



Managing restructuring in Slovenia

Innovation and learning after the financial crisis

Tanja Urdih Lazar
Metoda Dodič Fikfak, Professor



Molire

A project funded by the
European Union

Table of Content

| | |
|--|-----------|
| Preface..... | 3 |
| 1. Introduction | 5 |
| 2. Restructuring frameworks | 8 |
| Introduction..... | 8 |
| Legal regulations concerning dismissals for business reasons | 7 |
| Severance payment | 11 |
| Labour Market Regulations..... | 12 |
| Legal restrictions on public spending | 12 |
| 3. Actors involved in restructuring | 14 |
| The government..... | 14 |
| Employment and other public services..... | 15 |
| Trade unions and works councils..... | 16 |
| Employers' associations..... | 18 |
| 4. Measures for anticipating change | 19 |
| Anticipation at national level: statistical data and analyses..... | 19 |
| Anticipation at organizational level..... | 20 |
| Anticipation of knowledge and skills..... | 21 |
| Employers' Offices..... | 22 |
| 5. Measures for managing change | 23 |
| Wage and labour cost reduction..... | 24 |
| Short time work and temporary layoff..... | 24 |
| Early retirement | 25 |
| Incentives for self-employment..... | 25 |
| Other measures | 26 |
| 7: Concluding remarks | 29 |
| Appendix: Case study | 30 |
| References | 32 |

Preface

This report is one of 11 national reports in the MOLIERE project, (Monitoring Learning Innovation in European Restructuring), a project funded by the European Commission, DG Employment, Social affairs and Inclusion. The aim of the project is to analyse whether and how the practice of restructuring has changed in a selection of Member States, to assess the impact of the economic crisis on the national level and to monitor how the practice of restructuring changes in the longer term. Each national report assesses the impact of the economic crisis in 2008-2009 on the way restructuring is anticipated and managed. The results are summarised in a synthesis report including a comparison of the developments in Belgium, Bulgaria, Czech Republic, Germany, France, Netherlands, Portugal, Slovenia, Spain, Sweden and the United Kingdom. The aim is to provide updated and harmonized information for social partners and policy makers at national and European level to assist them in policy formation and the design of a European policy framework on anticipating and managing change and restructuring.

This publication is supported by the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013). This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe 2020 Strategy goals in these fields. The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries. For more information see: <http://ec.europa.eu/progress>

The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.

1. Introduction

The aim of this report is to give an overview of measures for anticipating and managing restructuring in Slovenia from the beginning of the present crisis in the last quarter of 2008 and especially in the period from the year 2010 on. The report is based on the review of relevant legislation, governmental documents, and several papers regarding macro-economic indicators, restructuring and social dialogue. In order to be able to put all these documents in a more practical context, interviews with the representatives of the key actors were conducted: the Employment Service of Slovenia (national and regional levels), the Association of Employers in Craft and Small Business of Slovenia, the Chamber of Commerce and Industry of Slovenia and the Association of Free Trade Unions of Slovenia.

During the crisis, the decline in economic activity in Slovenia was among the largest in the EU. Several years of unfavourable economic conditions have resulted in a significant deterioration in the situation on the labour market, which alongside the cuts in pensions and social transfers in 2012 has deepened the decline in disposable income seen in the last few years, and hence the material welfare of households. This situation has contributed greatly to an increasing unemployment rate.

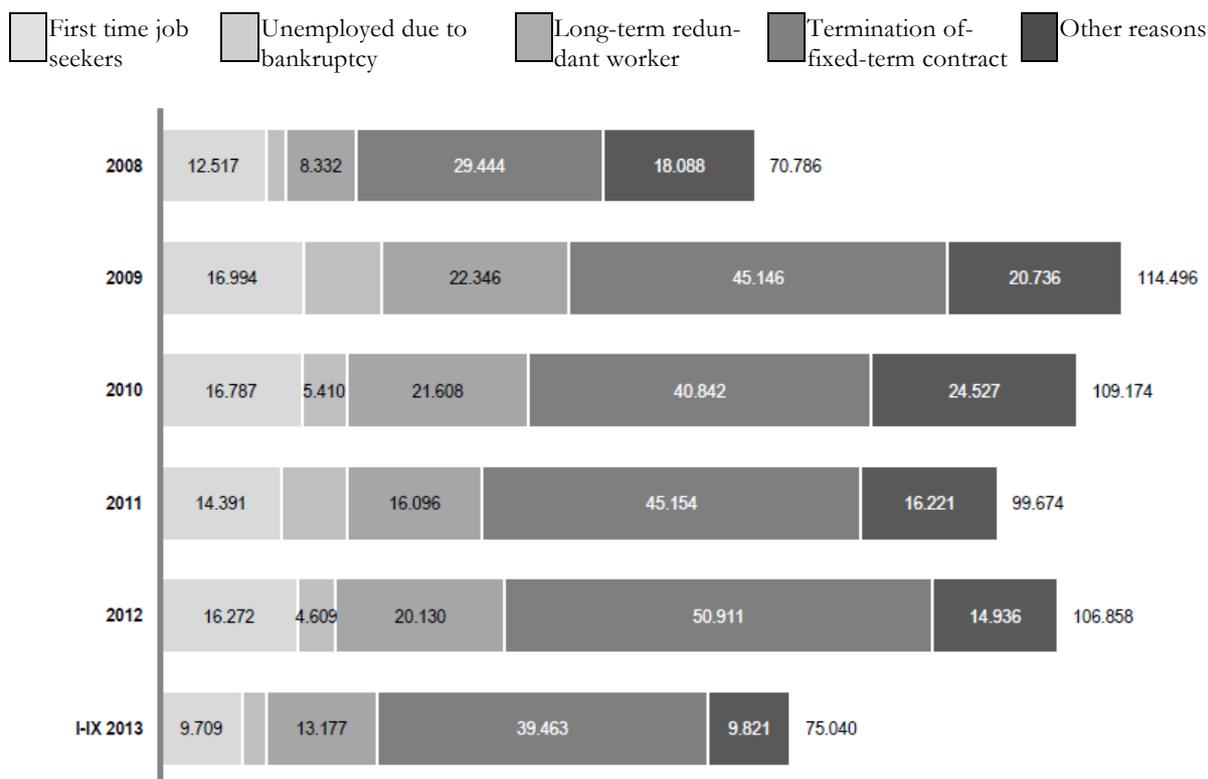
According to the Employment Service of Slovenia, the number of the newly registered unemployed persons increased especially during the first few years of the crisis, but it remained fairly high throughout the whole crisis period.

At the end of January 2014, there were 129,843 unemployed persons registered at the Employment Service of Slovenia (ESS). This is a 4.5% rise in comparison to January 2013. In general, the inflow of newly unemployed persons in 2013 was much higher than in 2012, and it seems that this trend reached its peak in January 2014 and is now slowly declining. According to the ESS data, the number of the unemployed dropped to 126,730 in March 2014.

The structure of the unemployed persons at the end of November 2013 was as follows: 49.2% of women, 18.2% of first-time job seekers, 26.4% of people in the age group up to 29 years, 30.9% of people aged 50 years and more, 23.8% of long-term redundant workers and workers who became redundant due to bankruptcy, and 32.1% of the unemployed who have first or second level education (uncompleted or completed elementary school).

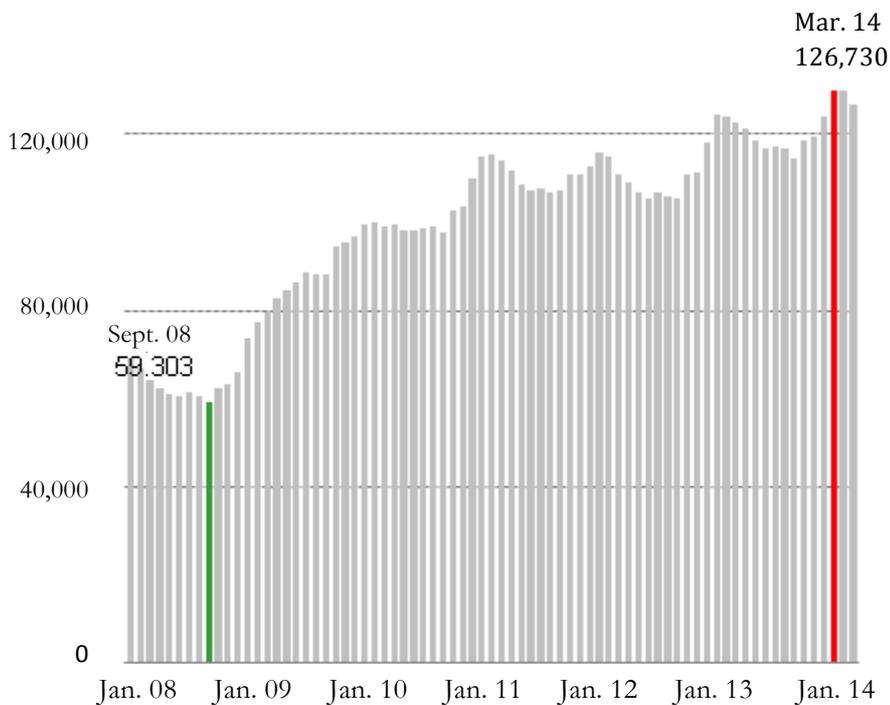
Restructuring in Slovenia

Figure 1: Newly registered unemployed persons by reason, 2008–Sept. 2013



(Source: ESS)

Figure 2: Trend of registered unemployment by month, 2008–2014



(Source: ESS)

In 2013, the newly unemployed persons were mainly workers with terminated fixed-term contracts and first-time job seekers. In 2013, however, the outflow from the register was also higher than in 2012, partly due to different measures of active employment policy (AEP).

Young people are one of the most vulnerable groups on the labour market. In the period from 2008 to 2012, the unemployment rate in this group almost doubled. There are probably various reasons for this:

- a fairly large number of fixed-term employment arrangements among young people and non-extension of this kind of contracts as one of the measures for reducing number of employees;
- a low demand on the labour market in general and a low number of posts requiring work experience;
- a decrease in student work;
- a discrepancy between the structure of tertiary education graduates regarding educational fields on the one hand and labour market needs on the other, and a great number of new Bologna graduates.

In the first three quarters of 2013, the year-on-year decline in GDP was, on average, similar to that in the previous year, while in the final quarter, year-on-year growth was recorded for the first time in two years. Exports made a significant positive contribution to the change in GDP again in 2013, and their growth strengthened due to the recovery of economic activity in the main trading partners. In 2013, domestic consumption fell less markedly than in 2012. Investment recorded a modest growth last year for the first time in four years, as a result of investment in a large energy facility and increased government investment at the end of the year, while private investment continued to decline according to the estimate of the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) (Kmet Zupančič, 2013).

According to the IMAD forecast, GDP will grow modestly and the decline in employment will be smaller this year than in 2013, but in the next two years, employment will recover only gradually due to the typical lag in the labour market's adjustment to economic activity. In most private sector activities, the decline in employment will ease this year, and the number of persons employed in public service activities will rise slightly, particularly due to the hiring related to the repair of severe damage caused by weather. The IMAD estimates that at the beginning of the economic recovery, companies will first increase the number of hours worked per employee rather than the number of workers. The average number of registered unemployed in 2014 will be somewhat larger than in 2013 mainly due to the increase at the end of last year and the beginning of this year. The registered and the survey unemployment rates will therefore be higher than last year (13.6% and 10.2%, respectively). No major deterioration is otherwise expected for the rest of the year 2014, also because of the even more intense implementation of active employment policy schemes. In the next two years, employment is expected to stabilize and then increase slowly (Brložnik, 2014).

2. Restructuring frameworks

Introduction

Dismissals for economic reasons – individual, and more frequently, collective – are one of the most direct and visible consequences of the global economic crisis. Slovenia is not an exception in this regard. Most of the provisions regarding redundancies are laid down in labour legislation.

Labour legislation in Slovenia is governed by the Employment Relationship Act ¹. The amendment passed in 2013 reflects the situation on the labour market during the economic crisis and it introduces changes whose aim is to increase the flexibility of employment relationships, make it easier for the youth to get full-time jobs and encourage companies to hire by making it less expensive to lay off employees. Some key provisions also involve:

- cutting the maximum notice period in the case of dismissals (from 120 days to 80 days),
- an introduction of redundancy pay for fixed-term contracts,
- a 25% limit for hiring temping agency workers, except for small employers (the number of agency workers must not exceed 25% of all the employees),
- restrictions on severance pay, retirement allowance and special payments that employees are entitled to when they retire (e.g., the maximum severance payment amount was set at 892.50 EUR),
- more flexible hiring and dismissal procedures (i.e., a shorter period for applying for a job, possibility of dismissal notification by e-mail, not only by personal delivery, possibility of dismissal during probation period, easier internal job transfers, etc.),
- an introduction of temporary work for pensioners within fixed-term contract schemes, etc.

Several other legislative provisions played an important role during the crisis period and in many ways, their amendments reflect the critical situation that the Slovenian economy had to face.

The Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act covers all types of insolvency proceedings (compulsory settlement and bankruptcy proceedings) as well as procedures for the compulsory winding-up of corporations which are legal entities (cancellation of the Court Registration without liquidation and compulsory liquidation). The latest amendments of this Act aim to ensure more efficient financial restructuring of the economic entities, to further enhance creditors' role (including the right to propose compulsory settlement procedure and a financial restructuring plan), and also to improve the position of workers as claimants and their influence on the procedures in the case of company insolvency.

¹ The Act was first passed in 2002 (ERA) and then revised in 2007 (ERA-A). As the first labour regulation of the independent country (until then old Yugoslav legislation regulated the field), the Act regulated the system of individual labour relationships, bilateral relations between employers and employees and equal opportunities of men and women. With its revision in 2007, it also enabled more flexible employment arrangements, and greater flexibility of working time, it clearly regulated termination of the employment contracts and the right to severance pay in the case of continuing the employment with another employer. For the first time, it also introduced prohibition of sexual and other harassment and workplace bullying – negative acts that are closely connected to organizational factors arising from irresponsible restructuring practices.

The Act Governing Rescue and Restructuring Aid for Companies in Difficulty introduces settlement proceedings to prevent bankruptcy by abolishing the insolvency of a company through financial restructuring measures and allowing the company to increase its authorized capital by new contributions paid in (conversion of receivables, subscription of new shares, etc.). State aid may be granted to help in the preparation and execution of a restructuring programme and to help in the settlement of due payments regarding severance pay for workers made redundant. The centrepiece of the 2013 amendments to the Act was a new instrument of "pre-insolvency procedure". The procedure, also called "preventive restructuring", allows large and medium-sized companies that could become insolvent within a year to restructure debt in agreement with creditors and eliminate the causes of impending insolvency.

The Collective Agreements Act regulates the parties, content and procedure for the signing of a collective agreement, its form, validity and termination, the peaceful settlement of collective labour disputes and the register and publication of collective agreements. According to the Act, collective agreements may contain provisions which regulate the rights and commitments of employees and employers in concluding employment contracts, including the termination of employment contracts, pay for work and other personal remunerations and reimbursements regarding work, occupational safety and health. They also regulate the provision of conditions for the activities of trade unions. Collective agreements can be concluded either for a definite or for an indefinite period of time.

Collective bargaining can be performed on three levels: on the organizational level (between the management and the trade union), on the branch level (between the branch employers' association and the branch trade union) and on the national level (between the national employers' association and the national trade union organization).

Collective agreements concluded at the national level are entered into the register of collective agreements, kept by the ministry responsible for labour.

Legal regulations concerning dismissals for business reasons

Dismissals for business reasons in general

According to the previous Employment Relationship Act (ERA, ERA-A), in the case of individual ordinary cancellation of an employment contract with the worker for business reasons (economic, organizational, technological, structural or similar reasons on the employer's side) and when employment lasted for more than 6 months, the employer had to consider offering the employee a new contract (under new conditions, with new work tasks, with additional training, etc.). Only smaller employers represent an exception to this rule.

With the aim to further enhance employment flexibility, the new Act also interfered with the minimum duration of the periods of notice in the event of ordinary cancellation of the employment contract for business reasons depending on years of service with the employer.

Table 1. Duration of periods of notice

| Years of service with the employer | ERA, ERA-A | ERA-1 |
|------------------------------------|------------|------------|
| up to 1 year | 30 days | 15 days |
| 1 year | 30 days | 30 days |
| 2 years | 30 days | 30 days |
| 3 years | 30 days | 32 days* |
| 4 years | 30 days | 34 days * |
| 5 years | 45 days | 36 days * |
| 10 years | 45 days | 46 days * |
| 15 years | 60 days | 56 days * |
| 17 years | 60 days | 60 days * |
| 20 years | 60 days | 60 days * |
| 25 years | 120 days | 80 days ** |

Notes:

* After a two-year period of employment with the employer, the 30-day notice period shall increase for each year of employment with the employer by two days, but shall not exceed 60 days.

** After a period of 25 years of service with the employer, the period of notice shall be 80 days unless a different notice period is specified by a branch collective agreement and in no circumstances less than 60 days.

Instead of enforcing a part or the entire notice period, the worker and the employer may agree (in written) on an adequate compensation to cover the income that the worker would be entitled to if he/she would continue working until the end of the notice period.

Collective dismissals

An employer is obliged to draw up a dismissal programme for redundant workers when he/she establishes that for business reasons, a certain number of workers will be redundant within a period of 30 days. The Act also specifies some conditions in terms of the ratio between the number of redundant workers and the total number of employees.

The dismissal programme for redundant workers must contain: reasons for redundancies, measures for preventing or limiting the extent of the termination of the employment relationships, the list of redundant workers, criteria for the selection of measures to mitigate harmful consequences of the termination of employment relationships (i.e., an offer for employment with another employer, assurance of financial assistance, assistance for starting an independent activity or purchase of pension qualifying period).

The Act also sets guidelines² to determine criteria for the selection of redundant workers and provides special legal protection against dismissal for certain categories of workers (workers' delegates and

² The guidelines that should be followed by the employers suggest particularly the following: the worker's professional education and/or qualification for work and the necessary additional knowledge and skills; the worker's work experience; the worker's job performance; the worker's years of service; the worker's health condition; the worker's social status; and whether the worker is a parent of three or more minor children or the sole breadwinner in a family with minor children.

union representatives, employees before retirement, pregnant workers and workers who are breastfeeding a child of up to one year of age, parents on parental leave, disabled persons and persons absent from work due to illness).

In line with the EU directive, in the case of collective dismissals, the employer is obliged to notify trade unions as soon as possible about the reasons for redundancies and foreseen actions, and to consult them about the proposed criteria for the selection of redundant workers and measures for avoiding and limiting the number of dismissals and mitigation of harmful consequences. A written notification of the Employment Service of Slovenia (ESS) is also compulsory. The employer has to consider any proposals submitted by the ESS regarding measures for avoiding and limiting the number of dismissals and mitigation of harmful consequences. The Act states that the employer should not implement the dismissal programme prior to 30 days after notification of the ESS. This period can be extended to 60 days upon the request of the ESS.

Notification of the trade unions and the ESS is also compulsory in cases of bankruptcy proceedings or in proceedings for compulsory liquidation when the trustee in bankruptcy or liquidator may cancel the employment contracts with a 15-day period of notice to workers.

The employer may also cancel employment contracts in the event of a compulsory settlement confirmed by a court decision if this is envisaged in the financial restructuring plan.

Severance payment

An employer who cancels an employment contract for business reasons (including bankruptcy proceedings, compulsory liquidation and confirmed compulsory settlement) has to pay the worker severance payment. The amount of severance payment is based on the average monthly salary of a full-time worker during the last three months before cancellation and depends on years of service (wage basis).

The new legislation (ERA-1) introduced the right to severance pay also for employees with fixed-term contracts in case they are not offered a new employment contract. With this change, the government wanted to increase protection of fixed-term employees and to bring their rights in the case of dismissals closer to the employees with open-ended contracts since fixed-term employment arrangements were becoming more and more common. Even though the fixed-term contracts should be an exception based on certain specific grounds³, the percentage of this type of contracts among the new jobs offered by the employers increased from 73.7% in 2004 to 83.1% in 2012.

According to the ESS representatives, the share of fixed-term employments within all the new posts offered in 2013 and 2014 has reached almost 80%.

³ These grounds are: substitution of a temporarily absent worker, temporarily increased work load, preparation for work or training, and project work.

Table 2. *Severance payment minimum amounts*

| Minimum amount of severance payment for each year of service | Years of service with the employer | Years of service with the employer |
|--|------------------------------------|------------------------------------|
| | Act 2002, 2007 | Act 2013 |
| 1/5 of the wage basis | 1-5 years | 1-10 years |
| 1/4 of the wage basis | 5-15 years | 10-20 years |
| 1/3 of the wage basis | more than 15 years | more than 30 years |

The amounts stated here are the minimum severance payment amounts, that the dismissed workers are entitled to. The employer may always pay higher amounts, but they may not exceed tenfold the wage basis unless otherwise stipulated by a branch collective agreement. If the collective agreement determines a higher amount, the worker has to pay income tax for the amount that exceeds this limit (tenfold the wage basis).

Labour Market Regulations

The Labour Market Regulation Act regulates public services (mainly Employment Service of Slovenia) in the field of employment and active employment policy measures as well as the functioning of the unemployment insurance system. Its main aim is to increase the security of job seekers, especially the security of the unemployed persons and persons whose employment is at risk, through the government's quicker response in the labour market.

The Act came into force in 2011 and for some time, it managed to increase the income security of the unemployed through raising severance payment, but as early as 2012, it was reduced again with the new legislation as one of the measures for the consolidation of public finance. The Act cancelled the general obligation of reporting every employment vacancy – only the public organizations and state-owned economic entities still have to follow this rule. This new arrangement made the procedures of hiring new employees easier for employers, but at the same time, it limited the Employment Service's ability to have a good overview of the labour market and to adapt its programmes to the needs of employers on the one hand and to the needs of job seekers on the other.

Legal restrictions on public spending

In May 2012, the Fiscal Balance Act (FBA) entered into force, introducing several measures aimed at reducing the public budget deficit and balancing public finances. The most important measures introduced are:

- a 10% decrease in the amount of sick/injury compensation for absence from work paid by the public Health Insurance Institute for the first 90 (calendar) days,
- a reduction from 60% to 50% in the amount of unemployment benefit for the period exceeding 12 months,

- a reduction in the paternity/maternity allowance (excluding the first three months of maternity leave compensation) from 2.5 times to twice the average salary in Slovenia (currently approx. 1,550 EUR gross),
- the actual amount of paternity/maternity compensation (excluding the first three months of the maternity compensation) is set at 90% of the base amount, though the allowance should amount to 100% of the base amount when this is 763,06 EUR or lower.
- 2 January is no longer a paid public holiday.

The Act also introduced major changes into the public sector employment policies:

- restrictions on hiring new employees (fixed-term and permanent regular employment) either by limiting new employment contracts in particular situations (i.e., fixed-term contract in the case of replacement of employees on longer sick leave or maternity leave, time limited project work) or by a special application to the particular Ministry in some other cases;
- restrictions on conclusion of other work contracts;
- cancellation of performance-related bonuses and reductions in some types of allowances and reimbursements, etc. (i.e., reimbursement for meals during work and allowances for travelling to and from work);
- mandatory retirement for public servants after meeting age conditions for retirement, i.e., age of 58 years and 40 years of service for men or 38 years of service for women.

4. Actors involved in restructuring

Slovenia has a relatively long tradition of tripartite social dialogue. Representatives of employers' organizations, trade unions and the Government are joined together in the Economic and Social Council (ESC), established in 1994 as the highest level of social partnership in Slovenia. The ESC engages mostly in areas of social and collective agreements, employment, social and labour-relation issues, economic system, international co-operation, trade union topics and related socio-economic matters. The functioning of the ESC is temporarily regulated by unanimously adopted rules and financed by the Government. Each social partner may have up to eight representatives. The current number is 23 members altogether.

The social partners have a dual role in welfare state matters in Slovenia: an advisory role through the ESC and an administrative role through their own representatives in the tripartite boards of the Institute for Pension and Disability Insurance, the Health Insurance Institute of Slovenia and the Employment Service of Slovenia.

The government

Facing a severe economic crisis, the Slovenian government focuses mainly on two sets of measures:

- social policy measures – in order to weaken the influence of the crisis on general life standard and
- measures for boosting economic recovery: co-funding, subsidies, guarantees and other types of aid and incentives for companies; in the period from the beginning of 2009 to September 2013, three billion euros were invested in these programmes.

The state (government) is also responsible for the provision of several labour market measures:

- two types of labour market services, namely lifelong career orientation and employment brokerage (i.e., placement service);
- active employment policy (AEP);
- unemployment insurance;
- guaranteeing rights arising from the compulsory and voluntary unemployment insurance.

In practice, most of these services are provided by the Employment Service of Slovenia.

According to the Act Governing the Rescue and Restructuring Aid for Companies in Difficulty, first adopted in 2002, the state may provide help for companies in difficulty under very strict conditions and in certain circumstances: social or regional political reasons, a strategic role of the economic entity in the national economy system, preservation of market competitiveness if closing a company led to a monopolistic or oligopolistic market situation. The state aid is meant as:

- an aid in the period of the restructuring programme development, or
- an aid for the restructuring programme implementation with the aim of restoring long-term ability of company survival.

The Act revision in 2013 introduces improvements in the area of state aid to companies in difficulty by expanding the types of state aid (investment in capital, converting claims from loans and paid guarantees) and abolishing the ceiling for state aid. The Act also abolishes the provision of state aid to companies in which the assets of the Republic of Slovenia are greater than 25%. This is crucial to improving the system of granting state aid. When many companies have too many debts and need government help, it makes no sense to exclude some companies as potential aid beneficiaries.

Employment and other public services

The role of the employment services in general and especially of the Employment Service of Slovenia is set by the Employment Relationship Act and the Labour Market Regulation Act.

Employment Service of Slovenia

The Employment Service of Slovenia is an independent legal entity with public institute status operating uniformly across the entire country through 12 regional units and more than 60 local units. Its main activities: employment advice and job broking, life-long career guidance, unemployment benefit and unemployment insurance, implementation of active employment policy (AEP) measures and programmes, issuing of work and employment permits for foreign workers, preparation of analytical, development and other professional materials related to ESS activities, and collection and administration of labour market (LM) and other information of a public nature.

In recent years, the ESS assumed a more active role, especially in the case of collective dismissals, and developed a number of new services based on the exchange of good practice with other EU countries. After being informed by the employer about the planned collective dismissals, the ESS may give an on-site support to the redundant workers in accordance with the employer during the notice period. This support may include training courses in job seeking or procedure of unemployment registration, and psychosocial support for coping better with the expected dismissal. The ESS may also act as a link between the company planning a collective dismissal and companies seeking new workforce. Even though the general obligation of reporting every employment vacancy has recently been cancelled, the ESS encourages companies to continue to do so in order to be able to perform this mediating role.

The Labour Market Regulation Act (LMRA) regulates the compulsory coverage of persons employed in the labour market with the unemployment benefit. The condition for receiving unemployment insurance benefit is to be employed for nine months in the last 24 months. The minimum amount of the benefit is set at 350 EUR gross and the maximum one at 892.50 EUR; up to this amount, the benefit should amount to 80% of the wage basis for the first three months and after this period, it should be reduced to 60%. The length of the period for receiving the unemployment benefit depends on the length of the insurance period and it can extend from 3 (for the insurance period from 9 months to 5 years) to 25 months (for insured persons older than 55 years and with the insurance period exceeding 25 years). The unemployed people must meet the conditions to be eligible for the unemployment benefit: previous working/insurance record and the active job seeking.

According to the LMRA, the duration of receiving the unemployment benefit depends on how long the person was insured (on the length of time worked) and ranges from 3 months (for the insurance period from 9 months to 5 years) to 25 months (for insured persons older than 55 years or with the insurance period exceeding 25 years).

Public Guarantee, Maintenance and Disability Fund

According to the Public Guarantee, Maintenance and Disability Fund of the Republic of Slovenia Act, workers whose employment contract terminates due to employer's insolvency (i.e., in the case of bankruptcy proceedings or compulsory settlement by court's final decision) or deletion from the company register (according to the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act) are entitled to some benefits from the Public Guarantee, Maintenance and Disability Fund. They can apply for:

- unpaid wages for the last three months before the contract termination – the amount should not exceed three minimum salaries;
- unpaid wage compensations for unexpended annual leave – the amount should not exceed 50% of the minimum wage;
- a severance pay – the amount should not exceed one minimum wage.

Representatives of the Employment Service of Slovenia and the Public Guarantee, Maintenance and Disability Fund often work as a team in cases of bankruptcy and visit workers on-site in order to explain to them the procedures that would enable them to get the benefits they are entitled to as soon as possible and as accurately as possible.

Slovene Human Resources and Scholarship Fund

The Slovenian Human Resources and Scholarship Fund also takes part in AEP programmes. It was established at the end of 2006 by the Government of the Republic of Slovenia by adopting the Act with which it transformed the existing Ad futura, Science and Education Foundation of the Republic of Slovenia, Public Fund into the Slovenian Human Resources and Scholarship Fund (Official Gazette of the RS, No. 139/06). The Fund is now the central national management institution for scholarships and development of human resources and offers scholarships for study and research, increases international mobility of students and researchers, provides financial incentives to employers for the development of human resources, awards excellence as well as provides up-to-date information and helps to build a network for minimizing obstacles to the mobility of students, researchers and employees.

Public Guarantee, Maintenance and Disability Fund

The Public Guarantee, Maintenance and Disability Fund, among other benefits, it ensures financial compensations to workers, whose employment contract was terminated because of company insolvency, i. e. in case of bankruptcy proceedings or compulsory settlement by court's final decision.

Representatives of the Employment Service of Slovenia and the Public Guarantee, Maintenance and Disability Fund often work as a team in cases of bankruptcy and visit workers on-site in order to explain them as soon as possible and as accurate as possible about the procedures that would enable them to get the benefits they are entitled to.

Trade unions and works councils

At national level, trade union associations take an important part in the social dialogue. In Slovenia, there are seven trade union confederations. Five of them cover a wide range of industries: Association of Free Trade Unions of Slovenia, Pergam Trade Union Confederation, 90 Trade Union Confederation, Independence New Trade Union Confederation, Slovenian Public Sector Trade Union Confederation.

ation. Two of the confederations are limited to certain branches: Trade Union of Engine Drivers of Slovenia and the Solidarity Association of Workers' Trade Unions. All of these confederations have their member elected to the tripartite Economic Social Council.

According to the law (Employment Relationships Act), workers' representative organizations have to be notified about the planned collective redundancies and to be consulted about the proposed criteria for the selection of redundant workers and measures for avoiding and limiting the number of dismissals and mitigation of harmful consequences. In some cases, they may play a rather active role but mostly their influence is very limited.

According to the Worker Participation in Management Act, employees can set up a works council in any company with more than 20 employees. In companies with 20 or fewer employees, there is a right to appoint a workers' trustee. The size of the works council varies according to the number of employees.

Trade unions and works councils have information and consultation rights, although the works councils are more extensive, while only the union can undertake collective bargaining. A key task is to carry out collective bargaining in companies where this takes place. Union representatives in the company have a general right to provide and protect the rights and interests of trade union members with the employer.

In detail, this means that the trade unions must be informed and consulted by the employer: before adopting rules which lay down the organization of work, in cases of redundancy and business transfer. In accordance with an affected employee's wish, the employer must inform the union about the dismissal or disciplining of an individual union member. In both cases, it can express an opinion on the employer's action and, in the case of dismissal, a union objection leads to the dismissal being suspended until the issue has been determined in court.

The works council has a wider range of specific rights. It should receive information on the company's economic situation and prospects, changes in company activity, changes in the organization of technology and production as well as a copy of the company's annual accounts. The works council should also be consulted on a range of issues in order to arrive at a jointly agreed position. The issues where this consultation is required include issues to do with the position of the company and issues to do with the position of employees. Changes in the company's legal status, sale or closure of the company or substantial parts of it and significant changes in ownership are also considered as the main company-related issues to be consulted with the works council. The employee-related issues are the need for new staff (how many and what sort); job classification, transfers (more than 10% moving out of the company or somewhere else within it), new rules on pensions and other benefits, job losses, health and safety and the disciplinary code.

In addition, there are some areas where the works council must agree with the employer's proposals before they can be implemented. These are the arrangements for annual leave, performance assessment criteria, the suggestion scheme, the use of social facilities, such as holiday homes, owned by the company and the criteria for promotion. In all these cases, if the works council objects to the proposal, the issue is submitted to independent arbitration.

Employers' associations

Employers' associations play an essential part in social dialogue, mainly through the tripartite Economic Social Council (ESC). Four employers' associations take part in the ESC:

- The Association of Employers of Slovenia (AES) as the first voluntary economic association in Slovenia representing and protecting the interests of mainly larger enterprises;
- The Chamber of Commerce and Industry of Slovenia (CCIS), which offers a wide range of support programmes to its members through more than 100 experts and specialists in a broad range of sectors in Slovenia, from commerce and industry to tourism and services;
- The Association of Employers in Craft and Small Business of Slovenia (AECSS), whose members are mostly independent craftsmen and small enterprises;
- The Chamber of Craft and Small Business of Slovenia as an umbrella organization comprising a craft and small business chamber system and 62 regional chambers.

According to representatives of employers' associations, social dialogue in Slovenia proceeds well, but different social partners understand the crisis very differently, thus expecting different measures for addressing it. Employers' associations would like to introduce more flexibility in the employment legislation, with easier dismissal and hiring procedures, and also more flexible types of employment contracts (i.e., mini job; temporary waiting for work with the benefits paid by the Employment Service of Slovenia but without employment termination – as a special kind of short working schemes in the case of work of more seasonal character; partial retirement⁴). On the other hand, according to the employers' associations, trade unions do not always understand and support measures for an economic recovery (i.e., lowering wage taxing).

The employers' associations also stress that one of the incentives for hiring older workers would be more flexible arrangements of seniority bonus based on years of service. This bonus substantially raises labour costs and the employers' associations claim that it should be negotiated within branch collective agreements and not set by the law. In general, employers' associations would like to give a wider floor to social dialogue within specific branches regarding employment arrangements and not regulate every detail by the legislation.

⁴ Partial retirement is a situation when an individual is allowed to retire and receives retirement benefits while continuing to work (usually part-time) and contributing towards the retirement scheme.

5. Measures for anticipating change

Anticipation at national level: statistical data and analyses

Among the core instruments for anticipating change at national level are certainly statistical data and macroeconomic forecasts. The most important institutions in this regard are:

- The Statistical Office of the Republic of Slovenia (hereinafter SORS) as the main producer of national statistics: it provides timely and internationally comparable data on the situation and trends in the economic, demographic and social fields, as well as in the field of environment and natural resources; among others, it provides data and trends on the labour market (active population, monthly earnings, labour migrations, labour costs, etc.) and business entities (enterprise number, growth, performance, investments, etc.).
- The Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) as an independent government office with the following major tasks: monitoring, analysing and evaluating current trends, as well as economic, social and environmental dimensions of development; preparing short- and medium-term forecasts of macroeconomic aggregates (twice a year, by 31 March and 31 September); preparing analyses that serve as a basis for strategic decision-making and economic and development policy measures; and research work.
- The Employment Service of Slovenia (ESS): in addition to measures mainly addressing managing change, the ESS also provides information and analyses about the Slovenian labour market through up-to-date website notices as well as thorough monthly and yearly publications. An important role of the ESS arises from a good overview of offer and demand on the labour market and the possibility to interfere in matching both sides – employers' and employees' sides. This role of the ESS is somehow weakened when the general obligation of reporting every employment vacancy was cancelled.

Anticipation at organizational level

The employer has a duty to notify the ESS about the expected collective dismissals. The ESS could have an important role here, because the employer has to consider any proposals submitted by the ESS regarding measures for avoiding and limiting the number of dismissals and mitigation of harmful consequences. The ESS representatives believe that their cooperation with the companies in this regard is quite good. Among many bad examples of collective dismissals that attract considerable media attention, there are many models of good practice where the company manages to find other appropriate or suitable work for a number of workers, thus reducing the scale of redundancies. There are also individual cases when the company hires employment services in order to help its redundant workers to actively seek new employment possibilities, and even provides psychosocial support for workers facing dismissal. However, the representative of the trade union has stressed that these cases happen very rarely and that employers often bypass their duties and agreements with the ESS, e.g., instead of trying to find new employment within the company or with another employer, they mostly only provide a written statement issued by a few other "friendly" employers about not having any job vacancies and submit it to the ESS.

When collective dismissals are envisaged, trade unions have to be notified and consulted about the restructuring plan, and especially about the selection of redundant workers. This legal provision could be a good basis for the preparation of suitable measures for limiting the number of dismissed employees and for the prevention and mitigation of harmful consequences if a consultation process with trade unions starts well in advance. With prompt and honest information, employees could be better prepared for changes to come, but in practice, lack of information and avoidance of open discussion with workers and their representatives is more common. As described by a trade union representative, restructuring processes in Slovenia mostly start with rumours that trigger tensions, fear and insecurity among workers, because the management does not give any explanations. At this stage, motivation for work drops and loyalty to the company is also shattered. Even when the reorganization really starts, only limited information is available and no one honestly tells employees why the planned changes are necessary and how the process will proceed. This is the period when tensions grow so high that many workers develop health problems and try to avoid redundancy with sick leave or claims for disability recognition. According to a trade union representative, this scenario is very common in restructuring cases in Slovenia. At the last stage, when the list of redundant workers is completed, a new threat emerges – whether the company has enough money for severance pay or not. A general estimation reveals that despite very strict legislation about managing insolvency, the Slovenian companies mostly start restructuring processes too late and consequently, they lack funds for wages and severance pay at the end.

A good basis for anticipating change could be social dialogue at organizational level and the obligation to inform and consult trade unions and works councils about important matters within the company. According to the Worker Participation in Management Act, employees have a right to participate directly in the management and supervisory bodies of the company through their elected representatives. Works councils have the right to appoint from one third up to one half of the supervisory board members. If a company has more than 500 employees, it also has the right to appoint one of the management board members.

Anticipation of knowledge and skills

The main problem that the Slovenian labour market has faced for several years (even before the present crisis), is structural unsuitability of job seekers in comparison to the employers' needs. Several measures and programmes carried out by the Employment Service of Slovenia and the Slovenian Human Resources and Scholarship Fund aim to address this gap. One of such EU funded projects is the Lifelong career orientation project that also aims at a better harmonization of supply and demand of knowledge and skills between employees and employers. The employers can also get incentives for the implementation of Practical Training through Work as one of the important areas of introducing the youth to the work process and opening new paths for their employment. Another programme addressing increased employability of young people is the Mentorship for Youth as a way of intergenerational transfer of knowledge.

Slow reactions of formal educational programmes to changes in the labour market led to the development of a system for the verification of informally acquired knowledge. Some solutions of this system emerged almost 25 years ago but it was formally established with the legislation on National Vocational Qualifications first adopted in 2000. The system enables the employees to quickly and simply acquire publicly recognized documents to pursue the occupation. It also enhances the development of one's career and personal development as the results of learning and experience acquired throughout one's lifetime are validated. It offers a wide range of National Vocational Qualifications needed by companies. Employers can also put forward proposals for new National Vocational Qualifications. Within this framework, they define competences, skills and knowledge required by companies, thereby providing appropriate new staff. The benefits of the National Vocational Qualifications system include flexibility and adaptability as they make it possible to quickly respond to training needs of companies when compared to the school education system.

One of the bases for the new social agreement in the period 2014–2015 also addresses a more suitable educational model that will include:

- promotion of shortage occupations on the labour market within the last 5 years;
- enhancement of connections between the educational system and the economy with measures of Practical Training Through Work and provision of financial incentives or employers for implementing training in the workplace.

Employers' Offices

In order to better meet the employers' needs, the Employment Service of Slovenia (ESS) introduced Employers' Offices in 2013. By meeting the employers, the ESS advisers can identify current and future companies' needs. This information helps the ESS to select adequate candidates for vacant posts and to plan suitable training and education programmes. Within this new service, the employers can also get information about Active Employment Policy (EAP) measures, and advisers' help in managing administrative issues in the procedures of hiring new employees and regarding applications for public invitation to tenders within the EAP.

The Employers' Offices are mostly used by small and medium-sized enterprises because they usually do not have well-organized human resources and/or law departments, thus being badly informed about the new legislation regarding the labour market and services offered by the ESS.

6. Measures for managing change

Table 3. Measures for managing change

| Measure | Applied during the crisis (Y/N) | Commentary |
|---|---------------------------------|---|
| Wage and labour cost reduction | Y | Aiming at increasing employment of vulnerable groups and unemployed persons |
| Short time work | Y | A temporary measure introduced at the beginning of the crisis |
| Temporary layoff | Y | A temporary measure introduced at the beginning of the crisis |
| Early retirement | Y | Not subsidised by the state, rarely used by employers |
| Dismissal and severance pay | Y | Severance pay – during the crisis introduced also for fixed-term employment contracts |
| Dismissal and transition to alternative job | Y | Rarely, even though it is employers' obligation to try to find an alternative job inside or outside the company |
| Training for transition and reintegration | Y | Several programmes offered by employment services |

Wage and labour cost reduction

From the beginning of the current crisis, Slovenia has been offering many different types of subsidies to reduce wage and labour costs or taxes intended to increase the employment opportunities of vulnerable groups and unemployed persons.

They aim at encouraging employment of different categories of workers: younger people (first-time job seekers), older employees, disabled workers, long-time job seekers, or workers from regions with higher unemployment rate.

Short time work and temporary layoff

At the beginning of the economic crisis, the government introduced several temporary anti-crisis packages: the first mostly addressed the financial sector, the second and the third were targeted at the labour market:

- within the second package in January 2009, the Partially Subsidizing of Full-time Work Act was adopted in order to prevent dismissals or at least to postpone lay-offs of large number of employees. This was initially successful, but as the crisis continued and companies needed more support, recommendations from employers' and employees' organizations led to the adoption of the second legislative package.
- Law on partial reimbursement of payment compensation for temporarily laid-off workers (July 2009). The law on partial reimbursement of payment compensation stipulates that eligible employers – private employers as well as cooperatives (except in agriculture) – could place up to 50% of their workers (including part-time and fixed-term workers (but not temporary agency workers or management) on a 'temporary waiting for work' (temporary layoff) scheme, during which training had to be provided (Ignjatovič, 2012).

The main aim of both of the acts was to preserve as many working positions as possible but unfortunately, the duration of the measures they introduced was limited due to lack of public funding and growing fiscal problems.

In line with the Partially Subsidizing of Full-time Work Act, companies could get from 60 to 120 EUR per worker included in the short-time work scheme. In 2009 and 2010, more than 900 companies used this possibility for more than 65,000 employees. The possibility to place workers on a temporary layoff scheme with partial reimbursement of payment contribution was also very well accepted by the employers. Subsidies were granted to 946 enterprises for more than 25,000 employees. Among the beneficiaries of both crisis packages were mostly manufacturing companies (44%), followed by wholesale and retail trade enterprises (18%), companies performing real estate and rental activities (16%), and construction companies (12%) (Kajzer, 2011).

In order to enhance workers' employability, the law on temporary layoffs also introduced an obligation to offer educational and training programmes to workers included in these schemes. According to ESS data, a substantial majority of companies organized fairly short internal courses led by their own employees and focusing mostly on technical knowledge closely connected with the companies' main activities. This kind of education and training did not contribute much to better employability of workers within the scheme. Better results could have been expected if specialized organizations had been involved in planning and performing these courses (i.e., ESS or the Slovenian Institute for Adult Education).

Early retirement

As one of the measures that an employer can use in a programme for redundant workers is also early retirement by purchasing the pension qualifying period. Depending on the worker's age and pension qualifying period the company can purchase up to 5 years of the pension qualifying period this way.

There are no data available on the extent of this measure implementation because the Pension and Disability Insurance Institute of Slovenia does not keep a record of who is paying for the pension period. The law also gives the same possibility of acquiring early retirement in this way to the insured persons individually. But according to the Institute's estimate, this measure is not very popular among the employers due to high costs. An approximate amount for a month of the insurance period is around 300.00 euros and depends on average pay in the country. In addition to this, workers themselves are also not very interested in this possibility because the insurance pension period gained in this way is not considered as a full insurance period and as a consequence, the pension amount can be considerably lower.

Incentives for self-employment

In recent years, the number of self-employed persons in Slovenia has increased. The share of self-employed in total employment was 16.8% in 2008 and 19.9% in 2013. The ESS invested almost 100 million EUR in self-employment subsidies in the period 2007–2013, thus helping more than 23,000 people to open their own business. The subsidies ranged from 2,100 EUR in 2007 to 5,000 EUR in 2013. With the termination of this programme, interest in self-employment has been on the decrease in 2014. New programmes in this field are aimed at educating (younger) people how to start and run small businesses.

Even though the government policies encourage self-employment in order to help the unemployed to return to employment, self-employment may also present a form of precarious work. As a union representative stressed in an interview, there are many cases when employees are laid off, forced to self-employment and to continue to do the same work as before. According to labour force surveys, as many as 10% of the self-employed work for only one customer and 5% mostly in the premises of this customer.

In 2013, the Employment Relationship Act (ERA-1) introduced a legal definition of an economic dependent as "a self-employed person who on the basis of a civil law contract performs work in person, independently and for remuneration for a longer period of time in circumstances of economic dependency and does not employ workers". In this regard, the law provides limited protection for persons who obtain at least 80% of their annual income from the same contracting party.

Incentives for self-employment are also offered to redundant workers by employers but very rarely.

Other measures

Measures as a part of active employment policy

Active employment policy (AEP) in Slovenia aims to increase employment and decrease unemployment, to raise employability in the labour market, competitiveness and flexibility of workers. It includes five packages of measures: training and education, replacement of a worker in a job position and job sharing, employment incentives, creation of new jobs, and promotion of self-employment.

The funds for all the AEP measures in 2013 and 2014 are planned at almost 200 million EUR. In detail, the most important programmes within individual packages are:

- training and education of the unemployed and employed persons: training in the workplace for job seekers; motivation and education of job seekers in one of the less developed regions; vocational education programmes for the unemployed; training in co-financing training possibilities for companies; project learning for young adults as a continuation of education process; a possibility to choose a suitable profession and a way of gaining practical skills;
- replacement of a worker in a job position and job sharing: "Mentorship for Youth" as a mentorship with job sharing in order to enable intergenerational transfer of knowledge and to make transition from education to employment easier for young workers;
- employment incentives: subsidies for employing difficult-to-employ persons ("Hire me" programme); employment subsidies in Slovenian regions with higher unemployment rate (reimbursement of employers' contributions); subsidies for job seekers whose jobs are at risk ;
- creation of new jobs: activities within the community work programmes dedicated mainly to long-term unemployed people – in 2014, public tender for community work programmes aims at encouraging the establishment of new social enterprises and new actions for vulnerable unemployed people;
- encouragement of self-employment: these activities include an individual guidance, business consultancy, and training in self-employment procedures.

In 2013, as many as 38,654 people took part in different AEP activities; this is 32.4% more than in 2012. The most popular programmes were employment incentives and training and education measures. In 2014, young people (within the new Youth Guarantee programme) and long-term job seekers remain the most important target groups of the AEP activities.

In January 2014, the Government of the Republic of Slovenia adopted the 2014–2015 Youth Guarantee implementation plan. Its key aim is a faster activation of the unemployed youth. In each of the two years, more than 157 million EUR will be allocated to the programme. The implementation plan joins together 36 measures arranged into four pillars:

- the first pillar (preventive measures): scholarships, foreseeing labour-market demands, practical training during education, lifelong career orientation, etc.;
- the second pillar (measures immediately after registration of unemployment): preparation of individual plans, consultation, inclusion in active employment policy measures, national vocational qualifications, project-based learning for youth, etc.;
- the third pillar (after three months of unemployment): mentorship schemes, entrepreneurial consultation, exemption from paying contributions, more in-depth consultation and active employment policy measures aimed at increasing employment rates;
- the fourth pillar (after three months of unemployment): inclusion in additional active employment policy measures, co-financing internship, community work and alike.

By adopting the Youth Guarantee, Slovenia guarantees that within four months of entering the unemployment register with the Employment Service of Slovenia (ESS), each young person aged between 15 and 29 will be offered employment (also including internship), in-service training, integration in formal education, or short-term institutional or practical training. The key aims of the Guarantee are:

- smoother transition between education and employment,
- faster activation of the unemployed youth, and
- decrease in unemployment.

Restrictions on concluding fixed-term employment contracts

As stated by the Employment Relationship Act, an employer may not conclude one or more successive fixed-term employment contracts for the same work during an uninterrupted period longer than two years, except for some exceptions.

A fixed-term employment contract may be concluded for a period longer than two years if the project lasts more than two years and if the employment contract is concluded for the entire duration of the project. A branch collective agreement has to determine what is considered to be a project work.

If a fixed-term employment contract is concluded contrary to an Act or a collective agreement or if the worker continues to work when the employment contract has already expired, it can be assumed that the worker has concluded a permanent employment contract.

Despite all these restrictions and increasingly higher contributions and taxes on fixed-term employment, this type of contract is very popular among Slovenian employers. According to a rough assessment of the Employment Service, fixed-term contracts currently represent as many as 80% of all new employment vacancies. On the contrary, the share of open-ended contracts among workers hired by the temporary employment agencies is increasing compared to the fixed-term contracts that used to be prevalent among these employees in the past.

Due to very complicated and long procedures for cancellation of a permanent contract, especially small employers very often use fixed-term contracts as a measure for a better adaptation to an ever changing economic environment.

»Mini job« employment

In 2010, the government wanted to introduce new legislation regarding "mini job", but it was later rejected in a referendum held in April 2011. According to the act proposal, mini job is a paid, temporary, occasional or more permanent work limited in time carried out by students, pensioners, unemployed or other inactive persons. It should not have lasted more than 60 hours per month. The law would also have limited the maximum earning by mini job to 6,000 EUR per year and it would also have set the minimum gross hourly rate at 4.00 EUR.

After the rejection of the act proposal, some of the proposed solutions were introduced into other legislative documents:

- temporary and occasional work for pensioners according to the Labour Market Regulation Act: this work is limited to up to 60 hours per month, payment is limited to up to 6,300 EUR per year, the minimum hourly rate is set to 4.20 EUR, a special civil law contract for temporary and occasional work should be concluded; there is also a general limitation in the number of hours per month worked by pensioners in regard to the number of employees in the company;
- tax on student work almost doubled with the Fiscal Balance Act in 2012 in order to raise the share for the scholarship fund (besides this, the money from the tax is transferred to student work services, the Slovenian Student Organization, and is spent on the construction of halls of residence). In 2014, a new act on temporary and occasional work for students is being prepared: among other provisions, contributions for social security will be introduced for student work, and a minimum hourly rate will be set in order to raise the legal security of students.

Employers' associations support the idea of mini job employment as a way of establishing connections between an employee and a future employer.

7: Concluding remarks

Recent labour market legislation brought about changes that according to the Organization for Economic Co-operation and Development (OECD) increased flexibility of the labour market, but at the same time, they decreased employment protection, especially in the case of individual dismissals and temporary employment forms. Following the restrictions on concluding fixed-term contracts, more open-ended employment possibilities are being offered, but at the same time, other (more precarious) types of work are also on the increase.

Despite these changes, employers' associations still claim that the rigidity of the labour market is an important barrier to successful organizational restructuring and thus they support even more flexible, temporary types of employment and less formal hiring/dismissal procedures. In their opinion, high taxes on wages are also a major barrier to economic revival in Slovenia and one of the major reasons for low competitiveness of the Slovenian economy in comparison to other European countries. Trade unions, on the other hand, strive to enhance employment protection measures and to limit temporary, short-term and fixed-term contract employment forms.

Even though being often on opposing sides, employers' associations and trade unions agree that the Employment Service of Slovenia does not manage to keep pace with labour market changes very well, especially in anticipating the structure and volume of demand for labour. On the other hand, there are many different services offered to employers, employees and the unemployed, but the question is if they are tailored according to the needs of all these target groups and additionally, if they are communicated well enough.

Anticipating change is probably the weakest link in the restructuring processes in Slovenia, be it on the national or on the organizational level. This is also one of the reasons that not many successful restructuring cases can be found in the country. Companies introduce restructuring measures too late in the process; both trade unions and employers' associations agree on this. In this way, measures for managing restructuring also cannot be implemented on time and effectively.

Appendix: Case study

Restructuring in Letrika, d. d.

The Letrika Group is a large Slovenian producer of starters, generators for internal-combustion engines, electric motors, and electronic and mechatronic systems for work and transport equipment. It is mainly an export-oriented company with a current number of employees at around 2,600.

Just before the crisis in 2008, the company focused on increasing sales and developing new lines and products and invested heavily not only in innovation and research but also in improving working conditions and employee education. Consequently, it also achieved a significant growth and a record number of employees by the first half of 2008. Fixed-term contracts were signed with more than 400 employees and a large number of temporary contractors were also hired through employment agencies and student employment agencies.

However, the negative impact of the global crisis began to show itself in midsummer and the company's executive board responded very quickly to the fall in orders and prepared a crisis management plan by November 2008, which was expanded in February 2009. The company thus rapidly began to implement measures to reduce all kinds of fixed and variable costs, manage liquidity, reduce investment and focus on key innovation projects. First, executives' salaries and those of all employees on individual contracts were reduced by 10%. This was followed by ending the contracts with workers that were employed for a fixed term or hired through agencies. The measures used also included incentives for workers that fulfilled retirement conditions (age and years of service). As early as December 2008, the number of employees was reduced by 200. Since fixed-term employees were dismissed irrespective of their jobs, regular employees were transferred to those positions. The transferred workers were relatively inflexible and resisted change, even though they had been prepared for this possibility in the preceding years.

In February 2009, the company implemented a shortened, 36-hour working week. This measure was part of the first new government crisis-management measures, and the company appealed for partial subsidies for full-time work on the basis of the Partial Subsidies for Full-Time Work Act. Additional cuts in orders led the company to shorten its 36-hour working week by another four hours in June and July. In November 2009, when things began to settle down, they resumed a 40-hour work schedule.

In March 2009, the second phase of the restructuring measures began with intensive work on the surplus employee reduction plan and criteria for dismissal. The number of workers necessary to dismiss was determined using expert calculations, but the union did not agree with this number, stating that it was too high. In subsequent negotiations with the management, they were able to lower this number and preserve about 100 jobs. Despite this, the number was still quite high: 245 workers. The plan was finally adopted in June 2009.

The criteria used to define the list of surplus workers included: skills and training (using a matrix filled by a foreman), work quality and effectiveness, ability to work in teams and working groups, and personal qualities, such as attitude towards work. There were no social criteria used for this evaluation, although they were used later as deciding factors, e.g., when two employees had the same number of points. In situations where two individuals were a married couple, they let the couple themselves decide which one should be dismissed. Age was not used as a criterion. Only workers in the "insured" category – that is, over 55-year-olds – were excluded. In short, the company tried to develop criteria that would be as objective as possible and were based on existing recorded data.

Dismissal notices began to be handed in August. Dismissed workers were first notified verbally by the directors of their individual strategic production units and directorates. Later, when the list was completed and confirmed, they also received written notices. During the dismissal period, the union offered dismissed workers the opportunity to consult a lawyer who could advise them on their rights; no further formal assistance was provided. Very little importance was placed on continuing communication between management and workers. Communication activities were thus voluntarily undertaken by the human resources department, which also took on counselling roles (although entirely informally) while the changes were being implemented. This was parallel work not anticipated in the company plans and was also unpaid.

The total number of job reductions, including non-renewal of contracts, ending temporary hiring through agencies, retirements, and dismissal of (surplus) workers amounted to around 750. The role of the local Employment Service during the restructuring process was not particularly active except for administrative tasks required by law. They did, however, present hiring opportunities in another company which was recruiting new employees.

The situation in the company settled down towards the end of 2009, the results started to improve and as early as 2010, the company was able to start hiring new workers, whereby people that were dismissed for business reasons the previous year were given priority. The company continued to invest in development and education and for last two years, it has also stimulated workplace health promotion activities. During the whole period after 2010, the company managed to maintain continuous growth of employment except for a slight downturn in the last quarter of 2012. Around 10% of the workforce employed in the company are fixed-term workers, because this enables the company to adjust its costs to continuous changes in demand. Previously mostly owned by different state funds and agencies, the Letrika Group's majority stock share has been acquired by the German group called Mahle.

(Adapted from: Drakšler and Dodž Fikšak, 2010)

References

1. Anon. Report of the working group for monitoring effects of the labour market regulations changes in 2013 (Poročilo delovne skupine za spremljanje učinkov sprememb v regulaciji trga dela v letu 2013). Website: http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/dpd/Analiza_trg_dela_SL.pdf.
2. Anon. Your Europe: Slovenia – Bankruptcy. Website: http://europa.eu/youreurope/business/start-grow/start-ups/index_en.htm#slovenia_en_handling-bankruptcy-and-starting-afresh.
3. Brložnik J. Spring Forecast of Economic Trends 2014. Ljubljana: Institute of Macroeconomic Analysis and Development of the Republic of Slovenia, 2014. Website: http://www.umar.gov.si/fileadmin/user_upload/publikacije/analiza/spoml14/a_PNGG_2014_splet.pdf.
4. Draksler K, Dodik F, Fikfak M. Restructuring in automotive electrical system manufacturing. Project IRENE + Facing Transitions. Project report, 2010.
5. Fulton L. Worker Representation in Europe. Labour Research Department and ETUI, 2013. Website: <http://www.worker-participation.eu/National-Industrial-Relations>.
6. Government of the Republic of Slovenia National Reform Programme 2014-2015 (Nacionalni reformni program 2014-2015), 2014. Website: http://www.vlada.si/fileadmin/dokumenti/si/projekti/Protikrizni_ukrepi/NRP_2014.pdf.
7. Ignjatovič M. Slovenian Labour Market between Economic Efficiency and Social Justice (Slovenski trg delovne sile med ekonomsko učinkovitostjo in socialno pravičnostjo). In: Vehovar U, ed. Unsocial Slovenia? (Nesocialna Slovenija?). Koper: Annales, 2012.
8. Kajzer A. Impact of the economic crisis on the Slovenian labour market and challenges for labour market policy (Vpliv gospodarske krize na trg dela v Sloveniji in izzivi za politiko trga dela). IB Revija 4/2011: 13-21. Website: <http://www.dlib.si/stream/URN:NBN:SI:DOC-GNFAOA9F/2cabe919-ed2b-4b9d-a76b-91473c84db42/PDF>.
9. Kresal B. Anticipating and Managing Restructuring in Slovenia: National Background Paper. ARENAS project, 2010.
10. Kopač A. Contribution to EIRO Comparative Study on Social partners and the Social Security System - Case of Slovenia. EIR Online. 2005. Website: <http://www.eurofound.europa.eu/eiro/2005/09/study/si0509202s.htm>.
11. Mansfeldova Z. Trade Unions and Employers' Associations on the Way to Multi-Level Social Dialogue – comparison between Czech Republic, Slovakia and Slovenia, 2007. Website: <http://aei.pitt.edu/7959/1/mansfeldova-z-12h.pdf>.
12. The Slovenia Times. New Insolvency Legislation Helping Indebted Companies. Business, 31 Oct 2013. Website: <http://www.sloveniatimes.com/new-insolvency-legislation-to-help-companies-avert-bankruptcy>.

IRENE
Policy Paper
N° / 2014

