



OECD ECONOMIC SURVEY OF SLOVENIA 2017

Boosting investment through better skills and regulation

Ljubljana, 5 September 2017

<http://www.oecd.org/eco/surveys/economic-survey-slovenia.htm>



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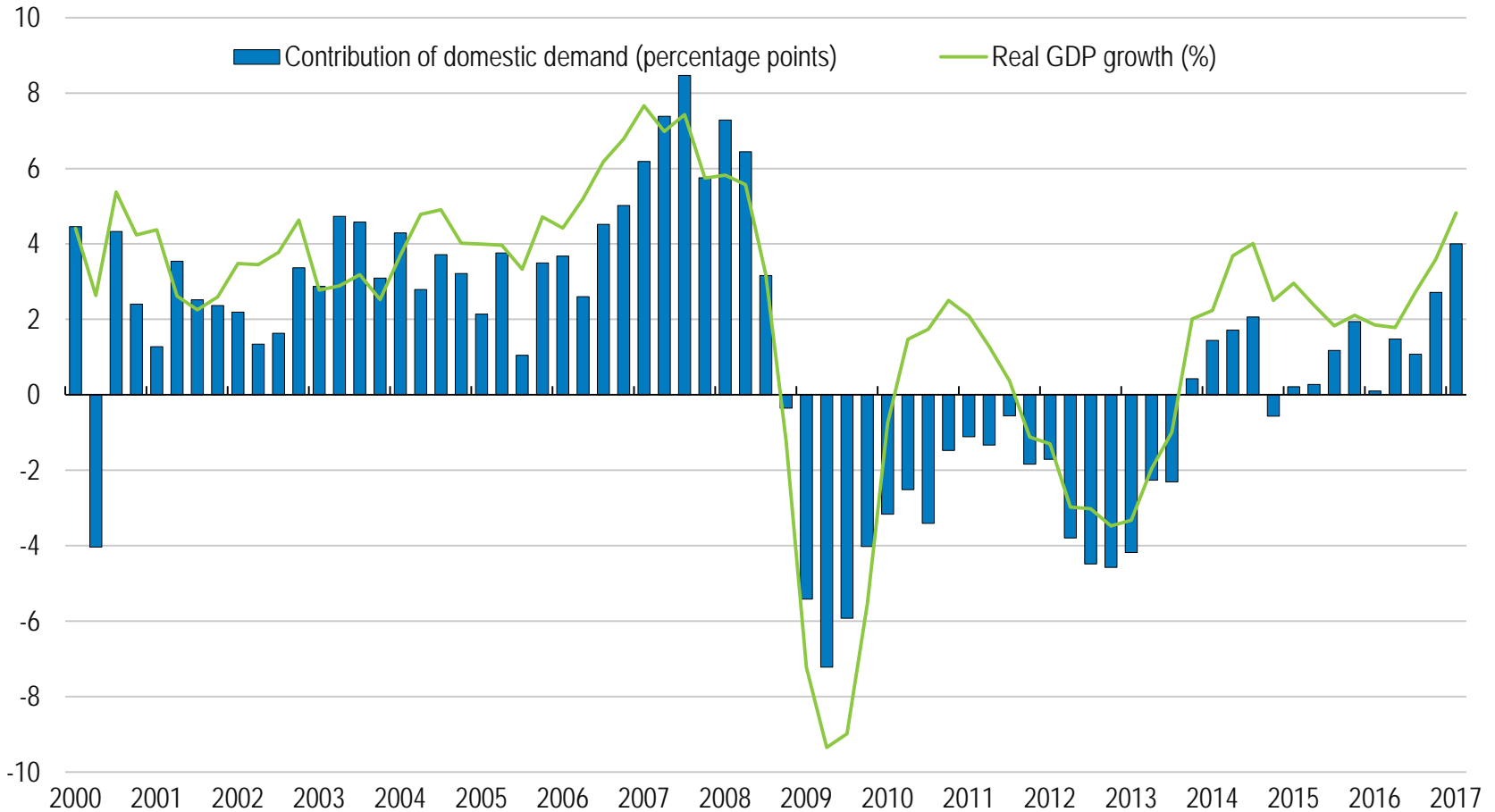


**The economy is
rebounding after a
long recession**



Growth is strengthening

Quarterly GDP (Y-o-Y changes)

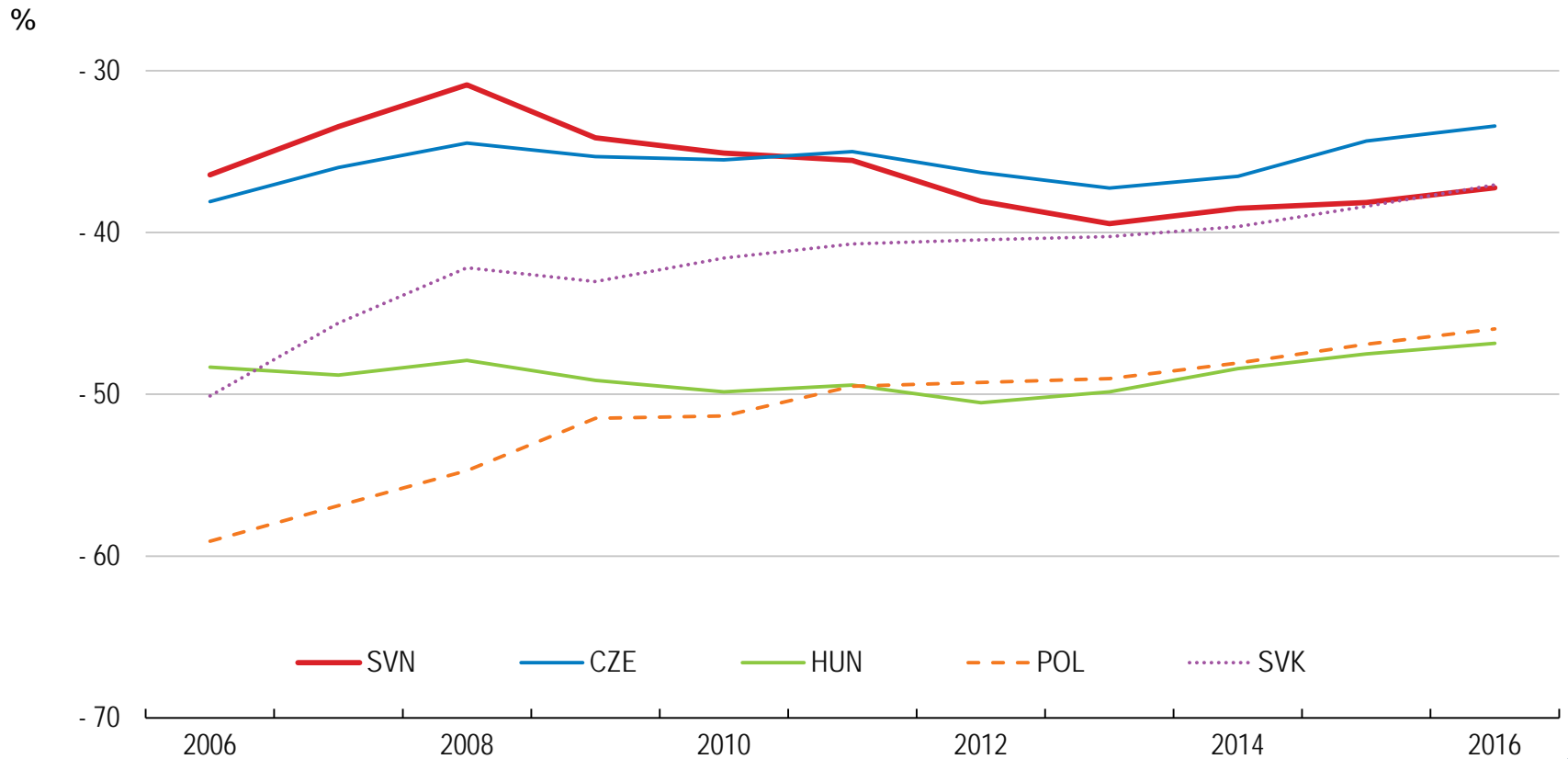


Source: OECD Analytical Database.



Income convergence has resumed

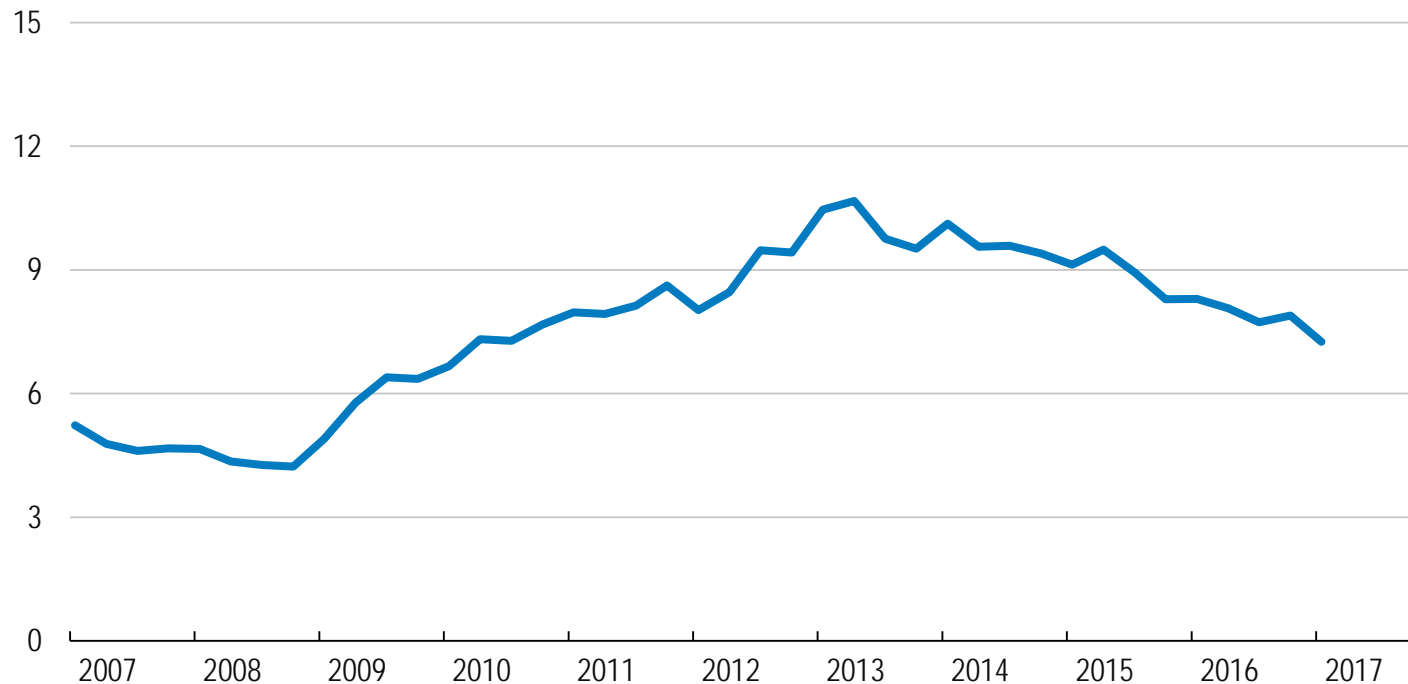
Income/capita gap to the upper half of OECD countries





The unemployment rate is declining

% of labour force aged 15-64

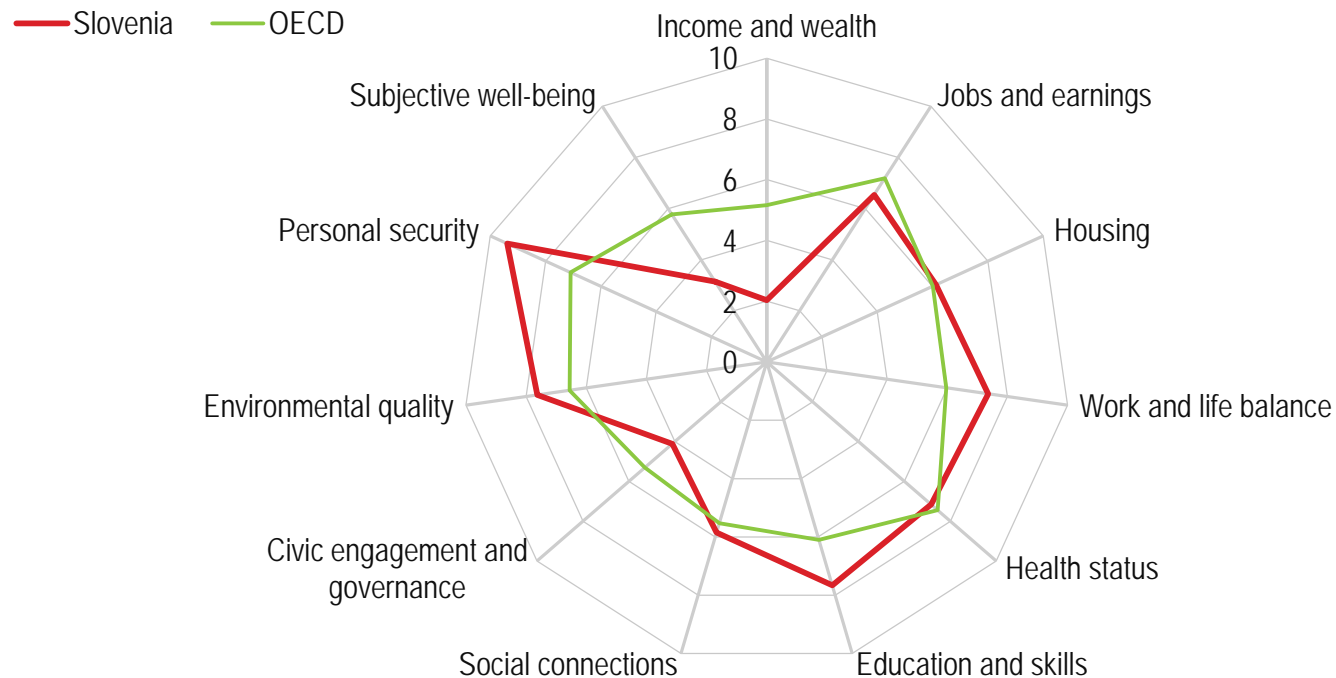


Source: OECD Employment and Labour Market Statistics (database)



Well-being is high

OECD Better Life Index (higher is better)

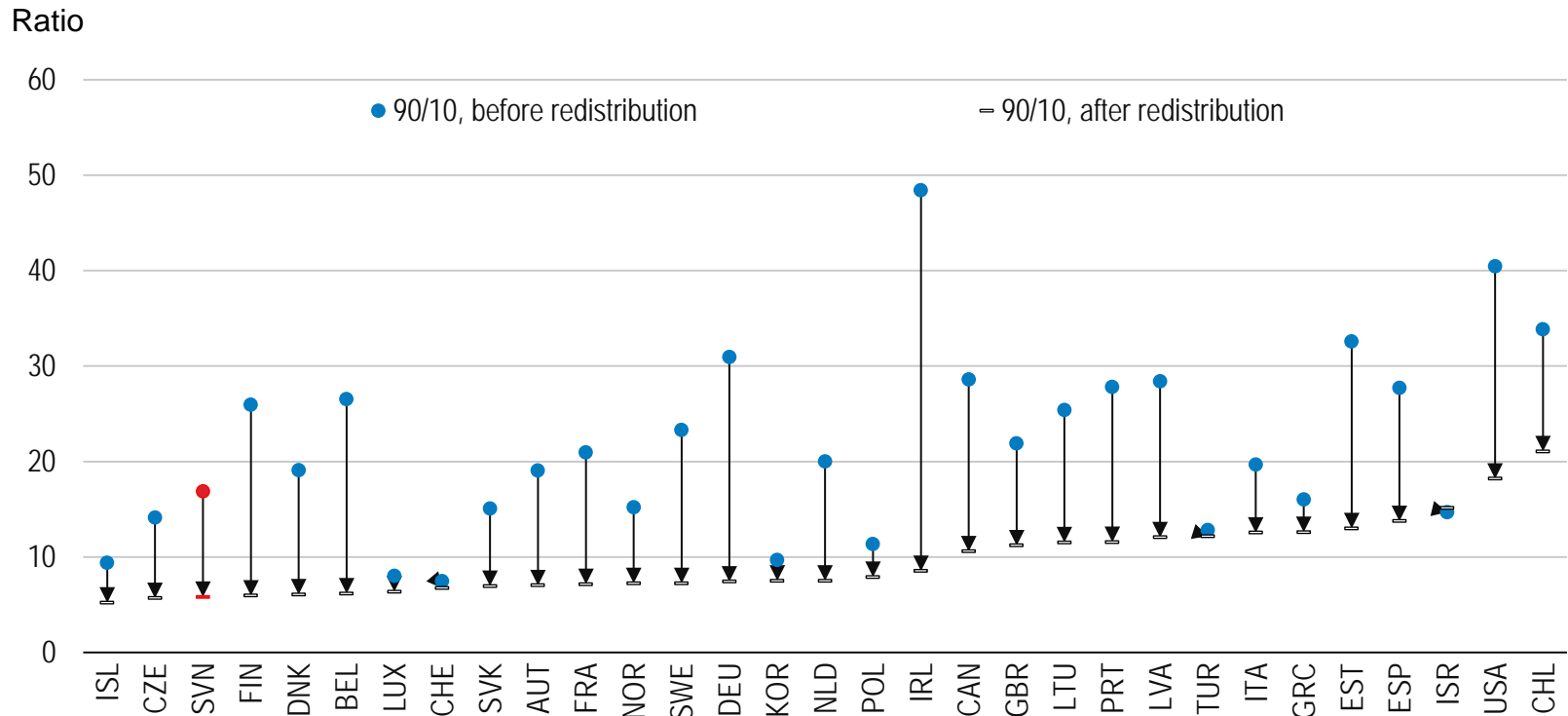


Source: OECD (2016), Better Life Index database



Income inequality is low

Income redistribution (90/10 ratio of the average income of the top decile to that of the bottom decile), latest available data

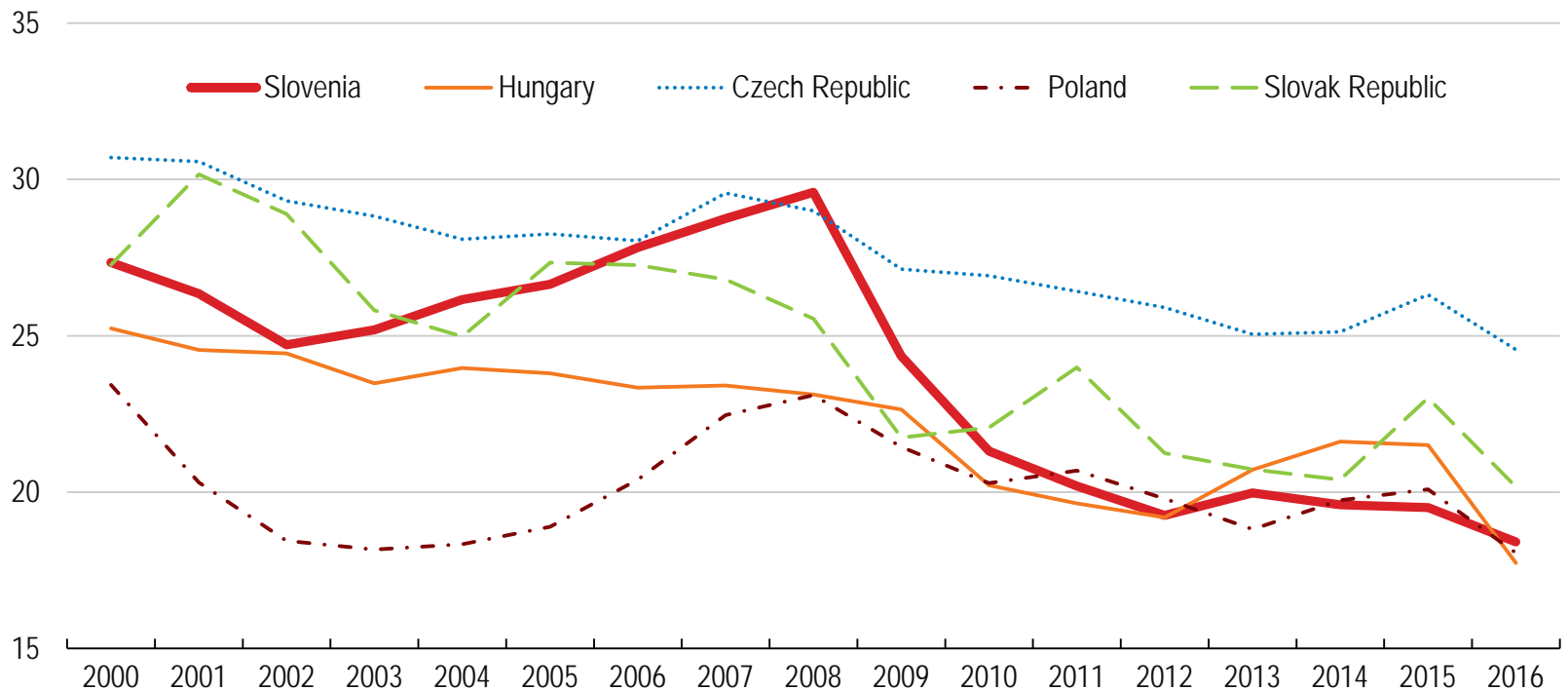


Source: Calculations based on the OECD Income Distribution Database



Bolstering investment is key for higher productivity

Total investment, as a percentage of GDP

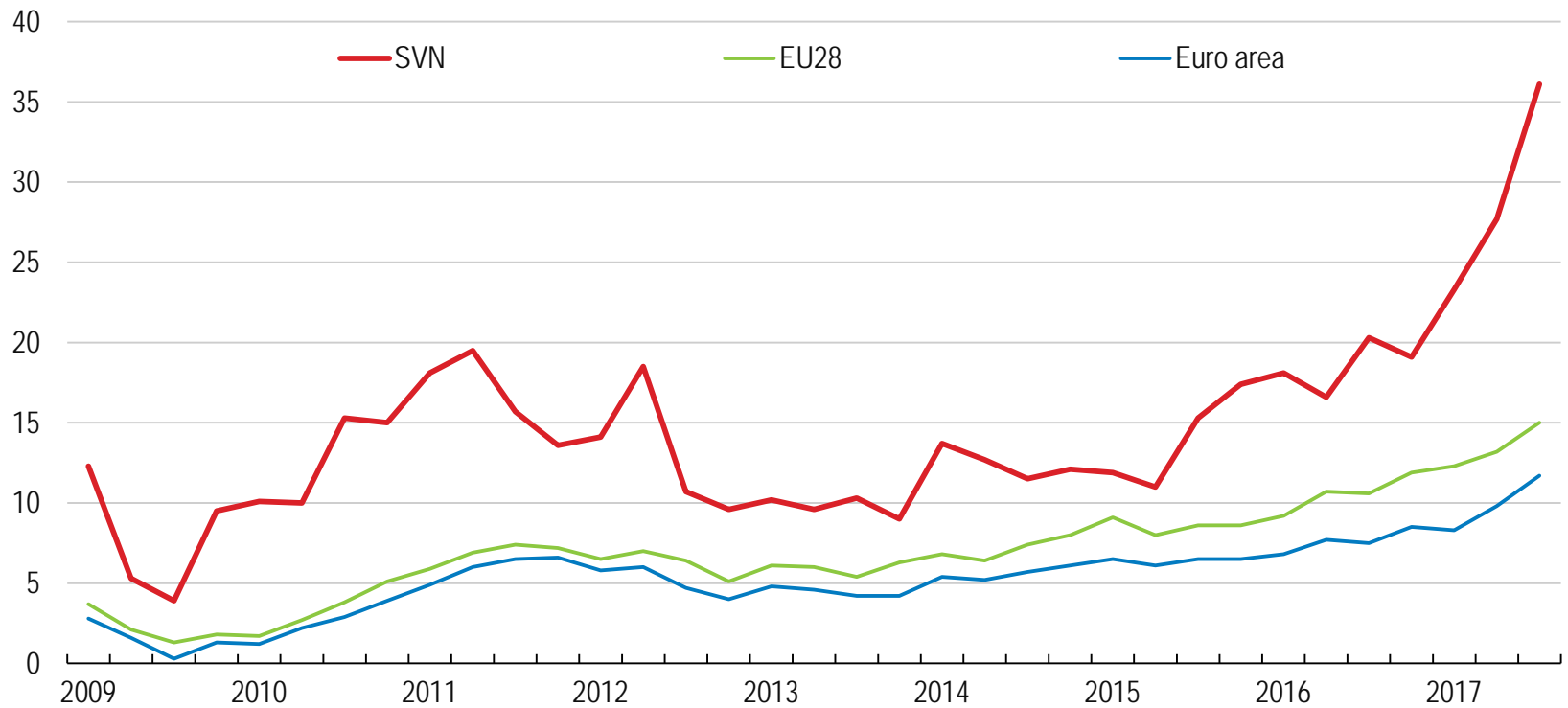


Source: OECD, Analytical database



Firms are facing increasing labour shortages

% of firms reporting labour shortages

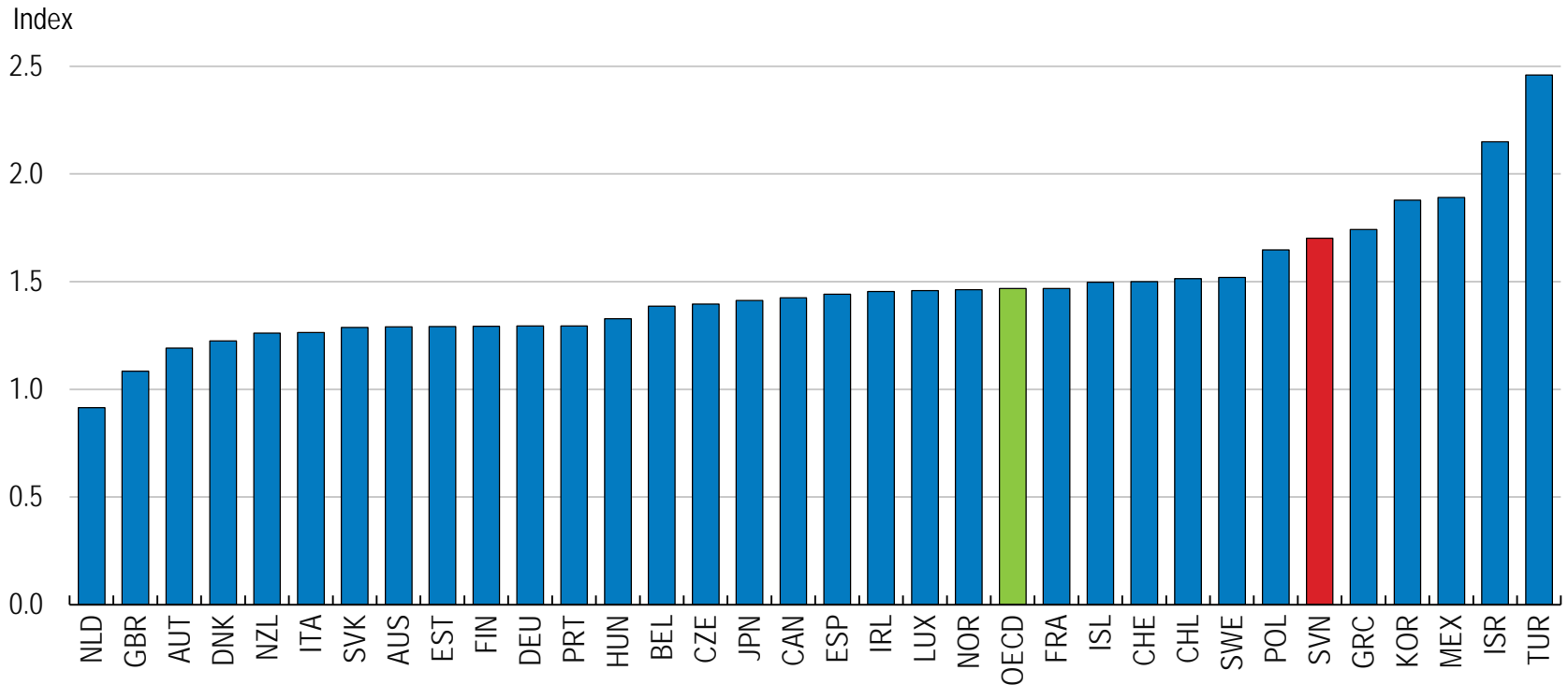


Source: Eurostat, Industry database.



Businesses face a heavy regulatory burden

Product market regulation indicator, index scale of 0 – 6 from least to most restrictive, latest available data



Source: OECD PMR indicators database.

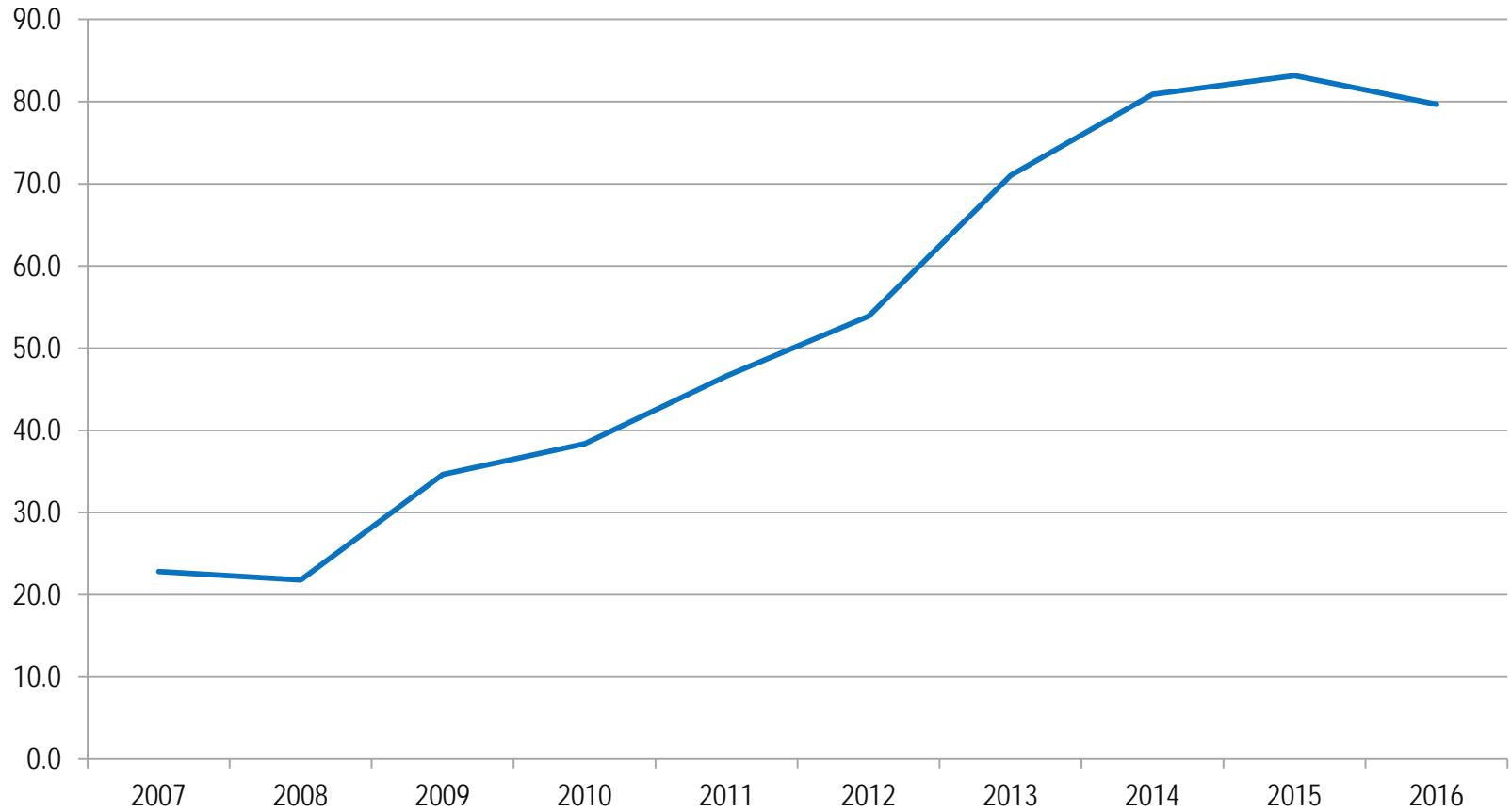


Securing fiscal sustainability



Gross public debt is now declining

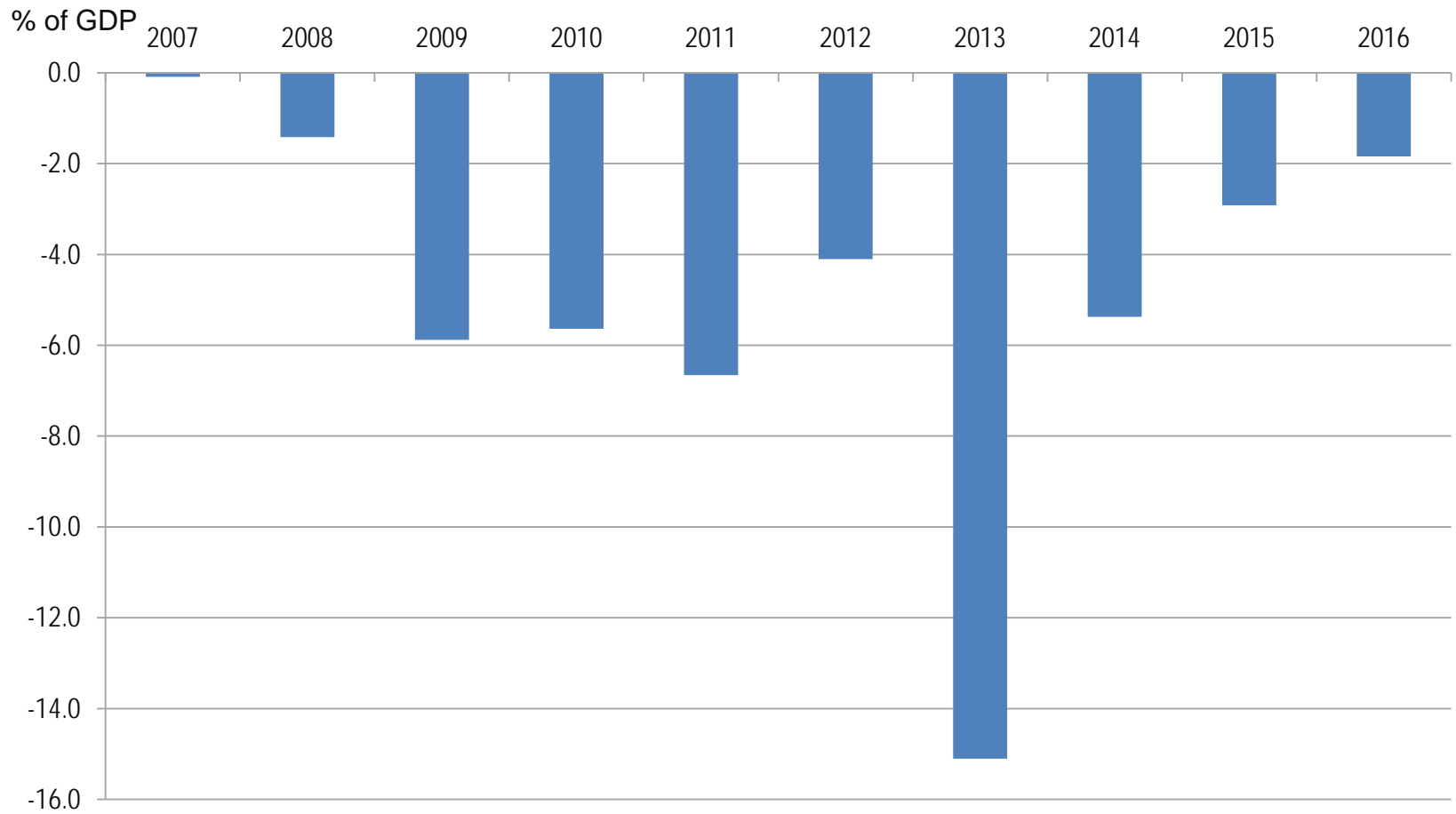
% of GDP



Source: OECD



The fiscal deficit is still falling

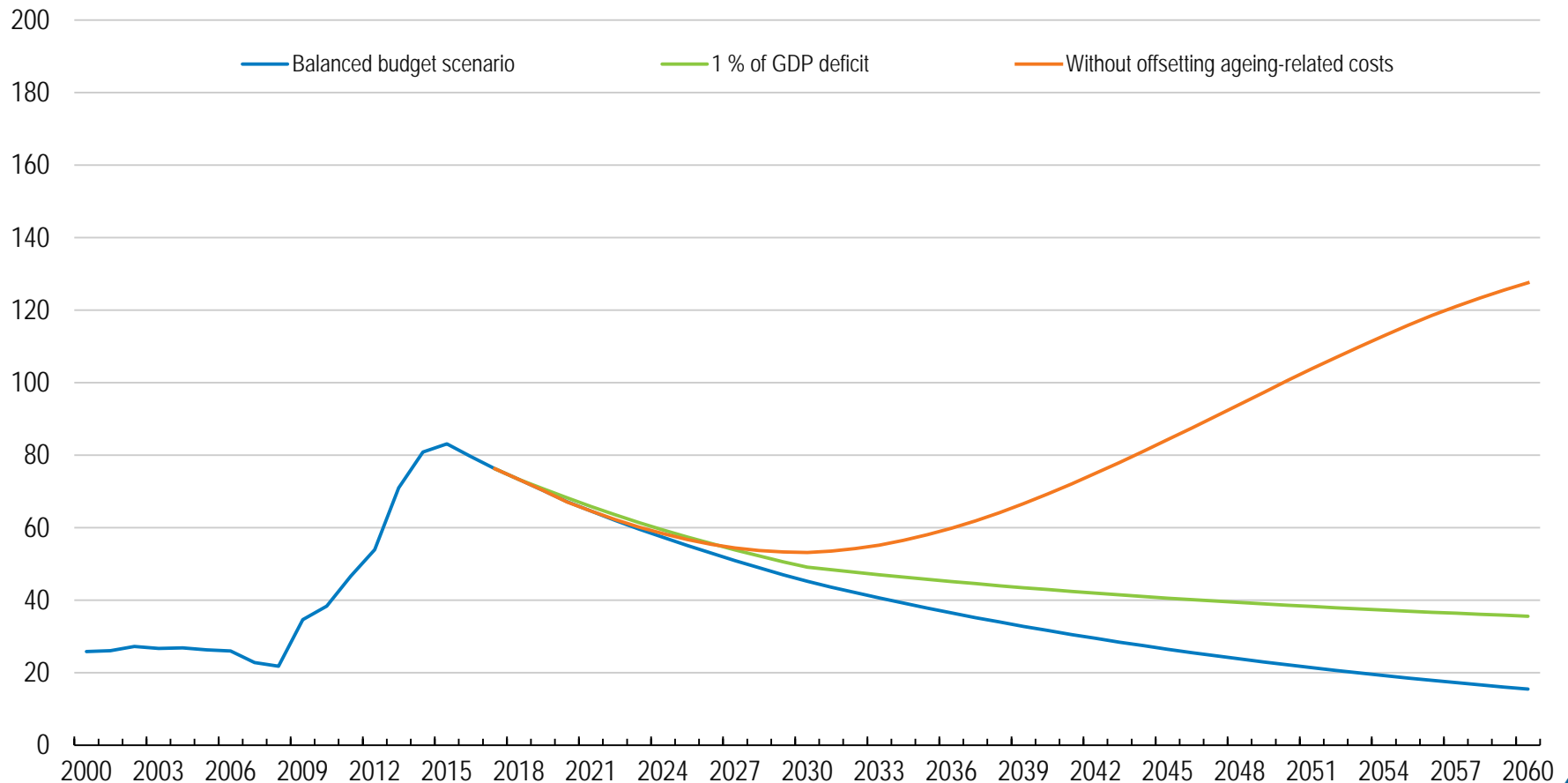


Source: OECD



Ageing endangers fiscal sustainability

General government gross debt, % of GDP





Key fiscal and spending recommendations

- The government should pursue its 2020 fiscal balance objective, and preferably frontload consolidation to avoid overheating.
- It should also maintain spending ceilings, pursue efficiency improvement and adjust the structure of public spending to avoid a renewed increase in public debt.
- Faster, well thought-out privatisation would reduce public debt and the high level of contingent liabilities.
- Pension system:
 - ✓ Raise the effective and statutory retirement ages.
 - ✓ Cover shortfalls through additional contributions and lower pension indexation.
 - ✓ Increase incentives to work longer.
- Health-care system:
 - ✓ Allow hospitals to adjust their health services to changing demand, by including multi-year investments and allowing them to keep cost savings.

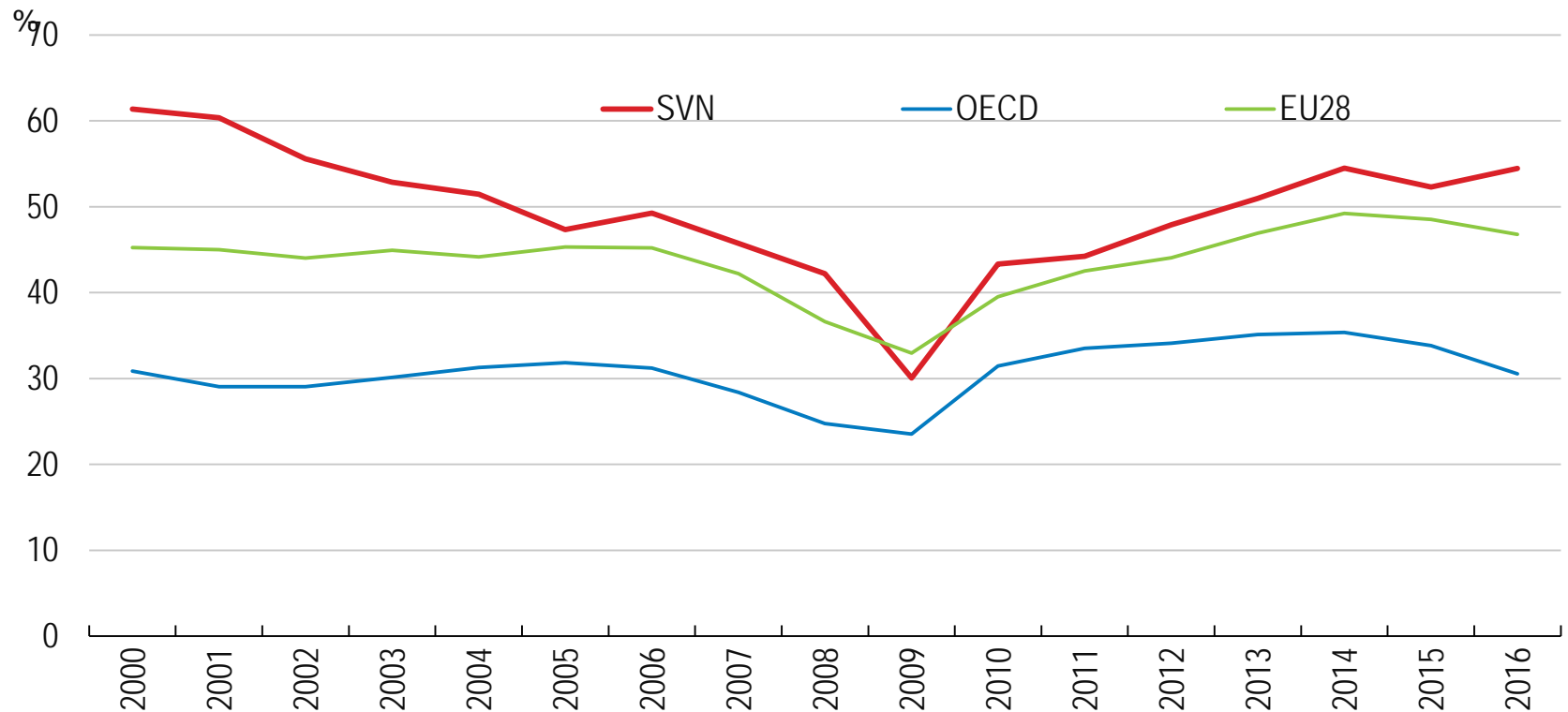


Raising wages and living standards by investing in capital and skills



Long-term unemployment remains high

Share of long-term unemployed (over one year) in total unemployment

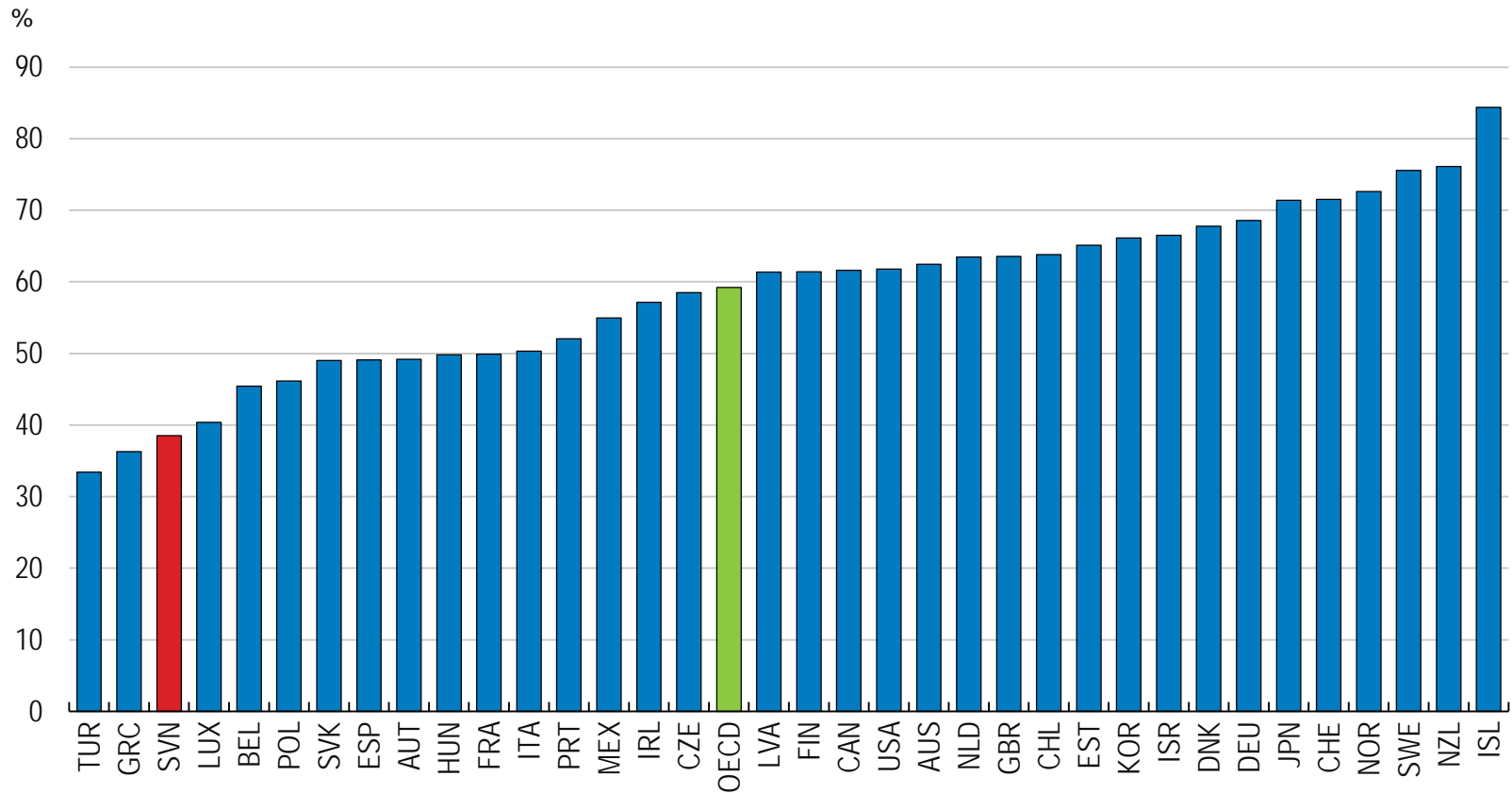


Source: OECD, Labor Force Survey - Sex and Age composition database



Older workers retire early, undermining inclusiveness

Employment rate for older workers (aged 55-64), 2016

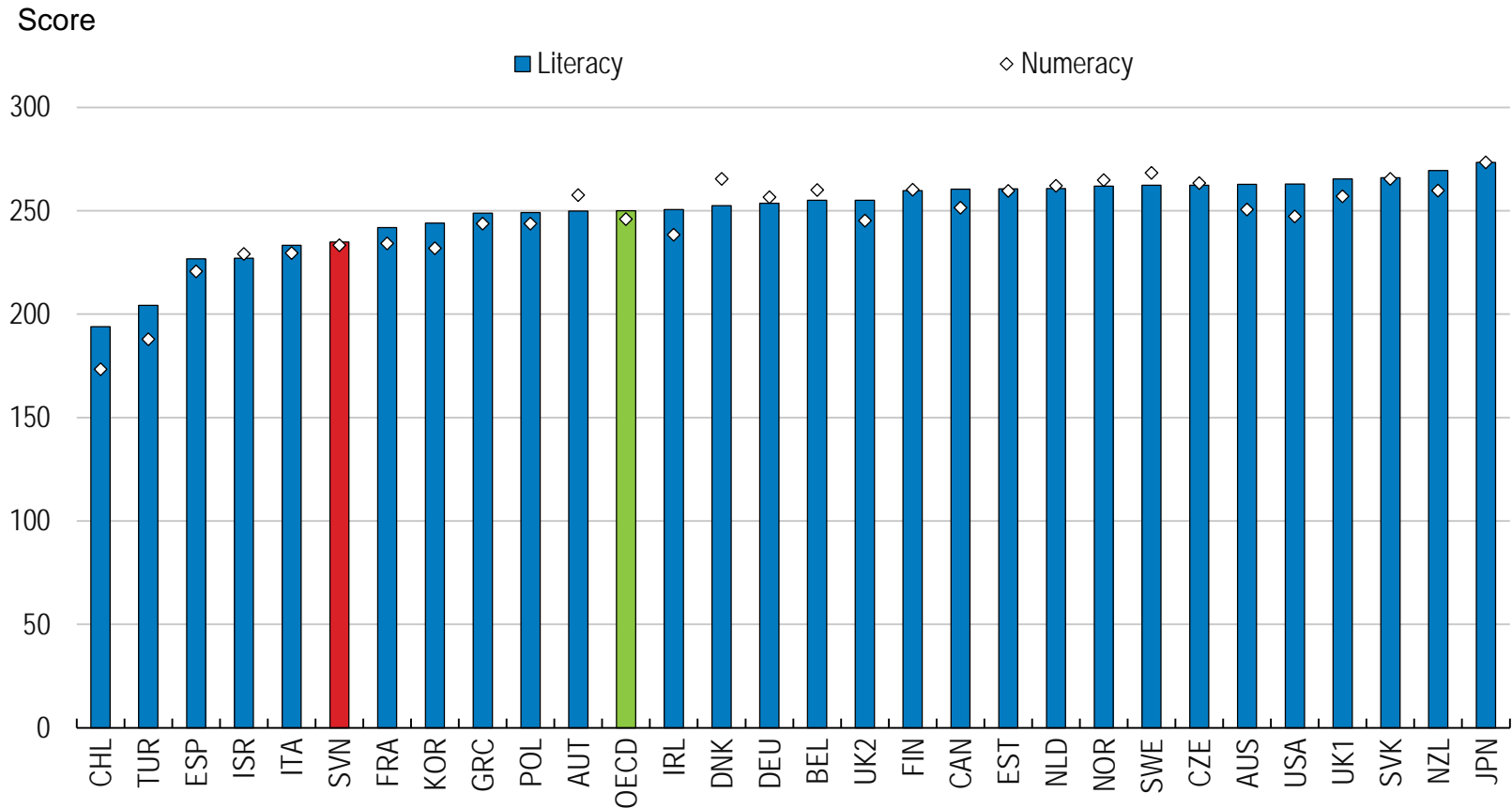


Source: OECD, Labor Force Survey - Sex and Age composition database



Older workers have low literacy skills

Mean literacy and numeracy proficiency scores for 55 – 65 year-olds, 2015

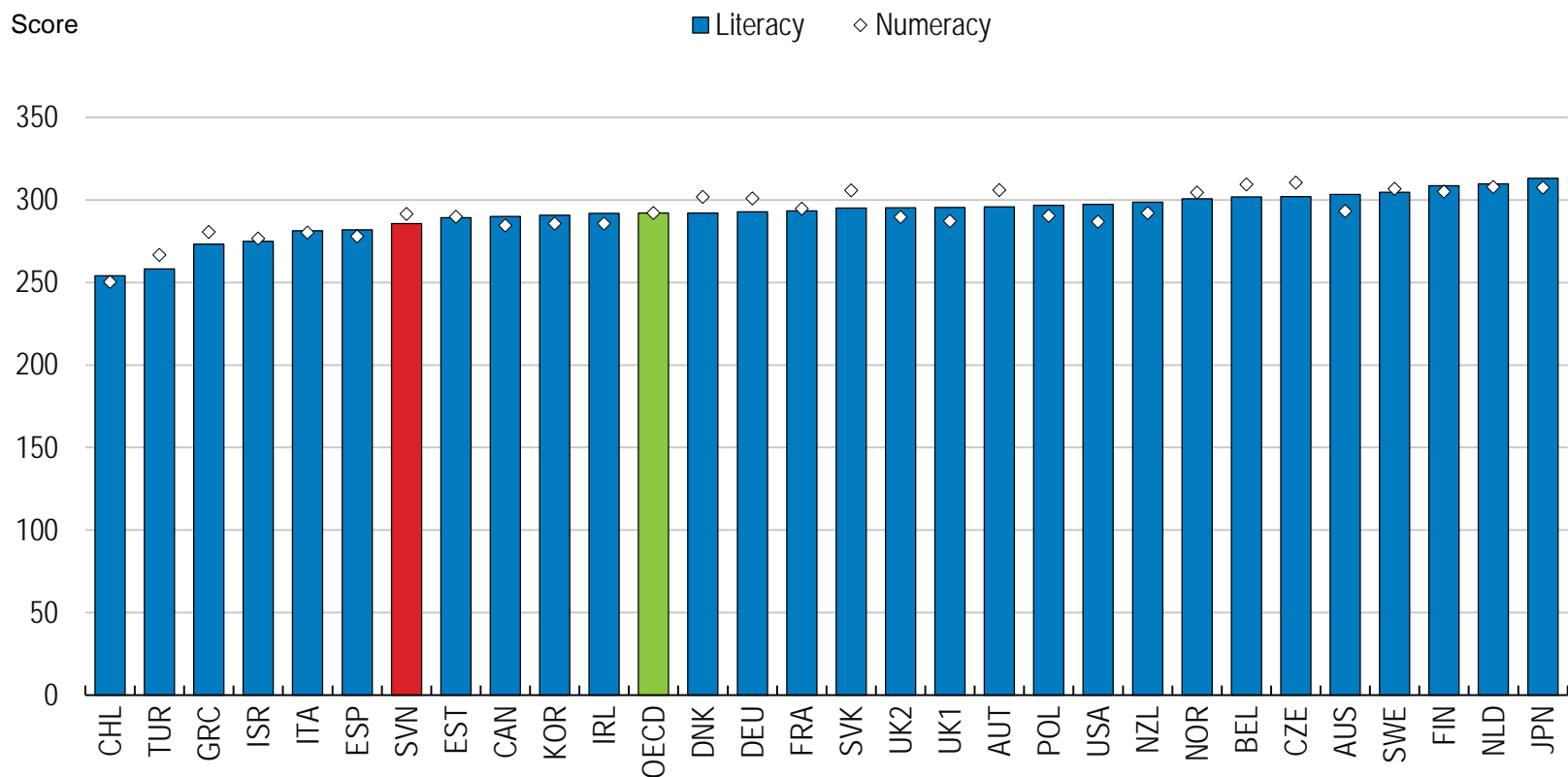


Source: OECD, Survey of Adult skills(PIAAC), Table A3.2 (L) and (N)



Better tertiary educational outcomes will boost investment in skill-intensive sectors

Mean literacy and numeracy proficiency scores for adults with tertiary education, 2015



Source: OECD, Survey of Adult skills(PIAAC), Table A3.2 (I) and (N).



Key recommendations in the labour market and skills development

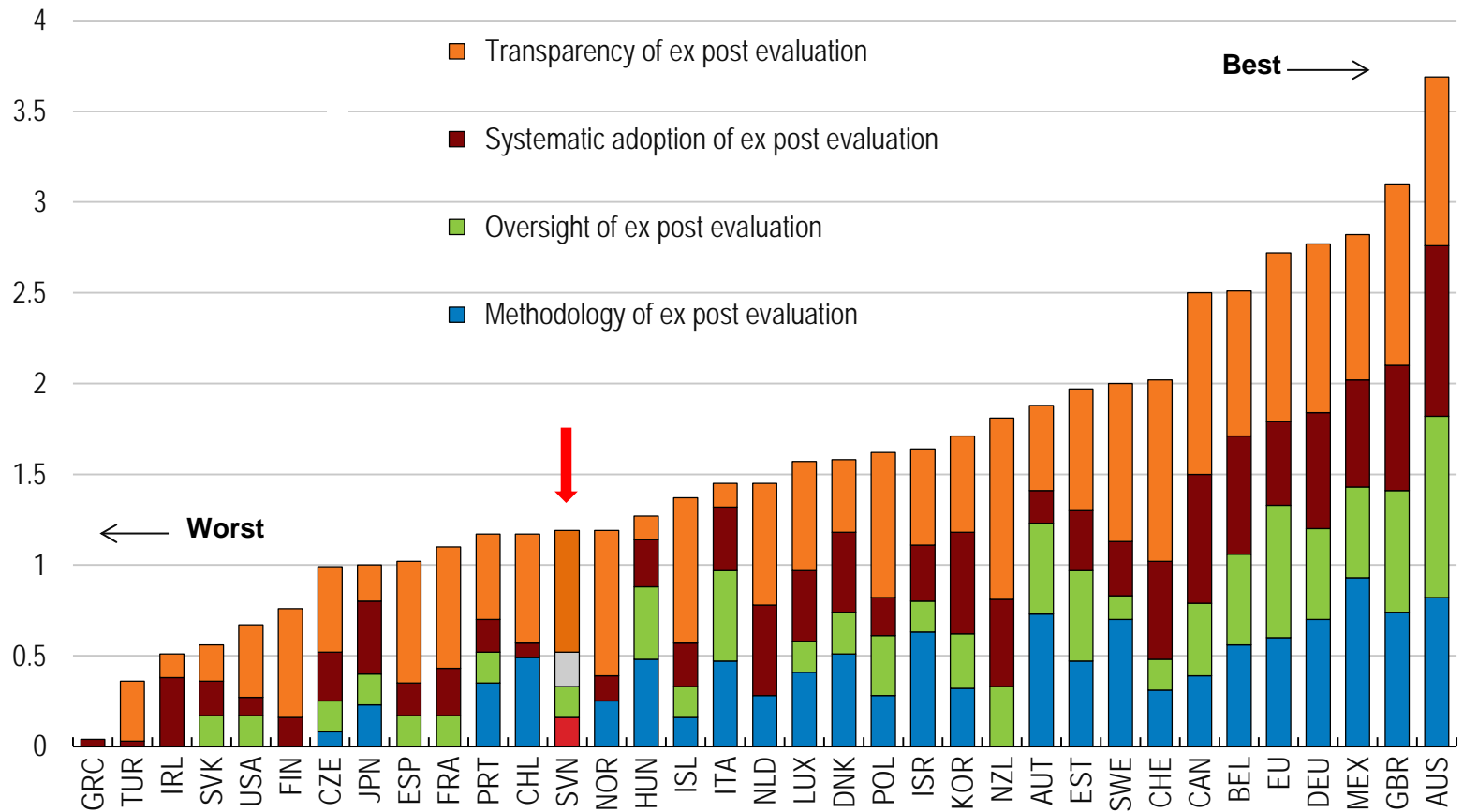
- Improve general skills of vocational students through use of problem-based learning, combined with retraining of teachers. Raise the work-experience content of technical programmes.
- Increase training to help long-term unemployed to re-enter the labour market.
- Improve life-long learning by using adult training vouchers or tax credits to increase training opportunities.
- Eliminate the legal requirement that wages increase automatically with age.
- Harmonise the maximum duration of unemployment benefit across age groups.
- Link university funding to students' labour market outcomes.
- Equalise tuition fees for full- and part-time students on a per course basis, coupled with grants and loans for those from poor families.



Fostering productivity by improving regulation and enhancing competition



Regulatory quality could be improved



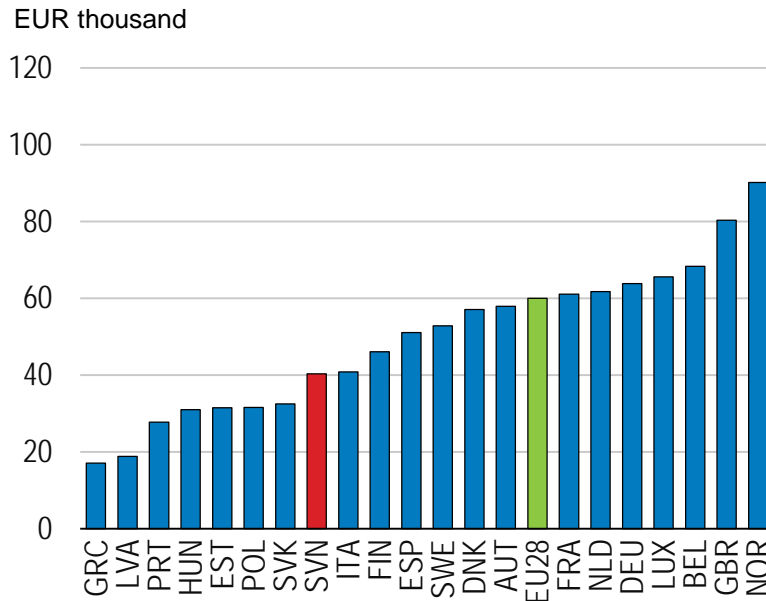
Source: 2014 Regulatory Indicators Survey results



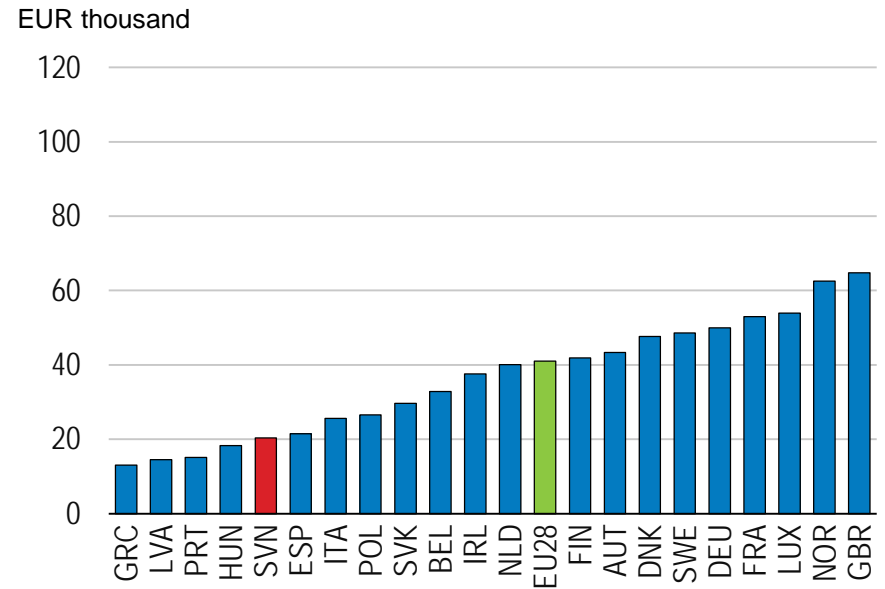
Entry barriers hinder investment in new technologies

Real gross value added per worker in professional services is low, PPP, 2014

Engineering



Architecture

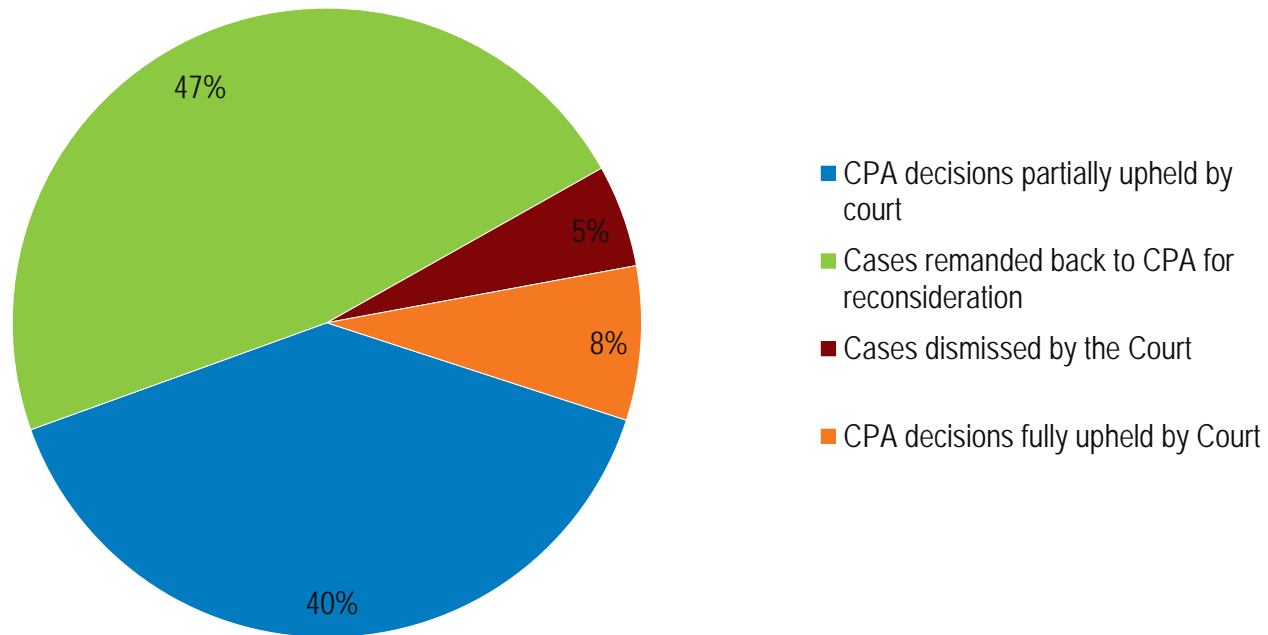


Source: Eurostat, "Structural business Statistics - Services", Eurostat Database.



The competition authority has had few successful cases

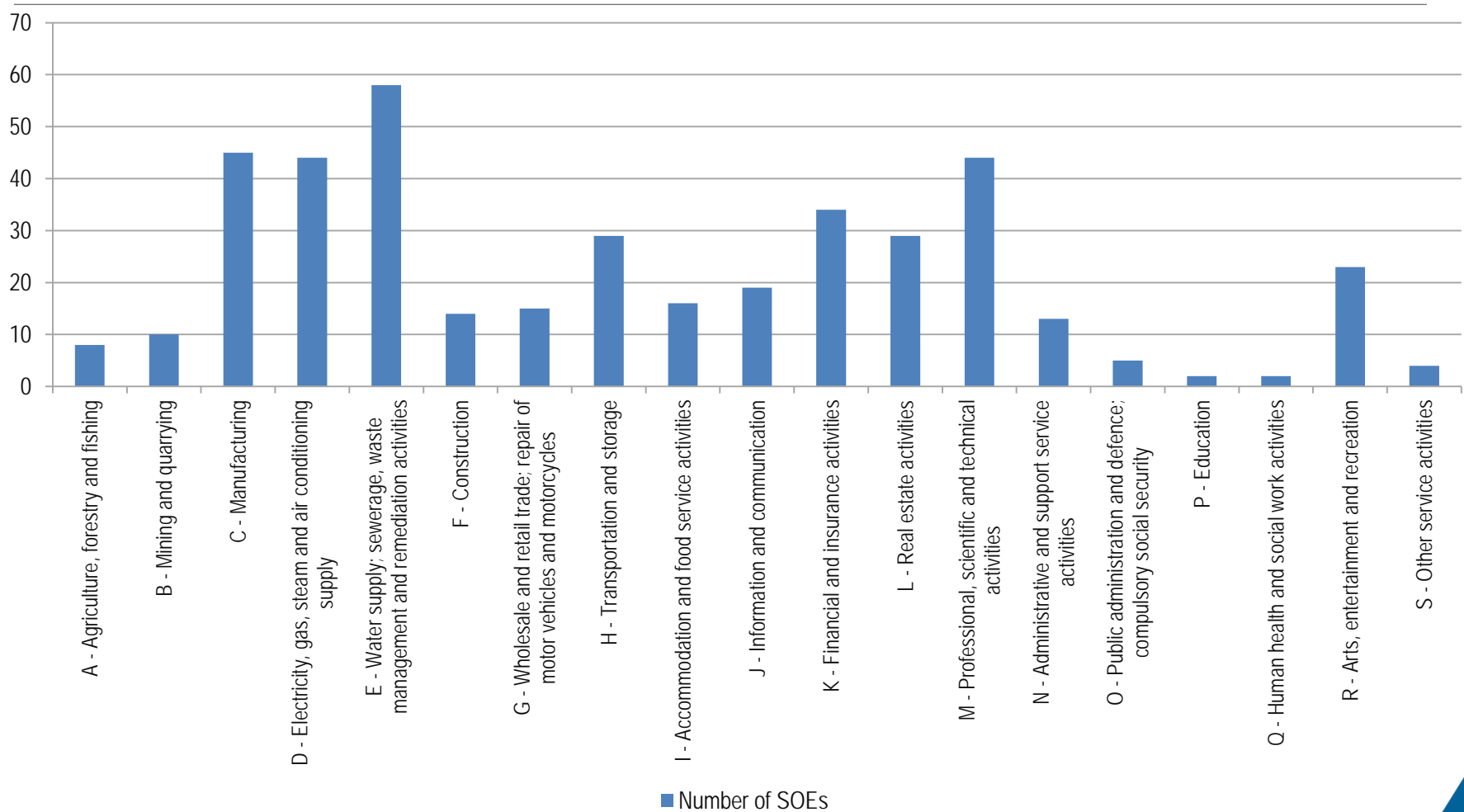
Enforcement outcomes, 2014



Source: The Slovenian Competition Protection Agency



State owned enterprises are still present in many sectors



Source: Slovenian Sovereign Holding (<http://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb#> - February 2017); ORBIS data base.



Key recommendations for improving regulation and enhancing competition

- Apply consistently a common RIA framework:
 - ✓ including effective quality control, and
 - ✓ training to carry out ex ante and ex post regulatory evaluations.
- Simplify judicial proceedings.
- Increase the competition authority's resources and staff expertise.
- Shrink the list of regulated professions, and, where regulation is retained, move to less restrictive forms.
- Develop a common approach to cost-benefit analysis for project selection.



Key recommendations for improving regulation and enhancing competition (continued)

- Strengthen SOE governance:
 - ✓ by directing them to focus on core activities,
 - ✓ allowing more management pay flexibility and
 - ✓ strengthening supervisory boards.

- Follow through with privatisation, and narrow the group of SOEs that are considered strategic.

- ✓ Implement effective separation of activities and non-discriminatory third-party access to networks. Privatised competitive activities, except in sensitive sectors.

- ✓ Avoid technology biases in renewable-energy subsidies.



More Information...

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