% in 2010. A special rate of 0% is applicable for investment funds, pension funds, insurance undertakings for pension plans and venture capital companies. The Slovenian CIT offers several incentives such as for research and development or for the employment of disabled persons as well as for the establishment in a special economic zone. As of 2010, taxpayers employing a person younger than 26 or older than 55 years, who had been registered with the employment service of Slovenia as unemployed for at least six months prior to employment, may apply for a tax allowance of 45% of the salary of such employee, provided the employer does not reduce the average number of employees during that period. This allowance can be applied over a period of 24 months.

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<sup>46</sup> According to the Act Amending the Corporate Income Tax Act (2012), the capital gains tax rate will reduce to 18% in 2012, to 17% in 2013 and to 16% in 2014. This measure is supposed to stimulate the Slovenian economy in times of crises. Source : <http://www.uradni-list.si/1/objava.jsp?urlid=201230&stevilka=1283>

The current rate of VAT (introduced on 1 July 1999) is 20%. The reduced rate of 8.5% applies to the supply of goods and services including inter alia, books, food, agricultural and pharmaceutical products, as well as certain services provided at the local level. Subject to several conditions, the flat rate of 8% applies to the sale by farmers of certain agricultural products deriving from farming and forestry activities.

Social security contributions in Slovenia cover pension, health, unemployment insurance and maternity leave. Employees contribute 22.1% of their total gross wage, of which the pension insurance (15.5%) is the biggest amount. Social contributions are also payable by employers on behalf of their employees (the total rate paid by employers is 16.1%). The taxable base for both the employer and the employee is the amount of the gross wage, which includes gross leave pay, fringe benefits and remuneration of expenses related to work above a certain threshold. Contributions are deductible both from the CIT and the PIT.

According to the Eurostat (2012), social contributions in Slovenia, with a share of 40.1% of total tax revenue, represent the fourth highest rate in the EU. This share peaked in 2001 at 38.5%, declined regularly until 2007, and increased again in the last three years, reaching its highest value since 1996. Regarding the employees' social contributions, measured as a percentage of GDP (7.9%), they are the highest in the EU, more than doubling its average.

In line with the overall constancy of taxation levels, the ITR on labour has remained quite stable at around 37.5% in the period 2000–2006. However, it dropped by 2.3 percentage points during the last four years in observation, reaching 35% in 2010, its lowest value since 1995. This decrease could be explained by the government's efforts to unburden the qualified workers (by reducing tax rates) and to enhance the incentives to work for low income earners (by increasing the general allowances). Given a relatively high level of employees' social security contributions, the ITR on labour still lies, in 2010, 1.6 percentage points above the EU average.

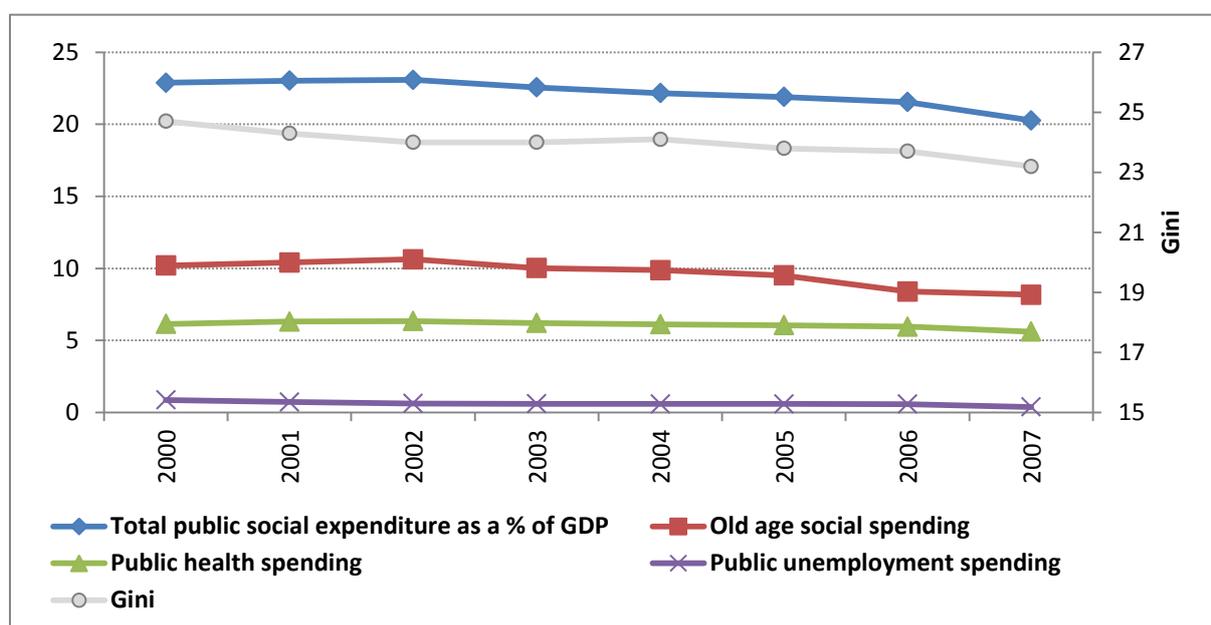
Slovenia's total tax-to-GDP ratio (including social security contributions) amounted to 38% in 2010, a value that exceeds the EU average (35.6%) and the euro area average (36.4%). Compared with its neighbours, Slovenia's tax ratio lies well below Italy's (42.3%) and Austria's (42.0%) but slightly above Hungary's (37.7%).

## 5.4 Social expenditures

The public social expenditure (for non-elderly) was 22.4% of GDP in 1995 and remained almost the same through 2005 (21.9%). However, the share for the unemployed has been diminished, while other spending (for family, incapacity related) has remained practically the same (OECD 2011)<sup>47</sup>.

According to the OECD data (see graphs below), the expenditure on social protection dropped slightly from 2000 to 2007. In general, the trend on public spending by type is quite constant in the observed time period.

**Chart 5.2 Social spending by type (Slovenia)**



Source: OECD (2010), "Government social spending", Social Issues: Key Tables from OECD, No.1. doi: 10.1787/20743904-2010-table1

Social transfers have important role in ensuring income equality have. This is even truer in times of crisis, as seen in the year 2009 when the share of social benefits in the structure of income increased markedly, from 25.5% in 2008 to 27.2%. As Table 5.2 shows, the shares of social protection expenditure and expenditure on social benefits in Slovenian GDP increased notably in 2009 and 2010, especially social protection for healthcare and old age.

<sup>47</sup> OECD report Divided we stand 2011.

**Table 5.2 Social protection expenditure and expenditure on social benefits by function, share of GDP, Slovenia, 1996–2010**

	%						
	1996	2000	2005	2007	2008	2009	2010
<b>Total for social protection</b>	<b>23.3</b>	<b>24.1</b>	<b>23.0</b>	<b>21.3</b>	<b>21.4</b>	<b>24.3</b>	<b>24.9</b>
<b>... Total on social benefits by function</b>	<b>22.8</b>	<b>23.5</b>	<b>22.5</b>	<b>20.8</b>	<b>20.9</b>	<b>23.7</b>	<b>24.4</b>
... Sickness / health care	7.0	7.2	7.3	6.7	7.0	7.8	7.9
... Disability	1.9	2.1	1.9	1.7	1.6	1.7	1.8
... Old age	10.1	10.2	9.5	8.2	8.0	9.2	9.6
... Survivors'	0.5	0.5	0.4	1.5	1.6	1.7	1.7
... Family / children	1.9	2.2	1.9	1.7	1.8	2.1	2.2
... Unemployment	1.0	1.0	0.7	0.4	0.4	0.6	0.7
... Housing	...	...	0.0	0.0	0.0	0.0	0.0
... Social exclusion not elsewhere classified	0.4	0.4	0.6	0.5	0.4	0.5	0.6

... not available

Source: SURS

### Social assistance

The general social assistance scheme provides a benefit for people in need who permanently reside in Slovenia. The assistance is means-test and applies to households<sup>48</sup>. Until recently (2012), it was regulated by the Social Assistance Act (2007)<sup>49</sup>.

The amount of social assistance was defined by a minimum income (as a difference between the minimum income and the income of the recipient). For a single parent household, the minimum income is increased by 30%. The Financial Social Assistance Act<sup>50</sup> (OG 61/2010), which came into force in 2012, regulates this right anew. The main changes are an increase in social assistance and a more detailed threshold definition which more thoroughly includes the property of individuals (based on different connected databases which include all income, property and similar assets)<sup>51</sup>. This could lead to a lower number of eligible households; however, it is supposed to prevent abuse of this right by individuals (previously not reporting savings, property, etc.). Additionally, however, with the Public Finance Balance Act (OG 40/2012), the amount of social benefits has been lowered.

<sup>48</sup> Kolarič et al 2009.

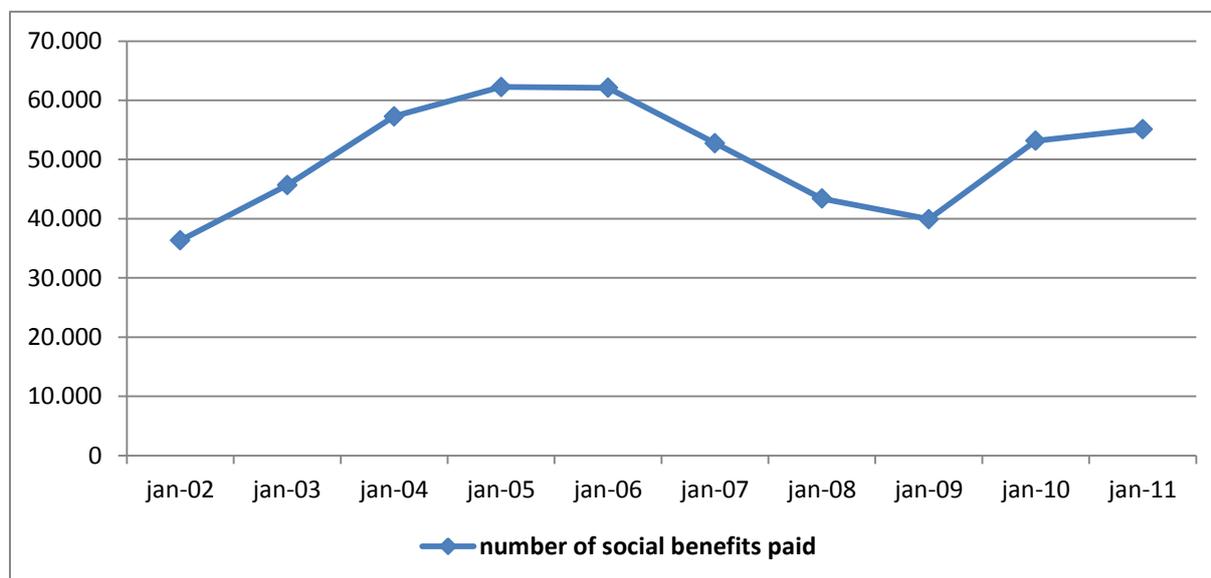
<sup>49</sup> [http://zakonodaja.gov.si/rpsi/r01/predpis\\_ZAKO5111.html](http://zakonodaja.gov.si/rpsi/r01/predpis_ZAKO5111.html)

<sup>50</sup> <http://www.uradni-list.si/1/objava.jsp?urlid=201061&stevilka=3350>

<sup>51</sup> Additionally, if a person receiving social assistance works for a limited number of hours and receives a limited amount of income, his social assistant benefits stay the same (are not lowered).

The number of given financial social assistances per month rose quite significantly from 2001 to 2004 and remained high until 2006 when it started to drop. However, beginning in 2008, it started to rise again until 2011. In 2011, the number of recipients dropped from January to December<sup>52</sup>.

**Chart 5.3 Social benefits – trend**



Source: Ministry of Labour, Family and Social affairs

### Child benefits

Child benefits are an important income support measure that helps families in risk of poverty. In Slovenia, this field was until recently (2012) regulated by the Parental Protection and Family Benefit Act (2001, amended in subsequent years, last 2010)<sup>53</sup>. According to the newest Exercise of Rights to Public Funds Act (2010, amended 2011)<sup>54</sup>, which came into force in 2012, the conditions of accessing the rights of child benefit will be somewhat changed, and the child benefits will be for children up to 18 years of age only. Previously, it was possible to claim it for every child until the age of 18 years or 26 years (if in school)<sup>55</sup>. The new act defines criteria for accessing different benefits and for assessing income and property of households in a uniform way by connecting various databases and therefore more thoroughly tracking income and property of individuals. This has led to a lower number of eligible households.

<sup>52</sup> [http://www.mddsz.gov.si/si/uvcljavljanje\\_pravic/statistika/denarna\\_socialna\\_pomoc/](http://www.mddsz.gov.si/si/uvcljavljanje_pravic/statistika/denarna_socialna_pomoc/)

<sup>53</sup> [http://zakonodaja.gov.si/rpsi/r00/predpis\\_ZAKO1430.html](http://zakonodaja.gov.si/rpsi/r00/predpis_ZAKO1430.html)

<sup>54</sup> [http://zakonodaja.gov.si/rpsi/r00/predpis\\_ZAKO4780.html](http://zakonodaja.gov.si/rpsi/r00/predpis_ZAKO4780.html)

<sup>55</sup> Rules on procedures for claiming the right to family benefits (OG. [31/2008](http://www.zakonodaja.gov.si/rpsi/r09/predpis_PRAV5349.html), [61/2009](http://www.zakonodaja.gov.si/rpsi/r09/predpis_PRAV5349.html)) [http://zakonodaja.gov.si/rpsi/r09/predpis\\_PRAV5349.html](http://zakonodaja.gov.si/rpsi/r09/predpis_PRAV5349.html)

The Public Finance Balance Act (OG 40/2012) has influenced the child benefits as well as several other social transfers. It has, for example, lowered the parental allowances and child benefits. The threshold for receiving child benefits has been lowered to 64% of the average monthly income (per person).

The number of recipients of child benefits rose from less than 200,000 in 1994 to more than 400,000 in 1997. It remained above 400,000 until 2003, and after that began to diminish slowly, remaining constantly around 370,000 people until 2010. This corresponds with the lowering number of children in general in this period. It has been slowly dropping further in 2011 and 2012 (see Appendix).

Additionally, there is a special benefit for large families (however only for those who have not claimed child benefits). The condition is having three or more children. This benefit has been universal; however, with the Public Finance Balance Act (OG 40/2012), this benefit became means-test (the threshold is 631.93 € per family member or 64% of average income)<sup>56</sup>. Similarly, child benefit at birth, which has been a universal benefit, is now means-test (the threshold is 631.93 € per family member)<sup>57</sup>.

### **Unemployment benefit**

Registered unemployment decreased in the period from 2005 to 2008 to record low numbers in the history of Slovenia as an independent state. After that period, it started rising rapidly. The number of registered unemployed in June 2012 was 105,630. The largest group (32,276 people) are those with the lowest level of education (level I); however, those with level IV and V are also numerous (each group with more than 25,000 people).

The unemployed are entitled to the unemployment benefit, and they also have the right to health, pension and disability insurance. The scheme covers employees with employment contracts with a minimum of 20 hours per week. The self-employed can be insured on a voluntary basis. The nature of passive and active employment policy, as well as social policy, has changed considerably during the last several years; as rights have become more closely related to responsibilities, emphasis is on active measures and the subsidiary nature of cash benefits is emphasised<sup>58</sup>. The duration of the unemployment benefit depends on both the working/insurance record and the age of the claimant. The newly adopted Labour Market Regulation Act (effective from 1 January 2011) expanded somewhat the eligibility for claiming the unemployment benefit – a person is eligible for claiming the

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<sup>56</sup> [http://www.mddsz.gov.si/si/zakonodaja\\_in\\_dokumenti/zakon\\_za\\_uravnotezenje\\_javnih\\_financ\\_zujf/#c18170](http://www.mddsz.gov.si/si/zakonodaja_in_dokumenti/zakon_za_uravnotezenje_javnih_financ_zujf/#c18170)

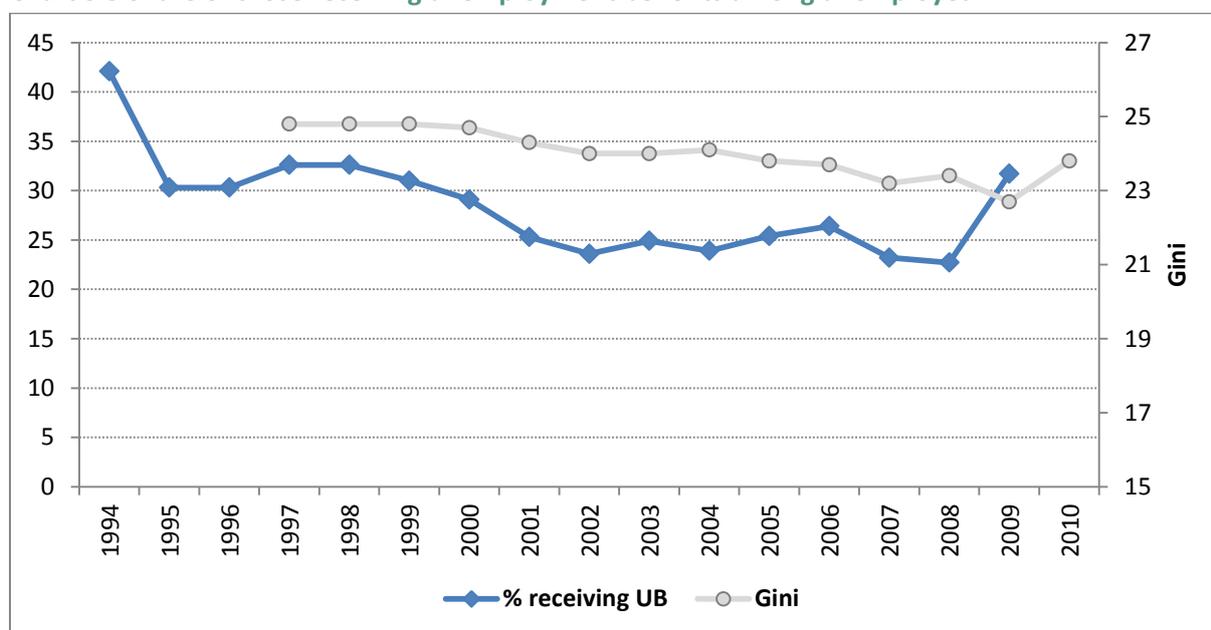
<sup>57</sup> [http://www.mddsz.gov.si/si/zakonodaja\\_in\\_dokumenti/zakon\\_za\\_uravnotezenje\\_javnih\\_financ\\_zujf/#c18170](http://www.mddsz.gov.si/si/zakonodaja_in_dokumenti/zakon_za_uravnotezenje_javnih_financ_zujf/#c18170)

<sup>58</sup> Kolarič et al 2009.

unemployment benefit, if he/she was employed at least 9 months in the past 24 months<sup>59</sup>. It is paid from three months to up to two years (for those aged above 55 and with insurance period above 25 years). A person is insured (health insurance, pension and also for parenting) while receiving the unemployment benefit. The new Public Finance Balance Act (OG 40/2012) has lowered the amount of the unemployment benefit<sup>60</sup>.

However, we should note that the number of unemployed people receiving cash benefits is low, and the majority of unemployed are receiving social assistance (e.g. in 2010, 30,319 people were receiving the unemployment benefit<sup>61</sup>, while the average number of registered unemployed in December 2010 was 110,021 people<sup>62</sup>). In general, approximately one-third of the unemployed are receiving the unemployment benefit.

**Chart 5.5 Share of those receiving unemployment benefits among unemployed**



Source: Employment service of Slovenia

Note: Registered unemployment

## Pension

Expenditure on pensions in Slovenia is consistently below the EU-25 (27) average, and has been, with minor fluctuations, decreasing from 11% of GDP in 2000 to 9.6% in 2008. Only in 2009 did the share rise again to 10.9%.

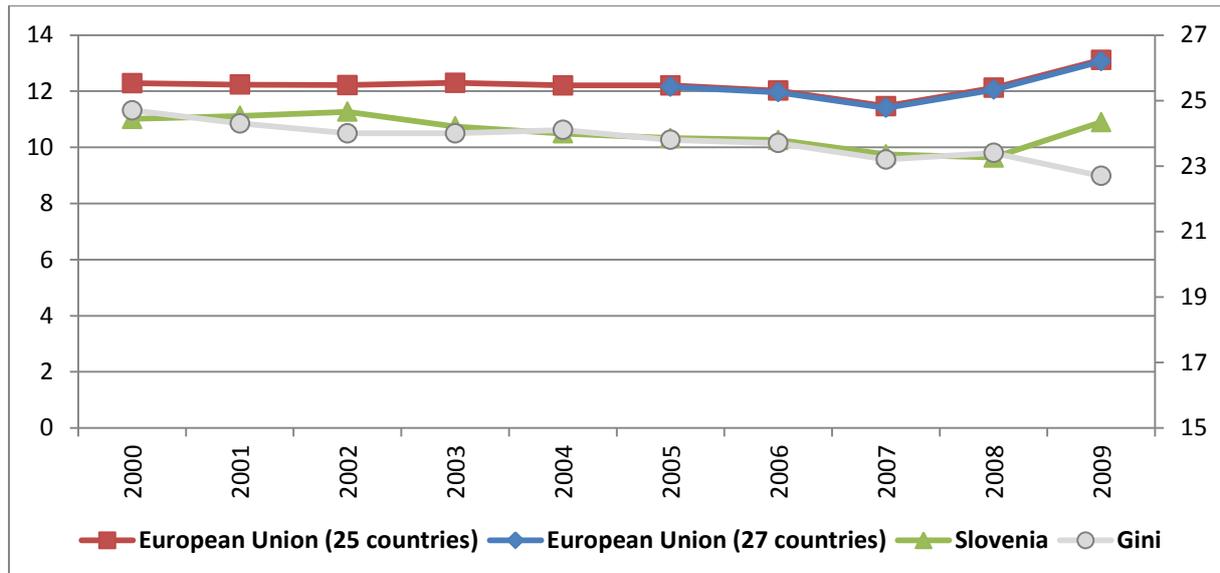
<sup>59</sup> [http://www.ess.gov.si/iskalci\\_zaposlitve/prijava\\_brezposelne\\_osebe/denarno\\_nadomestilo](http://www.ess.gov.si/iskalci_zaposlitve/prijava_brezposelne_osebe/denarno_nadomestilo)

<sup>60</sup> [http://www.mddsz.gov.si/si/zakonodaja\\_in\\_dokumenti/zakon\\_za\\_uravnotezenje\\_javnih\\_financ\\_zujf/#c18167](http://www.mddsz.gov.si/si/zakonodaja_in_dokumenti/zakon_za_uravnotezenje_javnih_financ_zujf/#c18167)

<sup>61</sup> Poročilo zavoda 2011 za leto 2010

<sup>62</sup> Employment service.

Chart 5.6 Pensions (% of GDP)



Source: Eurostat, Social protection data

In Slovenia the first public pillar is a mandatory earnings-related scheme financed on a pay-as-you-go basis that covers the risk of old age, disability and survivorship. Pensions are those that mainly prevent inequality between the old and inactive population and the active population.

There has been an increasingly unfavourable relation between the last salary and the first pension. The consequence of decreasing pensions is that a lot of pensioners have pensions that are too small to ensure an adequate standard of living and prevent them from slipping into poverty (the data on poverty of the elderly indicate how pressing this issue is in Slovenia). Within the pension system, there are corrective factors to ensure adequate pensions, such as the right to pension assessment on the minimum pension rating base<sup>63</sup>. An additional social corrective in the past was the state pension, which is independent from the compulsory insurance. However, this pension was abolished by the new Financial Social Assistance Act (OG 61/2010), which came into force in 2012. Pensioners who receive low pensions can also apply for a means-tested pension supplementary allowance<sup>64</sup>.

<sup>63</sup> If the person's computed pension base is lower than the minimum pension base, his/her pension is computed using the minimum pension base (Fultz 2006).

<sup>64</sup> The enforcement of the new Social Assistance Act in 2007 brought about a modified method of adjusting the base for the supplementary rights assessment, which had a direct impact both on the number of pension support beneficiaries and the amount of (pension) supplementary allowance. It led to the shrinking of rights (loss of allowance by a number of pensioners). Due to this, a new Pension Support Act was adopted in 2008, which regulated the right to supplementary allowance anew and defined a new base for assessing the support and the adjustment method. Its goal was to eliminate the decrease in pension supports. However, the supplementary allowance is now regulated by the new Financial Social Assistance Act (OG 61/2010), which came into force in 2012. According to this act, the recipients of supplementary allowance are long-term unemployed (or those unable to work) or elderly (for women, age limit is 63; for men, 65 years). MLFSA 2008

The pension and disability insurance system also covers specific vulnerable situations, such as widowhood, disability, etc. The family members of the insured person or retired person can, in case of death, claim survivor's pension. Widow/ers are entitled to their spouse's pension under conditions linked to age and the ability to support themselves<sup>65</sup>.

Due to the economic crisis, the pensions have been affected, i.e. the growth of pension has been reduced according to the Act of Intervention Step because of Economic Crisis (OG RS 98/2009) and the Act of Intervention (OG 94/2010). Additionally, with the recent Public Finance Balance Act (OG 40/2012), the rights of pensioners were further affected through the lowering of the supplementary allowance, the lowering of those pensions that are not based on contributions and no rise in pensions in the year 2012. One pension reform has already been proposed and adopted in the parliament (the new Pension and Disability Insurance Act) and later rejected on the referendum (in 2011). New pension reform is envisaged.

## Healthcare

Slovenia can generally be described as a country with a well-developed system of healthcare which is regulated by the Health Care and Health Insurance Act<sup>66</sup>. Access to healthcare services is ensured through compulsory health insurance which covers almost 100% of the population. However, the range of services that this compulsory health insurance covers is narrow, as it covers 100% of cost of treatment only for certain groups (e.g. children, pupils, students). Therefore, it is almost obligatory for people to take up additional health insurance as the health costs would otherwise be very high. Supplementary voluntary health insurance is necessary, and approximately 95% of the population is included in this insurance scheme. The health insurance scheme covers employees, self-employed persons, farmers and recipients of cash benefits (including pensioners) but excludes persons who do not have permanent residence in Slovenia (e.g. asylum seekers, foreigners temporarily residing in Slovenia, etc.). The latter are, however, provided with emergency healthcare.

Also, for the most vulnerable, access is ensured for the basic health insurance; for example, recipients of social assistance and recipients of unemployment benefits are insured. Additionally, from January 2009, the recipients of financial social assistance (or those eligible for receiving financial social assistance but not receiving it) are also entitled to receive coverage of health costs up to their

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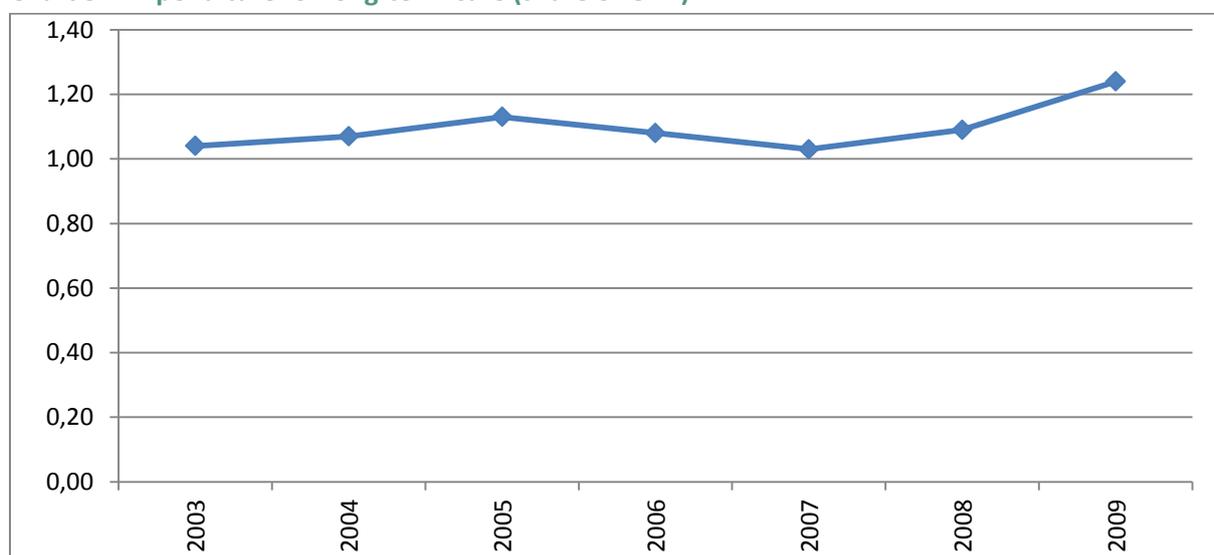
<sup>65</sup> In case the widow/er has the right to his/he own pension, the survivor's pension is still received, up to 15% (but not more than 87 € in 2011). There are additional special allowances that are intended for widow/ers; however, there is a very small number of beneficiaries of these allowances. Source : PDII report (2009)

<sup>66</sup>[http://zakonodaja.gov.si/rpsi/r01/predpis\\_ZAKO4901.html](http://zakonodaja.gov.si/rpsi/r01/predpis_ZAKO4901.html)

full amount (not only basic insurance but the state also covers additional health insurance). With this, the state enabled better access to healthcare for people with low income. These rights are still present also in the new Exercise of Rights to Public Funds Act (2010)<sup>67</sup>, which came into force in 2012.

Voluntary health insurance (VHI) has been criticised for enlarging social inequality in Slovenia (Stropnik et al. 2003). However, several researchers (e.g., Hanžek 1998; Hanžek 1999; Javornik and Korošec 2003) claim that increasing social and economic inequalities as the result of transition had a greater effect on the differences in health and overall wellbeing than did the health security system itself.

**Chart 5.7 Expenditure for long-term care (share of GDP)**



Source: Eurostat, Social protection data

The expenditure on long-term care has been, with minor fluctuations, rising slowly since 2003.

<sup>67</sup> [http://zakonodaja.gov.si/rpsi/r00/predpis\\_ZAKO4780.html](http://zakonodaja.gov.si/rpsi/r00/predpis_ZAKO4780.html)

## Housing

Social expenditure on housing in Slovenia is very small and is far below EU averages.

**Table 5.4 Social protection expenditure for housing (as % of GDP)**

GEO/TIME	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
European Union (27)	:	:	:	:	:	0,580	0,582	0,523	0,520	0,570
European Union (25)	0,554	0,540	0,549	0,527	0,536	0,585	0,589	0,529	0,527	0,577
European Union (15)	0,569	0,556	0,571	0,543	0,554	0,608	0,613	0,550	0,553	0,605
Slovenia	0,000	0,000	0,000	0,000	0,000	0,014	0,016	0,015	0,010	0,008

Source: Eurostat, Social protection data

During the period of transition, housing policies and their measures were dramatically changed. Housing reforms generally started with significant reductions and even cuts in most of the previous subsidies to the housing sphere (dissolution of the previous system), and many of the previously working policy measures were abolished, while the introduction of new measures was much slower, particularly in building new safety-net provisions.

Access to housing in Slovenia is quite difficult for the most vulnerable groups, due to an ownership-oriented housing market (see also Section 3.7 in this report). Particularly vulnerable are the young. Housing policy has adopted some measures that try to aid the most vulnerable groups in this field.

Important measures were/are:

1. Non-profit dwellings. Here, the rent is low and subsidised (which is means-tested). However, the share of these dwellings in housing stock is small, and therefore accessibility is very limited. Only a small share of applicants receives this dwelling. Furthermore, there are also regional disparities, as non-profit dwellings are in the domain of individual municipalities and only some of the largest ones have developed this sector.
2. Subsidies for renting. Due to the low availability of non-profit dwellings, the state (through the Housing Fund of Republic of Slovenia) had since 2008 widened the right to subsidies for renting apartments also in the profitable sector<sup>68</sup>. Additionally, these subsidies followed the

<sup>68</sup> Decree on the methodology of determination of rents for non-profit housing and the criteria and the procedure for implementation of subsidised rents

[http://zakonodaja.gov.si/rpsi/r07/predpis\\_URED4687.html](http://zakonodaja.gov.si/rpsi/r07/predpis_URED4687.html)

same rules as those for non-profit dwellings (are means-tested). However, with the Public Finance Balance Act (OG 40/2012), these subsidies have been abolished<sup>69</sup>.

3. Subsidies for young families for their first time of solving their housing situation, regulated by the National Housing Saving Scheme Act (OG 96/2007<sup>70</sup>). The first solving of the housing situation could be: purchase of a dwelling, reconstruction, adaptation, rent or similar. Young families were defined as families with at least one pre-school child. The right was also means-tested. However, with the Public Finance Balance Act (OG 40/2012), these subsidies have been abolished.

## 5.5 Education

Expenditure on education has been quite constant around 5.7% except for two low points in 2007 and 2008, when it was approximately 5.2% of GDP, which coincides with the time of the economic crisis. Additionally, expenditure for education is consistently above the EU-27 average. Also quite high is the financial aid available to pupils and students; however, in this area, the difference between Slovenia and the EU-27 average is getting smaller.

**Table 5.5 Expenditure on education (% of GDP)**

	European Union (27 countries)	Slovenia
2000	4,91	
2001	4,99	5,86
2002	5,10	5,76
2003	5,14	5,80
2004	5,06	5,74
2005	5,04	5,73
2006	5,03	5,72
2007	4,95	5,16
2008	5,08	5,20
2009	5,41	5,70

Source: Eurostat, Education and training data

<sup>69</sup> <http://www.stanovanjskisklad-rs.si/si/587/aktualno/novice.html?o=c096928b757f8684cce89696d0d2b9a5b690a3ab98bec6a58890e06b798754556a6684ab645796a16b7878466379>

<sup>70</sup> <http://www.uradni-list.si/1/objava.jsp?urlid=200796&stevilka=4798>

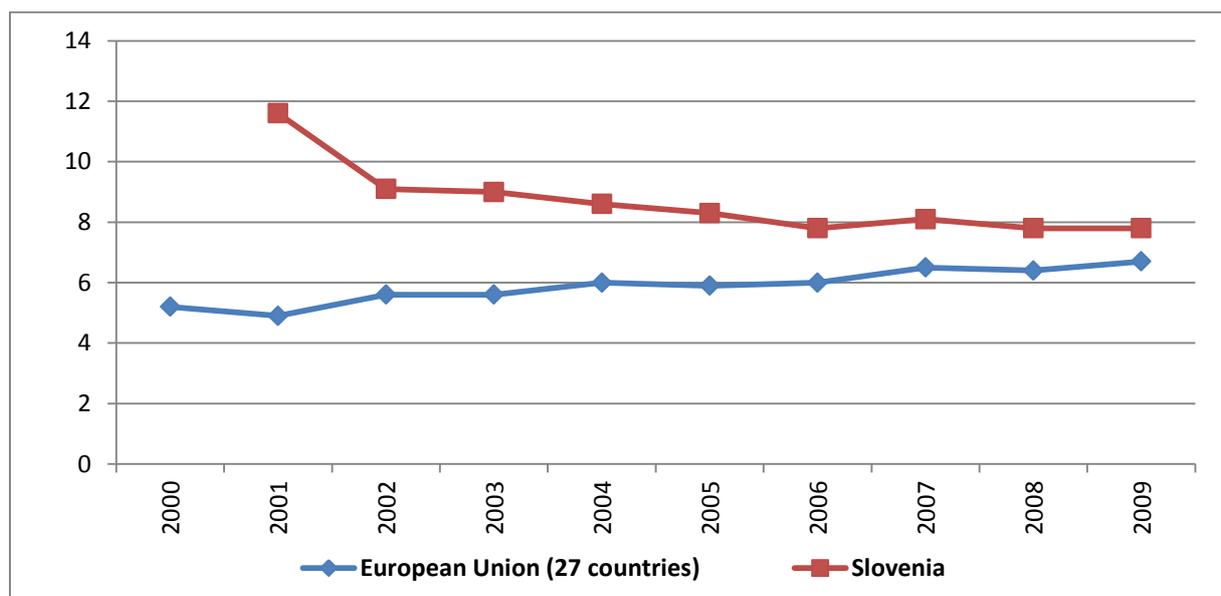
A little less than one-half of this public expenditure went for basic education, while the expenditure on tertiary education was approximately a little higher than one-fifth (between 1.21% and 1.38% of GDP) of the total expenditure in the period 2005–2009.

**Table 5.6 Share of total public expenditure for formal education in GDP by level of education**

	Levels of education				
	total	Preschool education	Basic education	Upper-secondary education	Tertiary education
2005	5.73	0.48	2.62	1.38	1.25
2006	5.72	0.51	2.55	1.42	1.23
2007	5.16	0.46	2.33	1.16	1.21
2008	5.20	0.49	2.35	1.15	1.21
2009	5.70	0.56	2.49	1.26	1.38

Source: SORS 2010, Statistical yearbook

**Chart 5.9 Financial aid to pupils and students as % of total public expenditure on education, for all levels of education combined**



Source: Eurostat, Education and training data

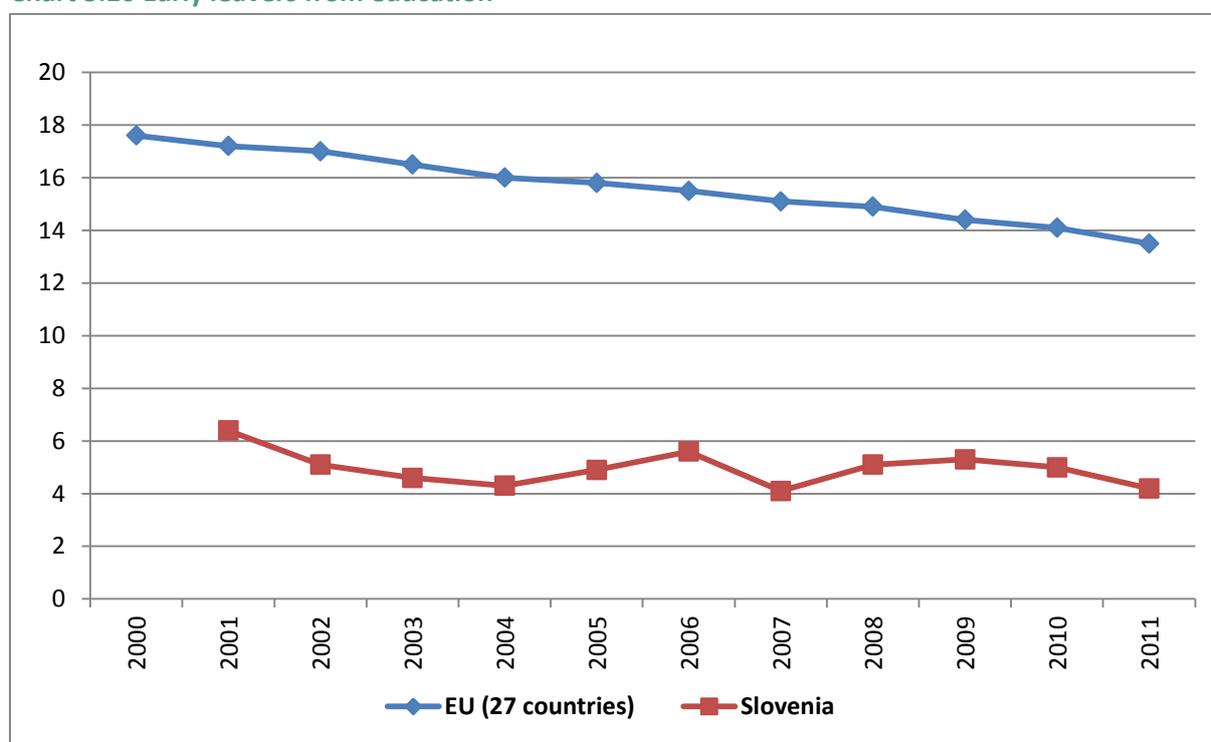
In Slovenia, various stipends for those in schooling have existed since the Second World War, and were systematically regulated since the 1970s.<sup>71</sup> The number of state stipends has been slowly

<sup>71</sup> After gaining independence in 1991, the number of stipends offered by companies ('kadrovske štipendije') was significantly reduced due to the poor economic situation. The number of these stipends was the highest in the years 1987/88, when it was almost 45,000, which significantly dropped to approximately 7,000 in 2000 and somewhat stabilised around this number. Therefore, the state started to offer two types of stipends. One was for students and pupils from materially deprived families (state stipend), while the other was for gifted students (Zois stipend).

dropping, as the criteria for obtaining it have become stricter; however, the number of applications has also dropped due to smaller generations (MDDSZ report 2009). The share of students and pupils receiving stipends has been dropping, from 30% in 2000 to 23% in 2008<sup>72</sup>.

The share of early leavers from education again shows Slovenia's position as better than the EU average. The percentage of the population aged 18–24 with at most lower secondary education and not in further education or training is quite constantly approximately 5%. Also higher than the EU-27 average is the participation in education and training of those aged 25–64. As could be expected, participation in life-long learning is much higher among the more educated.

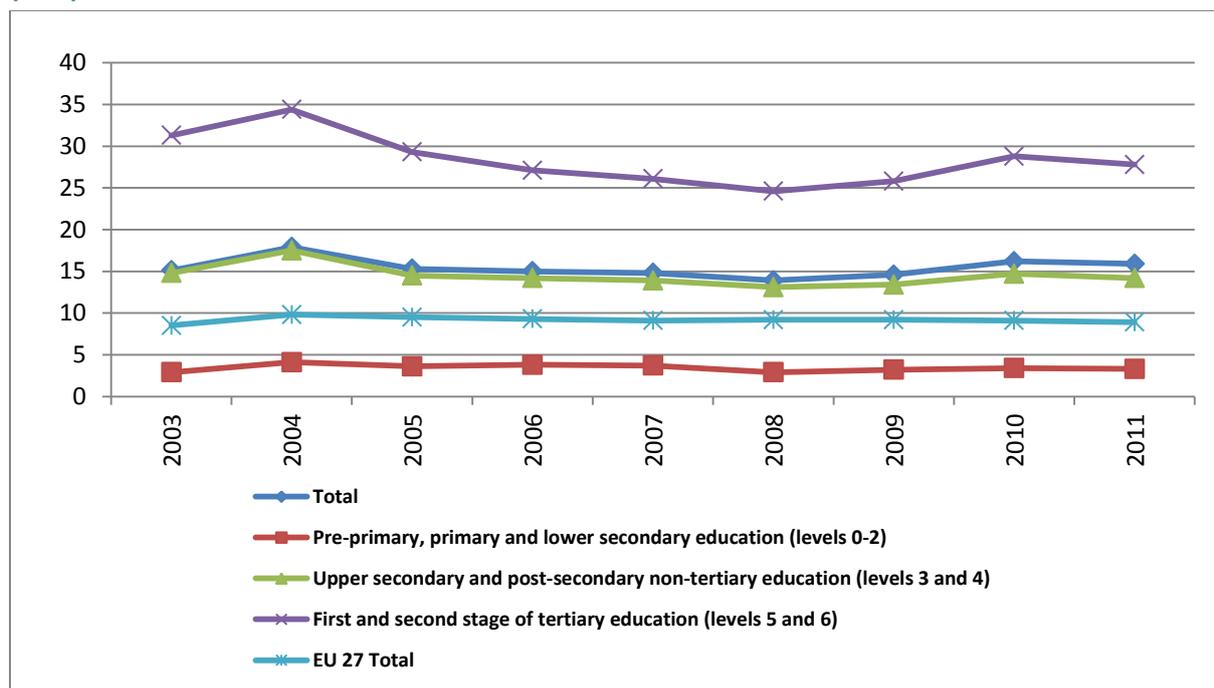
**Chart 5.10 Early leavers from education**



Source: Eurostat, Education and training data

Note: Percentage of the population aged 18–24 with at most lower secondary education and not in further education or training

<sup>72</sup> In 2007, a new act was adopted that regulates the stipends. It defines the following types of stipends: state stipend; Zois stipend (for talented); companies' stipend; and stipends for Slovenians abroad (MDDSZ 2009).

**Chart 5.11 Participation in education and training of those aged 25–64 by educational attainment (in %)**

Source: Eurostat, Education and training data

## 5.6 Conclusions

Due to relatively low and stable levels of inequality as well as low and stable levels of poverty in the last two decades in Slovenia, one could claim that the social policy has been quite successful in combating inequality. Several policies have been crucial here. First is the minimum wage, introduced in 1995. Second is the Personal Income Tax system. Until 2004, active income was taxed at progressive rates with five income brackets, later reduced to three. Furthermore, social assistance, child benefits and unemployment benefits are very important in preventing poverty, as the data on the at-risk-of-poverty rate before and after social transfers indicate (reducing it by half).

However, one should note that several of the listed policies have also not entirely reached the set goals. For example, the minimum wage was envisaged to gradually reach 58% of average gross pay; however, it has not been higher than 50%. Also, the trend in social assistance and child benefits is that of introducing stricter criteria for obtaining these benefits, which leads to a lower number of eligible households. Additionally, one could also question the effectiveness of the pension system and accompanying social measures since the at-risk-of-poverty rate is among the highest in the group of those aged 65 and more (especially single elderly people).

Furthermore, the effect of the economic crisis on the policies has been significant, as several changes have been introduced since 2008 to lower the public expenditure, focusing mainly on pensions (and public salaries), but also affecting social benefits. The influence of these changes on inequality is yet to be observed.

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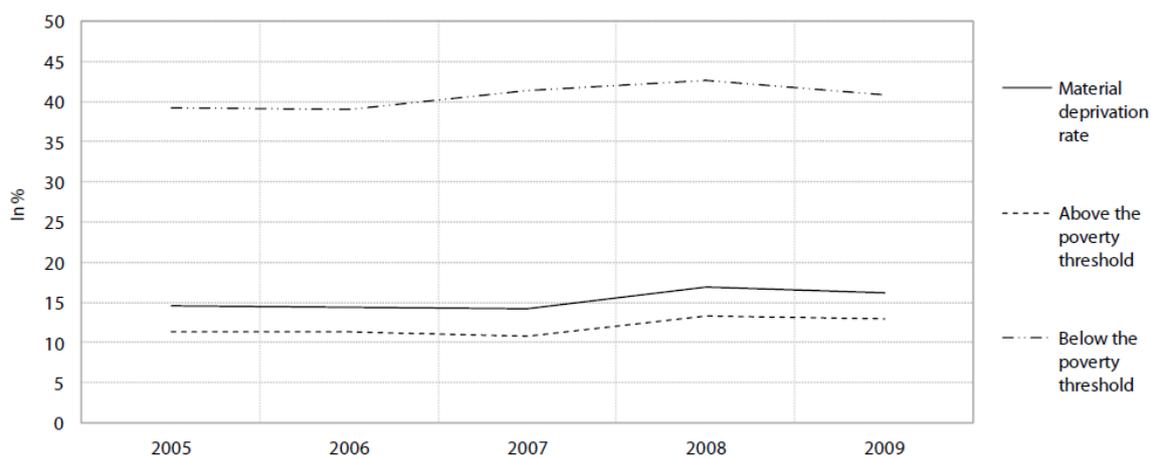
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## Appendix

### Chapter 3

**Chart 1 Material deprivation rates, Slovenia, 2005–2009, in %**



Source: SORS, Statistics on Income and Living Conditions (EU-SILC).

Source: IMAD 2011

**Table 1 Selected at-risk-of-poverty and income-inequality indicators, Slovenia and EU-25, (excluding income in kind)**

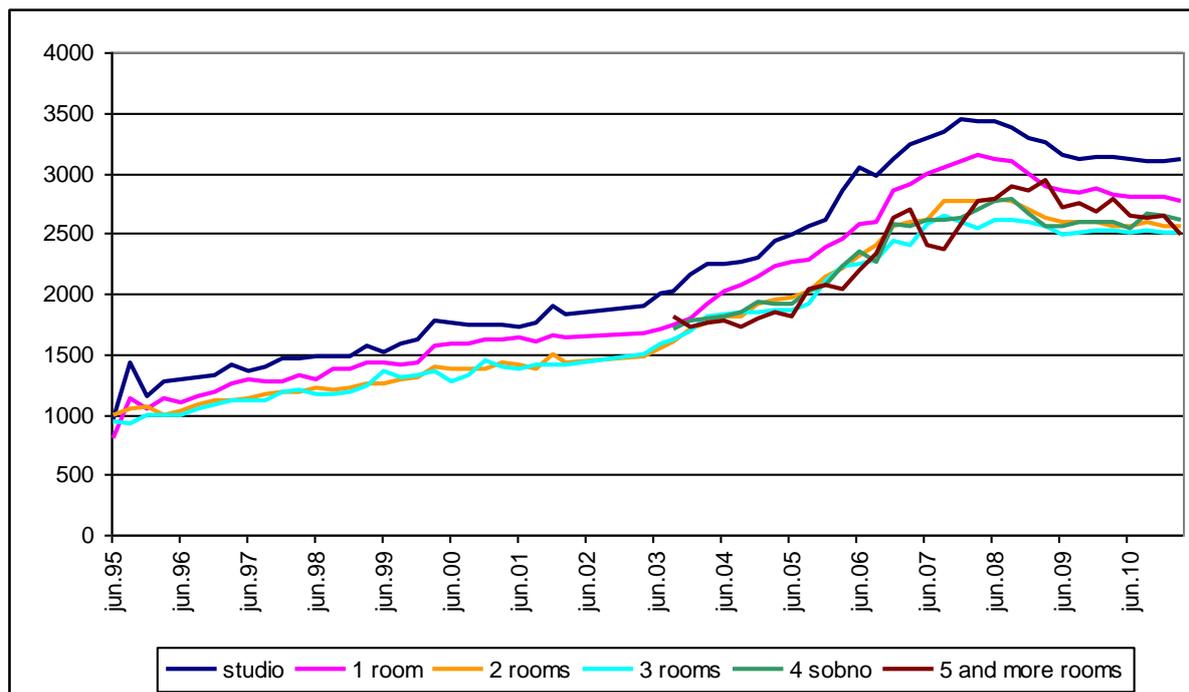
Year	2000		2005		2006		2007		2008		2009	
	SLO	EU-25	SLO	EU-25	SLO	EU-25	SLO	EU-25	SLO	EU-25	SLO	EU-25
<b>At-risk-of-poverty rate, in %</b>												
total population (after social transfers)	13.0	16.0	12.2	15.9	11.6	16.1	11.5	16.2	12.3	16.1	11.3	15.9
before social transfers <sup>1</sup>	37.2	23.0	25.9	25.7	24.2	25.9	23.1	25.6	23.0	24.8	22.0	24.9
women	18.0	17.0	13.6	16.6	13.0	16.8	12.9	17.1	13.6	17.0	12.8	16.7
men	12.5	15.0	10.6	15.2	10.3	15.3	10.1	15.4	11.0	15.1	9.8	15.1
children (aged 0–18)	N/A	N/A	12.1	19.2	11.5	19.1	11.3	19.3	11.6	19.5	11.2	19.3
young people (aged 18–24)	N/A	N/A	10.0	19.0	8.9	20.0	9.1	20.0	9.7	20.0	7.7	20.0
elderly (aged 65+) <sup>2</sup>	21.0	17.0	20.4	18.4	20.0	18.5	19.4	18.9	21.3	18.4	20.0	17.3
single-parent families <sup>3</sup>	17.5	30.0 <sup>4</sup>	22.0	31.2	22.3	32.4	28.6	33.4	28.8	35.5	28.1	34.0
couples with three or more dependent children (large family)	10.0	N/A	16.6	24.5	15.2	24.2	15.2	24.2	11.3	24.6	15.7	24.5
jobless households with dependent children	N/A	N/A	54.2	60.3	59.1	62.2	54.4	63.7	57.0	61.2	60.4	56.0
single households	36.0	N/A	44.0	23.4	42.4	23.5	39.2	24.9	41.9	25.4	43.4	25.2
unemployed	39.5	N/A	24.9	39.5	32.8	40.9	35.9	42.5	37.6	44.2	43.6	45.1
tenants	16.6	24.0*	25.7	22.8	21.9	22.8	25.7	24.9	25.2	25.4	22.0	25.5
<b>Income inequality indicators:</b>												
quintile share ratio 80/20	3.1	4.5	3.4	4.9	3.4	4.8	3.3	4.8	3.4	4.8	3.2	4.8
Gini coefficient	22.0	29.0	24.1	30.3	23.8	29.9	23.3	30.2	23.4	30.4	22.7	30.2

Source: SI-STAT data portal, 2010; Eurostat; SILC, 2010.

Notes: <sup>1</sup> pensions included in income; <sup>2</sup> poverty of the elderly regardless of what type of household they live in; <sup>3</sup> in terms of statistics, this indicates a single-parent household with at least one dependent child; <sup>4</sup> data for 2001; N/A – not available.

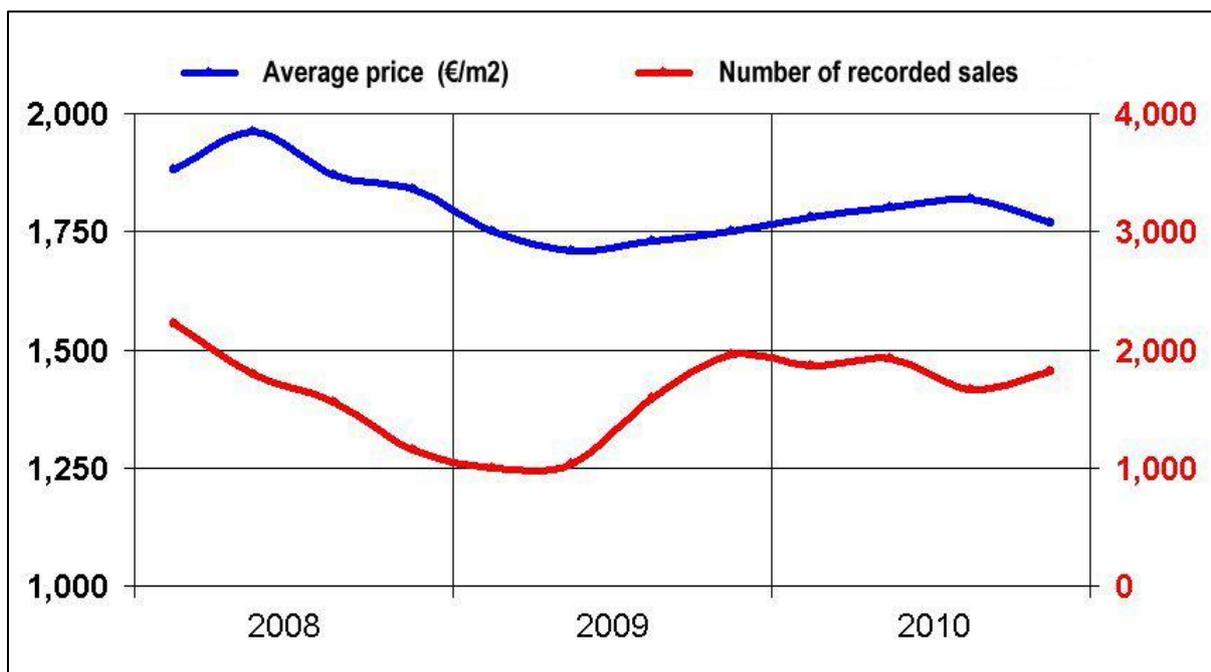
Source: IMAD 2011

Chart 2 Average advertised housing prices by size of dwelling (in Ljubljana) €/square m



Source: SLOnep 2011<sup>73</sup>

Chart 3 Average price movement (in €/m<sup>2</sup>) and the number of recorded sales of flats in Slovenia in 2008–2010



Source: GURS, Report for 2010<sup>74</sup>

<sup>73</sup> <http://www.slonep.net/info/cene-nepremicnin/arhivski-podatki-ljubljana>

<sup>74</sup> [http://e-prostor.gov.si/index.php?id=etn&no\\_cache=1&tx\\_simpltabs\\_pi1\[tab\]=590#tabs](http://e-prostor.gov.si/index.php?id=etn&no_cache=1&tx_simpltabs_pi1[tab]=590#tabs)

**Table 2 First-time marrying persons by age and sex**

GEO/TIME	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Males</b>										
Total	6.302,0	6.332,0	6.078,0	5.897,0	5.236,0	5.684,0	5.569,0	5.716,0	5.852,0	5.800,0
From 15 to 19 years	34,0	29,0	36,0	37,0	22,0	39,0	27,0	25,0	45,0	29,0
From 20 to 24 years	974,0	861,0	838,0	690,0	517,0	617,0	482,0	526,0	589,0	545,0
From 25 to 29 years	2.749,0	2.642,0	2.469,0	2.385,0	2.051,0	2.179,0	2.193,0	2.110,0	2.144,0	1.883,0
From 30 to 34 years	1.583,0	1.677,0	1.662,0	1.715,0	1.603,0	1.747,0	1.856,0	1.901,0	1.891,0	1.966,0
From 35 to 39 years	574,0	672,0	640,0	645,0	587,0	653,0	606,0	711,0	719,0	871,0
From 40 to 44 years	177,0	234,0	223,0	220,0	213,0	257,0	226,0	253,0	271,0	288,0
From 45 to 49 years	101,0	110,0	98,0	96,0	90,0	93,0	99,0	94,0	107,0	113,0
From 50 to 54 years	51,0	49,0	56,0	51,0	77,0	54,0	47,0	57,0	43,0	67,0
From 55 to 59 years	25,0	27,0	26,0	27,0	31,0	29,0	23,0	20,0	25,0	23,0
60 years or over	34,0	31,0	30,0	31,0	45,0	16,0	10,0	19,0	18,0	15,0
<b>Females</b>										
Total	6.290,0	6.339,0	6.135,0	5.922,0	5.349,0	5.799,0	5.687,0	5.904,0	5.917,0	5.865,0
From 15 to 19 years	223,0	190,0	193,0	179,0	138,0	184,0	117,0	137,0	148,0	144,0
From 20 to 24 years	1.982,0	1.859,0	1.685,0	1.463,0	1.110,0	1.173,0	1.123,0	1.119,0	1.169,0	1.042,0
From 25 to 29 years	2.734,0	2.721,0	2.669,0	2.656,0	2.495,0	2.664,0	2.634,0	2.654,0	2.608,0	2.458,0
From 30 to 34 years	886,0	1.050,0	1.085,0	1.088,0	1.026,0	1.205,0	1.262,0	1.406,0	1.360,0	1.477,0
From 35 to 39 years	272,0	300,0	292,0	321,0	296,0	352,0	329,0	371,0	416,0	489,0
From 40 to 44 years	93,0	124,0	112,0	100,0	130,0	127,0	129,0	118,0	131,0	141,0
From 45 to 49 years	50,0	46,0	46,0	51,0	69,0	48,0	53,0	59,0	43,0	52,0
From 50 to 54 years	26,0	28,0	33,0	35,0	44,0	24,0	24,0	21,0	23,0	34,0
From 55 to 59 years	13,0	12,0	12,0	19,0	17,0	14,0	10,0	11,0	3,0	13,0
60 years or over	10,0	9,0	8,0	10,0	24,0	8,0	6,0	8,0	16,0	15,0

Source: Eurosta, Demography statistics

## Chapter 5

**Table 1 Number of recipients of Child benefits**

year	recipients
avgust 2012	182.956
julij 2012	183.459
junij 2012	186.496
maj 2012	237.825
april 2012	259.348
marec 2012	285.749
februar 2012	307.304
januar 2012	373.728
december 2011	371.182
november 2011	368.599

oktober 2011	369.186
september 2011	369.468
avgust 2011	370.760
julij 2011	365.930
junij 2011	359.134
maj 2011	369.803
april 2011	370.426
marec 2011	367.976
februar 2011	365.121
januar 2011	362.711
2010	374.466
2009	378.348
2008	376.802
2007	379.108
2006	383.415
2005	379.014
2004	392.538
2003	401.549
2002	408.051
2001	412.495
2000	411.397
1999	405.040
1998	410.864
1997	408.536
1996	342.443
1995	222.634
1994	187.639

Table 2 Taxation in Slovenia

<b>SLOVENIA</b>	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2010	
<b>A. Structure of revenues</b>	% of GDP											Ranking <sup>1)</sup>	€ bn
Indirect taxes	15.7	15.5	15.8	16.0	15.8	15.8	15.2	14.9	14.4	14.4	14.6	8	5.2
VAT	8.6	8.3	8.5	8.5	8.5	8.6	8.5	8.5	8.5	8.5	8.5	7	3.0
Excise duties and consumption taxes	3.0	3.4	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	4.1	3	1.5
Other taxes on products (incl. import duties)	1.8	1.3	1.3	1.3	1.1	0.9	0.9	1.1	1.0	0.8	0.8	17	0.3
Other taxes on production	2.3	2.5	2.5	2.8	2.8	2.9	2.5	2.1	1.6	1.0	1.0	15	0.4
Direct taxes	7.4	7.6	7.8	8.0	8.2	8.7	9.1	9.2	8.9	8.3	8.3	18	2.9
Personal income	5.6	5.7	5.7	5.7	5.7	5.5	5.7	5.5	5.8	5.8	5.7	17	2.0
Corporate income	1.2	1.3	1.6	1.7	1.9	2.8	3.0	3.2	2.5	1.8	1.9	21	0.7
Other	0.6	0.6	0.6	0.5	0.6	0.4	0.4	0.4	0.6	0.6	0.7	14	0.2
Social contributions	14.2	14.4	14.2	14.2	14.2	14.2	14.0	13.7	14.0	15.0	15.2	4	5.4
Employers'	5.5	5.4	5.4	5.4	5.4	5.6	5.5	5.4	5.5	5.8	5.8	16	2.1
Employees'	7.8	7.7	7.6	7.5	7.4	7.5	7.3	7.2	7.4	7.8	7.9	1	2.8
Self- and non-employed	1.0	1.3	1.3	1.3	1.4	1.2	1.2	1.1	1.1	1.4	1.5	10	0.5
Less: amounts assessed but unlikely to be collected	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	0.2		
<b>TOTAL</b>	<b>37.3</b>	<b>37.5</b>	<b>37.8</b>	<b>38.0</b>	<b>38.1</b>	<b>38.6</b>	<b>38.3</b>	<b>37.7</b>	<b>37.2</b>	<b>37.6</b>	<b>38.0</b>	<b>10</b>	<b>13.4</b>
Cyclically adjusted total tax to GDP ratio	37.2	37.9	38.2	38.7	38.5	38.7	37.2	34.8	33.7	38.3	38.6		
<b>B. Structure by level of government</b>	% of total taxation												
Central government	55.1	54.6	55.4	55.6	55.3	55.7	55.5	54.2	53.1	50.3	49.1	20	6.6
State government <sup>2)</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local government	7.3	7.4	7.4	7.6	7.6	7.4	7.7	9.1	8.9	10.0	10.8	11	1.5
Social security funds	37.7	38.1	37.2	36.8	36.8	36.5	36.3	36.0	37.3	39.4	39.7	5	5.3
EU institutions	n.a.	n.a.	n.a.	n.a.	0.4	0.7	0.8	1.1	1.0	0.7	0.8	13	0.1
<b>C. Structure by type of tax base</b>	% of GDP												
Consumption	13.8	13.4	13.7	13.7	13.5	13.4	13.2	13.2	13.4	14.1	14.2	4	5.0
Labour	20.2	20.8	20.6	20.6	20.6	20.4	20.0	18.9	19.1	19.5	19.7	10	7.0
Employed	19.9	20.0	19.8	19.8	19.8	19.8	19.4	18.3	18.5	18.7	18.8	10	6.7
Paid by employers	6.9	7.1	7.0	7.1	7.1	7.3	6.9	6.5	6.1	5.8	5.8	16	2.1
Paid by employees	12.9	13.0	12.8	12.7	12.7	12.5	12.5	11.8	12.4	12.9	12.9	4	4.6
Non-employed	0.4	0.7	0.7	0.8	0.8	0.7	0.7	0.6	0.6	0.8	0.9	14	0.3
Capital	3.3	3.4	3.6	3.7	4.1	4.9	5.2	5.7	4.9	4.2	4.2	23	1.5
Capital and business income	2.4	2.5	2.8	2.9	3.2	3.9	4.3	4.8	4.0	3.2	3.3	22	1.2
Income of corporations	1.2	1.3	1.6	1.7	1.9	2.8	3.0	3.2	2.5	1.8	1.9	21	0.7
Income of households	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.5	0.5	0.4	0.3	18	0.1
Income of self-employed (incl. SSC)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	15	0.4
Stocks of capital / wealth	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	22	0.3
<b>D. Environmental taxes</b>	% of GDP												
Environmental taxes	2.9	3.2	3.3	3.3	3.3	3.2	3.0	3.0	3.0	3.6	3.6	3	1.3
Energy	2.4	2.7	2.7	2.6	2.6	2.5	2.3	2.3	2.4	3.0	3.1	1	1.1
Of which transport fuel taxes	2.1	2.4	2.4	2.2	2.2	2.1	2.1	2.1	2.2	2.7	2.7	1	
Transport (excl. fuel)	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	15	0.1
Pollution/resources	0.1	0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	6	0.1
<b>E. Implicit tax rates</b>	%												
Consumption	23.3	22.9	23.7	23.8	23.7	23.5	23.7	24.0	23.9	24.0	24.1	8	
Labour employed	37.6	37.5	37.7	37.8	37.6	37.6	37.3	35.9	35.9	35.1	35.0	12	
Capital	17.2	18.0	18.0	17.6	19.3	23.1	23.0	24.8	22.9	21.3	22.5		
Capital and business income	12.7	13.1	13.8	13.8	15.1	18.8	18.9	20.8	18.9	16.6	17.5		
Corporations	20.7	22.9	25.3	21.3	23.1	33.7	30.3	30.6	28.6	23.5	25.1		
Households	9.2	8.9	8.5	9.0	9.6	8.9	9.8	11.9	11.4	11.3	11.8		
Real GDP growth (annual rate)	4.3	2.9	3.8	2.9	4.4	4.0	5.8	6.9	3.6	-8.0	1.4		

See Annex B for explanatory notes. For classification of taxes please visit: <http://ec.europa.eu/taxtrends>

1) The ranking is calculated in descending order. A "\*" indicates this is the highest value in the EU-27. No ranking is given if more than 10 % of data points are missing.

2) This level refers to the Länder in AT and DE, the *gewesten en gemeenschappen* / *regions of communautés* in BE and *comunidades autónomas* in ES.

n.a. not applicable, : not available

Date of extraction: 13/01/2012

Source: Commission Services and Eurostat (online data code gov\_a\_tax\_ag)

Source: Eurostat 2012 - Taxation trends in the European Union, p 148