The Future of the Slovenian Welfare State and Challenges to Solidarity

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Abstract

Changing demographic, social, political and economic contexts have strained European welfare states. Social provision in Slovenia had been undergoing gradual development towards a post-socialist model. The country faced a pronounced recession after the 2008 economic crisis, with a second recession in 2012 (along with Greece and Italy). This was further exacerbated by political instability with the restructuring of both left- and right-wing political coalitions. These pressures, coupled with an emphasis on austerity, have led to structural welfare system reforms resulting in a step-change in the reform process as well as societal tensions reflected by public unrest and opposition to the reforms.

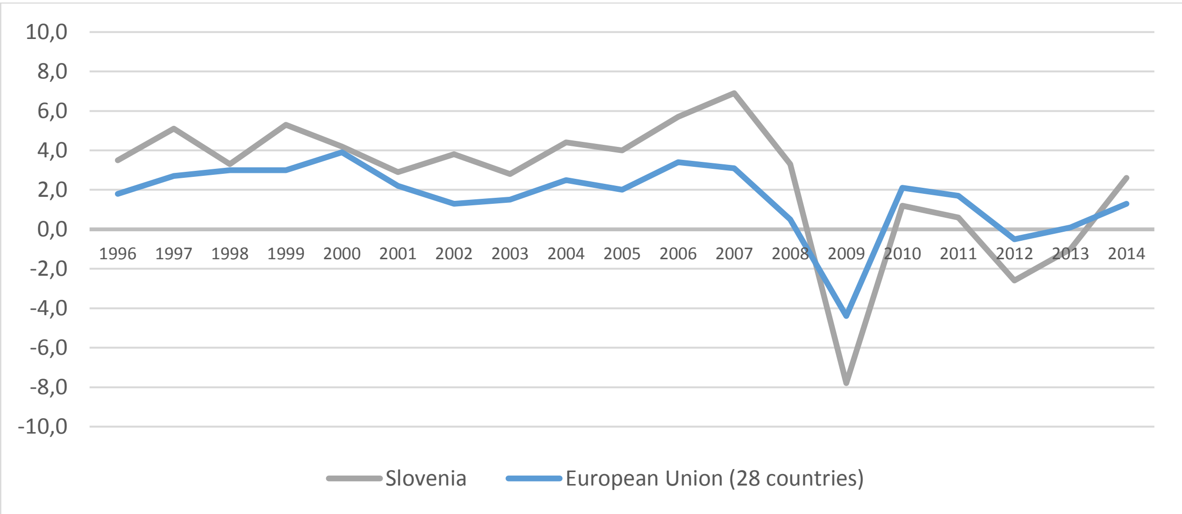
The present paper will consider future directions of the Slovenian welfare system, using data from attitude surveys, analyses of policy documents and other sources to examine the country's post-crisis policies and future welfare state provisions. These issues will be related to recent policy changes in welfare, based on different policy developments, such as social investment and welfare expansion, retrenchment and cost containment (van Kersberger et al., 2014; Hemerijck, 2013; Vandenbroucke & Vleminickx, 2011; Cantillon, 2011). On the basis of peoples' attitudes and future aspirations, this paper will also reflect on which issues and perspectives have the greatest support and are, therefore, the most likely to shape the future of the Slovenian welfare state in a context of political mistrust, rising inequality, labour-market dualisation, an ageing population and trends towards re-familialisation.

Introduction

Slovenia is a small country that was once part of Yugoslavia and therefore, until 1990, was ruled by Communist regime. Because of the specific circumstances by which modern Slovenia developed from a formerly socialist society a special type of welfare system[1] evolved in the country—a state-socialist welfare system in which the state played a dominant role. The state was the owner, financer and controller of every institution and organisation that provided services or paid for the provision of social protections and citizen welfare.

An important fact is that in the transition period in the 1990ies, contrary to some other post-socialist countries, Slovenia did not experience a so called 'welfare gap' (Kolarič et al., 2009, 2011). Instead, the country's welfare reforms followed a gentler path, maintaining strong state involvement in the provision of services and in regulating the economy through state ownership of a many companies and banks. Bohle and Greskovits (2007) claim that the Neo-corporatist regime established after Slovenia's independence has exhibited a firmly institutionalised balance between marketization, i.e. liberalisation, privatisation and market-oriented institution building, and social protections (based on a welfare system and economic protectionism) and that this balance differs markedly from the Neoliberal brand of capitalism that emerged concurrently in the Baltic and Visegràd states.

Figure 1. Slovenia's real GDP growth rate (percentage change on previous years)



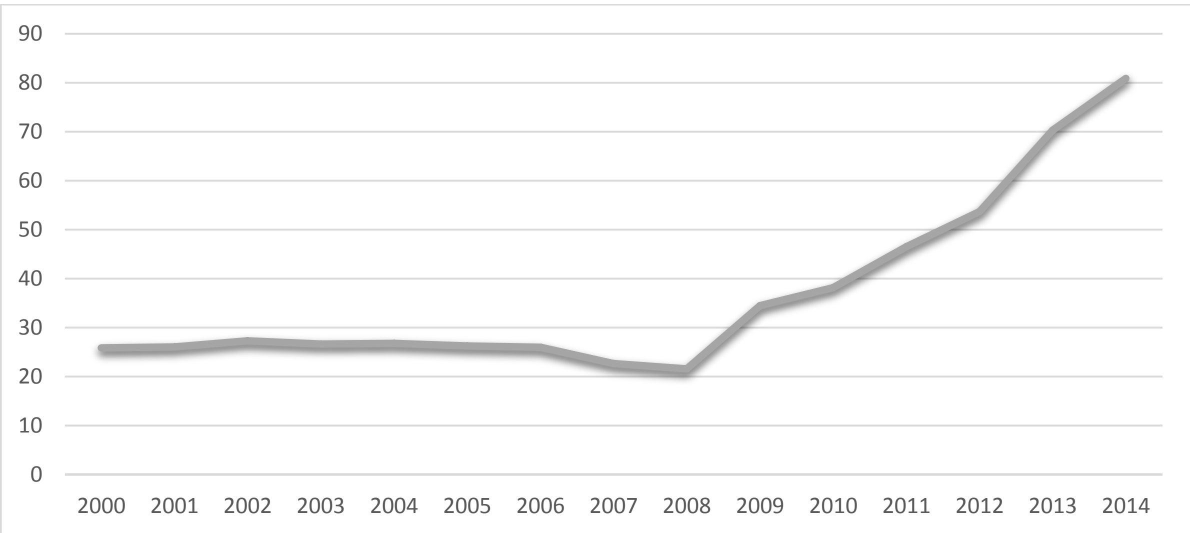
Source: Eurostat

From the time it declared its independence from Yugoslavia in 1990 until the beginning of the global recession in 2008, Slovenia was one of the most successful of the post-socialist transition countries and featured both strong economic growth and a comparatively high standard of living. It was also amongst the first of the onetime Eastern

[1] The welfare system we understand as an open and universal concept that embraces not only the institutions, programmes and measures with which the state provides social protection and social well-being to its citizens, but also those evolving and functioning according to the logic of the market, as well as those operating within the domain of civil society and the community. It embraces the producers as well as the users of services and financial transfers, their norms and values, and the relations among them that emerge from the management, financing, production and distribution of transfers and services, with which the individuals ensure their social protection and social well-being (Svetlik & Kolarič, 1987: 23; Kolarič et al. 2009, 2011).

Bloc territories to enter the European Union, the first of these newcomers to preside over the EU and the first to enter the Eurozone. However, recently the country's well-developed social systems have come under increasingly significant pressure due to the global economic crisis. Indeed, in 2009 Slovenia faced one of the most pronounced recessions in the OECD (see Fig. 1). Its GDP growth rate after 2008 was negative, and the country has been slower to recover than others in the EU-28 (Eurostat). The government's gross national debt (as a share of GDP) has risen sharply, growing from 22% of GDP in 2008 to more than 80% of GDP by the last quarter of 2014 (IMAD, 2015a). The crisis has revealed critical weaknesses in Slovenia's pre-crisis economic performance, structural inconsistencies within its welfare system and the country's limited ability to innovate (OECD, 2011: 17). This has forced its government to take significant steps to restructure the welfare system, which restructuring has in turn produced discontent amongst Slovenia's citizenry. The vast majority of the population (60%) are still in favour of comprehensive, gradual reforms and hold negative opinions mainly towards the substance of the reforms proposed by the government, e.g. cuts to public healthcare and education and a selloff of state-owned companies [2] (Politbarometer, 2013).

Figure 2. The Slovenian government's consolidated gross national debt (as a percentage of GDP)



Source: Eurostat

This chapter will first examine Slovenia's pre-crisis policies and issues relevant to the development of welfare state, then describe its policy responses to the 'Great Recession'. Next, it will analyse the country's welfare-state reforms in terms of its primary policy responses since the crisis's outbreak. Research into European welfare states' responses to the Great Recession shows these responses have mainly consisted of retrenchment, activation, risk prevention and increased selectivity (Borosch et al., 2015; van Kersbergen et al., 2014).

[2] Compared with results from 2012, negative attitudes in Slovenia towards all the proposed reforms were even more pronounced in 2013. (With regards to the 2012 proposal to place constitutional restrictions on referendums, 35% of respondents did not support the measure, whilst in 2013 48% did not support it; with regards to the foundation of the holding 'bad bank' and selling off of the state's owned companies, in 2012 55% of Slovenians did not support this measure, whilst in 2013 59% were opposed to it.) These changes are even more pronounced with regards to cuts in public spending on healthcare, education and public administration. (In 2012 16% of Slovenians did not support these cuts, whilst in 2013 76% did not support them.) (Politbarometer, 2013).

In treating the operationalisation of reform with regards to the content of specific reforms and their aims, this chapter takes into consideration the amended framework of policy responses presented by van Kersbergen et al. (2014): (a) *expansion*, if the measures taken lead to a greater degree of social protection or social investment, (b) *retrenchment*, if the policy cuts back on existing entitlements, e.g. lowering benefit levels, shortening benefit durations or increasing in entitlement conditions, and (c) *cost containment*, if the policy reduces, but does not cut back on, formal entitlements, e.g. freezing benefit levels or more strictly implementing existing rules to reduce fraud. Furthermore, this chapter will compare the extents to which Slovenia's social-investment and social-protection policies have been respectively scaled back due to austerity measures. Despite the fact that policies are never purely *protective* or *investment-oriented* (Nolan, 2013), this chapter will utilise these terms as useful analytical tools;[3] the former emphasises the importance of the welfare state's activities in societal development through its investments in human capital via education, lifelong training and active labour-market policies (Greve, 2015). This chapter will distinguish between social investment and social protection policies based on Vandenbroucke and Vleminckx's distinction (2011) of 'old' and 'new' welfare spending, where the first relates to 'old social risks' and is linked to a social protection paradigm (includes old-age and survivor pensions, healthcare and cash benefits for the working-age population), whilst the latter is linked to new social risks and a social investment paradigm (including childcare, primary and secondary education, parental leave, eldercare, active labour market policies). Moreover, this chapter will examine the extent to which policies have shifted from universality to selectivity and determine which population segments have been most affected by austerity and which have been most 'sheltered' from the state's cutbacks. The next section will link these findings with politics of welfare and consider likely future developments, as well as issues that will arise in the short and long terms. It will also distinguish between internal issues, such as ageing, poverty and inequality, and external issues, such as the roles of the EU and globalisation. This chapter will then conclude with a discussion of its findings.

Pre-crisis Policies and Issues

In the first decade following its transition to self-rule and democracy, Slovenia's governments consisted of mainly leftist-oriented coalitions. Under the country's liberal-democratic party (the *Liberalna demokracija Slovenije*, or *LDS*) bipartisan governments or grand coalitions, coalition compromises were hard to achieve and reforms were often incomplete. However, this political option rejected measures and recommendations for the reforms based on the principle of shock therapy that were advocated by experts from international monetary institutions (Kolarič et al., 2011). As emphasised by Guardiancich (2011), Slovenia's transition from socialism to a market economy was gradual, path-dependent and characterised by the preservation of existing power-balances. Slovenia had a plural-party system in which powerful social partners, such as leading trade unions, played important roles in coalition building. Social partnerships and the involvement of trade unions

[3] The present work's authors readily concede that the dichotomy of social protection or social investment only partially overlaps with old and new social risks; they also concede that there is no clear correlation, for example old social risks can be addressed by social investment policies or *vice versa* (see Borosch et al., 2015; Vandenbroucke & Vleminckx, 2011; Nolan, 2013).

are matters of longstanding precedence in Slovenia's welfare system. Despite declines in union membership after the country declared its independence,[4] Slovenia stood out amongst other CEE countries for having a workforce that remained overwhelmingly unionised and for also having a collective-agreement coverage rate close to 100% due to its extensive legal framework and functioning system of social dialogue[5] (Crowley & Stanojević, 2011).

These contextual factors therefore meant that welfare system reforms in Slovenia were invariably built on its pre-independence systems, were gradual and were based on the consent of its governments' coalition partners, especially on that of the country's trade unions, whose assent was needed whenever the government wished to implementation changes, e.g. to the pension system, minimum wage, labour market, etc. The welfare system that consequently emerged kept the strong role of state in providing public services,[6] such as education, child care, healthcare and social services, and it provided relatively more substantial benefits whilst also preserving its citizens' universal rights to some benefits, e.g. universal access to healthcare and to some family benefits. Furthermore, the ceilings for means-tested benefits were relatively high so that, for example, the child benefit was almost universal and received by a vast majority of families.[7] In general the welfare system was based on the principle of social justice (in the sense of providing equal opportunities to access certain levels of social protection and certain amounts and types of services), upgraded with a meritocratic principle, and the principles of solidarity and equity (Kolarič et al., 2009). As evinced by public opinion research these principles are widely accepted by citizens and are in line with their value orientations.

Slovenia's transition to a market economy was, therefore, relatively soft and inequalities did not become significantly pronounced but remained far less severe than in many other formerly Communist countries (Flere & Lavrič, 2003; Malnar, 2011). In fact, inequality grew only marginally more pronounced after the transition period, with Slovenia's Gini-index rising only approximately five points in the first decade following its independence, from 21.5 point in 1987 to around 26 points by the mid-1990s; however, this rating again dropped to around 23 points before the 2008 financial crisis (Filipovič, Hrast & Ignjatovič, 2012). For low poverty rates and low inequality social welfare policies such as social assistance and child benefits schemes are important, but also the minimum wage (introduced in 1995), unemployment benefits and the progressive personal income tax system.

[4] Before Slovenian independence in 1989, 69% of workers were members of trade unions. In 1994, approximately 58.6% were still members; this figure dropped again to 42.8% in 1998. The sharpest decline (10%) came between 1994 and 1995 (Stanojević, 2000: 39).

[5] The comparable coverage rate for other post-communist EU member states was 27.4%, whereas the average coverage rate for the EU-15 was 78.8%. Moreover, collective bargaining in Slovenia still takes place predominantly at the sector level and is framed by income-policy agreements; almost all bargaining elsewhere in Eastern Europe takes place at the company level.

[6] The Slovene welfare system's well-developed and comprehensive network of state institutions, stemming from the country's socialist past, do not leave much room for the development of civil-society organisations' filling the roles of service providers. However, in the complementary relation to the public sector their importance is growing. They are not only emerging in the formal legal form of associations but also in the form of service providers, cooperatives, social enterprises and foundations. Their founders are private natural and legal persons, among which especially the Roman Catholic Church should be emphasised as the founder of secondary and higher educational institutions, pre-school institutions, elderly care institutions, maternal homes, help communities for drug and alcohol addicts etc. (Kolarič et al., 2002; Rakar et al., 2011).

[7] It was received by over 85% of children below 18 years of age and over 70% of older children up to 26 years who were still in full-time education (Stropnik, 2014: 18).

The Personal Income Tax (PIT) system remained practically unchanged between 1991 and 2004, when a new tax code was passed. However, considerable public discussion in Slovenia has focused on tax reforms, due to a high taxation of labour and complicated set of tax codes, which ranked Slovenia among the countries with the highest taxes on labour within the EU (Majcen et al. 2009).

As described above, for more than a decade Slovenia had centre-left governments, which was labelled as the 'comeback (or just persistence) of the left' by some (Pikalo, 2000: 2003), as those in power were, for the most part, the same individuals who had held power under the previous regime; in fact, it was not until 2004, under Prime Minister Janez Janša—leader of the conservative Slovenian Democratic Party (SDS)—that the real break with the socialist past happened. The rightist political elite designed and partly implemented some reforms, which were in line with the Neoliberal doctrines of most international monetary institutions. For the most part, these planned reforms went in the direction of re-comodification, re-familiarisation and establishment of for-profit and non-profit organisations as carriers of insurance schemes and service providers. Strong resistance from the trade unions and the general public stopped the implementation of the proposed reforms and contributed to the defeat of the rightist political elite on the following elections in 2008 (Kolarič et al., 2011). Amongst the proposed reforms there was to have been the introduction of a flat tax, similar to Slovakia's, but this was later rejected, especially because of the bitter response the proposal received from trade unions. Instead, tax-reform law enacted in 2007 reduced the number of PIT brackets from five to three (16%, 27% and 41%), and reduced the top-bracket tax rate from 50% to 41%. Meanwhile, the 20% scheduler-taxation rate on interest, dividends and capital gains was retained. Hence, Slovenia had once more opted for a more gradual approach to tax reform compared with other CEE countries (Majcen et al., 2009).

One other crucial issue Slovenia faced after its independence was labour market-policy reform. At the beginning of its transition, Slovenia's economic restructuring led to high unemployment rates. One of the important policies implemented to tackle this problem was an early-retirement scheme, which exacerbated sustainability issues by placing an additional burden on the national pension system decades later. Of course, the economic growth that soon followed led to high employment. And yet, these gains were somewhat illusory, as the Slovenian labour market for the past 25 years has become increasingly segmented between those who have secure, permanent employment and those who have flexible (short or part-time) jobs (Kajzer, 2011; Ignjatovič, 2011). Especially vulnerable are the young, of whom the share of those having fixed term contract is 69% and is the highest in EU (Eurostat, 2015). In the decades following Slovenia's independence, the unemployment insurance system has become less insurance and more social assistance based as the duration of benefits has shortened and the maximum payment decreased, and the rights of workers have become more closely related to their responsibilities. Additionally, active labour market policy has been increasingly emphasized (Ignjatovič et al., 2002).

Moreover, family policies have played a central role in supporting high labour market participation amongst women, which has been a tradition in Slovenia for more than half a century. This has been sustained through the development of a widespread network of childcare services, the introduction of insurance-based social security schemes for parenthood, i.e. maternity and parental leaves, and other family-related benefits, e.g. child benefits. The labour-market participation of women in Slovenia was first stimulated by the rapid post-war growth of industry and the equally fast expansion of the service sector in the 1970s. However, in terms of domestic work, a high burden was placed on women and in terms of care for the elderly on social networks, especially the family. After its independence, Slovenia, unlike some other post-socialist countries, managed to preserve the well-developed family-policy measures from its socialistic period and add to them. The reasons for this include the following factors: (1) the economy began to recover and was, compared with other post-socialist countries, in relatively good condition; (2) the country's welfare model was based on gradual changes and social dialogue; and (3) there was strong support for gender equality amongst different social actors (Kanjuo, Mrčela, Černogoj & Sadar, 2011). Furthermore, the high employment of women—and, by extension, the number of dual-earner households—became an essential part of the prevailing employment conditions in Slovenia, as the country's cost of living quickly outpaced average wages.

Slovenia's social spending was near the OECD average (as a % of GDP) and had, in fact, begun falling until 2008, when, as elsewhere in Europe, it sharply rose in 2009 and 2010. By function the largest part is for old age, followed by sickness and disability and family and children. However, despite the large share of social spending being targeted at older people, the economic situation of older people has deteriorated since 2001, with the most affected being those aged 75+ (Kump & Stropnik, 2009; Stropnik et al., 2003; Stropnik et al., 2010). It is not therefore surprising that evaluations of the quality of the pension system are rather negative and the average rating has decreased from 5.1 in 2003 to 4 in 2011 (EQLS 2003, 2011). Opposite to the strong support in the child care the elderly care remaines less developed, showing a high level of familiarism of the welfare system, similar to the Southern European countries (Mandič 2012). Still, there is a long tradition of institutional care in Slovenia, and such services are well developed, whilst community-care services, such as social homecare, day care and other such programmes have only recently begun developing slowly since national independence, and they still serve only a small portion of the population (see Nagode et al., 2004; Mali, 2008).

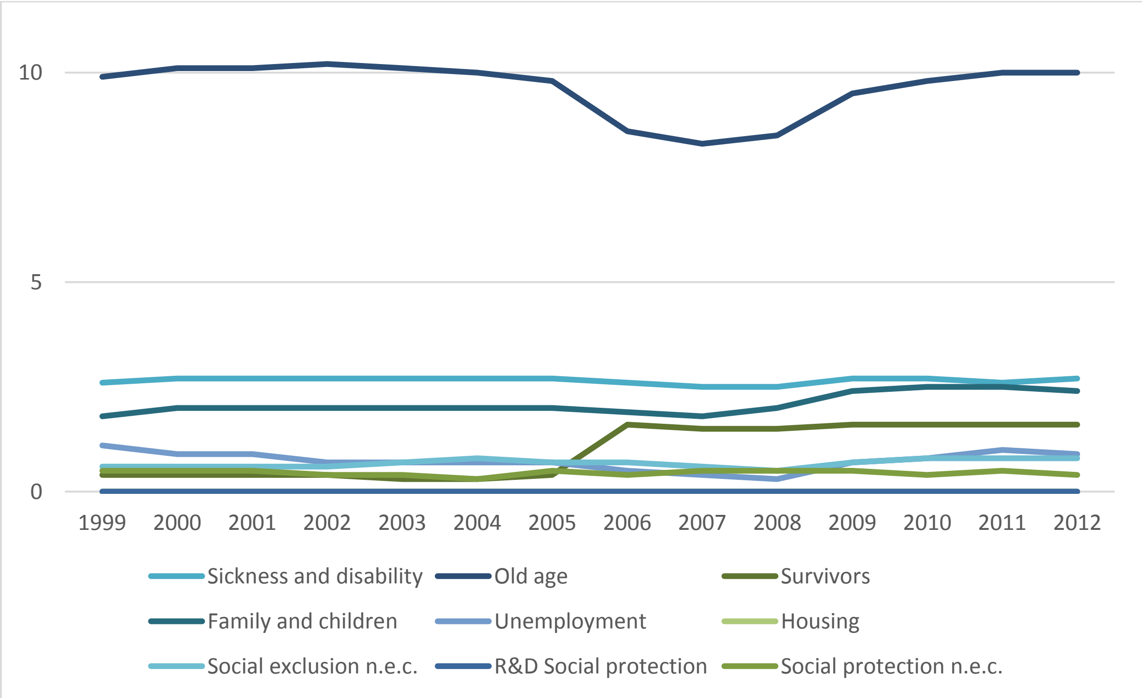
Meanwhile, unlike many European countries, Slovenia has not confronted immigration as a major political issue. The migrations into and out of the country have not been very pronounced, and albeit immigration increased in 2008, it decreased precipitously after the start of the crisis in 2009. Perhaps the greatest issue in this regard, then, pertains to the treatment of immigrants from other former Yugoslav republics. Many such persons relocated to Slovenia after the Second World War and again after 1991 as refuges or economic migrants[8], with one example clearly standing out, i.e. the 'erased'[9], indeed, this has been a highly contentious political issue for several years. Moreover, welfare chauvinism is relatively stronger in Slovenia than it is in other European countries overall, but it is far less

[8] Approximately 250,000 individuals belong to these groups, accounting for roughly 10% of Slovenia's total population (ECRI, 2014).

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

pronounced than it is in other post-socialist countries (see Mewes & Mau, 2013). The most salient issues to gain more political attention after persistent demonstrations from civil society organisations pertain to the poor working conditions, rights violations and exploitation many immigrant workers—particularly those from other former Yugoslav republics—suffer. Such immigrants typically work construction jobs, and the abuses of their employers were only exacerbated by the global economic crisis.

Figure 3. Total general government expenditure on social-protection (as a percentage of GDP)[10]



Source: Eurostat

Policy Responses to the Great Recession

The global fiscal and economic crisis has hit Slovenia particularly hard, as it has brought with it an astronomical unemployment rate. In fact, Slovenia's present unemployment rate is close to what it was when it first faced severe economic restructuring following its independence from Yugoslavia. The government's initial response to the crisis was to soften its impact on the labour market with two temporary measures: (1) a partial subsidy of full-time work for part-time workers and (2) the introduction of a 'temporary waiting-to-work', i.e. temporary layoff, institute. In the first stages of this more structural response to the crisis, the government tried to tackle the sustainability of social spending with pension and labour-market reforms, and during the second stage, welfare and family policy reforms were also adopted. As a direct response to the crisis, two intervention acts were also adopted[11] that introduced temporary austerity measures with indeterminate term limits, and these policies are to remain in force until one year after national economic growth had exceeded 2.5% of GDP.

[10] Unfortunately, data on social expenditure are only available through 2012, whilst the austerity measures' effects have primarily been felt since, as the deepest cuts were not made until 2012.
[11] The first, the Additional Intervention Measures Act of 2012, came into force 1 January 2012, the same day as the new social legislation was passed. The second, the Fiscal Balance Act, came into force 31 May 2012.

Both have limited outflows from the public budget and the budgets of municipalities, as well as from the Health Insurance Institute and Pension Insurance Institute, by limiting the indexation of transfers, the salaries of public employees and the share of co-investments with municipalities. These reforms, moreover, made social and family benefits more means-tested, lowered the level of some benefits also with regards to social insurance-related benefits such as leave policies.

The economic crisis also marked a period of political instability, with changes to both the left- and right-wing coalitions in parliament. From November 2008 until the end of 2011, left-wing governments retained power. Then, during the next preliminary elections, a right-wing government came to power, only to lose public support again in 2013 and be replaced by a centre-left government that lasted until August 2014, when a new party, the Party of the Modern Centre (SMC), won enough national support to form a second centre-left coalition. These changes to government have been seemingly continual, swift and momentous. However, both rightist and leftist governments have acted to curb government spending, viewing the discharge of the state's responsibility for social protection and the wellbeing of its citizens as the dominant way out of the difficult economic and financial circumstances in which Slovenia found itself (Kolarič at al., 2011).

These major changes to welfare policy after 2010 involved the adoption of new social legislation that came into force 1 January 2012 and were embodied in the following laws: the Exercise of Rights to Public Funds and the Financial Social Assistance acts, which regulated the distribution of non-contributory social benefits. According to Leskošek and Dragoš (2014), the need to criminalise welfare beneficiaries and prevent abuse occupied an important position as a centrepiece of the government's push for new social legislation. And yet, the paradox of all this lies in how the aforesaid legislation—which represents a shift towards prevailing principles of need as the national impulse towards social justice and equality faded—was formulated and passed by the leftist social-democratic government, which had won its election on the premise that the preceding right-wing government had been excessively Neo-liberal. Hence, the austerity measures introduced in Slovenia did not have clear ideological roots in electoral mandate but were seen as mere necessity. This is in line with Armingeon's findings (2012) of fiscal responses to crisis—retrenchment responses that were, in fact, so dominant in European economic thinking that political party hardly mattered.

Thus, this new social legislation, together with the aforementioned austerity laws, introduced substantial changes to social and family benefits: these were now more targeted measures with stricter criteria, and universalistic rights were abolished in preference of extensive means testing to increase selectivity. These factors have led to cuts in social benefits that have hit the lower-middle class especially hard. Hence, the medium income families are now 'not (much) better off than the low income families' (Stropnik, 2014: 19). These crisis-related reforms weakened de-familiaristic effect of the social and family policy in Slovenia (Blum et al., 2014; Rakar, 2015). Indeed, additional modifications to the new legislation did come in 2014, yet as shown by several studies (Rakar, 2015; Trbanc et al., 2014), these changes were minor and mostly served as 'cosmetic makeovers' to satisfy the public. It should be stressed as well that these corrections were not new but were policies that existed before the introduction of the new social legislation.

This weakening of the middle class can also be observed in the fact that wages have stagnated at the lower end of the spectrum—more than two-thirds of employees receive below-average wages and a quarter receive less than 60% of the average wage (Trbanc et al., 2014)— and that there is a high share of those on minimal wage. Moreover, the percentage of Slovenians earning less than 105% of the minimal wage was 19% in 2010, the highest percentage for this figure amongst the 20 European countries observed[12] (Eurostat). And, naturally, this was followed by a significant increase in the number of claimants for exceptional social assistance[13] showing the rise of a 'working poor' class, as often claimants are ineligible for regular (means-tested) social assistance.[14] Similarly, the number of beneficiaries of regular social assistance has increased, and amongst these persons single persons comprise the greatest number, a fact that can be linked to low income and property criteria for receiving benefits, as well as to new social legislation that introduced a strict order for claiming benefits, the child benefit being the first and consequently often increasing families' household incomes above the threshold for social assistance. These changes to the country's social legislation have therefore worsened the financial situation and wellbeing of some of the country's most vulnerable groups, including single-parent families, those with large loans, families with school-age children, large families, elderly persons and couples without children (Dremelj et al., 2013).

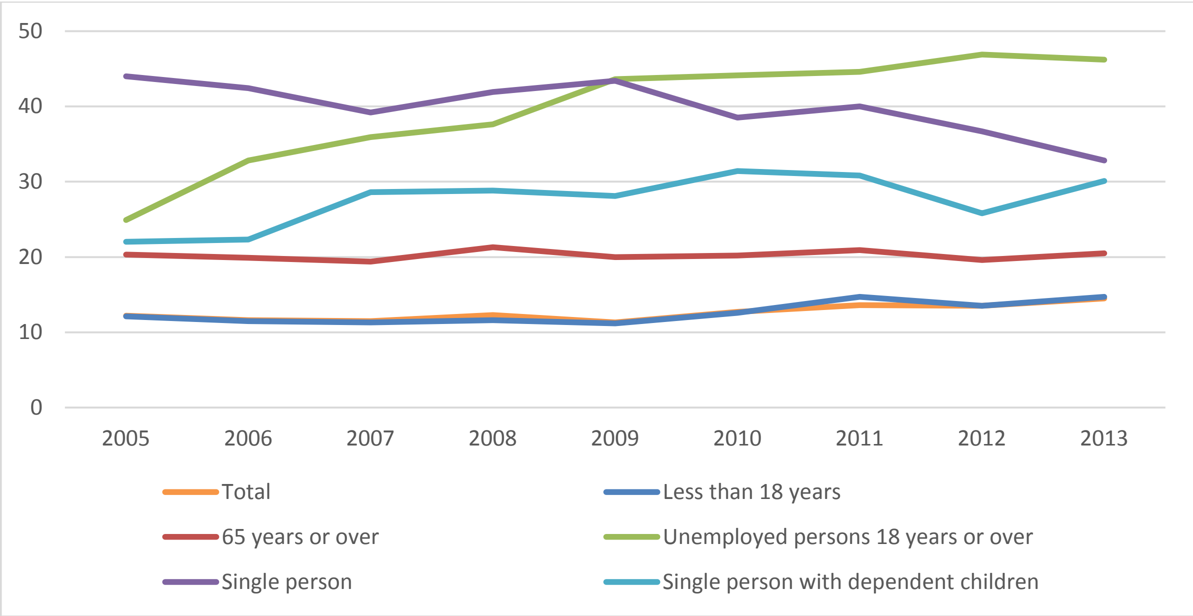
Consequently, Slovenia's poverty rate has risen from 11.5% in 2007 to 14.5% in 2013 (Eurostat), with those at the highest risk for poverty remaining the unemployed and elderly, single persons and single-parent households. Indeed, while the risk of child poverty in Slovenia was long one of the lowest in the EU (Stropnik, 2014; UNICEF, 2014), in 2011 the at-risk-of-poverty rate for children in Slovenia (14.7%) exceeded that of the total population (13.6%) for the first time; according to the latest available numbers, this trend is also evident in 2013 (Eurostat).

[12] However, it should also be noted that the minimum wage was 51% of the average wage in 2013, which was the highest in the observed European countries (Eurostat).

[13] This benefit is granted in exceptional circumstances. It can also be granted when the ceiling set for financial social assistance is surpassed but the applicant is found to be in financial distress for reasons beyond his/her control.

[14] Financial social assistance provides the users with means for meeting minimum needs in the amount guaranteeing their subsistence. From 1.8.2013 the basic minimum income amounts to EUR 265.22. Financial social assistance is initially granted for a period of three months and can be extended for a maximum of six months; permanent financial assistance is granted to persons age 60 and over and to the permanently incapable of work who are without income, receipts or property and have no persons obligated to provide for their subsistence and shelter (MLFSA, 2014).

Figure 4. At-risk-of-poverty rates for select groups[15]



Source: Eurostat

And yet, retrenchment during the crisis has been particularly evident in the area of family policy, where with the introduction of strict means-testing a shift towards ‘social care’ is evident, targeting not at families in general but at the most disadvantaged groups. This shift is best seen in the paradigm shifts that have occurred with regards to the purpose and function of child benefit, which no longer serves to cover children’s extra expenses but has instead become a primary source of income for entire families. Furthermore, although the government’s austerity measures with regards to family policy have mainly affected cash benefits, these policies have also been connected to reductions in social investments. Only when it came to services, such as childcare, were no austerity measures introduced. With regards to childcare subsidies, however, austerity measures were introduced due to the government’s new calculations of family income, and the second child concurrently enrolled in preschool is no longer free-of-charge but requires the payment of a reduced fee. Likewise, leave policies were affected to some extent, as wage compensation for parental and paternity leaves was lowered and an upper ceiling for the maternity-leave benefit was introduced.

These changes to child benefits and introductions of austerity have lowered the number of child-benefit recipients and government expenses, and this is in line with increased selectivity as one of the main dimensions of post-crisis policy in European welfare states (Otto & Taylor-Gooby, 2014). It should be noted, however, that this is the first time since Slovenian independence that family policy has been affected by austerity measures. Even in economic crisis in the mid-1990s, when Slovenia’s unemployment rates and economic environment and activity were similar to today’s, there were no cuts to the country’s family policies.

Other minor changes were also adopted during the next stage: in early April 2014, a new ‘Parental Protection and Family Benefits Act’ was enacted, changing some aspects of

[15] The cut-off point is 60% of median, equivalised income after social transfers.

parental and paternity leaves, child benefits for single parents and the rights of social parents. In line with earlier social investment strategies it introduced more gender-equal leave policies, changing parental leave from a family entitlement to an individual entitlement for each parent, thereby making it consistent with the Council Directive on Parental Leave (2010)[16]. The new law also responded to the increases in poverty amongst single-parent households by increasing benefits for single parents. However, these changes cannot be regarded as necessarily good practice, as they affect only a very small percentage of single-parent households due to the narrow definition of a 'single-parent family', thus creating an implementation gap (Rakar, 2015).

In the labour market the economic crisis precipitated several policy changes in the past several years as well. In general, these reforms emphasised the concept of *flexicurity* and the *activation principle*. In an attempt to overcome increasing dualisation in the labour market, the government enacted a new Minimum Wage Act (2010) and the Labour Market Regulation (2010) and Employment Relationship (2013) acts implementing changes that decreased protections for the most protected workers, i.e. those in permanent contracts, and increased protections for more vulnerable workers. The government's attempts to improve conditions for vulnerable workers were most evident in its raising the national minimum wage and its softening of the eligibility criteria for receiving unemployment benefits so that those working more irregular, flexible jobs were also eligible. The government also increased the level of unemployment benefit, introduced 'partial unemployment' to enable the unemployed to work 'mini-jobs', disincentivised employers' use of fixed-term contracts by raising contributions, limiting the number of fixed-term contracts an employee could work under to two and introducing severance-pay requirements in the event that an employee was terminated under a fixed-term contract. Still, many of these positive developments were reversed by austerity measures, which again reduced the amount of unemployment benefit and shortened benefit durations. Additionally, further policy changes limited some of the existing rights of the most protected workers even more, specifically by simplifying employment-termination rules, limiting the protected category to older workers and reducing the notice period required for terminations. These changes have come in addition to the government's implementing some active labour-market policies, especially with regards to training and educating the unemployed, whilst also introducing activation principles for social-benefit recipients.

Lastly, demographic changes present one final, crucial challenge to the transformation of Slovenia's welfare state. Initial responses to the economic crisis consisted of cost-containment measures that froze pension indexation, and austerity laws in 2012 rejected pension adjustments as well. It should be emphasised, of course, that such long-lasting pension reform has been highly controversial. The first proposed major reform (adopted by the government in 2010) was rejected in a referendum in 2011. In 2012 negotiations took place between social partners and policy makers, and the reform was again successfully adopted as the Pension and Disability Insurance Act of 2012. The most significant changes

[16] In practical terms, no major changes were made because when parental leave was a family entitlement parents could choose who would take parental leave and, now, parental leave is equally divided between parents, such that the father can merely transfer all of his parental leave to the mother. The mother must still take a 'mothers' quota' of 30 days out of 130 but she can then transfer the rest to the father. At first, the government wanted to introduce an obligatory 'fathers' quota' of one month, but due to public resistance this was not enacted.

included increasing the retirement age, making it especially high for women, further strengthening bonuses and maluses to stimulate labour-market participation among the elderly workers and implementing different calculations for the pension base, basing it on longer period.

Even so, the pension system's long-term sustainability remains debatable and further reforms might be necessary in the future. New pension reforms should improve the financial situation of the elderly because the lowering of pensions has led to relatively high poverty rates amongst the elderly. To make matters worse, though, the number of those receiving the lowest pension benefits was simultaneously increased. (In 2013, 22% of new pensioners had their pensions calculated based on the minimum pension base.)[17] Furthermore, retrenchment has been evident in the abolishment of state pensions with the introduction of new social legislation. Previously, such pensions were a universal right and functioned as support for elderly persons not eligible for insurance-based pensions. These persons have now became dependent on the social assistance and on supplementary allowance, the latter of which was made a social assistance benefit, thereby significantly decreasing the number of persons eligible to receive it (Trbanc et al., 2014). There were no major changes in provisions for eldercare or to healthcare policies framed as long-term care.

In summary, to paraphrase van Kersberger et al. (2014: 885), Slovenia's retrenchment and cost containment in response to the Great Recession affected every aspect of the country's welfare system (see Table 1). Expansions were rare and mainly occurred during the first stages of reform or under delayed implementation.[18] Furthermore, as the present analysis shows, the most significant retrenchments concerned Slovenia's longstanding social protection policies—though, to be sure, its social investment policies did not remain entirely the same either. Increased selectivity and the retrenchment of universal schemes were the most obvious trends in all areas of Slovenian welfare policy.

[17] Still, the lowest pension base, as per the new act, is higher than previous pension bases.

[18] For example prolonged paid paternity leave will only come into force one year following a year in which Slovenia's sustained economic growth increases to 2.5% of GDP.

Table 1. Crisis-related welfare policy reforms

Policy	Response
Family and work-life balance	
Social investment policies (childcare subvention and services; primary and secondary education; parental leave)	Minor retrenchment and cost containment
Social protection policies (child benefit; large-family allowance; childbirth grant)	Major retrenchment and cost containment
Labour market	
Social investment policies (active labour-market policies)	Minor expansion
Social protection policies (unemployment benefits)	Expansion and retrenchment
Social assistance and poverty alleviation	
Social protection policies (social assistance; supplementary allowance; state scholarships; school-meal and rent subventions)	Retrenchment and cost containment
Old age and pensions	
Social investment policies (long-term care)	No change
Social protection policies (pensions; public pensions)	Retrenchment and cost containment

Current Politics of Welfare and the Welfare State's Future

This section will discuss possible future stressors to the welfare state and its future orientations. It will distinguish between short-term (in next five years) and long-term (in the next thirty years) issues, as well as internal issues, i.e. inequality, ageing, political mistrust, gender inequality and work-life balance, and external issues, i.e. the role of the EU and difficulties stemming from globalisation.

Short-term developments

As described above, Slovenia's welfare reform strategy since the start of the Great Recession has predominantly favoured retrenchment and cost containment in the context of a European discourse dominated by calls for austerity. This will most likely continue, not only because of the country's slow economic recovery but because of the government's decision to prolong austerity and its refusal to adopt expansionary reforms, despite the fact that Slovenia's GDP rose above 2.5% in 2014 to 2.6% (IMAD, 2015b), the level of growth required by several laws to discontinue austerity measures and introduce expansionary reforms. This raises the question of whether temporary austerity measures are now becoming permanent measures. Then again, predictions of Slovenia's GDP growth in the coming years are less optimistic and below the necessary growth rate: for 2015 the estimated real growth rate as a percentage of GDP is predicted to be 2.4 %; for 2016, 2.0%; and for 2017, 2.1% (IMAD, 2015b). Currently, the concept of financing benefits through high social security contributions[19] continues to enjoy strong support amongst Slovenians. However, in response to growing public dissatisfaction with the present government's policies and ongoing reforms to welfare spending and service efficiency, this might change in the future. This dissatisfaction has been further exacerbated by the government's attempts to find additional sources of income to finance the public budget. One measure already implemented is an increased VAT, which was enacted in 2013. Other possible new taxes include a real-estate tax that was already adopted once but later rejected by a constitutional court. Compared with other EU nations, Slovenians show less support for increased taxation to cover the costs of increased social spending, and this is characteristic of a people that views its government as inefficient and low-quality (Svallfors, 2012). This might result in less support to high taxation and high social security contributions amongst Slovenians and could become a salient issue in the future with regards to globalisation and the country's economic competitiveness.

Meanwhile, social investment policies have remained less affected by the government's austerity measures, and this trend will most likely continue into the future, especially in the context of the EU's emphasis on social investment (Cantillon & Van Lancker, 2013; Bonoli & Natali, 2012; Hemerijck, 2013). Slovenia's history of post-crisis reforms thus far indicates that, although it already predominates, 'retrenchment is not the only game left in town', as is the case for several other EU countries as well (see Kersbergen et al., 2014). Reforms in line with a social investment strategy, e.g. long-term care and active labour-market policies, are still pursued, of course, but remain relatively weak compared with those established in the past, e.g. childcare, education. This might be framed as social investment of the 'lean type', and it goes hand-in-hand with retrenchment (Kersbergen et al., 2014: 894). Furthermore, several authors have pointed out that social investment strategies are less redistributive and less protective of the most vulnerable (Cantillon, 2011; Cantillon & Van Lancker, 2013; Vandenbroucke & Vleminickx, 2011). And yet, the state's recently weakening role in protecting the public against social risks is contrary to many Slovenians' expectations. In fact, most Slovenian's still feel that the state should provide a safety net and have redoubled their belief in such a system since the crisis. This might be linked to the historical inertia of peoples' attitudes, but it might also be the result of existential necessity, as many were exposed to greater uncertainty, as is common in traditional Capitalist societies (Rus & Toš, 2005: 75), during the first decade following Slovenia's independence, and these uncertainties have remain relatively high since. Slovenians, then, are increasingly critical of Slovenia's success at preventing risks and of its role as a welfare state. This is reflected in the strong political discontent that has spread through the Slovenian electorate. Hence, the government's welfare-state reforms in the short term are coming amidst political instability, as the public's distrust of politicians and public institutions and low political participation mount. High levels of corruption amongst the financial and political elite, combined with a declining quality of life for most, have already led to the mounting dissatisfaction that resulted in massive demonstrations (see Social Watch Report, 2014). At the end of 2012, civil protests flared up at the local level then, in 2013, spread across the country. Whilst revolt against key political figures was the dominant mobilising factor, protestors also called for systemic changes such as the government's resignation and an end to the theft of public goods, the

[19] In Slovenia, social contributions account for 40.1% of total tax revenue and are the fourth highest in the EU, whilst employees' social contributions are the highest in the EU (Eurostat).

exploitation of workers and corruption. New political parties emerged after these protests, and amongst them were the SMC, which won a majority in the last elections (in August 2014), as well as the Unified Left party, which also won seats in the Slovenian parliament. Consequently, the current centre-left government coalition confronts an opposition that is even more leftist, and this could influence the short-term future of Slovenian welfare reforms.

Table 2. Attitudes towards welfare

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Is Slovenia a welfare state? (% of 'not at all' and 'only a little bit')	42.7				45.9				57.5
Is people's wellbeing mainly the state's responsibility (%)		58.8			59.2		57.8		53.3
Perceived causes of poverty (% who responded 'because of too much injustice')*			42			61			
Term small social differences (% of positive attitudes)	73.4				74.0		81.1		84.5
Importance to the respondent of the government's ensures its citizens' safety against all threats—i.e. wants a strong state that defends its citizens (% of 'very much like me' and 'like me')		68.7		69.5		78.6		85.9	

Source: SJM (ESS, WVS, SJM)[20] **Eurobarometer*

Long-term developments

In Slovenia there is a longstanding belief in the importance of equality and an intense support for the state's creating equality. This is, undoubtedly, linked to the country's Communist past and is a sentiment shared by the populations of a majority of post-Communist countries (Svallfors, 2012). Furthermore, it is linked to a low tolerance for income inequality in Slovene society, an attitude that has only intensified since the country's independence and especially since 2007 (from SJM 1994 to SJM 2013). However, the high income equality that exists in the country at present is partly due to the prevalence of low-end wages, as more than two-thirds of employees receive below-average wages (Trbanc et al., 2014). There are also rising disparities in property income—attributable mainly to the privatisation and denationalisation of state property, as property incomes for the richest decile of Slovenians has increased from 17.6% in 1983 to 67.6% in 1993, only falling slightly to 62.5% in 1999 (Leskošek & Dragoš, 2013)—as well as rising perceptions of social injustice. Consequently, these equality issues might become even more exacerbated in the future, due to the fact that welfare reforms have mostly squeezed the middle class and are perceived as having been ineffective at preventing old social risks—especially at preventing poverty.[21]

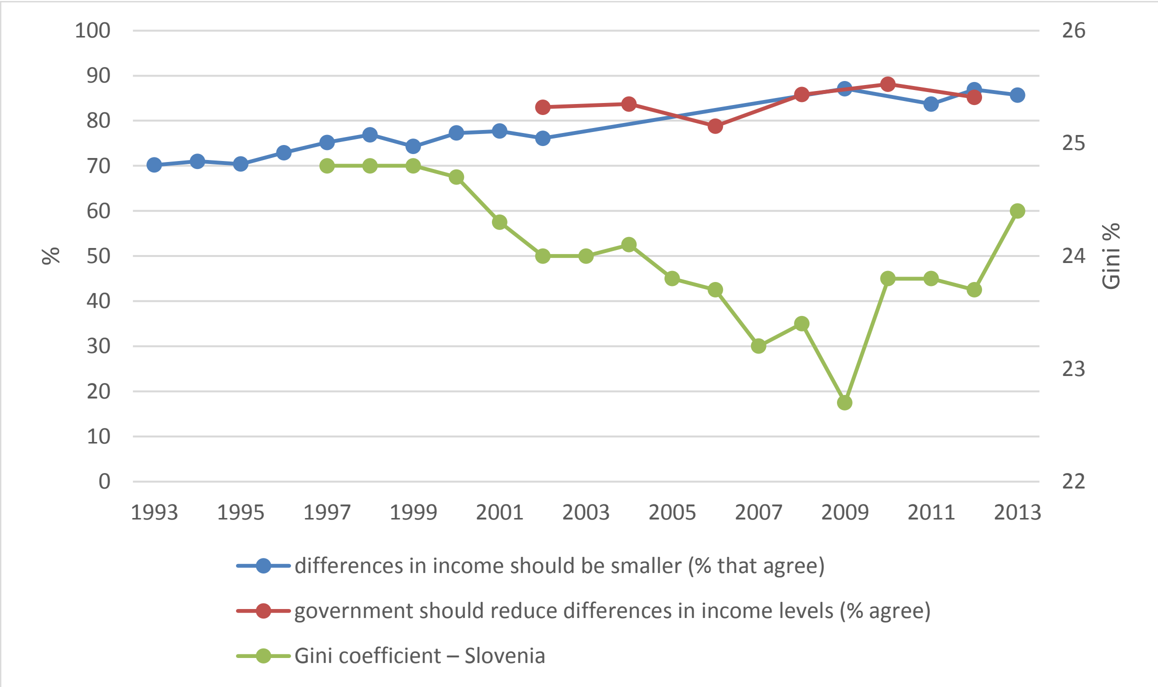
Still, these views might clash with increasing pressure from a global market economy. One significant roadblock to Slovenia's maintaining a competitive labour market, for instance, might be its presently high social security contributions, and government and public

[20] Data is taken from the reports from SJM (Slovene Public Opinion Survey), which also includes data from the ESS, WVS and ISSP surveys (Toš et al. 2008, 2010, 2011, 2012, 2013, 2014).

[21] A large majority (70%) of respondents feel that the state does not protect people from poverty, and a similarly high percentage (63.2%) feel that the state does not take measures to decrease income inequality (ESS, 2012). Effectively, perceptions of the state's success at reducing the risk of poverty (compared before and after transfers) has been reduced (Trbanc et al., 2014).

support for them might potentially erode in the future. Certainly, at any rate, the EU will continue to push for welfare state reforms, yet despite strong historical support for EU membership,[22] euro-scepticism is also increasingly on the rise; the share of respondents that approve of Slovenia's EU membership has dropped from 49% in 2005 to 39% in 2010, and the EU overall is increasingly seen as contrary to Slovenia's national interests and as being responsible for austerity in Europe,[23] which might affect support for future EU-led proposals regarding welfare reform.

Figure 5. Attitudes towards income inequality and the Gini coefficient



Source: SJM (2013), ESS (2012), SURS

Slovenia is also facing strong demographic pressures as a majority of its population is ageing.[24] Despite the many reforms being carried out since the crisis to address this issue, several problems must still be addressed, such as how to ensure the sustainability of the healthcare system (healthcare reform has long been discussed but has never materialised) and the long-term care system, which is underdeveloped, whilst also pushing through further reforms to the pension system. There is strong support for providing welfare to the elderly. Additionally, the elderly have a strong political presence, as their political party, the Democratic Party of Slovenian Pensioners (DESUS), has been part of every government coalition since the earliest years of independence (1996). Thus, cutting social spending on the elderly is exceedingly difficult. Nevertheless, several cuts have been made, resulting in a significant increase to the number of elderly persons suffering financial vulnerability. In this context, future possible cleavages in solidarity could arise, as the young are being increasingly squeezed by conditions in the labour market and a poorly adapted welfare system to

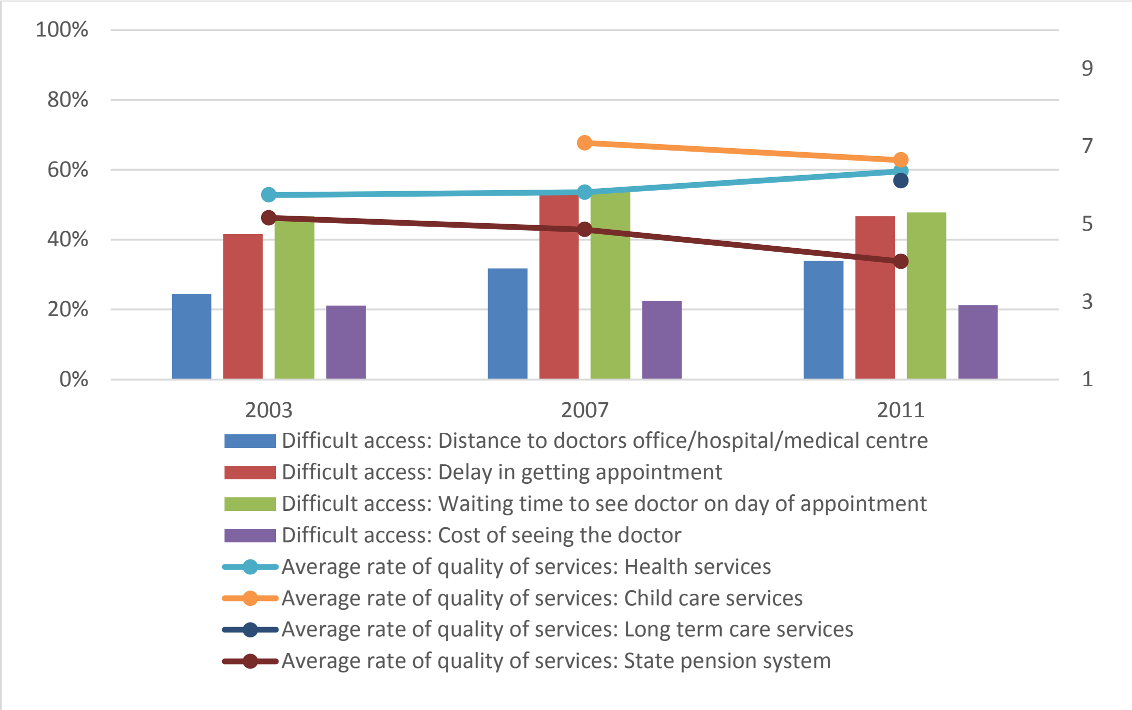
[22] Specifically, 90% of voters in the 2003 referendum were for entering the EU.
[23] All told, 81% of Slovenian respondents agree, whilst the EU-28 average is 63% (Eurobarometer 2014).
[24] The old-age dependency ratio was 24.4% in 2012, which is slightly below the EU-27 average. However, this is projected to rise to 57.6% in 2060, above the projected old age-dependency ratio for the EU-27 (52.5%) (Eurostat).

compensate for social costs, whilst the elderly are trying to protect their rights and are also being increasingly pressed and made more vulnerable. The equality of welfare spending distribution between young and old might serve as one point of contention in the future. This situation, however, might become increasingly remediated by solidarity and the transference of burdens to the private sphere, moves already characteristic of Slovenia (Mandič, 2012; Kolarič, 2011; Filipovič-Hrast & Hlebec, 2009), indicating a trend towards increased familialism. And yet, strengthening the role of the family could lead to increased work-life-balance and gender equality issues. Indeed, these may become some of the most salient issues in the future, as the very positive attitudes a majority of Slovenians express towards gender equality contrast with the reality of people's behaviour; in fact, data show that Slovenia has a relatively high level of gender inequality in terms of the division of domestic work within households, exacerbating issues of work-life balance. This issue must be addressed in the future because, due to restrictions on the country's family policies, pressures from the private sphere will accumulate further, especially for more vulnerable households (poor, single-parent, etc.).

In the context of the aforementioned reforms to healthcare and long-term care, but also in other contexts as well, another important issue will be the future of public services in relation to possible trends towards privatisation and a larger role for third-sector organisations. This is an especially pressing issue, as some services are financed at the local level by municipalities, e.g. eldercare, childcare, social housing, and funding for these services has decreased in the wake of the Great Recession. In general, people seem to support the government's playing a greater role in all areas, including in the provision of services. However, problems with these services' efficiency (see Figure 5), as well as perceptions of relatively high levels of corruption in the public sector[25] might shift people's support away from state provision and possibly towards stronger support for other actors.

[25] In the latest research (2013) more than half of respondents believe that corruption in public services is widespread (SJM, 2013/3).

Figure 6. Evaluation of the quality and accessibility of public services



Source: EQLS 2003, 2007, 2011

Discussion

As described above, Slovenia is a highly egalitarian society where people put great emphasis on equality and the redistributive role of the state. Stemming from its socialist origins, centre-left governments and the strong roles social partners have played in reforms to the welfare state since its independence, Slovenia's transition to a free-market economy has been gradual. Social protection and investment policies have frequently remained and have even, in some cases, been further expanded. Thus, the latest economic crisis, i.e. the Great Recession, has profoundly affected many Slovenians, whilst also leading to several structural reforms along with *ad hoc* and temporary measures whose purposes were to stabilise public finances. The combination of these structural changes and austerity measures has led to drastic changes in the country's welfare programmes, which have been subject to retrenchment and cost containment through increasingly more prevalent needs testing and tighter qualification criteria, as well as the abolishment of some universal rights. Although structural reforms, e.g. to the labour market, have attempted to increase protections for the country's most vulnerable workers, changes to the social-welfare system have led to increased vulnerabilities and poverty rates amongst several specific groups, e.g. the unemployed, single-parent households, etc.

The current trend towards diminishing the state's role in protecting against social risks runs contrary to the public's expectations with regards to the role of the state in providing a safety net and in preventing inequality. Unsurprisingly, therefore, there is increased dissatisfaction with the welfare state and especially with its efficiency. The legitimacy of the welfare state is not only dependent on the impact of these developments but also on what interventions work (Greve, 2015: 206). Issues of efficiency with regards to the welfare state's providing high-quality services and protections against social risks will therefore most likely be vital to future developments, potentially also raising the question of whether a privatisation of welfare programmes and diversification of welfare services amongst other actors will occur. The consequences of retrenchment and cost containment have been that they have weakened the de-familialising effects of social and family policies in Slovenia as people rely somewhat less on the welfare state and turn more to family, and this can be linked to the increasing role of intermediary institutions in securing welfare (see Daly, 2011). The growth of interpersonal dependence has not, meanwhile, resulted in wider social solidarity but in the formation of islands of loyalty and trust (Iglič, 2014: 22), which could have a negative impact on intergenerational solidarity (outside the family) and on solidarity between different societal groups. Additionally, the increased role of the family could also lead to further issues in terms of gender equality and work-life balance.

As Farnsworth and Irving have emphasised, the outcomes for and responses of welfare states to crises have been quite varied, and the process of welfare change remains as unpredictable as it is fluid (2011, 271): 'Challenging times are as likely to widen the scope for progressive welfare state building as they are to diminish it, and how states respond is a matter of political struggle and political choice' (Farnsworth & Irving, 2011: 278). In Slovenia's politically unpredictable environment, where new parties have recently formed and won the last two national elections, the future of welfare-state reform is perhaps even less certain.

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