

INTRODUCTION TO HUMAN DEVELOPMENT REPORT



*Myself I can never be
when I am solitaire.
Myself I can only see,
when, out of myself, I go elsewhere.*
Niko Grafenauer, Myself

THE CONCEPT OF HUMAN DEVELOPMENT

The human factor has become increasingly important for the development of the modern world. Particularly important is the issue of the quality of life which is considered more than just people's material standards. Moreover, it embodies knowledge, health, employment, abolition of material, social and cultural poverty, human relations, freedom, human rights, self-realisation, life in unspoiled environment, etc. Accordingly, the human development concept also highlights a wider area than merely economic criteria and sets as a main goal the creation of an **environment that ensures a long-lasting, healthy and creative life** to all inhabitants. In this sense, economic growth might be considered as only a means to achieve the main goal: human development and progress. Unfortunately, it is often ignored that the immediate goal of accumulating material goods still tends to prevail in too many cases.

Although economic activity is essential for the functioning of human society, it should not be a goal in itself aimed at the mere accumulation of material goods and profits.

It should be viewed as a means of human development, including not only decent material standards but also social and cultural values. In particular, it should be concerned about **widening people's choice, enlarging their capabilities** in the sense of empowering people so that they can take an active part in their own development. This aspect of development has been the starting point for preparation of Human Development Reports published regularly since 1990 by the UN Development Programme. The same starting point led to the emergence of national human development reports which have been prepared in almost 100 countries so far, this year for the first time also in Slovenia.

Countries differ not only in terms of their economic and social development but also in their values which essentially determine the development and needs of their inhabitants. This is why the report - at its supra-national level - deals predominantly with problems common to all countries in the world (eradication of poverty, gender discrimination, the role of the state, etc.). The national reports do include some general indicators, thus enabling international comparison, but are in their substance focused on specific problems of individual countries.

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National Human Development Report provides a critical viewpoint and recognises the main problem areas

The national human development report not only provides an expert analysis of the level of development of a particular country but it has a more far-reaching purpose. It is supposed to provide a critical viewpoint and recognise the main problem areas to which national policy should pay special attention. It should reflect the particularities of each individual country and relate theory to practical solutions of directing human development. In this way, it should determine at what stage development in one country is compared to other countries and what should be done to achieve the main goals. In this sense, it enters the sphere of identifying development goals and determining indicators that can quantify not only the goals but also the current state of affairs.

SLOVENIA IN THE EIGHTIES

During the early eighties a large research and development project called Slovenia 2000 provided the expert basis for elaboration of a long-term development plan. Most domestic research organisations participated in the project. The project's main guideline was the consistent use and development of economic, social and cultural potential of society within the spatially and ecologically limited environment. Within this framework, the scenario of Slovenia's social development (Saksida et. al.) foresaw four key options for further development based on a combination of two variables: **economic growth (or decline)** and **social integration (or disintegration)**. These options were as follows:

- Rapid economic growth and social integration;
- Rapid economic growth and social disintegration;
- Economic decline and social integration;

Economic decline and social disinte

The first option was chosen as the best and, therefore, became the target scenario. Unfortunately, the scenario did not foresee that at a certain point the social system can be transformed completely. As a consequence, this fact turned all further development upside down, although some parts of it, particularly in the area of social sub-

system, could form a solid foundation for development also in a different political situation.

In the late seventies, Slovenia achieved a high degree of industrialisation and its economy should then be reoriented towards a more demanding production based on knowledge and information technology. However, political and economic nomenclatures were not susceptible to any radical changes, since this would lead to a conflict with poorly educated labour force. In addition, cheap labour force from the southern Yugoslav republics enabled extensive employment. A too high degree of industrialisation was eventually reflected in weakening of economic activity.

Moreover, the prevalent value system of (excessive and forced) solidarity convinced people over the previous decades that too high level of equality and solidarity damages creativity and economic efficiency. Thus, at the beginning of transition, people welcomed the chance of competition which, unfortunately, has since then in many cases turned into a reckless accumulation of material goods which ignores the other, less successful "competitors" or into the consumption for the sake of status symbols, rather than in investment. Increasing of economic and social differences - stemming not from work but from dubious privatisation, denationalisation, corruption, intervention in the economy by political parties due to specific party or even individual interests, as well as self-decisions of privileged politicians - has to a large extent devalued the idea of creative competition as a means of social promotion. Increasing differences in wealth and wages, which are not a reflection of work, have led a large part of the population towards apathy and a lack of interest in facing problems or making a new kind of commitment to political parties. Too wide gap between social classes - at least compared to what people were used to in the past - does not foster socially and personally beneficial competition as one of the means of development but has started to hinder it instead. The exclusion of people from social and economic participation (unemployment) started (and continues) to

Status symbols rather than investment

reduce human potential needed for development.

TRANSITION

Transition is a term that can be applied not only to the countries of Central and Eastern Europe but to the whole of Europe. The countries of Western and Northern Europe have mostly been engaged in the adjustment of relatively efficient economies to new development-dictated demands, the adjustment of the welfare state to these economic capacities and the abolition of certain malfunctions which were a trade-off of the welfare state measures. On the other hand, changes in Eastern Europe (transition from planned to market economies) have been much more drastic in all areas. Apart from adjusting their under-efficient **economies** to the demands of the world market and ownership transformation, these countries have been faced with the changes of basic **ideological** views and the prevalent **value** systems of their societies. In the **social** area, they are not only striving to preserve the benefits of the welfare state, but are fighting to prevent the complete breakdown of at least minimum social functions. In addition, most countries, in particular the successor states to the former Soviet Union and Yugoslavia, have to deal with the **formation** of independent **states** and functioning of related state apparatus. These developments are radically reflected in the quality of life, in particular its deterioration.

What used to be stressed in the former socialist countries was social and economic equity, social security and above all employment security. It was the state which took over the responsibility for its citizens and at the same time decreased self-initiative and creativity. Although in Slovenia, when it was still part of the former Yugoslavia, this was not as pronounced as in other socialist countries, it made many people believe that most of social and economic problems can only be solved by increased influence on one's own level of income, which would create competition for higher wages by way of greater efforts, stimulate self-incentive of individuals and

eventually spur economic growth. An increased inequality as a result of changes seemed justified compared to the previous socialist egalitarianism. Fear of unemployment was also thought to stimulate better work. With the change in economic and political systems, this did somewhat positively affect economic developments, but has also brought about a number of hardly manageable, mostly social, problems.

In this over-enthusiasm to change economic, social and cultural spheres, the main motive was too often the abolition of everything reminiscent of the past without a proper vision of what should and could be achieved and what means should be used. This euphoria of doing away with the past has often resulted in the destruction of something that could well be used in a new social system. Unfortunately, the past can neither be escaped from nor denied. It can only be examined and its mistakes learnt from in order not to repeat them. Above all, when changing a system one should not destroy the very delicate network of social ties connecting economic, social and cultural life of an individual and society. All these developments do not emerge in an infinite and undestroyable environment, which has, on the contrary, proved to be a very limited good.

At the beginning of transition, people had too great and uncritical expectations regarding privatisation and party pluralism. They identified them first, with increased economic activity which was supposed to save the whole population from (relative) material deprivation and second, with a democracy that would automatically do away with social conflicts. In other words: private ownership was thought to speed up economic growth, which would in turn strengthen democracy. Unfortunately, neither private ownership nor party pluralism as such guarantee economic efficiency or political freedom. And even less so a better quality of life. Many other factors are needed to achieve the latter. In particular, it depends on the cultural tradition of the population and the prevailing value system reflected in the protection of human rights, respect of the individual's integrity, confidence and co-operation among people, etc. Some research papers

Too wide a gap between social classes does not foster socially and personally beneficial competition

The change in economic and political system brought about a number of hardly manageable social problems

At the beginning of transition, people had too great and uncritical expectations

There is higher correlation between culture and democracy than between economic development and democracy

(e.g. Inglehart, 1995, Putnam, 1993) have shown that there is higher correlation between culture and democracy than between economic development and democracy.

During the eighties, there were certain social movements (civil society) in Slovenia which had a highly critical and therefore very important role for the development of democracy. It was these movements that eventually brought about changes to the political system. Unfortunately, these movements disappeared with the emergence of party pluralism and with them a large part of the "free space" - independent from politics - disappeared as well. In the previous system, the party had control mostly over those factors that were crucial for it to remain in power. The remaining social space was - to some extent - left to people for self-organisation. The economy and also social activities had a relative autonomy compared to other socialist countries. Along with the nationalisation of social institutions in 1992, the decision-making power was shifted directly to politics and the issues such as development policy of education, culture and science, etc. became the subject of party bargaining. In short, each party tries to get control over the whole space, not only of political but also of the social and moral life of its people. Unfortunately, what matters to political parties is not the concept of Slovenia's social development that has, at least partly, been agreed upon but only whether certain measure is of any use to it or not.

QUALITY OF LIFE

When analysing and planning social and in particular human development, it is crucial to consider the strong dependence between at least the economic, social, cultural and environmental aspects of social relations. That is what raises the quality of human life. This report shall, therefore, neither focus on the forms of political systems nor the party pluralism, neither on privatisation nor the ownership of the means of production, as goals of social development. They will only be analysed as instruments of human development and the quality of life.

Too large income and wealth inequalities hinder both economic growth and social cohesion

The quality of life is measured by three dimensions which could, according to Alldredge (1975), be called: to have, to love (belong), to be. Or, in other words, meeting of material, societal (security) and cultural needs (self-realisation). Or: economic growth, social integration or cohesion and the value system (culture).

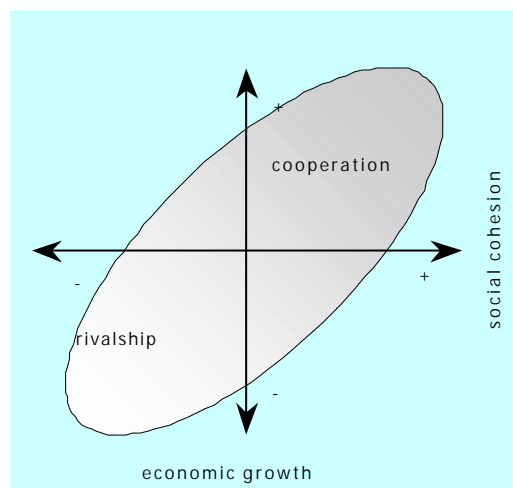
Economic growth. Economic growth is necessary and desirable for human development. It can save an individual from material poverty, and, consequently, from other forms of poverty. However, economic growth on its own is inadequate; its gains should be oriented to improving the well-being of the population (Sen, 1998) rather than merely the profit of owners. Economic growth should thus be reflected also in lower unemployment, better education structure, better health of population, etc.

Social integration (cohesion). Social integration is only possible in combination with economic integration - culturally acceptable income inequality. Only with small material inequalities is there a chance of co-operation in other areas of society, since material exclusion consequently also means other forms of exclusion. The relative income of an individual is at the same time a measure indicating her connection with society.

Culture - value system of co-operation. The whole set of political, economic, social and cultural values and convictions is crucially important. It is a prevailing system of values which presupposes the spirit of co-operation and division. The **people's behaviour towards unknown other** (Wilkinson, 1997) is of key importance for the development of a society. Do we consider this person as fellow citizen with whom we create and share our common welfare, or is she only a barrier in our way to our individual welfare.

At the outset of transition, a model was formed - which later also prevailed - as to how increase productivity and consolidate the economic position of enterprises. This was achieved largely through lay-offs and closing down of non-profitable enterprises.

During the socialist system, full employment was one of key instruments to guarantee economic and social cohesion. Often, this resulted in the fact that more people were employed than actually necessary, which was economically irrational but acceptable and rational from the human



and social aspects, the right to work being part of the system. The changes have led to unemployment surging to 14% (or almost half of that, according to the ILO's definition).

Too large income and wealth inequalities hinder both economic growth and social cohesion in several ways. They lower the economic efficiency of a society and increase social apathy. Indirectly, they cause individual or society ill health. First, too high inequality raises the amount of income distribution, to prevent entire strata of the population remaining without any chance of survival which, in turn, leads to increasing social unrest and conflicts. Stanovnik (1997) estimates that the proportion of receipts from social security in total household income in Slovenia increased from 16.2% in 1983 to 22.6% in 1993. In the poorest 10% of households, this share increased from 37.1% to 54.6%. Social transfers thus represent the main source of survival to this group of population. On the other hand, the proportion of labour income decreased from 76.1% to 63.7% - that is by almost one-fifth. Partly, this was also due to increased retirements. However, although in Slovenia inequality is rising, it is still lower than in most European

countries. In the period 1983 to 1993, the Gini coefficient increased by 18%.

Too large wealth inequality results in lower efficiency of economic and social regulations in a society. Relative poverty not only has economic consequences; indirectly it is reflected in the poorer mental and physical condition of the population (see Levin et al., Wilkinson, 1997 and Sen, 1998), an increase in social diseases (homicides, crime, suicides, etc.) and social apathy through social exclusion.

Apart from inequalities in wealth and income, increased unemployment has the most crucial effect on social exclusion. Unemployment acts destructively on an unemployed person in several ways, not only materially - by the loss of income. It affects her mental condition. **Freud** (1961) found out that there is no other activity that gives an individual so much of the feeling of reality as a professional occupation. Paid employment strengthens the social ties of an individual with her environment, gives her material, social and mental security, and acknowledgement that society needs her.

Since employment as a social institution has **manifest** and **latent** consequences, lowering of unemployment must become the main economic goal. Wage is a intended and manifest consequence of employment. Employment, however, offers also latent experience, stemming from the mere structure of employment. According to Jahoda (1982), employment has an indirect influence on our life in five ways: (i) it determines the daily time structure, (ii) it offers **social contacts** outside the family, (iii) it **unites individual and collective purposes**, (iv) it is a **source of status and identity**, and (v) a **source of regularity and control**. The deprivation of the unemployed therefore emerges because these latent consequences of employment have become indispensable to functioning in a modern society. Employment should thus be regarded from the aspect of prevention of economic, social and cultural exclusion. This gives employment in the first place a (social) integrative function and not only an economic one.

Unemployment has the most crucial effect on social exclusion

Lowering of unemployment must to become the main economic goal

*Employment
has social
integrative
function*

The consequences of increasing economic inequality and unemployment remained mostly ignored at the beginning of transition and introduction of a capitalist society. With a view to increasing economic efficiency and creating a new social class of owners, some erroneous steps were taken. Given a limited market, productivity was increased mainly through lay-offs and the closing down of non-profitable enterprises. Since at the same time, salaries of other employees, in particular managers, politicians and others in higher-income brackets rose faster, the final economic effect was lower than it could have been. Besides, increased unemployment and other forms of social exclusion required additional social transfers and thereby caused greater pressures on the redistribution of income. This is evident from the above-mentioned figures (Stanovnik) and the level of the Gini coefficient. The Gini coefficient excluding social transfers is 10% higher than that including social transfers. Although all jobs could not be solved, some solidarity and a more even distribution of burdens of a transition to a new economic system and the loss of former Yugoslav markets could preserve a large number of jobs. Shorter working hours could be one solution, being in Slovenia today on average 5-6 hours longer than in Western Europe. Strong social cohesion and solidarity established during the war for Slovenia could have been easily transmitted to other spheres of life had some efforts been made in this direction.

Unfortunately, politics (in particular the parliament) has acted differently and have thus lost a valuable opportunity for social consensus in which all social groups would temporarily relinquish something for better quality of life in the future. As soon as in the first session of the new democratically elected parliament, its deputies upped their salaries in the extreme and also granted themselves a number of benefits. In this way, they have shown other citizens a **pattern of socially desirable behaviour**. They have not only introduced a new value system of non-co-operation, but also triggered a wave of new pressures for wage increases. First by judges then physicians, etc. Each wage rise to one group, however,

means a relative wage drop for another. This has two negative effects: first, increase in stratification and thereby decrease in social cohesion and second, rises of wages which are not founded on better work but on the option of blackmailing.

MEASURING SOCIAL DEVELOPMENT – HUMAN DEVELOPMENT INDEX

Different development concepts dictate the use of different instruments measuring development and the selection of indicators. This has given way to different concepts at influence of economic growth on social development. Everybody agrees that economic activity should help improve people's lives. But the paths leading to improvement vary significantly. Some argue that growth in profits is the one and only economic goal that would, consequently, in itself contribute to better life. Others see the rationale of economic growth only in a direct connection with people's lives. In the eighteenth century, Lodovico Antonio Muratori wrote that public policy should be "seeking to find the best economic means to achieve the public happiness". Sir William Petty was even closer to the mark in talking about "each Man's particular Happiness". Thus, economic growth and social development should not only contribute to the prosperity of society as a whole but also to the prosperity of each individual. Pursuit of economic growth is not an end in itself but it is a mean to ensure a proper standard of living for all through a proper and just distribution of material and social goods. This also gives a different weight to social development indicators. It is not gross domestic product which is the most important, but indicators such as the distribution of income (Gini coefficient), the level of education and its distribution, participation in social life, happiness and, last but not least, the population's health as one of the integral indicators of the quality of life in a society. In this context, we shall examine the advantages and disadvantages of the Human Development Index.

Past policies were primarily focused on economic growth which was said to automatically contribute to the better life of its inhabitants. Unfortunately, this is not always the case. Increasing (material) wealth does not necessarily enrich human life. This is particularly the case if the results of work are not primarily reserved for employees and other citizens, for the eradication of poverty, improvement of education systems and health. The level of economic development is usually presented by the gross domestic product indicator which, however, does not necessarily reflect the level of development in other spheres. Therefore, the Human Development Index was developed to provide a more integral international comparison of a country's development. It comprises three indicators: economic development, health and the level of education.

Economic development is expressed in terms of GDP per capita at purchasing power parities (US\$ PPP).

Due to the asymmetric distribution of GDP, it is discounted for those countries above the world average using the Atkinson's formula.

Although the index is composed of the three indicators (economic, health and education) which are available for all countries, there is again a problem of inconsistent statistics. Although the data for Slovenia, obtained for the purposes of this report, differ slightly from the data used by the UN Human Development Report.

Life expectancy GDP and adult literacy are higher than those used in the UNDP calculations (published in annual publications), whilst the gross enrolment coefficient are lower. This pushed Slovenia up the ladder – in 1994 by seven places and in 1995 by eleven. In both years, Slovenia was ranked somewhere in the middle of highly developed countries.

Economic growth and social development should not only contribute to the prosperity of society as a whole but also to the prosperity of each individual

Table 1.1: Human development index

Year	1994				1995			
Indicator	Slovenia		UNDP		Slovenia		UNDP	
	Value	Index	Value	Index	Value	Index	Value	Index
Life expectancy	74.0	0.817	73.1	0.80	74.5	0.825	73.2	0.80
Adult literacy	99.0	0.990	96.0	0.96	99.0	0.990	96.0	0.96
Enrolment ratio	71.6	0.716	74.0	0.74	73.4	0.730	0.74	0.74
Education index		0.899		0.89		0.904		0.89
GDP – ppp, in US\$	11,80		10,4	0.97	12,60		10,5	0.97
Adjusted	6003	0.975	5,9		6,17	0.977	6,1	
Index		0.897		0.89		0.902		0.89
Place among 175 countries	28		35		26		37	

Box 1.1**CALCULATING THE HUMAN DEVELOPMENT INDEX**

Atkinson's formula for utility of income:

$$W(y) = y^* \text{ for } 0 < y < y^*$$

$$W(y) = y^* + 2((y - y^*)^{1/2}) \text{ for } y^* < y < 2y^*$$

$$W(y) = y^* + 2(y^{*1/2}) + 3((y - 2y^*)^{1/3}) \text{ for } 2y^* < y < 3y^*$$

where y^* denotes the average world GDP, and y denotes GDP of selected country.

The third formula was used for Slovenia, since its GDP is slightly higher than the double world average.

The indicator of health is life expectancy and the indicator of education is composed of the indicator of literacy (two-thirds) and a combined enrolment ratio for primary, secondary and tertiary education. For each indicator, fixed minimum and maximum val-

ues have been established, which serve as a basis for the calculation of selected indices using the following formula:

$$\text{Index} = \frac{(\text{actual value} - \text{minimum value})}{(\text{maximum value} - \text{minimum value})}$$

The indicators range between the following values:

- Life expectancy: 25 years and 85 years
- Adult literacy: 0% and 100%
- Enrolment coefficient: 0% and 100%
- Real GDP per capita in US\$ at PPP: 100 US\$ and 40,000 US\$. Maximum value (40,000 US\$) is discounted by the Atkinson's formula and meant 6,154 US\$ in 1994 and 6,311 US\$ in 1995.

The Human Development Index is the composite of the three selected indices divided by 3.

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Table 1.2: Human Development Index 1995

	Life expectancy at birth (years)	Adult literacy rate (%)	Combined first-, second- and third-level gross enrolment ratio (%)	Real GDP per capita (PPP\$)	Adjusted real GDP per capita (PPP\$)	Life expectancy index	Education index	GDP index	HDI	Real GDP per capita (PPP\$) rank minus HDI rank
<i>Countries with high development</i>	73.52	95.69	78.68	16241	6193.0	0.809	0.900	0.981	0.897	-
1 Canada	79.1	99	100	21916	6231.0	0.901	0.993	0.987	0.960	10
2 France	78.7	99	89	21176	6229.4	0.895	0.957	0.987	0.946	12
3 Norway	77.6	99	92	22427	6232.0	0.876	0.967	0.987	0.943	5
4 USA	76.4	99	96	26977	6259.3	0.856	0.980	0.992	0.943	-1
5 Iceland	79.2	99	83	21064	6229.1	0.903	0.937	0.987	0.942	10
6 Finland	76.4	99	97	18547	6218.9	0.856	0.983	0.985	0.942	17
7 Netherlands	77.5	99	91	19876	6225.7	0.875	0.963	0.986	0.941	11
8 Japan	79.9	99	78	21930	6231.0	0.914	0.920	0.987	0.940	2
9 New Zealand	76.6	99	94	17267	6197.1	0.861	0.973	0.982	0.939	17
10 Sweden	78.4	99	82	19297	6223.4	0.890	0.933	0.986	0.936	12
11 Spain	77.7	97.1	90	14789	6187.1	0.878	0.947	0.980	0.935	19
12 Belgium	76.9	99	86	21548	6230.2	0.865	0.947	0.987	0.933	0
13 Austria	76.7	99	87	21322	6229.7	0.862	0.950	0.987	0.933	0
14 United Kingdom	76.8	99	86	19302	6223.4	0.864	0.947	0.986	0.932	7
15 Australia	78.2	99	79	19632	6224.8	0.886	0.923	0.986	0.932	5
16 Switzerland	78.2	99	76	24881	6254.1	0.887	0.913	0.991	0.930	-12
17 Ireland	76.4	99	88	17590	6198.1	0.856	0.953	0.982	0.930	8
18 Denmark	75.3	99	89	21983	6231.1	0.839	0.957	0.987	0.928	-9
19 Germany	76.4	99	81	20370	6227.3	0.857	0.930	0.986	0.925	-3
20 Greece	77.9	96.7	82	11636	6140.3	0.881	0.918	0.972	0.924	15
21 Italy	78.0	98.1	73	20174	6226.7	0.883	0.897	0.986	0.922	-4
22 Israel	77.5	95	75	16699	6195.1	0.876	0.883	0.981	0.913	6
.....
26 Luxembourg	76.1	99	58	34004	6286.9	0.851	0.853	0.996	0.900	-25
27 Malta	76.5	91	76	13316	6177.8	0.859	0.860	0.978	0.899	5
.....
32 Bahamas	73.2	98.2	72	15738	6191.4	0.803	0.896	0.981	0.893	-3
.....
33 Portugal	74.8	89.6	81	12674	6171.4	0.831	0.867	0.977	0.892	1
.....
36 Argentina	72.6	96.2	79	8498	6090.2	0.794	0.905	0.964	0.888	11
37 Slovenia	73.2	96	74	10594	6125.7	0.804	0.887	0.970	0.887	1
.....
39 Czech Republic	72.4	99	70	9775	6113.0	0.790	0.893	0.968	0.884	2
.....
42 Slovakia	70.9	99	72	7320	6062.9	0.766	0.900	0.960	0.875	9
.....
47 Hungary	68.9	99	67	6793	6046.7	0.732	0.883	0.957	0.857	6
.....
52 Poland	71.1	99	79	5442	5441.6	0.768	0.923	0.860	0.851	17
.....
62 Brazil	66.6	83.3	72	5928	5928.2	0.693	0.795	0.938	0.809	1
<i>Medium human development</i>	67.47	83.25	65.61	3390	3390.0	0.708	0.774	0.530	0.670	-
67 Bulgaria	71.2	98	66	4604	4604.0	0.769	0.873	0.725	0.789	8
68 Belarus	69.3	97.9	80	4398	4397.7	0.739	0.919	0.692	0.783	11
69 Turkey	68.5	82.3	60	5516	5516.3	0.724	0.750	0.872	0.782	-2
.....
72 Russian Federation	65.5	99	78	4531	4530.9	0.675	0.920	0.713	0.769	5
.....
74 Romania	69.6	98	62	4431	4430.7	0.744	0.860	0.697	0.767	4
.....
76 Croatia	71.6	98	67	3972	3972.0	0.777	0.877	0.623	0.759	10
77 Estonia	69.2	99	72	4062	4061.6	0.737	0.900	0.638	0.758	5
.....
79 Lithuania	70.2	99	70	3843	3842.8	0.753	0.893	0.603	0.750	12
80 Macedonia, FYR	71.9	94	60	4058	4058.1	0.782	0.827	0.637	0.749	3
World	63.62	77.58	61.59	5990	5990.0	0.644	0.723	0.948	0.772	-

DEMOGRAPHIC SITUATION



INTRODUCTION

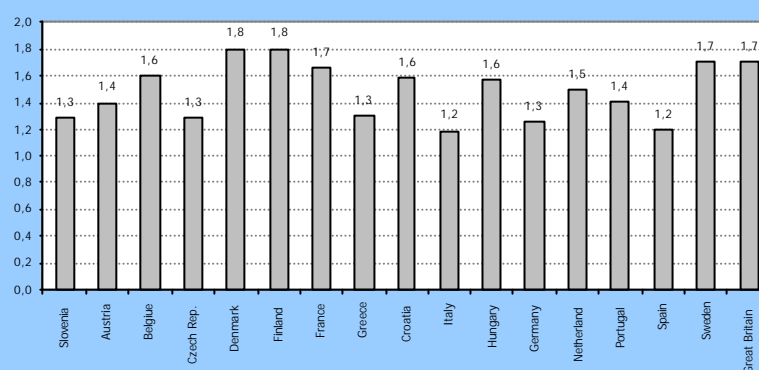
At the end of December 1996, Slovenia had a population of 1,986,989 people. One-fifth of the population lives in six cities with more than 20,000 inhabitants, of whom 64% lives in the capital (Ljubljana, 300,000 inhabitants). The remaining population lives in about 6,000 localities. 48.5% of the population lives in the country, the percentage of farmers, however, has dropped from about 50% after the Second World War to 7.6%. Commuting to large towns is an important feature of the socio-economic structure. Such a dispersion of settings is a consequence of geographical characteristics and historic developments as well as the policy of polycentric development.

Historically, the territory of Slovenia belonged to various political entities. The existing borders of the country were defined as late as 1954. One of the results of such a historical background is the homogeneity of the national (ethnic) composition of the state.

In the 1991 census, 71.4% of the population declared themselves as Roman Catholics, 2.2% as Orthodox, 1.5% as Muslims, 0.9% as Protestants, etc., while 8.8% of inhabitants were atheists or did not want to declare their religion. The religious affiliation of 15% of the population was unknown.

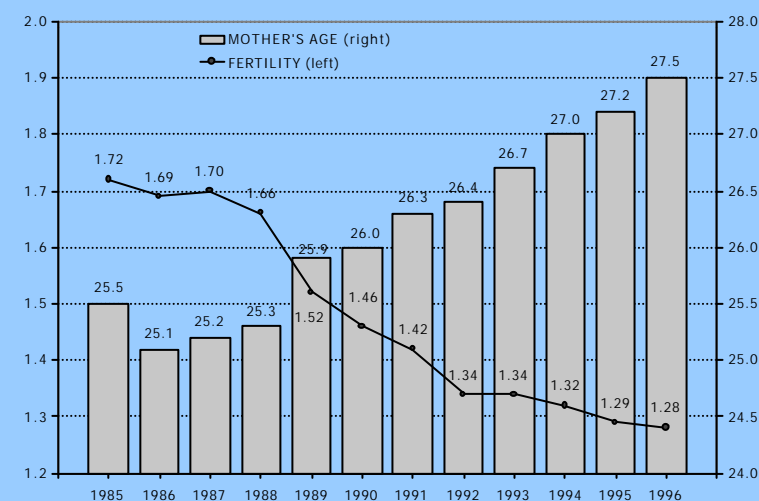
The average age of mothers at birth of a first child is rising

Graph 2.1: Fertility

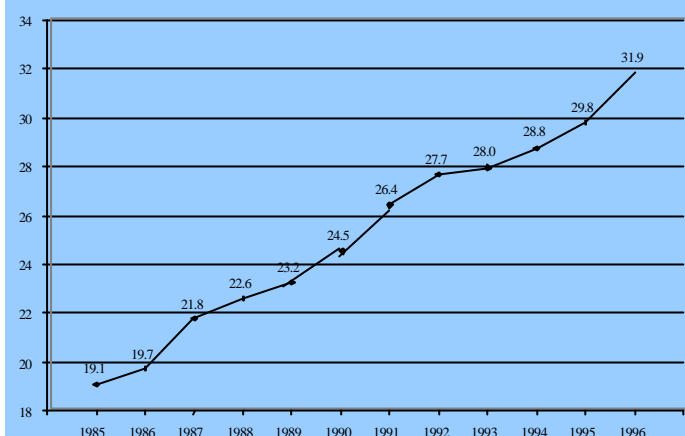
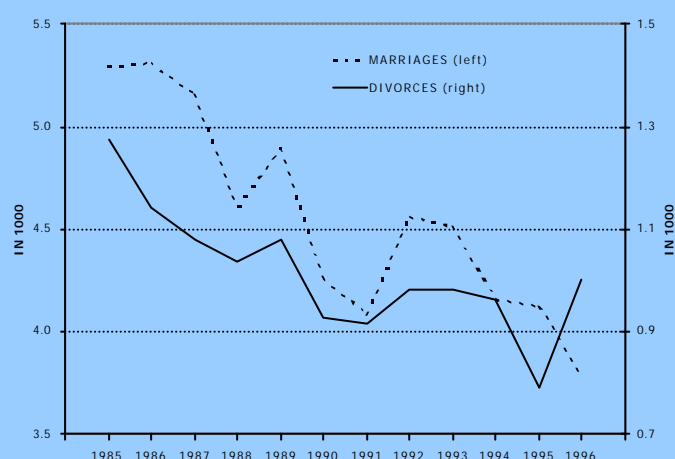


Source: WHO

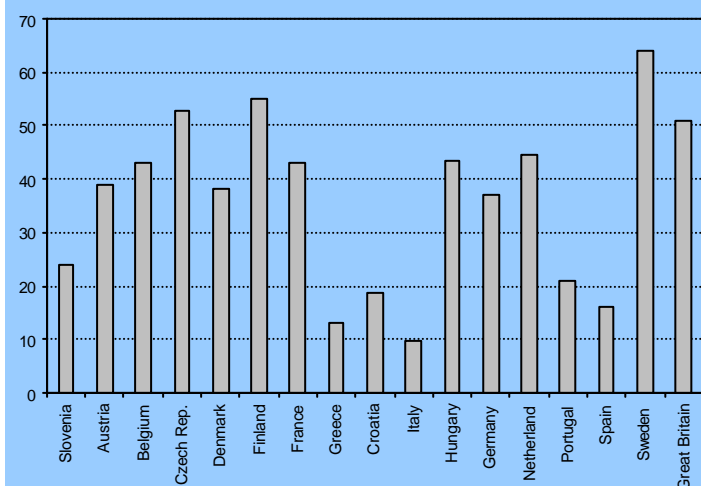
Graph 2.2: Mother's age at birth and fertility



Source: SORS

Graph 2.3: Percentage of children born out of wedlock**Graph 2.4: Marriages and divorces (in Slovenia)**

Source: SORS

Graph 2.5: Number of divorces per 100 marriages

Source: WHO

TRENDS IN FAMILY STRUCTURE CHANGES

For quite some time now, Slovenia has witnessed changes in the lives of families and married couples, a phenomenon typical of modern societies characterised by constant changes in socio-economic conditions. Hence, the average number of household members is declining, as well as the number of marriages and the number of children per woman (in 1993, Slovenia recorded its first negative birth rate), the number of children born out of wedlock is rising, as is the average age of mothers having their first child, while the number of divorces is falling.

At the time of the 1991 census, the average number of household members was 3.1; it has been falling since the 1931 census, when the average number of household members was 4.9. Parallel to that, a fall in the number of children per woman has also been recorded (in 1996, one woman had on average 1.28 children, one of the lowest rates in Europe). In Slovenia, the birth rate began to be planned in the 19th century, but only among upper social classes, which resulted in differences between birth-rate levels. They have diminished, but the social class-to-birth rate ratio has remained: a higher class means a lower birth rate. At the same time, women have started to give birth later in their lives. The average age at the birth of a first child has risen from 23.0 in 1987 to 25.0 (the average age in the EU countries is 28.2). In addition, younger generations postpone setting up their own households and getting married; this is the LAT phase (Living Apart Together), whereby the duration of living with parents is getting longer, meaning a longer period of economic but not social dependence (Dumon, in: Renner, Švab, 1996). For example, those born before 1970 left their parents' homes aged 21.6, and those born between 1970 and 1974 at the age of 24.5. This trend is also reflected in a low rate of marriages. One could speak of the diminished role of marriage as a social institution, which has many consequences for society (Huber, in: Hribernik, 1994), such as an increased number of children born out of wedlock. Marriages are relatively stable, but the rate

in Slovenia is one of the lowest in Europe (the total first marriage rate for women is 0.48). The total number of divorce cases is also one of the lowest in Europe, despite liberal legislation which has treated married and non-married heterosexual couples equally *de facto* and *de jure* ever since 1976. As far as homosexual couples are concerned, Slovenia is preparing a law that will enable couples of the same sex to get married officially (registration), however, it will not regulate matters related to children. The same as the Law on Matrimony between a man and a woman, this law will regulate conditions under which a couple can get married or divorced, rights of ownership of each, whereas other matters will be regulated by other laws.

Reasons for the low divorce rate can be divided into subjective (personal) and objective ones. The latter include economic crisis and the high unemployment rate as the most obvious (single-parent families are financially worse off – in most of them the mother is the single parent) and housing policy (the lack of affordable and suitable flats). In addition, personal views on marriage are also important. Processed data from the Public Opinion Research (1993) indicate that opinions towards marriage as an institution, divorce and birth out of wedlock change according to age, local community where one lives and subjective relations towards religion. Older respondents (aged 58 and over) hold a traditional view of marriage (79% of respondents in this age group agree with the statement that married people are happier, whilst only 44% of those in the age group of up to 28 share the same opinion; 77% of those in the first group think that a couple having children should be married, compared to 32.7% in the second group). Respondents in the former age group largely agree with divorce as a solution to marital problems (84.5%). Similar results arise when answers are compared against the type of local community. Respondents from rural communities hold more traditional views over marriage as opposed to those from urban areas. This can be attributed to the fact that strong growth in demographic devitalisation has been registered among the rural population and that continuity of generations is an impor-

tant element in maintaining tradition. The latest data suggest that the rural population is more familiar with disintegration of wedded couples, nevertheless, the marriage-to-divorce ratio is the lowest compared to other population groups (Hribernik, 1994). The research has shown that the religious population do not follow strict religious norms in their everyday actions. Furthermore, the Church does not have so strong an influence on changing social behaviour despite increased activity in its attempt to rehabilitate the family and family life. One could speak of a religion “à la carte” where one takes what one likes but puts the rest aside.

MIGRATION

Migrations have always played an important role in changes to the number and structure of the population of Slovenia. Slovenia received its greatest immigration flow between 1971 and 1981 when it became attractive to immigrants from other parts of former Yugoslavia (net migration represented 41% of population growth). At the same time, moving away from Slovenia's less developed regions, in particular, has also been noticed (mainly to the cities and industrial centres). The change has resulted from Slovenia's positive economic development and the lack of a young workforce (most immigrants came from Croatia and Bosnia and Herzegovina). A gradual change in the national structure has brought about cultural, social and language problems.

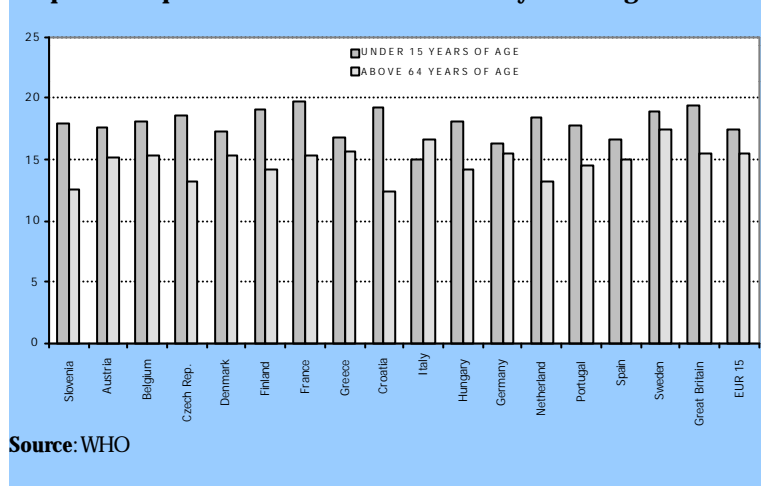
The economic crisis in the eighties gradually reduced the number of immigrants and political changes in 1991 stopped these inflows for a while (net migration was negative in 1991 and 1992). Simultaneously, their nature has also changed. Migration flows caused by different levels of economic development were replaced by migration flows of mixed political and ethnic backgrounds. In 1992 and 1993, Slovenia received more than 30,000 refugees (persons under temporary protection) from Croatia and Bosnia and Herzegovina. Actually, there are still about 8,000 of them. Since 1995 they have been counted (included) in the total population of Slovenia.

The legislation treats married and nonmarried heterosexual couples equally

In 1995, the average age of men was 35.5 years and of women 39.0 years

Slovenia also faces a strong flow of illegal migrations; in most cases, immigrants wish to continue their illegal journey through to the Western Europe.

Graph 2.5: Population below 15 and above 64 years of age



Migration policy is the only measure at the moment that can change demographic situation

AGEING OF THE POPULATION

Slovenia's population is old, but is not among the oldest in Europe. In 1995, the average age of men was 35.5 years and of women 39.0 years; 19% of the population was below 15 years of age, and 12% over 64 years of age. As mentioned before, immigrants have directly rejuvenated the Slovenian population, mainly in cities and industrial centres. A fall in the size of net migration after 1990, older age of immigrants, barely positive or even negative natural population growth are the elements that will accelerate the ageing of the Slovenian population in the near future causing a series of negative consequences, the most important being the lower proportion and ageing of the active population.

FUTURE OF THE SLOVENIAN POPULATION

The future development of the Slovenian population depends on the current age distribution, fertility, mortality and mainly on migration. Mortality among young and middle-age groups will probably decline. Annual fertility indicators will increase in the near future due to postponing of the

childbearing age in generations born in the sixties and later, but not enough for the replacement of generations. The immigration flow that stopped in 1991 will probably restart.

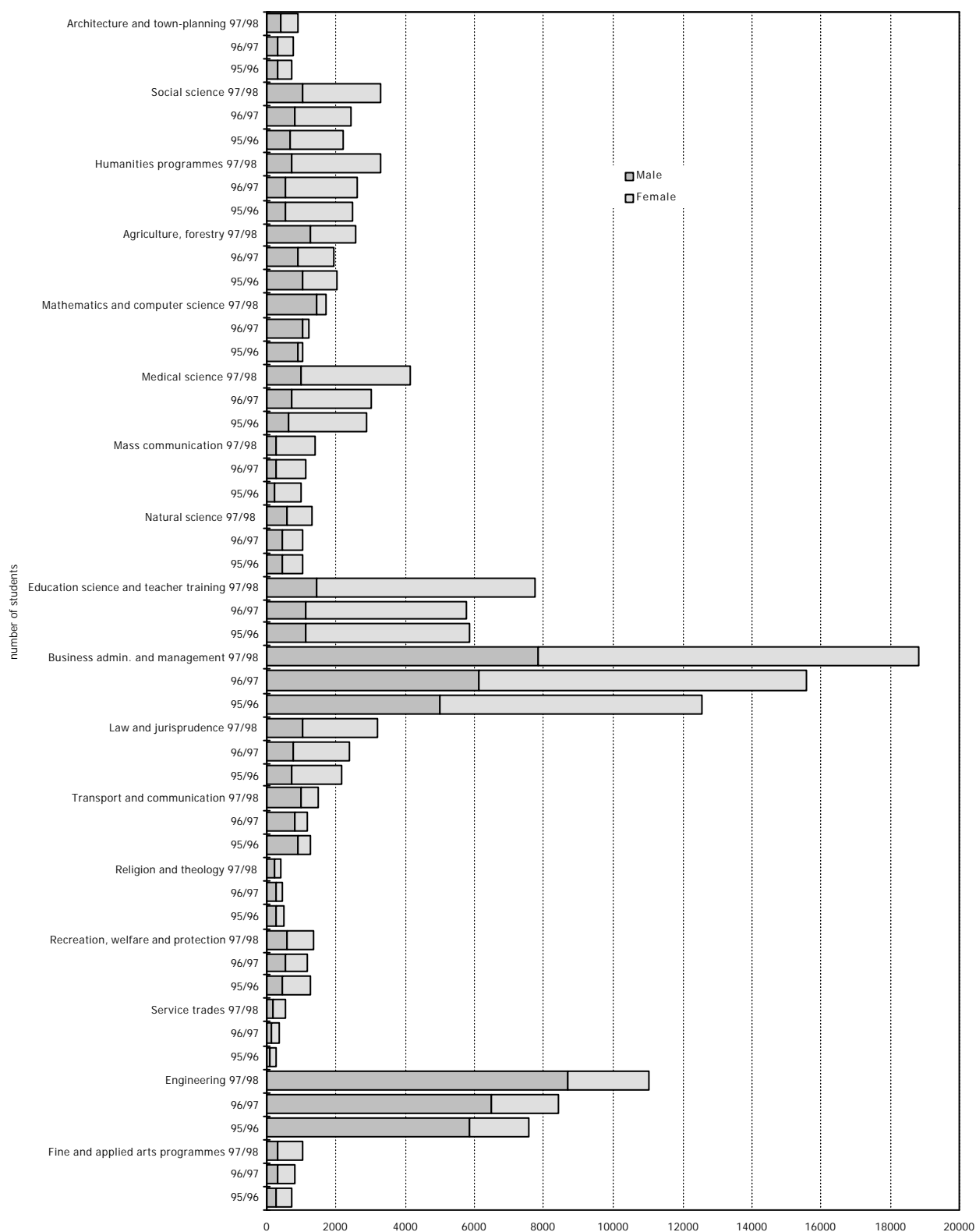
These are the main assumptions on which the Statistical Office has based its projections regarding the Slovenian population from 1992 to 2020. These projections show that the population will decline if migration flows are not re-established. If they are re-established on the scale seen in the eighties, the population will slightly grow, reaching 2,020,000 in 2020. But regardless of the number, the population will be older than today. According to the medium variant, only 16% will be below 15 years, and 19% will be over 64 years of age.

Many people in Slovenia are not satisfied with the demographic future of Slovenia as predicted in these scenarios and higher fertility is desired. The key reasons for the low birth rate lie in the economic crisis and the high unemployment rate, non-availability of suitable housing, high expenses for child-care services, inflexible working hours, labour market whereby a woman, due to competitiveness, is forced to enter a employment contract that forbids her from having children. Nevertheless, the trend of falling birth rates has been recorded in all developed countries, that is in those that are highly individualised.

Hence, in order to be able to record a higher birth rate enabling the renewal of generations, a number of measures helping young people decide to have more children would have to be introduced. Migration policy is therefore the only measure at the moment that can change demographic developments in Slovenia. This is true of external (rising in number) and internal (distribution) migrations.

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Student enrolment in tertiary education institutions by fields of study

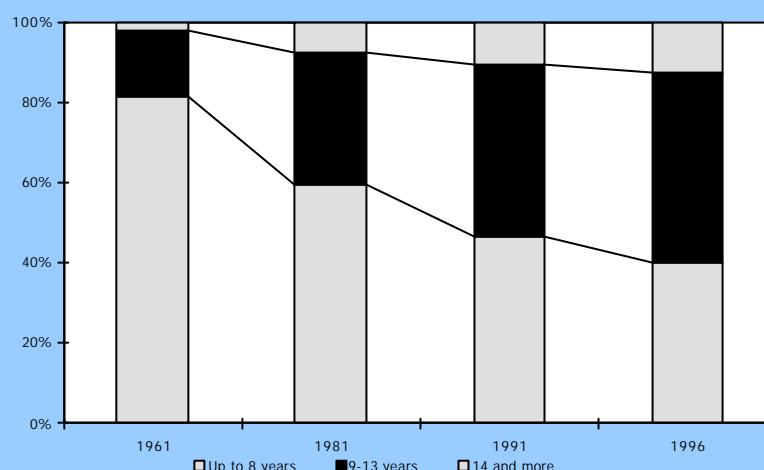
KNOWLEDGE AND EDUCATION



EDUCATIONAL STRUCTURE

In Slovenia, the **educational attainment structure** is improving (see Graph 3.1). Comparing this structure to those of other countries does not give as reliable results as comparing the average number of schooling years due to differences in the number of years required to complete one level of education or, in other words, due to differences in the organisation of the education system. Graph 3.2, which shows Slovenia in relation to OECD countries, allows a comparison only in its upper part, suggesting that the share of those with the highest education in Slovenia (14 years of schooling or more) is lower compared to most countries except southern European countries and Austria. In Slovenia in 1996, 12% of people had higher education in the 25 to 64 age group, whereas the average for OECD countries was 21% in 1995. A closer comparison of small countries with 1 to 10 million inhabitants and an area of 10 to 100 thousand square kilometres reveals that Slovenia also lags behind some less-developed small countries in terms of the proportion of people having higher education (the Baltic, Central and South American states). What is worrying is the fact that highly educated people who are of great importance to Slovenia, such as Masters of Arts, Masters of Science and Doctors of Philosophy, have gone to work abroad mainly because of irregular financ-

Graph 3.1: Changes in the educational attainment structure of the adult population in Slovenia from 1961 to 1996 (attained education – number of years of schooling)



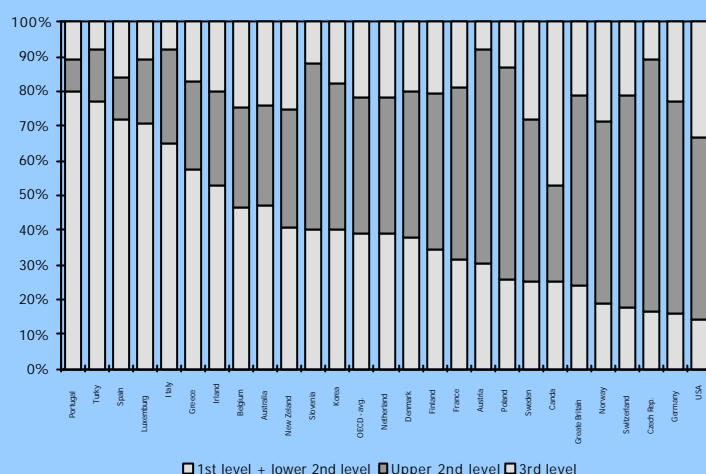
Sources: The Census (data of the Statistical Office of the Republic of Slovenia); Drogenik, Kraigher, 1998, Appendix – Table D2 (1996 – estimate).

Note: The data refer to the age group of 25 and over, except in the last column (1996), where they refer to a narrower group (aged between 25 and 64).

ing of research activities in the 1990s, involving 5% of all people with such education.

Still a large proportion of adults without basic education

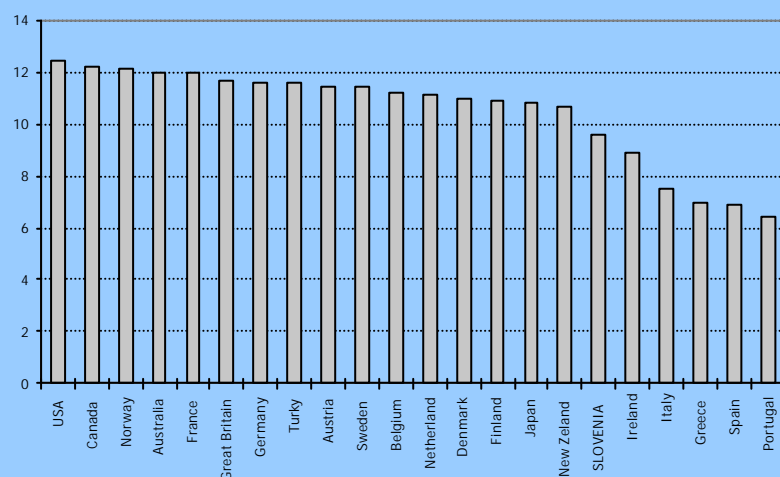
Graph 3.2: Educational attainment structure of the adult population (aged between 25 and 64) in the mid-1990s – Slovenia (1996 – estimate) and OECD countries (1995)



Sources: Education at a Glance 1997, p. 38 (Table A2.1); Drofenik O., Kraigher T., 1998, Appendix, Table 2D.

Note on the key: the level of education refers to the old standard classification of education in Slovenia according to which the first four years of primary school comprise the first level of education. The first step of the second level of education consists of the remaining four years of primary school. The second step of the second level of education is made up of the entire secondary school. The Chart allows the highest degree of comparability between countries in its upper part showing the percentage of people with the third level of education; the other two parts of columns allow a lower degree of comparability.

Graph 3.3: The average number of schooling years of the population aged 25 and over – Slovenia (1991) and OECD countries (1992)



Source: Human Development Report 1994; calculations based on data of the Statistical Office of the Republic of Slovenia.

The average number of adults' schooling years

At the beginning of the 1990s, adults in Slovenia aged over 25 had on average 9.6 years of schooling, which was one year more than at the beginning of the 1980s.

The Strategy of Economic Development of Slovenia for the period from 1991 to 2001 forecasts an increase in the educational capital stock at a rate not below this one (Bevc, 1995). Comparing Slovenia's educational capital stock at the beginning of the 1990s to other countries gives the following results (see Graph 3.3 and 3.4):

- the educational capital stock is bigger compared to less-developed small countries, European and non-European, except Hungary, or compared to larger OECD countries in the south of Europe (Italy, Greece, Spain and Turkey), and larger European countries in transition; and
- the educational capital is smaller compared to developed small European countries except Ireland and other developed countries not previously mentioned.

Considering the narrower category of population aged between 25 and 64, the average number of schooling years was 9.9 years in 1991, 2 years below the OECD average in 1995. The level of education of women, which in Slovenia is increasing more rapidly than that of men, was even lower in the same period, but contributed to mainly by middle-age and older generations; the level of education of younger women is higher (see Graph 3.5). The results of the labour force survey show that the labour force, with 11 years of schooling, is on average more educated than the total adult population and, within this group, women are more educated than men.

The employed in Slovenia have nearly 11 years of schooling; women are more educated than men – in 1996, men and women had 10.8 and 10.6 years of education respectively – and with more suitable education relative to job requirements (Mohorèi-Špolar, V. et. al., 1995). The unemployed are still less educated than those employed (Labour Force Survey 1989). Of all sectors, the public sector employs the most educated people with nearly 13 years of schooling (Bevc 1998). At the beginning of the 1990s, of the twelve regions in Slovenia, the Central, Gorenjska, Littoral regions had the most educated population aged above 15 measured by the

average number of years of schooling, whereas the least educated were found in the Dolenjska, Lower Posavje, Karst and Pomurje regions.

Until recently, the average number of schooling years and the level of formal literacy were used in calculating the *educational capital stock index*, which is one of the three elements of the human resources development index (Human Development Report). In Slovenia, this index is high; at the beginning of the 1990s it was 0.88 ('schooling/education index' – 0.64; 'literacy index' – 0.99), and in the middle of the 1990s (1994) it was 0.89, below the Western European average and above the Eastern European average.

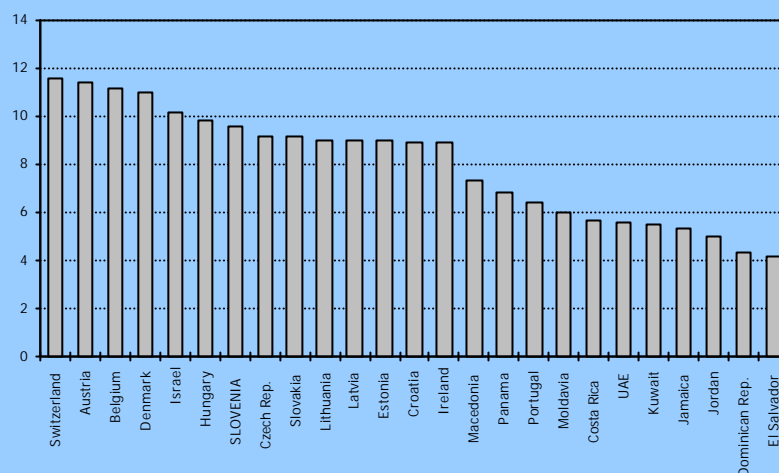
EDUCATIONAL CAPITAL FLOW – PEOPLE PARTICIPATING IN EDUCATION (INVESTMENT OF TIME IN EDUCATIONAL CAPITAL)

Demand and supply in the field of education influence the size of the educational capital flow. In Slovenia, as elsewhere, records of people taking part in formal education, particularly at lower levels, are kept regularly and accurately, informal education, on the other hand, is poorly recorded, particularly that of adult education and training. For these reasons, there is no clear picture about the educational capital flow in Slovenia, or about the investment of time in the growth of educational capital stock.

Young people and adults participating in formal education

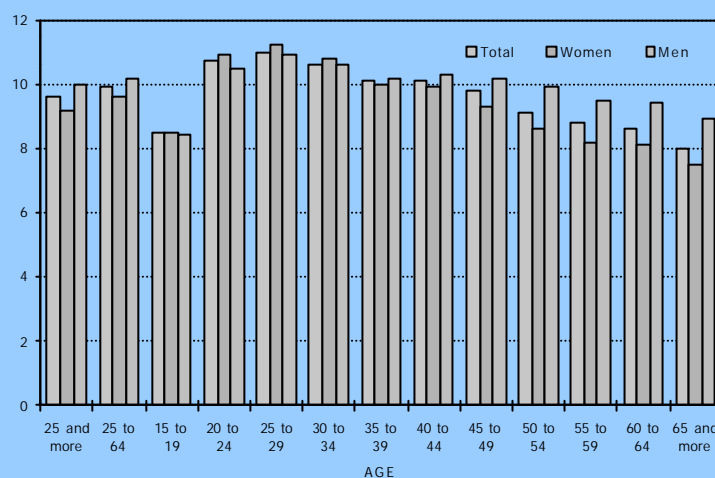
In the second half of the 1990s, Slovenia's total number of people taking part in all three levels of the educational process – the total gross rate of people registered in education and training – was in line with the average level of developed countries in 1980 (see Graph 3.6). Total gross and net rates of people in the process of formal education over a longer period show that the gap behind developed countries in educating young people at the three formal levels is not as wide as in adult training,

Graph 3.4: The average number of schooling years of the population aged 25 and over – Slovenia (1991) compared to other small countries (medium and high levels of development) (1992)



Source: Human Development Report 1994; calculations based on data of the Statistical Office of the Republic of Slovenia.

Graph 3.5: The average number of schooling years of the adult population in Slovenia by gender and age groups – 1991 (the latest census)



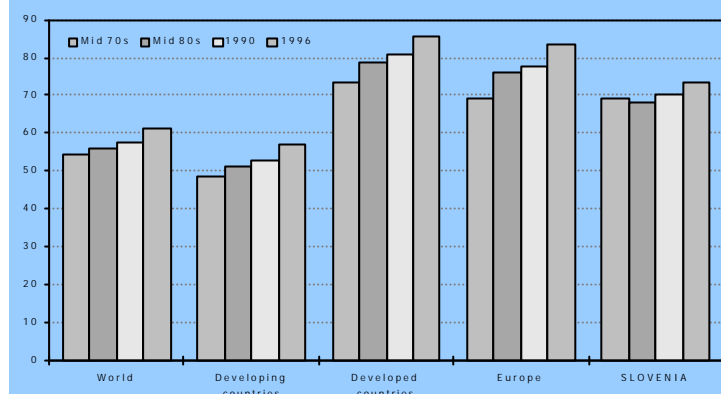
Source: calculations based on data of the Statistical Office of the Republic of Slovenia.

which is even increasing. With a substantial increase in enrolment at the third level of education – higher education and post-graduate studies – in the 1990s, Slovenia's lag behind developed countries in relative participation at this level of education has been reduced altogether measured by the number of enrolled students aged 20 to 24 (see Graph 3.7). Some structural features of the overall educational capital flow are:

- *Gender.* Since the beginning of the 1980s, the share of women taking part in the education process has been higher than that of men mainly re-

sulting from more girls being registered in the elementary stages of the education process. By contrast, in developed countries the same trend has been recorded since the end of the

Graph 3.6: Total rates of participation in all three levels of formal education – Slovenia compared to other countries (%)



Source: UNESCO Statistical Yearbook (various volumes); data for Slovenia: author's calculations based on data of the Statistical Office of the Republic of Slovenia.

Note: All those registered (full-time and part-time) are compared to the 6-23 age group, in Slovenia they are compared to the 7-24 age group. The last column shows figures for 1996 in the case of Slovenia and for 1995 in the case of other countries.

As regards participation in formal education Slovenia does not lag behind the developed countries

Small number of private schools

1980s. In Slovenia, as early as in the second half of the 1970s the proportion of female students participating in education aged between 7 and 24 was higher than that of male students. In the second half of the 1990s (1996), there were 73% of female and 68% of male students aged between 7 and 24 registered at all three levels of education regardless of the type of study – either full time or part time. There were 56% and 52% of female and male students respectively aged between 6 and 29 (see Graph 3.8). Taking into account older generations as well, the total share of women educating themselves was 78% compared to the 7 to 24 age group (all registered/this age group) and 73% of men in 1996.

- *Age.* The share of people educating themselves is relatively high up to the age of 17 then it falls sharply. Graph 3.8 shows this by year and gender groups for 1996.
- *Level of education, type of schooling and age.* Over the last three decades, the number of young people registered in the educational process (the primary level and regular type of schooling) increased in secondary and higher education. The number of adults regis-

tered in the programmes of adult and further education fell in the 1980s at all three levels of education, in the 1990s it started to improve, but only at the third level because of limits imposed on the number of regular students. The number of pupils in the 15 to 18 age group taking part in secondary education increased from 71% in the middle of the 1970s to 84% in 1996, with women moving to 86% and men to 81%. The number of students aged between 19 and 23 educating themselves at the level of higher education rose from 13% to 25%, with women reaching 31% and men 20%. The number of part-time adult students per 100,000 people at the first and second levels is still lower than 20 years ago, whilst at the third level, the number has increased.

- *Types of educational institutions: public, private.* The structure of enrolments is dependent on the structure of institutions. According to the data of the Ministry of Education and Sport for the 1997/98 school year, there was one private primary school out of 821 with 0.1% of all registered pupils, five private secondary schools out of 153 with 1.4% of all registered pupils, one private vocational college out of 5 with 17% of all registered students, and three higher education institutions out of 40 with less than 1% of registered students.
- *The tertiary level of education.* In the 1990s, the number of students increased considerably (see Graphs 3.7 and 3.9), which was accompanied by changes in the structure of study levels, study areas, types of studying, gender, age and status of employment, types of educational institutions, and educational technology. The number of students registered in longer study programmes at graduate and post-graduate levels has risen, together with those studying humanities and social sciences, as well as the number of part-time students. The share of female students has also increased to reach almost 60%, particularly at graduate and post-graduate levels. The number of young and unemployed part-time students enrolling in tertiary educa-

tional institutions immediately after finishing secondary school has risen as well. In the middle of the 1990s, the first private institutions were established and they currently have only a 1% share of students at the graduate level. Distance learning was introduced in the 1990s; it includes only a few programmes and involves less than 1% of all graduate students. One feature of the student participation structure at the third level of education is the growing number of part-time undergraduate students – in the 1991-1998 period their share increased from 16% to 27% – contributed to mainly by those who differ from regular students only by the fact that they have to pay a school fee and have limited access to state aid for students, and not by age or employment. In the first half of the 1980s, when the share of part-time students was even higher, they were 'real' part-time students – older and employed. Their share in the 1990s is increasing due to a strong demand for higher education and limited placements for regular students, which is conditioned by the system of financing education institutions (no fees).

Considering the present level of individual age groups enrolled in the educational process and taking account of the length of compulsory education (8 years) and drop-outs, the *school life expectancy* for *six-year-old children* aged between 6 and 26 was 12.9 years in Slovenia in 1994 (using the UNESCO and OECD methodologies). This is more than in other European transitional countries and less than in Western Europe, where the school life expectancy ranges between 15 and 17 years (Education at a Glance, 1997). In order to narrow the gap behind developed countries in the educational attainment of adults, this indicator should increase above the level in developed countries together with the number of adult enrolments in the future.

Some other aspects of adult education

We will examine some other aspects of adult education because this is a wider category than formal education; it includes

formal and informal education in and outside schools. This is a basis of life-long education which is an important factor in educational / human capital formation and of growing interest in developed countries. Important systemic changes in education in Slovenia in the 1990s were establishing the Slovenian Adult Education Centre, equal treatment of adult education in the system of education, preparation of the national programme of adult education, and an increase in government expenditure for this type of education. What follows is an overview of the main findings presented in available research material and resources.

- **Informal and extramural adult education.** – Less attention is given to it than to formal adult education, besides it is not systemically organised yet, which does not mean it is poorly developed. Informal adult education programmes dominate in total programmes on offer for adults, in most cases provided by adult education institutes, education centres and private educational organisations. Participation of adults in this type of programmes exceeds by several times that in formal education. This includes people in employment, and within this group, the percentage of women is higher than that of men.
- **Education, training and retraining of employees.** – The share of companies and public services institutions without organised training of their employees is rising (according to the latest available data 25%; 1996), however, planning training for employees is gaining importance (it is now available in 40% of companies and public services institutions). Only less than one-tenth of companies has an education centre or a service set up specially for training employees. The number of people participating in programmes to attain primary education is low despite the fact that the number of people without such education is large. 2% of employees take part in training to attain a qualification, but retraining and vocational training for work include much more participants.
- **Education and training of the unemployed** and job-seekers gained in-

Increasing share of part-time students

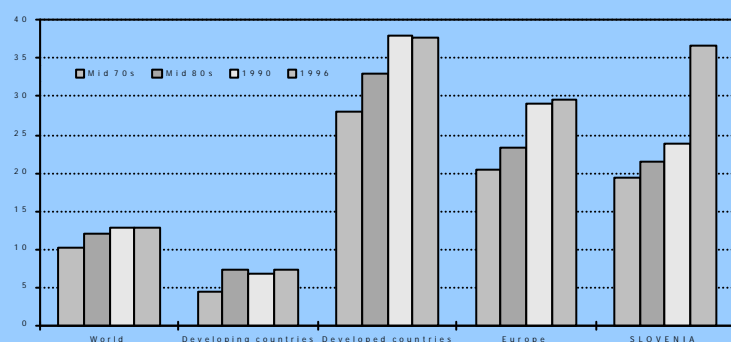
A large number of unemployed take part in training programmes

Enterprise investment in employee training has increased in real terms

portance at the end of 1980s, when the number of unemployed began to rise and the Active Employment Policy was adopted. Training was one of the most important policy's measures in organising labour force supply, as these training programmes included nearly 98,000 unemployed in the 1991-1997 period, when the jobless figure was 114,000. Over recent years, the highest number of unemployed participated in functional training programmes, training programmes at workplace and training to attain a qualification.

- **Adult education network** is relatively well-developed, but has a number of shortcomings, particularly uneven distribution over the country (it is too centralised) and narrow-minded programme orientation (it focuses mainly on training to attain a qualification).

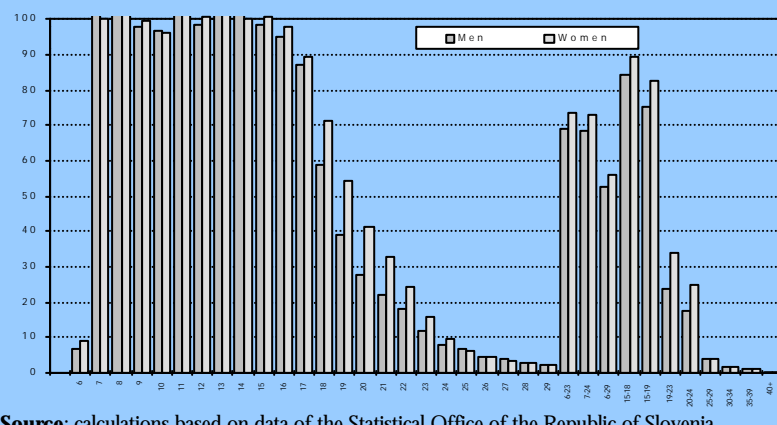
Graph 3.7: Participation rate in the third level of education – Slovenia compared to other countries (%)



Source: UNESCO Statistical Yearbook (various volumes); data for Slovenia: author's calculations based on data of the Statistical Office of the Republic of Slovenia.

Note: All those registered (full-time and part-time) are compared to the 20-24 age group. The last column shows figures for 1997 in the case of Slovenia and for 1995 in the case of other countries.

Graph 3.8: Participation rate in formal education (levels 1,2 and 3) by age and gender – Slovenia, 1996-97 (%)



Source: calculations based on data of the Statistical Office of the Republic of Slovenia.

INVESTMENT IN EDUCATION CAPITAL

In Slovenia, as elsewhere, of all types of education, investment in formal education is measured the most accurately. Only financial investment is registered, and within this category mainly investment from public funds. It can be observed in two main ways: as a percentage of GDP or calculated per one student.

Financing education

State contributions. In Slovenia, the share of total public expenditure in GDP earmarked to improve education – excluding expenditure on regulating the labour market – has increased in the 1990s, whereas in the 1980s it was relatively unstable. In Slovenia in the 1990s, the proportion of expenditure on education, including the pre-school level, in the national output was relatively high compared to small countries (as defined before), among the highest in the group of less-developed countries and similar to or higher than in some developed countries, using the UNESCO methodology. Compared to bigger Eastern European countries, it was higher. Over the past years, the share of public expenditure on education in GDP has stood at around 6% to reach the average level of OECD countries (5.8% in 1995, 5.9% in 1996, 6%-estimate for 1997-1998). The percentage in total public expenditure stood at the average of OECD countries ranging between 12% and 13% in the 1990s. The share of higher education in the structure of total current public expenditure for education excluding pre-school level has increased gradually over the last 20 years at the account of a drop in the share of primary education. In the 1990s, the percentage of expenditure on adult education in total expenditure and in GDP has increased; nevertheless this still remains low, which is pointed out especially by Slovenian researchers of adult education. In the period from 1992 to 1995, the proportion of such expenses in the gross domestic product rose from 0.01% to 0.08%, while the share in total public expenditure on education (including pre-

school level) rose from 0.2% to 1.5%. Expenditure per person in the formal education process is highest in tertiary education where real-terms drops have been halted in the 1990s. Expenditure on one regular student in the first half of the 1990s ranged from US\$ 4,300 and 4,900. In the eighties, this expenditure was 100% higher than the average public expenditure on one primary school pupil. Public expenditure on adult education stands at US\$ 8 per capita.

Enterprise and organisation contributions. Investing in employee training has increased in real terms in the 1990s and considerably exceeds the state's investments in adult education. From 1992 to 1996, investments increased from US\$ 51 million to US\$ 72 million at PPP. The percentage in GDP stands at about 0.3%. The average expenses per employee stand at SIT 15,000, or US\$ 100 (US\$ 135 PPP); with the highest figures being recorded in the financial intermediation sector.

Family/household contributions. These data are collected from the survey on household expenditure and do not allow an estimate of real investment in education, let alone separate figures for young people and adults. It is estimated that this type of investment is high, but it could even be higher with some state incentives involving tax relief, etc.

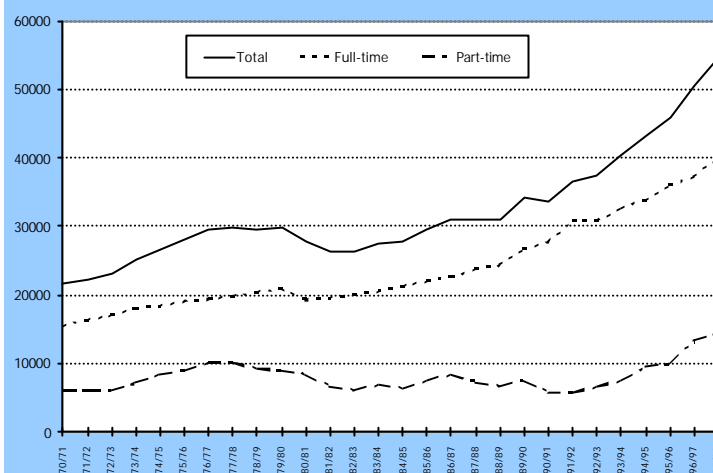
Total education costs – actual costs of education and sharing costs between various sources of finance

As a rule, all actual (direct – financial and indirect – non-financial) costs of education that burden society are easier to assess for formal primary education than education later on, but even such estimates are rare due to the lack of data. For Slovenia, such data are available for 1970s and 1980s, but not for 1990s. In 1980s, the structure of actual society's costs of primary education per unit (pupil or student) by the levels of education were the following (current society's costs: current individual's costs: society's opportunity costs): primary education

- 94:6:0, secondary education - 24:3:73, four-year higher education - 42:3:55 (Bevc, 1991). The actual costs, at least for tertiary education, were about 100% higher than current government costs per student (an estimate based on the data for 1980s). The division of direct expenses, that is financial costs, between various sources of finance affects access to education as well as many other features of development of education; they are conditioned by the system of financing.

Return on investment in education is rising

Graph 3.9: Total number of students participating in higher education (two- and four-year programmes) – Slovenia 1970-1998



Source: the Statistical Office of the Republic of Slovenia.

THE SYSTEM OF FINANCING EDUCATION

Financing education of the young. – In Slovenia, primary education in public institutions is almost entirely financed from public funds. Slovenian citizens are not charged any tuition fees for regular education in these institutions at any level. In public tertiary education institutions, there are registration fees for full-time students amounting to about DEM 50, and some secondary schools charge an unofficial fee (parents' 'voluntary' contributions) totalling up to DEM 300 annually. The current situation, problems and measures required in financing higher education are presented

Training of the unemployed – a priority area in adult education

Table 3.1: Return on investment in Slovenia in 70s and 80s compared to ROI in the world (the average calculated for about 80 countries – mainly for 80s), in %

Regions	Society's rate (integral method)				Individuals' rate (integral method)				
	Primary education	Upper-second. educat.	Higher educat.	Total	Primary education	Upper-second. educat.	Higher educat.	Total	
South Africa	24.3	18.2	11.2		41.3	26.6	27.8		13.4
Asia ¹	19.9	13.3	11.7		39.0	18.9	19.9		9.6
Europe, Middle East, North America ¹	15.5	11.2	10.6		17.4	15.9	21.7		8.2
Latin America & the West Indies	17.9	12.8	12.3		26.2	16.8	19.7		12.4
OECD	14.4	10.2	8.7		21.7	12.4	12.3		6.8
World	18.4	13.1	10.9		29.1	18.1	20.3		10.1
Slovenia									
1976	3.3	5.5	2.4	3.3	13.6	6.9	4.3	5.7	-
1986	1.2	3.8	2.5	2.5	18.5	5.2	5.0	5.5	-

Sources: M. Bevc, 1993, p. 335 (Slovenia); G. Psacharopoulos, 1994, p. 1328-1329.

Notes: ¹ OECD countries excluded; ² Mincer's method.

in the Box 3.3.

Financing education of adults. – The state participates in financing the basic education of adults, (data for secondary education were not available) post-graduate education (more intensively from the 1998/99 academic year onwards), however, it does not finance the higher education of regular or part-time adult students (fees for the latter, which are high both in the public and private sectors, are paid in total by the student or their parents). Despite a real increase in government expenditure on adult education in the 1990s, more than 90% of financial sources of adult education institutions come from the market, whereby the share (contribution) of participants is increasing.

More than 90% of the adult education institutions' funds come from the market

ECONOMIC EFFICIENCY OF INVESTMENT IN EDUCATION

Both 'internal' and 'external' investment efficiency in education are important. The former means the efficiency of education institutions' work and the latter, from the point of view of the national economy, how education affects economic growth, income distribution in society and employment. There are many methods available for measuring both types of efficiency of investment in education, but measuring either of them is limited by the availability of data. It is therefore not surprising that the international and OECD's reform of education statistics puts a special emphasis on data and indicators used in measuring

Table 3.2: Return on investment in education in Slovenia and in the world (average per country calculated), by sex, in %

	W O R L D		S L O V E N I A											
			Integral method											
			Society's rate				Individuals' rate							
			1976		1986		1976		1986		1983		1993	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Primary education	20.1	12.8	3.8	2.6	1.2	1.1	14.7	12.4	18.9	17.9	-	-	-	-
Upper-secondary education	13.9	14.8	5.6	5.0	3.8	3.6	7.0	6.5	5.1	5.2	2.0	3.0	5.8	0.0
Tertiary education	13.4	12.7	2.0	1.6	2.3	1.8	3.7	3.6	4.6	4.7	3.1	1.7	5.4	3.9
TOTAL			3.6	2.9	2.6	2.3	5.9	5.6	5.5	5.7	3.8	3.3	5.5	5.8

Sources: M. Bevc, unpublished calculations from 1989 (Slovenia, integral method, return on investment by levels of education); Bevc, 1991, p. 204; (Slovenia, integral method, total return on investment); T. Stanovnik, 1995, p. 47 (Slovenia, Mincer's method, total return on investment); T. Stanovnik, 1997, p. 449 (Slovenia, Mincer's method, return on investment by levels of education); Psacharopoulos, 1994, p. 1329.

Key: M – men, W – women.

economic efficiency of education.

Internal (economic) efficiency. – Like in many other countries, data required to get a reliable efficiency assessment are not available in Slovenia for the 1990s, except for secondary education of young people. This entails recording pupils' and students' progress, that is their longitudinal progress. There were about 20% of dropouts in secondary education in Slovenia in the 1990s, or 30% of those who did not finish in the regular term. The Ministry of Education and Sport has concluded that the number of dropouts in tertiary education fell in the 1990s in contrast to the 1980s when it was very high (50%), according to the only longitudinal progress record carried out among students so far. However, no reliable conclusion can be made on the basis of available statistical data. For various reasons (the size of Slovenia, unfavourable demographic forecasts, etc.), losses in the education process should be given more attention in the future.

External efficiency. – The 1970s and 1980s have been assessed in terms of return on investment for society and individuals in selected levels of education by means of the 'integral' method, whilst the assessment for the first half of the 1990s was based on Mincer's average return on investment for individuals. Return on investment from the fiscal point of view, which might be an important item of information for the tax policy, has not yet been assessed for Slovenia.¹ In the past two decades, return on investment for society and individuals in a given level of education was lower in Slovenia than in other countries (more, less or equally developed, without formerly socialist ones), with the return on investment recorded lower for society than individuals in all countries. Economic advantages of having a higher level of education, expressed through wage differentials and differences between employees and unemployed having different levels of qualification, are growing in the 1990s. Assessments of the average return on investment in education

for individuals, which are higher than in the 1980s, also indicate that return on investment in education is increasing.

Assessments of return of investment in education for society are not available, as there are none for return on investment in education in the second half of the 1990s, when the labour market was working even more intensively than at the beginning of the decade.

EQUAL OPPORTUNITIES FOR EDUCATION AND EQUITY

The available data suggest that equal opportunities for education (equity in access) from the point of view of gender are not under threat, at least not in primary and secondary education. However, equal opportunities for several types of education after the secondary level is probably threatened from the point of view of socio-economic circumstances of students and their position in the labour market (employed, unemployed). There are no assessments about the equity in financing education. On the basis of the current system of financing regular and part-time tertiary education, the provision of finance from different sources for regular and part-time students, comparison of education attained by students' parents to the total population and growing poverty, it can be assumed that the current system of financing tertiary education is unfair. We believe that equal access to this level of education has not been provided for all social groups of the young and that those from the middle-income bracket have poorer access opportunities.

PROBLEMS AND RELATED ISSUES OF EDUCATIONAL DEVELOPMENT IN SLOVENIA

Problems:

- A large proportion of adults still does not have basic education, such as finished primary school, short programmes of formal or informal education and training, particularly the unemployed.

The system of financing under-graduate education should be changed

¹ For mid-1990s, it has been calculated, within the INES project, for 7 developed countries. In most countries it is lower than return on investment for individuals (Human capital investment, 1997).

Material incentives for education investment

- Records of informal, non-school education, such as the number of people participating in such courses, investments, expenses, etc, are incomplete.
- The knowledge of adults is not directly measured through various aspects of functional literacy.
- There are no data and analyses trying to establish the internal and external economic efficiency and fairness of the basic and, in particular, further education of adults and their financing.
- The current system of public financing of tertiary education in public institutions covers the expenses of these institutions.
- Systemic incentives for individuals and companies to invest in education are too small.
- Research work in the field of education is too dispersed.

Areas and measures where changes are necessary:

- *Basic adult education* needs to be institutionally organised; functional illiteracy needs to be tracked and eliminated by *directly testing the knowledge of adults*. This is laid down in the national programme of adult education, which is in the final phase of preparation. Slovenia should participate in the international project on adult functional literacy.
- *Direct testing of adult knowledge* should be incorporated in the current measuring of educational capital stock, which includes educational attainment, results achieved in tests by young people, etc.
- *Training of unemployed* should be one of the priorities in adult education in Slovenia whereby the educational attainment of unemployed and educational structure as whole will be improved. Possibilities of retraining should be available when demanded by the market situation, as well as training for active job-seeking, self-employment and retaining social identity.
- *A record of informal/non-school education and training* with regard to the number of enrolled students and expenses should be kept and updated.
- *A record of expenses for education by companies and*

households should be kept, particularly the education and training of adults and kept up-to-date.

- It is necessary to establish the 'internal' and 'external' *efficiency of investment in education, as well as fairness in accessibility and financing*. Efforts should be made to increase financing. In order to achieve this, ways of measuring these factors should be provided. The internal economic efficiency of educational institutions needs to be correlated with direct testing of young people's knowledge; the latter is already being carried out in accordance with international methodology. Continuity of research work in this area should be provided together with the collection of data at the national level.
- *Analyses necessary to assess internal and external (economic) efficiency should be conducted, as well as analyses of the fairness of the system of primary education*. A suitable system of its financing should also be established. These issues relate to monitoring the longitudinal progress through the system, socio-economic conditions of those in the process of education, social fairness of the current system of direct financial aid to students, the system of financing educational institutions, in particular institutions of higher education and establishing if there are cases of money transfers from the poor to the rich. Further, it is necessary to assess the living expenses of students, expenses per graduate of various studies taking account of dropouts and repeating students, that is expenses for an 'active' student who meets study requirements regularly. We should also assess the expected income of graduates of various subjects of study, return on investment according to the level and area of studies from the point of view of society, the individual and the state; this could be done by calculating a fiscal rate using the integral method where all expenses and measurable economic benefits of education are taken into account.
- *Total expenses, benefits and returns also for other methods of learning, such as formal adult education and informal/non-*

school education, etc. should be assessed and developed. These categories should be compared to different learning methods as well as to categories of elementary formal education.

- *The system of financing tertiary education in public institutions* should be changed with the reform taking place both at the level of institutions and students. Regular studying should be increasingly financed from private contributions, including students' own, institutions should be financed through the introduction of school fees, and financial support to students should be provided by means of loans guaranteed by the state. Part-time studying should be co-financed from public funds, a unified methodology of calculating school fees should be prepared, and state-guaranteed loans should be introduced.
- *The following material and other incentives and measures to increase investment in education and to raise the number of enrolments were proposed:* to increase tax relief for individuals' and companies' investments in education, to provide in law or by through the collective agreement the right of employees to spend a minimum number of hours for education, to finance adult educational infrastructure from public funds, to set up a regional network of organisations and programmes, to introduce some punitive measures against employers who employ a poorly-trained workforce and do not invest in its training coupled with an obligation to contribute to the unemployment prevention fund, to offer additional tax relief to companies that take on young unemployed or older people with long-term unemployment for training at work.
- *In the field of educational research work,* there should be more co-ordination between different government departments in financing research in this field. The Ministry of Education and Sport as the entity responsible for this should bring experts together from various fields and their institutions in resolving the current, medium-term and long-term problems of Slovenian education. The Ministry should take

the findings of this research into account when it prepares strategic documents on the development of education in Slovenia.

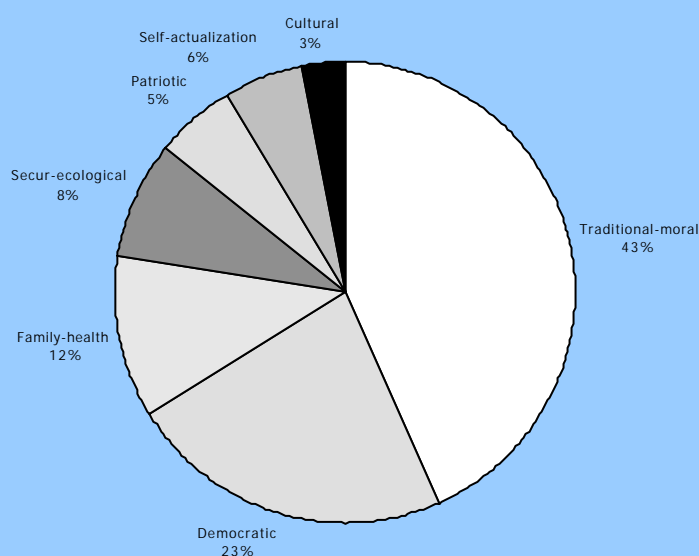
VALUES IN EDUCATION

Ever since Slovenia became an independent state, its professional and political public has been engaged in discussions about what role values (should) play in the education of young people. As of late, the debate has coincided with public education reforms. Presently, the burning issue is whether religious education should become part of the core curriculum of what is, in legal terms, a laic school and what role religion should play in education in general. One question has also been continually raised concerning the extent to which the school should participate in the upbringing (moral and values education) of children in addition to their education (instruction and learning of curriculum syllabuses).

Many authors from the fields of sociology, philosophy and education theory as well as the Minister of Education believe that the purpose of education is to convey a wide spectrum of values acceptable to all citizens regardless of their (religious and other) beliefs.

To what extent should the school participate in the upbringing of children

Graph 3.10: Values of teachers and students



Source: Razdevšek-Puško, Polak, 1998

The value orientations of teacher are predominantly traditional-moral

Introduction of values education is closely connected with the question of the social or socialising function of education. The President of the National Curricular Council has observed that in the context of school reforms in Slovenia the issue has become increasingly politicised. According to the latest agreement among the parties, the subject "civic education and ethics" is to become part of the compulsory syllabus, and the subjects "religions and ethics" and "civic culture" have been added to the list of optional subjects. Although civic education is believed to be necessary, the issue remains unclear regarding the contents of the subject itself.

The concept of values education depends heavily upon the beliefs and value orientations of teachers. In their study, Razdevšek - Pučko and Polak (1998:125) state teachers "perceive that ultimately the teacher herself is the most important decision-maker about values in the classroom context".

Slovenian teachers uphold mainly traditional morals in their value orientation (Graph 3.10). Among the values teachers believe should be incorporated into the education of young people, the set of traditional moral values such as honesty, solidarity, altruism and diligence is most popular. Another major set comprises values of social and democratic orientation such as equality, tolerance, peace, human rights and the rights of children, but these are mentioned only half as often. Family happiness and health are also considered important; religious values, however, are not mentioned.

Today, the purpose of education is to prepare students for a society where changes in technology and information happen overnight, as well as for the future European Union which will integrate a number of different cultures. An exact assessment of what problems people will face in the future is impossible, but we can be certain that both children and adults will need problem-solving skills the most, in addition to qualities which will enable us to get closer to other people and work with them. In short, we need education (especially in regard to society-related topics) which will enrich our knowledge by im-

proving our competences and by conveying values.

The future concept of (civic) education should be oriented towards the **development of two different types of competence: social competence and action competence** (Jensen, Schnack, 1994). Children should learn the social skills which they will need to successfully integrate into social groups; they should learn to take an active role in changing the quality of their living conditions and of the wider community in which they live. Both concepts are based on a set of post-modern values. They also **stimulate the notion of a child as a citizen whom we are prepared to provide an active position in a society during her childhood and not only in her future as an adult.**

Value related education is closely linked to the question as to what kind of society - community of people - we want. In other words, do we want to live in a society in which immigrants, foreigners, women, elderly, homosexuals and other vulnerable social groups are marginalised?

The decision to live in a democratic society must have some practical implications for the education system as well. Such a system must encourage education aimed at promoting the social participation of citizens and tolerance of diversity as the two essential components of a democratic society.

The next point to be made is our conviction that young people do not form their value system only at school, regardless of the fact that the value related education is an individual and compulsory subject in the curriculum or integrated into other subjects. The key question thus concerns the general social value orientations, in particular those directly reflecting attitudes to children and youth.

It seems that the traditional moral values are strongly present in Slovenians' general notion of children. They are also strongly present in the value orientations of their teachers. It is therefore of crucial importance that democratic plural values are a

Children should be learnt how to take an active part in changing the quality of their living environment.

part of the education of adults, teachers and other pedagogues.

Nevertheless, the results value education heavily depend upon the **consistency of communication**, that is on the extent to

which the values communicated to young people (in the process of everyday education) correspond to the values these young people gain from the practical experience of formal school-life and life in society in general.

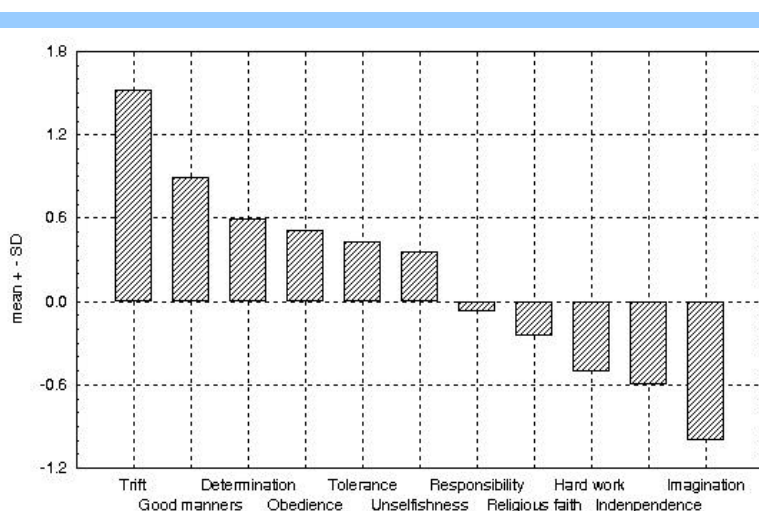
Box 3.1

IMPORTANT QUALITIES OF CHILDREN IN SLOVENIA

Educational orientation typical of Slovenia reveals the coexistence of values from different value patterns. Slovenians show an above-average appreciation of **thrift** and **determination**, both fostering a child's autonomy, especially the autonomy a child needs in the rational world of economic efficiency and political decision-making. In addition, the Slovenian education model displays a high appreciation of **good manners** and **obedience** as qualities which foster submissiveness. Since faith is not a quality considered desirable in small children, submissiveness usually refers to family life, perhaps also to schooling and other forms of social interaction.

Slovenians do not encourage autonomy providing a child with the opportunity for self-realisation, that is autonomy for the sake of the child. As it is, **the appreciation of imagination and independence is below average**.

It is more optimistic, however, that Slovenian **appreciation of tolerance and unselfishness is also slightly above average** as these are the qualities through which we are connected with other people.



Source of data: Basanez et al, 1996.

Note: The graph shows deviations from the arithmetic mean, a unit is standard deviation.

BOX 3.2
IMPORTANT QUALITIES WHICH CHILDREN CAN BE ENCOURAGED TO LEARN AT HOME

On the world level, three different value patterns can be identified, each characterised by its own set of expectations and the image of young people that it conveys. The most obvious distinction between the patterns is the division into religious and non-religious value orientations. The value patterns closely correspond with Inglehart's polarisation between a group of traditional values and values of rational-legal authority and with the polarisation between scarcity values and post modern values (Inglehart, 1995).

The analysis we conducted confirms the polarisation between the religious and non-religious value models as the characteristic feature. A factor analysis has revealed two mutually exclusive factors: the factor of religious education, negatively correlating with independence as a value, and the factor of non-religious education, which negatively correlates with religious faith. Consequently, we can distinguish between the religious education of young people, which could also be called education towards submissiveness, and a wide range of non-religious educational patterns which are much more supportive of a child's autonomy.

*The religious model combines qualities such as **religious faith, obedience** and **good manners**. It is characteristic of states where religion, regardless of the set of beliefs practised and regardless of the economic development of the state, is considered an important element of culture. Consequently, this set of values applies to a wide range of different religions. The mentioned states are usually traditionally religious in their value orientation, which has a direct effect upon educational expectations. Independence, determination and responsibility, otherwise fundamental to a child's autonomy, are the least desired qualities in this model.*

The non-religious model is more heterogeneous for it is composed of the remaining value patterns.

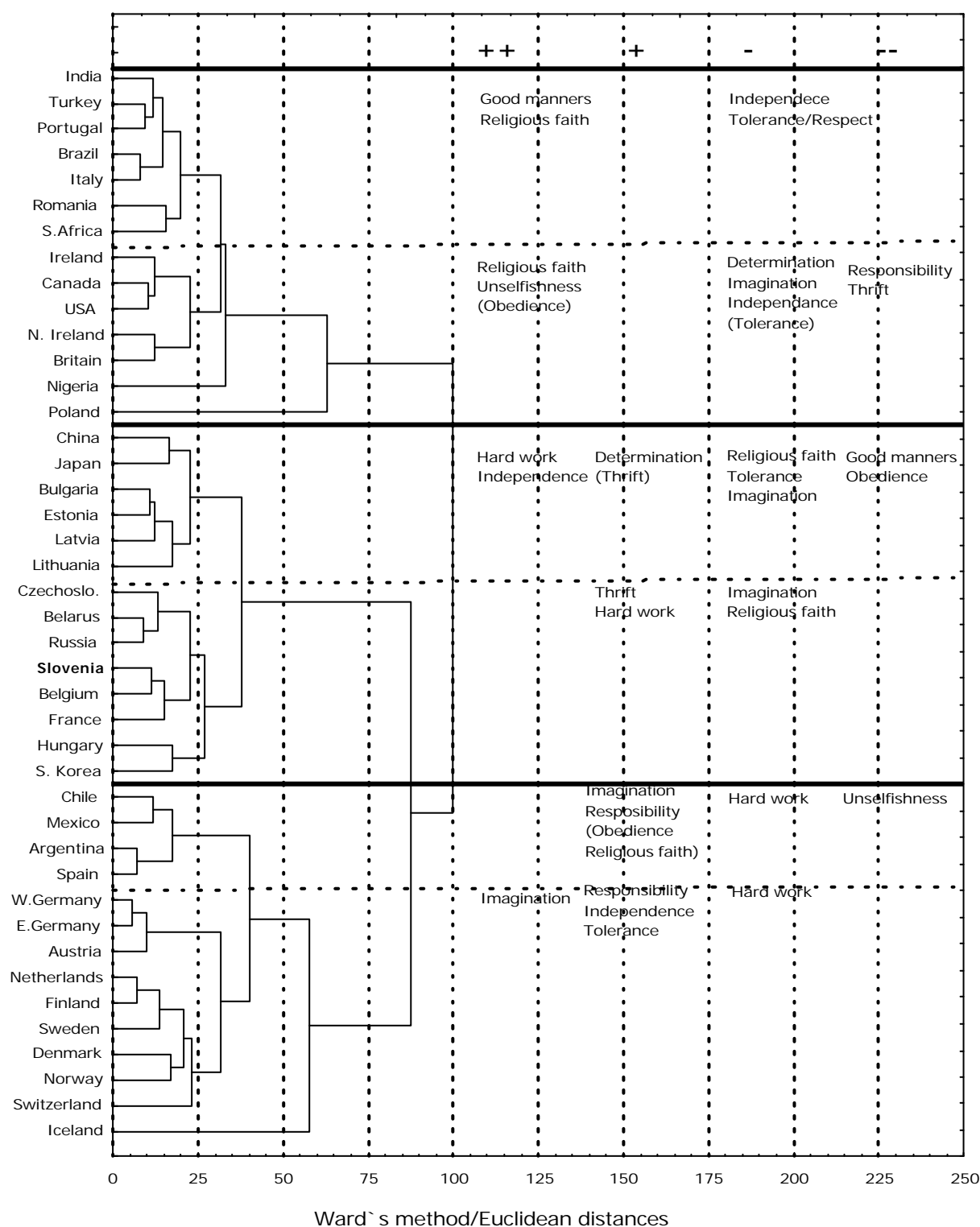
*The pattern which is almost diametrically opposed to the religious model is the one joining qualities such as **thrift, determination and independence**, and (in some societies) **hard work**. This pattern is typical of states with years of state tradition (China, Japan) and of states in transition, only now building their sovereignty (Eastern European states, Baltic states). Being somewhere between the two extremes, the states of Slovenia, France, Belgium, Hungary and Korea apply the same educational pattern. Understandably, the ability to work hard is a quality appreciated more in the societies which are otherwise, due to the lower level of their*

economic development, associated with scarcity values. Such a combination of desired qualities is more supportive of the autonomy of a child, but primarily in the sense of increased determination in the struggle for survival and position in the society. Societies which emphasise the importance of hard work, that is working to survive, hold imagination in low regard as it is almost the exact opposite of the first quality. Imagination, however, is considered to be the underlying basis for a child's creative activity and self-realisation.

*In addition, the non-religious orientation also comprises a pattern involving qualities such as **imagination, responsibility, tolerance** and **respect for others**. The pattern is typical of northern European states and of some Spanish-speaking, economically less-developed countries. In short, it can be found in countries where post-modern values are held in high regard and in some Latin-American countries which may have a religious orientation, yet their culture is still closer to post-modern values. The pattern states as desired some qualities which encourage autonomy as well as qualities which enable an individual to co-operate with others.*

In conclusion, only the last pattern combines the qualities children need for self-fulfilment with the qualities required for successful co-operation with others.

*The regression analysis has shown that to a large extent education models are defined by the following three criteria: **religious faith, hard work and imagination**. Religious faith is in positive correlation with obedience and in negative correlation with thrift. Hard work is in positive correlation with determination and in negative correlation with imagination, whereas imagination is in positive correlation with responsibility and tolerance and in negative correlation with hard work. It seems obvious that changes in the attitude towards children and education are a part of the overall changes in values and beliefs, classified as such within the processes of cultural modernisation and post-modernisation, described by Inglehart (1995). Quality patterns which different populations foster during the process of upbringing reflect either a traditional-religious orientation or national-legal orientation, while the turn to post-modernism marks a trend towards the quality of human life and democratisation, and therefore gives priority to participatory values and tolerance.*



Note: Based on Cluster analysis (Ward's method, Euclidean distances) of the research Human values and beliefs (Basanez et al, 1996). Question: Here is a list of qualities which children can be encouraged to learn at home. Which, if any, do you consider to be especially important? Possible answers: Good manners, Responsibility, Tolerance/respect, Hard work, Independence, Thrift, Determination, Obedience, Unselfishness, Religious faith, Imagination. In each answer, the shares of positive answers were standardised and used as variables in the analysis. The signs (+,-) indicate how selected qualities in a group deviate from the world average upwards (+) or downwards (-). A unit is standard deviation.

BOX 3.3

FUNDING OF UNDERGRADUATE HIGHER EDUCATION AND SHARING THE MONETARY COSTS AMONG DIFFERENT BEARRERS IN SLOVENIA - PUBLIC SECTOR

FUNDING OF HIGHER EDUCATION

In the 90s the national effort for the development of higher education measured by the share of public expenditure on this education in GDP (approximately 1%) has been below the average level for the OECD, but close to the level of some small countries in this group (Austria, Switzerland). 80% of public expenditure on HE is devoted to educational institutions and the rest to financial support for students (Table 1).

Funding of educational institutions. - Undergraduate full-time education is entirely funded from public sources (the tuition fee is zero), and part-time education entirely from private sources (tuition fee is high and in the case of young part-time students paid mainly by parents), what at the limited public funds causes the limited access to full-time places (numerous clauses exist in many institutions and programs) and excessive demand for this education. For economic reasons (increasing poverty, etc.) a part of this excessive demand is most probably not realised in any form of real enrolment. The public sources account for three quarters of the income of public institutions of higher education, whereas the non-public sources account for the rest; the main part of latter are tuition fees charged to part-time students and fees from training courses for employees. The share of private sources is even higher than the average for the OECD countries, where in the mid 90s it accounted for one fifth (Education at a Glance, 1997).

State financial support to students. - The extent of this support, expressed as percentage of GDP is on the level of many developed countries. Within this support, the share of indirect forms has been increasing in the 90s on account of direct support (it still presents more than 50%) which consists entirely of fellowships. Almost the entire support is devoted to full-time students. Fellowships, which are devoted to poor and the brightest students, were limited to full-time students till academic year 1997/98. The demand for fellowships from public sources exceeds the supply (reasons: decreasing number of fellowships granted by enterprises since the late 80s, fast increase in individual demand for higher education, etc.). Main forms of indirect support are subsidies of maintenance costs (subsidising meals, student accommodation and student transport), and other forms include child allowances, tax deductions for children, health insurance and non-taxed income of students. The annual average amount of state support (fellowships and subsidies of maintenance costs) per full-time student has

ranged between 850 and 1000 US dollars in the first half of the 90s. The comparison of Slovenia to some developed countries (Belgium, Denmark, France, Germany, the Netherlands, Great Britain, USA; Bevc, 1997a) has shown, that the share of students receiving any kind of direct state support (in 1997 - in Slovenia 39%) is lower, and the estimated total amount of different forms of indirect support is higher in Slovenia than in the majority of the countries observed.

SHARING THE MONETARY COSTS OF HIGHER EDUCATION

The estimation of the sharing of the costs for different categories of full-time students in the mid 90s is presented in Table 2. Since there is no tuition fee for **full-time** study, the taxpayers cover all the costs of instructions (the estimated amount for 1995 is 3200 US \$) for these students on the one hand and on the other also a great part of non-tuition costs (the estimated amount for 1995 is 4000 US\$) through the system of the state financial support to students – for the student with a fellowship from public sources more than 50%, and for other students from 9% to 45%. The difference is covered mainly by parents and partly by the student; their joint proportion accounts for more than 90% for the student without any fellowship. The cost sharing for an “average” full-time student where the entire amount for all the forms of the state financial support and fellowships granted by enterprises is divided by the total number of full-time students is the following:

- student's costs of living: taxpayers - 24%, enterprises - 5% and the rest - parents and students (from their current incomes),
- total costs: taxpayers - 58%, enterprises - 3%, parents and students - 39%.

In comparison to young **part-time** student who continues the schooling immediately after finished secondary school, cannot enrol full-time (limited access) and till 1997 did not have the access to fellowships from public sources the full-time student was and still is very privileged in Slovenia. And this is even more true in comparison to the following categories of young people, who can enrol neither full-time nor part-time (they are not poor or clever enough to be eligible for the fellowship from public sources) for economic reasons:

Table 1: Total public expenditure on higher education and state financial support to students in Slovenia in the 90s (in current prices)

	1992	1993	1994	1995
PUBLIC EXPENDITURE ON HIGHER EDUCATION (current and capital exp.)				
percentage in total public expenditure on education (%)	19.2	18.8	17.0	18.4
percentage of GDP (%)	1.1	1.1	0.95	1.0
annual expenditure per full-time student				
- in tolar (national currency)	348835	477541	513957	584542
- in US\$	4291	4217	3990	4932
STATE FINAN. SUPPORT TO STUDENTS				
Structure (%)	100	100	100	100
Fellowships (direct support)	75	65	61	62
Indirect support	25	35	39	38
subsidising the meals	14	22	25	24
subsidising the accommodation	11	7	8	7
other forms (without child allowances and tax deductions)	6	6	7	
% in total public current exp.on HE	21	24	24	20
% of GDP	0.21	0.26	0.21	0.19
Annual amount per full-time student				
- in tolar (national currency)	68732	111350	112403	114747
- in US\$	845	983	873	968
- % of GDP p.c.	13	15	12	10

Source: Bevc, 1997a, pp. 353 (calculations on the basis of the data of the Statistical Office of the Republic of Slovenia, Ministry of Education and Sport, Ministry of Labour, Family and Social Affairs, Central Bank of Slovenia).

- those whose parents (or they themselves) cannot cover the expected share of their costs of living (45% to 92%) - they can not enrol full-time,
- those whose parents (or they themselves) can cover neither the costs of instruction (tuition fee) nor their costs of living - they can not enrol part-time.

In our opinion, the expected contribution of taxpayers in funding full-time higher education and the expected contribution of parents, especially for part-time higher education are too high, whereas the expected contribution of full-time students is too low.

THE PROPOSAL OF CHANGES IN FUNDING HIGHER EDUCATION AND CONSEQUENTLY IN SHARING THE COSTS OF THIS EDUCATION

Changes are required in both dimensions of funding undergraduate higher education from public sources (funding of educational institutions, financial support to students) and consequently in sharing the costs of this education since the equity, the internal economic efficiency and the sufficiency of funds for the stable development of this education are threatened. The core of changes proposed in funding of higher education (Bevc, 1997, 1997a) and in sharing both types of costs of this education (costs of living, instructional costs) is the increase in the contribution of students. Main change in **funding** of educational institutions is the introduction of tuition fee for full-time study at the level between 25-30% of instructional costs, and main change in state financial support to students is the introduction of state supported student loans - to assure the efficiency and equity in financing (the main

function of fellowships, which should be limited to the poorest is to assure the equity in access). The expected changes in **sharing of the costs** which will result from the mentioned and some other changes in both dimensions of funding of HE from public sources are:

- the contribution of parents and in the long-term also the contribution of taxpayers will decrease on the account of the
- increase of the contribution of full-time students from their future income.

The main conditions for the realisation of the expected benefits of the proposed changes in funding HE and consequently in sharing the costs of HE are:

- good preparation of the reform (extensive analysis was prepared for the Ministry of Education and Sport - Bevc, 1996a, 1997)
- many discussions among all partners involved,
- the preparation of many analyses which are urgent and not available in Slovenia (similar is valid for many other country too) - they are stated in the paper,
- great changes in the current common belief in the Slovene society (for example: the tuition fee is inequitable, higher education is primarily public good, the youth aged 18 to 19 are mostly financially dependent on their parents, etc.).

Table 2: The estimated sharing the costs of higher education in Slovenia in 1995 – full-time undergraduate students

Bearers of costs – sources of covering the costs	ANNUAL AMOUNT (in US \$, current prices)				STRUCTURE (%)			
	"Categories" of students(1)				"Categories" of students (1)			
	1	2	3	4	1	2	3	4
STUDENT'S COSTS OF LIVING altogether	3992	3992	3992	3992	100	100	100	100
Taxpayers – state finan.support to students	968	2172	366	366	24	54	9	9
fellowships	602	1805	–	–	15	45	–	–
indirect forms of support – subsidies of services	366	366	366	366	9	9	9	9
Enterprises – fellowships	224	–	1952	–	6	–	49	–
Difference – parents and students (from savings and current income)	2799	1821	1674	3626	70	46	42	91
INSTRUCTIONAL COSTS – taxpayers	3200	3200	3200	3200	100	100	100	100

Source: Bevc, 1997a, pp. 368 (calculations on the basis of the data of the Statistical Office of the Republic of Slovenia, Ministry of Education and Sport, Central Bank of Slovenia).

Notes:

(1) Categories of students:

- 1 – Average student; total amount of state financial support to student and fellowships granted by enterprises are divided by the total number of full-time students.
- 2 – Students, recipients of fellowships from public sources; the total amount of these fellowships is divided by the total number of full-time students, recipients of any kind of these fellowships.
- 3 – Students, recipients of fellowships from enterprises (in 1995 – 11% of full-time students).
- 4 – Students without any fellowship; in 1995 – 55% of full-time students.

Notes:

¹ The outflow of researchers abroad was examined in the COST A2 project "Europe's Integration – Labour Force Brain Drain" (Bevc et. als., 1996).

² Source: Statistical Information, the Statistical Office of the Republic of Slovenia

³ Ibidem

⁴ The first three regions are economically more developed, have an economic structure that allows further development and positively assessed other development potentials, Dolenjska and Lower Posavje have achieved medium levels of development, Kras and Pomurje are poorly developed.

⁵ The rate of participation in formal education is now used instead of the average number of schooling years

⁶ Data for the beginning of 1990s (1991) are our own calculations based on data of the Statistical Office of the Republic of Slovenia with the use of the UNDP methodology presented in the Human Development Report (Bevc, 1997a), data for 1995 are taken from the Human Development Report 1997.

⁷ Considering pre-school level, which is not covered in this chapter, there was 1% of private kindergartens out of 808 in the year studied, and they registered 0.5% of all children in kindergartens. Source: Plevnik T. (ed.), 1998, p. 10.

⁸ Calculations are based on data of the Statistical Office of the Republic of Slovenia (internal documentation) (Bevc, 1997a).

⁹ Source: Drofenik, Jelenc and others, 1994.

¹⁰ Source: Drofenik, Jelenc in drugi, 1994; Bevc, 1995.

¹¹ Source: Bevc, 1998; Statistical Information 1998/129, the Statistical Office of the Republic of Slovenia

¹² Source: The 1997 Report, Ljubljana, The National Employment Office, 1998.

¹³ It was rising in the first half of the decade, then it started falling.

¹⁴ Data for 1995 are the last official data - calculations are based on data of the Statistical Office of the Republic of Slovenia. Source for the remaining years: Education in the Republic of Slovenia, 1998, p. 9. Expenses amount to 5% of GDP, pre-school level excluded (1995).

¹⁵ According to them, the percentage of these expenses in GDP will rise to 1% (Drofenik, Jelenc et. als., 1994).

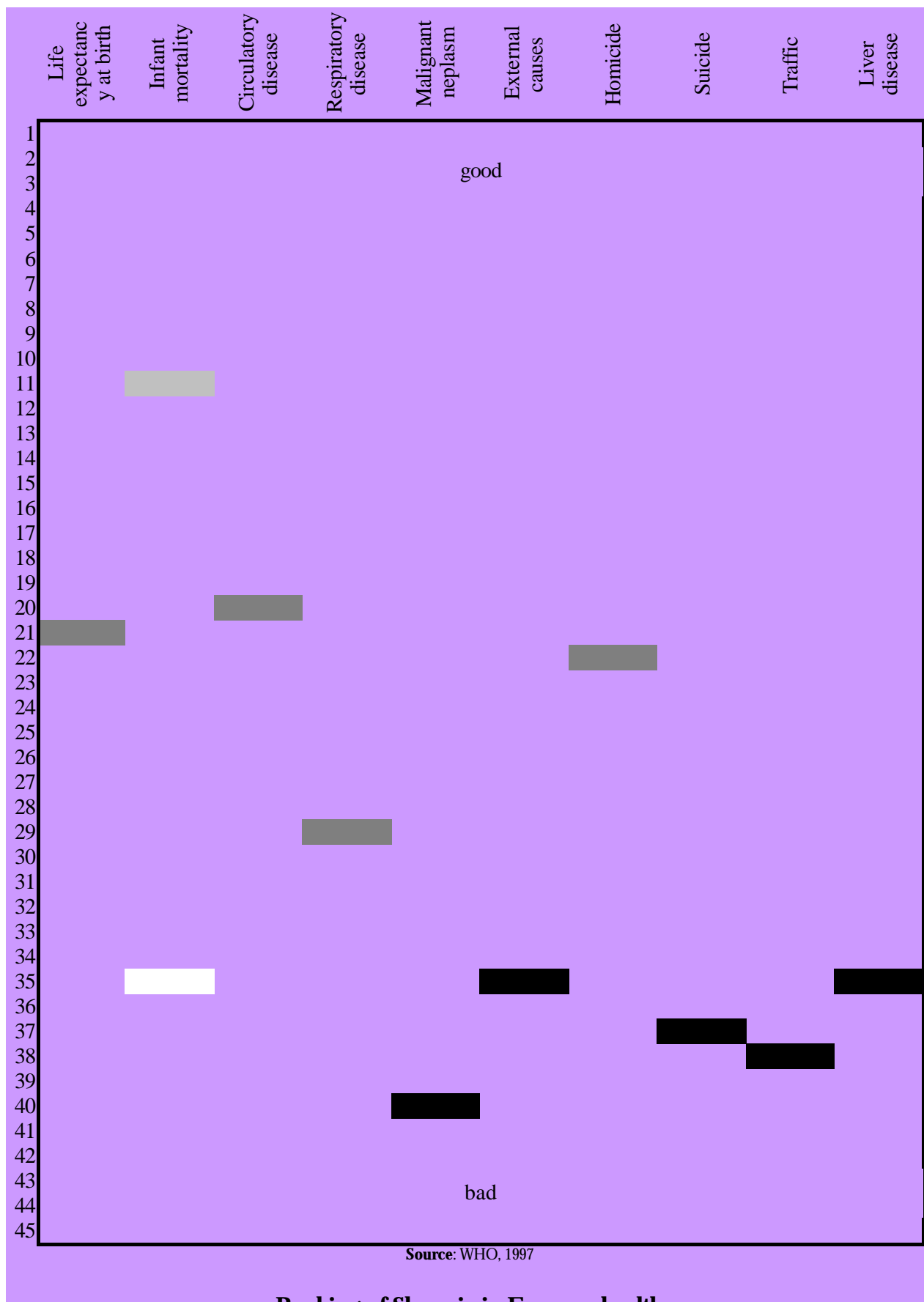
¹⁶ In 1995, they totalled 0.34% of GDP (Bevc, 1998), in 1996 they stood at 0.32% of GDP (Statistical Information 1998/129).

¹⁷ Statistical Information 1998/129, Ljubljana, the Statistical Office of the Republic of Slovenia

¹⁸ For mid-1990s, it was calculated in the INES project for 7 developed countries. In most countries it is lower than private return on investment (Human capital investment, 1997).

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HEALTH



LIFE STYLE AND SOCIO-ECONOMIC STRATIFICATION

It is typical of modern approaches to comprehending health that the bio-medical dualistic perception of health – marked by the “mechanic” division into mental and physical health – is replaced by an integral (holistic) comprehension. The bio-psycho-social model defines health as a condition of physical, mental and social well-being which is positive definition and does not only mean the absence of disease. The World Health Organisation’s definition is very similar: “Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity” (Declaration of Alma-Ata, 1978). This definition draws attention to the reciprocal dependence of selected levels; health means a balance between physical, mental and social factors and a person’s active approach to her environment. In addition, it points out health’s dependence on external factors. The Ottawa Charter (1986) emphasises that to a large extent a person’s health depends on the provision of fundamental living conditions and resources, such as a place to live, education, food, income, a stable eco-system, peace and social equity. To improve health, all the above-mentioned preconditions have to be fulfilled. In this context, health is also a source of human life not only a goal of its own. It is one of the foundations enabling a person to fulfil her aspirations, meet her needs, change the environment and play an active part in it. This makes health an important determinant of the

quality of life. At the same time, health can be an indicator of the economic efficiency of a country and the welfare of its population (Sen, 1998).

To a large extent, an individual can influence the status of her health and the emergence of a disease by her way of life. However, it is not only the health-related behaviour or certain risk factors such as smoking, drinking too much alcohol, and lack of physical exercise that determine a person’s health. It is more appropriate to speak of a person’s lifestyle, which includes certain behavioural patterns and emphasises their dependence on belonging to a certain social-economic group as well as on other economic, social and cultural impacts of the environment.

Health is a state of complete physical, mental and social wellbeing

The impact of lifestyle and risk factors on health is an indicator of social problems

Table 4.1: Mortality 1985, 1990 and 1994, all ages, men, women

	Death rate per 100,000			Change 1985-94		Change 1985-90		Change 1990-94	
	1985	1990	1994	Total	%	Total	%	Total	%
Slovenia	1058	937	923	-135	-13	-121	-11	-14	-1
EU=100	123	120	127	4		-3		7	
SU-former	1240	1168	1441	201	16	-72	-6	273	23
EU=100	144	150	198	54		6		48	
CEE	1199	1126	1120	-79	-7	-73	-6	-6	0
EU=100	139	144	154	15		5		10	
EU	861	780	729	-132	-15	-81	-9	-51	-7

Source: WHO (1997): Health for All – Statistical database, Copenhagen

Differences in the health of the population depend on economic and social differences

The impact of lifestyle and risk factors on health in a selected social-economic group is, however, only an indicator of social problems and by no means their main cause. The habits harmful to health (smoking, over-eating, alcohol, lack of physical exercise) are only indicators of psycho-social stress, suffered most often by the poor and less educated groups of the population due to their relative material as well as social and mental deprivation (Wilkinson, 1997).

Although the factors harmful to health do affect an individual's health, they cannot affect the health of a society as a whole. People's lifestyles are only an indirect indicator of health; it is a reflection of other factors. In particular, it is a mirror of the social and economic organisation of a society, most clearly reflected in economic and social inequity. A number of studies show that the poor and less educated groups of the population die sooner than the rich and more educated, their health is worse and they visit doctors more frequently. In Slovenia, these factors are the same, which is well illustrated in the "Box 4.2" (Factors affecting health) and "Box 4.3" (Regional inequality and health). Differences in health cannot only be perceived

at the level of an individual but also at the local community level. The correlation coefficient between personal income tax and life expectancy is 0.707, whilst the relationship with education is only marginally lower (0.62; both statistically significant $p < 0.000$). Moreover, the correlation of education or income with mortality due to certain diseases is at the regional level substantial and statistically significant. Given the fact that Slovenia is a small country and has no significant territorial differences in terms of access to health-care services, which is at the same time universally accessible, it can be claimed that differences in the health of the population in different parts of Slovenia depend on economic and social differences; therefore on relative poverty.

TRANSITION AND HEALTH

Changes in a society, in particular those resulting in greater poverty and even more so in economic and social inequity, inevitably lead to worse health of the population and are notably reflected in higher mortality. It is known that in all countries in transition the population's health has worsened, life expectancy shortened and

Table 4.2: Mortality 1985, and 1994, from 0 to 64 years of age, men and women

	Death rate per 100,000 persons			Change 1985-94		Change 1985-90		Change 1990-94	
	1985	1990	1994	Total	%	Total	%	Total	%
Slovenia	396	342	345	-51	-13	-54	-14	3	1
EU=100	138	131	142	4		-7		11	
SU-former	552	527	713	161	29	-35	-6	186	31
EU=100	193	201	293	100		8		92	
CEE	443	439	440	-3	-1	-4	-1	1	0
EU=100	155	168	181	26		13		13	
EU	286	262	243	-43	-15	-24	-8	-19	-7

Source: WHO (1997): Health for All - Statistical database, Copenhagen.

mortality increased. Only to a small extent has this been due to the deterioration of health systems; the inefficiency of the health systems cannot affect health as much as different economic and social conditions, and in particular not within such a short time. The break-up of socialist systems, falling economic activity, surging unemployment, transformation of the existing value systems from total solidarity and concern for people into a wild anarcho-liberalist model (each individual should only be concerned about herself) and at the same time the inability of state mechanisms (services) to ease social problems, etc. has resulted in increased inequity, social disintegration and a collapse of the value system. Consequently, this has led to a breakdown of the existing social network, reflected in resignation, apathy and a fear for the future. There are some psychological factors crucially affecting (physical) health, for example the lack of self-actualisation, poor self-image, low self-respect and a lack of the feeling of being in control of one's own situation. The negative processes accompanying transition form an "ideal" combination of factors deteriorating the population's (physical, mental and social) health.

In the absence of any significant changes in a society, it is a normal trend that mortality decreases and life expectancy increases. Each change, however, affects these developments – in the best-case situation it at least eases the intensity of an increase or decrease. The second characteristic of a "normal" trend is that mortality decreases at a faster rate in countries with higher mortality rates than in those with lower rates. As foreseen by the WHO, the gap between the health condition in selected European countries as well as between various socio-economic groups within countries should narrow (Health for All to Year 2000, in the 1st objective). Nevertheless, the actual developments during transition have failed to meet these expectations.

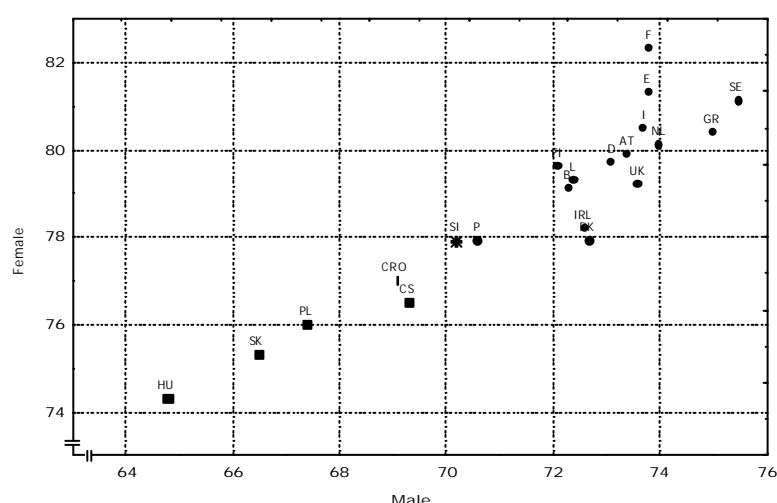
In the recent decade (1985-1994), the life expectancy of men and women in the European Union increased by 2 years (from 75.32 to 77.35), in Central and Eastern Europe by less than one year (from

70.40 to 71.28), although even before that it was 5 years lower than in the EU, whilst life expectancy shortened in the countries of the former Soviet Union by more than 2 years (from 68.26 to 66.09), thus being more than 10 years lower than in Western Europe. Data on mortality are similar, either for the total population or for the population below 65. Changes in mortality are different and of different intensity across selected countries or groups of countries; however, they all have a common denominator – they are all changing for the worse and lag behind the European Union even though they should – following the normal development trend – change for the better (decreasing mortality) and catch up with the EU. It can be noticed (see Tables 4.1 and 4.2) that the farther east we go the worse the situation is (the analysis includes Slovenia, the average of Central and Eastern European countries and the former Soviet Union). The gaps widened mostly after 1990. Slovenia, for example, had narrowed its mortality gap behind the EU by 3 percentage points by 1990, but has increased it by 7 percentage points thereafter. The Central and Eastern European countries increased their mortality gaps behind the EU by 5 percentage points in the first period and by a further 10 points in the next period.

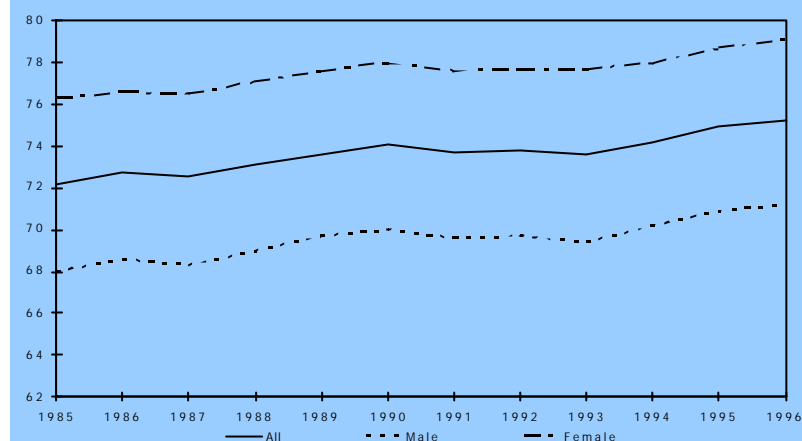
The inefficiency of the health systems cannot affect health as much as different economic and social conditions

Changes in mortality in transition countries have a common denominator – worsening

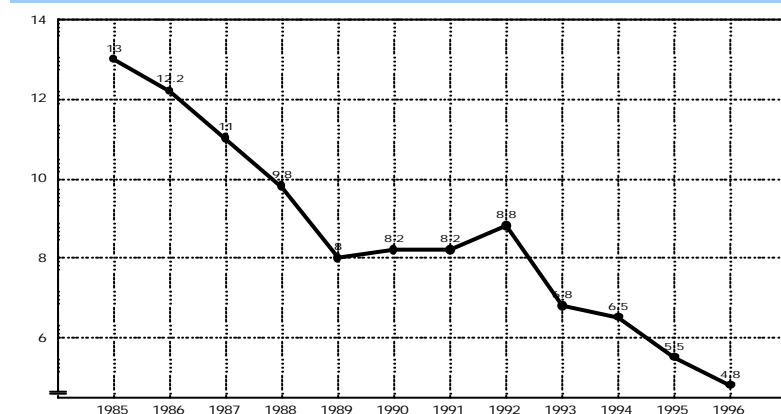
Graph 4.1: Life expectancy in Europe



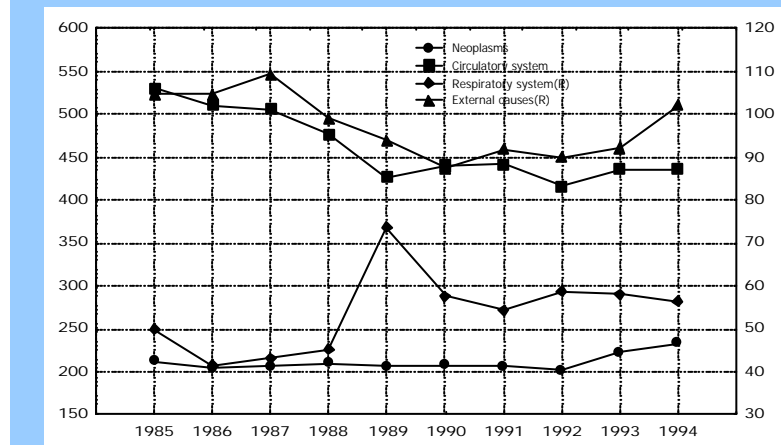
Source: WHO, 1997

Graph 4.2: Trends of life expectancy in Slovenia

Source: WHO, 1997

Graph 4.3: Infant mortality, 1995

Source: WHO, 1997

Graph 4.4: Mortality due to specific causes

Source: WHO, 1997

The catastrophic changes for the worse, however, took place in the countries of the former Soviet Union. In the period up to 1990, they had increased their lag behind the EU by 6 percentage points (mortality fell by 6%) and by a further 48 points by 1994 (mortality surged by 23%).

The second characteristic is that these changes have more greatly affected the young than the old in the population, although the phenomenon of premature mortality (younger than 65) has always been more prevalent in the eastern countries. This characteristic was the most visible in the former Soviet Union, with its premature mortality rate double that in the EU in 1985 and as much as triple that in the EU in 1994.

SLOVENIA IN TRANSITION

After 1990, Slovenia saw similar trends in mortality and life expectancy to other countries in transition. The intensity of changes was, however, not as pronounced as in other countries. In the second half of the eighties, life expectancy increased by 2 years cumulatively, which is 0.4 years annually in Slovenia. This was faster than in the European Union where life expectancy increased cumulatively by 1.2 years (around a quarter of a year annually). (WHO data are used for international comparisons, which are in the case of Slovenia slightly different than Slovenian data.) In this period, the difference between life expectancy in Slovenia and the European Union narrowed from 3.0 to 2.3 years. In the early nineties, the trend in the EU continued (life expectancy rose to 77.0 years in 1993 and further to 77.4 in 1995) whilst in Slovenia life expectancy slightly fell and stagnated for three years (in 1993, it was 73.6 years), which again widened the gap to 3.4 years. After that, life expectancy in Slovenia again started to rise to reach 74.9 years in 1995 (men – 70.9 and women – 78.7 years) and to narrow the gap with the EU to 2.5 years. Had the trend of 1985-1990 period continued, life expectancy in Slovenia would have been longer by a year and a half than it is.

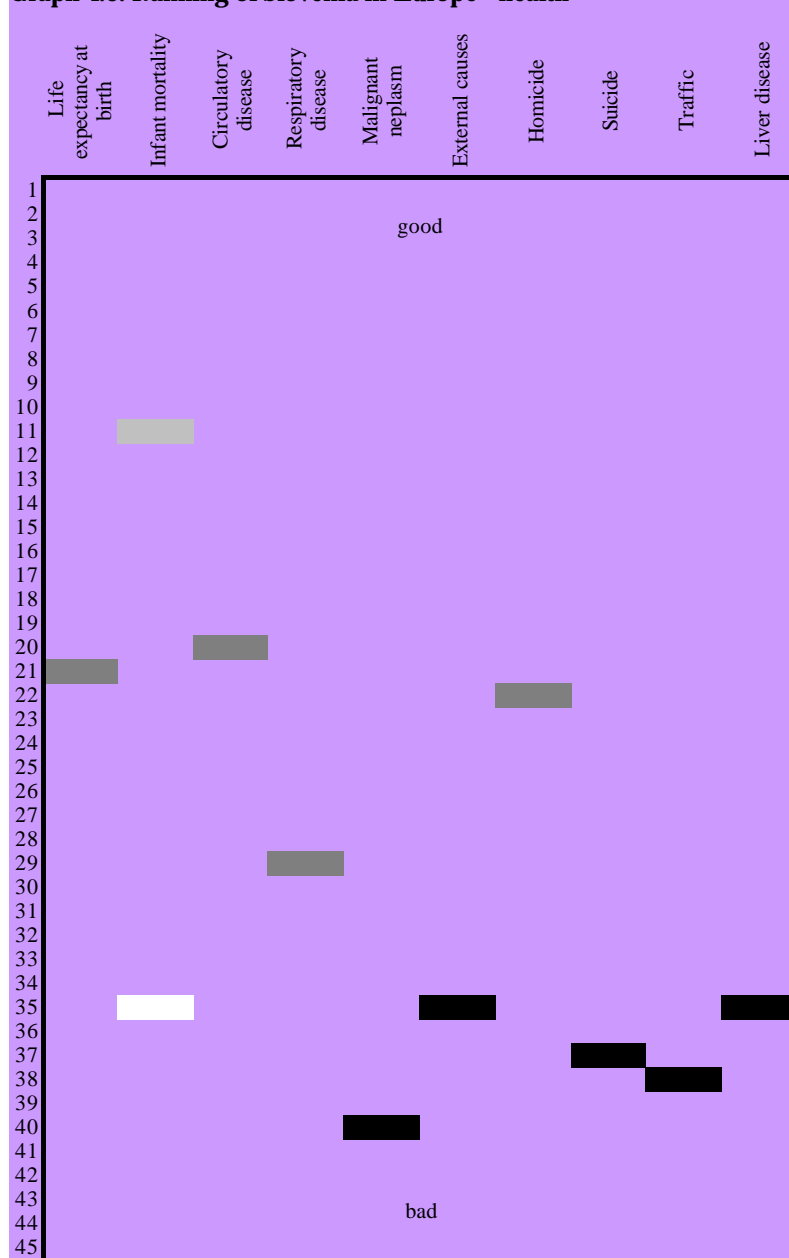
Despite having one of the lowest rates in Europe and the world, the latest infant mortality trends in Slovenia have been similar to the trends of life expectancy. The constantly downward trend of infant mortality stopped in 1989 and was even slightly rising by 1992 when it fell again to reach 5.6 dead infants per 1000 live births in 1995, which almost matches the biological minimum.

Similar trends were perceived in mortality due to diseases of circulatory system, respiratory system, neoplasm and external causes. In the absence of changes to the health system in Slovenia, it can be claimed that the population's health in Slovenia has significantly deteriorated (at least in the short term) due to changes in the socio-economic structure, increases in inequity and other transition-related consequences.

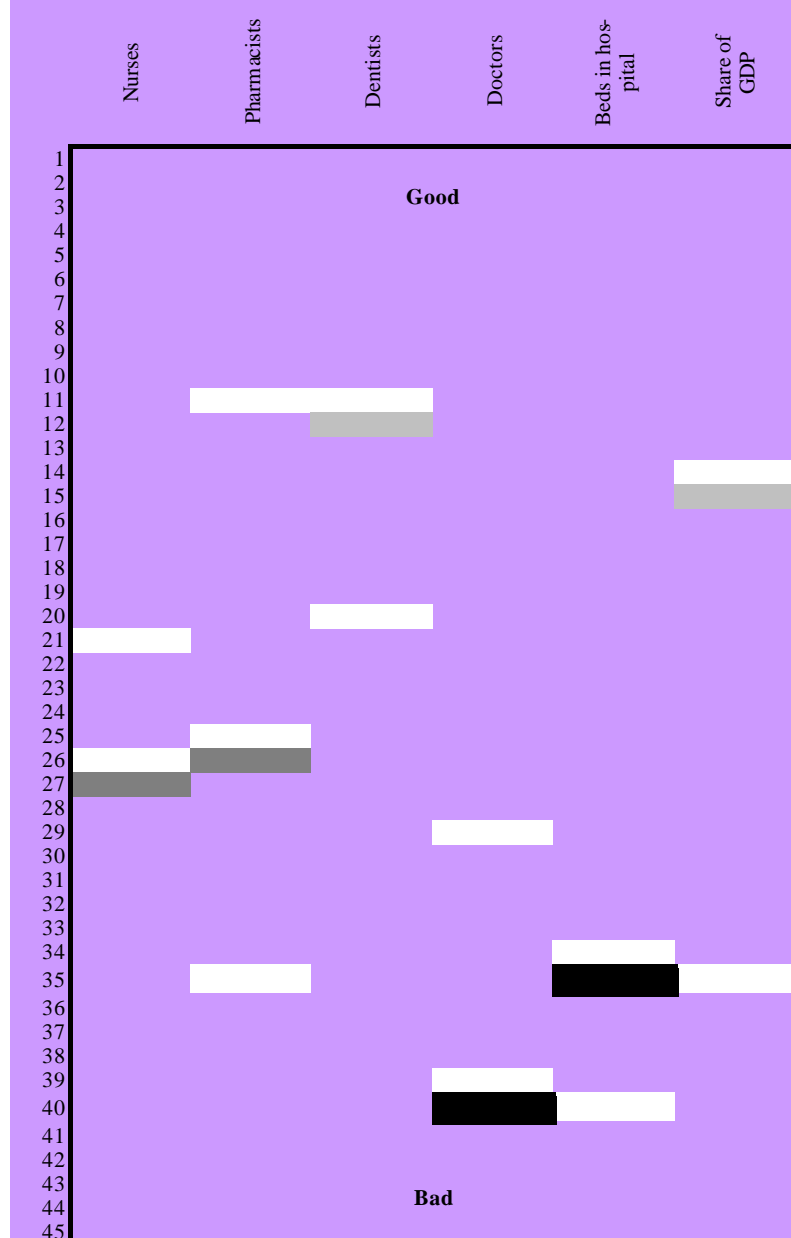
SELECTED DISEASES

The general picture of health in Slovenia compared to other European countries, analysed by mortality, matches Slovenia's economic development level. Slovenia is ranked 21st by the life expectancy indicator. It is also in a similar position regarding mortality due to circulatory diseases and homicides. It is placed very high (11th) regarding infant mortality, but is much worse off as regards other causes of death – in particular those related to culture: suicide, traffic, liver cirrhosis, diabetes and external causes. As regards these causes, Slovenia is ranked at the very tail of European countries.

Graph 4.5: Ranking of Slovenia in Europe - health



Source: WHO, 1997

Graph 4.6: Ranking of Slovenia – health care standard

Source: WHO, 1997

HEALTH CARE SYSTEM

Health service structure and delivery functions are uniform across the country. The state is responsible for ensuring the conditions in which people can fulfil their rights and duties to protect and promote health. It provides funds for public health programmes and scientific research on health care, ensures investment funds for secondary and tertiary health care institutions.

The former system, in which health care was assured to all residents according to their needs and irrespective of their contributions, is being changed to a system that ties rights to adequate contributions for health care. There are two types of insurance. Social insurance provides full coverage to the population, including people disabled in war; contributions are compulsory for employers, employees and the self-employed. Voluntary complementary insurance is available for services requiring a co-payment. Health insurance covers about 90% of health expenditure related to direct patient care. Users provide the other 10% through either out-of-pocket payments or complementary insurance.

Since 1987 the proportion of health expenditure devoted to hospitals has been stable; the share for primary care has diminished slightly (from 20.3%), and that for drugs and appliances has increased sharply (from 8.2%). The proportion devoted to paid sick leave, newly created with the social insurance, is also increasing steadily.

The distinction between primary and secondary care is quite clear. Some specialised services may be unavailable in some areas

of the country, particularly the sparsely populated.

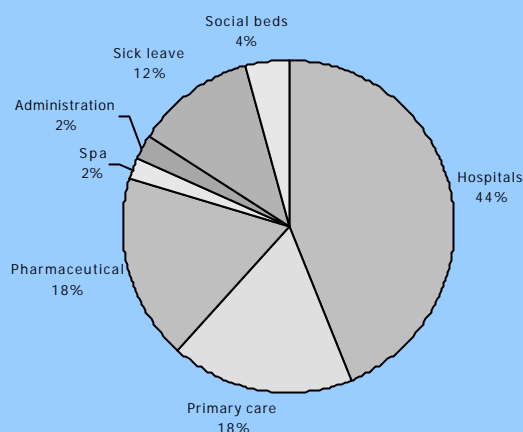
Private health care is still very limited in Slovenia, although it is increasing, mainly in dentistry. It accounts for about 1% of health expenditure and involves 10% of care providers. Private practice on a wide scale has been introduced into the system, but remains prohibited in the areas of blood supply, blood preparations, the removal and preservation of human organs for transplants, pathology, and public health activities. A concession is needed to perform certain activities (pharmacy, public health and tertiary services) on a private basis in public health institutions or in private health institutions.

The compulsory health insurance provides full coverage for:

- preventive measures, diagnosis, treatment and rehabilitation for children;
- advice on family planning, contraception, pregnancy and delivery care for women;
- preventive health care for adults, obligatory vaccinations, immunoprophylaxis and chemoprophylaxis;
- treatment of and rehabilitation from contagious diseases, cancer, muscular and neuromuscular diseases, paralysis, epilepsy, haemophilia, mental diseases, occupational diseases and injuries, diabetes, multiple sclerosis and psoriasis;
- emergency care and ambulance transport;
- home visits and long-term care in nursing homes and social care institutes; and
- sick leave and the reimbursement of travel expenses connected with medical treatment and funeral expenses.

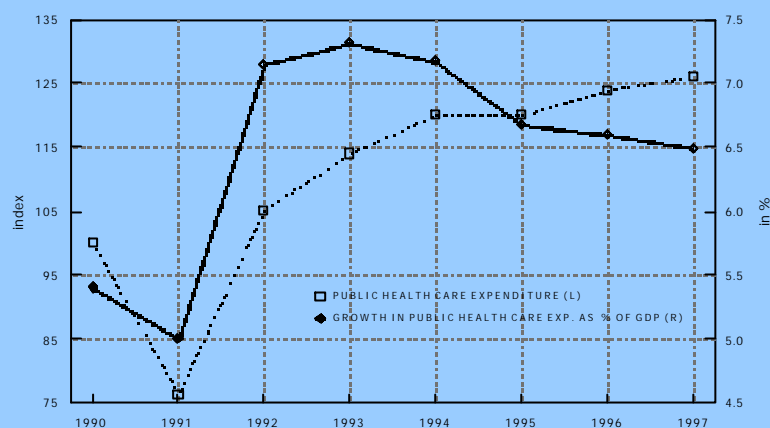
Even though the health care system is not solely responsible for the state of health in a society (the health of individuals and of social groups is greatly influenced by lifestyle, nutritional habits, material and cultural standard, etc.), health care is nevertheless the most important activity in a society responsible for medical treatment. At the same time, it can also be considered as one of the pillars of education towards a

Graph 4.7: Distribution (%) of health care expenditure, 1994

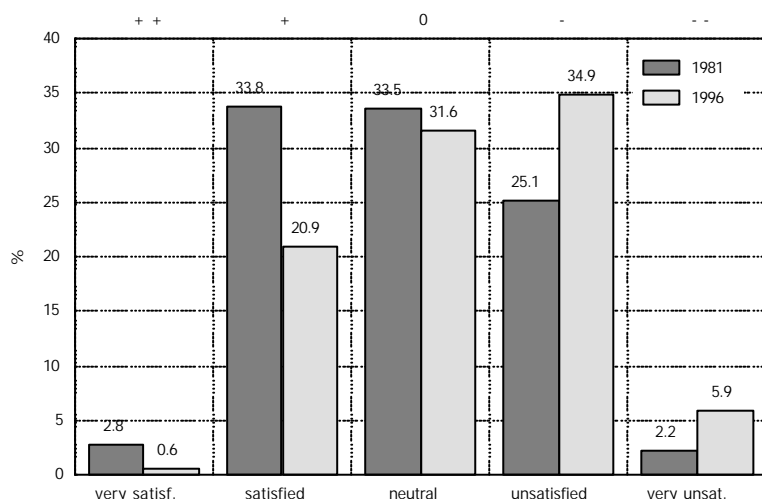


healthy life style. The financing directed into health care is the most important indicator of the importance politics attributes to health.

Slovenia as a country devotes significant attention to health care, as funds earmarked for public health have been increasing over the past years, with the single exception of 1991. This increase in funding is continuing regardless of the trend in the national product, because funds for health care have been increasing even where the national product has fallen. Graph 4.8 shows that in 1991 funds for public health care fell in real terms by more than 10% as compared to 1990. Even the share of medical funds in the national product was reduced that year. That was the year of war for independence, when Slovenia lost a large segment of the traditional Yugoslav market, resulting in the fall of the national product. However, already in the following year funds directed into public health care increased substantially; the share in the gross domestic product jumped from 5.01% to 7.15%. Funds for public health care increased by more than 40% in real terms even though the national product fell in 1992 by 6.9%. An increase in the share of funds for public health care in the GDP is noticeable in 1993 again (7.6%), after which the share started to fall slightly. Funds for health care have continued to increase throughout this period and were 27% higher in real terms in 1995 compared to 1990, even though the GDP was 3.0% lower.

Graph 4.8: Public health expenditure

Source: Financial statements of Health Insurance Agency

Graph 4.9: Satisfaction with health care

Source: POR, 1996

The funds which Slovenia devotes to public health care are not insignificant in comparison with the EU countries.

Over the last fifteen years (between 1980 and 1995), an increase in the number of physicians and senior medical personnel has been noticeable, whilst at the same time there has been a fall in the number of hospital beds and days. The number of physicians and dentists has increased from over 1600 to over 2100, senior medical personnel from 6300 to over 8600. Simultaneously, there was a fall in the number of hospital beds by over 2000 (from 13500 to 11453), while hospital days fell by over one million (from 4.4 million to 3.38 million).

Even when compared to other European countries, Slovenia is in the lower half considering its standard. Only five countries have less physicians per inhabitant and less hospital beds per inhabitant. Among those, only two countries (Great Britain, Poland) fall short of Slovenia's results in all four indicators presented. Taking into account dentists and medical personnel, Slovenia is somewhere in the middle.

This reduction in the volume of health care activity is reflected in the assessment and opinion of inhabitants. Although we cannot claim that the quality of medical services is dependent only on the number of medical staff and the material status of health care, (quality is also influenced by organisation of service, professional knowledge, etc.) it undoubtedly at least partially contributes to quality. In Graph 4.9 we show comparative public opinion surveys on how satisfied the public is with medical services in the period between 1981 and 1996. In 1981, 36.4% of those asked were satisfied or very satisfied, whilst the same reply was given by 21.5% in 1996. In 1981, over one-quarter of those interviewed were unsatisfied or very unsatisfied, whilst in 1996 two-fifths gave this reply. When asked whether in the case of illness they were convinced that the physicians would do everything known and available to medicine, in 1981 49.6% of those interviewed gave a positive reply and 30.5% gave a negative reply. In 1996, 42.0% replied positively and 43.5% negatively.

STATE OF HEALTH - SELF REPORTED APPRAISAL

Since in this presentation we are interested in health as a whole, we have also used other indicators for the analysis of the state of health of the inhabitants of Slovenia.

Many health researchers have come to the conclusion that the assessment of people themselves on the state of their health is the strongest indicator of health, even if a subjective one. This indicator is strongly linked to the objective indicators of health

and the living standards of the population. Physical health is, in turn, strongly linked to psychological health; we can even claim that it is dependent on it. For this reason, we were first of all interested in what those interviewed thought about their own health and about the emotional health of Slovenian, as measured by certain indicators obtained from a survey of public opinion.

The results of the survey showed that people in Slovenia assess the state of their own health mostly as good or very good. Women are more critical of their health than men; more women than men assess

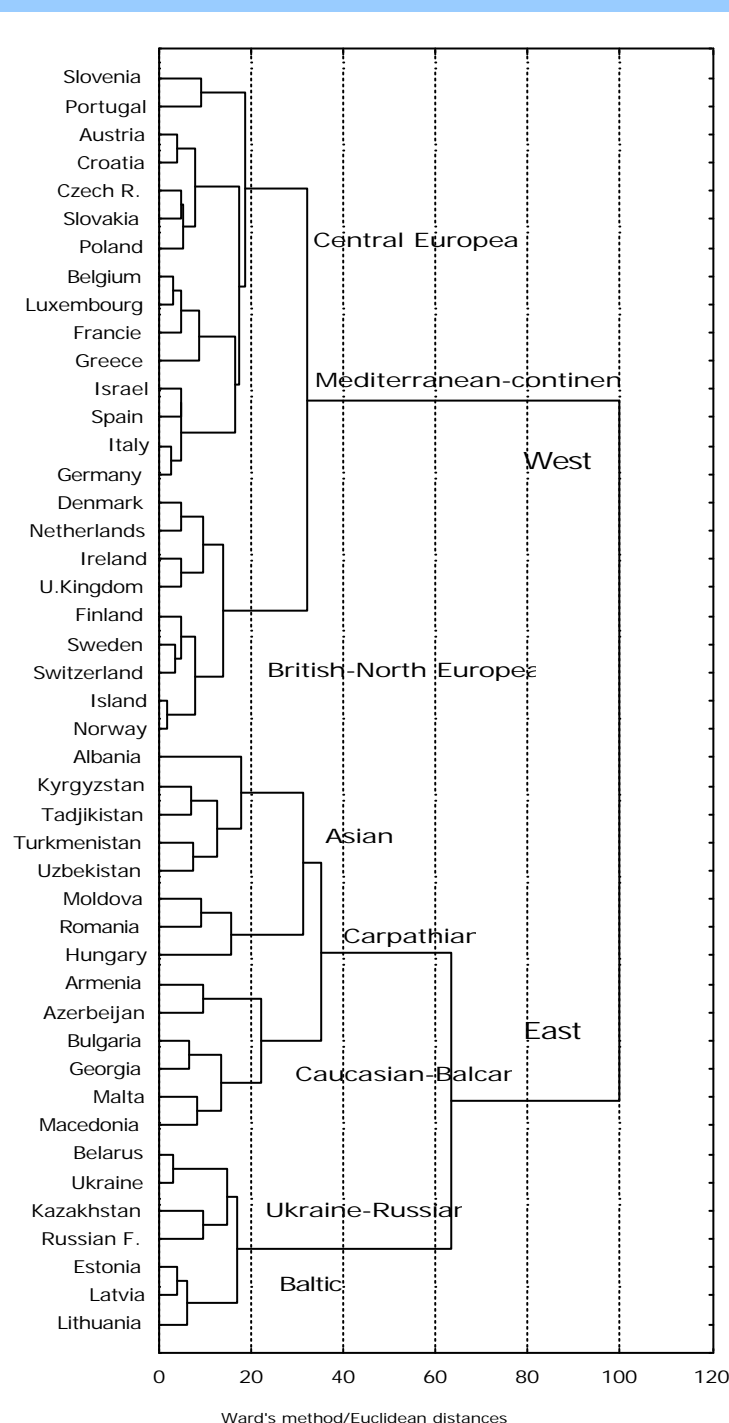
their health to be poor and less women than men assess their health to be very good or excellent.

In 1996 only one-fifth of those interviewed did not need any medical assistance during the year, which is half the number of 15 years ago. In 1996 three-fifths of the population visited their general practitioner, while over two-fifths did so in 1981. Visits to the dentist have doubled, almost the same as visits to specialists.

Only hospital treatment was noticeably lower.

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Box 4.1**MORTALITY PATTERNS IN SELECTED EUROPEAN COUNTRIES****Graph: Groups of countries similar due to causes of death, 1993**

Source: WHO, 1997

The population's health in a country is to some extent affected by the national health-care system. However, it is affected by the economic situation, social organisation, culture and prevailing value system. The notion of economic situation means, in the first place, the economic development measured in terms of gross domestic product, which determines the degree to which material and societal needs of the population are met. The notion of social organisation embodies the social (in)equity reflected mainly in the distribution of income, education, and in chances not only for (political) participation but also for actually having an influence on social activities. The level of economic and social inequity decides: first, the level of relative poverty and second, how the chances of fulfilling the needs are dispersed across society, that is whether all inhabitants are given equal opportunities for access to material and societal goods or opportunities are concentrated only in a certain segment of population. Culture (which we might consider to be the spectacles shaping our vision of the world) or a predominant value system as a factor affecting health can be described by attitudes towards an unknown other (Wilkinson, 1996). If the attitude is tolerant and patient, it means that we consider an unknown other a person with whom we share our common welfare. On the other hand, if the attitude is intolerant and aggressive it means that we regard the other person only as an obstacle on the way to our own welfare.

Wilkinson (1996) found out that mortality patterns are internationally comparable only if higher social classes are compared, whilst they are nationally specific in the case of lower social classes. Given the fact that higher classes are considerably smaller in number, mortality patterns should be nationally specific.

To assess the effect of social development (correlation of material, social and cultural influences) on disease and mortality patterns, the statistical method of cluster analysis has been applied (the Ward method of measuring Euclidean distances) to develop mortality patterns in 45 European countries. The analysis included nine standardised indicators: death due to neoplasm, diseases of the circulatory system, respiratory system, liver, diabetes, traffic accidents, suicide, homicide and infant mortality. All nine causes of death served as a basis to form groups similar in terms of social, economic and cultural development. The first three causes together with infant mortality depend to a large extent on economic and social development and were, therefore, named **development** causes.

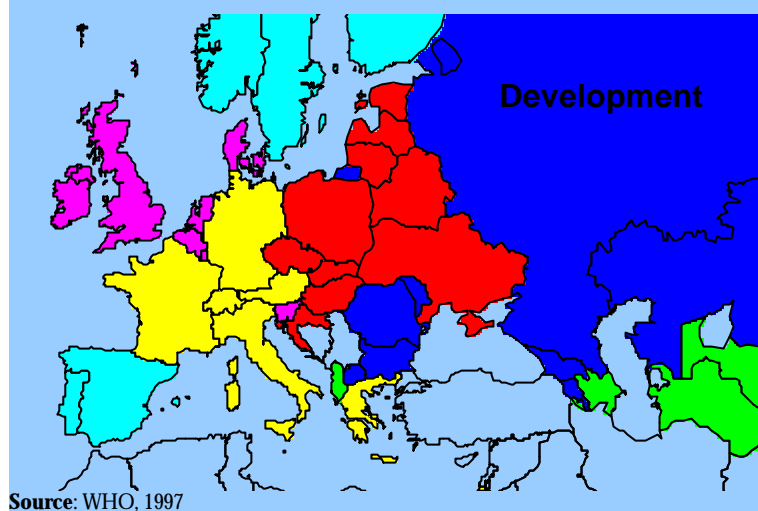
The causes listed from four to eight depend mostly on the **cultural** pattern of the population.

Chart 1 and Map 1 (all nine causes of death) show that - in terms of mortality and, thereby, lifestyle - Europe is divided into two larger parts: eastern and western. The Central European countries form the dividing line between the two parts. All Central European countries excluding Hungary belong to the western part. A western lifestyle can be found in three larger groups of countries, namely, the Northern European countries with Switzerland, the Western European with Mediterranean countries and Israel, and the Central European countries. Slovenia and Portugal are exceptions.

The analysis of "development" causes of death has resulted in a similar division between eastern and western parts. Nevertheless, the dividing line has been slightly shifted towards the west, so that all transition countries, except Slovenia (which joins the British group), belong to the group with an eastern lifestyle pattern.

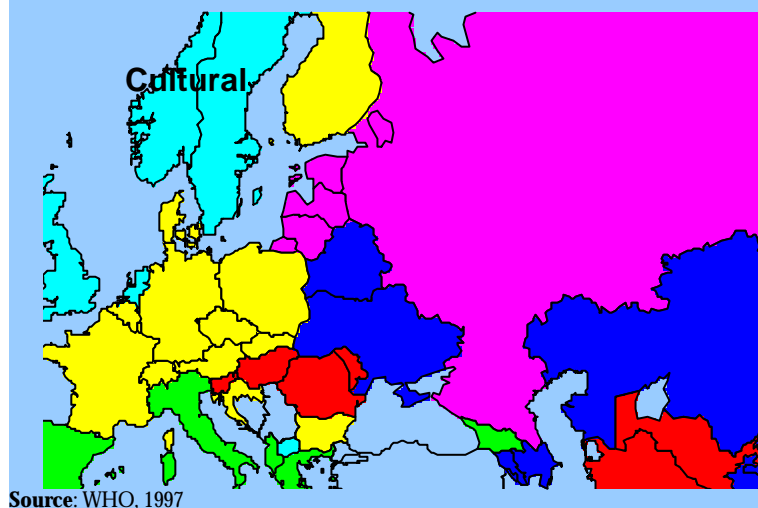
The so-called "cultural" causes of death also form groups of countries that are to some extent sensible. The Western European part includes the group of Northern European countries and Great Britain, the Continental Europe and the Mediterranean. Although there are great economic and political differences between countries in the Mediterranean group (Italy, Spain; Greece, Israel, Albania and Armenia) they do have similar "cultural" mortality patterns. The Eastern European "cultural" part comprises two larger groups: Russia and the Baltic States; and Belarus, Ukraine and some former Asian republics of the Soviet Union. A group of countries located around the 45th latitude provides the greatest exception (Portugal, Slovenia, Romania, Moldova, Turkmenistan and Uzbekistan).

Map 1: Mortality patterns – development



Source: WHO, 1997

Map 2: Mortality patterns – culture

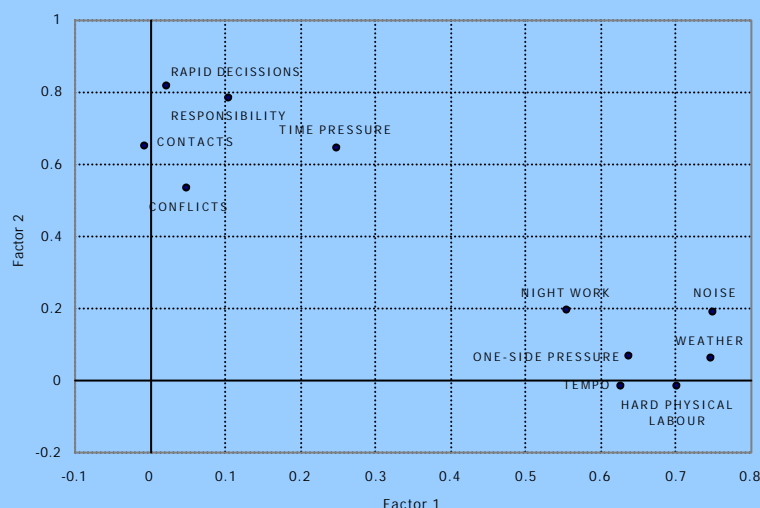


Source: WHO, 1997

Box 4.2

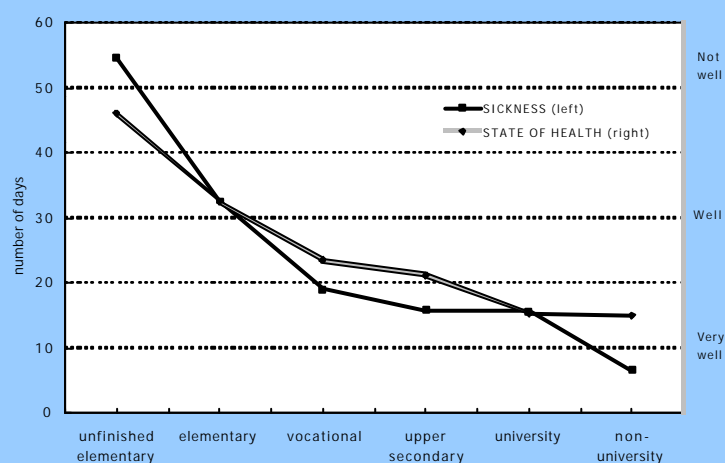
THE IMPACT OF SELECTED FACTORS ON HEALTH

Graph 1: Pressure at work



Source: POR, 1996

Graph 2: Health and education



Source: POR, 1996

Social and economic inequality most crucially affects people's health. The poorer, less educated and subordinate groups of the population are more prone to sickness and have a shorter life expectancy. Consequently, sickness diminishes their chances of promotion, higher earnings, and limits their social contacts, etc. Eventually, this segment of the population is pushed to the margins of society. The equity in health is important at both the individual (fairness) and community (the use of all social resources) levels.

Health (the self-evaluation of one's own health) is the most closely related to an individual's education and social position. Pressures at work are a less decisive factor: of eleven categories, only three categories are statistically significant with regard to health, and these are not only related to hard working conditions but also to low positions in the job hierarchy. The factor analysis of pressures at work showed two factors as being the most significant: pressures related to leadership positions (decision-making) (a positive correlation with health), and physical labour or work in inferior positions (negative correlation with health). The former factor is not on the whole statistically significantly related to health (feeling, absence from work), whilst the latter is negatively related.

Of five habits affecting health, only two are statistically significant: beer drinking (negative impact) and sports (positive impact).

Table 1: Influence of selected factors on health – correlation coefficients

Status (social-economic)		Pressures at work		Lifestyle	
Age	-0.2968 ¹	Assembly line/tempo of work	-0.1193 ¹	Beer drinking	-0.122 ¹
Education	+0.2317 ¹	Hard physical labour	-0.1175 ¹	Wine drinking	+0.029
Position at work	+0.1068 ¹	One-sided physical pressure	-0.1032 ¹	Spirits drinking	+0.030
Social status	+0.1938 ¹	Contacts	+0.0546	Cigarettes	+0.010
Gender ²	0.1707 ¹	Responsibility	+0.0300	Sports	+0.244 ¹

Source of data: Slovenian Public Opinion 1996/2 - Opinion about health and health service, Centre for Research of Public Opinion and Mass Communications **Notes:** ¹ statistically significant $p < 0.05$ ² women feel less healthy than men

Box 4.3

REGIONAL DISPARITIES IN HEALTH

Map: Life expectancy

Source: SORS

Although Slovenia is a small country with less than two million inhabitants, the health of its inhabitants varies considerably across selected territories, compared to relative poverty. The correlation coefficient between income base and life expectancy across Slovenian municipalities is 0.707, which indicates a strong correlation. The correlation between education and life expectancy is slightly lower but still significant - 0.408. The margin between the shortest and the longest life expectancy is more than seven years. In the eastern part of the country with its mostly rural population, obsolete industry, higher unemployment and lower levels of education, women live two years and men 3 years less than their counterparts in the western part of the country (Šircelj, 1997), although we cannot speak of any significantly different health standards in those municipalities.

The territorial classification of death rate by selected causes further confirms how the population's health depends on socio-economic condi-

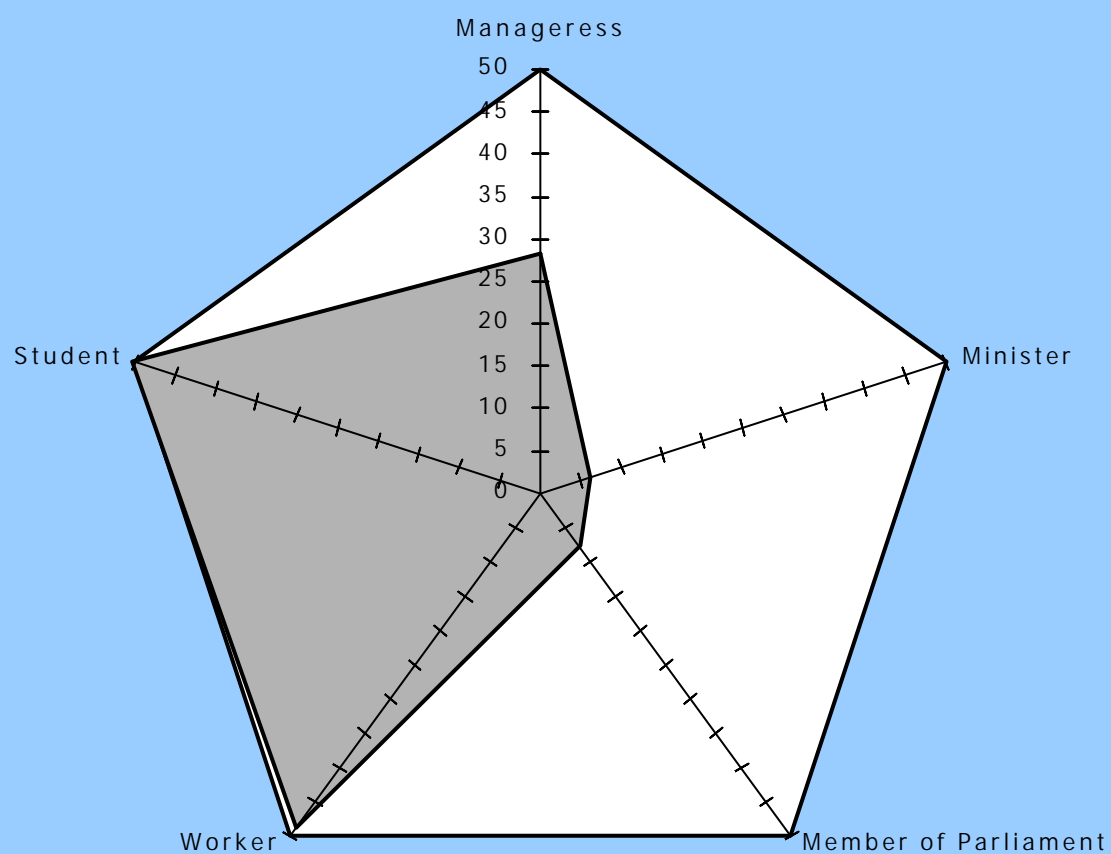
tions. Five causes of death are statistically significantly related to the population's education and incomes, of which only death due to neoplasm is positively correlated to income whilst all other causes are negatively correlated not only with income but also with education.

Table: The correlation of population's incomes and education with death rate

Cause	Income	Education
Circulatory	-0.387	-0.492
Cancer	+0.326	n.s.s.
External	-0.382	-0.514
Digestive	-0.366	-0.373
Respiratory	n.s.s.	-0.490

Source: SORS

Note: n.s.s. - not statistically significant at the level $p=0.05$



Participation of women in public sphere

POVERTY AND INEQUALITIES



5

Equality is the value that, besides freedom and security, most frequently defines the strategy of social policies. It signifies relations between different social statuses, or rather between resources associated with a certain status that are available to an individual.

The notion of equality cannot be defined by one single definition; this paper shall therefore focus on a definition that tries to encompass all its aspects: equality as the actual **equal access** of all citizens to all social statuses in society and functions, that is equality in possibilities and accessibility.

The social policy deals with providing resources which are vitally important to meet some of the basic needs for living as well as offer social security. Because they are rare, **equality in access** to these resources, e.g. a place to live, employment, education, health services, etc. is therefore important.

Equality in access (network of services) is regulated by measures of the social state; social security is provided by the state mainly through cash benefits, the system of compulsory national insurance contributions and redistribution of income, which are the bases for establishing (in)equality at the national level. This redistribution complements the basic distribution of income (wages, salaries, other remuneration and pensions), and hence reduces inequality. The amount and type of social security benefits provided by the state are defined in legal acts, while finan-

cial resources are collected by taxes and contributions to the state budget or public funds.

POVERTY

Poverty is one of the important elements of inequality and the area where social security is provided by the state's regulation mechanisms. In defining poverty, the European Council's definition will be used because it encompasses the notion of absolute and relative poverty and, more importantly, because it includes not only the lack of material resources but also social and cultural exclusion: "A person, family or group of people with resources (material, cultural and social) too low to ensure a minimum of reasonable living in a certain national environment are classified as poor" (Martin - Guzman, 1993).

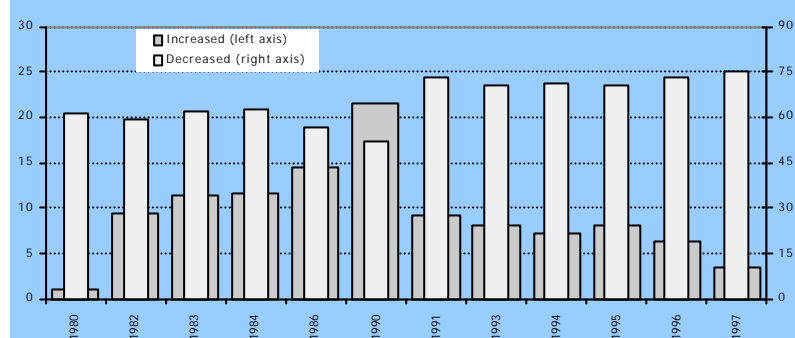
Social exclusion is a process that occurs only after a long period of material deprivation when the people gradually exclude themselves from social life and become socially, culturally and politically isolated (T. Stanovnik, 1990). Robson (1976) gives a similar definition stating that relative poverty is a state where an individual is effectively excluded from everyday patterns of living, habits and activities.

In introducing measures of social policy, it is sensible for societies in transition characterised by deepening inequality and exclusion from different areas of social life to utilise the 'maxi-min' principle meaning that the aggravation of conditions of the

Equality in access to resources providing social security is of crucial importance

Conditions of the most deprived social classes must not deteriorate

Graph 5.1: Inequalities in wages should be...



Notes: In the period 1980-1990, the percentage of population thinking that inequalities in wages should decrease fell from 61.3% to 51.9%, thus reaching the lowest rate. After 1990 the tendency for greater egalitarianism again increased due to actually large inequalities in wages. On the other hand, the tendency to increase inequalities decreased considerably with transition.

Source: POR 1992, 1994, 1995, 1996 in 1997, Faculty of Social Sciences

13.6% of households were poor in Slovenia in 1993

Poverty is the greatest in single-person households

most deprived should not continue. For this reason also, countries in transition have begun to deal with poverty and alleviate its effects more intensively.

In the transitional period in Slovenia, unemployment resulting in poverty increased substantially, as **unemployment** is the most important cause of poverty. Unfortunately, this can be supported only with some older data; the Statistical Office of the Republic of Slovenia (SORS) started calculating rates of poverty relatively late, only in 1994, because the notion of poverty was not used in the period of socialism. In Slovenian society, characterised by a strong tendency towards equality but which started to diminish towards the end of the 1980s (for details see Box 5.1), the only relevant term used was 'social differentiation' (see Graph 5.1).

In Slovenia, poverty rate (objective indicators) was first assessed in 1993 on the basis of data from the Households Expenditure Survey (1993)¹ using the OECD modified equivalence scale, and the **poverty line** was drawn at 50% of the average expenses of households. The calculations

showed that **13.6% of households were poor** in Slovenia in 1993. Comparing this figure to the twelve states of the European Union shows that Slovenia at that time ranked among countries with an average rate of poverty (the same as France, Ireland, Great Britain and Spain), lower rates of poverty were recorded only in Germany, Luxembourg, Belgium and the Netherlands.

This objectively measured figure enables comparisons to EU countries, but does not give any information about actual living conditions of people in Slovenia. We shall therefore try to use different ways of shedding some light on poverty: analyses of financial resources available to households, public opinion polls, the number of recipients of social security benefits, pay differentials, unemployment, pay and gender discrimination and housing problems.

Analysing the structure of financial resources available to households and their expenses (also monitored by the Statistical Office) reveals which **households**, within the 13.6% defined as poor, are **most exposed to poverty** (see Table 5.1). They are:

- households with no economically active members and with cash benefits as the main source of income, pensions excluded;
- households with one person, or those with one person above 65;
- tenants in privately-owned flats;
- households where the head of the household only has primary school education (finished or unfinished).

Table 5.1: Poverty by households types , 1993

Type of households	Relative equivalent ex- penses, in %	Rate of poverty, in %	Gini's coefficient
Single person above 65 let	58	48.4	0.27
Single person below 65 let	80	27.1	0.32
Single parent with children below 16	111	6.9	0.33
Elderly couple without children	80	25.7	0.30
Couple without children	110	7.8	0.31
Couple with one child below 16	123	2.6	0.28
Couple with two children below 16	111	4.0	0.27
Couple with three children below 16	101	9.8	0.27
Single parent or couple with children above 16	106	8.0	0.28
Other	90	9.0	0.23
Total	100	13.6	0.29

Source: Erika Znidaršič, Analysis of Poverty in Slovenian Households based on the Survey on the Expenditure of Households in 1993, SORS, Ljubljana, 1996.

Households where the head is a woman dominate in total number of poor households. Poverty has been registered in 15.1% of such households, in those with a male head poverty has been recorded in 11.7% of households. The table also shows that single-person households aged above 65 were the poorest in 1993, followed by households of elderly couples without children and single-person households below the age of 65. In households with both parents and children, poverty increases with the number of children.

Analyses of financial resources available to households suggest that **inequality in terms of income deepened in the 1983-1993 period**. In 1993, about one-third of all financial resources was available to the poorer half of households, which is less than what is available to one-fifth of the richest households. The Robin Hood index shows that more than one-fifth of all financial resources available to households would need to be reallocated in order to achieve equality (Stanovnik T. and Stropnik N., 1996; see - Households' Income Sources and Income Inequality - for details).

More information about people's living conditions can be obtained from the statements of household members about their income and to what extent it enables them to survive (see Table 5.2). These are subjective data serving to complement the picture of the poor.

Answers to the question whether a household's income is sufficient to cover living expenses show that 64.7% of households have income that entirely or mainly covers expenses, and 35.4% of households do not have sufficient income (roughly, the ratio is 2 to 1). According to the definition of poverty classifying an individual or a family with an income too low to ensure survival or a minimum of acceptable life in a certain national environment as poor, only 9% of households is poor.

Even though the income of 35.4% of households is mainly insufficient or not sufficient at all to cover their living expenses, the responses of members of these households to the question, from the same survey, on how high an income would enable them to live a normal and acceptable life show a more optimistic picture. 88.2%

Poverty increases with the number of children

In the 1983-1993, the share of families living in poverty doubled

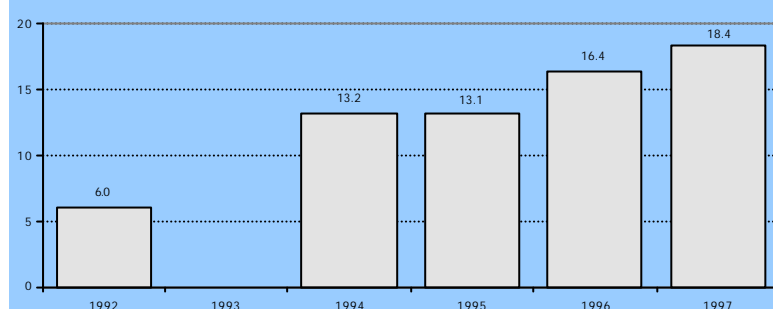
Table 5.2: Households' opinions on the sufficiency of their income to cover living expenses (in 1993)

	Relative equivalent expenses, in %	Structure of all households, in %	Rate of poverty, in %
Entirely sufficient	154	7.9	4.5
Mainly sufficient	104	56.8	8.5
Mainly not sufficient	83	26.4	20.5
Not sufficient	74	9.0	33.9
Total	100	100.0	13.6

Source: Erika Znidaršič, Analysis of Poverty in Slovenian Households based on the Survey on the Expenditure of Households in 1993, SORS, Ljubljana, 1996.

of such households think that their income is **higher** than the income necessary for a normal life; 11.8% of households, on the other hand, have an income **lower** than necessary or desired, suggesting that only 11.8% of households feel deprived or threatened in material terms.

Graph 5.2: Wage is insufficient for a family to survive



Source: POR 1992, 1994, 1995, 1996 in 1997, Faculty of Social Sciences

Another survey (see Graph 5.2), showing a picture that is even slightly worse, indicates that the share of people whose wages were not sufficient to support themselves and their family members tripled in the 1992-1997 period. It also needs to be stressed that the number of people, or households, without regular income is rising.

Asking people in a survey directly whether they live in poverty or not provides more detailed information and lower percentage

figures concerning the poverty or conditions of living of an individual and her family (see Table 5.3).

In evaluating these data, several factors need to be taken into account: first, the level of satisfaction and the evaluation of one's own material situation depends also on individual's expectations and the relationship between the actual and desired material situations of those surveyed. Second, with regard to question 6 in particular, it needs to be taken into account that admitting one's own poverty undoubtedly means incredible distress and the very fact of economising on food points to poor living conditions. A group that related itself with questions 4, 5 and 6 can be classified as the one living in poverty (in 1983, there were 4.3% of such families, whereas ten years later, the figure rose to 9.8%). In this period, the proportion of families living in poverty doubled. Furthermore, two groups similar in size have been formed: about 10% of those who lack nothing and about 10% of those who are seriously deprived.

Apparently, using different criteria reveals quite different aspects of poverty,

Table 5.3: Self-appraisal of material situation, in %

Could you say that you and your family:

1 – lack nothing?

2 – economise more, particularly on less important things, luxury, etc.?

3 – have to spend money carefully or limit your purchases of equipment, clothes, etc.?

4 – limit your purchases of food?

5 – lack basic consumer goods?

6 – live in poverty?

7 – undecided?

	SOR 83	SOR 86	SOR 93
Lack nothing	7.7	9.1	9.5
Less luxury	44.5	37.1	33.6
Economising on clothes, equipment	41.2	47.0	45.7
Economising on food	3.1	3.9	6.7
Lack of basic consumer goods	0.6	1.1	2.2
Live in poverty	0.6	0.6	0.9
Undecided	2.3	1.3	1.4

Source: POR 1983, 1986, 1993 and 1997; Centre for Opinion Research and Mass Media at the Faculty of Social Sciences, Ljubljana.

Box 5.1

ATTITUDES TO INCOME INEQUALITIES - INTERNATIONAL COMPARISONS

Efficient international attitudinal indicators are available to analyse and compare the attitudes of selected national publics to inequality¹.

Countries with different traditions regarding welfare intervention were included in the comparison. They can be divided into three large groups: (i) countries with relatively liberal welfare systems – the USA, Canada, Australia and partly Britain – where welfare intervention is the lowest; (ii) countries with both a market economy and a strong tradition of welfare interventionism – Scandinavia and Central European Countries; and (iii) ex-communist countries where an extensive state welfare network existed up until only a few years before this comparison was made. Slovenia belongs to the third group. Given the above mentioned differences in the institutional environment of these countries one can, no doubt, expect different attitudes of the public towards income inequalities and towards the role of the state in their regulation.

Two indicators were used for this presentation. **The first** concerns the perception of existing income inequalities and tolerance of them. As we can see in the graph, it is a predominant public opinion in all fifteen countries that income inequality is too high. This opinion is most obvious in the ex-communist countries and least (although it is still present) in the western countries with more liberal welfare systems and in the Scandinavian countries. In comparison with other countries, **respondents in Slovenia were ranked in a high fourth place as regards their agreement with the statement that income inequality in the society is high.** It should not be ignored, however, that these data show in the first place a high intolerance of inequalities in the ex-communist countries, since in 1992 actual income inequalities were higher in the western countries than in the eastern ones.

The second indicator concerns an assessment of the role of the state in reducing income inequalities. In all countries, as the data show, more people believe that reduction of income inequality

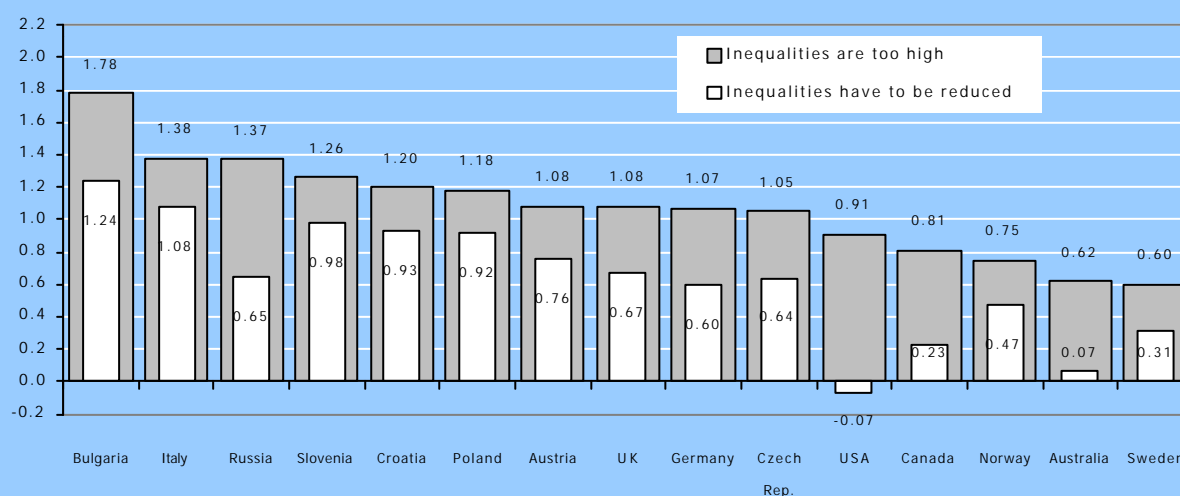
should not be a matter of the state. The differences between selected countries are, however, larger than with the first indicator. It is in the ex-communist countries (except Russia) where the public expects most from the state as regards decreasing social inequality. **In Slovenia as well, state intervention in the structure of income distribution is considered as welcome** and not as a restriction of economic freedom. The countries with more liberal economic and welfare systems (the USA, Canada and Australia) are the most opposed to state interventionism in narrowing income inequalities.

To summarise, the Slovenian public shows a relatively low level of tolerance as regards income inequality and great sympathies for state regulation of this matter. Moreover, this indicates that the social environment in Slovenia is not very much in favour of more liberal solutions concerning the provision of welfare to the population.

Note:

¹The data from the International Social Survey Programme (ISSP) project have served as a source for calculating these indicators, which have been conducted constantly since 1985 and today include 28 countries. In the framework of this project, an empirical analysis (public opinion survey) is made in each of these countries each year, dealing systematically with one of the relevant social areas. It is a methodological advantage of the ISSP that all surveys are conducted on national representative probability samples and that a comparable questionnaire is used in all countries. In 1992, the ISSP survey dealt with inequality and a special emphasis was given to income inequality.

Graph: Public survey assessment of income inequalities in 15 countries and the role of the state in their regulation (1992)



Source: ISSP – International Social Survey Programme

Note: The assessment ranges from 2 (strong agreement with the statement that inequalities are too large) to -2 (strong objection to the statement that inequalities are too large)

and only the combination of objective and subjective criteria can give a more complete picture. Poverty is not simply a lack of material resources, which has been observed so far, but it is a complex notion that includes deprivation, isolation and anomie.

One of the indicators of poverty is the number of recipients of those social assistance benefits that **ensure them survival or providing minimal social and material security**.² In Slovenia, there are three types of such benefits, two for the elderly (**welfare allowance** and **income support** for pensioners with very low pensions) and

one for the economically active who are not able to provide themselves or their family enough money to survive (**means-tested welfare allowance**). A large share of these benefits, and particularly an increase in the number people eligible to the means-tested allowance indicate that poverty in Slovenia is increasing.

In Slovenia, there are two types of cash benefits for children, which are not entirely in the framework of social assistance, but are paid on the basis of a family's means-tested income. These are child benefits intended to partially cover expenses of providing for children, and scholarships (national scholarships and a related supplement to cover the expenses of commuting to and staying at school). Scholarships make education more accessible to children from poorer families.

The number of beneficiaries of welfare allowance as the only source of maintaining living standards is constantly falling because of demographic reasons. People entitled to this type of benefit are those who have never been employed, and those not having social insurance and in the majority of cases working on farms as additional help. As this social group is dying out, the number of beneficiaries is falling accordingly.

The number of pensioners receiving income support started to rise in the mid-seventies and gradually rose until 1992, when it reached a peak (13.5% of pensioners). Since 1993, the number of beneficiaries of income support has been falling, reaching 10.1% of all pensioners in 1997. These data do not seem to be compatible with the data on the poorest social groups in 1993, showing that people above 65 are the poorest social group in Slovenia. This discrepancy can be explained by the following facts: first, data on poverty rates are based on 1993 when the number of income support beneficiaries was relatively high and, secondly, the average age of pensioners in Slovenia was somewhat below 65 (in 1993, women retired at the average age of 53, and men at 56; the average age in cases of disability retirement was even lower).

Table 5.4: Socio-economic structure of income support beneficiaries in December 1997, in %

Age	
From 18 – 21 years	27
From 22 – 26 years	20
From 27 – 45 years	35
From 46 – 59 years	13
From 60 – 64 years	2
From 65 – 79 years	3
Above 79 years	1
Education	
Level I.	26
Level II.	31
Levels III. and IV.	24
Level V.	18
Levels VI. and VII.	2
Social status	
Employed	5
Farmers	2
Sole proprietors	0
People with occasional employment	0
First-job seekers	14
Unemployed	67
Retired	1
Housewives	5
Not capable for work	5
Type of household	
Single	66
Single parent family	14
with one child	9
with two children	4
with three children	1
with four or more children	0
Family with both parents	17
with one child	5
with two children	7
with three children	3
with four or more children	2
Couple with no children	3

Source: The Ministry of Labour, Family and Social Affairs, Survey, April 1998, Ljubljana.

The number of means-tested welfare allowance beneficiaries is going up significantly, as mentioned above, suggesting that living conditions are deteriorating. In 1997, the number of beneficiaries of means-tested welfare allowance rose by 92% compared to 1993 (there are no data available for the period before 1993). As Table 5.4 reveals, the majority of means tested welfare allowance beneficiaries, representing **the most materially and socially deprived social group in Slovenia**, are single, unemployed and aged between 18 and 45. In 1997, slightly more women (51%) than men were entitled to this sort of cash benefit. Unfortunately, 47% of beneficiaries were young, aged between 18 and 26, the age when they should try to get some education and not passively receive social assistance. It is expected that the new measures of active employment policy for the young will improve the situation already in 1998.

The educational structure of the means-tested welfare allowance beneficiaries, as found generally in the unemployed, shows that they are poorly trained, which is why the measures of active employment policy are principally directed at improving the level of education.

67% of income support beneficiaries is unemployed and without any other source of income meaning that they also no longer receive the unemployment insurance.

The number of child benefit recipients is also rising. From 1994 to 1997 it increased at a rate of 46% (there are no comparable data available for the period before 1994 because the criteria for granting this benefit have changed). From 1986/87 to 1996/97, the number of national scholarships rose by about 39%, representing 28% of pupils and students. Over the last three years, the number of scholarship applications has exceeded the number of granted scholarships by 30%-40%, reflecting deterioration of material conditions of families with schoolchildren.

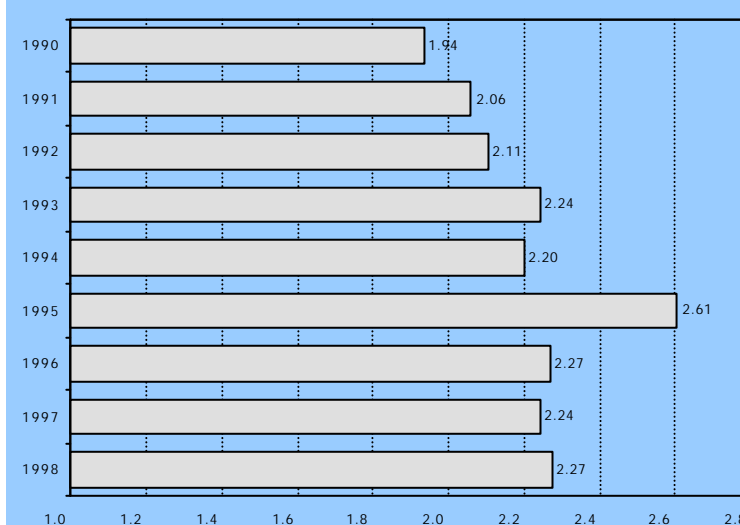
Besides the cash benefits mentioned above, the state is trying to alleviate material deprivation and improve the quality of

life also through social transfers, such as maternity and parental leave, maternity allowance, cash equivalent of layette assistance, unemployment benefits, unemployment assistance, sick pays, various kinds of cash benefit for disabled people and people with special needs, subsidies (subsidies for school meals³ for materially and socially deprived pupils, subsidies for non-profit rents), and tax relief. The state's social services contribute to better social integration, whilst measures of the active employment policy gaining ground over the past years, on the other hand, help social groups at risk to find and keep employment.

WAGE INEQUALITY

During 1990 and 1991 the real level of gross wages per employee fell by one-quarter, whilst unemployment surged, which in turn led to a drop in the purchasing power of the population over a very short period of time. In the period

Graph 5.3: Ratio of upper half wages to lower half of labour force



Source: SORS

from 1992 to 1996, gross wages per employee were rising relatively unevenly in real terms, and certainly not in line with labour productivity growth. Throughout that period, save in 1994, gross wages per employee grew faster than labour productivity. It was not until 1997 when the real growth in gross wages per employee fell behind growth in labour productivity by more than one percentage point. The latest figures show the same trend continuing

Introduction of the Minimum Wage has reduced the differences

into 1998. With its incomes policy, the government has therefore managed to bring wage movements into line with movements in labour productivity.

The adverse economic environment has had a crucial effect on the structure of the employed: the educational and professional structure of the employed has changed, as has the distribution of wages.

Unskilled workers and those made redundant as a result of restructuring the economy represent the greatest proportion of all unemployed (the rate of registered unemployed rose from 4.7% in 1990 to 14.4% in 1997). The number of employed belonging to the lowest wage groups fell and the number of employed in high and very high wage groups increased, reflected in the growth of the average wage. The average gross wage has thus moved upwards from the median line (in the distribution of wage recipients, the median is the line marking the division between 50% of the recipients above and the other 50% below the line). In 1990 the average gross wage was 10% above the median and it now averages 19% above the median line.

After having been rather concentrated around the average during the late eighties, the distribution of wage recipients according to the level of their wages has changed considerably since 1990. It has thinned out around the average and moved towards the area of recipients with higher wages. To get a better picture of this development, one needs to take one point

from the lowest decile (the point denoting the 10% of recipients with the lowest wages), one point from the highest decile (the point denoting the 10% of recipients with the highest wages) and the median. To get a clearer picture of annual changes, the real values of wages in the graph above were taken as input data.

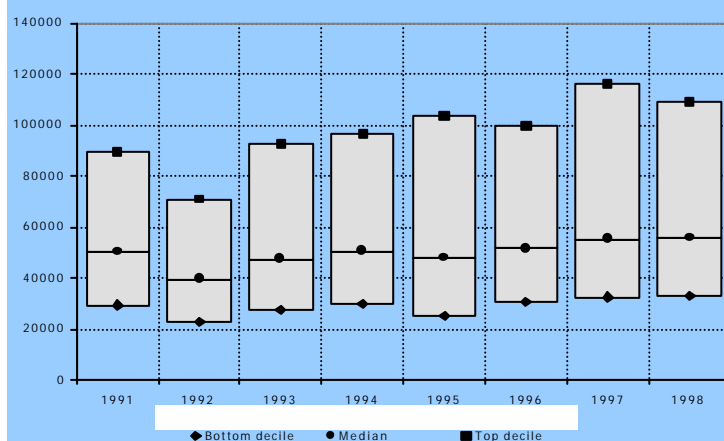
The yearly comparison of the average gross wage per employee above the median with that below the median also points to an increase in dispersion which, however, hit its top level in 1995. In the ensuing years, a somewhat lower level of dispersion was maintained.

To a large extent, the reasons for these developments can be sought in the Social Agreement for 1995 adopted in June of that year. This Agreement introduced the Minimum Wage, and thereby prohibited wages for full-time employment falling below this level. Although Slovenia has known the so-called guaranteed wage since the early eighties, it became a mere criterion for receiving social benefits and was as such not suitable as an instrument of guaranteeing the level of lowest wages. The real effect of the Minimum Wage was, however, not seen until 1996.

The introduction of the Minimum Wage in 1995 was only one in a series of measures taken to reduce wage dispersion. The Minimum Wage was set so as to account for 40% of the average wage and to be indexed by the growth in prices in the same way as other wages. One year later, the government in co-operation with the social partners added a special provision to this wage policy document, whereby the Minimum Wage should also be indexed once a year in line with real growth in gross domestic product in order to reflect its dependence on economic development. Through these special mechanisms, the wage policy documents guaranteed the level of the Minimum Wage at 40% of the average gross wage. In the EU countries, the Minimum Wage is set at 42%-59% of the average gross wage in manufacturing, which in Slovenia would equal around 49%.

The existing instruments of incomes policy are not sufficient for any radical changes, therefore the whole value system has to be changed

Graph 5.4: Distribution of gross wages per employee



Source: SORS

Table 5.5: Registered labour force in Slovenia in the period 1987-1997 in thousands

Year	Registered persons in employment (1)	Registered unemployed (2)	Labour force (registered) (3)=(1)+(2)	Registered unemployment rate, in % (4)=(2)/(3)
1987	960.5	15.2	975.7	1.6
1988	957.3	21.3	978.6	2.2
1989	948.4	28.2	976.6	2.9
1990	914.6	44.6	959.2	4.7
1991	844.4	75.1	919.5	8.2
1992	791.6	102.6	894.2	11.5
1993	768.2	129.1	897.3	14.4
1994	751.7	127.1	878.7	14.5
1995	749.1	121.5	870.6	14.0
1996	744.8	119.8	864.6	13.9
1997	743.4	125.2	868.6	14.4

Source: SORS, NEO, Health Insurance Agency of Slovenia

Another factor contributing to reduced dispersion of wages is the fact that the Minimum Wage was set at the level of a tariff wage for medium-demanding jobs and not at the level of the tariff wage for less-demanding jobs, as set out in the General Collective Agreement for the Market Sector. Since the wages paid out in lower tariff groups do not differ much from the tariff wage, the introduction of the Minimum Wage has in some cases led to a temporary levelling off of wages.

The endeavours for reducing the dispersion of wages were, however, not only present in the lowest wage brackets with the introduction of the Minimum Wage, but also in the highest wage brackets. The wage policy documents imposed restrictions on movements in the high salaries of business managers in 1995 which has continued up to today, with the exception of 1996. Although this did reduce the dispersion of wages, it remains rather high compared to that in the EU. The dispersion of wages measured by an inter-decile ratio (the average wage of the 10% of wage recipients from the highest wage bracket compared to the average wage of the 10% of recipients from the lowest wage bracket) is 3.3 in Slovenia. This is roughly the same as in the U.K. and Spain, the countries which - within the EU - have the most uneven distribution of wages. On the other hand, wage distribution is the most

even in Sweden and Finland and the eastern part of Germany, where the inter-decile ratio is slightly above 2. In Slovenia, however, the dispersion of wages is likely to reduce provided that the present incomes policy is pursued in the future and more moderate economic development continues. However, more radical changes cannot be achieved solely through the existing instruments since they call for changes to the whole value system.

UNEMPLOYMENT

In the period of transition, the processes of adapting to new markets and new ownership relations led to a substantial drop in the size of active population (labour force). The number of registered unemployed (which is higher than the number of unemployed based on Labour Force Survey) soared from 1.6% in 1987 to 14.4% in 1997 (see Table 5.5). With working activity being the source of material and social stability of an individual and her family, these processes have also strongly affected the social structure of Slovenia's population.

In industry the employment levels have contracted basically for two reasons:

1. The closing down of non-profitable production lines unable to replace the lost markets with new ones due to obsolete technological procedures, and
2. The increasing of labour productivity.

In the period from 1987 to 1997, the number of registered unemployed soared from 1.6% to 14.4%.

Table 5.6: Typical groups of registered unemployment in the period 1987-1997¹

Year	Average number of registered unemployed	Shares of selected groups in 1987-1997					
		Below 26	First-time job-seekers	Women	Unemployed over 1 year	Unskilled	Above 40
1987	15,184	50.6	30.1	48.8	33.1	57.7	17.0
1988	21,342	51.9	28.7	47.3	36.9	57.1	14.5
1989	28,218	51.5	29.1	18.9	42.7	55.4	15.0
1990	44,623	51.4	26.5	47.9	37.4	49.8	16.1
1991	75,079	47.8	22.2	44.7	41.8	46.1	19.0
1992	102,593	40.7	20.2	43.9	50.9	46.5	25.0
1993	129,087	37.4	19.0	43.8	54.8	45.3	28.2
1994	127,056	33.5	19.0	44.9	62.1	45.8	32.4
1995	121,483	32.2	19.7	46.7	59.0	46.6	34.0
1996	119,799	31.4	19.4	48.1	53.8	47.0	37.7
1997	125,189	29.1	18.3	48.8	59.6	47.1	43.0

Source: NEO

Note: ¹ Shares of selected groups are calculated from average unemployment, except for unemployed above 1 year and above 40, the calculations of which are based on end-year figures.

The structure of the unemployed has deteriorated with increasing shares of unemployed above 40 years of age, long-term and unskilled unemployed

Thus, the early nineties saw the outbreak of economic and technological redundancies. The redundant workers were mostly older and unskilled and for most of them it has been impossible to find new employment. They either retired or found themselves in the ever-growing group of the long-term unemployed.

At the beginning of transition, the main burden of such cuts in employment fell on the Pension and Disability Insurance Fund, with more than 150,000 new old-age or disability retirements (more than 15% insured persons) in the period from 1988 to 1992. Many of them were early retirements involving the purchase of the missing years to obtain full retirement status. As a consequence of resolving employment problems through early retirements, today a large number of relatively young retired persons represent a financial burden on the active population. This is also one of the main reasons for an increase in various forms of informal and illegal employment during the period of transition. These forms of employment can also explain different statistical employment and unemployment figures in Slovenia and the discrepancy between the registered unemployment rate and the rate based on the Labour Force Survey, which is internationally comparable. The number of unemployed according to the latter methodology has averaged at 7% of the labour force over the past few years, which is consid-

erably lower than the registers show, lower than on average in the European Union (10.6% in 1997) and around the average of the OECD countries (7.3%).

Regarding the dynamics of selected unemployment categories (see Table 5.6), the structure of the unemployed can be regarded as deteriorating. The unemployed above 40 years of age represented 43% and long-term unemployed almost 60% of all unemployed in 1997. The unskilled unemployed have stood at around 47% over the past few years. The share of young unemployed and first-time job-seekers is the only category seen to be decreasing. This shows that the government with its active employment policy measures partly succeeded in alleviating particularly youth unemployment.

To combat unemployment and economic and social reasons underlying it, the government is pursuing an active employment policy involving three main orientations:

- the abolition of frictional unemployment, by setting up an information system that provides better matching of demand and supply in the labour market and shorter periods needed for the right person to find an appropriate job;
- alleviation of structural unemployment through measures aiming at the professional reorientation of individuals (requalification, education, retraining,

promotion of educational and spatial mobility); and

- providing support to enterprises and employers with the aim of increasing the demand for labour.

Due to increasing structural unemployment in Slovenia (the unskilled unemployed represent almost half of all registered unemployed many of whom are younger than 26), the Ministry of Labour, Family and Social Affairs and the Ministry of Education and Sport have prepared a Programme for Training the Unemployed. This programme addresses the young unemployed (below 26) as a priority.

In Slovenia some traditional instruments for providing social security to the unemployed and their families continue in their application, namely cash benefits and assistance. Under the new law, however, the level of these benefits will fall slightly, controls will be tightened and commitments on the side of the unemployed in terms of seeking and accepting employment will increase.

HOUSEHOLDS' INCOME SOURCES AND INCOME INEQUALITY

Changes in the structure of household income in the period 1983-1993 (Table 5.7) were a consequence of large shifts in the socio-economic status of household members in Slovenia: a quite large decrease in the average number of employed persons per household, a shift of employed into other occupations, an increase in the aver-

age number of the unemployed, an increase in the average number of pensioners due to early retirement. All this was mostly due to the economic transition which started in 1990. Up to 1990, the registered unemployment rate in Slovenia was negligible but rose to 14.4 percent in 1993. Early retirement seemed to be one of the least painful solutions for alleviating tensions in the labour market and preventing an even larger increase in the unemployment rate; it has to be stated though that generous pension benefits entailed quite large long-term social costs.

One can observe the diminished importance of wages and salaries from primary employment in the structure of income sources.

The share of salaries from secondary employment has, however, slightly increased, since people tried to compensate for lower income due to economic recession, and so to retain their former level of living. In spite of the increased share of self-employment income, it is evident that the private sector absorbed only a smaller share of the restructured labour force. The large increase in the share of pensions in total household income is caused not only by a considerable increase in the number of pensioners but also by their improved relative income positions. Other social benefits have risen mainly due to large increases in unemployment, with many of the unemployed entitled to unemployment benefits.

Certain characteristics of households determine whether the income position of

One can observe the diminished importance of wages and salaries from primary employment in the structure of income sources

Table 5.7: Structure of all Slovenian households' income sources in 1983 and 1993, in %

Income sources	1983	1993
Wages and salaries from primary employment	71.7	57.4
Salary from secondary employment	1.3	2.9
Self-employment income	6.6	9.5
Pensions (old-age, disability, survivors')	14.6	20.7
Other social benefits (unemployment benefit, income supplement, child allowance, sick-pay, maternity and parental leave, scholarships, etc.)	2.3	4.1
Income from abroad	1.1	1.9
Income from sales and property rental	1.1	2.0
Gifts, lottery, etc.	1.0	1.4
Other	0.3	0.2
Total	100.0	100.0

Source: SORS, Household Expenditure Survey, 1983 and 1993; own calculations.

Note: The income concept used is that of current disposable monetary income; savings withdrawal and loans received are not taken into account.

Figure 5.8: Distribution of various household types across income deciles, in %

Income deciles	Households with an unemployed member	Households with children below age 18		Households with pensioners	
	1993	1983	1993	1983	1993
1	17.1	7.5	7.2	13.7	9.9
2	16.8	8.1	9.3	14.8	12.2
3	10.6	9.9	10.7	12.2	11.9
4	10.7	11.7	11.4	11.7	10.4
5	12.8	11.1	11.2	8.7	10.1
6	9.4	12.3	10.7	9.1	10.6
7	7.4	10.9	9.9	8.3	10.2
8	4.6	10.8	9.3	7.5	10.5
9	6.6	10.1	11.1	7.1	7.5
10	3.9	7.5	9.3	6.9	6.5
Total	100.0	100.0	100.0	100.0	100.0

Source: SORS, Households Expenditure Survey, 1983 and 1993; own calculations

Notes: ¹For household incomes ranking, the OECD equivalence scales was used (first adult = 1, next adult = 0.7, each child = 0.5). ²The number of unemployed was very low in 1983.

various types of households is more or less favourable than the average in Slovenia. If all households are divided into income deciles and each decile includes 10% of households, a different percentage of one type of household in selected decile suggests the following:

- poorer economic condition of this type of household than the Slovenian average, if the percentages above 10% prevail in the lower income deciles, and
- better economic position of this type of household than the Slovenian average, if percentages above 10% prevail in the upper income deciles (Table 5.8)

The position of selected types of households in the income distribution is additionally explained by the figures on the

structure of households within selected income decile. Table 5.9 thus shows, what percentage of households in the period 1983-1993 included an unemployed member, a child below 18 years of age or a pensioner.

In 1993, one-third of households with an unemployed member were situated in the bottom two income deciles; or a quarter of all households in the bottom two income deciles had an unemployed member. In average, 14.1% of all households had at least one unemployed member; whilst the 1983 figure was only 1%.

The distribution of households with children below the age of 18 did not change much in the period 1983-1993. The lower fertility rate is reflected in the fact that, in

Table 5.9: Shares of households with unemployed members, pensioners and children below the age 18 as a percentage of all households in a decile

Income deciles	Households with an unemployed member	Households with children below age 18		Households with pensioners	
	1993	1983	1993	1983	1993
1	24.0	38.0	32.8	56.0	45.6
2	23.7	41.4	42.5	60.7	56.2
3	14.9	50.4	49.1	49.9	55.1
4	15.1	59.6	52.2	47.9	48.0
5	18.0	56.6	51.5	35.6	46.7
6	13.2	62.7	48.9	37.3	49.0
7	10.4	55.6	45.3	33.8	47.0
8	6.5	54.9	42.7	30.6	48.5
9	9.3	51.4	50.9	29.1	34.8
10	5.5	38.3	42.4	28.3	29.9
Total	14.1	50.9	45.8	40.9	46.1

Source: Household Expenditure Survey, 1983 and 1993; own calculations.

1993, children lived in only 45.8% of households, compared to 50.9% of all households in 1983.

On the contrary, the share of households with pensioners increased from 40.9% in 1983 to 46.1% in 1993. In 1993, these households were rather evenly distributed across income deciles; they were under-represented only in the top two income deciles, where their share was still a respectful 30-35%. This clearly indicates that, in Slovenia, having a pensioner in the household does not necessarily increase the probability of being in a more unfavourable financial situation.

Similar conclusions can be drawn from the distribution of household members according to their socio-economic status. In 1993, the shares of the employed were increasing almost evenly from the bottom to the top income decile. The unemployed were highly concentrated in the lower part of the income distribution, with almost half of them living in households in the bottom three income deciles, and only 13.7% living in the top three deciles. Pensioners were rather evenly distributed, which is quite different from the 1983 situation when they were over-represented in the lowest four income deciles.

Income inequality of the total population of Slovenia has increased considerably during the 1983-1993 period, and this is true regardless of which indicator is used for its measuring (Table 5.10). To make matters worse, this happened in a period of falling real incomes: the median of equivalent household income dropped by around 14%. **The comparison of the two calculated values of the Gini coefficient** (the one on the basis of total households income and the other on the basis of the income of the households without any social transfers) **shows that the situation would have been much worse in case of absence of social transfers**. This points out the extreme importance of this kind of state intervention to the sphere of material and social security. These transfers were particularly important in 1993, when, had it not been for

Table 5.10: Income inequality measures for the Slovenian population

Income inequality measures	1983	1993
Gini coefficient	0.2369	0.2791
Gini coefficient (income without social transfers) ¹	0.2487	0.3048
90/10 percentiles	2.94	3.32
75/25 percentiles	1.74	1.82

Source: Household Expenditure Survey, 1983 and 1993; own calculations.

Note: ¹ Social transfers excluded from household income are: child benefits, sickness benefits, payments during parental leave, social assistance, unemployment benefits, invalidity benefits and scholarships.

them, the Gini coefficient would have reached 0.3048 instead of a "mere" 0.2487.

HOUSING AS A FACTOR OF POVERTY

Apart from the symbolic function whereby housing conditions reflect an individual's state of poverty on the outside (e.g. homelessness), they may themselves be a direct cause of poverty in cases where expenses for housing exceed an affordable level. Wealthy households can earmark a larger proportion of their income for housing expenses, whilst households with lower income are much more restricted. In order to be able to financially meet other basic needs, housing expenses (including heating) should not exceed 20% of their total expenses (Pugh, 1980:103), or 25% according to the 'Faust Rule' of the former Austro-Hungarian monarchy (Bauer, 1994).

In the period of socialism, these two types of relations between housing and poverty were not of great importance; homelessness was not so noticeable, and quite a different problem was often brought up with regard to housing expenses – that rent was far too low, representing only 4% of expenses of the average household. Circumstances have changed radically since the transformation of the systems in 1991. As in western and other eastern transitional countries, homelessness is increasing, and great changes have also come about in terms of household expenses.

In 1993, rent accounted for 4.0% and energy expenses for 6.1% of the average expenses of households (Household Expenditure Survey, 1993), while in 1996 – after rents had risen by 119% – they together

Income inequality of the total population of Slovenia has increased considerably during the 1983-1993 period.

After 1991, the possibility of people for obtaining a flat has declined

The number of people looking for a flat has risen

represented 19.7% of household expenditure. This means that the percentage can be considerably higher in households with lower income. These developments were unfortunately not accompanied by appropriate rent subsidies. The number of subsidy beneficiaries has even fallen, representing 0.33% of the population that is already entitled to a cash benefit which represents one of criteria for entitlement to subsidies. Households that do not receive any cash benefit are also not subsidised. The problem is particularly grave in the private renting sector, where rent is uncontrolled and leasing of flats is itself unregistered, leaving tenants without any legal protection in relation to flats. According to the Survey on Quality of Life from 1994, as much as 18.5% of all tenants have no rental contracts.

credibly low standard considering contemporary times. In other words, these conditions do not allow almost one-half of the flat-seekers to live the lives most people do in modern Slovenian society and consequently face exclusion. Stanovnik (1997) and Žnidaršič (1995) also state that the poor in Slovenia have significantly low housing standards.

Poverty and housing status are also connected. After the turning point in 1991, the status of renting a house began to be associated with residual and marginal groups. The wealthier classes managed to avoid this status by purchasing their own flat, the less wealthy, however, remained within this status group. Žnidaršič (1995) states that there are twice as many poor households among tenants as among owners-occupiers. It appears that one other change has come about with the transition: the function of a flat as a means of meeting the basic need of having a place to stay has given way to the function of property investment.

Table 5.11: Flat-seekers in Ljubljana by quality of current dwelling

Quality of current dwelling of flat-seekers	%
Kitchen is used by the seeker's household only	58
Toilet in the flat is used by the seeker's household only	51
Self-contained unit (not part of a flat or a non-dwelling unit)	53
The kitchen in the flat is not permanently used as a bedroom	54
Children do not have a bed in the parents' bedroom permanently	49

Source: The Ljubljana Housing Survey 1993, Mandič (1996:166, 168)

There are twice as many poor households among tenants as among owner-occupiers.

After the system changed in 1991, the possibility of people obtaining a suitable flat has generally declined. The number of favourable loans granted by the Housing Fund of the Republic of Slovenia for the purchase of a flat or building a house as well as the number of flats with reasonable rent fell dramatically.

After 1991, the absence of budgetary resources was felt mostly by younger households with average or lower income in urban areas. This is evident not only in the increase in the number of flat-seekers but also in the poor housing conditions endured by occupants. Table 5.11 contains data showing housing conditions of flat-seekers in Ljubljana registered by the Ljubljana Housing Survey from 1993 (Mandič, 1996), which included 5,500 registered seekers of a flat in Ljubljana.

The data show that almost one-half of all flat-seekers currently live in a flat of in-

REGIONAL DISPARITIES

Although a small country, Slovenia is very diversified from the aspects of its natural-geographical, spatial, economic, demographic and social structures. The regional development disparities are presented by an indicator which includes not only economic but also social aspects of development. In substance, it resembles the “human development index” and consists of 3 components:

1. gross income tax base
2. the percent of the population with secondary school or higher education in the total population above the age of 20
3. life expectancy at birth

The gross income tax base per capita has revealed considerable disparities between the eastern and western parts of Slovenia. Values above the Slovenian average were found predominantly in western Slovenia, where the majority of municipalities recorded above-average values. These values

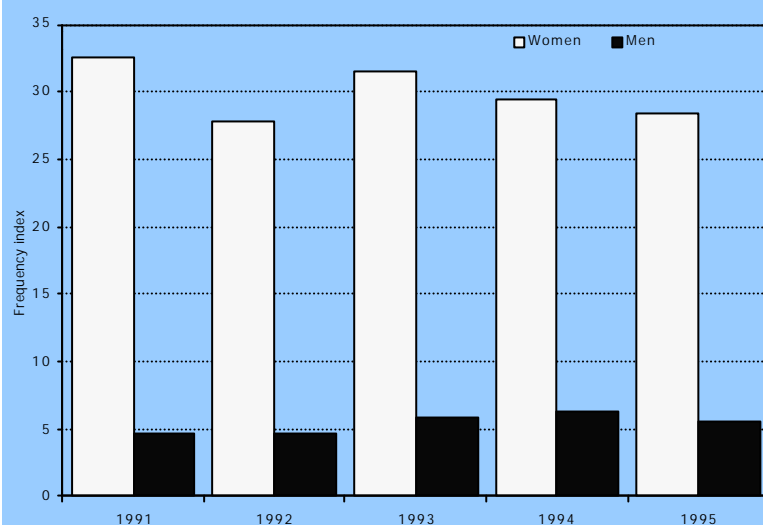
decrease if moving towards the eastern and north-eastern parts of the country. In the Pomurje region (north-eastern Slovenia), they only reach 75% of the Slovenian average. The ratio between the most (Ljubljana - Centre) and the least successful (Lenart) municipality is 1:2.2. Since the gross income tax base is an indicator closely linked to the level of wages and other incomes, the disparities between the north, north-east and the west are to a large extent a reflection of high rates of unemployment.

The second component of the development index reflects the education structure of the population above the age 20. According to the last census, more than half of the population (57%) above 20 years of age in Slovenia had secondary school or higher education. However, large discrepancies were perceived at the municipal level. In the municipality with the most favourable education structure (Ljubljana-Centre), a solid three-quarters of the population have at least secondary school education whilst, in the municipality with the least-favourable structure, this percent-

There are considerable disparities between the eastern and western parts of Slovenia.

Unless access to schooling and job opportunities improves soon, regional discrepancies are likely to widen even further.

ap 5.1: Development index, 1991

Graph 5.5: Sick-leave of men and women due to care of family member

Source: Institute of Health Protection of the RS, in: Women in Slovenia in the 1990s, 1997: 130

Slovenia is characterised by a high rate of women in employment

With equally long working day for men and women, household chores remain unequally divided

age is only half of that (40%). The education structure is very important from a development point of view, the human resources of regions being an important source of future development. Unless access to schooling and job opportunities improves soon, these discrepancies are likely to widen even further, since in the future education will become increasingly more related to high financial costs.

The discrepancies in the life expectancy at birth indicator are also large and correspond to the first two indicators (see Chapter 4 - Health).

The synthesised indicator - development index - also reveals wide regional discrepancies in Slovenia. Since the discrepancies between the eastern and western parts of Slovenia have already been evidenced by selected components of the synthesised indicator, they become even more obvious if measured by a synthesised index. The municipality which is the best off - Ljubljana's Bežigrad municipality in the Central Slovenia region - deviates up 2.3 standard deviations from the average and the one that is the worst off - Lenart in the Romurje region - deviates down 2 standard deviations from the average.

Over the past few years, the regional disparities within Slovenia have even grown, which calls for special concern and measures to be taken by the government. In the

past, the area of regional development in Slovenia was not as neglected as it was in the majority of eastern European countries. Slovenia has pursued its regional policy and the policy of polycentric development since early 1970, the aim of which is to balance the development in all parts of Slovenia. The traditional system of regional development promotion yielded positive results, but was not efficient enough. The present system based on the promotion of demographically endangered areas is also partial and largely inefficient. Moreover, the co-ordination between selected ministries and their sectoral policies is poor. Currently, the White Paper on Regional Development in Slovenia (Strategy of Regional Development) as well as the law on more coherent regional development of Slovenia are being prepared, both constituting the new regional policy. The policy's principles and instruments should be integral and harmonised with the standards of the EU Member States. Further, it should be market-oriented and based on the principles of endogenous, self-sustained development. Greater co-ordination with the principles, strategies and measures of selected sectoral policies, which are crucial to regional development, should also lead to improving its efficiency.

GENDER INEQUALITY

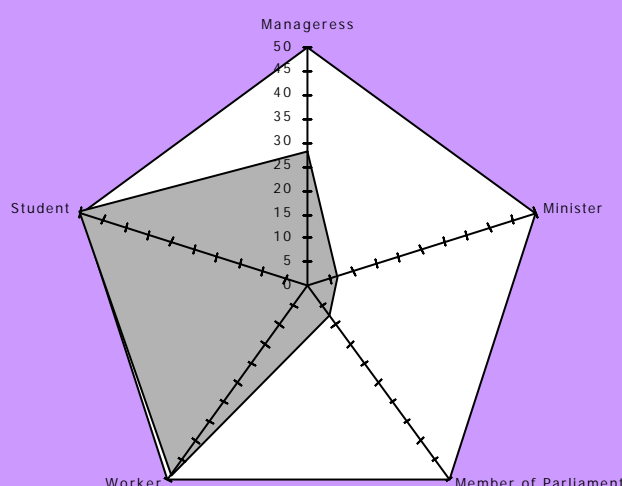
The proportion of women in employment has always been high in Slovenia. At the beginning of the century, 20% of all employed were women; after the Second World War it increased, with rates standing at 33.3% in 1952, 41.2% in 1970; finally in 1996 at 48.8% of all employed. This suggests that almost every adult woman who manages to find a job goes out to work, the majority of them having full-time employment (36-42 hours a week). The high rate of women in employment is not only the result, or even invention, of the socialist ideology, but has also been driven by economic necessity - low productivity and low income forced men as well as women to have a paid job - desires of women to be economically independent, to take part in a consumer way of life, and a wish to attain self-fulfilment. All of this has been

spurred on by the fact that nowadays women are more educated.

Nevertheless, women and men are not faced with entirely equal opportunities. Horizontal and vertical segregation in labour market remains a key problem to be resolved. Horizontal segregation by gender is reflected in the fact that a female labour force dominates in services, in particular. The share of women in non-industry sectors exceeds 50% with the highest rates in 1996 recorded in health-care and social services (81.9%), education and culture (67.3%); on the other hand in industry the highest rates were recorded in the textiles (61.4%) and footwear industries (76.6%). The term feminised area of work can be applied to these sectors implying that the number of women concentrates at lower levels of the hierarchy and in activities requiring fewer qualifications. This is one of the reasons for the lower income of women. Female wages as percentage of male's fell from 1991 (when women earned 89% of man's pay) to 1996 (when they earned 85% of man's pay), which can be attributed to the fact that women use various types of leave from work more often than men, such as sick leave and maternity leave (see Graph 5.5), all of which affects the level of their income.

Furthermore, cases of legislative and regulatory breaches in the labour market are not uncommon and they include provisions in some employment contracts that forbid women to have children within a certain period and use their right to maternity leave. The working day is equally long for men and women, household chores, however, are still unequally divided between the two. A woman on average spends 28.5 hours per week doing housework (men 7 hours), and 27.3 hours looking after and raising children (men 17.9 hours) (A survey: Quality of Life in Slovenia, 1994). It can be concluded that women's increased participation in the public sphere has not been paralleled by an equal increase in male participation in the private sphere. A 'dual breadwinner' family therefore exposes the problem of work sharing in a family and the state's readiness to take on a share of the burden of such organisation.

Graph 5.6: Participation of women in public sphere



Source: SORS

Note: The highest points in the figure (50%) denote an equal participation of women. The bigger the coloured surface the greater the participation of women in the public sphere. With regard to participation, the gender gap between men and women in the area of education and employment narrowed compared to the past. More than a half of all students are women and in 1996 women represented 48.8% of all employed. However, they usually hold lower positions in the job hierarchy (in Slovenia in 1995 there were only 28.3% of women on the leading positions). Participation of women in the political sphere is even worse. In 1996 only 7.8% of all Members of Parliament were women and only one woman was a minister (out of 16). In 1998, however, all ministers are men.

In Slovenia up until the nineties, apart from formally regulated – first in the Constitution of 1945 – equality of women was brought about by institutional foundations established through the process of self-decisions and not imposed from 'above'. The development of public child-care facilities was particularly intensive between 1971 and 1985 when the number of children in these institutions tripled and more than one-half of facilities currently available were built in the period (68%), mostly by self-imposed contributions of people. One could say that this democracy from 'below' was founded on people's money.

Important elements presented in the Resolution on Basic Issues in Evolving Family Policy in the Republic of Slovenia, adopted by the parliament in 1993, are equal opportunities for men and women, and society's contributions in child raising expenses. At the same time, the Resolution encourages mother and father, employers and society to be equally responsible for supporting children.

Relevant legislation, although it exists in Slovenia, is still not sufficient to change

Legislation is not enough to change the position of women

the position of women. One has to be aware of the fact that certain patterns of behaviour are entrenched in the family and society as a whole, and that certain myths which fuel stereotypes and prejudices are a constant in human history. For this reason, (radical) structural changes need to be carried out with the active participation of **all** members of society, including the state and ordinary citizens. A demand for equal opportunities for women in the political sphere falls within this framework. Facts indicate that the percentage of women on candidate lists is markedly lower than their percentage in party membership structure and the chances of being elected are three times lower than that of men (The

Women's Policy Office, 1996). The current situation could be improved by reconsidering the quota system. In 1996, it was rejected on grounds that it is oppressive to the male sex. Furthermore, it needs to be recognised that problems of women are not only their concern but of society as a whole.

A shift from the principle of equal rights to the principle of equal opportunities is a long-term process because it requires a radical change to everything that has been considered right throughout the centuries. These changes should not be left to be resolved by themselves, but a resolution should be sought actively and intensively.

Notes:

- ¹ The survey was conducted on a sample of 3270 Slovenian households. In the following years, these types of surveys were conducted on one-third of the previous number of households, consequently such analyses were not possible. In 1997, the Statistical Office began to use a new questionnaire compatible with the EU's methodology. Because of the new method, data for the calculation of poverty will only be available in the year 2000.
- ² They belong to a group of 'social rights' provided by the state pursuant to the law and financed from public funds.
- ³ In this school year (1998/99), 45,000 primary school and 24,000 secondary school pupils will receive subsidised meals, representing 23.2% of primary school pupils and one percent less of secondary school pupils.

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SLOVENIA IN TIME AND SPACE



POLITICAL, ECONOMIC AND SOCIAL CHANGES AFTER INDEPENDENCE

Slovenia became a newly-independent state in 1991 after the dissolution of the former Yugoslavia. It occupies an unique place among the Central and Eastern European economies in transition. Before independence, Slovenia was part of the Yugoslav federation, with an economic system founded on social ownership of the means of production, and high degrees of both redistribution and domestic protection. Although eventually this economic system failed to secure stable and sustainable economic growth, the break-up of Yugoslavia meant a considerable economic shock for Slovenia, in particular the breaking off of trade links due to the war in the Balkans and the consequent international sanctions. Nevertheless, Slovenia gained a lot from independence: it provided Slovenia a chance to take the levers of economic and development policies into its own hands as well as responsibility for economic development. It was the decision to establish a modern social-market economy and to become part of the European economic area that was the main reason for Slovenia's independence from the Yugoslav federation, where political consensus on these issues was impossible to reach.

Many of Slovenia's distinctive features were already apparent before independence. Two areas seem to be of particular importance. The first concerns the relative openness of the Slovenian economy and

the relative freedom of circulation of people and products across Slovenia's borders. In former Yugoslavia, Slovenia had - to the extent possible in that economic system - the most open economy of all Central and Eastern European countries and was the principal trading arm between the developed Western European countries on the one side and socialist economies on the other. Moreover, most of its trade was with more advanced market economies of Western Europe. The first characteristic of Slovenia was the so-called "market socialism" with a system of decentralised control, where markets were allowed to play a significant role in the allocation of resources throughout the economy. Although this system existed across the whole of Yugoslavia and in nearby Hungary, it was - due to its openness and fairly liberal economic policy - the most developed and best functioning in Slovenia. Compared to other transition economies in Europe, the Slovenian economy was market oriented even before its independence, although there were restrictions on ownership rights and the use of capital.

As a result of these two characteristics, the economic position of Slovenia at the beginning of transition was more favourable and it was in general more familiar with market mechanisms than in other countries in transition. Moreover, it was Slovenia's starting position that to a large extent determined the path it took to exit from the socialist system and to reform its economy.

*Advanced
transition
country*

Rapid trade re-orientation and economy

Stabilisation after transition shock

Gradualist approach to reforms

At the outset of transition, the scope of economic policy was limited by the political reality of the Balkans. The first democratic government - elected already a year before formal independence - had only a limited range of measures available to lead an independent economic policy and, therefore, had to give up plans about introducing a classic and orthodox stabilisation programme. In the early period of transition, the main endeavour of economic policy was mainly to adjust to the new situation and only gradually to implement due reforms. The experience of selected enterprises and their managers was of great help to the government since they managed to swiftly reorientate their production away from the Yugoslav to more demanding Western European markets.

The gradualist approach of economic policy was typically used in the area of cutting inflation. The Bank of Slovenia together with the government was lowering inflation over a period of several years, and it introduced a managed floating exchange rate regime. The rate of inflation fell from 201.3% in 1992 (average annual rate) to single-digit levels. Despite having many opponents at home and abroad, such an unorthodox stabilisation policy eventually proved to be efficient. Together with other measures, such as postponement of bankruptcies, assistance to enterprises and banks and their rehabilitation, economic policy not only succeeded in easing the initial transformational shock but also provided for more sustainable and stable growth than there was in other transition economies also after the bottoming out of the initial depression. Thus, economic growth constantly ranged between 3% and 5%. After numerous discussions and rejections of the proposed models, privatisation legislation was adopted relatively late. Eventually, the combined compromise model was accepted according to which enterprises are today owned not only by privatisation or investment funds and small-scale individual investors but also by employees. This will, no doubt, have a

long-term effect on their efficiency and development opportunities.

Political and social areas were marked by reforms whose beginning goes back to the middle of the eighties. Institutions and organisations which evolved during the transformation already under the socialist system were not abolished but gradually adapted to the new situation. While they reorganised to operate within the market economy, new institutions were also set up. The overall project of gaining national independence and the related risks (danger of political and also military intervention) forced various political groups to seek compromises or - at least temporarily - to suppress numerous disagreements. The political system thus still incorporates many components of corporativism, and the dialogue between social partners is becoming an important factor of economic policy-making. The result of such a situation is relative political stability, although not without constant lively competition between the political parties. Another reason why Slovenia occupies a special position among the transition economies is the fact that in the eight years of independence it has had only two prime ministers and the government has been composed of a wide spectrum of political groups. However, the risks, which exist in this particular situation, are that the initial consensus and sensitive graduality of introducing reforms might turn into indecision and inconsistency in the phase of their completion.

CONSEQUENCES OF TRANSITION

Despite its relatively favourable pre-independence position, the Slovenian economy must, quite properly, be considered an economy in transition. Market socialism and the break-up of former Yugoslavia have had considerable consequences for Slovenia, not only at the macro-economic but also at the structural levels.

Table 6.1: Transition of Slovenian economy (period 1992-1998)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Real growth rates of GDP, in %	-4.7	-8.9	-5.5	2.8	5.3	4.1	3.1	3.8	4.0
Services as % of GDP	47.8	45.4	48.2	49.9	49.0	50.1	50.5	50.8	51.1
Growth in retail prices, in % (end of year)	104.6	247.1	92.9	22.9	18.3	8.6	8.8	9.4	8.0
Registered unemployment rate, in %	4.7	8.2	11.5	14.4	14.5	14.0	13.9	14.4	14.4
Current account of the balance of payment surplus/deficit, as % of GDP	4.6	9.1	7.1	1.3	4.0	0.0	0.3	0.2	-0.4
General government surplus/deficit, as % of GDP		2.6	0.2	0.3	-0.2	0.0	0.3	-1.1	-1.0
Foreign exchange reserves, in USD million ¹		409	1194	1566	2764	3426	4130	4337	4913
% of private enterprises ²	67.0	75.0	80.8	85.7	88.0	89.4	90.1	90.6	
% of small sized enterprises ²	81.1	88.1	92.1	93.8	93.7	93.4	93.2	93.6	
Net loss in business sector, as % of GDP	6.0	4.7	15.1	4.2	0.9	1.2	2.4	0.1	

¹ as of 31 May 1998 ² compared to the number of all enterprises

Note: The Law on Commercial Companies entered into force on 10 July 1994, so that commercial companies in fact exist in the balances as of 1994. From 1994 to 1995 – Uniform Classification of Activities – commercial companies from business sector; from 1996 – Standard Classification of Activities – all commercial companies

Source: Statistical Office of the RS, Bank of Slovenia, Ministry of Finance, Institute of Macroeconomic Analysis and Development

Three periods can be observed in the Slovenian economy after its independence. The slow-down in economic activity in the late eighties pushed the economy into a real depression in the early nineties. Gross domestic product (GDP) fell significantly for one and a half years after independence. Whilst the recession was even deepened by the loss of former-Yugoslav markets, at the same time the economy had to adapt to market-oriented reforms. During the first phase of the transition to a social market-driven economy, Slovenia had to face a drop in both economic activity and the standard of living, a slump in investment and employment and extreme market instability. In the period from 1991-1992, GDP recorded a cumulative 14.4% drop. The general economic situation in 1992 was still depressed, although the first signs of recovery showed up in certain economic activities. Hence, Slovenia finished the first phase of its economic restructuring marked by relatively successful macro-economic stabilisation, abolition of existing production and a drop in employment.

In the middle of 1993, the Slovenian economy bottomed out of the recession and entered into a period of revival or transformational recovery marked by intensive restructuring of production and consumption (primary and final distribution) and dynamic economic growth. Economic growth was one of the first in transition economies to resume. In 1993 the 2.8%-

growth in GDP was mostly due to Slovenia's reorientation of foreign trade from the former Yugoslavia to European markets. Also the year after, the strong economic growth of its main trading partners led to 5.3%-growth in GDP. The concentration of Slovenian trade with European Union countries makes it highly dependent on economic developments there, especially in Germany.

At the turn into 1994, the economy entered a period of relatively fast growth and the second phase of its transition, marked by intensive ownership, financial, status and managerial restructuring. Gradually, the positive effects of macro-economic stabilisation, restructuring and reforms at the micro-economic level became apparent. Nowadays, the quality of production factors (labour, capital and technological progress) is much higher than it was in the previous economic system. Growth has been maintained by increased investment, and the reorientation of trade to the Western European markets. Germany has always held a leading position among Slovenia's main trading partners. As much as 30% of total Slovenian exports goes to Germany. Reorientation of trade further increased the openness of the Slovenian economy. Apart from positive results in international trade, macro-economic stabilisation was particularly successful in lowering inflation. On the contrary, the negative effects of transition and structural shifts in the economy were reflected in a

*Transformation
depression*

*Recovery in
1993*

surge in unemployment. 1995 was the year that marked the beginning of the slowdown or better stabilisation in economic growth.

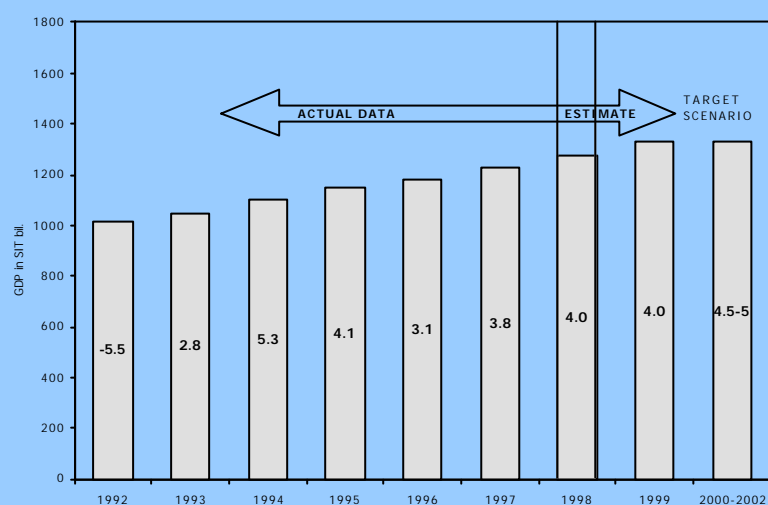
The slowdown in growth in 1995 (4.1%) was thus first a result of a pause in economic growth in the European Union and, second, due to the deferred effect of decreasing export competitiveness in the period 1992-1995. Since economic growth in the EU accelerated again in the second half of 1996, economic growth in Slovenia also

1996, but turned into a slight deficit (1.1% of GDP) in 1997 due to structural problems and too slow a pace of reforms. The current account balance was, however, also preserved in 1997.

So far, the main features of the transition process in Slovenia have been: a successful programme of macro-economic stabilisation, a comprehensive transformation of the foreign-trade system and the banking sector and progress in enterprise restructuring. Slovenia's favourable starting position compared to other transition economies, originating in its better acquaintance with market processes and more developed foreign trade, has significantly contributed to the above features. However, an important challenge Slovenia faces today is how to continue building on these solid grounds. Slovenia finds itself at the point where every policy adopted in the coming medium-term period will have a decisive role in maintaining the speed of economic transformation and success in integration into the European economic area.

In Slovenia, the overall problems of transition to a market economy were accompanied by problems of transition to an independent state, including the upgrading of the existing state apparatus and its own legislation. Consequently, the speed of realisation of the strategic goals has often been too slow and solutions to problems only found at the last minute. Despite a relatively favourable general (macro-economic) situation, the delays and lack of time co-ordination in the implementation of key economic reforms (delays in the completion of tax reform aimed at disburdening the economy, delays in the establishment of a proper tax administration leading to great potential losses of tax sources, strengthening of the grey economy and a spill-over effect on non-taxed incomes on wages, relative slowness of privatisation and consequent lack of investment and development motivation, lack of capital interest in primary distribution, etc.) are all becoming obstacles to the successful maintenance of further economic growth. The problems of economic policy and delays in the realisation of systemic reforms have been present in all countries in transition. To a large extent, they depend on the ability of both the

Graph 6.1: Gross domestic product, constant prices 1992



Source: SORS; calculations: IMAD

slightly increased in 1997 (3.8%). These positive developments also continued into the first quarter of 1998 with GDP rising 1.9% over the last quarter of 1997 and 6.5% compared to the same period of last year. Such a high rate of growth - spurred mostly by favourable conditions in foreign markets - has not been recorded since the second quarter of 1994. Overall, Slovenia, having the highest income per capita and GDP (it has already exceeded its pre-independence level), has retained the leading position among all transition economies.

In the period from 1992 to 1996 there were no macro-financial deficits recorded in Slovenia. The substantial surplus in the current account of the balance of payments in the early years of independence levelled off later on. The general government account was balanced from 1992 to

policy as a whole and the state apparatus to "transform" a substantial number of information, incentives and strategic orientations into specific measures, budgetary items and new legislation.

Slovenia - being a small country - can only develop successfully as an open and export-oriented economy. This implies not only intensive export-import flows rising faster than GDP but also an overall internationalisation of the Slovenian economy and participation in the European integration processes. The latter would contribute in particular to the development of Slovenian economy, faster economic growth and catching up with the development of the European countries. Slovenia should adapt its development pattern, as well as its economic and legal systems to the developed (European) countries. Its participation in the European integration processes is determined by both, its development, civilisation and cultural pattern and its history and tradition. Regardless of its European position, however, Slovenia international relations have a global orientation.

CURRENT ECONOMIC TRENDS AND SHORT-TERM PROJECTION

The period of economic growth which started in Slovenia in 1993 is continuing. Based on SORS' quarterly estimates of GDP growth, in 1997 Slovenia's economy grew at a rate of 3.8%. Thus in 1997 Slovenia resumed its pre-independence level of economic power. Exports of goods were the driving force behind economic growth. The high real rates of growth in exports were spurred on by favourable external factors (stronger economic growth in Slovenia's main trading partners, in particular Germany). The rapid growth in exports of goods went hand in hand with rapid growth in the imports of goods and services. The foreign trade deficit narrowed compared to 1996 and the current account in the balance of payments recorded a surplus. Slovenia managed to preserve its external equilibrium. In 1998, however, a deficit of US\$ 80 million is estimated to be recorded on the current ac-

count, which should even slightly increase in the coming years.

In Slovenia, the implementation of structural reforms foreseen for the coming years might impede any higher rates of economic growth in 1998 and 1999. Thus, the Slovenian economy should grow at a rate of around 4% in both this and next year. In view of the further strengthening of economic growth and industrial production in Slovenia's main trading partners and improved terms of trade, economic growth in Slovenia should mainly be export driven. Foreign demand should go up by more than 5%, whilst domestic demand should grow at the more modest rate of 4%. Slow growth in wages should lead to modest growth in domestic private consumption (around 3%). Within domestic consumption, investment demand should record the highest rate of growth at around 6.5%. Similar trends should also be observed in 1999.

Together with the social partners, the incomes policy succeeded in finding proper mechanisms to keep the real growth in average wages (2.4%) below growth in labour productivity (3.8%). The rapid growth in wages, starting even before the recovery of economic growth, slowed down in 1997 due to competition pressures on foreign as well as domestic markets and well as thanks to an agreement reached between the social partners about the new indexation mechanism. Slower wage growth also led to slower growth in domestic demand and household consumption. GDP growth also helped stop a further decline in employment, so that in 1997 it remained at approximately the same level as in 1996. Company restructuring in the first years of independence led to a slump in employment but significantly increased productivity. The labour market in Slovenia is faced with similar problems as the EU Member States: long-term unemployment and a high proportion of unskilled workers among the unemployed. The internationally comparable unemployment figures, based on the Labour Force Survey (using ILO methodology) speak of a 7.4% unemployment rate in 1997. Given the high degree of structural and frictional unemployment as well as demographic pres-

Continued transformation with integration into EU

Preindependence level of economic power resumed in 1997

asures, the situation on the labour market is not expected to change considerably over the next two years.

*Structural
reforms still
necessary*

After the relatively rapid drop in inflation in the period from 1992 to 1995, the period which was marked by well-aligned monetary and fiscal policies, the pace of contracting inflation slowed down markedly. During the past few years, inflation was held down by keeping a lid on regulated prices, whereas in 1997 this policy changed and that year was marked by intensive correction of price disparities. In the period from December 1996 to December 1997, regulated prices contributed 4.5 percentage points to the 9.4% inflation figure. The average annual inflation was 9.1%. In 1998, Slovenia in its calculation of inflation replaced the retail price index with a consumer price index. The inflationary developments in 1998 are following a similar pattern as in the past few years: after rising at the beginning of the year due to the corrections of relative prices, inflation levelled off during the summer and autumn months. End-year inflation in 1998 should thus not exceed 7%. Further contraction of inflation will call for coherent monetary, fiscal and incomes policies and relevant structural reforms.

*Medium-term
economic
policy*

Introduction of the value-added tax and excise duties in 1999 will prevent any significant lowering of inflation in 1999. It is difficult to measure the total effect of the value-added tax on inflation, since it depends on the efficiency and concordance of key macro-economic policies. However, 6.8% average annual inflation remains one of the key macro-economic goals for 1999. Introduction of the value-added tax next year will not only be important from the point of view of tax reform but also from the aspect of the adjustment of the structure of public finance sources to that in the EU countries.

In 1997 public finances were crucially affected by the provisional financing of the central budget expenditure, late adoption of the budget (in December), extending of the budgetary year into January 1998 and the first-ever recorded substantial general government deficit. After a surplus (of 0.3% of GDP) was recorded on the con-

solidated general government account in 1996, it turned into a deficit of 1.1% of gross domestic product in 1997. Slovenia is not likely to avoid the deficit in the next two years.

Further economic growth providing for a growth in employment and general welfare, and lowering of inflation are the two main medium-term economic policy goals in Slovenia. Economic growth should ease the process of production and consumption restructuring as well as narrow the development gap behind the EU countries. In the coming years, the economic policy will aim at gradually cutting inflation (to the level of 3-5% until the year 2002) and preserving the general government equilibrium. The coherence of macro-economic and structural reforms should provide for the proper environment for steadily increasing international competitiveness and lowering of interest rates - two preconditions for the development of enterprises and general economic growth.

In 1997 and 1998 Slovenia made important steps towards further integration into the EU. 1997 was a year of the adoption of the Strategy of the Republic of Slovenia for Accession to the European Union, and the National Programme for Adoption of the *Acquis Communautaire*. Both documents set out the tasks Slovenia must fulfil in the coming years to finish its process of transition to a market economy and to accede to the EU. Since the documents also lay down the sequencing of the tasks and the realisation of many objectives already falling due within 1998, the timely realisation of the national programme tasks is of crucial importance. It is the timeliness of the objectives foreseen in the Strategy and the National Programme that will contribute to Slovenia's credibility in the eyes of the EU, and determine the level of the EU's pre-accession financial assistance and the tempo of Slovenia's accession to the EU.

MAIN MEDIUM-TERM GOALS

Slovenia is in the process of consolidating and completing its transformation to a competitive market economy, with the ultimate aim of improving the living stan-

dard and the quality of life of its citizens. A crucial element for the realisation of this objective is Slovenia's accession to the European Union at the earliest possible date. The introduction of more openness and competition to prepare for membership and to be able to benefit from integration in the European Single Market should create a successful and healthy economy that is able to catch up with the most developed countries. In the economic field, accession to the European Union is therefore clearly not an objective in itself, but it is creating the momentum to implement structural changes which are essential for strengthening the Slovenian economy, irrespective of the prospects of membership of the European Union.

At its meeting in Luxembourg in December 1997, the European Council decided to open accession negotiations with Slovenia. The key document in the pre-accession period is the Accession Partnership. It includes short and medium-term priorities for action by Slovenia, and describes the available financial means to help Slovenia implement these priorities and the conditions that will apply to that assistance. Most priorities concern legislative and institutional measures linked to the adoption and implementation of Union rules and regulations (the *acquis communautaire*). Slovenia's National Programme for the Adoption of the *Acquis* focuses on these issues.

Besides legal and institutional approximation, issues of general economic policy must also receive adequate attention in Slovenia's preparation for accession. A stable macroeconomic environment is needed to create favourable conditions for the introduction of structural measures. Liberalising capital movements, for example, is better undertaken when interest rate differentials with other countries are a proper reflection of differences in economic fundamentals. The economy also operates more efficiently under a stable macroeconomic climate because economic agents are better informed to take long-term economic decisions. Thus, macroeconomic stability is relevant to a country's ability to meet the Copenhagen economic criteria for accession¹. Economic policy is

itself also part of the *acquis*, mainly in regard to the co-ordination of economic policies in the economic and monetary union (EMU). Because of the importance of economic policy issues in the accession process, one of the recommendations of the Accession Partnership is that Slovenia establish its medium-term economic policy priorities, and that these should be jointly assessed with the European Commission. Afterwards, this Joint Assessment should be regularly updated and reviewed, within the framework of the Europe Agreement². In this way, it will become the basis for an ongoing evaluation of Slovenia's medium-term economic policy priorities.

To become a viable actor in the EU internal market, Slovenia needs to complete its transition process and achieve the status of a modern market economy. This comprises:

a/ *A set of adequate macro-economic policies* that provide the growth framework for economic convergence with the EU. The overall objectives of macro-economic policies are to complete and maintain economic stabilisation, i.e. sustainable balance of payments and fiscal deficits and a low rate of inflation, and to create a favourable economic environment for the development of the private sector and the accomplishment of structural reforms. These objectives are essential whether or not accession is taken into consideration. Macro-economic policies relate to (i) monetary policy and conditions required for reducing inflation and interest rates, (ii) fiscal policy required to maintain stable public finances, (iii) incomes policy which is compatible with macro-economic stability, (iv) and policy of international economic relations, with the objective to further open the economy to foreign competition and to create the framework for the integration of Slovenia's enterprises into the international economy.

b/ *Completion of major structural reforms*. The major objective of structural reforms is to complete the transition and to make the Slovenian economy, i.e. its enterprises, institutions etc., a viable and competitive actor on the internal market of the EU, and to increase the

*Stable
macroeconomic
environment
and structural
measures*

global competitiveness of the Slovenian economy. Macro-economic reforms alone, although necessary, do not automatically lead to supplying the necessary answers for comprehensively transforming to a market economy. These reforms, namely, do not deal systematically with the structural weaknesses of the country's economy. To address these weaknesses, a clearly defined set of structural reforms is needed. They will help develop a strong economy that will be better prepared to absorb shocks and contribute towards achieving macro-economic objectives. Within this general framework, structural reforms have several objectives. They are aimed at (i) creating conditions conducive to a higher level of more productive investment which is required for sustainable economic growth, (ii) increasing the economy's international competitiveness by improving the efficiency of factor markets, and (iii) designing policies and measures which make the transition process socially and environmentally sustainable.

Slovenia has already fully or nearly completed a number of reforms, such as transformation of social ownership, bank rehabilitation and trade liberalisation. Completion of the remaining structural reforms, together with adequate macroeconomic policies, represent the medium-term economic policy priorities of Slovenia. The most important reforms here are:

- continuation and completion of tax system reform, with a focus on introduction of VAT and excise taxes;
- continuation and completion of the reform of the social security system, with a focus on pension reform;
- continuation and completion of financial sector reform, with a focus on liberalisation, foreign competition and privatisation of the two state banks and the insurance sector;

- liberalisation, introduction and strengthening of competition, privatisation, and regulation of utilities;
- pursuit and achievement of price and competition liberalisation; and
- continuation and completion of enterprise sector reform, with a focus on restructuring and privatisation or liquidation of non-privatised enterprises and fulfilment of the conditions for profitable performance of privatised enterprises, including adjustment of subsidies, in line with the Europe Agreement.

Figure 6.2: Main economic indicators

<i>Real growth rates in %</i>	1992	1993	1994	1995	1996	1997	1998 Estimate
GDP	-5.5	2.8	5.3	4.1	3.1	3.8	4.0
Structure of value added ¹ in %							
Agriculture and fisheries (A+B)	5.9	5.2	4.6	4.6	4.5	4.6	4.5
Industry (C+D+E)	36.6	34.1	35.4	33.5	32.8	33.3	32.8
Construction (F)	4.3	4.8	4.8	5.1	5.7	5.6	5.7
Services (G...O)	55.0	58.0	57.3	59.0	59.5	59.0	59.3
FISIM	-1.9	-2.0	-2.1	-2.3	-2.5	-2.5	-2.4
GDP per capita, in US\$	6,275	6,366	7,233	9,431	9,471	9,161	9,653
Standardised rate of unemployment (ILO)	8.3	9.1	9.1	7.4	7.3	7.4	7.1
Labour productivity	-1.4	4.6	5.0	3.2	3.9	3.8	3.5
Retail prices ² , annual average	201.3	32.3	19.8	12.6	9.7	9.1	8.5
INTERNATIONAL TRADE – BALANCE OF PAYMENTS STATISTICS							
Exports of goods and services	9.3	2.1	10.0	5.5	3.4	9.9	5.3
Exports of goods	5.9	-2.0	5.2	7.5	3.1	11.3	5.8
Exports of services	32.6	19.8	27.9	-0.3	4.7	4.3	3.1
Imports of goods and services	3.1	13.0	5.9	13.5	1.3	9.6	6.5
Imports of goods	1.0	15.0	5.8	15.5	0.0	9.6	7.0
Imports of services	17.3	0.3	6.4	3.3	10.3	10.0	3.5
Current account balance, in US\$ million	926.2	191.9	600.1	-22.9	38.9	36.6	-80.0
Average exchange rate, SIT/US\$	81.3	113.2	128.8	118.5	135.4	159.7	171.0
Foreign exchange reserves, in US\$ million	1,194	1,566	2,764	3,426	4,130	4,357	4,733 ³
External debt, in US\$ million	1,741	1,873	2,258	2,970	4,010	4,176	4,877 ⁴
DOMESTIC DEMAND							
Private consumption as % of GDP	55.1	58.5	56.6	57.9	57.3	56.5	56.0
Government consumption as % of GDP	20.3	21.1	20.2	20.2	20.1	20.4	20.5
Gross fixed capital formation as % of GDP	18.6	18.8	19.7	21.2	22.5	23.7	24.4
PUBLIC FINANCE							
General government revenue	1.4	9.3	5.1	6.1	3.6	2.9	5.2
as % of GDP	45.9	47.0	45.9	45.7	45.2	44.6	45.1
General government expenditure	7.3	9.1	6.4	5.7	2.9	6.1	4.9
as % of GDP	45.6	46.7	46.1	45.7	44.9	45.7	46.1
Surplus, as % of GDP	0.2	0.3	-0.2	0.0	0.3	-1.1	-1.0

Sources: SORS, BS, MF, Spring Report IMAD. **Notes:** ¹ value added structure is classified by NACE Rev. 1, ² till 1998 retail prices, than consumer prices index, ³ September 1998, ⁴ August 1998.

Notes:

¹ At its meeting in Copenhagen in June 1993, the European Council outlined a number of conditions which candidate-countries had to fulfil to become Member States of the European Union. The two economic conditions are:

- the existence of a functioning market economy; and
- the capacity to cope with competitive pressures and market forces within the Union.

² The Europe Agreement between Slovenia and the European Union is not yet ratified by all Member States. In the mean-time, the Interim Agreement and the Co-operation Agreement govern the relations between the European Union and Slovenia.

GENERAL GOVERNMENT EXPENDITURE



7

According to its share of general government expenditure in gross domestic product, Slovenia ranks among the developed economies. A relatively large share of general government expenditure in gross domestic product can be attributed to the country's small size with relatively expensive state administration on one hand and to its relatively well-developed social security system on the other hand.

General government expenditure includes budget expenditure at state and local government levels, as well as obligatory pension and disability insurance and obligatory health insurance funds. Expenditures are consolidated between public finance funds and shown according to the purpose of expenditure. Hence, in the case of obligatory health insurance, total health expenditure is shown regardless of whether it is financed from the health insurance company funds or from the budget. The same applies for pension and disability insurance expenditure which is also partly financed from the state budget. In the table below, the shares of consolidated general gov-

ernment expenditure in gross domestic product in Slovenia are shown for the 1992-1997 period.

The share of general government expenditure in gross domestic product in this period ranged between 45% and almost 47%. In 1992, the share of total general government expenditure in gross domestic product was 45.6% and it increased in 1993 by more than one structural point to 46.7%. In 1994, the share fell slightly to 46.1%. The share reduction continued through the period 1995-1997, so in 1997 the share of general government expenditure was 45.7%, approximately the same as in 1992. The main goal of the budgetary policy in this period was to reduce the share of general government expenditure in gross domestic product and to adjust it to the volume of general government revenues, which would lead to balanced general government account. However, the goal was hard to achieve due to new challenges of the new state and rather unfavourable trends in the field of pension and disability insurance.

In the period 1992-1997, the share of general governments expenditures ranged between 45% and almost 47 % of GDP

Table 7.1: Shares of general government expenditure in gross domestic product (%)

	As % of GDP					
	1992	1993	1994	1995	1996	1997
TOTAL	45.6	46.7	46.1	45.7	44.9	45.7
State budget expenditure	21.0	21.0	20.3	20.6	19.9	20.8
Local budget expenditure	4.9	5.2	5.3	4.6	4.8	4.8
Pension and disability insurance	12.6	13.0	13.4	13.6	13.4	13.3
Obligatory health insurance	7.1	7.5	7.1	6.9	6.8	6.8

Source: Consolidated balance sheet of general government revenues and expenditures, Ministry of Finance, the Bulletin.

Table 7.2: Shares of general government expenditures in Slovenia in the period 1992 – 1997

	Structure in %					
	1992	1993	1994	1995	1996	1997
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
State budget expenditure	46.1	45.1	44.0	45.1	44.2	45.5
Local budget expenditure	10.7	11.1	11.5	10.1	10.9	10.5
Pension and disability insurance	27.6	27.8	29.1	29.8	29.8	29.1
Obligatory health insurance	15.6	16.0	15.4	15.0	15.1	14.9

Source: Consolidated balance sheet of general government revenues and expenditures, Ministry of Finance, the Bulletin.

Within total general government expenditure, the state and local budget expenditure in this period ranged between 25% and 26% of gross domestic product.

As part of the exercise of the rights deriving from the Act on Pension and Disability Insurance and other related regulations, the share of pension and disability insurance expenditure was increasing in the period 1992-1995. After 1995, the share of pension and disability insurance expenditure in gross domestic product started to decrease, reaching 13.3% in 1997. Pension and disability expenditure was influenced by the adjustment of pensions and other financial compensations to the wage level and the growth of the average number of pensioners in the same period. The pension system maintained the high rate between the average wage and the average pension while, at the same time, several consequences of structural changes were being solved through a rapid and somewhat accelerated retirement process in this period.

For the implementation of obligatory health insurance rights, the share of obligatory health expenditure in gross domestic product in 1992 amounted to 7.1%, while in 1993 it increased to 7.5%. After 1993, the share of funds for obligatory health insurance started to decrease gradually and reached 6.8% in 1997. The reduction of the share of obligatory health insurance in gross domestic product did not result in a considerable reduction of rights in the area of obligatory health insurance. Rather, it was partly a consequence of the

transfer of part of the insurance to voluntary health insurance and to personal expenditure of the population and, on the other hand, a result of rationalisation of the health sector.

In the period 1992-1997, the structure of general government expenditure was changing slightly from year to year. The share of pension and disability insurance expenditure increased from 27.6% in 1992 to 29.1% in 1997, while the share of state budget and local expenditure was reduced from 56.8% in 1992 to 56% in 1997. Also, the share of obligatory health insurance in total expenditure was reduced from 15.6% in 1992 to 14.9% in 1997.

STATE BUDGET EXPENDITURE FOR EMPLOYMENT

Employment activities are funded from the state budget. The employment activity comprises unemployment insurance system which includes financial compensation (unemployment benefit and unemployment assistance) and other programmes of active employment policy defined in the Law on Employment and Insurance in the Case of Unemployment. Slovenia developed numerous forms of active employment policy during the period of structural changes in the early nineties. The programmes of the active employment policy include preparation of the unemployed for employment, promotion of new employment, promotion of employment of the disabled, co-financing of dismissal of redundant workers, promotion of self-

Table 7.3: Share of state budget expenditures for employment in gross domestic product

	Share of GDP, in %					
	1992	1993	1994	1995	1996	1997
Active employment policy	1.2	1.1	0.7	0.5	0.4	0.3
Unemployment compensations and assistance	0.9	1.2	1.1	0.8	0.7	0.9
TOTAL	2.1	2.3	1.8	1.3	1.1	1.2

Source: Closing balance of the state budget 1992 - 1997.

employment, public works, buying of years of service, payment of contributions for new employment and other forms.

Employment activities are funded from the state budget. A special source of state budget funds intended for these purposes are employment contributions paid by employers and employees which, however, have been decreasing over time. Besides, its share is getting smaller every year, therefore, a major part of funds for these purposes is provided from other budgetary sources within the integrated state budget.

The share of total state budget funds for employment in gross domestic product (for active employment policy, unemployment compensation and unemployment assistance) was 2.1% in 1992 and increased to 2.3% in 1993. After 1993, it started to decrease and reached only 1.2% in 1997.

Within total state budget funds for employment, 57% of all funds was intended for purposes of active employment policy in 1992, while in 1993 the share dropped to 48% and then further to 38% in the following two years. In 1997, however, the share of funds for active employment policy within total state budgetary funds for employment amounted to only approximately 25%.

As a consequence of structural changes in the labour market which were the result of major structural changes in the economy,

new programmes of active employment policy were initiated at the beginning of the nineties to accelerate the withdrawal of the labour force from the labour market (co-financing of buying of years of service) and to increase demand for labour (co-financing of new working positions, promotion of entrepreneurship and self-employment, promotion of employment of the disabled, co-financing the dismissal of redundant workers). Slovenia has successfully developed most modern forms of an active employment policy. In 1992, 1.2% of its gross domestic product was intended for these purposes, in 1993 the share was 1.1%, while later it continued to decrease, dropping to merely 0.3% of gross domestic product in 1997.

The share of funds for unemployment compensation and unemployment assistance amounted to 0.9% of gross domestic product in 1992, while in 1993 the share was 1.2% of gross domestic product. In the following years, the share of funds decreased and in 1997 it reached the same share of gross domestic product as in 1992.

In 1992, the share of funds for employment in total state budget expenditure was 9.3%, in 1993 it amounted to approximately 10%, and in 1994 dropped to 8.2%. In the following years, the share decreased further, amounting to 4.6% of total expenditure of the state budget in 1996 and 1997.

The share of state budget funds for employment fell from 2.1% in 1992 to 1.2% of GDP in 1997

Table 7.4: The share of current expenditure for education in gross domestic product in Slovenia in the period 1992 - 1997

	Share of GDP, in %					
	1992	1993	1994	1995	1996	1997
TOTAL	5.1	5.3	4.9	5.1	5.3	5.6

Source: Closing balance of the state budget and municipality budgets 1992 - 1997.

Table 7.5: The share of public expenditure for cash benefits of Slovenian population in gross domestic product in Slovenia in 1992 – 1997

	Structure in %					
	1992	1993	1994	1995	1996	1997
TOTAL	15.9	17.1	17.6	17.5	17.3	17.7
Employment	0.9	1.2	1.1	0.8	0.7	0.9
Child-care	1.2	1.4	1.4	1.4	1.6	1.6
Social welfare	0.2	0.2	0.3	0.3	0.4	0.4
War veterans care	0.3	0.3	0.3	0.3	0.2	0.4
Other social transfers	0.5	0.6	0.6	0.6	0.6	0.7
Sickness compensation	0.5	0.7	0.7	0.7	0.7	0.7
Pension and disability insurance	12.2	12.7	13.1	13.3	13.2	13.1

Source: Closing balance of the state budget, Pension and Disability insurance Institute and Health Insurance Institute 1992 – 1997

STATE AND LOCAL BUDGET EXPENDITURE FOR EDUCATION

In Slovenia, education is mostly financed from the state budget with a minor part also coming from local budgets. Public expenditure for education includes expenditure for primary, secondary, and higher education as well as current expenditure for pre-school education, current expenditure for postgraduate studies and expenditure for students' halls of residence are also included.

In 1992, the share of current expenditure for education in gross domestic product reached 5.1%, while in 1993 it increased slightly, in the next two years, the share was slightly reduced and in 1997 it increased again to reach around 6% of gross domestic product. The shares of expenditures for education in total general government expenditure increased from 11.2% in 1992 to 13.1% in 1997.

EXPENDITURE OF THE STATE BUDGET AND OTHER PUBLIC FINANCE FUNDS ON CASH BENEFITS

Cash benefits from public funds include benefits in the area of employment, child-care, social welfare, war veterans' care, pension and disability insurance and health care.

In the area of employment, beneficiaries receive wage compensation, lump sum wage compensation and financial assistance on the basis of the Law on Employment and Insurance in the Case of Unemployment.

In the area of child-care, cash benefits include maternity benefits, parental allowance, child benefits and child nursing allowance.

In the area of social welfare, cash benefits defined in the Social Welfare Act and provided from the state budget include financial assistance as the only source of subsistence, means-tested welfare allowance and invalidity benefit.

In the area of war veterans' care, cash benefits are paid in the form of invalidity benefits, home care allowance, invalidity allowance, veterans' allowance, etc.

In the area of health care, cash benefits include sickness compensation (for periods over 30 days).

In the area of pension insurance, all kinds of pensions with income support are included, as well as compensation and other benefits.

The share of public expenditure on cash benefits in gross domestic product amounted to 15.9% in 1992. In the following years, their share in gross domestic product was increasing steadily. In 1993, it increased to 17.1% and in 1994 it reached 17.6%. In 1997 it reached 17.7%.

In the period 1992-1997, the share of expenditures for education ranged between 5% and 6% of GDP

The share of public expenditure on cash benefits in GDP increased from 15.9% in 1992 to 17.7% in 1997

In the structure of public expenditure on cash benefits, expenditure for pensions and other financial compensations in the pension-disability insurance sector represent the largest portion, amounting to slightly above 75% in the average of this period. This share was the highest in 1992 when it reached 77.3%, while later, other cash benefits, especially in the field of child-care, grew faster than pension compensations and gained a larger structural share. Consequently, the share of compensation in the area of pension and disability insurance dropped to slightly above 74% in 1997.

apart from health conditions, its level was also influenced by social, economic and other factors in the working, social and natural environments.

The share of social welfare compensation in total cash benefits also increased in this period. In 1992 it was 1.3%, reaching 2.2% by the end of the period. This is the consequence of worsening financial status of the population which increased the number of beneficiaries, as well as the amount of cash benefits in this area.

Table 7.6: Shares of public expenditures for social security in gross domestic product in Slovenia in the period 1992 – 1997

	Share of GDP in %					
	1992	1993	1994	1995	1996	1997
SOCIAL SECURITY TOTAL	23.9	25.0	24.5	24.1	23.7	24.0
Financial forms of population	15.9	17.1	17.6	17.5	17.3	17.7
Other forms ¹	8.0	7.9	6.9	6.6	6.4	6.3
	Structure in %					
	1992	1993	1994	1995	1996	1997
SOCIAL SECURITY TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Financial forms of population	66.5	68.4	71.8	72.6	73.0	73.7
Other forms ¹	33.5	31.6	28.2	27.4	27.0	26.3

Source: Closing balance of the state budget, Pension and Disability insurance Institute and Health Insurance Institute 1992 – 1997

Note: ¹ including services, goods, technical equipment and other

The share of cash benefits in the area of child-care within total cash benefits reached 7.8% in 1992. In the following years, it was increasing and reached 9.2% in 1997. In 1994, a law was passed whereby the rights were expanded. In 1996 the access criteria changed, so the number of child-benefit beneficiaries increased.

Unemployment compensation then represented around 5% in the structure of public expenditure on cash benefits; in 1993 the share increased to 7.2%, but afterwards it started to decrease and dropped to around 5% again in 1997.

The share of sickness compensation (for periods over 30 days) in total public expenditure on cash benefits was 3% in 1992 and increased to 3.9% in 1993. It remained at the same level throughout the period 1994-1996, while in 1997 it dropped to 3.7%. In this period, the amount of sickness compensation increased in real terms;

The average share of public expenditure on cash benefits in total public finance expenditure was around 37.5% in the period 1992-1997. In 1992, it was 34.9% and increased throughout the whole period to reach 38.8% in 1997.

SOCIAL SECURITY EXPENDITURE IN THE STATE BUDGET AND OTHER PUBLIC FINANCE FUNDS

Public finance funds for social security include public expenditure for cash benefits and other forms (services, goods, technical equipment and other) in the areas of sickness, disability, old age, family, unemployment and other factors of social marginalisation. In the period 1992-1997, 23.5 - 25% of gross domestic product in Slovenia was allocated to public financing for the purposes of social security, implying that

*In the period
1992-1997
Slovenia
allocated from
23.5% to 25%
of GDP for
social security*

Slovenia does not differ significantly from comparable European countries.

The major portion of public expenditure on social security is comprised of cash benefits to the population. The share of cash benefits in total public funds for social security was 66.5% in 1992 and increased throughout the period to reach 73.7% in 1997. The share of other forms (services, goods, technical equipment) in

gross domestic product was between 8% in 1992 and 6.3% in 1997. In the structure of general government expenditure on social security its share was between 33.5% in 1992 and 26.3% in 1997.

The share of public expenditure on social security in total general government expenditure in the period 1992-1997 was between 52% and 53%.

Future prospects (theses for discussion)



8

The Human Development Report for Slovenia presents only some of the findings which came up in the course of its preparation. By no means do the authors of the report think that it covers the most important or even all the problems of the Slovenian society. However, they might provide the starting point for further discussion about future development of Slovenia. This was also the main goal of the authors of the Report. It is believed by the authors that the discussion should disclose a large number of new, even more important problems Slovenia will encounter on its way to a modern, efficient and solidarity society. In particular, it should help uncover what our society should be like, what ways should be taken to achieve such a society, and how the barriers on this way should be removed.

However, to answer the above questions, we must make it clear what kind of society and/or state we want in the first place. Or, to quote Veljko Rus from the introduction to the book *Slovenia after 1995 - Deliberations about the Future* "we must agree upon a common vision, as changes are not possible without a vision". In order to make the vision come true, we have to identify the shaping actors and factors.

The process of creation of a common vision is closely related to the notion of a mission. It was one of the findings of Rus that Slovenia - with its independence from the former Yugoslavia - has lost its mission of the "enlightenment" of the Balkans and has been since then preoccupied only with itself. Since then, Slovenia has been "without a mission, without a role in a wider

international context". Thereby, it has become anonymous and increasingly less respectable social formation than it used to be. And, being without a mission, it will find it difficult to mobilise the all moral energies required for inner social solidarity and a strong social consensus. Furthermore, Rus established that without a mission, the leadership can neither mobilise enough of its own members nor can members achieve enough solidarity among themselves. With such a degree of utilitarianism, the individuals cannot preserve sufficient level of self-respect, which in turn prevents them to rise beyond their personal interests and to assume a role of a public citizen. And it is at this point that pragmatism at the individual level returns as a boomerang back to the political level.

Absence of a vision as well as a mission (at the level of the system and sub-systems - politics, education, science, culture, health care, etc.) can explain for the fragmentation of the Slovenian society (territorial, political, social and cultural) and its inability to co-operate in the endeavours to achieve common goals. This fragmentation is reflected in the absence of co-operation in both, vertical and horizontal directions. Vertical direction represents a dialogue between politicians and citizens, and its absence is reflected in a decreasing interest in political decision-making (in the last elections almost half of the voters abstained). Horizontal level represents a solidarity and co-operation between citizens and the existence of autonomous professional associations. For example, workers in a factory are likely to go on strike (quite

justifiably) because of their wages but not because their co-workers are being laid off. The doctors go on strike only because of their wages and want to be treated equally as members of parliament on the grounds of their human mission but at the same time ignore the mission of 90% of other employed taking part, of course, in the same crucial mission. Furthermore, the intellectual and professional potential of Slovenia, which is small in any case, is fragmented by political and ideological reasons rather than by professional ones.

The identification of a vision requires, at the same time, the answer to the question as to what kind of society we really want and what are the means to achieve it. In the early nineties the goals were more or less clear: parliamentary democracy, market economy and independence. And these goals were relatively easy to achieve. But, not only parliamentary democracy, but also market economy and an independent state can have many different manifestations. In a parliamentary democracy human rights can be respected or violated, the voice of those different or of minorities (economic, political, national, religious, sexual, etc.) can be respected or simply outvoted by a majority. Market economy can either have a form of a classical 18th century capitalism or it can be a social market economy, sensitive also to those weaker and more vulnerable. An independent state can either be a xenophobic, closed society of rival individuals or an open, tolerant co-operative society in which people are creative and share their common prosperity. Although these definitions might seem simple, their realisation is too often more difficult. It is therefore of utmost importance to define the basic questions first and only on the basis of clear definitions set out concrete directions of our future development.

The latest development scenario, which tried to combine and bring into line various aspects of the future development of Slovenia and is also mentioned in the Introduction to this Report, was based on the project Slovenia 1995 and formed a basis for the Long-term Plan of Slovenia adopted by the Parliament of Slovenia in 1986. In the course of the nineties, two other projects were carried out. The first (Strategy for Economic Development of the Republic of Slovenia - IMAD, 1995)

was mostly focused on the economic development, but tried to identify also some other restraining or encouraging areas and factors (knowledge, social, employment, etc.). The second project was organised by the Centre for Evaluation and Strategic Studies. The contributions of the participating authors were published in the book Slovenia after 2000. Another valuable project was the Strategy of the Republic of Slovenia for Accession to the European Union. And it is the findings of the three projects together with the Human Development Report that can serve as a solid basis for making projections about Slovenia's future development.

Profile of human development

Year	Life expectancy at birth (years)		Infant mortality rate	Maternal mortality rate (per 100.000 live births)	Population per doctor	Scientists and technicians (per 10.000 people)	Enrolment ratio for all levels (% age 7-24)	Tertiary full time equivalent gross enrolment ratio		Daily newspapers (copies per 100 people)	Televisions (per 100 people)	Real GDP per capita (PPP USD)	GNP per capita (USD)
	Male	Female						Total (%)	Female (%)				
1990	69.54	77.38	8.36	8.84	486.62	34.3			55.62	15.15	22.5		
1991	69.45	77.25	8.25	4.63	481.00	35.0	66.29	21.2	55.39			9,8	
1992	69.40	77.29	8.86	5.00	478.24	35.2		21.8	54.76		22.1	8,8	6540
1993	69.58	77.38	6.77	5.07	492.60	-	66.70	23.6	55.46		22.8	10,9	6490
1994	70.27	77.76	6.47	-	456.62	35.3	67.10	25.3	56.29		22.9	11,8	7181
1995	70.79	78.25	5.60	5.32	470.37	36.0	67.40	26.4	56.86	20.65	22.9	12,6	8200
1996	71.01	78.62	4.80	16.04	468.38		70.60	28.6	56.57	17.00	23.1	13,2	9240
1997												14,0	

Profile of human distress

Year	Unemployment rate			Adults with less than upper-secondary education (as % of age 15-64)		Ratio of income of highest 20% of households to lowest 20%	Female wages (as % of male wages)	Consumer price index (change, %)	Years of life lost to premature death (per 1.000 people)		Injuries from road accidents (per 100.000 people)	Intentional homicides (per 100.000 people)	Reported rapes (per 100.000 women age 15-59)	Sulphur and nitrogen emissions (kg of NO _x and SO ₂ per capita)	
	Total (%)	Youth (16-24 %)	Female	Male	Female				Male	Female				NO _x	SO ₂
1990	4.7							552.0	8.54	4.26	24.70	2.1	16.4	28.30	97.60
1991	8.2			72.3	80.6		0.89	115.0	8.83	4.43	23.75	3.8(2.5)	14.7	26.88	90.49
1992	11.5						0.88	207.3	8.69	4.65	24.70	2.4	15.6	27.62	94.89
1993	14.4	24.2	8.3			6.25	0.86	32.9	8.82	4.48	25.25	1.4	15.9	30.68	91.49
1994	14.5	22.2	8.4			4.90	0.85	21.0	8.57	4.48	26.60	2.0	12.6	32.98	88.34
1995	14.0	18.8	7.5			4.93	0.85	13.5	7.94	4.22	21.50	2.4	13.2	33.33	59.71
1996	13.9	18.8	7.0			5.10	0.85	9.9	7.7	4.06	19.90	2.1		35.23	55.27
1997	14.4	17.4	7.2					8.4						-	

Trends in human development

Year	Total education expenditure (as % of GDP)	Total health expenditure (as % of GDP)
1990		5.63
1991		5.17
1992		7.42
1993		7.67
1994		7.86
1995		7.80
1996		7.80
1997		

Female - male gaps

Index (male = 100)										
Year	Life expectancy	Population	Years of schooling	Secondary enrolment	Upper secondary graduates	University full-time equivalent enrolment	Natural and applied science enrolment	Labour force	Unemployment	Wages
1990	1.113							0.88		
1991	1.113					1.12		0.89		0.89
1992	1.1125			1.01		1.20		0.91		0.88
1993	1.114	1.06		1.00	1.31	1.23		0.92	0.84	0.86
1994	1.112	1.056		1.02	1.35	1.26		0.93	0.88	0.85
1995	1.107	1.07		1.02	1.34	1.30	0.44	0.93	0.97	0.85
1996	1.105			1.01	1.39	1.32	0.44	0.95	0.93	0.85
1997		1.05		0.99	1.32		0.38		1.03	

Status of women

Year	Life expectancy at birth (years)	Average age at first marriage (years)	Maternal mortality rate (per 100.000 live births)	Secondary net enrolment ratio (%)	Upper secondary graduates (as % of females of normal graduate age)	Tertiary full-time equivalent gross enrolment ratio	Tertiary natural and applied science enrolment (as % of female tertiary)	Women in labour force (as % of total labour force)	Administrators and managers (% females)	Parliament (% of seats occupied by women)
1990	77.19		8.84	30.75		55.62		46.80		
1991	77.38		4.63	32.37		55.39		47.10	23.7	14.4
1992	77.25	26.1	5.00	33.66		54.76		47.70		
1993	77.29	26.7	5.07	34.56	53.7	55.46		48.20	26.0	
1994	77.38	26.9		35.44	48.4	56.29		48.70		
1995	77.76	26.9	5.32	35.99	50.8	56.86	16.3	48.90	28.3	
1996	78.25	28.2	16.04		51.9	56.57	15.9	48.80		7.8
1997					82.2					

Demographic profile

Year	Estimated population (millions)	Annual population growth rate (%)	Total fertility rate	Fertility rate over time (1995 as % of 1960)	Contraceptive prevalence rate (%)	Dependency ratio (%)	Population aged 60 and over (%)	Life expectancy at age 65 (years)	
								Male	Female
1990	1.999945		1.46	66.97		45.89	15.6	13.5	17.3
1991	1.998912	-1.73	1.42	65.14		45.45	16.0	13.4	17.0
1992	1.994084	-0.24	1.34	61.68		44.98	16.4	13.4	17.3
1993	1.989408	-0.23	1.33	61.01		44.68	16.7	13.2	17.1
1994	1.989477	+0.003	1.32	60.55		44.27	17.1	13.8	17.4
1995	1.990266	+0.04	1.29	59.17	68 ^{*1}	44.32	17.4	13.9	17.9
1996	1.986989	-0.16	1.28	58.72		43.88		13.9	18.1
1997		-0.07							

*1 Current use

Health profile

Year	Years of life lost to premature death (per 1000 people)	Deaths from circulatory system diseases (as % of all causes)	Deaths from malignant cancers (as % of all causes)	AIDS cases (per 100.000 people)	Alcohol consumption (litres per adult)	Tobacco consumption (pieces per adult)	Population per doctor	Health bills paid by public insurance (%)	Public expenditure on health (as % of total public expenditure)	Total expenditure on health (as % of GDP)	Private expenditure on health (as % of total health expenditure)
1990	6.7	46.96	22.10	0.10	10.2	1875	486.62			5.63	0.0
1991	7.0	45.80	22.38	0.35	9.2	2153	481.00			5.17	0.0
1992	7.0	43.60	22.70	0.15	10.3	2287	478.24		7.15	7.42	0.0
1993	7.0	44.70	22.87	0.35	9.3	1674	492.60		7.31	7.67	6.9
1994	6.8	43.90	22.86	0.30	11.2	1860	456.62		7.17	7.86	9.1
1995	6.4	41.45	24.50	0.71			470.37		6.92	7.80	10.6
1996	6.2	41.55	24.65	0.50			468.38		*6.93	7.80	11.4
1997									*6.88		11.9

Education profile

Year	Enrolment ratio for all levels (% age 7-24)	Upper secondary full-time equivalent gross enrolment ratio (%)	Upper secondary technical enrolment (as % of total upper secondary)	19-year olds still in full time education (%)	Tertiary full-time equivalent gross enrolment ratio (%)	Tertiary natural and applied science enrolment (as % of total tertiary)	Expenditure on tertiary education (as % of all levels)	Public expenditure per tertiary student (PPP USD)	Total education expenditure (as % of GDP)	Public expenditure on education (as % of GDP)
1990										
1991	66.29	87.50		25.6	21.2	39.6				
1992		86.15		25.1	21.8	36.6				5.1
1993	66.7	86.75	43.1	26.9	23.6					5.3
1994	67.1	89.80		27.2	25.3					4.9
1995	67.4	92.10	41.3	28.2	26.4	30.2				5.1
1996	70.6			28.3	28.6	29.2				5.3
1997			42.7			26.4				5.6

Human capital formation

Year	Mean years of schooling			Scientists and technicians (per 1.000 people)	R&D scientists and technicians (per 10.000 people)	Expenditure on research and development (as % of GNP)	Upper secondary graduates (as % of population of normal graduate age)	Tertiary graduates (as % of population of normal graduate age)	Science graduates (as % of total graduates)		
	Total	Female	Male						Total	Female	Male
1990				3.40				19.0			
1991	9.6			3.50			76.8	17.6			
1992	9.6			3.52				19.8	35.5		
1993				-	44.33		74.9	21.2	34.6	20.8	57.0
1994				3.53	49.62		74.6	21.3	36.7	22.2	58.1
1995				3.60	49.40		76.6	22.7	35.8	19.1	60.3
1996								26.6	31.2	16.6	53.2
1997											

Employment

Year	Labour force (as % of total population)	Percentage of labour force in			Future labour force replacement ratio	Earnings per employee annual growth rate (%)	Earnings disparity: ratio of earnings of upper half to lower half of labour force	Percentage of labour force unionized	Weekly hours of work (per person in manufacturing)	Expenditure on labour market programmes (as % of GDP)
		Agriculture	Industry	Services						
1990	48.0	8.2	49.7	42.2		-26.2	1.94	-		
1991	45.9	8.4	48.5	43.1	97.6	-15.8	2.06	-		
1992	44.8	7.8	47.1	45.1		0.7	2.11	-		1.2
1993	45.1	7.6	44.7	47.7	89.7	11.7	2.24	-	41.1	1.1
1994	44.2	6.9	43.6	49.4	86.9	4.7	2.20	59.6	41.0	0.7
1995	43.8	6.4	43.1	50.5	86.3	5.1	2.61	-	41.2	0.5
1996	43.4	5.8	41.8	52.4	83.2	5.1	2.27	-	41.0	0.4
1997	43.7	6.0	41.8	52.2		2.4	2.24	-	40.7	0.3

Unemployment

Year	Unemployed persons (thousands)	Unemployment rate (%)					Unemployment benefits expenditure (as % of total government expenditure)	Incidence of long term unemployment (as % of total)		Regional unemployment disparity (25% worst regions versus 25% best)	Ratio of unemployment rate of those not completing secondary school to rate of those graduating from third level	
		Total	Total including discouraged workers	Female	Youth (16-24)	Male youth (15-19)		More than 6 months	More than 12 months		Males	Females
1990												
1991												
1992												
1993	85.000	9.1		8.3	24.2			69.1	54.1			
1994	85.000	9.0		8.4	22.2	27.9		72.9	56.5			
1995	70.000	7.4		7.5	18.8	25.4		67.1	52.9			
1996	69.000	7.3		7.0	18.8	31.4		71.0	52.2			
1997	69.000	7.1		7.2	17.4			72.5	55.1	1.85		

Military expenditure and resource use imbalances

Year	Military expenditure (as % of GDP)	Military expenditure (as % of combined education and health expenditure)	ODA disbursed (as % of military expenditure)	Average annual exports of non-nuclear arms to developing countries		Armed forces		
				USD millions	Percentage share	Per 1.000 people	Per teacher	Per doctor
1990				-	-			
1991	1.1							
1992	1.8							
1993	1.5							
1994	1.3							
1995	1.4							
1996	1.3							
1997	1.3					4.2		2.1

Natural resources balance sheet

Year	Land area (thousands of km ²)	Population density (people per km ²)	Arable land and permanent cropland (as % of land area)	Permanent grassland (as % of land area)	Forest and wooded land (as % of land area)	Irrigated land (as % of arable land area)	Internal renewable water resources per capita (1,000 m ³ per year)	Annual fresh water withdrawals	
								As % of water resources	Per capita (m ³)
1990	20.25473	98.7	15.1	10.4	50.6	0.55			
1991	20.25410	97.1	15.0	10.45	50.2	0.52			
1992	20.25462	98.5	14.9	10.5	50.2	0.70			
1993	20.25396	98.2	14.9	10.4	50.4	0.82			
1994	20.25469	98.2	14.1	7.3	54.0	1.20			
1995	20.25245	98.2	14.3	7.4	54.2	0.67			
1996	20.27300	98.3	14.1	8.2	54.2				
1997									

National income accounts

Year	Total GDP (USD billions)	Agricultural production (as % of GDP)	Industrial production (as % of GDP)	Service s (as % of GDP)	Consumption		Gross domestic investment (as % of GDP)	Gross domestic savings (as % of GDP)	Tax revenue (as % of GDP)	Central government expenditure (as % of GDP)	Exports (as % of GDP)	Imports (as % of GDP)
					Private (as % of GDP)	Government (as % of GDP)						
1990	17.382	5.0	37.7	47.8	53.2	17.4	22.2				90.8	78.5
1991	12.673	5.1	39.7	45.4	54.8	19.0	17.9				83.5	74.2
1992	12.523	5.2	35.9	48.2	55.1	20.3	17.6	24.6	41.7	45.6	63.1	56.2
1993	12.673	4.5	33.4	49.9	58.5	21.1	19.3	20.6	42.9	46.7	58.8	57.7
1994	14.386	4.0	34.4	49.0	56.6	20.2	20.6	24.5	42.6	46.1	58.9	56.3
1995	18.744	3.9	32.8	50.1	57.9	20.2	23.2	23.2	42.3	45.7	54.2	55.5
1996	18.858	3.9	32.7	50.5	57.3	20.1	23.4	23.7	41.3	44.9	54.3	55.2
1997	18.202	3.9	33.5	50.8	56.5	20.4	24.0	24.2	40.4	45.7	57.5	58.4

Trends in economic performance

Year	Total GNP		GNP per capita annual growth rate (%)	Consumer price index (change, %)	Exports as % of GDP (% annual growth rate)	Tax revenue as % of GNP (% annual growth rate)	Direct taxes as % of total taxes	Overall budget surplus/deficit (as % of GNP)
	USD billions	Annual growth rate (%)						
1990				549.7				
1991				117.7	-15.6			
1992				201.3	-23.5			
1993				32.3	0.6			
1994				19.8	10.5			
1995				12.6	1.0			
1996				9.7	2.5			
1997				9.1	9.9			

Weakening social fabric

Year	Prisoners (per 100,000 people)	Juveniles (as % of total prisoners)	Intentional homicides (per 100,000 people)	Reported rapes (per 100,000 women age 15-59)	Drug crimes (per 100,000 people)	Asylum applications received (thousands)	Divorces (as % of marriages contracted)	Births outside marriage (%)	Single-female- parent homes (%)	Suicides by men (per 100,000)
1990	41.9	5.25		5.25	9.90	0	21.82	24.50		
1991	41.5	10.00		4.73	10.27	0	22.37	26.40	15.4	
1992	45.1	5.00	2.40	4.96	13.24	0	21.56	27.70		21.95
1993	44.7	5.51	1.35	5.08	14.12	0	21.75	27.97		24.05
1994	41.5	5.81	2.00	4.12	20.46	0	23.13	28.77		24.00
1995	31.9	4.41	2.35	4.67	22.76	0	19.22	29.81		21.75
1996	32.7	4.31	2.10	3.42	33.97	0	26.53	31.85		23.25
1997	36.5	4.41		3.72	48.52	0				

Wealth, poverty and social investment development

Year	Real GDP per capita (PPP USD)	GNP per capita (USD)	Share of industrial GNP (%)	Income share		Social security benefits expenditure (as % of GDP)	Total education expenditure (as % of GDP)	Total health expenditure (as % of GDP)
				Lowest 40% of households (%)	Ratio of highest 20% to lowest 20%			
1990								5.63
1991	9,87							5.17
1992	8,84							7.42
1993	10,90			13.8				7.67
1994	11,80			16.2				7.86
1995	12,60			16.6				7.80
1996	13,20			15.4				7.80
1997	14,00							

Communication profile

Year	Radios (per 100 people)	Televisions (per 100 people)	Annual cinema attendances (per person)	Annual museum attendances (per person)	Registered library users (%)	Daily newspapers (copies per 100 people)	Book titles published (per 100,000 people)	Printing and writing paper consumed (metric tons per 1,000 people)	Letters posted (per capita)	Telephones (per 100 people)	International telephone calls (minutes per capita)	Passenger cars (per 100 people)
1990	30.2	22.5	1.42		15.70	15.15	92.65			32.85		28.5
1991	29.5	22.2	0.896	0.52			122.95			35.1		
1992	29.2	22.1	0.79				106.80		123.0	38.4		
1993	30.0	22.8	1.17				122.00		127.0	41.6		37.3
1994	29.8	22.9	1.37	0.90	21.05		145.30		144.5	45.7		33.0
1995	26.6	22.9	1.46		21.45	20.65	159.70		141.5	47.7		35.2
1996	26.7	23.1	1.36		21.44	17.00	172.05		176.5			36.5
1997									183.0			38.6

Energy consumption

Year	Commercial energy consumption		Share of world commercial energy consumption	Annual rate of change in commercial energy consumption	Commercial energy efficiency (energy consumption in kg of oil equivalent per 100 USD GDP)
	Total (billion kg of oil equivalent)	Per capita (kg of oil equivalent)			
1990					
1991					
1992					
1993					
1994	3.441	1.730			
1995	3.961	1.990		1.15	
1996	4.288	2.158		1.08	
1997					

Urbanization

Year	Urban population (as % of total)	Urban population annual growth rate (%)	Population in largest city (as % of urban)	Population in cities of more than 1 million (as % of urban)	Population in cities of more than 1 million (as % of total)	Major city with highest population density		Population exposed to 60+ decibels of road traffic noise (%)
						City	Population per km ²	
1990				-	-	Ljubljana		
1991	50.5		30.2	-	-			
1992				-	-			
1993				-	-			
1994	51.5			-	-			
1995				-	-			12.66
1996				-	-			
1997				-	-			

Environment and pollution

Year	Major city with highest concentration of SO ₂		Sulphur and nitrogen emissions (kg of NO _x and SO ₂ per capita)		Share of global emissions (greenhouse index)		Pesticide consumption (metric tons per 1,000 people)	Nuclear waste from spent fuel (metric tons of heavy metal per 1.000 km ²)	Hazardous and special waste production (metric tons per km ²)	Generation of municipal waste (kg per capita) *per year	Population served by municipal waste services (%)	Waste recycling (as % of consumption)	
	City	Microgrammes of SO ₂ per m ³	NO _x	SO ₂	Absolute share (%)	Per 10 million people						Paper and cardboard	Glass
1990			28.30	97.60						620	64.0		
1991			26.88	90.49									
1992			27.62	94.89						426	75.8		
1993			30.68	91.49									
1994			32.98	88.34									
1995	Kovk	58	33.33	59.71						426			
1996			35.23	55.27									
1997													

Gender Empowerment Measure

	Gender empowerment measure (GEM) rank	Seats in parliament held by women (%)	Female administrators and managers (%)	Female professional and technical workers (%)	Women's share of earned income (%)	GEM value
1 Canada	7	21.2	42.2	56.1	38	0.720
2 France	31	9.0	9.4	41.4	39	0.489
3 Norway	2	36.4	31.5	61.9	42	0.790
4 USA	11	11.2	42.7	52.6	40	0.675
5 Iceland	6	25.4	27.7	53.5	42	0.723
6 Finland	5	33.5	25.3	62.5	42	0.725
7 Netherlands	9	28.4	20.3	44.0	34	0.689
8 Japan	38	7.7	8.9	43.3	34	0.472
9 New Zealand	4	29.2	34.0	49.1	39	0.725
10 Sweden	1	40.4	38.9	64.2	45	0.790
11 Spain	16	19.9	31.9	43.0	30	0.617
12 Belgium	19	15.8	18.8	50.5	34	0.600
13 Austria	10	24.7	23.9	46.1	34	0.686
14 UK	20	11.6	32.9	44.2	38	0.593
15 Australia	12	20.5	43.3	25.5	40	0.664
16 Switzerland	13	20.3	28.3	24.9	32	0.654
17 Ireland	21	13.7	22.6	45.0	27	0.554
18 Denmark	3	33.0	19.2	46.8	42	0.739
19 Germany	8	25.5	25.8	49.0	35	0.694
20 Greece	51	6.3	22.0	44.2	32	0.438
21 Italy	26	10.0	53.8	17.8	31	0.521
22 Israel	32	7.5	19.5	54.0	33	0.484
33 Portugal	22	13.0	31.0	51.5	34	0.547
37 Slovenia	36	7.8	28.2	52.9	39	0.422
26 <i>Slovenia*</i>	27	7.8	28.3	52.9	41	0.496
39 Czech Republic	24	13.9	26.7	55.4	39	0.527
47 Hungary	30	11.4	33.8	59.8	39	0.491
52 Poland	29	12.7	34.7	62.5	39	0.494
67 Bulgaria	43	10.8	28.9	57.0	41	0.462
69 Turkey	85	2.4	10.1	32.6	36	0.281
74 Romania	64	5.6	28.2	54.5	37	0.402
77 Estonia	47	10.9	37.4	67.5	42	0.458

Note: *own calculations

Gender-Related Development Index

	Gender-related development index (GDI) rang	Life expectancy at birth (years) 1995 Female	Life expectancy at birth (years) 1995 Male	Adult literacy rate (%) 1995 Female	Adult literacy rate (%) 1995 Male	Combined first-, secondary- and third-level gross enrolment ratio (%)1995 Female	Combined first-, secondary- and third-level gross enrolment ratio (%)1995 Male	Share of earned income (%) 1995 Female	Share of earned income (%) 1995 Male	GDI value (1995)	HDI rank minus GDI rank
High	-	76.79	70.27	95.23	96.16	79.03	75.51	34.41	65.59	0.8604	-
1 Canada	1	81.78	76.28	99	99	100	100	37.958	62.042	0.94	0
2 France	7	82.64	74.37	99	99	91	87	39.115	60.885	0.925	-5
3 Norway	2	80.48	74.65	99	99	93	92	42.356	57.644	0.935	1
4 USA	6	79.69	72.99	99	99	98	93	40.301	59.699	0.927	-2
6 Finland	5	79.98	72.58	99	99	100	92	41.995	58.005	0.929	1
7 Netherland	12	80.35	74.51	99	99	88	93	34.076	65.924	0.905	-5
10 Sweden	3	80.78	75.89	99	99	84	81	44.697	55.303	0.932	7
11 Spain	19	81.34	74.08	96.1	98.2	94	87	29.7	70.3	0.877	-8
12 Belgium	14	80.28	73.48	99	99	86	86	33.566	66.434	0.893	-2
13 Austria	15	79.76	73.32	99	99	85	88	33.57	66.43	0.891	-2
14 U K	11	79.41	74.18	99	99	86	85	37.55	62.45	0.907	3
16 Switzer.	18	81.58	74.83	99	99	73	78	32.494	67.506	0.887	-2
17 Ireland	27	79.13	73.72	99	99	89	87	26.822	73.178	0.859	-10
18 Denmark	10	77.96	72.71	99	99	90	87	41.751	58.249	0.917	8
19 Germany	17	79.49	72.99	99	99	79	83	34.809	65.191	0.888	2
20 Greece	20	80.45	75.30	95.3	98.3	80	83	31.786	68.214	0.876	0
21 Italy	23	81.03	74.73	97.6	98.6	74	72	31.209	68.791	0.868	-2
33 Portugal	28	78.52	71.23	87	92.5	84	77	34.183	65.817	0.8524	4
37 Slovenia	24	77.60	68.67	96	96	76	72	39.337	60.663	0.867	12
26 Slovenia*	14	78.25	70.79	99	99	75.13	71.06	44.86	55.14	0.9604	12
39 Czech R	25	75.42	69.33	99	99	70	69	38.98	61.02	0.864	13
42 Slovakia	26	75.57	66.52	99	99	73	71	40.711	59.289	0.861	14
47 Hungary	34	73.75	64.25	99	99	68	66	38.535	61.465	0.834	11
52 Poland	35	75.7	66.64	99	99	80	79	38.983	61.017	0.834	13

Note: *own calculation