

Summary

Overview of development baselines according to the strategic orientations of the SDS

A highly productive economy that creates value added for all

Slovenia lags significantly behind the EU average in terms of economic development, but its current economic conditions and prospects for short-term growth are good. After widening during the crisis, Slovenia's development gap, which arises from lower productivity compared with the EU average, started to narrow only in 2016 and is still considerably wider than before the crisis. Current economic developments are favourable. Amid rising demand and improved competitiveness, economic activity has been rapidly strengthening since 2014 and the stability of the banking system and public finances, which was disrupted during the crisis, has been restored. Corporate investment activity, a key factor in boosting productivity growth, has also increased notably. Having been low in the first years following the crisis, it has been rising gradually with the strengthening of the economic cycle and improvement in certain structural factors (a decline in corporate indebtedness, better allocation of production factors and an increase in foreign direct investment). The composition of exports has also improved over the longer term and enterprises have become more integrated into global value chains. However, in the areas of R&D, innovation capacity and digitalisation, which are key long-term drivers of productivity growth, only modest progress has been made in recent years. This significantly limits Slovenia's potential for sustainable productivity growth and thus the possibilities for a more radical improvement in living standards. Inter-regional disparities in economic development, relatively small by international comparison, did not increase during the crisis, but particularly the regions in north-eastern Slovenia face more barriers to development compared with the national average.

Lifelong learning

The level of educational attainment of Slovenia's population is relatively high and rising, but not all knowledge and skills are sufficiently adjusted to the current or future needs of the economy and society. Owing to the many years of good access to education, the participation of young people in education is high, which is also reflected in relatively high shares of people with secondary and tertiary education. Literacy among young people (performance in mathematics, reading and science) has improved significantly and is high by international standards. However, the structure of students enrolled in educational programmes is adjusting to labour market changes only slowly, which shows in certain mismatches between labour supply and demand. Owing to demographic change (a falling number of young people) and, in recent years, increased migration abroad, ensuring an appropriate supply of suitably skilled labour is also a growing challenge in terms of the desired transition to a highly productive economy. Imbalances also exist between the knowledge and skills workers possess and those demanded in the workplace. Moreover, the reading, mathematical and digital skills of older generations and people with a low education are relatively poor. This is where lifelong learning can play a significant role, but adult participation in lifelong learning programmes is still low.

An inclusive, healthy, safe and responsible society

Social inclusion and participation in society are relatively high, but improving the financial situation of older people and the health status of the population remains a challenge, particularly in light of demographic change. With the recovery of the economy, the material situation of the population has improved. The risk of social exclusion and income inequalities, which both increased during the crisis, have been falling since 2015, and Slovenia continues to perform much better than the EU average in both areas. In recent years favourable results and improvements have also been seen in terms of gender equality, participation in society and perceived discrimination. All of this indicates development towards an inclusive society. However, inequalities on the labour market remain significant, which is manifested in a relatively high share of precarious and temporary jobs, especially for young people. The employment rate

among older people also remains relatively low and the poverty rate among older women high, which makes them more vulnerable to social exclusion. Older people are also characterised by low participation in society and greater exposure to discrimination. In health care, positive shifts have been made, but the proportion of years lived in good health is considerably lower than the EU average.

The quality of life is increasingly affected by the ability to adapt to demographic change, which happens to be very intense in Slovenia. Although Slovenia has relatively good access to public services (with the exception of long-term care), the rapid ageing of the Slovenian population increasingly affects the sustainability of social protection systems and hence their ability to provide decent pensions and high-quality health and long-term care. By virtue of less supply of labour, demographic change also affects Slovenia's potential for further economic development and higher living standards.

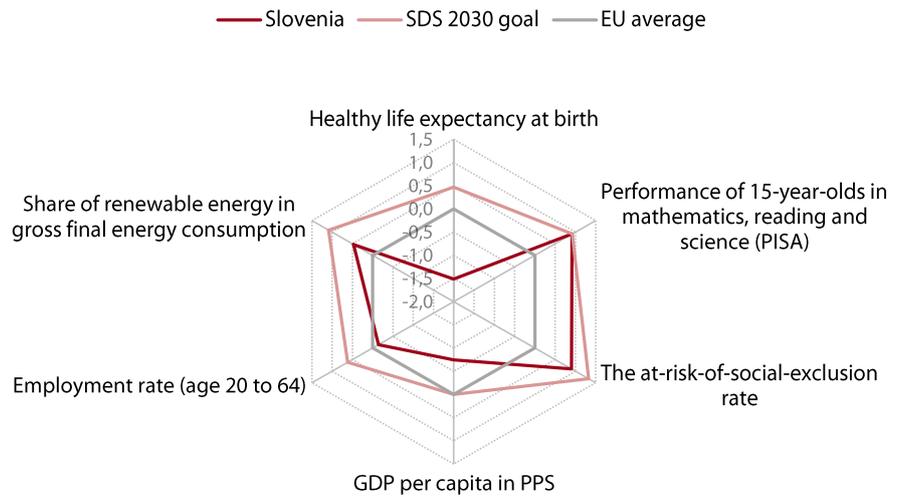
A well-preserved natural environment

The natural environment in Slovenia enables a high quality of life, but it is excessively burdened by economic activities. The natural environment in Slovenia, characterised by forests covering a large part of the land, ample water resources and moderate farming intensity, is relatively well preserved, the exception being excessive air pollution (with dust particles and ozone). The negative consequences of unsustainable land use are being increasingly felt, however (the large extent of brownfield land and expansion of economic activities into agricultural or forest areas). The impact of economic activities on the environment as measured by the indicators of material consumption and emissions per unit of GDP is relatively high. It has decreased slightly since the onset of the crisis, though this not only as a result of sustainable measures for improving efficiency, but also due to weather conditions and lower construction activity. With faster economic growth, the use of natural resources also started to rise. Particularly problematic is the high energy consumption in transport, which still generates significantly more emissions per unit of GDP than the EU average. GHG emissions are the main cause of the relatively high ecological footprint in Slovenia, which exceeds its biological capacity more than the EU average. Slovenia also generates more waste per unit of GDP than the EU average, though it has improved waste management significantly in recent years. Its relatively high use of renewable energy sources is also favourable from the environmental perspective, although this has not been rising for several years.

High levels of cooperation, competence and governance efficiency

The public sector is not sufficiently efficient, nor does it provide a supportive business environment, but the efficiency of the judicial system has improved. The low level of institutional competitiveness reflects poor public sector governance, lengthy administrative and judicial proceedings, a high burden of government regulation, an insufficiently supportive business environment, and a high level of perceived corruption, which is indicated by Slovenia's rankings on international competitiveness scales. The dispersal of and weak connection between public sector bodies impede collaboration between sectors and between different levels of government and increase operational costs. The functioning of the judicial system, however, has improved over the last few years. The number of pending cases has declined and the average time to disposition shortened, which indicates greater efficiency on the part of the judicial system; the quality of the judicial system has also increased according to the available indicators. Trust in public institutions and the rule of law nevertheless remains low. Moreover, international comparisons also point to the need for further improving corporate governance of state-owned enterprises and a faster withdrawal of the state from strategic investments.

Figure: SDS 2030 performance indicators at the level of strategic orientations, standardised indicator values



Source: Calculated by IMAD using Eurostat and OECD data, 2017 and 2018.

Notes: Data for Slovenia and the EU refer to 2016; data on healthy life expectancy and the PISA indicator refer to 2015. For the purposes of graphic presentation, the indicator values are standardised using a weighted average and a weighted standard deviation for the EU-28. The total values of the indicators of healthy life expectancy at birth and performance of 15-year-olds in mathematics, reading and science are calculated as the arithmetic means of the standardised values of their sub-indices. The SDS goal for the results of 15-year-olds in mathematics, reading and science (PISA) is to remain in the upper quarter of EU Member States, where Slovenia ranks according to the most recent measurement (in 2015). In social exclusion, exceeding the EU average means that the rate of the risk of social exclusion is lower than the EU average.