

Emerging Economic crises in Slovenia needs to address by Global Corporate Social Responsibility.

Many countries of the European Union are finding themselves facing a crisis, which if left unresolved would place their economic systems in jeopardy in the near future. An arising economic crises making its presence felt in countries like Slovenia, Cyprus, and the Czech Republic to name only a few relates to the ageing of the working, employed population with very grim prospects of new recruits in the employment sectors of these countries. This alarming situation definitely managed by global corporate social responsibility. The eventual consequences of such circumstances would make these countries and their business sectors liable for ongoing and possibly increasing pension liabilities and payments to a workforce whom it no longer even employs and without an existing eligible workforce to ensure the operational going concern of the business of these countries. The gravity of this situation and the immediate need for its effective solution is global corporate social responsibility (CSR).

On the 1st of May, 2004, Slovenia became a member of the European Union and changed over to the common currency of European Union (The Euro) on the 1st of January, 2007. Slovenia was established as an independent state in 1991 following a 10 days war which was triggered by the dissatisfaction of the exercise of power by the Serbs. Before establishing its independence Slovenia was a republic of the renewed Yugoslavia. Slovenia's transition into a modern state has been assisted by its historical ties with the Western Europe, its strong economy and its stable democratic system. Slovenia acceded to both NATO and the EU in the spring of 2004. Slovenia is one of the most successful countries that have transited from socialism to market economy. Its GDP has shown stable growth and is thus ranked amongst countries with the lowest level of economic risks. Slovenia has successfully stabilized its inflation rate and wage growth, has harnessed its rising unemployed level and has overall strengthened its currency. It has also relaxed its capital flow and has modernized its taxation system. Even though it has borne many changes in its economic system from an agriculturalist system to a socialist state centered industrialization of the former Yugoslavia, Slovenia at the time of its independence was the wealthiest Yugoslav republic and is to date directed towards development and market economy. It also managed to overcome the loss of its markets in the former Yugoslavia soon after its independence as its trade flows were re-directed towards the EU and the associated partners. In the economics sphere its level of development is quickly catching up with that of the EU. Its major trade partners are Germany, Italy, Croatia, Austria and France.

The EU in its recent report on the sustainability of public finances had Slovenia in one of the six countries most likely to face problems in the sustainability of public finances. Thus Slovenia has been warned by the European commission and has also listed by it as among the three European Union members that are expected to face the most serious consequences of rapid aging on the budget because of the growing spending on the pensions. The projected expenditure related to population aging is expected to rise by 9.7 percent of GDP starting from 2004 up to 2050 with public pension expenditure up by 7.3

percent of GDP. Although Slovenia had introduced an effective and a promising pension system in 1999 its effectiveness was weakened following the introduction of a law introduction indexation into 2005. The EC has called on Slovenia to make immediate changes to its pension systems. According to the EC the only possible measure to counter the potential debt is to maintain the relatively low rate of public debt at the moment. In the long term Slovenia would have to implement further changes in the pension systems to reduce future expenditure and the risk of long term sustainability of public finance. In response to clear warning issued by the EC- the Slovenian ministry of finance maintains that the public finance system is clearly sustainable at least up till 2020. In a press release the ministry stated that Slovenia is pursuing prudent public finance policy and has also framed a broad set of reform measures that will help improve the employment and the productivity status of the country and in effect would aid in the enhancement of sustainability in the long term.

The nature of this situation is such that it cannot be ignored as it will definitely impinge most severely on corporate and social responsibility principles and will damage the sustainability status of the country. An area where there is potential for direct improvement regarding this matter is the proposed reforms that are being framed in response to this situation. In those measures if they successfully launch CSR at every institute of Government it will contribute in the society and in the longer run the society will be on a progressive track as sign of healthiest nation and as a bench mark will have a sound philosophy of CSR.