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Slovenia Economy briefing:

The new government coalition strategy for economy

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The new government coalition strategy for economy

After long negotiations and two rounds of selecting the prime minister the new Slovenian government was finally approved in the parliament on September 13th. The coalition agreement which was signed by five government political parties on August 29th, while also being negotiated with the partnering party outside the minority government, The Left, also set the guidelines for the new government's economic and financial program. The first guidelines, especially the proposed taxation changes, cause a big debate especially among the representatives of several big Slovenian companies.

New economic and financial strategy according to the coalition agreement

The motto of the economic strategy of the new government is "Economically successful Slovenia, focused on sustainable development and environment protection". The program is organized in several "challenges".

(1) First challenge is improving the Slovenian industry in order to better compete in the markets. According to the coalition program this would be achieved by the enabling the access to the financial resources for research and development, introducing the digitalization and encouraging larger development projects. The aim is for Slovenian industry to climb higher on the provider chain by becoming a strategic and development partner of multinational companies. A special emphasis is placed on building industry as a strategic sector, which suffered a great deal in the latest economic crisis, together with the connected wood industry. Therefore an organizational shift is planned to put two sectors together under on common directorate of the Ministry of Economic Development and Technology.

(2) Second challenge is addressing the complex and redundant administrative procedures in order to enable faster decision-making processes,

This change is proposed on the level of legal regulation, by reviewing the current legal system and putting new revision systems in place for the new regulations which are being approved, to ensure the most functional and optimal legal system possible. Another aspect is being emphasized here, which seems like a surprising addition: the simplification of employment regulation and procedures for workforce coming from abroad to fill the vacancies in the deficitary professions, while making sure to protect the local/national workforce.

(3) The third challenge is focusing on the topic which has been the centre of heated debates for the past two decades, namely, what the critics claim to be a rather high tax burden on the salaries. According to the coalition agreement, this problem would be addressed by lowering the tax rate, by raising the tax relief or by redefining the tax system and tax scale.

(4) Another important measure which also borders on the jurisdiction of the Ministry of Labor is the organization of the labor market and the employment relations. This is a very pressing topic and is especially prone to change in the changing labor market of today, so the future coalition responded to the openness of these questions by proposing a lot of different measures. They stress the importance of the social dialogue, especially between employers and employees. One of the measures which would need to be negotiated through social dialogue institutes would be the changes in employment legislation, mostly aimed at enabling the employers to be able to better adapt to the quickly changing business environment, by slowly equaling all types of work to follow the idea of "safe flexibility". The social regulative, the minimum wage would be reshaped along the lines of the "living wage" system, and the minimum wage would be gradually raised by 4,5% on yearly basis. The definition of the minimum wage would cease to include all the work-related incomes which are an addition to the basic salary. Another important issue will be adresse4d according to the agreement, namely, the issue of precarious work. All the precarious types of work will be abolished in the public sector, in order to set an example for the private sector. The new regulations are promised to include also

the agency workers and economically dependent persons. According to the proposed change, the economically dependent relation would be qualified as work relation, if it is made for one company. Medical leave would be redefined, especially for self-employed people, where the status today is extremely problematic. The series of short-term work contracts would be strictly prohibited, with many more inspectors put to work for eradicating this and other lawless practices which now often go unrecognized and are not sanctioned. In addition, gender quotas would be required in the leadership organs of the companies.

(5) Ideas of economic democracy will be promoted, especially by financial and educational encouragement for cooperatives and social businesses. Especially the cooperatives in the public sector will be promoted by a change in the regulation which would give workers the privilege to buy the company first. Micro-funding and co-working models will be encouraged to set a platform for the connection between different types of organizing the economy. New legal regulations are also planned in order to enable the establishment of cooperative banks.

(6) Education system should be better suited to the needs of the economy. Systems would be put in place for earlier introduction of students into the work environment and to better organize the system of apprenticeship and other types of the integration of practical work experience into the study process. Applicative research project which would stimulate the application of research and innovation into the companies will also provide a financial opportunity for such initiatives.

(7) Joint effort will be directed at promoting sustainable economy by enticing the financing of initiatives which attempt to provide ecologically valid a sustainable solutions and alternatives. Technological breakthrough will be sought for by the strategy of smart specialization and supporting the development of small and medium size companies, which make a very important part of Slovenian economy.

(8) Internationalization of companies will be promoted in order to facilitate the presence of Slovenian companies on fairs abroad, obtaining internationally valid certificates and establishment of Slovenian business clubs abroad. Economic diplomacy will be improved by establishment of new diplomatic and consular offices in South East Asia and Africa, where they are virtually absent today. The role of the Slovenian agency for the stimulation of business (SPIRIT) will be improved in all its activities to enable further internationalization of Slovenian companies.

(9) The managing of the state owned companies would be made more efficient by revising the strategy thereof and by closer inspection and improvement of the functioning of Slovenian State Holding, the main actor in this field.

(10) Strategy of sustainable growth of Slovenian tourism will be applied, by raising the export travel to 3.7–4 million Euros. Four new macro-destinations will be organized and this will be coordinated by the Slovenian Tourism Board. State owned hotel companies will be restructured and new investment will be pursued, while all this will be run by a faction of Slovenian State Holding. Education system for tourism, one of the main employment issues today, will be improved.

In the finances, four main priorities were listed by the coalition agreement, while repeatedly referring to the so-called golden rule of fiscal discipline.

(1) Stability of the public finances and the lowering of the public debt will be attempted by following the standard of the so-called golden rule of fiscal discipline. Further European funding will be sought for in the framework of the financial perspective 2014–2020.

(2) The government will attempt to successfully pursue negotiations within EU for the new financial perspective 2021–2027 with Slovenia remaining a net-beneficiary.

(3) Establishing a stable, predictable and internationally comparable tax environment is one of the most important financial promises of the new government coalition. Several larger changes were announced. One of those is the change in the laws on employees' participation in profits. A promise was made to set a real-estate and property tax, a promise which the previous government failed to achieve. The proposed new system would put a higher tax on the owners of more and larger real-estate. A simplification of tax procedures is also promised with the introduction of IT solutions. Tax model will be put in place for the new technology businesses and new forms of business. Further tax relief will include funding of sports, health, culture etc. Additional fee will be put in place for all transactions to the tax havens. The most debated change was that personal income from the capital and rents will be included in the income tax calculation. This proposal caused a wave of criticism among the owners of several Slovenian companies.

(4) More control would be imposed to ensure tax discipline. Key institutions would be provided with more employees and the use of ICT will centralize the public procurement to ensure more transparency and efficiency.

Conclusion

Coordinated in very demanding and long coalition negotiations, the coalition agreement strategy for economy and finances is to a certain degree also a compromise and a combination of fairly different economic and financial strategies of the political parties which make the new coalition. Several inconsistencies were pointed at already by the critics of the agreement contents and many more could later arise not only within the field of economy and finances, but also with other Ministries when the issues overlap with their jurisdiction. Since the guidelines of the coalition agreement for economy and finances were also among those which received the least support by the outside partnering party The Left, without a secure majority many of these measures will be challenge to apply.