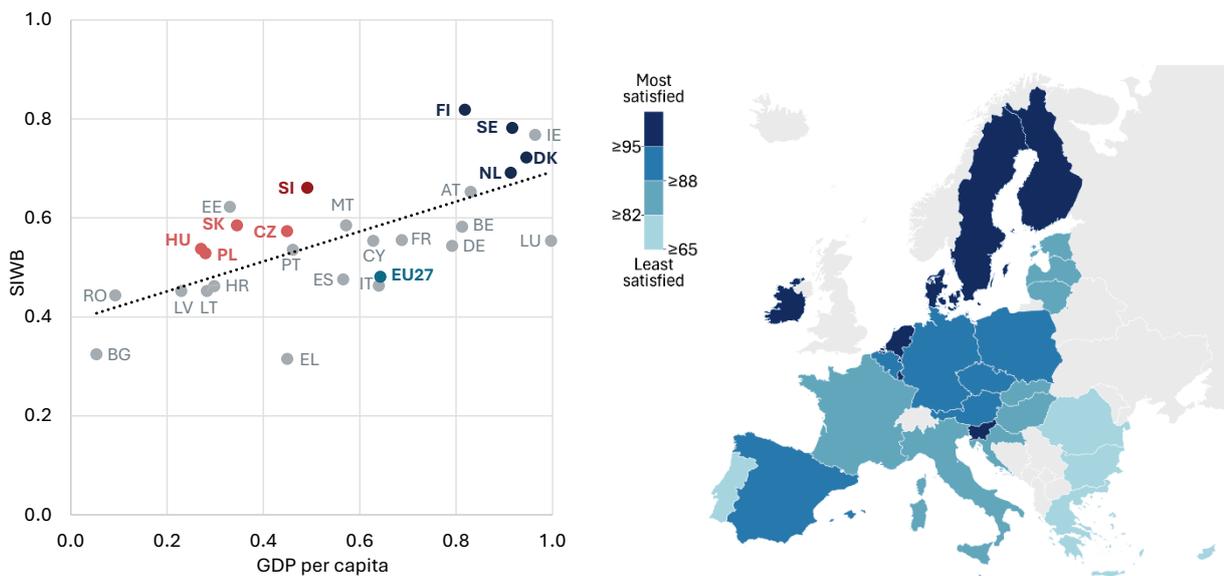


## Key messages and recommendations

### Quality of life in Slovenia

**Slovenia ranks in the top half of EU Member States on most global composite indicators of quality of life.** This high quality of life is also reflected in perceived life satisfaction, where Slovenia consistently ranks among the best in the EU. However, notable disparities exist across various aspects of quality of life. For example, according to the Sustainable and Inclusive Wellbeing Index, Slovenia excels in certain areas such as inclusiveness, overall wellbeing and environment, but falls behind the EU average in economic development.

**Figure 1: Slovenia is among the best-performing EU Member States in terms of both composite sustainable and inclusive wellbeing indicator (SIWB, 2022, left) and perceived life satisfaction (2024, right)**



Sources: EC JRC, Benczur et al. (2025) and Eurobarometer (2024). Note: In the figure on the left, Visegrad countries (Czech Republic, Hungary, Poland and Slovakia) are highlighted in pink and innovation leaders (Denmark, Finland, the Netherlands and Sweden) in dark blue. The figure on the right shows the combined shares of very satisfied and satisfied respondents.

**In terms of social development, living conditions, educational attainment and healthy life years are improving, but challenges remain, particularly in relation to unmet health and long-term care needs, the risk of poverty among vulnerable groups, the gender pay gap and the poor performance of young people in creativity and skills.**

In recent years, the material well-being of the population has gradually improved due to positive trends in the labour market and the resulting growth in average gross disposable income. However, it remains below the EU average. Income, wealth and wage inequalities remain among the lowest in the EU, which is also reflected in a high wage concentration at the lower end of the wage distribution. The gender pay gap<sup>1</sup> has remained at around 11% for over a decade, with women on average earning less than men for the same work. The AROPE and at-risk-of-poverty rates increased slightly between 2022 and 2024 (calculated on the basis of the previous year’s income) but remain among the lowest in the EU. In 2024 (based on 2023 income), around 276,000 people were at risk of poverty,<sup>2</sup> with approximately 169,000 just above the at-risk-of-poverty threshold.<sup>3</sup> Certain population groups have consistently been at higher risk of poverty compared to their counterparts across the EU, particularly older people (aged 65 and over), individuals with lower levels of education, immigrants and certain minorities. Many of these groups are also more likely to experience discrimination, marginalisation and the intergenerational transmission of disadvantage. The education level of adults has improved over the long term and is relatively high. While young people’s mathematical, science and reading literacy declined in 2022, they remained above the EU average. However, their competences in sustainable and digital development were low, and their creative thinking and mental well-being were among the lowest in the EU. The

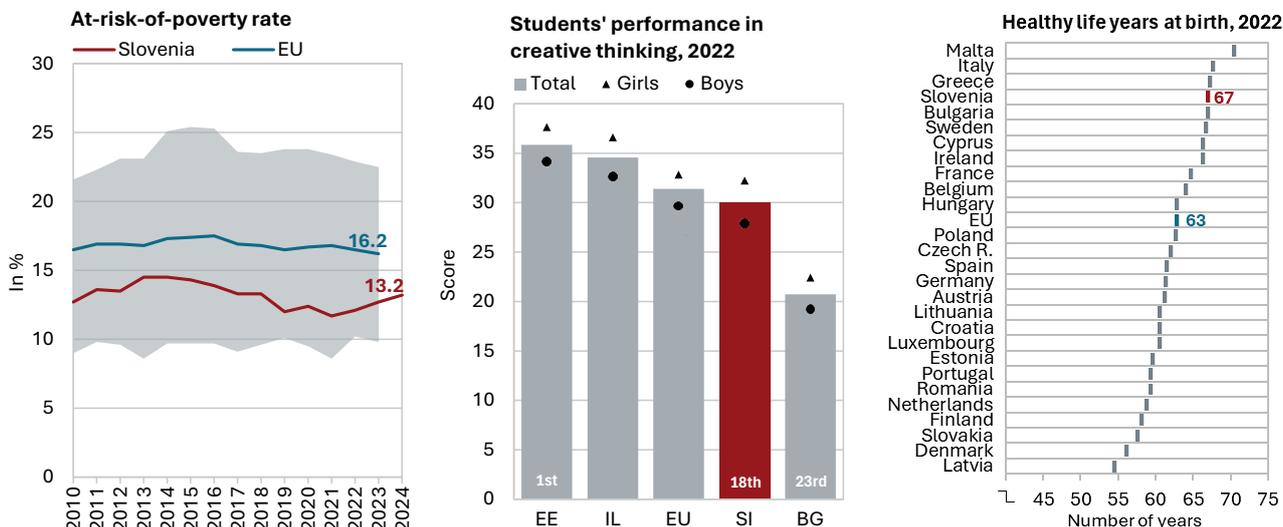
<sup>1</sup> The adjusted gender pay gap compares men and women with similar occupational and demographic characteristics (see Section 2.2.2).

<sup>2</sup> The share of persons living in households with an equivalised disposable income below 60% of the median equivalised disposable income of all households, using the adjusted OECD equivalence scale.

<sup>3</sup> The share of persons living in a household with a disposable income of more than 60% and less than 70% of the median equivalised disposable income of all households.

number of healthy life years is well above the EU average, and several other health indicators have also improved. However, unmet needs for health care and long-term care remain high.

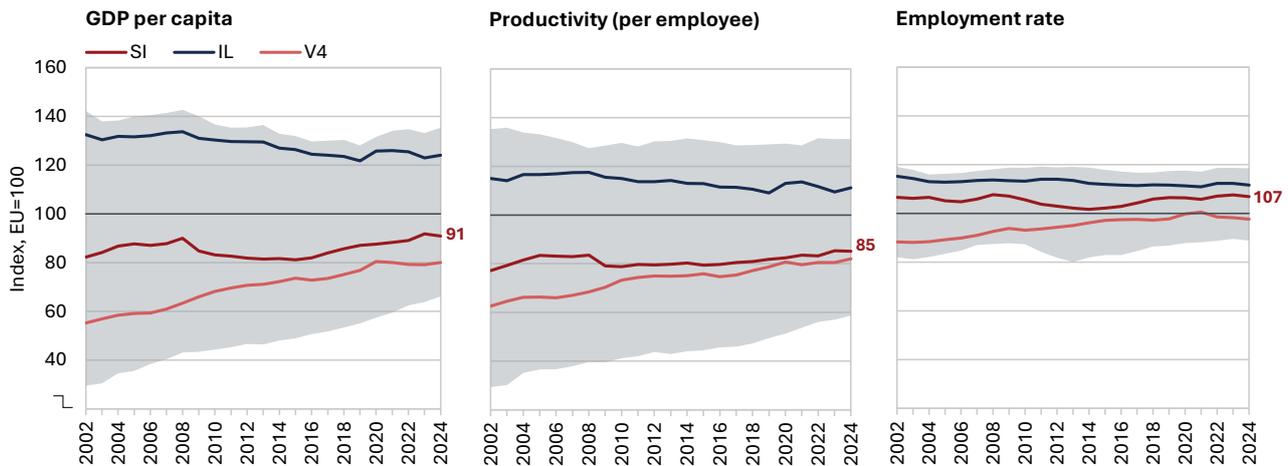
**Figure 2: The at-risk-of-poverty rate has risen slightly in the last three years but remains among the lowest in the EU (left); youth creative thinking is among the lowest in the EU (middle); healthy life years are well above the EU average (right)**



Sources: Eurostat (2025) and OECD (2024). Note to the figure on the left: data for 2024 is based on 2023 income; the shaded area shows the range between EU Member States with the lowest and highest values for each year. Note to the figure in the middle: EU average is calculated for 23 Member States with available data (excluding Austria, Ireland, Luxembourg and Sweden); IL – innovation leaders (Denmark, Finland, Netherlands and Sweden).

**Slovenia remains an economically stable, moderately developed EU country, although it still lags well behind the EU in terms of labour productivity – a gap that was narrower in 2023 and 2024 than ever before.** Despite the challenges posed by recent crises (the pandemic and the energy crisis), Slovenia has maintained macroeconomic stability. It has managed to contain inflation and improve the government's fiscal position, with unemployment at a historic low. Although average annual economic growth slowed in the post-pandemic period, it remained above the EU average. The gap between GDP per capita in PPS (a measure of economic development) and the EU average narrowed slightly in 2022 and 2023, following a slowdown in convergence during the pandemic. However, according to preliminary Eurostat data, convergence stalled in 2024. The economic development gap is largely due to below-average labour productivity, where convergence slowed considerably after the global financial crisis amid weak investment activity. In 2023 and 2024, Slovenia's labour productivity reached 85% of the EU average, the highest level ever recorded. Further productivity gains remain essential for closing the gap with the more developed countries, as the potential for further employment growth is limited due to the already high employment rate and the decline in the working-age population (demographic change). As a result, labour market is facing labour shortages. The acceleration of productivity growth which would at the same time contribute to a more balanced regional development could also be supported by better utilisation of regional development potential, particularly by boosting productivity growth in sectors that are not prone to concentration.

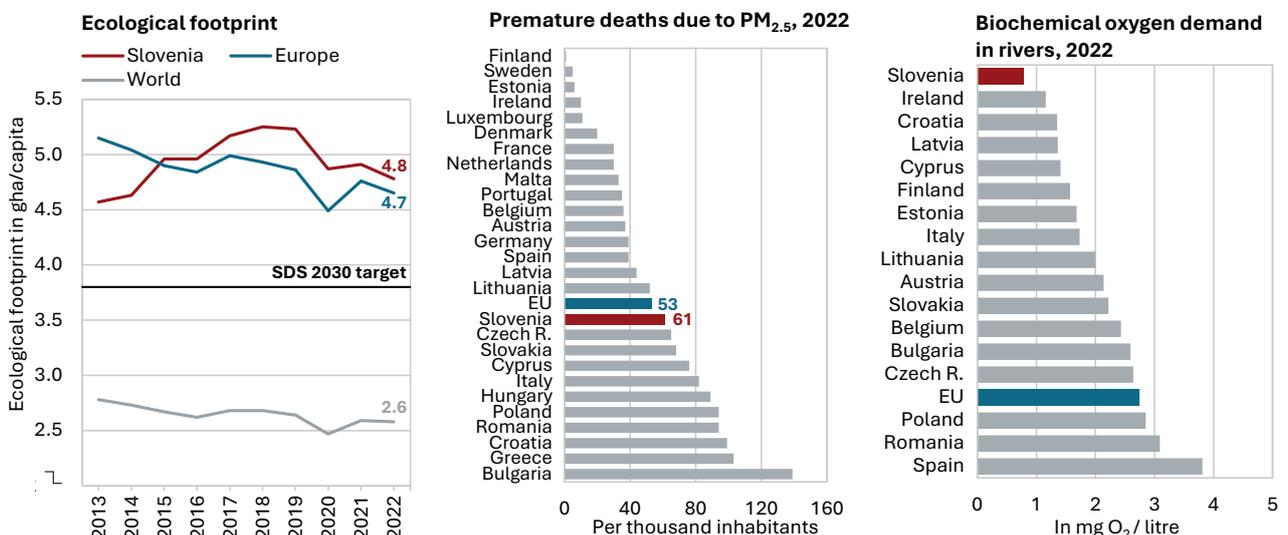
**Figure 3: Below-average economic development is a consequence of a gap in labour productivity**



Sources: SURS (2025a), Eurostat (2025); calculations by IMAD. Note: GDP per capita can be decomposed into the employment rate (the proportion of the population in employment) and productivity (GDP per person employed). The grey shaded area indicates the range between the EU Member States with the lowest and the highest indicator values (Luxembourg and Ireland are excluded due to their extreme values). IL – innovation leaders (Denmark, Finland, the Netherlands and Sweden); V4 – Visegrad countries (Czech Republic, Hungary, Poland and Slovakia).

**The environmental impact of production processes and lifestyles, as measured by the ecological footprint, is similar in Slovenia to the EU average; watercourse cleanliness is high, soil quality is satisfactory, while air pollution is primarily caused by particulate matter.** The ecological footprint – a composite indicator of environmental impact – increased during the economic recovery following the global financial crisis, peaking in 2018. However, during the pandemic and the energy crisis, it returned to the level seen a decade earlier due to the slowdown in economic activity. Climate change is raising awareness of natural resources and driving efforts to protect the environment, which has already led to some improvements: (i) air pollution has decreased in recent decades, though the number of premature deaths attributable to exposure to the particularly harmful fine particulate matter remains slightly above the EU average; (ii) the quality of watercourses is high thanks to lower pollution and more efficient wastewater treatment; in terms of biochemical oxygen demand, Slovenian rivers are the best in the EU among countries for which data are available; connecting the population to at least secondary wastewater treatment remains a challenge, as coverage is still below the EU average; (iii) overall soil pollution is low, but the need to protect prime agricultural land is becoming increasingly important. Slovenia’s diverse and rich natural environment supports a high quality of life, but past developments have not always gone according to plan. In rapidly developing areas, land use changes are driven by intensive infrastructure and construction projects, while in remote rural areas they are due to unwanted land abandonment.

**Figure 4: The environmental impact of human activities has decreased slightly in recent years, but achieving the SDS target is becoming increasingly challenging (left); in terms of air quality, PM<sub>2.5</sub> emissions, which are particularly harmful to health, remain the main problem (middle); the quality of watercourses is high (right)**



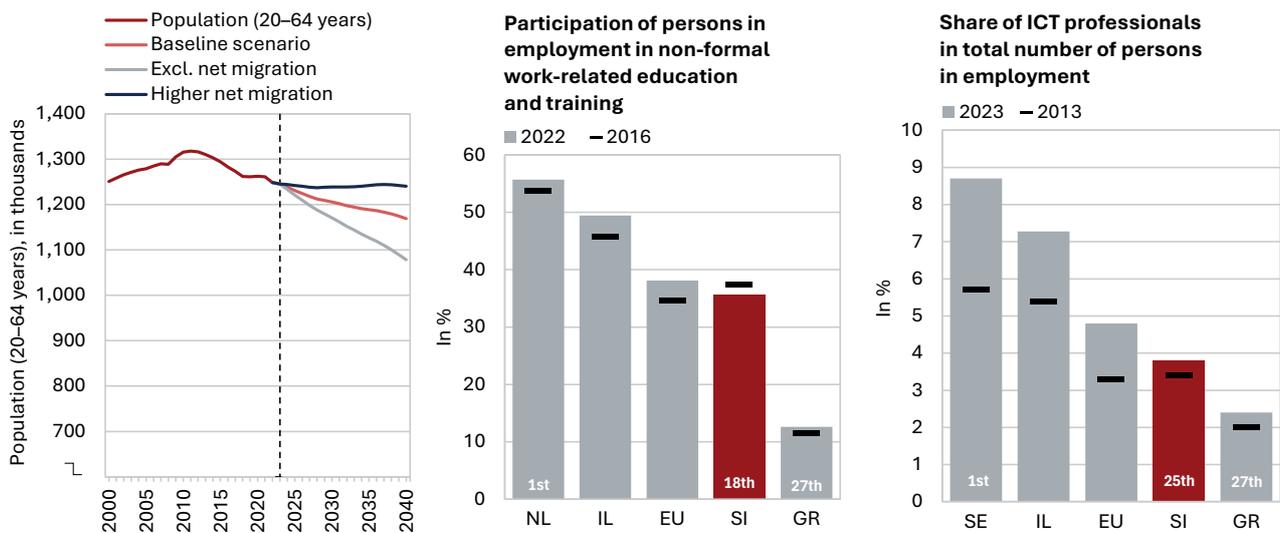
Sources: Global Footprint Network (2023); calculations by IMAD (2025); Eurostat (2025).

## Key factors of development

### Creative and long-lived society

**The transition to a long-lived society and a smart, green economy is driving demand for skilled workers; however, significant challenges remain, particularly labour shortages, labour market mismatches, low attractiveness to foreign workers and slow automation.** Like much of Europe, Slovenia has been undergoing intense demographic changes for over a decade, reshaping the age structure of both its population and labour market. In recent years, there have been positive shifts in the structure of enrolments. However, the shortage of diverse skilled labour (with a declining youth population) remains significant, and Slovenia is one of the EU countries least attractive to foreign talent. For many years, the challenges posed by demographic change in the labour market and the growing demand for adequately qualified workers have not been addressed strategically enough, and cooperation with social partners has been too weak. Key challenges include the need for: (i) extending the working lives of older people who exit the labour market early, (ii) faster integration of young people and first-time job seekers into the labour market; (iii) implementing appropriate migration and integration policies and adapting the culture of work organisations; (iv) greater automation of processes in both the public and private sectors; (v) more efficient human resource management based on medium- and long-term development needs; (vi) strategic human capital development, investing in talent, creativity and innovation; and (vii) improving job quality, responding to psychosocial risks and other challenges, as well as investing in employee well-being, engagement and performance.

**Figure 5: In the medium term, the decline in the working-age population can only be mitigated by high net migration (left); employee participation in education and training is low (middle); the shortage of certain professionals is among the highest in the EU (right)**



Sources: Eurostat (2025), EUROPOP2023 projections. Note: IL – innovation leaders (the Netherlands, Sweden, Denmark and Finland).

**The effectiveness of inclusive development is reflected in the at-risk-of-poverty rate, which has risen slightly over the last three years despite historically high employment rates; around 135,000 people remain trapped in persistent at-risk-of-poverty.**<sup>4</sup> Although Slovenia spends less on social protection than the EU average, it still manages to reduce the risk of child poverty by half. However, it is less successful in reducing the risk of poverty among older people (aged 65 and older), a group that has long faced high levels of poverty, with the situation continuing to deteriorate. Housing affordability and transport poverty are also becoming increasing challenges. The income growth of households with low wages and pensions is not keeping pace with the rising cost of living, highlighting the need for comprehensive wage, social and pension policy measures, supported by accelerated productivity growth. Ensuring an adequate level of social transfers to prevent absolute poverty<sup>5</sup> and preserve human dignity is also an increasing

<sup>4</sup> The proportion of people whose income was below the at-risk-of-poverty threshold in the last income year and in at least two of the previous three years.

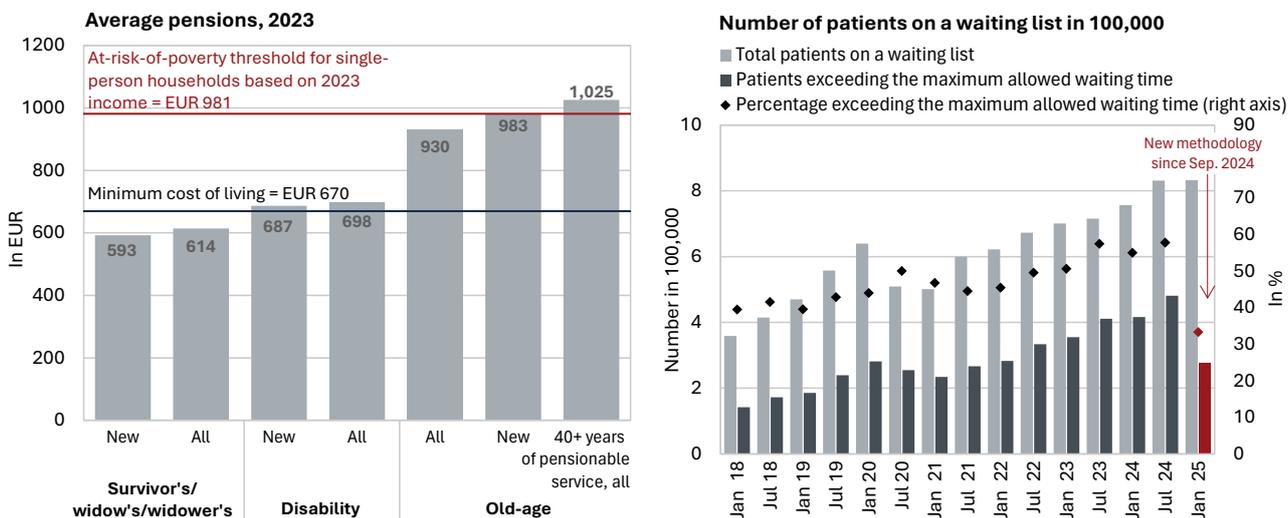
<sup>5</sup> Absolute poverty means living below the minimum subsistence level, determined on the basis of nutritional needs and other basic necessities. It is prevented by curative policies (social assistance in cash, income support, aid in food and clothing, social assistance services, etc.).

challenge. The level of support for the long-term unemployed and other inactive persons (social assistance recipients) is determined by the basic amount of minimum income, which, since 2019, has been moving further and further away from the at-risk-of-poverty threshold (as a proportion of the median equivalised disposable income). Its growth has not kept pace with the rise in minimum cost of living, other incomes, and consequently, the rise in the at-risk-of-poverty threshold.

**Access to education, cultural and artistic services is generally good, but the quality of education has deteriorated and no longer meets today’s societal challenges.** Several factors contribute to this decline, including the shortage of pedagogical staff, the limited autonomy of teachers, the failure to create a creative and tolerant classroom environment with a good school climate, pressure of school, the low percentage of children who like school and their poor relationships between parents and teachers. While the overall accessibility of education is good by international standards, it remains insufficient for certain vulnerable groups. Of particular concern is the persistent social segregation of Roma children. The participation of adults in education and training and the promotion of a culture of lifelong learning remain key challenges. Two important factors for lifelong learning, which are well developed in Slovenia, are the wide range of cultural and artistic activities on offer and the good accessibility of books.

**Numerous reforms are being made in healthcare and long-term care, aimed at improving accessibility, with staff shortages remaining one of the biggest challenges.** In the post-COVID period, demand for healthcare services remains high, influenced in part by demographic change, which is increasing the need for long-term care. Extensive investment is underway in both areas. In recent years, several measures have been introduced at the primary and secondary healthcare levels to improve quality and accessibility, although their full impact is not yet visible. The number of individuals without a general practitioner increased in 2024, while the rise in the number of patients waiting for secondary care services slowed down in the second half of 2024. Preventive healthcare is well-developed, yet risky lifestyles, poor mental health and physical inactivity among certain population groups remain major challenges. The Long-Term Care Act has established a funding source and framework for the development of long-term care services, which are currently being phased in. However, the provision of home care services will primarily depend on the availability of staff.

**Figure 6: The average disability pension in 2023 was slightly above the minimum cost of living and the average old-age pension was below the at-risk-of-poverty threshold;\* the number of all patients on waiting lists\*\* remains very high**



Sources: ZPIZ (2024) and NIJZ (2025c). Note: \* The minimum cost of living was recalculated in October 2022 and the at-risk-of poverty threshold is set for 2024 (based on 2023 income) (see Section 3.1.3.1). \*\* Waiting lists include all patients waiting for initial specialist examinations, diagnostic tests and therapeutic interventions at all levels of urgency (see Section 3.1.3.3).

**Recommendations**

- I. Place creativity at the core of educational and social processes, and recognize the culture of lifelong learning as a pathway to a long-lived society, whose quality will also depend on strategic human resource management, successful inclusion and activation of available human resources (both domestic and foreign), human capital development to meet future needs and challenges and, not least, the automation of business and other processes.

- II. Ensure an adequate level of social transfers for individuals who, for various reasons, are unable to support themselves, as these transfers are essential for preventing absolute poverty and maintaining human dignity.
- III. Reduce the number patients waiting beyond the maximum established waiting times and take a systemic approach to reducing health inequalities (particularly for the economically vulnerable groups), as these are increasing due to an ageing population, the rise in chronic diseases and shortages of healthcare professionals; strengthen long-term home care to maintain the independence and dignity of older adults.

## Transition to innovation-driven growth

**Slovenia's modest productivity growth poses a risk to the competitiveness of its economy, and thus to income growth.** The price and export competitiveness of the Slovenian economy have gradually improved following the energy crisis. The challenge is to accelerate productivity growth and make it more sustainable, ensuring that (cost) competitiveness is preserved even as labour costs rise. Average annual productivity growth more than halved after the global financial crisis and has slowed further during the last two crises (2020–2024). Over the long term, the highest productivity growth has been achieved in export-oriented manufacturing activities, though with notable differences between individual sectors. The productivity gap with the EU innovation leaders has mainly been narrowed by low-productivity companies of all sizes, while among high-productivity companies only large companies have contributed to its reduction. Moreover, Slovenia's productivity gap with the EU innovation leaders is smaller among low-productivity companies, but larger among high-productivity firms, with the most productive firms even lagging behind a group of three Central and Eastern European countries.<sup>6</sup>

**The slowdown in productivity growth over the last decade is primarily due to low investment activity...** Investment as a percentage of GDP has increased since 2016, but it remains significantly lower than before the global financial crisis, particularly in the corporate sector. Since 2022, investment levels have once again fallen behind the EU average, as well as those of the innovation leaders and Visegrad countries. From a productivity perspective, key investments include those that support innovation-driven growth, particularly in intangible assets. In international comparison, Slovenia stands out for its low investments in ICT, training of employees and organisational capital. Expenditure on formal education as a percentage of GDP is in line with the EU average but lower than it was a decade ago. In recent years, expenditure on R&D has increased, though it remains below the EU average, while corporate R&D investments are on par with the EU average, but far below those of the innovation leaders.

**...and the slow restructuring of the corporate sector...** During the pandemic and the energy crisis, the contribution of inter-sectoral labour mobility to productivity growth increased slightly, while the impact of intra-sectoral labour mobility has been weakening since the mid-2010s and did not rise during these last two crises. This indicates a relatively high resilience in the business sector throughout both crises, which was also supported by substantial public support. These funds helped preserve companies' production potential during the crises but also slowed economic restructuring – a process that is essential in a market economy for boosting productivity and society's ability to respond to emerging needs.

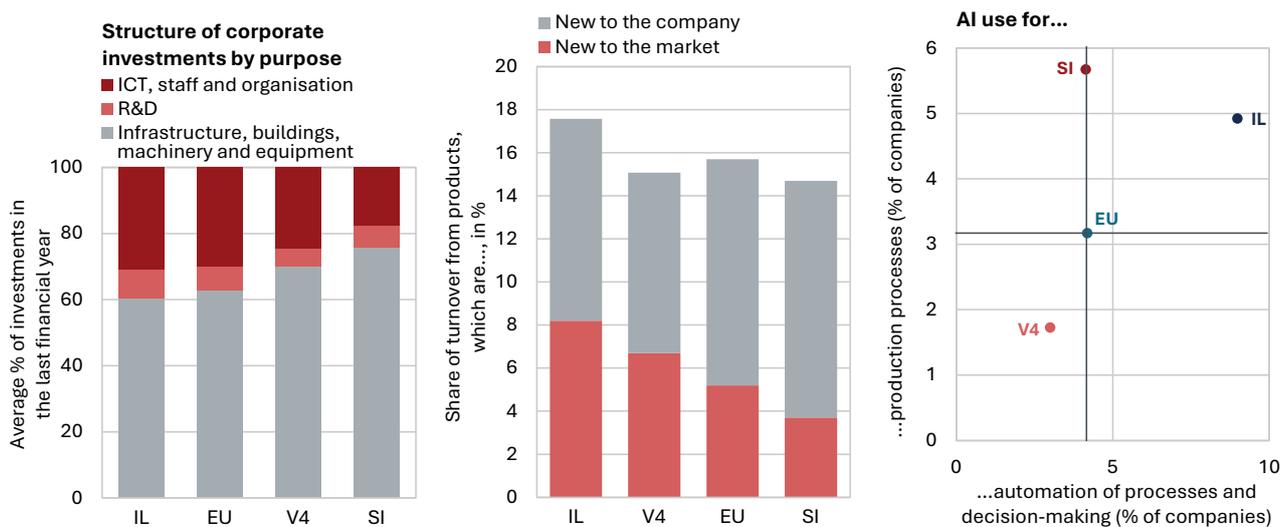
**...which remains anchored in competition based on incremental innovation of established products and technologies rooted in Industry 3.0...** The competitive advantage of the Slovenian economy is driven by high product innovation intensity, with large and medium-sized companies ranking among the EU leaders. This is supported by the third-highest robot density per employee in manufacturing in the EU, as well as the use of related digital technologies, including advanced solutions such as artificial intelligence. With the exception of small businesses, Slovenian companies are also among the most open and most intensely collaborating on innovation in the EU, indicating strong ecosystem synergies. Additionally, in recent years, companies have placed greater emphasis on developing their own brands and making environment-related investments. However, small and medium-sized enterprises are falling behind their EU counterparts in digitalisation, and their awareness of its importance has even declined.

**...and is moving too slowly to develop more radical innovations, supported by the modernisation of business processes and company organisation in line with Industry 4.0 principles.** Companies are lagging behind in areas such as the use of cloud computing services, data analytics and artificial intelligence for workflow automation and decision-making, highlighting the difficulties in transitioning to data-driven business operations as envisioned by Industry 4.0. Insufficient attention is paid to fostering an innovation-oriented culture and organisational structure. Compared to those of other EU countries, Slovenian companies lag not only in innovating business processes, but also

<sup>6</sup> Based on available microdata, this group includes: the Czech Republic, Croatia, and Hungary.

in introducing new methods of work organisation, decision-making processes and human resource management. This also includes a low percentage of companies that have established internal innovation systems or use agile management methods. Slovenian companies, at least in the manufacturing sector, do not (yet) regard innovation as a key driver of competitiveness. This is reflected in the low share of revenue generated from radical innovations that are new to the market, rather than merely to the company. The need for a more ambitious approach is also reflected in the data on patent applications, where the gap with innovation leaders is widening. Moreover, significant untapped potential remains in areas such as product differentiation to achieve greater added value based on design.

**Figure 7: Slovenia stands out for its low business investments in intangible assets for the transition to innovation-driven growth (particularly in ICT, training of employees and organisation) (left); the competitive advantage of its business sector is less dependent on new innovative products (middle); data-driven business practices are adopted too slowly (right)**



Sources: EIB (2024); Eurostat, (2024); calculations by IMAD. IL – innovation leaders (Denmark, Finland, the Netherlands and Sweden); V4 – Visegrad countries (Czech Republic, Hungary, Poland and Slovakia).

**Recommendations**

- I. Significantly increase investments, particularly from the corporate sector, in intangible assets (high-risk research, development and innovation, ICT, training and organisation), which requires (i) a more predictable business environment (taxes), (ii) the acceleration and simplification of administrative procedures (permitting), and (iii) a more strategic use of traditional state interventions (such as supporting investment in tangible assets and job retention subsidies in the absence of extraordinary events) by shifting to more systemic and targeted support towards transition to innovation-driven growth.
- II. Support start-ups, scale-ups, niche and high-tech companies with global growth potential by (i) accelerating procedures for hiring foreign workers, (ii) adapting legal forms for their business operations and reward schemes (lean public limited companies, stock options), (iii) improving access to venture capital (and simplifying capital acquisition procedures), (iv) providing support for global market penetration and (v) enabling the development of new solutions and early deployments based on innovative public procurement.
- III. Prioritise and support the transition to innovation-driven growth of backbone enterprises through more targeted and focused measures by: (i) providing more substantial and predictable support for more complex and high-risk RTDI projects, (ii) facilitating access to specialised research infrastructures, (iii) supporting the integration of cutting-edge technologies in line with Industry 4.0 principles and optimising corporate management and organisation (lean, agile and innovation-driven business models), (iv) supporting the development of new (sustainable) business models based on product differentiation (design, branding), and (v) creating a supportive environment for accelerating innovation and collaboration (SRIPs, demo centres). Small, traditional and craft companies also require access to simple support instruments (vouchers), especially in areas like transitioning from informatisation to digitalisation, collaboration with knowledge institutions, etc.

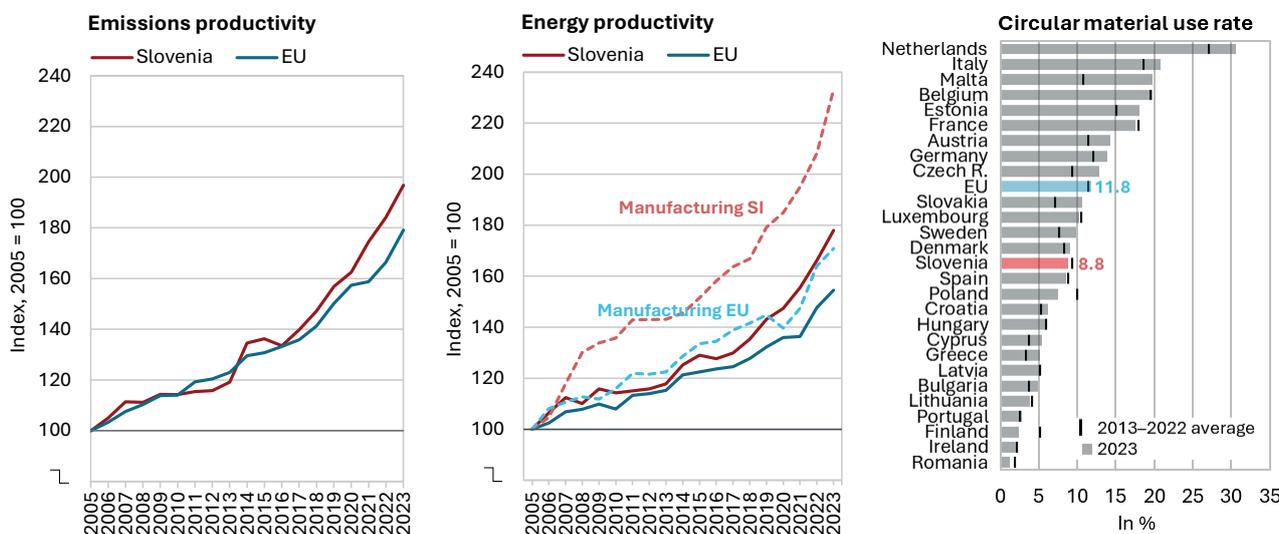
## Transition to a low-carbon circular economy

**Greenhouse gas (GHG) emissions – a key factor in slowing climate change – continued to decrease in 2023, falling by 4.8% to their lowest level in four decades; emissions productivity also improved, with the gap compared to the EU average narrowing to 5.9%.** For the first time, this decline was primarily driven by lower emissions from transport, which account for more than one-third of total emissions. Over the past decade, emissions have decreased across all other sectors, most notably in the energy sector and households, and to a lesser extent in industry, where more emissions arise from fuel consumption than industrial processes. With emissions falling and GDP continuing to grow, Slovenia achieved its highest-ever level of emissions productivity, with the smallest gap recorded in comparison to the EU average. The use of fossil fuels, especially in transport, remains a major obstacle in the transition to a carbon-neutral society. Exemptions from excise duties and other price-lowering measures do not contribute to progress, which, in addition to price signals, requires infrastructure specifically designed to support the green transition.

**Energy consumption, which is directly linked to GHG emissions through fossil fuel use, decreased by 4.7% in 2023 – marking the second consecutive year of reduction; with higher GDP growth in the same period, the gap in energy productivity compared to the EU narrowed significantly to 4.8%.** Over the long term, the reduction in total energy consumption has been driven by changes in thermal energy production (notably the closure of Trbovlje Thermal Power Plant and the modernisation of Šoštanj Thermal Power Plant) and lower end-use energy consumption. The largest contribution to reduced end-use energy came from the manufacturing sector, particularly aluminium production, which had a positive effect on increased energy productivity. Reducing energy consumption remains particularly challenging in energy-intensive industries, where processes are more complex and require a high level of optimisation. Previous measures and activities have been particularly successful in improving energy efficiency. However, more attention should be given to modernising production processes through targeted and coordinated measures. The reduction in total end-use energy consumption has contributed to an increase in the share of renewable energy sources, which, after a long period of modest growth (due to increased use of solar energy in energy production and biofuels in transport), exceeded 25% for the first time in 2023.

**Material consumption has increased at a faster pace than the EU average over the past decade, with the low circular material use rate being a particular concern; the gap in material productivity with the EU level remained high in 2023, at 13.6%.** The circular material use rate is quite low in Slovenia, even below the already modest level seen in the EU. Therefore, there is a need to accelerate the development of high-quality recycling technologies and establish a well-functioning secondary raw materials market. The higher total material consumption in recent years is mainly due to increased consumption of non-metallic materials, especially from the construction sector. As a result, the amount of waste generated has also risen, although when calculated per GDP, this indicator has improved. In 2023, the amount of non-mineral waste generated per capita remained among the lowest in the EU, while recycling rates were among the highest.

**Figure 8: Emissions and energy productivity are growing at a faster pace than at the EU level (though still lower than in the EU), while the circular material use rate remains modest**



Sources: Eurostat (2025); calculations by IMAD. Note: Emissions (energy) productivity is the ratio of gross domestic product at constant prices to greenhouse gas emissions (energy consumption).

## Recommendations

- I. Recognise opportunities and foster innovation to introduce new clean technologies, improve energy efficiency and accelerate the adoption of renewable energy sources. Reduce road transport based on fossil fuels and replace it with more sustainable forms of mobility. Consistently monitor development progress, ensure inter-ministerial coordination and adapt policies accordingly.
- II. Systematically develop new business and consumer models to reduce resource consumption and increase resource-use efficiency. Strengthen sustainable circular practises by adding value to local resources, promoting high-quality material processing and the use of recyclable raw materials. This can be achieved by connecting stakeholders and providing implementation support for innovative projects.
- III. Promote sustainable investment and ensure the efficient and targeted use of funds. In this context, strive for greater inclusion of private capital: reduce financial risks and capital costs through various financial mechanisms and strengthen investor collaboration and trust in green investment opportunities.

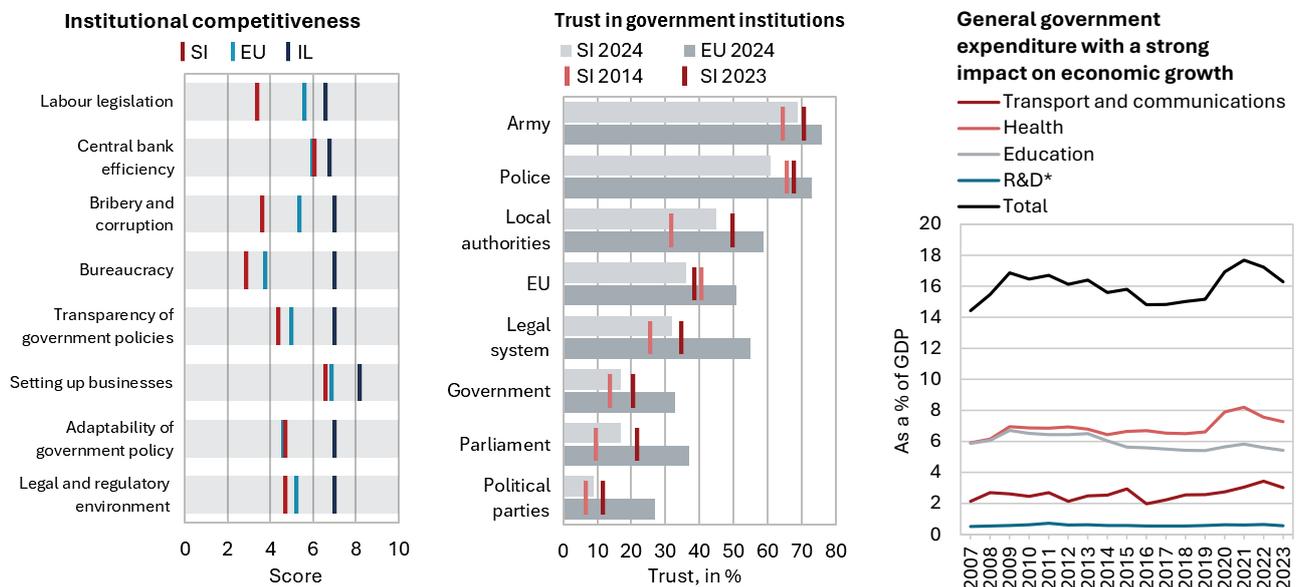
## An accountable and efficient institutional environment

**Slovenia has made significant progress in the functioning of the state in recent years, yet it still lags behind the EU average and innovation leaders on several indicators of institutional competitiveness.** Notable improvements have been achieved, particularly in the digitalisation of public services, the development of e-government, the introduction of quality standards in public administration, the modernisation of public procurement, and the efficiency and quality of the judiciary. Additionally, several measures have been taken to reduce administrative barriers and prevent corruption. Despite this progress and measures implemented, institutional competitiveness – as measured by IMD indicators – has not improved in recent years. The gap to the EU average has even widened, particularly in indicators that measure business executives' perceptions of the transparency and adaptability of government policies.

**Key challenges lie in improving the efficiency of the state, creating a business-friendly, supportive and predictable environment and building trust in state institutions.** According to the IMD survey, business executives are critical of the state's role in creating a business-friendly environment, citing excessive bureaucracy, unpredictable legislation and unstable tax policies. These issues are also related to persistently low levels of trust in state institutions and insufficient focus on promoting productivity growth. The business environment is also significantly influenced by major global changes and uncertainty in the international environment. In this context, the state's – including its strategic – response to emerging circumstances is crucial, as swift and effective adjustment of measures can help businesses navigate crises and seize new opportunities. Another challenge is adopting a more strategic approach to more balanced regional development, as previous efforts have failed to successfully activate the untapped development potential of regions, which could contribute to the accelerated economic growth of Slovenia as a whole.

**The general government deficit and debt have been declining since 2020, while government investment has remained above the 2019 level.** The share of taxes and social contributions in GDP, which account for the majority of government revenue, increased in 2024 after reaching a historic low in 2023, due to tax exemptions and reductions to cushion economic shocks. Over the long term, the structure of taxes has not changed in a way that would, according to empirical analyses, have a favourable impact on economic potential (shifts towards a strengthening of consumption taxes and other less distortionary taxes) or strengthen incentives for more sustainable development (environmental taxes). Revenue from social contributions, which are the main source of funding for social protection, is increasing. However, this is not a sustainable long-term source of funding for social protection systems in terms of promoting economic growth and demographic trends leading to a decline in the working-age population. In contrast, government spending increased significantly between 2019 and 2023 in areas that analyses show have a strong impact on economic growth (expenditure on transport, communications and healthcare). However, spending has increased less substantially in sectors with even greater potential to boost productivity growth (R&D and education), while social protection expenditure has remained relatively stable.

**Figure 9: In 2024, most institutional competitiveness indicators still lagged significantly behind innovation leaders and the EU average (left); trust in most political institutions and the judiciary remained relatively low and below the EU average (middle); the share of general government expenditure (as a % of GDP) associated with a stronger impact on economic growth increased in the 2019–2023 period (right)**



Sources: IMD (2024b), Eurobarometer (2024e), SURS (2025), EC (2024); IMAD calculations. Note: Individual factors of institutional competitiveness are calculated on the basis of surveys among business executives, with a possible score between 1 and 10. The figures on trust for each year are the latest available data for that year. IL – innovation leaders (Denmark, Finland, Netherlands, Sweden). \*R&D includes expenditure on research and development across all ten COFOG (classification of the functions of government) categories (e.g. health, education, social protection). Transport and communications fall under the economic affairs category; however, separate data on R&D expenditure for these two subfields are not available.

**Recommendations**

- I. Restore trust in state institutions and public authorities by ensuring inclusive and strategic policy development, including at the regional level, by strengthening interinstitutional cooperation and enhancing collaboration with key stakeholders (particularly the business sector) in the adoption, implementation and monitoring of policies and regulations, by increasing transparency in decision-making, improving evidence-based policy-making and taking further measures to enhance integrity, ensure detection, prosecution and final conviction of corruption cases.
- II. Improve the business environment by supporting enterprises to enhance economic competitiveness through a high-quality and stable legislative framework, a predictable tax system and streamlined government regulation.
- III. Prioritise expenditures with a positive impact on productivity within public finance constraints and gradually shape a more fiscally sustainable revenue structure that strengthens economic potential (e.g., consumption and real estate taxes). Enhance incentives for work (or reduce inactivity and low-wage traps) by considering the combined effects of taxes on labour and social transfers on household income.

# 1 Introductory remarks

**The document Quality of Life in Slovenia – Development Report 2025 combines the content of two previous IMAD reports: the Development Report and the Productivity Report.** IMAD is responsible for monitoring the implementation of Slovenia's overarching development strategy (Decree on the Documents of Development Planning Bases and Procedures for the Preparation of the General Government Budgets, 2010). In its role as the National Productivity Board, it also conducts in-depth analyses and makes recommendations for improving productivity.<sup>7</sup> In previous years, IMAD published two separate reports that were closely related from substance point of view. The combined report entitled Quality of Life in Slovenia – Development Report 2025 therefore includes both: (i) monitoring of progress in the implementation of the Slovenian Development Strategy 2030, which aims to ensure a high quality of life for everybody through balanced economic, social and environmental development, and (ii) a detailed analysis of productivity, which is one of the most important long-term factors for achieving a higher quality of life. The combined report enables not only a more comprehensive analysis but also the development of thorough, balanced and complementary recommendations, taking into account trade-offs between different aspects of development. This approach also shows more clearly that concepts such as productivity are merely instruments that, alongside appropriate additional measures, support the sustainable functioning of social subsystems and thus contribute to achieving the fundamental goal of improving people's quality of life.

**The report consists of two main sections and an appendix, and it also contains two focus topics.** The first section presents an assessment of the quality of life in Slovenia in the areas of society, economy and environment. The second section follows with an analysis of key development factors influencing the quality of life. This analysis is structured into four chapters: (i) creative and long-lived society, (ii) transition to innovation-driven growth, (iii) transition to a low-carbon circular economy, and (iv) an accountable and effective institutional environment. The focus topics cover: (i) youth creativity and (ii) an analysis of productivity in manufacturing activities using microdata. The appendix consists of two parts: the first provides an overview of the progress towards the numerical targets of the Slovenian Development Strategy 2030 (SDS) based on the latest available data, while the second part, the statistical annex, contains additional tables, figures and maps that complement the analyses in the main body of the publication.

**The analysis in the Development Report is based, as far as possible, on indicators that are comparable over time and internationally and uses data sources published up to 31 March 2025.** Internationally comparable indicators serve as the main analytical basis of the report, which is complemented by an overview of other data, studies and research reports, particularly in areas where suitable indicators are not available for comparisons between countries or over time. For this edition of the report, the latest available data is mainly from 2023, with some also from 2024. Slovenia's status and progress are most frequently compared with: (i) the EU average and also (ii) the group of EU innovation leaders – highly developed EU countries according to the European Innovation Index (II: Denmark, Finland, the Netherlands and Sweden), and (iii) the Visegrad group – competitor countries to Slovenia (V4: Czechia, Slovakia, Hungary and Poland). The analyses underlying the report include comparisons with all EU countries and, where relevant, with OECD countries or at a global level. However, only the key findings are highlighted in this report.

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<sup>7</sup> In accordance with the Council Recommendation (2016), each Member State appoints a National Productivity Board. In Slovenia, this role has been carried out by the Institute of Macroeconomic Analysis and Development (IMAD) since 2018. Based on objective, neutral and fully independent analyses of productivity and competitiveness, the National Productivity Boards produce analyses and recommendations with the aim of improving economic policies.