

# SLOVENIA

## Workforce Restructuring in Manufacturing Industry

Case Study by  
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# Abstract

This article analyses the ways in which – and how efficiently – Slovenia is coping with the problems of collective redundancies arising from company restructuring. Based on analysis and interviews with the relevant actors, the paper addresses economic policy measures specifically targeted to alleviate the problems resulting from collective redundancies. The overall conclusion is that Slovenia has introduced a number of significant economic policy measures and has allocated substantial resources to assist employees hit by collective redundancies due to company restructuring.

**Key words:** Company restructuring, unemployment, collective redundancies, legal and policy framework, Slovenia

**JEL classification:** J230, J580, J650, J680



# 1. Introduction

Slovenia, especially the manufacturing sector, faced the first collective redundancies at the beginning of the 1990s, at the beginning of the transition process, accompanied by the shrinking of the domestic market due to the disintegration of the former Yugoslavia (for more details see Mrak et al. 2004). This led to a considerable contraction of production and employment in Slovenia in the early 1990s. Employment fell from 823,000 in 1990 to only 645,000 in 1994 (Vodopivec 2004: 298). Thereafter, positive employment growth rates have resumed. Various means were introduced to cope with the problems: early retirement, strict employment protection legislation and considerable resources for active labour market programmes have been the main features of employment-related legislation and policy (for more details see Vodopivec 2004).

In the mid-1990s, the threats to employment due to the transition were gradually succeeded by other processes. Technological development and globalisation put companies under increasing pressure to restructure in an effort to remain competitive. Company restructuring is, as a rule, accompanied by changes affecting the workforce, in terms of employment reductions and creation (see, for example, Amiti and Wei 2004; Antras and Helpman 2003; Barry and Walsh 2005; Bartel et al. 2005; Bhagwati et al. 2004; European Commission 2004, 2005a, 2005b, 2007; Geishecker and Görg 2004; Grossman and Helpman 2002a, 200b; Panagariya 2005; Samuelson 2004). Thus, in the period 1997–2006, the number of persons employed in manufacturing decreased further, from 240,091 to 227,924 (see Table 1). Individual manufacturing branches experienced different levels of employment reduction. Hardest hit was petroleum production (74 per cent of the workforce lost jobs between 1997 and 2006; the only refinery in the country declared bankruptcy), followed by textiles and textile products (45 per cent of jobs lost), leather and leather products (39 per cent), food, beverages and tobacco (18 per cent), other non-metal mineral products (13 per cent) and wood and wood products (11 per cent). In other manufacturing branches employment decreased by under 10 per cent, and in some it even increased: rubber and plastic products (+32 per cent), basic metals and fabricated products (19 per cent), electrical and optical equipment manufacturing (11 per cent), manufacturing of machinery and equipment (6 per cent) and chemicals (2 per cent). This has brought about considerable structural changes in Slovenian manufacturing. In employment terms, the most important manufacturing branches in 2006 were basic metals and fabricated products (18.3 per cent share), manufacturing of electrical and optical equipment (12.1 per cent) and machinery and equipment (11.6 per cent). Textiles and textile products (8.8%) and food processing (7.8 per cent) retain a high structural share.

According to company financial statements, in 2006, 6,895 companies were active in the Slovenian manufacturing sector, 15.4 per cent of total companies; 343 of them were wholly or partly foreign owned. Total sales of these companies were €21.7 billion (34.4 per cent of total) and exports €13.6 billion (70.5 per cent). Sales of foreign owned companies in manufacturing totalled €6.4 billion and exports €5 billion (Bank of Slovenia, 2007).

*Table 1*  
**Employees in manufacturing, Slovenia, 1997, 2000, 2005 and 2006**  
 (percentage distribution and index of number of employees in 2006 [1997=100])

	Percentage distribution				2006 Index (1997=100)
	1997	2000	2005	2006	
D Manufacturing, number	240,091	233,967	231,776	227,924	95
D Manufacturing, percentage	100.0	100.0	100.0	100.0	
DA food; beverages and tobacco	9.0	8.9	8.3	7.8	82
DB textiles and textile products	15.1	13.7	9.8	8.8	55
DC leather and leather products	3.7	3.1	2.5	2.4	61
DD wood and wood products	5.1	5.2	4.9	4.8	89
DE paper, publishing and printing	6.4	6.2	6.4	6.4	95
DF coke, petroleum prod. and nuclear fuel	0.1	0.3	0.0	0.0	26
DG chemical prod. and man-made fibres	5.1	5.0	5.4	5.5	102
DH rubber and plastic products	4.4	4.9	5.9	6.2	132
DI other non-metal mineral products	4.8	4.7	4.5	4.4	87
DJ basic metals and fabricated products	14.6	16.1	17.3	18.3	119
DK machinery and equipment	9.7	9.9	11.1	11.6	106
DL electrical and optical equipment	10.9	11.7	12.2	12.1	111
DM transport equipment	4.3	3.9	4.9	5.0	94
DN furniture production	6.7	6.3	6.7	6.6	95

*Source:* Statistical Office of the Republic of Slovenia, Statistical Yearbook 2007, 2006, 2001, 1998.

Table 2 presents a breakdown of job losses in Slovenia by type of company restructuring, both already implemented and planned, for the period 2002–2012. The table is based on a sample of 117 cases of company restructuring in the Slovenian press. Collective redundancies and job losses generally in Slovenia are mainly due to internal restructuring, followed by bankruptcy/closure and offshoring/delocalisation. Companies undertake internal restructuring and offshoring/delocalisation (relocation of production abroad) to cope with competitive pressures. This often leads to a reduction in domestic employment and job losses. Table 2, of course, presents only a fraction of the overall employment effects arising from Slovenian company restructuring (only what has been publicised).

*Table 2*  
**Breakdown of employment effects by type of company restructuring,  
 Slovenia, 2002–2012<sup>\*</sup>**

Type of restructuring	Planned job reductions		Planned job creation		Cases	
	Number	%	Number	%	Number	%
Internal restructuring	9,192	59.7	0	0	42	35.9
Business expansion	0	0	14,885	97.2	43	36.8
Bankruptcy/closure	3,647	23.7	0	0	20	17.1
Off-shoring/delocalisation <sup>**</sup>	1,790	11.6	0	0	6	5.1
Other	600	3.9	310	2.0	3	2.6
Merger/acquisition	175	1.1	120	0.8	3	2.6
Relocation <sup>***</sup>	0	0	0	0	0	0
Outsourcing <sup>****</sup>	0	0	0	0	0	0
<b>Total</b>	<b>15,404</b>	<b>100.0</b>	<b>15,315</b>	<b>100.0</b>	<b>117</b>	<b>100.0</b>

*Notes:* <sup>\*</sup> Restructuring cases and employment effects are identified by the Foundation through a press review of daily newspapers and the business press. The cases included are those in which restructuring has affected at least 100 jobs or 10 per cent of the workforce in companies employing more than 250 people. Each case is reviewed and recorded in a standardised fact sheet, which allows for the compilation of statistics comparing countries, sectors or types of restructuring.

<sup>\*\*</sup> When an activity is relocated or outsourced outside the country.

<sup>\*\*\*</sup> When the activity stays within the same company, but is relocated to another location within the country.

<sup>\*\*\*\*</sup> When the activity is subcontracted to another company within the same country.

*Source:* European Foundation for the Improvement of Living and Working Conditions, <http://eurofound.europa.eu/emcc/erm/index.php?template=stats>

In this paper our aim is to analyse the employment-related effects of company restructuring in Slovenia. We tackle the issue by analysing the existing legal framework and policy measures, and by looking at how the problems of collective redundancies are addressed in practice. We interview the relevant actors in the process, including employees, trade union representatives, labour office representatives and government representatives. Section 2 deals with measures to assist redundant workers and to create new employment. Section 3 looks at the institutional framework and implementation. Section 4 addresses the success enjoyed by social dialogue in mitigating the consequences of redundancies. Section 5 presents the lessons learned.



## 2. Measures to Assist Redundant Workers and to Create New Employment

### 2.1 Introduction

This section analyses the support available for workers who lose their jobs as a result of company restructuring. The main focus is on the statutory obligations imposed on employers and the support provided by the public authorities. The first part concerns the financial support available both at the time of redundancy, and in cases where workers remain unemployed following redundancy. The second part concerns arrangements put in place at the onset of company restructuring in order to assist workers who are about to be, or who have been, made redundant, to plan and organise their futures. The remaining four parts analyse the promotion of entrepreneurship and competitiveness, rescue and restructuring aid for companies in difficulty, sectoral programmes for adjustment to the conditions of the EU internal market and regional development programmes.

### 2.2 Financial Support for Redundant Workers

Workers obtain information about any financial compensation to which they are entitled as a result of redundancy mainly from the Employment Service, employers' human resource departments, trade unions and work funds. The most important procedure to ensure that workers are properly informed is the right to a consultation at the Employment Service.

Every employer who terminates an employment contract for business reasons has to pay the employee a *redundancy payment*. The amount of the redundancy payment depends on the individual employee's average monthly wage and number of years of employment with the employer. These payments are guaranteed also in the case of company bankruptcy. According to the Guarantee and Maintenance Payments Fund of the Republic of Slovenia Act (OG RS, No. 25/97, 78/06) workers employed by companies that become insolvent (that is, companies in a compulsory settlement or bankruptcy procedure) have the right to claim the amount of their redundancy payment (not exceeding the minimum wage) from the public guarantee fund.

Workers who are made redundant against their will and through no fault of their own are entitled to the *monthly unemployment benefits* provided by the Employment Service, based on statutory and compulsory unemployment insurance. The conditions are that in the previous 18 months the worker had been employed by one or several employers for a total of at least 12 months, that he or she was insured against unemployment and that no suitable employment is available. The unemployed person has to register at the Employment Service and make an application claiming the right to unemployment benefit within 30 days of termination of their employment contract. The duration of the entitlement to unemployment benefits depends on the length of previous insurance, and range from 3 months to 24 months. The allowance for the first three months amounts to 70 per cent of the average wage over the last 12 months. After three months the allowance is reduced to 60 per cent of the average wage.

Exceptionally, the system provides for additional indirect financial support for workers involved in collective redundancies. In the case of larger-scale redundancies the system provides for wage subsidies to employers in restructuring industries (textiles, leather, shoemaking, timber and paper). The amount of subsidies depends on full- or part-time employment and varies from €1,250 to €2,500. In addition, according to the Act governing rescue and restructuring aid for companies in difficulty (OG RS, No. 110/02), the Employment Service and the Ministry of the Economy co-finance the retraining of workers and subsidise wages to preserve jobs. In short, additional financial support may come from the government only in certain cases. On the other hand, collective redundancy programmes prepared by employers must also include measures mitigating the adverse consequences of job losses, such as financial aid, assistance in starting a business and early retirement pensions/benefits (that is, benefits payable to those above a certain age until official retirement). In practice, additional financial support above that available to workers who lose their jobs on an individual basis is infrequent.

## 2.3 Active Employment Policy Programmes

Slovenia implements a number of policies addressing the employment impact of company restructuring. The efforts of public authorities or agencies to attract new jobs to locations where major redundancies occur take a number of different forms. A response to restructuring is the explicit or implicit subject of a number of policy documents. Slovenian legislation is based on the principle of equal treatment of workers who lose their jobs because of company restructuring and those who lose their jobs on an individual basis. But there are a number of special measures and practices implemented by public bodies that depend on the scale of redundancies, the sector in which redundancies occur and the significance of the redundancies for the locality.

## Box 1

### Factors Influencing the Way in Which Support for Redundant Workers Is Organised and the Forms It Takes

The manner in which support for redundant workers is organised and the form it takes depend on the type and scale of redundancies, the level of employability of redundant workers, the sector in which the restructuring occurs and the success of the social partners in reaching agreement on the restructuring. The Employment Service also adjusts its activities to the burden imposed on the local environment by the redundancies. In some instances, public support is provided locally, where the redundancies are due to take place, with various agencies participating in a 'one stop shop'. One option for 'on site' state support is work funds. The other option is the activities of the Employment Service in cases of (planned) larger-scale redundancies, when 'on site' support is organised in the form of consultations, lectures and workshops. The sector of activity in which the restructuring occurs is important. Because of the lower employability of redundant workers in certain sectors, the attention of the state is focused on redundancies in textiles, leather, shoemaking, timber and paper. If the agreement between the social partners concerning restructuring affects the employment and training opportunities of redundant workers the engagement of public bodies is less intensive than in other cases.

In November 2006 the Slovenian government adopted a new programme, the *Active Employment Policy for 2007–2013* and the *Implementation Plan* for 2007 and 2008. The programme contains four types of active employment policy measures: (i) employment advice and guidance, (ii) training and education, (iii) employment and self-employment incentives and (iv) programmes to enhance social inclusion, implemented through a number of different activities. Workers losing their jobs on the ground of restructuring typically have access to the following:

- *Advice and guidance on career and training options.* Whenever workers losing their job decide to register as unemployed at the Employment Service, they have access to consultations at which they receive information on the contents and enforcement of their rights, the needs of the labour market and educational and training options. In cases of planned larger-scale redundancies workers have access to information even before the termination of their employment contract.
- *Organisation and preparation for job interviews.* With a view to improving worker's skills and competences the Employment Service organises workshops (job clubs) lasting between two days and three months, which include support in organising and preparing for job interviews.
- *Training or retraining programmes.* Access to free or subsidised training and retraining programmes that extend or update skills varies according to workers' competences and their

deficiencies with regard to the needs of the labour market. Providers of training and educational activities are selected by public tender.

- *Promotion of self-employment.* Lump-sum subsidies to promote self-employment among redundant workers is an important measure of active employment policy, implemented and monitored by the Employment Service. Non-repayable direct assistance amounts to four minimum wages and is intended to cover wages, social security contributions and payroll tax.
- *Financial support for moving to a new locality to take up a new job.* Legislation guarantees the refunding of transport and removal expenses, provided that certain circumstances apply. In practice, this right is usually not taken up.
- *Work funds.* An important preventive measure to improve employability are work funds, private institutions financed by government and dispersed across different regions. They are concerned with redeploying or improving the employability of workers in the process of losing their jobs. Their aim is to prevent workers' transition to unemployment. In cooperation with local and regional actors they establish and strengthen the connections between the social partners and integrate existing and potential redundant workers into the labour market. To begin with, the participants take part in a standardised 'professional career development programme', where they prepare an individual employment plan.

Two of the abovementioned measures ('Training and education' and 'Employment incentives') define 'surplus workers in industries under restructuring' or 'employees in sectors under restructuring' as target groups. The Programme for 2006 disbursed subsidies for 7,210 people in the measure 'Employment incentives', for 5,400 people in the measure 'Direct creation of new jobs' and for 42,750 participants in the measure 'Training and education'. The Programme for 2006, as a priority area, targeted reducing regional differences by stimulating employment in regions with an above average unemployment rate – 70 per cent of all Active Employment Policy funds are directed to regions with an above average unemployment rate (Pomurska, Zasavska, Podravska, Spodnjesavska, Savinjska and Koroška regions). The total sum spent on the Programme in 2006 was approximately €81.4 million, of which the sum disbursed through the measure 'Employment incentives' was approximately €15.5 million and through the measure 'Direct creation of new jobs' approximately €25.9 million ([www.mddsz.gov.si/en/](http://www.mddsz.gov.si/en/)).

## 2.4 Promotion of Entrepreneurship and Competitiveness

In July 2006, the Slovenian government adopted the Programme of Measures for the Promotion of Entrepreneurship and Competitiveness for the period 2007–2013. The Programme is planned to disburse €878.3 million over the period in question. Among other things, the Programme includes the following measures: (i) 'Promotion of entrepreneurship and a business-friendly environment', which is planned to create 1,200 new jobs by the end of 2013; (ii) 'Promotion of SMEs by equity and credit sources', which is planned to create 1,000 new jobs by the end of 2013 ([www.mg.gov.si/en/](http://www.mg.gov.si/en/)).

The objective of the previous Programme of Measures for 2002–2006 was to increase economic efficiency and international competitiveness by developing an economic structure comparable to that of the EU, improving enterprise competitiveness, reducing the productivity lag and creating balanced economic capacity across the country. It offered employment subsidies within the framework of the following measures: (i) ‘Promoting new domestic investments’, providing co-financing of wages related to new jobs (two years maximum), (ii) ‘Promoting investment in SME development’, providing loans at lower than market rates for wages; (iii) ‘Promoting the creation and growth of innovative small enterprises’, providing favourable financial resources in the early phase of enterprise development to cover wages (two years maximum). The total sum spent on programme activities in 2001–2003 was approximately €70 million.

‘Greenfield’ foreign investors are eligible for co-financing of the costs of creating new jobs related to the investment (gross wages for two years). In addition, in 2000–2005 the Public Agency for Entrepreneurship and Foreign Investment co-financed the entry costs of new foreign investors in the amount of approximately €12.6 million; 4,135 new jobs have been created by investment projects co-financed by this means ([www.japti.si](http://www.japti.si)).

## 2.5 Rescue and Restructuring Aid for Companies in Difficulty

The Ministry of the Economy has a Department for Enterprise Rehabilitation and Restructuring, whose mission is to assist companies in restructuring. Its activities are based on the Act governing rescue and restructuring aid for companies in difficulty (OG RS, No. 112/05) and the Decree (OG RS, No. 13/06) based on it. To obtain assistance, a company has to prepare a restructuring strategy, including programmes to deal with surplus employees and for training and education. State aid can be provided in different ways: for example, in the form of a loan, a subsidy, subsidised interest rates, a guarantee, a financial investment or a tax or contribution payment ‘holiday’. A well-known example is the €10 million in restructuring state aid granted to the clothing company Mura d.d. European Fashion Design. The basic feature of the internal restructuring programme is to reduce surplus capacities and increase productivity, in order to rationalise and transform the company ‘from a production into a fashion enterprise’.

## 2.6 Sectoral Programmes for Adaptation to the Conditions of the EU Internal Market

In the period 2000–2003 Slovenia had two specific *sectoral programmes* to address the problems of restructuring: (i) a Programme for the adaptation of the Slovenian textile and clothing industry to the conditions of the EU internal market in 2000–2003, and (ii) the Programme for the adaptation of the Slovenian leather and shoe-making industry to the conditions of the EU internal market in 2000–2003.

Other – non-governmental – actors are only indirectly – though in some instances directly – involved in creating new employment. Thus, sectoral or industry bodies are involved in efforts to expand employment opportunities and to attract new employment indirectly, via their efforts to develop the sector. A typical sector-oriented approach were the programmes for adapting the Slovenian textile and clothing industry and the leather and shoe-making industry to the conditions of the EU internal market in 2000–2003. They were prepared with the strong participation of the sectoral bodies within the Chamber of Commerce and Industry of Slovenia. Recently, a number of sectoral clusters – for example, in the car components sector, tool making, and so on – have been organised. They may play a useful role in the future.

## 2.7 Regional Development Programmes

In 2006, the Government Office for Local Government and Regional Policy invited applications within the framework of a number of regionally specific employment-related projects (promotion of training, education, employment and self-employment, promoting new investments in micro enterprises, co-financing investment in human resource development, and so on) in various less developed regions ([www.svlr.gov.si](http://www.svlr.gov.si)).

## 3. Institutional Framework and Process for Implementation

### 3.1 A Coalition of the Main Actors

The aim of this section is to identify the role and involvement of the different actors – employers, workers and their representatives, public bodies, and so on – in providing consultation and support to workers in the case of collective redundancies. If major redundancies threaten, a coalition of the main actors – the Employment Service with its local or regional offices, work funds, trade unions, local authorities and development agencies, central government departments or agencies – is generally formed to participate in all phases of the restructuring process and to help reduce the negative consequences of restructuring and create new employment. The cases of Vipap Videm Krško d.d., Tobačna d.d. Ljubljana and Mura d.d. Murska Sobota are good illustrations of this approach. Other examples are the programmes for adapting the textile and clothing industry and the leather and shoe-making industry to the conditions of the EU internal market in 2000–2003. The coordination of activities is typically undertaken by those most directly involved, namely employers (management) and workers (via trade unions and works councils). They try to involve other actors – employment offices, public authorities, development agencies – as much as possible.

### 3.2 Employers

Employers normally consult their employees about planned restructuring before making a public announcement. Consultations with other actors – trade unions, employment offices, local development agencies and authorities, and, in the most prominent cases, also central government – are usually handled by the company management, but in close cooperation with trade unions, works councils and other actors.

Employers usually try to find alternative employment in cooperation with other employers, local employment offices and private employment agencies in the region. A representative example of such cooperation is the clothing company Mura d.d. European Fashion Design,<sup>1</sup> a number of whose redundant workers were reemployed by smaller employers in the region,

who received financial support from the Active Employment Programme, funded by central government and managed by the Employment Service.

*Box 2*

**The case of Mura d.d.**

Mura d.d. is the largest clothing producer in Slovenia. Due to well-known problems in the textile industry, in mid-2002 it announced a programme of internal restructuring – ‘rationalisation and transformation of the company from a production into a fashion enterprise’ – which in 2015 will employ no more than 1,800 employees. In 2002, Mura employed 5,520 employees, which had been reduced to 4,378 by May 2006. Most of the employment reduction has been via early retirement, ‘soft dismissals’ and ‘dismissals for business reasons’. By 2015, Mura will concentrate all its production in the town of Murska Sobota, where its headquarters are located, creating small and more sophisticated collections, involving at most 800 employees.

In some instances employers seek solutions for their restructuring problems with the help of private employment agencies. Private employment agencies (for example, Adecco H.R. d.o.o. Slovenija), with concessions granted by the Ministry of Labour, Family and Social Affairs, can employ redundant workers and lease them back to the employer, which no longer bears the risk and obligations arising from labour legislation.

### **3.3 Local and Regional Employment and Development Offices and Local Authorities**

The *local and regional employment offices* would normally be consulted before the public announcement of planned restructuring. They play an active part in support measures for workers losing their jobs. As a rule, redundant workers are entitled to unemployment benefits, which are managed and paid out by local employment offices. Local employment offices also offer advice and guidance on workers’ individual career and training options, as well as financial and technical assistance in becoming self-employed. In addition, they in some instances organise job interviews with potential employers and training programmes that extend workers’ skills. The involvement of local/central authorities depends on the ‘size’ of the problem. A representative example of such cooperation is Vipap Videm. Trade unions and employment offices were involved in the case from the very beginning to coordinate the various actions undertaken.

*Box 3***The case of Vipap Videm Krško d.d.**

Vipap Videm Krško d.d. is Slovenia's largest paper manufacturer. In 2006, the company closed its cellulose pulp unit for environmental reasons. The background to this decision was a sharp increase in environmental taxes, due to the enforcement of European Directive 96/61/EC concerning integrated pollution prevention and control (IPPC). Closure of the cellulose plant resulted in 366 job losses: 191 employees with permanent contracts lost their jobs, while another 34 contracts were terminated; of the remaining 141 employees who were dismissed, it is expected that about 116 will be re-employed elsewhere in the region. The local town of Krško therefore faced a net loss of approximately 250 jobs.

Furthermore, the *regional and local development agencies* would also be consulted, but at present their involvement in the consultation process is practically limited to providing information on potential new employment in the region.

The fact that some members of the Slovenian parliament are also local officials – either members of municipal councils or mayors; at the moment 18 out of 90 MPs are also local mayors – enables good exchange of information between local and central government in cases of restructuring.

*Education and training bodies* are not directly involved in efforts to expand employment opportunities and to attract new employment. They are involved only indirectly via the initiatives of the authorities and employment offices. For instance, employment offices inform workers concerning educational and training options and may subsidise training and retraining programmes. One such programme under the Active Employment Policy is 'Training and Education'.

### **3.4 Workers' Representatives and Trade Unions**

Workers' representatives (works council and workers' representatives on supervisory boards or boards of directors) and trade unions (organised at enterprise, regional or national level) try to negotiate the best possible conditions for redundant workers. In the case of tobacco factory Tobačna d.d. Ljubljana, where around 250 workers were made redundant in 2004 when tobacco production was closed down, employer and workers' representatives agreed a redundancy payment that was higher than the minimum compensation foreseen by the Employment Relationships Act. The case of Tovarna Sladkorja Ormož d.d. is similar.

*Box 4***The case of Tovarna sladkorja Ormož d.d.**

Tovarna sladkorja Ormož d.d. (Ormož Sugar Factory) was closed down because of the new EU regulation of the sugar market, intended to reduce the price of sugar in the EU, which is currently well above world prices. The EU offered compensation in the amount of €22 million to stop production at the factory. The money was partly used to pay the shareholders, and partly for redundancy payments to redundant workers. The agreement between the employees and the owner set compensation at levels considerably higher than in similar cases in Slovenia. The law says that such compensation should be a quarter, a third or half – depending on length of employment – of the monthly gross wage for each year of employment at the company, up to a maximum of 10 years. However, the collective agreement for the food industry is much more favourable for employees, providing for one full monthly gross wage for each year of service if the activity in which the employee concerned works will be completely abandoned in Slovenia. This is the case with the Ormož Sugar Factory. This means that employees with 25 years at the factory received compensation in the amount of 25 monthly gross wages. In addition, wages were increased by 27 per cent and this was taken as the basis for the calculation of compensation.

**3.5 Trade and Professional Associations**

Trade or professional associations are rarely involved in efforts to assist redundant workers to find alternative employment or otherwise adjust to their redundancy. One of the reasons for the inactivity of industry bodies is the restructuring of the Chamber of Commerce and Industry (GZS), membership of which was compulsory for all Slovenian businesses until November 2006, making it the largest industry body. The new Act on chambers of commerce and industry (OG RS, No. 60/06) defines a chamber as an independent, voluntary and non-profit association of business entities. At least in the transition period it is expected that a number of small chambers of commerce will not play a major role in the restructuring process of individual employers.

## 4. Analysis of the Success of Social Dialogue in Alleviating Redundancies

The purpose of this case study is to analyse the measures undertaken to assist redundant workers in the process of restructuring and the institutional framework for implementing these measures in the manufacturing sector in Slovenia. The main points of interest include in what ways, and how efficiently, Slovenia is coping with the problem of collective redundancies arising from company restructuring. Attention has been given to both objectives and results. Interviews were conducted with the relevant actors, in particular trade union and labour office representatives. The study deals specifically with economic policy measures targeted to alleviate the consequences of collective redundancies, the main actors involved in solving the employment-related problems arising from company restructuring and economic policy measures for creating new employment. Slovenia has introduced a range of legal provisions to handle collective redundancies, as well as a number of economic policy measures, allocating considerable resources to assist employees and to promote their re-employment.

Slovenian legislation is based on the principle of equal treatment of workers made redundant either because of company restructuring or on an individual basis. However, a number of special measures and practices depend on the scale of the redundancies, the sector in which redundancies occur or the significance of the redundancies for the locality. Programmes for redundant workers involved in collective redundancies also include measures to mitigate the harmful consequences of employment termination, such as financial aid, assistance in starting a business and pension insurance contributions.

A particular characteristic of the Slovenian approach to collective redundancies seems to be the convening of a coalition of the main actors – the Employment Service with its local or regional offices, work funds, trade unions, local authorities and development agencies, central government departments or agencies – to participate in all phases of the restructuring process and to assist in reducing the negative consequences and create new employment. The coordination of activities is typically undertaken by those most directly involved, namely employers (management) and workers (via trade unions and works councils). They try to involve other actors – employment offices, authorities, development agencies – as much as possible.

Slovenia has a number of policy measures aimed creating employment opportunities, including the programmes within the framework of the Active Employment Policy and the Department for Enterprise Rehabilitation and Restructuring of the Ministry of the Economy. In 2000–2003, Slovenia also had two specific sectoral programmes addressing the problems arising from the restructuring of the textile and clothing industry and the leather and shoe-making industry. Apart from that a number of measures within the Programme of Measures on Entrepreneurship and Competitiveness of the Ministry of the Economy specifically target the creation of new jobs.

## 5. Lessons Learned

If there is anything to be learned from the Slovenian approach to collective redundancies as a result of company restructuring, it is the coordinated involvement of all the parties, that is, a coalition of the main actors, including the Employment Service with its local or regional offices, work funds, trade unions, company management, local authorities and development agencies, and central government departments or agencies. Experience seems to indicate that in cases of sizeable collective redundancies this has been the right way to handle the problems. A coalition of the main actors is formed to participate in all the phases of the restructuring process and to assist in reducing the negative consequences of restructuring and create new employment. The coordination of activities is typically undertaken by those most directly involved, namely employers (management) and workers (via trade unions and works councils). They try to involve other actors – employment offices, authorities, development agencies – as much as possible.

Nevertheless, one should not underestimate the significance of the various statutory measures available to redundant workers. Measures mitigating the negative effects of restructuring are available in the form of financial benefits or active employment policy measures adjusted to individual workers' needs and competences. These measures are publicly financed, mainly by social insurance systems, and managed by the Employment Service. From an individual worker's perspective these rights create a safety net of support measures for a secure employment transition.



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