

**10th ANNUAL REPORT OF THE REPUBLIC OF SLOVENIA
ON THE APPLICATION
OF THE EUROPEAN CODE OF SOCIAL SECURITY**

**GENERAL REPORT
REFERENCE PERIOD: 1 July 2014 to 30 June 2015**

I. GENERAL

A. ADMINISTRATION / ORGANISATION

- **Administrative practices**
- **Organisation, e.g. decentralisation**
- **Rationalisation**
- **Payment methods**
- **Computerisation**
- **Training of security personnel**
- **Information and other service to beneficiaries**

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

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B. BENEFITS

- **Personal and material scope**
- **Compensation for price increases (as compared to actual price increases)**

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

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II. MEDICAL CARE

a) Changes made during the reference period

With regard to health insurance, student work – and, consequently, payment of contributions – was subject to change in the period between 1 July 2014 and 30 June 2015.

Before this field was properly regulated by the Health Care and Health Insurance Act (Official Gazette of the Republic of Slovenia, no. 72/06 – official consolidated text, 114/06, ZUTPG, 91/07, 76/08, 62/10 – ZUPJS, 87/11, 40/12 – ZUJF, 21/13 – ZUTD-A, 91/13, 99/13 – ZUPJS-C, 99/13 – ZSVarPre-C, 111/13 – ZMEPIZ-1 and 95/14 – ZUJF-C; hereinafter: ZZVZZ), student employment services were regulated by the amendment to the Fiscal Balance Act, published in the Official Gazette of the Republic of Slovenia on 21 December 2014 (the amendment was prepared by the Ministry of Labour, Family, Social Affairs and Equal Opportunities), pursuant to which they were, among other things, liable to make a contribution for insurance for employment injury and occupational disease for insured persons under Article 17(6) of the ZZVZZ ('insured persons' are: secondary school pupils or university and college students performing work through authorised organisations). Accordingly, a contribution at the rate of 0.53 per cent and further on at the rate of 6.36 per cent is paid for every income derived from "student work" for the purpose of employment injury and occupational disease insurance. Student employment services are liable for payment of both contributions.

No other changes in the field of insurance were made at the level of law.

b) Changes decided on, planned or proposed for the following year

At this point, the forecast cannot be given (depending on the future plans of the new government).

c) Research (including evaluations), completed or initiated

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III. SICKNESS BENEFIT

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

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IV. UNEMPLOYMENT BENEFIT

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

/

c) Research (including evaluations), completed or initiated

/

V. OLD AGE BENEFITS

a) Changes made during the reference period

The Prevention of Undeclared Work and Employment Act (Official Gazette of the Republic of Slovenia, no. 32/14, hereinafter: ZPDZC-1).

At the end of 2014, the new Prevention of Undeclared Work and Employment Act was adopted by the Parliament of the Republic of Slovenia. The act came into force on 18 August 2014, except for the provisions related to new regulation of personal supplementary work, which have been in force since 1 January 2015. In December 2014, the Act Amending the Fiscal Balance Act – ZUJF-C (Official Gazette of the Republic of Slovenia, no. 95/14), was adopted by the Parliament of the Republic of Slovenia; as of 1 February 2015, the Act more fully integrates the occasional and temporary work of pupils and students into the system of social insurance and sets the minimal hourly rate.

PERSONAL SUPPLEMENTARY WORK

When an individual personally carries out supportive tasks in a household and similar work, as well as other minor work, under the condition that special regulations do not stipulate otherwise and that such work is defined in an implementing regulation, this shall be deemed personal supplementary work.

The novelties that will apply for personal supplementary work as of 1 January 2015, include valuables. The price of the valuable is set as the flat-rate amount of EUR 9 (contribution of EUR 7 for pension and disability insurance, contribution of EUR 2 for health insurance and employment injury and occupational disease insurance).

The person placing the order will need to purchase only one valuable for every person performing work, regardless of the payment amount, regardless of the number of hours of work performed and regardless of the number of services carried out for the same person. In cases of work performed for predominantly unknown clients (e.g. making products, picking herbs, etc.), the valuable for the individual calendar month during which the work is performed will need to be purchased by a person performing personal supplementary work.

STUDENT WORK

Pupils and students may, during their education and under legally defined conditions, perform temporary and occasional work ('student work') for employers. The purpose of temporary and occasional work for pupils and students is to enable pupils and students to obtain work experience and make additional income during their education, while enabling employers to select potential future employees and providing them with flexible workforce for covering extraordinary workforce needs. 'Student work' is legally taken on through a properly completed referral issued by an intermediary with a concession for brokerage of temporary and occasional work by pupils and students.

Pursuant to the provisions of the ZUJF-C, temporary and occasional work by pupils and students is now covered by pension and disability insurance, health insurance and employment injury and occupational disease insurance. A concession fee and an additional concession fee is also paid for this kind of work. Thus, of the amount stated on the referral, the pupils' or students' contributions for pension and disability insurance is paid in the amount of 15.5%, while employers pay the 8.85% contribution for pension and disability insurance, the 6.36% contribution for health insurance, the 0.53% contribution for employment injury and occupational disease, the 16.0% concession fee and the additional 2.0% concession fee, all based on the amount stated on the referral. The contributions and fees are calculated and deducted by the intermediary of temporary and occasional work by pupils and students. According to the ZUJF-C, the minimum gross hourly rate for temporary and occasional work by pupils and students is set at EUR 4.5.

b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

/

d) Rates of payment during the reference period (Art. 65, p. 10)

Article 65 of the Implementation of the Republic of Slovenia Budget for 2014 and 2015 Act (ZIPRS1415) (which entered into force in December 2014) has imposed that the indexation of pensions and other benefits is temporarily suspended until 31 December 2015.

VI. WORK ACCIDENT AND OCCUPATIONAL DISEASE BENEFIT

a) Changes made during the reference period

See Old Age Benefits.

b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

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d) Rates of payment during the reference period (Art. 65, p. 10)

See Old Age Benefits.

VII. FAMILY BENEFITS

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

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VIII. MATERNITY BENEFIT

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

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X. SURVIVORS' BENEFITS

a) Changes made during the reference period

See Old Age Benefits.

b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluations), completed or initiated

/

d) Rates of payment during the reference period (Art. 65, p. 10)

See Old Age Benefits.

XI. FINANCING

a) Changes made during the reference period

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b) Changes decided on, planned or proposed for the following year

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c) Research (including evaluation), completed or initiated

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XII. ANSWERS TO THE CONCLUSIONS OF THE EXPERTS ON THE APPLICATION OF CONVENTIONS AND RECOMMENDATIONS OF THE INTERNATIONAL LABOUR ORGANIZATION CONCERNING THE APPLICATION OF THE EUROPEAN CODE OF SOCIAL SECURITY BY SLOVENIA

Part IV: UNEMPLOYMENT BENEFIT, Article 24(1), in conjunction with Article 68

The Committee decides to invite the Government of Slovenia to duly inform the social partners of the findings in CM/ResCSS(2014)16 on this issue and to include their position, as well as the information received from the Employment Service of Slovenia (ESS).

EXPLANATION CONCERNING THE SEVENTH INDENT

With regard to the seventh indent of the contested provision, which allows the unemployment benefit to be denied when an employment relationship is terminated on the basis of dismissal by the employer on grounds which the Act governing employment relationships explicitly determines to be unfounded grounds for dismissal but the worker fails to claim an arbitration award or judicial protection to protect his or her rights, we find that to date there has been no case of an unemployment benefit being denied on this legal basis.

The provision refers to cases of unjustified grounds for dismissal under Article 90 of the Employment Relationship Act (Official Gazette of the Republic of Slovenia (Uradni list RS), nos. 21/13 in 78/13 – popr.; hereinafter referred to as the ZDR-1) that in the document terminating the employment contract issued by the employer (which the Employment Service of Slovenia considers when deciding on eligibility for the unemployment benefit) are "masked" by other (lawful) grounds for dismissal and are not provided in the form prescribed in Article 90 of the ZDR-1. If the employment relationship is terminated due to union membership, sick leave or other unjustified grounds under Article 90 of the ZDR-1, the worker can more easily decide to file an action against the employer.

Considering the absolute nature of the legal consequences of denial of the unemployment benefit in such cases, in verifying the conditions of eligibility for the unemployment benefit, as soon as the Employment Service of Slovenia establishes that the actual situation in its essential elements corresponds to the above-mentioned grounds, it is obliged to find that the conditions for granting the benefit are not fulfilled without questioning the justifiability and regularity of the employer's actions that have led to the termination of the contract. The decision on the justifiability and regularity of the employer's actions in such cases falls within the competence of the courts.

For these reasons, in the practice of the Employment Service of Slovenia there have been no cases of denying the unemployment benefit on the grounds referred to in the seventh indent of the second paragraph of Article 63 of the Labour Market Regulation Act (Official Gazette of the Republic of Slovenia (Uradni list RS), nos. 80/10, 40/12 – ZUJF, 21/13, 63/13, 100/13 in 32/14 – ZPDZC-1; hereinafter: the ZUTD), despite this provision having been in force since 1998. Considering the above, this provision could be deleted in the next amendment to the ZUTD (coordinated with all social partners).

EXPLANATION CONCERNING THE EIGHTH INDENT

With regard to the eighth indent (which allows the unemployment benefit to be denied when the employer terminates employment by ordinary termination contrary to the provisions of the act regulating employment relationships that provide special protection against dismissal to certain workers, i.e. older workers, workers' representatives, parents, disabled persons and workers on sick

leave, but the worker fails to claim an arbitration award or judicial protection to protect his or her rights), it should be clarified that the provision follows the general rule stipulated in the first paragraph of Article 63 of the ZUTD, according to which an unemployment benefit cannot be claimed by an insured person who became unemployed due to his or her own fault or wishes.

From the perspective of recognising rights to the unemployment benefit, older workers are particularly important within the abovementioned group of workers enjoying special protection against termination. The Slovenian labour market has some specifics, one of them being a very low level of inclusion of older workers in the labour market, i.e. persons close to retirement (the lowest employment rate of older workers in the EU). The main reasons for the low employment rate of older workers in Slovenia are the mass early retirements in the early 1990s, the current lower average age at retirement in comparison with other countries, and structural unemployment, which greatly affects older people who are also less included in lifelong learning. Another reason for the continued passivity of the older generation of workers is that the difference between the unemployment benefit and minimum wage is too small, which discourages workers from extending labour participation until they are eligible for an old-age pension, particularly in labour intensive industries with low added value per worker.

Considering that the ZUTD allows the older unemployed to receive the unemployment benefit longer (up to 25 months) and to be entitled to the payment of contributions for pension and disability insurance for two years following the expiry of this period, the abolition of the ZUTD provision in question would be very discouraging in view of the employment activity of the older population and would undoubtedly cause the number of employed older workers to further decline and an increase in their unemployment rate (Statistics show that in the year 2012, year before pension reform entered into force, 25.262 persons retired, in the year 2013 15.512 and in the year 2014 14.208). In this case, older workers could acquire (in agreement with their employers) the right to the unemployment benefit (which would not be substantially lower than the wage they would be receiving if they continued working) and possibly also further rights to the payment of contributions for pension and disability insurance until retirement, even if the employer terminated the employment contrary to the statutory protection of older workers against termination of employment, i.e. unlawfully.

We would like to emphasise that Slovenia has received several recommendations (European Commission, OECD) to increase the labour participation rate of older workers.

Taking into account the specifics described above, the abolition of this systemic arrangement would undoubtedly have the opposite effect than desired, resulting in an increase in the number of registered older unemployed workers.

ADDITIONAL REASON FOR CONDITIONING THE RIGHT TO THE UNEMPLOYMENT BENEFIT

The arrangement provided in the eight and (also) eleventh indent of the second paragraph of Article 63 of the ZUTD (i.e. denial of the unemployment benefit in the event of failure to pursue legal remedies against the employer or to exercise the right to return to one's former position) may also be justified by the systemic regulation of unemployment insurance in Slovenia, whose basic aim is to provide security to insured persons in the event of unemployment through no fault of their own or against their will by guaranteeing unemployment benefits according to the principles of reciprocity and solidarity.

The unemployment insurance does not function according to the usual insurance principles with a system of contributions and payments and also does not have its own fund (not as pension and disability insurance and health insurance systems), so in this respect the rights under unemployment insurance have almost entirely the character of a social transfer. The unemployment insurance

contribution, which is paid from wages as contributions from the employer and the employee, is very small (on the basis of an employment relationship, the employee's contribution amounts to 0.14% of the base and the employer's contribution amounts to 0.06% of the base) and only about 8% of the funds required for the payment of benefits is collected through the contributions of insured persons and employers. The majority of funds required is provided from the state budget.

Considering the above, the state has a legitimate right and even obligation (towards the taxpayers) to set up a financially sustainable system of rules and restrictions for exercising the rights under unemployment insurance (including the right to the unemployment benefit), taking into account the capacity for financing the rights and complying with all the rules, commitments and recommendations arising from Slovenia's membership in the EU and international organisations in the field of labour, employment and social security.

For the same reason, the ZUTD does not allow any person not specifically referred to in its Article 57 to be included in voluntary unemployment insurance; only a certain group of insured persons may be included, i.e. the persons for whom the legislature assesses that due to their special status they have to be granted an opportunity to exercise the right under unemployment insurance despite not belonging to the category of compulsory insured persons. In other words, if all interested persons were allowed to enter voluntary unemployment insurance, this would mean that under the current system they would be eligible for the unemployment benefit for 3 months after paying the minimum contribution for only 9 months without having to work during this period (a person would be required to pay only a few euros to receive several hundred euros of unemployment benefit).

We would like to add that the Labour Market Regulation Act was fully coordinated with all social partners, which cooperated and approved the content of the highlighted provisions of the seventh, eighth and eleventh indents of the second paragraph of Article 63, during the procedure for the adoption of the basic Act and during the adoption of its amendments in 2013 when Article 63 was also amended (the contested provisions remained unchanged).

Part VI: EMPLOYMENT INJURY BENEFIT, Article 36(2), in conjunction with Article 68

The Committee invited the Government of Slovenia to specify how its national law and practice ensure protection in case of employment injury resulting in permanent partial loss of earning capacity or corresponding loss of faculty guaranteed by Part VI of the Code.

LEGAL REGULATION

The Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, no. 96/12 with amendments, hereinafter: ZPIZ-2) defines the compulsory pension and disability insurance system, which is based on intergenerational solidarity and covers compulsory and voluntary inclusion into insurance as well as rights and obligations for old-age, disability and death, which are defined on the basis of work, contributions and the principles of mutuality and solidarity. Within disability insurance, the above-stated system defines the rights to which insured persons are entitled in case they become unable to perform full-time work. This includes the right to a reduced working time shorter than full working hours, but not shorter than 4 hours per day or 20 hours per week. This right is bestowed on an insured person by an employer if the insured person is in an employment relationship in the Republic of Slovenia. In case the insured person is entitled to this right, he or she may also be entitled to the right to a partial benefit, which shall be calculated – as a percentage in accordance with the reduction of full working hours – from the disability pension to which the insured person would be entitled on the day of the occurrence of disability, in the amount depending on how many hours the insured person is able to work. In this case, the insured person is entitled to salary for the time he or she still performs work, which is provided by the employer, and to a partial benefit in the relevant (appropriate) amount, which is provided, assessed and adjusted by the Pension and Disability Insurance Institute of the Republic of Slovenia.

An insured person who actually starts working reduced hours shorter than full working hours is the only one entitled to the right of reduced working hours, as long as he or she performs work in the amount of hours that correspond to his or her working abilities. The commencement of work is considered to be the day agreed to in the contract of employment specifying working time shorter than full working hours, at the workplace that corresponds to the worker's remaining working ability, or the day of signing the employment contract if the day of commencement of work is not specified in the employment contract.

In case of unemployed persons with occupational disabilities, however, the insured person who was not covered by compulsory insurance at the occurrence of disability or the insured person who lost his job or terminated his employment relationship or compulsory insurance through his own fault at the time of or after the occurrence of disability, shall become entitled to partial benefit under this Act if he/she registers with the Employment Service of the Republic of Slovenia within 30 days after the decision on his/her entitlement has become final or after termination of his/her employment or insurance.

Disability rights depend on the determined category of disability and the labour-law status of the disabled person. Thus, as regards partial benefit, it is stipulated that the amount of the benefit depends on the labour-law status of the disabled person. Namely, the amount of the benefit increases if the labour-law status of the insured person deteriorates regardless of his own will or fault. The partial benefit is increased by 30% for cases in which he/she is no longer capable of working at his/her workplace and is reassigned to another workplace or for cases in which, after the completed occupational rehabilitation, he/she is reassigned to another workplace, and by 40% for cases in which the insured person has lost his employment on the basis of positive opinion of the commission for establishing grounds for termination of employment contract, or independently of his own will or fault. The increased amount of partial benefit assessed on the grounds of being reassigned to another

workplace shall be paid from the day of the commencement of work agreed in the employment contract or on the day of signing the employment contract if the commencement of work is not specified in the contract. The increased amount of partial compensation assessed on the grounds of the loss of employment based on the positive opinion of the commission for establishing grounds for termination of employment contract shall be paid from the first consecutive day after the cessation of rights deriving from unemployment insurance, pursuant to regulations that regulate the labour market.

On one hand, increased partial benefit is provided for the loss of employment or for being reassigned to another workplace, since in this way, social security is provided to insured persons whose socioeconomic status deteriorated due to reasons outside their sphere of influence; on the other hand, reduced partial benefit is provided to insured persons who lose their employment by their own will or through their own fault. Partial benefit is reduced by 30% if the insured person terminates his/her employment relationship by his/her own will or through his/her own fault. Such insured persons are also not entitled to unemployment benefit – consequently, reduced partial disability benefit is payable from the first consecutive day after the termination of their employment relationship or insurance, until the time when they re-enter compulsory insurance. From the above, it follows that such a reduction is temporary, until the consequences of termination of employment by one's own will or through one's own fault are in effect. When an insured person obtains new employment, partial benefit is again payable in the amount corresponding to his/her working ability.

THE REASON FOR THE INTRODUCTION OF THE INSTITUTE

Disabled workers removed from unemployment records.

| | employment | other reasons for removal | Total |
|------|------------|------------------------------|-------|
| 2005 | 495 | 2,457 | 2,952 |
| 2006 | 825 | 2,327 | 3,152 |
| 2007 | 814 | 1,881 | 2,695 |
| 2008 | 925 | 2,053 | 2,978 |
| 2009 | 872 | 2,739 | 3,611 |
| 2010 | 883 | 2,591 | 3,474 |
| 2011 | 1,190 | 2,127 | 3,317 |
| 2012 | 1,612 | 2,432 | 4,044 |
| 2013 | 1,776 | 2,606 | 4,382 |
| 2014 | 1,844 | 2,822 | 4,666 |

The institute was introduced as the part of socio-economic policy of the country that has been striving to maximise the employment rate in order to maximise social inclusion of its population. The principle of 'rewarding' people's working activity is not only established in this system, but also in systems of social security and other insurance systems that, on one hand, do not allow entitlement to rights by individuals who themselves contributed to the occurrence of the insurance case, while on the other, they provide certain benefits to those who are addressing their social problems by active engagement.

EXPLANATION

From the presented legal regulation, it follows that an insured person who is entitled to reduced working hours may be entitled to partial benefit, provided that he/she works at least 4 hours a day or 20 hours a week. Employed persons who start performing their work in accordance with their

remaining working ability are also entitled, as are unemployed persons who register with the Employment Service of the Republic of Slovenia and perform their tasks as unemployed persons. The amount of benefit generally depends on how long the insured person remains employed or his/her remaining working ability, which must be at least 4 hours a day or 20 hours a week, and is calculated as the percentage of disability pension the person would be entitled to on the day of the occurrence of disability. Thus, the amount of partial benefit is set as follows:

- 50% in cases in which insured persons work reduced 4-hour days or 20-hour weeks;
- 37.5% in cases in which insured persons work reduced 5-hour days or 25-hour weeks;
- 25% in cases in which insured persons work reduced 6-hour days or 30-hour weeks;
- 12.5% in cases in which insured persons work reduced 7-hour days or 35-hour weeks;

The amount of partial benefit is increased by 30% in cases in which insured persons are no longer able to perform work at their workplace and are reassigned to another workplace, or by the same percentage in cases in which, after the completed occupational rehabilitation, they are reassigned to another workplace.

Thus, the insured persons receive a salary corresponding to reduced working hours, which is paid by the employer as well as a partial benefit that is paid by the Pension and Disability Insurance Institute of the Republic of Slovenia.

In case an insured person lost their employment on the basis of positive opinion of the commission for establishing grounds for termination of employment contract, or independently of their own will or fault, partial benefit is increased by 40%. During the time of receiving the unemployment cash benefit, the Employment Service of the Republic of Slovenia pays the insured person the unemployment cash benefit if the conditions for his/her entitlement to this right have been fulfilled; the cash benefit is assessed on the basis as stipulated in Article 61, paragraph 3 of the Labour Market Regulation Act and is calculated in such a way that the salary he/she used to receive for working reduced hours pursuant to pension and disability insurance regulations is converted to full working hours. After the insured person no longer receives cash benefit, he/she is entitled to increased partial benefit, which is, upon the condition of being included in the system of unemployment and engaging in required activities, paid by the Pension and Disability Insurance Institute of the Republic of Slovenia. The Institute also pays the basic amount of partial benefit to the insured persons who are not covered by compulsory pension and disability insurance at the occurrence of disability, but registered in the record of unemployed persons within 30 days after the decision on their entitlement to the right deriving from disability insurance has become final.

The Pension and Disability Insurance Institute of the Republic of Slovenia also pays partial benefit in cases in which employment was terminated by the insured persons themselves or through their own fault if they register in the record of unemployed persons after the termination of the employment relationship. In this case, the insured persons are only entitled to reduced partial benefit (30% of the basic amount) from the first consecutive day after the termination of their employment contract or insurance until the time when they re-enter compulsory insurance.

From the above overview, it follows that the reduced amount of partial benefit is not so much related to the labour-law status of insured persons but to the termination of their employment relationship either by their own will or through their own fault; therefore, partial benefit is reduced in cases in which insured persons themselves contributed to the deterioration of their socioeconomic status. This finding derives from the fact that unemployed disabled workers who, at the time of the occurrence of disability, were not covered by compulsory pension and disability insurance, are entitled to the basic amount of partial benefit, e.g. to its non-reduced amount.

The reduction of partial benefit in cases of contributing to the termination of the employment contract was introduced in order to retain an insured persons' interest in remaining employed. Namely, it is evident from the entire system of social insurance as well as social security in Slovenia that individuals who themselves contributed to the occurrence of their distress are not entitled to benefits or are only entitled to limited benefits. This is also reasonable due to the concept of pension and disability insurance in Slovenia, which is based on intergenerational solidarity and solidarity in general and thereby, in certain cases, enables individuals to be entitled to more rights than would be appropriate,

which is based on the payment of contributions. According to the above findings, it is reasonable and equitable that individuals who are entitled to insurance rights that are not entirely covered by their paid contributions (this particularly applies to disability insurance rights, which are insufficiently covered by an insured person's contributions in most cases), should not have contributed to the deterioration of their situation themselves or through their own fault, since they could otherwise, upon fulfilling certain conditions, be entitled to benefits from other systems, particularly the social security system, which is financed by the state from taxes largely paid by the working population. Taking into consideration the general culture and state of mind, according to which it is better not to work and to receive disability or any other benefit, the above discussed regulation is necessary and above-all stimulative, while it also strongly influences the individuals' deciding in favour of continuation of work, which was ultimately the case after the introduction of the new disability benefit system under the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, no. 109/06 with amendments; ZPIZ-1); namely, there was a drastic increase in the employment rate of disabled persons or a high increase in the percentage of disabled persons who became employed and applied to be removed from the register of unemployed persons due to the reduction of these benefits. Taking into consideration the general disability policy, which aims toward the highest possible inclusion and employment of disabled persons, and taking into account the way individuals think, such regulation is reasonable and actually contributes to higher employment of the disabled, and is therefore also efficient.

In view of general tightening of conditions for obtaining pension and disability insurance rights and in view of striving to make our pension fund as sustainable as possible, the system is also in accordance with aspirations to establish a system that will provide social security to insured persons who currently contribute resources for the payment of these benefits and will only be able to exercise their rights in a few years' or decades' time. The purpose of solidarity is that individuals who retain some working ability and have jobs don't contribute to the deterioration of their own socioeconomic status. Therefore, the discussed regulation of the reduction is to a minor extent a consequence of the labour-law status of insured persons, while it is to a major extent a consequence of the termination of their employment relationship themselves or through their own fault, by which they contributed to the deterioration of their socioeconomic status, which, at the systemic level, is covered by social insurance and social security systems in Slovenia in various ways. Wishing to enable maximum social inclusion of disabled workers and to increase their employment to the maximum extent possible, and taking into consideration the experience from which it was established that reduction of benefits in Slovenia positively affects job retention, we believe that for the long-term benefit of social insurance and social security systems, it is necessary to preserve a system in which individuals are entitled to reduced rights in cases in which they themselves contributed to the loss of employment and thus to the deterioration of their socioeconomic status.

SOCIAL SECURITY AND REDUCTION OF POVERTY

- a. to conduct in its next report a thorough review of the situation explaining the respective roles of the social insurance system and the social assistance and other social transfers in alleviating poverty, complementarities of these means of action and their performance measured not only by the relative at-risk-of-poverty indicators but also by indicators of subsistence level in absolute numbers. In doing so, the Government may wish to refer to the infographs in the above-mentioned "Technical Note", which has been transmitted to the Government, and update the statistical and legal information on which they are based;
- b. taking into account the observation that the above-mentioned trend, if continued long enough, may substantially undermine the capacity of the social security system as designed by the Code to prevent poverty, to explain in its next report the direction its social policy is taking in that respect;
- c. in the light of the above-mentioned provisions, to demonstrate in its next report that the new means-testing rules are designed in such a way that the rate of social assistance benefits and whatever other means are left to the beneficiary and his family to live on after deduction of the substantial amounts mentioned in point (b) of Article 67, which are disregarded for the purpose of means testing, shall not fall below the current at-risk-of-poverty threshold in Slovenia and shall represent the amount equal at least to 40 per cent of the reference wage of an ordinary adult male labourer calculated in accordance with the requirement of Article 66 of the Code (for example €989 in 2010).

GENERAL FORECAST OF ECONOMIC TRENDS (IMAD, APRIL 2015)

In 2014, Slovenia recorded the highest economic growth rate since the beginning of the crisis (2.6%), which was stimulated by the improvement in the international environment, stabilisation of financial markets in the euro area and economic policy measures adopted in the last few years. Exports increased significantly due to higher competitiveness, coupled with stronger foreign demand. Investment also rose markedly; public investment in infrastructure was up due to the accelerated absorption of EU funds, while amid higher activity and more stable lending conditions, positive trends were also observed in private investment. This is primarily related to higher capacity utilisation and less limited access to sources of financing. Improved conditions on the labour market and concurrent increases in salaries and other household incomes led to modest growth in private consumption. Government consumption decreased for the fourth consecutive year, due to ongoing fiscal consolidation.

The GDP will increase by 2.4% in 2015 (Spring forecast 2015, IMAD), again mainly owing to strong growth in exports and investment activity. Export growth will remain relatively high due to faster recovery in most of Slovenia's main trading partners, as well as further improvements in competitiveness. In view of the expected further increase in investment and private consumption, domestic consumption will make a larger contribution to economic growth than has been the case in recent years. Public investment related to the absorption of EU funds will again increase this year; private investment in machinery and equipment will also expand thanks to favourable export developments and less limited sources of funding. With further improvement of conditions on the labour market, household disposable income will rise, which will be reflected in stronger growth in private consumption. With fiscal restrictions still in effect, the decline in government consumption will be similar to that in 2014. In 2016 and 2017, economic growth will hover around 2%, as growth in investment financed by EU funds is expected to slow during the transition to a new financial perspective.

Table 1: Forecast of economic growth

| Real growth rates, in % | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|
| Gross domestic product | 2.6 | 2.4 | 2.0 | 2.1 |
| Exports | 6.3 | 5.6 | 6.2 | 5.0 |
| Imports | 4.1 | 5.2 | 4.7 | 5.2 |
| <i>External balance of goods and services (contribution to growth in percentage points)</i> | 1.9 | 0.7 | 1.6 | 0.4 |
| Private consumption | 0.3 | 1.1 | 1.6 | 1.8 |
| Government consumption | -0.5 | -0.4 | -0.4 | -0.2 |
| Gross fixed capital formation | 4.8 | 4.8 | -2.0 | 4.0 |
| <i>Change in inventories and valuables (contribution to growth in percentage points)</i> | -0.2 | 0.2 | 0.1 | 0.0 |

Source: Statistical Office of the Republic of Slovenia; 2015–2017: Spring forecast of economic trends 2015, IMAD (March 2015).

Labour market conditions improved in 2014, unemployment rate among youth is above the average. The employment rate increased in 2014 for the first time since 2008 (by 0.7%). While employment was up in most private-sector activities, the strongest growth was recorded by employment activities (60.3%) involved in labour brokering, which indicates that companies remain cautious about employing new staff. During the year, the number of unemployed steadily decreased as more people found work and fewer became unemployed. The unemployment rate according to the Labour Force Survey slightly decreased in 2014 (from 10.1% in 2013 to 9.7%), while it was 5.3 percentage points above the pre-crisis level. Unemployment among youth, who were hit the hardest on the labour market, increased considerably during the crisis, mainly as a result of strong age segmentation of the labour market in Slovenia. The latter remains a problem despite changes relating to labour market regulation. In the period 2008–2013, the youth unemployment rate doubled, reaching 21.6% in 2013. In 2014 it decreased to 19.0%, largely due to increased employment through labour agencies.

Amid higher economic activity, employment will continue to increase in 2015–2017, while unemployment will gradually decline. In 2015, employment will rise further (by 0.8%), but due to uncertainty about the recovery, a large share of people will still be hired through labour agencies. On average, in 2015 the number of registered unemployed people will fall to 114,300, which is approximately 6,000 less than in 2014. The unemployment rate according to the Labour Force Survey will decrease to 9.2%. In the period 2016–2017, the situation on the labour market will continue to gradually improve; in addition to higher economic activity, the market will be increasingly marked by demographic changes. According to demographic projections, the number of working-age people will decrease by approximately 10,000 per year in the next few years, while the number of people over 65 will rise by a similar figure.

Table 2: Forecasts for employment and unemployment

| in % | 2014 | 2015 | 2016 | 2017 |
|---|-------|-------|-------|-------|
| Employment according to SNA, growth | 0.7 | 0.8 | 0.6 | 0.7 |
| Number of registered unemployed, annual average, in | 120.1 | 114.3 | 110.4 | 102.7 |

| | | | | |
|--|------|------|------|------|
| thousands | | | | |
| Registered unemployment rate | 13.1 | 12.5 | 12.0 | 11.2 |
| Unemployment rate according to the ILO Labour Force Survey | 9.7 | 9.2 | 8.6 | 7.9 |

Source: Statistical Office of the Republic of Slovenia; 2015–2017: Spring forecast of economic trends 2015, IMAD (March 2015).

After the slowdown in growth at the onset of the crisis and two years of nominal stagnation, average gross salary per employee increased by 1.1% in 2014; In the private-sector, the modest growth of salaries from the previous two years slightly accelerated (from approximately 0.5% to 1.4%) along with the increased volume of extraordinary and overtime payments, but did not exceed the growth of productivity. An increase in average salaries was recorded particularly in industry, which points to the existence of a stronger base and the capacity of businesses for further growth. After the decline in the previous two years, the average salary in the public sector also slightly increased (0.9%). This was largely a consequence of the beginning of the payment of withheld promotion raises and the termination of the effect of austerity measures from mid-2013.

In 2015, gross salaries will increase by 1.1%; over the entire forecasting period, their growth will result from rises in both the private and the public sectors. Along with the strengthening of economic activity, which will be comparable to that of last year, the growth in salaries will also remain similar in 2015. Its increase in the private sector will result from growth in the majority of activities, but a larger spill-over of higher productivity into salaries will be prevented by companies' efforts to maintain their competitive position and the still-high unemployment rate. Growth of the average salary in the public sector will also remain similar to that in 2014 due to the extension of the majority of measures for limiting the growth of salaries in the general government sector. In 2016 and 2017, nominal growth in salaries will increase in both the private and the public sectors.

Inflation in 2014 was the lowest since independence (0.2%) due to a decrease in raw material prices and despite the weak recovery of domestic demand. Last year's price movements were significantly influenced by a decline in global commodity prices (oil prices in particular¹). This was reflected particularly in the year-by-year decline in energy prices. Food prices were also slightly lower (unprocessed food in particular). In 2015, the movement of prices will continue to be significantly influenced by the negative contribution of prices of energy and, partly, food. Moreover, the average annual decline will also continue to reflect the adjustment of relative prices, as further reduction in unit labour costs will also ease the upward pressure on prices. As domestic demand will remain weak, prices will decrease by 0.2 % this year. However, in accordance with the recovery of economic activity and rising oil prices, prices are expected to increase gradually in the coming years.

SOCIAL PROTECTION EXPENDITURE

Social systems in all European countries have been facing two big pressures during the last six years. The first is represented by the economic crisis and the demands for public finance restrictions (financial consolidation), while the number of people who are in need of assistance due to the economic crisis is increasing. The other large pressure on social protection systems is represented by demographic changes; pensions and other transfers are being provided to the increasing number of older people, while the workforce (i.e. the employed population that contributes funds for social protection) is declining. In times of financial and economic crises, social protection systems (including

¹ Last year's oil prices in euros were 37% lower than in the previous year.

transfers based on the insurance principle, i.e. on paying contributions, as well as transfers that are entirely dependent on material status of individuals and families) must function as automatic buffers (and alleviate the effects individuals may suffer as a result of crises); it is therefore no surprise that expenditures for social protection systems increased in virtually all the European countries during the last crisis. In recent years, the consequences of the limitation of expenditure have also been felt in certain European countries where social protection funds are not only stagnant but are decreasing despite the fact that people's needs are increasing.

In 2012, Slovenia spent 24.4% of its GDP directly on social protection (transfers to individuals based on statutory risks that may be paid out of insurance or out of social assistance system, which is dependent on material status of individuals or families). Social protection expenditures as a percentage of the GDP increased the most between 2008 and 2009 and also slightly in 2010, while since then they have remained at approximately the same level. A great increase in social protection expenditure as a percentage of the GDP in 2008 and 2009 and partially in 2010 can also be explained by a considerable drop in GDP during this period, while social protection expenditure remained nominally at approximately the same level or increased only slightly (however, it represented a higher percentage of GDP due to its reduction).

The highest share in the structure of social protection expenditure is represented by old-age expenditure (slightly over 40%); its share has been increasing in recent years due to demographic changes or increased retirement (see Table 3.8). The second highest share in the structure of social protection expenditure is represented by the field of sickness, i.e. health care, but it hasn't increased significantly since 2009. Among other fields of social protection, the increase in unemployment expenditure is notable (due to the increase in the number of recipients of unemployment benefit in the observed period), although unemployment expenditure represents only 3% of the total social protection expenditure. Expenditure for financial social assistance is listed under other forms of social exclusion: its share in the structure of social protection expenditure slightly increased in 2009 and 2010, while afterwards, its share in total social protection expenditure remained at the level of (only) 0.6%.

In comparison with other EU countries, social protection expenditure as a percentage of GDP is below the average in Slovenia. In principle, social protection expenditure as a percentage of GDP is higher in countries with more universal social policies or schemes.

Table 3.8: Direct social protection expenditure (by areas or risks) as a percentage of GDP (% GDP) for the period 2008–2012 (EU: 2010 and 2012). Most recent available data: 2012 for Slovenia 2012 and 2011 for EU

| | SLOVENIA | | | | | EU | |
|---------------------------------|----------|------|------|------|------|------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2010 | 2011 |
| TOTAL ²² | 20.9 | 23.7 | 24.4 | 24.6 | 24.4 | 28.1 | 27.8 |
| Sickness/health care | 7.0 | 7.8 | 7.9 | 7.8 | 7.9 | 8.3 | 8.2 |
| Disability | 1.6 | 1.8 | 1.8 | 1.7 | 1.6 | 2.2 | 2.1 |
| Old age | 8.0 | 9.2 | 9.6 | 9.8 | 9.9 | 11.1 | 11.1 |
| Survivors | 1.6 | 1.7 | 1.7 | 1.7 | 1.6 | 1.7 | 1.6 |
| Family/children | 1.8 | 2.1 | 2.2 | 2.2 | 2.1 | 2.3 | 2.2 |
| Unemployment | 0.4 | 0.6 | 0.7 | 0.8 | 0.7 | 1.7 | 1.6 |
| Housing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.6 |
| Other forms of social exclusion | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.4 | 0.4 |

Source: Eurostat - Esspros

As regards financing sources for social protection systems, the share of government contributions had been increasing during the crisis, amounting to 34.6% in 2011, while the rest (65.4% or almost two thirds) was covered by social contributions (IMAD, 2014a: 168). The share of social contributions in Slovenia exceeds the average of EU countries by 8.1 percentage points, largely due to the higher share of social contributions paid by insured persons (employees), while the share of social contributions paid by employers was 10% below the EU average (ibid.). Thereby, the largest source of financing for social protection in Slovenia are contributions by insured persons (employees) – 38.2% in 2011, while contributions by employers in 2011 represented 27.2% and government contributions represented 34.6% (ibid.).

SOCIOECONOMIC STATUS – THE ACHIEVEMENT OF POVERTY REDUCTION TARGETS UNDER THE EU 2020 STRATEGY

Since the beginning of the crisis, Slovenia has been moving away from the poverty reduction target set in the EU 2020 Strategy. However, the at-risk-of-poverty rate (despite the fact that it increased considerably during the crisis) has also been below the EU average since then.

According to the Survey on Income and Living Conditions (SILC), the at-risk-of-poverty rate in Slovenia was 14.5% in 2013. This means that in 2013, 14.5%, or 291,000 people, lived below the poverty line in Slovenia.

The notable increase in 2013 reflects the turbulence of the year 2012 (a reference year for the calculation of household disposable income); namely, social legislation was changed in 2012, which was reflected in improved transfer targeting, and legislation for austerity measures was adopted in the same year, which was reflected in the reduction of salaries the introduction of other austerity measures.

The aim of austerity measures in the field of social security, which had to be adopted by the Government of the Republic of Slovenia during the crisis, was to preserve social security of the most vulnerable population categories and to continue to provide access to social services for all population categories.

Examples:

In June 2012, austerity measures were adopted. They were carefully reconsidered not to affect the most deprived categories of people, which is why most of the austerity measures in the social field were focused on the recipients of transfers with the highest income.

Within family benefits temporary austerity measures affected for most high income earners.

Child allowance recipients – by termination of two highest categories (in the scale of 8 categories), furthermore decreasing the amount of child allowance by 10% for 2 middle ranked categories on the scale (5 in 6 categories in the scale), but not changing the amount of the allowance for the lowest 4 groups on the scale.

Furthermore there has been also a change of **large family allowance**. Before austerity measures there has been universal right for the mentioned allowance. Entitlement was granted for all large families (3 or more children). By adopting austerity measures the threshold for entitlement is set at 64% of the average net salary of each family member.

The same limitation was adopted for **child birth allowance** which was beforehand universal right for each family getting a newborn.

Amendments to the ZUPJS (2014) improve, among other things, the conditions for obtaining extraordinary social assistance benefit in cash by making it available to the beneficiaries of

income support, which will now be eligible to receive extraordinary social assistance benefit in cash also for e.g. roof repairs, heating and utility bills, while up to now only costs related to natural disasters, floods and the like, have been eligible for such aid.

In case of force majeure or natural disasters, fault-based grounds regarding the misuse or the use of pre-assigned extraordinary social assistance benefit in cash outside the statutory period have been abolished, thus introducing the possibility of being granted such a benefit whatever the reason.

Furthermore, it introduced the exclusion of fault-based grounds regarding changing the status from a child to a single person, or a child of one family to a member of a new family, therefore introducing the eligibility for this benefit; persons who in an earlier decision on eligibility for extraordinary social assistance benefit in cash to the family as a whole had the status of a child, and when submitting a new application for extraordinary social assistance benefit in cash are no longer part of the nuclear family (with parents), but they reached the age of majority, not full-time students, and are therefore considered a single person or a member of a new family if they create one, could not be eligible to receive extraordinary social assistance benefit in cash, since fault-based grounds were still present.

A change regarding income when allocating child benefits, grants and reduced nursery fees for persons receiving social assistance benefit in cash (up until now only the income of the previous year has been taken into account, and according to the proposal, only current income, i.e. periodic income received in the month preceding the filing of the application, will be considered). National social report

Another novelty is the more favourable consideration of occasional income, including student work. Now the average monthly income in the three months before filing the application exceeding the minimum income by 0.28, or EUR 74 is considered, while under the new law, only an income exceeding the minimum income by 0.5, or EUR 132, is considered.

Also introduced was discretion when granting social assistance benefit in cash and income support in relation to considering real estate not lived in by the applicant (more discretion is given to social work centres when considering the foregoing estate, provided that it is possible to conclude that a person owning the estate cannot temporarily gain their livelihood due to circumstances beyond their control, e.g. domestic violence, for which proceedings have been initiated or are pending, in accordance with the regulations governing domestic violence, initiated proceedings of alienation or dissolution of the real estate with a view to obtain means of subsistence, which lasts for no more than 24 months. Now, assets over EUR 13,870 are fully taken into consideration, while, according to the proposal, discretion considering the above conditions up to EUR 50,000 would be possible).

More favourable consideration of changes in periodic income has also been introduced. Up until now, only the loss of the entire income was taken into account, while according to the proposal, the periodic income of a person in the past year will not be considered if the person no longer receives it or if one kind of periodic income (e.g. salary) was replaced with another (e.g. unemployment benefits), so that the new periodic income, and not the one no longer received, will be considered.

We are expanding the circle of the beneficiaries of social assistance benefit in cash and income support by increasing the limit of assets that are not taken into account when granting social assistance benefit in cash and/or income support.

The assets not taken into account are savings:

- for a single person: the amount of three minimum monthly incomes (currently EUR 795.66, previously EUR 500)
- for a family: three minimum family incomes, but not exceeding EUR 2,500 (previously 1,500).

For the permanently unemployable, permanently unable to work or unemployed persons aged over 63 (women) or 65 years (men), or for families with such a person, financial assets of a single person up to EUR 2,500 (previously EUR 795.66) or of a family up to EUR 3,500 (previously three minimum family incomes – e.g. EUR 1,193.50 for two adults) are not considered.

According to the new legislation, only the last three months' income (not of the whole year) is taken into account when paying for social assistance benefits in kind and to home care assistants. Up until now, for these two rights only the income of the previous year was taken into account, which did not reflect the current material situation of beneficiaries.

In the recent year, a considerable increase in the number of beneficiaries of financial social assistance has been noticed in Slovenia and is presented in the table below.

Table 3: Monthly number of recipients and beneficiaries of regular financial social assistance – by period and amount of funds

| Per day | Number of recipients ² | Number of beneficiaries ³ | Number of benef. – adults. | Number of benef. – children | Total amount of funds | Average amount |
|--------------|-----------------------------------|--------------------------------------|----------------------------|-----------------------------|-----------------------|----------------|
| 1. Jul. 2014 | 50,327 | 74,034 | 55,913 | 18,121 | 12,558,892.04 | 249.55 |
| 1 Aug. 2014 | 49,700 | 73,249 | 55,227 | 18,022 | 12,678,668.26 | 255.10 |
| 1 Sep. 2014 | 49,300 | 73,151 | 54,914 | 18,237 | 12,817,485.24 | 259.99 |
| 1 Oct. 2014 | 49,591 | 73,828 | 55,354 | 18,474 | 12,961,156.15 | 261.36 |
| 1 Nov. 2014 | 51,480 | 76,286 | 57,454 | 18,832 | 13,402,022.59 | 260.33 |
| 1 Dec. 2014 | 52,302 | 77,728 | 58,449 | 19,279 | 13,625,827.54 | 260.52 |
| 1 Jan. 2015 | 52,697 | 78,632 | 58,975 | 19,657 | 13,815,296.60 | 262.16 |
| 1 Feb. 2015 | 53,809 | 80,540 | 60,314 | 20,226 | 14,209,653.54 | 264.08 |
| 1 Mar. 2015 | 54,286 | 81,312 | 60,925 | 20,387 | 14,350,442.73 | 264.35 |

Source: ICSD2

² Recipients of financial social assistance are applicants who were granted the right for themselves and their family members (household members).

³ Beneficiaries of financial social assistance are recipients of financial social assistance (applicants) and their family members for which the applicants exercise the right (all persons with granted right, including children).

Table 4: Monthly number of recipients and beneficiaries of permanent financial social assistance – by period and amount of funds

| Per day | Number of recipients | Number of beneficiaries | Number of beneficiaries – adults | Number of beneficiaries – children | Total amount of funds | Average amount |
|-------------|----------------------|-------------------------|----------------------------------|------------------------------------|-----------------------|----------------|
| 1 Jul. 2014 | 348 | 352 | 352 | 0 | 84,965.80 | 244.15 |
| 1 Aug. 2014 | 351 | 355 | 355 | 0 | 87,200.19 | 248.43 |
| 1 Sep. 2014 | 359 | 363 | 363 | 0 | 88,736.69 | 247.18 |
| 1 Oct. 2014 | 370 | 374 | 374 | 0 | 90,919.26 | 245.73 |
| 1 Nov. 2014 | 370 | 374 | 374 | 0 | 90,959.64 | 245.84 |
| 1 Dec. 2014 | 370 | 374 | 374 | 0 | 90,713.52 | 245.17 |
| 1 Jan. 2015 | 378 | 382 | 382 | 0 | 91,856.49 | 243.01 |
| 1 Feb. 2015 | 381 | 385 | 385 | 0 | 92,611.65 | 243.08 |
| 1 Mar. 2015 | 384 | 388 | 388 | 0 | 93,369.25 | 243.15 |

Source: ICSD2

Table 5: Monthly number of recipients and beneficiaries of extraordinary financial social assistance – by period and amount of funds

| Per day | Number of recipients | Number of beneficiaries | Number of beneficiaries – adults | Number of beneficiaries – children | Total amount of funds | Average amount |
|-------------|----------------------|-------------------------|----------------------------------|------------------------------------|-----------------------|----------------|
| 1 Jul. 2014 | 5,372 | 11,396 | 7,148 | 4,248 | 1,743,668.10 | 324.58 |
| 1 Aug. 2014 | 4,776 | 9,915 | 6,067 | 3,848 | 1,425,788.28 | 298.53 |
| 1 Sep. 2014 | 4,268 | 8,623 | 5,393 | 3,230 | 1,275,585.05 | 298.87 |
| 1 Oct. 2014 | 5,991 | 11,597 | 7,668 | 3,929 | 1,801,417.43 | 300.69 |
| 1 Nov. 2014 | 6,026 | 11,553 | 7,690 | 3,863 | 1,792,557.21 | 297.47 |
| 1 Dec. 2014 | 6,538 | 12,662 | 8,368 | 4,294 | 1,916,299.96 | 293.10 |
| 1 Jan. 2015 | 5,915 | 11,231 | 7,489 | 3,742 | 1,827,606.18 | 308.98 |
| 1 Feb. 2015 | 7,899 | 15,076 | 9,980 | 5,096 | 2,410,157.39 | 305.12 |
| 1 Mar. 2015 | 6,591 | 12,586 | 8,408 | 4,178 | 1,944,929.91 | 295.09 |

Source: ICSD2

When compared to other countries, the efficiency of social transfer system from the perspective of the reduction of poverty risk is relatively high in Slovenia. Although the data show that the effect of social transfers in the period 2012–2013 was reduced (by 3.7 percentage points), it still remains considerably above the EU average.

If social transfers were excluded from income (family and social benefits), the at-risk-of-poverty rate would be 25.3%, while it would additionally rise (to 42.3%) if pensions were excluded as well. Relative to the previous year, the at-risk-of-poverty rate before social transfers increased by 0.1 percentage points; combined with the increased at-risk-of-poverty rate this means that the effect of social transfers on the at-risk-of-poverty rate reduction was weaker than in the previous year.

Table 6: At-risk-of-poverty rate, at-persistent-risk-of-poverty rate, severe material deprivation rate, very low work intensity rate, at-risk-of-social-exclusion rate and number of people at risk of social exclusion – for Slovenia (2008–2013) and EU (2011–2012)

| | Slovenia | | | | EU28 | | | |
|--|----------|------|------|------|------|------|---------|---------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2011 | 2012 |
| At-risk-of-poverty rate (%) | 12.3 | 11.3 | 12.7 | 13.6 | 13.5 | 14.5 | 16.9 | 17.0 |
| At-risk-of-poverty rate before social transfers – pensions not included in transfers (%) | 23.0 | 22.0 | 24.2 | 24.2 | 25.2 | 25.3 | 26.3 | 26.0 |
| Effect of social transfers on poverty reduction (pensions not included in transfers) | 46.5 | 48.6 | 47.5 | 43.8 | 46.4 | 42.7 | 35.7 | 34.4 |
| At-persistent-risk-of-poverty rate (%) | 7.7 | 7.0 | 6.9 | 7.5 | 6.1 | 7.5 | 9.6 | 10.2 |
| Severe material deprivation rate (%) | 6.7 | 6.1 | 5.9 | 6.1 | 6.6 | 6.7 | 8.9 | 9.9 |
| Very low work intensity rate (%) | 6.7 | 5.6 | 7.0 | 7.6 | 7.5 | 8.0 | 10.4 | 10.5 |
| At-risk-of-social-exclusion rate (%) | 18.5 | 17.1 | 18.3 | 19.3 | 19.6 | 20.4 | 24.3 | 24.8 |
| Number of people at risk of social exclusion, in thousands | 361 | 339 | 366 | 386 | 393 | 410 | 121,542 | 124,488 |

Source: Statistical Office of the Republic of Slovenia, SI-STAT data portal; data source for EU28 and for the indicator of the effect of social transfers on poverty reduction: SPC 2013 report + EUROSTAT data portal.

The trend of an increasing number of beneficiaries of financial social assistance, which has been distinct in the last two years, can be attributed to the effects of long-term severe crisis, in which the number of long-term unemployed also increased dramatically, representing as many of 51.5% of the entire unemployed population in March 2015. It is realistic to expect that the trend of an increasing number of beneficiaries of financial social assistance will subside and reverse only with the increase of employment and not merely with the decrease in the number of the unemployed.

Further on, the increased number of beneficiaries of financial social assistance can also be attributed to a change in social transfer legislation; the changes, which were introduced during the crisis, were specifically aimed at addressing/improving the social status of the most vulnerable population categories by increasing financial resources as well as indirectly expanding the scope of beneficiaries. Instead of merely creating the legislative framework of social transfers, which played the role of automatic stabilizer and provided appropriate response to the impacts of severe economic and financial crisis, it will be of high importance in the future to create activation policies with specified exits.

PLANNED MEASURES FOR 2015

In 2015 we intend to increase the **basic amount of minimum income**, which represents the basis for the calculation of the amount of financial social assistance.

As of 1 August 2014, the **basic amount of minimum income** is EUR 269.20. The foreseen increase is based on the revaluated value from 2012. The amount will be EUR 291, by which the amount of financial social assistance will be considerably closer to the minimum costs of living.

By the end of 2015, Slovenia plans to introduce informative calculation for potential recipients of transfers and benefits. The new solution will reduce the administrative burden on centres; namely, only one decision will be issued, grouping the recipients of transfers into categories, which will be the basis for determination of recipients' rights. This will enable simpler insight into the extent of rights an individual or a family is entitled to. The system of informative calculations is planned to be fully functional by mid-2016.

In the coming period, **reorganisation of centres for social work** is anticipated. It is intended to strengthen direct work with users/recipients, with the emphasis on active elimination of causes that create the need for social transfers, particularly through an integrated approach to social work practice and active and preventive social activation measures. The aim is also to improve connections between all relevant actors, particularly between the Employment Service, local communities and employers.

The first step toward the reorganisation of centres for social work is the above-mentioned introduction of informative calculation.

Further on, **amendments to the Social Security Act** will be prepared and adopted by September 2015. They will primarily relate to the improvement of the accessibility of social services. Until the act was amended, social services (which represent the initial stage of social integration and activation) were financed without a legal commitment to provide financial resources for the implementation of programmes. By providing the legal basis, social security programmes will obtain a secured continuous source of budgetary funding. In recent years, 130 programmes have been co-financed with over 200,000 users included. The average annual amount appropriated for co-financing by the ministry is EUR 12 million.

Intensive **preparation of documents that will enable efficient absorption of European funds** took place in 2014. During the course of these preparations, three fields that will be supported by European funds were specified. Thus, emphasis will primarily be placed on the activation of recipients of social transfers, an integrated approach to dealing with them and the formation of a system of suitable social activation programmes, the development of integrated community-based long-term care services and related deinstitutionalisation processes.

In 2015, the activities will primarily be focused on projects that enable social inclusion of vulnerable groups. In view of the high increase in the number of beneficiaries of financial social assistance and the number of long-term unemployed persons, social activation will be primarily focused on creating a system that will include an integrated approach to dealing with social issues, and introduction and implementation of programmes. During the implementation of activation programmes, emphasis will also be placed on 'exits' from activation programmes. These programmes are intended to establish the most suitable solutions for permanent work with the most vulnerable groups being dealt with in social activation programmes.

Certain activities will also be carried out by developing preventive measures, particularly activities related to enhancing financial literacy of vulnerable groups.

In 2015, the ministry will **address the issue of recipients of social transfers whose accounts are subject to enforcement.** Some social transfers (e.g. financial social assistance and supplementary allowance) are exempt from enforcement, however, these funds may be accessed by banks due to

service charges accrued from checking account balances or other regular account services. Besides, 1,500 recipients receive financial social assistance in cash through centres for social work. Therefore, we intend to introduce a social account or a social card, which will enable the recipients of financial social assistance and social transfers exempt from enforcement to have them transferred to a special account without additional service charges related to money transfers or the opening of the account.

Introduction of the social activation system and the related preventive programmes will also contribute to greater integration of various types of services from the perspective of social inclusion, health, employment and education.

Part XI (Standards to be complied with by periodical payments), Article 65 of the Code, Determination of the reference wage used for calculating the replacement level of benefits.
The Committee would like the Government to indicate the precise source of the data used and to update, in its next report, the statistics used in the above-mentioned “Technical Note” which sets out and calculates for Slovenia all the options allowed by the Code for determining the reference wage on the same time basis (2010) for which complete and comparable Eurostat data are available.