National Recovery and Resilience Plan:
Slovenia
Polona Domadenik Muren
polona.domadenik@ef.uni-lj.si
Valentina Franca
valentina.franca@fu.uni-lj.si

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National Recovery and Resilience Plan: Slovenia

Polona Domadenik Muren* - Valentina Franca+

Abstract

The European Commission approved Slovenia's recovery and resilience plan (RRP) on 1 July 2021. Although the RRP and the partnership agreement and programmes under cohesion policy funds for 2021–2027 took into consideration Country Specific Recommendations and investment guidance sound strategic priorities set at the national level are lacking. Moreover, proposed projects do not take uneven regional distribution sufficiently into account. While the main focus of the RRP lies on the implementation of the so-called green and digital transitions, it also envisages a number of reforms and investments that directly impact the labour market (training, education and pension reform, for example). The goal of this article is to present the reforms in the context of the European Pillar of Social Rights and the Country Specific Recommendations issued within the European Semester.

Keywords: NGEU, Slovenia, RRP, Covid-19 Pandemic, European Pillar of Social Rights, Social Scoreboard, Country Specific Recommendations, European Semester.

1. Slovenia's position on the NextGenerationEU recovery plan.

The direct economic and social costs caused by the Covid-19 crisis in different countries depend on the structure of national economies, resilience and global connectedness. It was expected that the depth of the shock caused by the Covid-19 crisis would depend on the magnitude of the main causes: increased uncertainty among customers and firms, with consequences for spending and saving decisions, temporary halts on recruitment and investment, labour supply reductions because of the closure of non-essential workplaces, where remote working is not possible or when workers had to take care of dependents

* Full professor at the Faculty of Economics, University of Ljubljana, Slovenia.
+ Associate professor at the Faculty of Public Administration, University of Ljubljana, Slovenia.

(children, elderly), sectoral and supply side disruptions (travel, tourism), liquidity shocks and financial market implications.[1]

For Slovenia, as one of the smallest European countries, cooperation with the EU and other Member States is extremely important, also because the Slovenian economy is predominantly export-oriented. Covid-19 has had an expectedly marked impact on Slovenian companies. A firm-level survey in October 2020, which complemented the surveys done at the end of March, June and August 2020, revealed fairly negative expectations on the part of companies, but these have improved along with the general health circumstances.[2] It was primarily the manufacturing sector, and in particular small companies, that suffered most from the numerous challenges that lockdown gave rise to. The survey respondents expected the crisis to last for more than 20 months, mainly as a result of lower domestic and export demand, and therefore planned to reduce tangible and intangible investments and employment.[3] Therefore, it was estimated that mitigating the negative consequences of Covid-19 crises arising from the expected negative consequences and a K-type recovery (with some industries recovering fast, while others entered a long recession) would be the main consideration when designing national programmes in the context of the recovery and resilience plan (RRP). In 2021, however, economic sentiment improved significantly and because of various crisis relief measures (Acts Determining the Intervention Measures to Contain the Covid-19 Epidemic and Mitigate its Consequences for Citizens and the Economy 1-7 in 2020) the general economic conditions and employment did not deteriorate as expected.

The national RRP for Slovenia (RRP)[4] was submitted on 30 April 2021; the European Commission approved it on 1 July 2021;[5] and it was adopted by the Council on 28 July 2021.[6] By then, the possibilities for its implementation and financing had been discussed. The timeframe is quite tight as all reforms and investment have to be completed by August 2026. Remarks regarding the initial document did not identify the relevant projects directly but rather highlighted strategic topics.

[1] Directorate-General for Economic and Financial Affairs, *European Economic Forecast – Spring 2020*, Publications Office of the European Union, Luxembourg, 6 May 2020, available at: https://economy-finance.ec.europa.eu/publications/european-economic-forecast-spring-2020_en, accessed 20 June 2022.
[2] Redek T., Domadenik P., Koman M., Zupan N., *The impact of Covid-19 on Slovenian companies and the role of remote work*, in Domadenik P., Koman M. and Redek T. (eds.), *The virus aftermath: A socio-economic twist?*, Časnik Finance, Ljubljana, November 2020, 251-273.
[3] *Ibidem*.
[4] Government of the Republic of Slovenia, *Načrt za okrevanje in odpornost*, 2021: https://www.gov.si/zbirke/projekti-in-programi/nacrt-za-okrevanje-in-odpornost, accessed 20 June 2022.
[5] European Commission, *NextGenerationEU: European Commission endorses Slovenia's €2.5 billion recovery and resilience plan*, Press Release, Brussels, 1 July 2021, https://ec.europa.eu/info/sites/default/files/com-2021-384-slovenia_press-release_en.pdf, accessed 20 June 2022.
[6] Council of the European Union, *Council implementing decision on the approval of the assessment of the recovery and resilience plan for Slovenia*, 20 July 2021, 10612/21, 2021/0192(NLE): https://data.consilium.europa.eu/doc/document/ST-10612-2021-INIT/en/pdf, accessed 20 June 2022; Council of the European Union, *Annex to the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Slovenia*, 20 July 2021, 10612/21ADD1, 2021/0192(NLE), https://data.consilium.europa.eu/doc/document/ST-10612-2021-ADD-1/en/pdf, accessed 20 June 2022.

The government states that more than 2,000 stakeholders were involved and consulted in the adoption of the RRP. According to our research, however, participation was only formal, mainly in the sense of providing information rather than consultation. For example, the RRP proposal was presented at an event for businesses with about 1,300 attendees, where they could learn about the RRP but did not have the opportunity to actually discuss and submit their proposals. Moreover, partnership in coordinating the RRP was not required under the relevant European legislation. National legislation must also be taken into account, however, namely the Decree on Development Planning Documents and Procedures for the Preparation of the Central Government Budget,[7] which requires such procedures. Similarly, the social partners were not systematically involved in the elaboration and implementation of the RRP. There was also a general lack of cooperation in the form of consultations, exchanges of views and joint strategic actions in the preparation of the RRP. Most of the material was prepared unilaterally by the government.

Officially, Slovenian representatives held 39 consultations with European Commission directorates at the administrative and technical levels,[8] but to our knowledge there was no really thorough substantive assessment by the European Commission. Both the European Commission and the Council reviewed the formal requirements; the only substantive suggestion was that there should be more projects in the field of green transition. From the point of view of Slovenia's development needs and not least the capacity of state institutions, the role of the European Commission was also substantive, namely in relation to the state's orientation towards an innovation-based society.

One of the main criticisms put forward by Slovene EU policy experts on the adoption of the RRP was that projects requiring financial funds based on the RRP should be planned together with projects based on EU Cohesion Policy 2021–2027 funding (3.54 billion euros [€]),[9] and therefore lacks sufficient strategic orientation. Although the partnership agreement and programmes under cohesion policy funds for 2021–2027 took into consideration Country Specific Recommendations and investment guidance, trying to reap synergies and complementarities with other EU funding mechanisms, sound strategic priorities set at the national level are lacking. Likewise, in our opinion, proposed projects did not sufficiently take uneven regional distribution into account.

The Slovene government was satisfied with political negotiations at the level of the European Council and fund allocation. They plan to implement a series of reforms tied to NextGenerationEU (NGEU) on long-standing constraints in health care, pensions, labour and administration to raise productivity and reduce the burden of demographic ageing, which is among the most severe in the EU. Because Slovenia registered among the highest GDP growth rates in the EU in 2021, however, the level of grants in the RRP mechanism will be

[7] *Official Gazette of the Republic of Slovenia*, No 54/10 and 35/18.
[8] European Commission, *Slovenia's recovery and resilience plan*, 2021, https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/slovenias-recovery-and-resilience-plan_en, accessed 20 June 2022.
[9] European Commission, *Cohesion Policy 2021–2027*, 2021, available at: https://ec.europa.eu/regional_policy/en/2021_2027/#:~:text=EU%20Cohesion%20Policy%20contributes%20to,the%20green%20and%20digital%20transition, accessed 20 June 2022.

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lowered by 15 per cent and policymakers will have to rethink the projects planned to be financed from RRP grants.

2. Slovenia's RRP: how far do the green and digital transitions go?

In its RRP, Slovenia has identified development areas with corresponding reforms and investments that will not only help to mitigate the negative economic and social impacts of the Covid-19 pandemic, but also provide an adequate response to the challenges of green and digital transformation in the context of higher productivity growth and improvements in well-being. The RRP lays down measures in the following areas: (i) green transition; (ii) digital transformation; (iii) smart, sustainable and inclusive growth; and (iv) health and social security.[10] Based on this, the Slovenian government's RRP projects 59 investments and 34 reforms, comprising 209 milestones.[11] In terms of funding requested this means €1.8 billion in grants and €0.7 billion in loans.[12] As already mentioned, because Slovenia recorded one of the highest GDP growth rates in 2021, the amount of grants automatically decreased by €286 million.

Under the NextGenerationEU stimulus instrument,[13] whose aim is to help repair the immediate economic and social damage resulting from Covid-19 and within the framework of which the RRP enshrines the most valuable financial incentives, along with ReactEU, Horizon Europe, InvestEU, Rural Development, JTF and RescEU, Slovenia is eligible for about €5.7 billion, of which €3.2 billion is in loans and €2.1 billion is in grants (€312 million from the React-EU initiative, €134 million from the Just Transition Fund, €1.8 billion from the Recovery and Resilience Mechanism RescEU, and €68 million for rural development). But although Slovenia was eligible to allocate €3.2 billion in loans, policymakers decided to use only 21.8 per cent of the funds. The main argument was that the interest rate on loans was higher than those on government bonds. Short-termism has shown its negative consequences already in 2022, especially after the automatic downward adjustment of grants because of high GDP growth in 2021.

[10] SVRK, *Načrt za okrevanje in odpornost*, 2021, https://www.eu-skladi.si/sl/po-2020/nacrt-za-okrevanje-in-krepitev-odpornosti, accessed 20 June 2022.
[11] *See* Directorate-General for Economic and Financial Affairs, nt. (1).
[12] Directorate-General for Internal Policies, *First Recovery and Resilience Dialogue with the European Commission*, Think Tank - European Parliament, May 2021. Available at: https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/659651/IPOL_IDA(2021)659651_EN.pdf, accessed 20 June 2022.
[13] European Union, *NextGenerationEU. Make it Real*, 2022, https://europa.eu/next-generation-eu/index_en, accessed 20 June 2022.

2.1. Main reforms and investments.

As already mentioned, the Slovenian RRP envisions four areas for reform and investment: (i) green transition, (ii) digitalisation, (iii) smart, sustainable and inclusive growth, and (iv) health and social security. Considering the planned distribution of funds, the main priorities are green transition and digitalisation, which account for 42 and 21.46 per cent of the plan, respectively. In other words, Slovenia aims with its RRP to accelerate transition towards a greener economy, speed up the digital transformation of public administration and companies, and ensure social-economic cohesion and resilience. From a developmental perspective, this is the right approach, as Slovenia falls short in these two areas. The main dispute among policymakers and experts, however, is that it should devote more funds to the green and digital transformations and less to tangible infrastructure.

The plan envisages measures to support the decarbonisation of the economy and climate change adaptation. It is expected to contribute significantly to Slovenia's digitalisation, not only though supporting investment in digital infrastructure, but also by strengthening digital skills through education and lifelong learning. The plan also focuses strongly on increasing the resilience of the health care system, setting up a long-term care system and improving access to affordable housing

The Green Transition Plan has five components: renewable energy sources (including modernisation of electricity distribution and energy efficiency), sustainable renovation of buildings, a clean and safe environment, sustainable mobility, and a circular economy. These reforms would increase the share of clean energy in total energy production and improve resource efficiency by increasing energy productivity (less energy consumption per euro of GDP produced). According to the government, the planned reform will unlock renewable energy potential (hydro, solar and wind energy) and improve sustainable mobility, which are essential steps in decarbonising the energy, transport and building sectors.

Immediate action should be taken in the area of digitalisation, as Slovenia lags behind other European countries, especially as regards digital public services and digital skills. This is recognised by the RRP. The key measures are directed mostly to improving digitalisation in the public sector and public administration. After that come investments in the digital skills of different segments of society, with a lot of focus on reforming the school system. Investment in the digital transition for companies is at the tail end of this list.

International comparison shows that Slovenia will spend about 0.7 per cent of GDP less on digitalisation than the other countries of central and eastern Europe,[14] which is worrying. According to the Institute of Macroeconomic Analysis and Development (IMAD), underinvestment in smart transformation will be felt especially later on, when the available funds have already been allocated and fiscal rules will make it very difficult to increase funds for digital transformation from the integrated EU budget. It should also be taken into

[14] IMAD, *Poročilo o razvoju (Development Report)*, Ljubljana, September 2022, available at: https://www.umar.gov.si/fileadmin/user_upload/razvoj_slovenije/2022/angleski/Development_Report_2022.pdf, accessed 15 July 2022.

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account that Slovenia has received a number of Country Specific Recommendations on digitalisation in the past and it is a focus of OECD inspection in 2022.

The third, more broadly defined area is economic and social resilience, composed of smart, sustainable and inclusive growth, and health and social security. Smart, sustainable and inclusive growth has six components: research, development and innovation; increasing productivity; a friendly business environment for investors; labour market measures to mitigate the consequences of negative structural trends; transformation of Slovenian tourism and investment in infrastructure in the field of tourism and cultural heritage; and strengthening skills, especially digital skills and skills required for new professions and effective public institutions. The RRP in our opinion appropriately addresses the challenges, such as low investment rates, low inclusion of older workers in the labour market and skills mismatch, but a more holistic reform of social sub-systems is needed. While the RRP provides substantial financial support in terms of grants and loans to investment projects in critical areas of digital and green transition, there is a lack of systemic reforms. Affordable housing, especially for the younger generation, is a problem – the RRP plans to support this with only €60 million in investment. Such reforms are in the right direction, but it would make more sense to implement a thorough strategic plan.

A similar problem could be observed in the last reform area, the health and social security system, where long-term care was on the table and a law was passed at the end of 2021, but its implementation is scarcely possible in practice because of how the law was drafted. Its lack of feasibility is recognised by experts[15] and politicians.[16] The current capabilities of the health care system do not allow for additional burdens as regards financial, infrastructural and human resources. Therefore, the government has proposed to postpone implementation of the law until 1 January 2024, but the opposition has submitted a request for a referendum. Regulation is essential for the further sustainable development of society, while investment in the existing public health system must be boosted. The RRP in our opinion successfully introduces some of most important tangible investments (in hospitals and other facilities), but falls short on holistic reform of the health system.

2.2. Impact of labour market reforms.

The planned reforms will certainly have a direct impact on the labour market, mostly the measures to mitigate the consequences of negative structural trends. Others will probably have an indirect impact, as any improvement in the business environment that leads to higher GDP growth improves employability and provides more jobs. Just 8 per cent of the funds of the Smart and Sustainable Slovenia package are allocated to this reform, however, and thus it is questionable how much progress can be made.

[15] Strban G., Grebenc V., Kobal Tomc B., *Zakon o dolgotrajni oskrbi - (ne)izvedljiv v praksi?: okrogla miza na XXI. Dnevi delovnega prava in socialne varnosti*, Kongresni center GH Bernardin, Portorož, 26 May 2022.
[16] A fact recognized also by the current health minister. *See* RTV, 2022, https://www.rtvslo.si/slovenija/ker-je-zakon-o-dolgotrajni-oskrbi-neizvedljiv-bodo-iskali-resitve-kako-ga-ustaviti-in-popraviti/631824.

Regarding employment protection we can identify a specific reform. Programmes aimed at strengthening digital skills, if done appropriately, can improve employability. From a financial perspective, 36 per cent of the Smart and Sustainable Slovenia package funds are planned for these activities, which should be a good starting point for further development. The extremely low level of lifelong learning (especially among the unskilled) is the most critical aspect of human resources in Slovenia and needs to be supported financially. Programmes should focus on projects related to digital skills acquisition, and only then on software investment. During the period from May to November 2022, students in the last triad of elementary school, high school and college students, and seniors aged 55 and over are entitled to a digital voucher of €150 to purchase computer equipment. Seniors should attend digital literacy training subsidised under the Promotion of Digital Inclusion Act[17] to redeem their voucher. This type of intervention can be useful in general, but without real benefit if it does not also strengthen skills for working in a digital environment. It is questionable whether this type of training will meet the needs of seniors, as "one size does not fit all", and whether it will help improve digital literacy. Moreover, as reported in the media, younger people have used the voucher to buy more expensive devices, such as headphones.

The planned reform is likely to have a direct impact on social protection in the area of long-term care and also by improving the current capacity of the public health system. Substantial financial resources are planned to be spent on improving digitalisation infrastructure in educational institutions and the digital skills of teachers at all levels. The housing challenges are also mentioned in the RRP, but they are not set as a priority, even though this is a very pressing issue in Slovenia.

3. Social and labour dimensions of the RRP.

3.1 European Commission assessment.

On 30 April 2021, Slovenia submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 28 July 2021,[18] the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Slovenia. According to the Bruegel classification,[19] Slovenia plans to spend 19.7 per cent

[17] Official Gazzette of the Republic of Slovenia, No. 35/22.
[18] European Commission, *Analysis of the recovery and resilience plan of Slovenia*, 1 July 2021, COM(2021) 384 final, 2021, https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021SC0184&from=EN, accessed 20 June 2022.
[19] Bruegel, *European Union Countries' Recovery and Resilience Plans*, 9 June 2022. Available at: https://www.bruegel.org/dataset/european-union-countries-recovery-and-resilience-plans, accessed 15 June 2022. Due to the shortcomings of the EC categorisation Bruegel adopted its own categorisation, based on three

of total RRF for digital transformation and 51.91 per cent on green transition. The average shares of funding allocated to digitalisation and green transition in European countries are 24.94 and 46.8 per cent, respectively.

As regards social and labour policy, the European Commission stresses that the planned reforms are in line with the economic and social challenges highlighted for Slovenia in the 2019 and 2020 European Semesters. The Commission also assessed that the measures adequately address social vulnerabilities and target young people, all in line with the principles of the European Pillar of Social Rights. In particular, they highlight reforms in long-term care, health care, pensions and the labour market, education and skills, R&D and innovation, the business environment, and public procurement. According to the Bruegel classification, Slovenia plans to spend €1.1 billion on measures related to social, economic and institutional development.[20]

3.2 The Slovenian RRP and the European Pillar of Social Rights.

The European Pillar of Social Rights provides a framework for monitoring convergence towards better working and living conditions in the EU, operationalised by the Social Scoreboard and its 20 principles on equal opportunities and access to the labour market, fair working conditions, social protection and inclusion. In the case of equal opportunities and labour market access, Slovenia was the best performing country on three headline indicators – early leavers from education and training, youth NEETs and income distribution – but needs to direct its attention towards attaining a basic level of digital skills. The gender employment gap also needs to be monitored. In the case of dynamic labour markets and fair working conditions most indicators signal average or above average performance compared with other EU economies. The most challenges remain in the subfield of social protection and inclusion, with a disability employment gap and risk of poverty or social exclusion. When it comes to the risk of poverty or social exclusion for children, however, it is among the top performers.[21]

In our opinion, the RRP plan mainly addressed the following principles of the European Pillar of Social Rights: education, training and lifelong learning (especially attaining digital skills), health care, long-term care and access to essential services. In accordance with the guidelines of the 19th key principle of the European Pillar of Social Rights (housing and assistance for the homeless), the RRP programme strives to ensure access to social housing or quality housing help for everyone who needs it, especially the socially underprivileged and

categories, including sub-categories: (1) green transition; (2) digital transformation; (3) social, economic and institutional development; and (4) uncategorized.

[20] Bruegel, nt. (19).

[21] Eurostat, *European Pillar of Social Rights: Social Scoreboard of Indicators*, 2022. Available at: https://ec.europa.eu/eurostat/web/european-pillar-of-social-rights/indicators/social-scoreboard-indicators, accessed 20 June 2022.

other marginalised groups. Among projects worth mentioning are the establishment of a rental housing financing scheme and the implementation of public rental apartments.

3.3 The Slovenian RRP and implementation of the CSR.

Educational performance overall is good, but major gaps persist between genders, nationalities (for example, Roma pupils, students from migrant families) and disadvantaged social backgrounds. In addition, the disability employment gap calls for a better, more targeted approach. Also the CSRs (2019[22] and 2020) mentioned that Slovenia should increase the employability of low-skilled and older workers by making education and training more sensitive to labour market needs, as well as providing lifelong learning and activation measures. Also measures, including improving digital literacy and digital skills in general, should be directed to disadvantaged citizens.

Reforms and investments in the RRP are focused on incorporating digital and sustainable development competences in curricula at all levels of education, improving adaptation to labour market needs by improving cooperation between educators and employers, and promoting vocational education and training. The RRP programme proposes curricular reform, namely the updating of preschool, primary and general education, secondary education and adult education in particular subject areas, and relevant exam skills in selected areas, with the development of a comprehensive supporting environment for those lagging behind. The higher education system should also be more responsive to the needs of the environment (providing the skills needed on the labour market) and provide workers capable of solving future challenges. Two key documents (Guidelines for the Renewal of Professional Higher Education,[23] with a proposal for an implementation plan, and Blueprint for Investing in Green, Resilient, Sustainable and Digitally Connected Higher Education[24]) will provide the basis for systemic changes in higher education on three levels: (i) substantive (curriculum renewal with the introduction of competencies that are key to a green and digital transition, taking into account labour market needs in terms of knowledge and skills and the restructuring of the existing and future workforce to shape Society 5.0 by means of lifelong learning); (ii) normative (optimisation and flexibility of the study process and creation of study programmes and sufficient places in accordance with company personnel needs); and (iii) infrastructural (in support of changing study processes with increased use of ICT and consideration of the environmental aspects of greening, such as the development of

[22] European Commission, *Recommendation for a Council Recommendation on the 2019 National Reform Programme of Slovenia and delivering a Council opinion on the 2019 Stability Programme of Slovenia*, 5 June 2019, COM(2019) 524, https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258747457&uri=CELEX%3A52019DC0524, accessed 20 June 2022.
[23] Makovec Radovan D., Radovan M., *Smernice za izvajanje poklicnega in strokovnega izobraževanja v kombinirani obliki*, Ljubljana, 2020, https://cpi.si/wp-content/uploads/2020/11/cpi-smernice-ku.pdf, accessed 20 June 2022.
[24] Ministry of Education, Science and Sport, *Smernice za prenovo visokošolskega strokovnega izobraževanja s predlogom izvedbenega načrta*, 14 June 2022, https://www.gov.si/assets/ministrstva/MIZS/Dokumenti/Visoko-solstvo/Javni_razpisi/NOO_poziv_reforma/2022-06-14_Smernice_v1-3.pdf, accessed 20 Jun. 2022.

sustainable and smart lecture halls, as well as low-carbon ethical digitisation using intelligent equipment).

The third part of competence development refers to the modernisation of secondary vocational and professional education (VET and short-cycle higher vocational education), including apprenticeships, updating of post-secondary study programmes and establishing digitally supported learning sites. In the period 2021–2026, implementation of the following key activities is foreseen. (i) Updating of 25 educational programmes of vocational and professional education (VET) and 16 higher education study programmes (short-cycle higher vocational education), mainly by making better use of the possibilities of the open part of the curriculum. Greater emphasis will be placed on green, digital and other competencies that future graduates will need when working in technologically advanced environments. (ii) Evaluation of the management model of apprenticeships within the framework of secondary vocational education and establishment of guidelines for upgrading the apprenticeship system together with stakeholders. (iii) Development of various models of school cooperation with their stakeholders (employers).

As communicated by policymakers, however, more social policy actions targeting specifically those who are more likely to be left behind (by lifelong learning, for example) will be designed within EU Cohesion Policy.

4. Reception of the Slovenian RRP.

According to the EU Commission and Council the RRP implements the Country Specific Recommendations formulated in the European Semester cycles 2019 and 2020. It is important to note that three much-needed structural reforms are needed to confront the fiscal challenges associated with population ageing: reform of pension benefits, health care and long-term care. Preparation of pension system reform (in cooperation with social partners) that would be sustainable in the long run and adequately addresses the needs of people and the ageing problem should be a key deliverable under the RRP in 2022–2023.[25] The OECD's country recommendations were very clear. The average retirement age is one of the lowest among EU countries, while labour taxes (taxes and social contributions) are among the highest among the OECD countries.[26] Unfunded increases in pension benefits in recent years have contributed to one of the highest projected pension spending increases in the OECD. As of late summer 2022, no official proposal to change pension legislation had been drafted. A special working group had been formed at the Ministry of Labour, Family, Social Affairs and Equal Opportunities, however, to prepare legislative changes in the

[25] European Commission, *2022 Country Report – Slovenia*, 2022, 23 May 2022, SWD(2022) 626 final. Available at: https://ec.europa.eu/info/system/files/2022-european-semester-country-report-slovenia_en.pdf, accessed 20 June 2022.
[26] OECD, *Slovenia: accelerate structural reforms to keep recovery on track*, 4 July 2022: https://www.oecd.org/newsroom/slovenia-accelerate-structural-reforms-to-keep-recovery-on-track.htm, accessed 20 August 2022.

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direction of extending the insurance period to 42 years, as well as other changes that have not yet been disclosed to the public.

The second Country Specific Recommendation for 2019[27] and 2020[28] was to create a coherent regulatory framework for long-term health care and social services and a financially sustainable health-care system in general. As part of the RRP, Slovenia adopted the Long-Term Care Act in December 2021 but introducing compulsory long-term care insurance, which should cover at least 30 per cent of the costs, has been postponed to 2025. The RRP includes needed complementary investment in additional facilities for long-term care. The third structural reform concerns the health-care system to improve its quality, accessibility and resilience based on investment in new hospitals and new organisation and financing systems.

The third part of the RRP concerns housing policy. The proportion of the population at risk of poverty or social exclusion has decreased, but among the elderly it remains above the EU average.[29] In order to mitigate the social consequences of the Covid-19 crisis, it is essential that Slovenia continues to provide an adequate package of social benefits. Therefore, it will be necessary to regularly monitor the effects of the crisis on poverty. Special attention should be paid to the elderly, especially women, who were particularly at risk of poverty or social exclusion even before the crisis, above the EU average.[30] Therefore, the RRP proposes reforms and investments to promote the social inclusion of people who are threatened by poverty or social exclusion, namely by providing public rental housing, which will be aimed primarily at young people, the socially vulnerable and other marginalised groups. The goal is to increase the number of public rental apartments; ensure easier access to housing for the young, the elderly and other more vulnerable groups; reduce the burden of housing costs on socially vulnerable households; lower the proportion of households below the housing poverty threshold; establish sustainable conditions for the continuous supply of public rental apartments; activate existing, but unoccupied housing; and promote residential mobility.

Although the RRP addresses some critical challenges faced by Slovene society a number of others are not covered. Most of them are related to the sustainability of public finance, insufficient productivity growth and the business environment. As all three indirectly address social and labour issues, we will touch on this briefly. The health-care and long-term care reforms that are planned within the RRP framework represent a major threat to the long-term sustainability of public finance. The proportion of expenditure related to demographic ageing is expected to experience one of the highest growth rates in the EU by 2035. There is no plan on how to ensure additional financial resources, while the reforms in health-care and pension systems in recent years have mainly extended access to high-quality services and

[27] European Commission, *Recommendation for a Council Recommendation on the 2019 National Reform Programme of Slovenia and delivering a Council opinion on the 2019 Stability Programme of Slovenia*, 5 June 2019, COM(2019) 524.
[28] European Commission, *Recommendation for a Council Recommendation on the 2020 National Reform Programme of Slovenia and delivering a Council opinion on the 2019 Stability Programme of Slovenia*, 20 May 2020, COM(2020) 524.
[29] European Commission, nt. (27).
[30] European Commission, nt. (28).

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improved social inclusion.[31] Moreover, the shortages of health workers limit access to health-care services in particular regions. Long waiting times for certain medical treatments increase absenteeism and indirectly lower economic productivity.

5. Lessons from the previous crisis.

During the pandemic, a number of measures were taken to mitigate its effects. From the employers' perspective, the payment of wage compensation for various absences caused by the lockdowns was well received in the labour market. In addition, the government passed ten acts (Acts Determining the Intervention Measures to Contain the Covid-19 Pandemic and Mitigate its Consequences for Citizens and the Economy) that provided several subsidies to individuals and organisations to mitigate the negative consequences of the pandemic and lockdowns. The great financial crisis that seriously hit the Slovene economy in 2009–2013 had completely different causes (indebtedness of private companies and sovereign debt crisis) and policymakers reacted very differently, applying strict austerity measures as suggested by European Commission. The Fiscal Balance Act passed in 2012 worsened the situation significantly, as it limited the use of public funds, with severe cuts for labour and social policy. A pessimistic business environment and high country risk[32] constrained the investment activities of Slovene firms and therefore increased the unemployment rate and poverty. Inappropriate austerity measures implemented by the EU authorities and threat of imposing the Troika limited the growth of the Slovene economy for the next five years.

Specific country recommendations for Slovenia might include the following: (i) fiscal recommendations ensuring the sustainability of public finances in the medium and long term by gradually normalising fiscal policy, constraining increases in primary expenditure and implementing reforms addressing the long-term sustainability of the health-care and long-term care systems; (ii) using additional revenue sources to rebalance the tax mix towards green and more growth-friendly taxes; (iii) improving the business environment by implementing measures to speed up payments across the economy, and reducing bureaucracy; (iv) limiting the power of state-owned and state-controlled companies in non-strategic sectors regarding competition and market entry; (v) increasing green investments and diversifying the energy supply (increasing the share of renewables), renewing electricity distribution networks, improving energy productivity and infrastructure; (vi) speeding up the circular transformation of the economy and eco-innovation.[33] There were no specific recommendations regarding social or employment protection policies, although the document mentions issues related to public financing of the health system. Health-care

[31] European Commission, nt. (25).
[32] Country risk in general refers to the uncertainty associated with investing in a particular country, and more specifically to the degree to which that uncertainty could lead to losses for investors due to political, economic, exchange-rate or technological influences. Slovenia has been in a very tough financial position during financial crises (2009–2012), with low country ratings (high probability of default) and high interest rates.
[33] European Commission, nt. (25).

spending in Slovenia is expected to increase by 1.5 percentage points of GDP per year until 2070 and long-term care costs are projected to double by 2055.[34] Population ageing in Slovenia represents a high fiscal sustainability risk in the medium and long term and has been addressed accordingly in the Recovery and Resilience Plan. The reforms will be implemented in several steps and mainly extend access to high-quality services and improve social rights and inclusion.

The specific country recommendations for Slovenia are therefore focused merely on fiscal policies (to ensure medium- and long-term fiscal stability to cope with the rapid growth of expenditure to tackle demographic ageing), reducing bureaucracy and green transition. But indirect effects on job creation and human capital formation could also be identified. Improved productivity would create more fiscal space for social protection in the future.

In relation to social and employment protection, in addition to the digital transition, the recommendations propose ensuring the long-term fiscal sustainability of the health and long-term care systems, as already mentioned, and introducing compensatory measures to complete the shift away from taxing labour, including by switching to greener and more growth-friendly taxes.

There have been several discussions related to increasing the funds devoted to digitalisation. Opposition parties also suggested increasing the amount of loans to a higher level, but the government argued that it would be cheaper to issue government bonds.

The Country Specific Recommendations that will help Slovenia to recover from the Covid-19 crisis and strengthen its resilience to deal with acute issues (such as ageing) support the full-fledged implementation of the Recovery and Resilience Plan, in line with the relevant milestones and targets.[35] However, it has been noted that the systematic involvement of social partners and other relevant stakeholders (in line with the idea of broad ownership of the reforms) remains important for the successful implementation of proposed reforms and projects.

Policymakers rejected the option of introducing austerity measures because of the significant negative impact on the economy and society. Fiscal measures, in order to be effective in mitigating a deep recession, should be countercyclical. Moreover, the exogeneous shock of the Covid-19 pandemic makes the imposition of austerity measures highly inappropriate.

6. Final considerations.

At the policy and societal level, the Covid-19 crisis has caused many people to question the current functioning of the economy and society, especially in the form of citizens'

[34] European Commission, nt. (25).
[35] European Commission, nt. (25).

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initiatives. One example is the so-called "*Monde d'après*" ("the world to come") initiative.[36] People around the world are currently thinking about the *Monde d'après*, collecting ideas (for example, on the make.org platform) on how to solve the biggest societal challenges. The proportion of precarious workers is increasing because of the gig economy and workers' bargaining power is deteriorating; public institutions are being eroded by austerity measures; and value is being siphoned off from the economy in favour of shareholders through stock-buyback schemes. The familiar economic instruments have proven to be ineffective in combating serious exogenous shocks.[37] An alternative approach would be to support investment in research and development, increase wages and on-the-job training. The current state of emergency could be used as an opportunity to start building a more inclusive and sustainable economy by structuring government support properly. Laplane and Mazzucato[38] suggest that states should go beyond "market correction" by playing a leading role especially in the case of critical public infrastructure and highly risky projects, delivering immediate solutions that serve the long-term public interest. An "entrepreneurial state" should invest more in innovation in combating different societal challenges, from artificial intelligence to public health, electric mobility and other things, and to overcome the often parasitic relationship in public–private partnerships, not only by contributing to the costs of innovation, but also in negotiating the returns on public investments. The current crisis calls for a new policy approach, based on the theoretical foundations of (i) the developmental state, (ii) legal institutionalism and (iii) the entrepreneurial state.

In contrast to what happened after the 2007–2008 great financial crisis, the EU monetary and fiscal authorities have tried to limit the negative economic impact of the Covid-19 pandemic. The Stability and Growth Pact and other institutional budget constraints have been suspended. This has allowed many EU governments to adopt expansionary fiscal measures to support businesses and households. The ECB has launched the Pandemic Emergency Purchase Programme (PEPP), and the European Council has approved, among other things, the NGEU. Will these and other EU policies be effective in tackling the negative economic impact of the Covid-19 crisis in member countries and have a positive impact on growth in the medium and long term?

In principle, the logic of the proposed RRP reforms in the area of labour and social policy cannot be disputed. Their implementation remains a real challenge, however. The first attempts are not proving to be particularly successful, however. The recently adopted Law on Long-term Care has been particularly ineffectual.

[36] Lecossier A. and Pallot M., *Innovation Strategies of Mature Resilient Businesses during the Covid-19 Crisis*, IEEE International Conference on Engineering, Technology and Innovation (ICE/ITMC), Cardiff, 2020, https://ieeexplore.ieee.org/abstract/document/9198355, accessed 20 June 2022.
[37] Mazzucato M., *Capitalism's triple crisis*, Department of Economics - University of Toronto, 30 March 2020. https://www.economics.utoronto.ca/gindart/2020-03-30%20-%20Capitalism's%20triple%20crisis.pdf, accessed 20 June 2022.
[38] Laplane A., Mazzucato M., *Socializing the risks and rewards of public investments: Economic, policy, and legal issues*, in *Research Policy*, 49, 2, December 2020. Available at: https://doi.org/10.1016/j.repolx.2020.100008, accessed 20 June 2022.

Investment in workers' knowledge and skills is needed to enable them to work in the digital environment. There must be accessible, efficient and high-quality training. Vouchers for purchasing computer equipment may be welcome, but they will not solve the problem of the gap between needs and the actual level of digital skills.

Regarding the future development of the RRP, the current situation is characterised by geopolitical risks and significant cost of living increases. It will also be difficult to change the RRP because the allocation of resources has already been announced, focused on a narrow group of actors who will actually fight change. Real change in the future would involve a switch in policy paradigm that would improve the resilience of companies, enabling them to manage future disruptions and handle the most important global challenges (demographic and green transitions, inequalities and energy shortages) by making the most of synergies between collaboration, digitalisation and sustainability.[39] The "*Monde d'après*" initiative has not yet been recognised as a game changer in the policy discussion, however.

[39] *See* nt. (37).