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ILO survey on social dialogue and pension reform in times of crisis and beyond: Slovenia

Igor Guardiancich

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Foreword

This paper examines the political economy of pension reforms in times of economic crisis and its impact on social dialogue and tripartite institutions in Slovenia. It has been prepared in the framework of the research project carried out by the ILO Industrial and Employment Relations Department and the Social Security Department, focusing on the issue of social dialogue and social security governance. Indeed, amongst all the topics addressed in the world of work, none, perhaps, reflect the principles of tripartism and social dialogue better than social security.

Igor Guardiancich explains that the Slovenian economy was badly hit by the global economic and financial crisis of 2008-2009, which was the worst crisis experienced by the country since the break-up of the former Yugoslavia. This crisis, combined with the pressure of financial markets and international institutions forced the government to initiate several reforms, including changes to the pension system. The government proposed a comprehensive restructuring of both statutory public as well as supplementary private (voluntary and mandatory) schemes, an agenda which was highly ambitious.

Although Slovenia has a long tradition of social dialogue built during its transition from socialism to a market economy, it was impacted by the crisis in ways that were not foreseen. Despite a promising beginning – proposals for the modernization of the Slovenian pensions system were presented to the tripartite members of the Economic and Social Council, and several rounds of negotiations took place between the government and social partners within this tripartite forum – external pressures (both from the EC and financial markets) led the government to accelerate drastically the reform agenda in order to restore the sustainability of the pension system. It presented the resulting reform proposals to the National Assembly in haste and without the consent of either the unions or the employers' organizations. The result was an effective breakdown of social dialogue in Slovenia, thus compromising the constructive relationship between government and the social partners built over the last 20 years. This in turn exposed a degree of weakness in the relationship between the tripartite partners – the government, the unions and the employers – who, being badly affected by the crisis, were unable to reach an agreement despite two decades of successful social dialogue in the country. As of 2012, the problems of the Slovenian pension system remain unsolved. Nevertheless, most actors favour the resumption of constructive social partnership which is, given the institutional and socio-political characteristics of the ex-Yugoslav republic, certainly the only sustainable option.

DIALOGUE working papers are intended to encourage an exchange of ideas and are not final documents. The views expressed are the responsibility of the author and do not necessarily represent those of the ILO. We are grateful to Igor Guardiancich for undertaking the study and commend it to all readers interested in the issue of social dialogue and social security governance.

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Acronyms

Demos	Democratic Opposition of Slovenia
DeSUS	Democratic Party of Pensioners of Slovenia
EMU	Economic and Monetary Union
ESC	Economic and Social Council
ESS	Employment Service of Slovenia
EU	European Union
GZS	Chamber of Commerce and Industry of Slovenia
HIIS	Health Insurance Institute of Slovenia
IER	Institute for Economic Research
IMF	International Monetary Fund
IPDI	Institute for Pension and Disability Insurance
KAD	Capital Fund, later Pension Fund Management Company
KNSS Neodvisnost	Confederation of New Trade Unions of Slovenia, Independence
Konfederacija '90	Confederation of Trade Unions ´90 of Slovenia
KSJS	Confederation of Trade Unions of the Slovenian Public Sector
KSS Pergam	Confederation of Trade Unions of Slovenia, Pergam
LDS	Liberal Democracy of Slovenia
NDC	Notional Defined Contributions
OECD	Organisation for Economic Cooperation and Development
OZS	Chamber of Craft and Small Businesses of Slovenia
SD	Social Democrats
SDDO	Union of State and Social Organs
SDS	Slovenian Democratic Party
SKD	Slovenian Christian Democrats
SLS	Slovenian People's Party
SODPZ	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia
SVIZ	Education, Training and Science Union
SZS Alternativa	Trade Union of Engine Drivers of Slovenia, Alternative
Zares	For Real – New Politics
ZDS	Association of Employers of Slovenia
ZDSS Solidarnost	Association of Workers Trade Unions of Slovenia, Solidarity
ZDUS	Union of Associations of Pensioners
ZKS	League of Communists of Slovenia
ZLSD	United List of Social Democrats
ZPIZ	Pension and Disability Insurance Act
ZSSS	Association of Free Trade Unions of Slovenia
ZVSPJU	Closed Mutual Pension Fund for Public Employees

Contents

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Introduction

Slovenia's long tradition in social dialogue classifies it as the only neocorporatist, inclusive democracy in Central, Eastern and Southeastern Europe (Bohle and Greskovits, 2007). During its gradual transition from socialism to a market economy, Slovenia developed consensual decision-making as its *modus operandi*, where the powerful social partners, especially the Association of Free Trade Unions of Slovenia (ZSSS), negotiated on equal terms with the government.

As argued elsewhere (Guardiancich, 2009; 2011), Slovenian politicians resorted to lengthy and cumbersome negotiations to face organized interest groups. Necessary structural reforms were frequently diluted or simply failed, and such *immobilismo* characterized both the long transition phase under the centre-left coalition governments led by Janez Drnovšek's Liberal Democracy (LDS) and the following centre-right executive headed by Janez Janša, leader of the conservative Slovenian Democratic Party (SDS).

Systemic reforms in key areas such as healthcare, pensions, family benefits and the labour market have been largely avoided, leading to problems in fiscal sustainability and labour competitiveness. These delays were often the result of opposition by the pro-welfare coalition, which in Slovenia is headed by the union ZSSS on the corporatist side and, among others, the Democratic Party of Pensioners of Slovenia (DeSUS) on the political front. Their opposition led to the rejection in the late 1990s of the White Paper on Pension Reform, inspired by the World Bank's famous three-pillar pension model which entails the setting up of mandatory individual, privately-managed funded accounts, and which was extremely popular in the rest of Central, Eastern and Southeastern Europe.

A change of direction became necessary after the 2007-09 financial crisis hit the Slovenian economy badly. The newly elected centre-left government, led by Borut Pahor's Social Democrats (SD), announced a thorough pension reform plan, also as a response to the *vincolo esterno* represented by the Stability and Growth Pact. As had happened in 1997, the government advocated radical reform, again inspired by the World Bank, which was opposed by the social partners and by DeSUS. The final rejection of a revised and substantially diluted Pension and Disability Insurance Act (ZPIZ-2) happened in June 2011 when the reform was struck down at a referendum. Eventually this led to the resignation of Pahor's government.

This paper provides an explanation for this failure. In addition to the traditional cumbersomeness of Slovenian decision-making, which led to the rejection of the White Paper in 1997, the global financial crisis entrenched the social partners in non-negotiable policy positions. Pahor's Government was forced to propose several unpopular measures and to act with excessive haste. At the same time, the crisis led to the internal delegitimization of the unions – due to increasing unemployment and falling membership – and of the employers' associations due to widespread firm insolvency and low competitiveness, radicalizing both social partners' attitudes vis-à-vis the government. As a consequence of all these factors, social dialogue around the 2010 pension reform in Slovenia broke down irremediably.

This study of the Slovenian experience sheds light on the difficulties of relying on social dialogue during a period of crisis. Section 1 takes a brief look at the Slovenian transition from socialism up to the financial crisis. Section 2 analyses its political-institutional structures and electoral history, presenting the programmes and composition of the Pahor I Government. Section 3 provides an overview of the social partners, deliberative fora and social pacts. Section 4 discusses the pension reforms to date and focuses on the technical content, timeline and perceptions on social dialogue with respect to the 2010 pension reform. Section 5 concludes.

1. The transition from 1991 to the financial crisis

Slovenia is regarded as a post-socialist success story. After a short spell of extraordinary politics under the Democratic Opposition of Slovenia (Demos), the ex-Yugoslav country started a gradual transition to a market economy and liberal democracy under the guidance of Janez Drnovšek's Liberal Democracy (LDS). Gradualism and bipartisan government characterized its 12 years in power, leading to European Union (EU) membership and euro adoption.

Despite sustained growth, low unemployment and inflation at Euro-area level (for details on the general economic and labour market situation, see Tables 1 and 2), two interrelated problems have been building up during the country's short history.

First, the marginal replacement of former socialist elites led to the political appointment of tycoons, who tunnelled assets and profits out of firms for their own benefit. Slovenia underwent an endogenous transition where former elites were socialized into the new political system and maintained their pre-transition status. The left-liberal bloc dominated the economic, political and social life in Slovenia (Šušteršič, 2000; Adam and Tomšič, 2002). Second, deliberate reform gradualism led to excessively slow economic restructuring, from the financial sector to tertiary education and the judiciary. Large chunks of the welfare state failed to undergo adequate reform (Rojec et al., 2004; Adam, Kristan and Tomšič, 2009).

In 2004, the Slovenian right-conservative bloc led by Janez Janša's Slovenian Democratic Party (SDS) tried to shake up the economy through neoliberal policies, and to uproot the ruling socio-economic elites through widespread reappointment of cadres. Following mass protests, most radical proposals failed and the centre-right coalition resorted to economic populism, depleting those very resources that could have been employed to withstand the financial crisis.

Janša's imperative style was severely punished at the 2008 elections. However, by the time Pahor's Social Democrats (SD) took power it was too late: the global financial crisis exacerbated the negative traits of the Slovenian economy and its unresolved structural problems.

In late 2008 the banks became illiquid and since Slovenia is a small open economy, the fall in international orders triggered an economic collapse (Delo, 16 October 2010). In the period of sustained growth 2005-07, Janša's government indulged in overspending and lowered taxation. Hence, 2008 ended just with a balance. The European Commission failed to warn against such lax fiscal policy and Slovenia's long-term fiscal dangers, such as demographic ageing.

Thus in 2009, the number of unemployed grew to more than 100,000,[1] the GDP fell by eight per cent and the deficit soared to 6.1 per cent (Table 1). Automatic stabilizers triggered deficit spending: revenues fell and social transfers increased; the government enacted anti-crisis measures, mostly aimed at beefing up social transfers at the expense of economic competitiveness.

[1] According to Eurostat, the unemployment rate rose from a low of 4.2 per cent in September 2008 to 7.8 per cent in December 2010.

Table 1.
Economic indicators for Slovenia (2000-10)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP per capita in euros	10,800	11,400	12,300	12,900	13,600	14,400	15,500	17,100	18,400	17,300	17,300
GDP per capita PPP in euros	15,200	15,800	16,800	17,300	18,700	19,700	20,700	22,100	22,900	20,600	20,700
Real GDP growth rate	4.4	2.8	4	2.8	4.3	4.5	5.9	6.9	3.6	-8.0	1.4
Budget balance % of GDP	-3.7	-4	-2.5	-2.7	-2.2	-1.4	-1.3	0.0	-1.9	-6.1	-5.8
National debt % of GDP	26.3	26.5	27.8	27.2	27.3	26.7	26.4	23.1	21.9	35.3	38.8

Source: Eurostat.

Table 2.
Labour market indicators for Slovenia (2000-10)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Activity rate >15	57.4	57.7	58.1	56.4	59.0	59.2	59.3	59.7	59.5	59.4	59.2
15-64	67.4	67.5	68.5	66.9	69.9	70.7	70.9	71.3	71.8	71.8	71.5
55-64	23.7	24.6	26.6	23.6	31.1	32.1	33.4	34.6	34.2	36.9	36.5
>65	7.4	8.5	7.8	6.6	7.2	7.8	7.7	8.8	6.4	7.6	7.3
>75	4.4	4.6	4.8	2.7	3.8	3.7	4.4	5.3	3.5	4.9	3.7
Men >15	63.8	64.7	64.7	63.1	65.5	66.0	65.7	66.4	65.6	65.5	65.3
15-64	71.7	72.5	72.9	71.6	74.2	75.1	74.9	75.8	75.8	75.6	75.4
55-64	33.5	34.8	38.4	33.2	42.7	45.4	45.8	46.7	46.4	48.2	47.5
>65	10.8	11.9	10.6	9.3	10.8	11.5	11.5	12.0	8.5	10.7	10.4
>75	6.0	7.6	9.1	5.0	6.6	5.8	7.8	8.7	5.2	7.6	5.6
Women >15	51.4	51.1	51.9	50.2	52.8	52.9	53.3	53.3	53.5	53.6	53.3
15-64	63.1	62.5	63.9	62.1	65.6	66.1	66.7	66.6	67.5	67.9	67.4
55-64	14.8	15.0	15.4	15.0	20.0	18.9	21.4	23.1	22.2	25.6	25.5
>65	5.4	6.5	6.1	4.9	5.0	5.5	5.4	6.7	4.9	5.6	5.2
>75	3.8	3.3	3.2	1.7	2.5	2.7	2.7	3.6	2.7	3.6	2.7
Employment rate >15	53.4	54.4	54.7	52.8	55.4	55.4	55.8	56.8	56.9	56.0	54.9
15-64	62.7	63.6	64.3	62.5	65.6	66.0	66.6	67.8	68.6	67.5	66.2
55-64	22.3	23.4	25.9	22.7	30.1	30.7	32.6	33.5	32.8	35.6	35.0
>65	7.4	8.5	7.8	6.6	7.2	7.8	7.7	8.8	6.4	7.6	7.3
>75	4.4	4.6	4.8	2.7	3.8	3.7	4.4	5.3	3.5	4.9	3.7
Men >15	59.5	61.2	61.1	59.3	61.8	62.0	62.5	63.7	63.0	61.6	60.4
15-64	66.7	68.5	68.7	67.2	69.9	70.4	71.1	72.7	72.7	71.0	69.6
55-64	31.0	33.0	37.4	31.8	41.2	43.1	44.5	45.3	44.7	46.4	45.5
>65	10.8	11.7	10.6	9.3	10.8	11.5	11.5	12.0	8.5	10.7	10.4
>75	6.0	7.6	9.1	5.0	6.6	5.8	7.8	8.7	5.2	7.6	5.6

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Women >15	47.8	48.1	48.6	46.7	49.4	49.2	49.4	50.2	51.0	50.5	49.5
15-64	58.5	58.6	59.8	57.7	61.3	61.3	61.8	62.6	64.2	63.8	62.6
55-64	14.3	14.4	15.1	14.6	19.6	18.5	21.0	22.2	21.1	24.8	24.5
>65	5.4	6.5	6.1	4.9	5.0	5.5	5.4	6.7	4.9	5.6	5.2
>75	3.8	3.3	3.2	1.7	2.5	2.7	2.7	3.6	2.7	3.6	2.7
Unemployment rate 15-64	7.1	5.8	6.1	6.6	6.1	6.7	6.1	5.0	4.5	6.0	7.4
50-64	7.3	4.2	4.3	4.2	4.5	4.3	3.9	4.1	3.5	4.2	4.8
55-64	6.1	4.8	2.4	3.9	2.9	4.2	2.5	3.3	4.0	3.6	4.0
15-74	6.9	5.7	6.0	6.5	6.0	6.5	6.0	4.9	4.4	5.9	7.3
Men 15-64	6.9	5.5	5.7	6.1	5.8	6.2	5.0	4.1	4.1	6.1	7.6
50-64	7.7	3.6	4.6	4.4	5.4	5.1	3.5	3.6	3.3	4.7	5.1
55-64	7.6	5.0	2.7	4.4	3.5	5.0	2.7	3.0	3.6	3.8	4.2
15-74	6.8	5.4	5.7	6.0	5.7	6.1	4.9	4.0	4.0	5.9	7.5
Women 15-64	7.2	6.2	6.4	7.1	6.5	7.2	7.4	6.0	4.9	5.9	7.2
50-64	6.7	5.1	3.8	4.0	3.3	3.3	4.3	4.8	3.9	3.5	4.4
55-64								3.8	4.8	3.2	3.6
15-74	7.1	6.0	6.3	7.0	6.4	7.1	7.2	5.9	4.8	5.8	7.1

Source: Eurostat.

Although Slovenia did not have the dual-payment problem (in contrast with other CEE countries) because it did not introduce mandatory funded pension pillars, the 2010-12 budgets heavily influenced the debate surrounding the pension reform. At first, Pahor's government postponed major spending cuts. This is when the external influence on Slovenian policymaking started to matter. Entry into the EMU with the requirement to abide by the Stability and Growth Pact, as well as becoming a member of the OECD in July 2010 created a number of external, mainly fiscal constraints for Slovenian politicians. The sustainability of the Slovenian pension system hence became a *conditio sine qua non* to respect international commitments towards the European Union and the Paris-based organization.

In January 2010, Pahor formalized a number of austerity measures via the Stability Programme, drafted in response to the Excessive Deficit Procedure started by the European Commission.[2] A main driver for the stabilization measures was skyrocketing public debt, which increased from 22.5 per cent of GDP to almost 40 per cent in just three years (2008-10). Among other cuts, the government (partially) froze the indexation of pensions, wages of public employees and social transfers, which created an outcry both within the coalition (mainly on behalf of DeSUS) and without. Such sweeping retrenchment, in turn, led to enormous difficulties in legislating the 2010 Pension and Disability Insurance Act (ZPIZ-2).

2. Political-institutional structures

The Slovenian political-institutional structures generate a thick web of checks and balances, which are conducive to negotiated bargains and prevent unilateralism from being successful. The country has a marked neocorporatist imprint: party institutionalization is

[2] The Programme planned to bring the 2010 deficit to 3.8 per cent in 2011 and to 1.4 per cent in 2013 (Government RS, 2010: 8-12). The Programme was sufficient to calm down international financial markets; however, it was diluted by the subsequent budget for 2011-12. This envisaged a deficit of 4.5 per cent in 2011, decreasing to 3 per cent in 2013.

low, the electoral system is highly proportional and the social partners have a constitutive rather than consultative role on most socioeconomic issues.

2.1 Institutions of government

Slovenia is a parliamentary democracy that espoused asymmetric bicameralism with a marked neocorporatist flavour (Table 3). Whereas the National Assembly is directly elected, the National Council members represent key economic interest organizations. The former wields almost exclusive legislative power and the latter has the right to veto legislation and force the Assembly to vote again on a given issue (Lukšič, 2001). Hence, in addition to other tripartite bodies, the social partners may influence legislation through the Council by forcing a second vote. Referenda are quite common in Slovenia and are a last resort option to prevent the adoption of unwanted laws (such as the 2010 Pension and Disability Insurance Act).

Table 3.
Political institutions in Slovenia

Separation of power	Actors	Rules of investiture and dissolution	Rules of decision-making
Executive	President	5-year term; directly elected.	Calls elections to the National Assembly; promulgates laws; proposes a candidate for premier.
	Prime Minister (*Predsednik vlade*)	Elected by the majority of National Assembly members; is held accountable via a constructive vote of no confidence.	Right to pass decrees, introduce and propose legislation, propose the state budget and enforce.
Legislative	National Assembly (*Državni zbor*)	4-year term, 90 members; PR electoral rules in the Constitution.	Three readings; there are summary and urgent procedures.
	National Council (*Državni svet*)	5-year term, 40 members: 4 reps of employers, 4 of employees, 4 of farmers, crafts and trades, independent professions, 6 of non-commercial fields, 22 of local interests.	Proposes laws to National Assembly; consultative rights; suspensive veto on a given law prior to promulgation.
Judiciary	Constitutional Court (*Ustavno sodišče*)	9-year term, 9 judges elected by the National Assembly; these elect their President for a 3-year term.	Judicial review and supervisory rights; decides by 2/3 majority on the impeachment of the President.
Electoral	Referendum	Compulsory for EU accession; called by the National Assembly, by 1/3 of MPs, 40,000 voters, the National Council.	Majority of votes and majority of voters.
Territorial units	210 municipalities (*občine*), 11 with urban status	–	Limited local self-government rights.

Source: Guardiancich (2009: 175).

The electoral system is proportional with low thresholds. Due to party fragmentation before Janez Janša's executive, all governments except one were grand coalitions (Lukšič, 2003; Toplak, 2006). Lengthy legislative procedures and the need to accommodate diverse interests force Slovenian policymakers to table only incremental reforms. Such excessive consensualism often prevented the implementation of structural reforms in important areas (Šušteršič, 2004).

2.2 Elections and parties

Until 2000 Slovenia was characterized by moderate party competition and grand coalitions. Political alternation followed in the succeeding years and coalition governments became more polarized.

In the late 1980s, the League of Communists of Slovenia (ZKS) became a moderate pro-market and pro-democratic party, which opened the way to political pluralism. The founding elections witnessed the victory of the six-party coalition Demos (parties of the Slovenian spring), which formed the first non-socialist Slovenian government. Even though Demos led Slovenia to independence, the coalition collapsed in December 1991. The left-liberal bloc returned to power in 1993, under the guidance of Janez Drnovšek’s Liberal-democratic Party (LDS). Drnovšek served as Premier until 2002 and under his leadership, the LDS became the most important political entity in Slovenia. The LDS always governed through grand coalitions.

The Slovenian political landscape changed dramatically following the October 2004 elections. Janez Janša’s Slovenian Democratic Party (SDS) managed to secure a convincing victory by focusing on the weaknesses of 12 years of LDS executives (marked by rising clientelism and corruption). The unexpected victory led to the disintegration of the LDS, which devolved into a minor role in Slovenian politics.

The right-conservative bloc squandered most of its political capital during office. Premier Janša became increasingly autocratic, clientelistic and populist, abandoning his coalition’s ambitious reform programme. A number of events rendered his efforts to win the second term in office vain. The year 2008 was riddled by scandals; one even hinted at the direct involvement in bribery of PM Janša. Additionally, right before the elections, the former Minister for Reforms, renegade Jože Damjan, published a study on the economic performance of past Slovenian governments, showing that Janša’s coalition did worst of all, especially with regards to inflation and public debt. Finally, what remained of the LDS, the splinter party Zares and the Social Democrats, ceased to campaign separately and became a potential future governing coalition (Fink-Hafner, 2009: 1110-12).

As a consequence, the SDS was defeated in the 2008 elections (see Table 4 for the parties present in the National Assembly and Table 5 for the electoral results). That the Social Democrats and the Slovenian Democratic Party obtained roughly an equal number of votes and together represent almost 60 per cent of the electorate would indicate Slovenia’s slow evolution from a moderately pluralist to a two-party system.

Table 4.
Slovenian parties (after the 2008 elections in the National Assembly)

Party family affiliation	Acronym	Party name	Ideological orientation	Establishment and merger details	Foundation
Right	SNS	Slovenian National Party (*Slovenska nacionalna stranka*)	Radical nationalist		1991
Centre-right	SDS	Slovenian Democratic Party (*Slovenska demokratska stranka*)	Liberal conservative	Successor of Slovenian Democratic Union (SDZ – *Slovenska demokratična zveza*). Until 2003 known as Social Democratic Party of Slovenia (SDSS – *Socialdemokratska stranka Slovenije*).	1989
Centre	SLS	Slovenian People's Party (*Slovenska ljudska stranka*)	Agrarian populist	Successor of Slovenian Agrarian Union (SKZ – *Slovenska kmečka zveza*). Merged with Slovenian Christian-democrats (SKD – *Slovenski krščanski demokrati*) in 2000, SLS+SKD. This split into SLS and New Slovenia – Christian People's Party (N.Si – *Nova Slovenija – Krščanska ljudska stranka*). Ran the 2008 election in coalition with Youth Party of Slovenia (SMS – *Stranka mladih Slovenije*).	1905, banned in 1945, re-established 1992
Left	LDS	Liberal Democracy of Slovenia (*Liberalna demokracija Slovenije*)	Social liberal	Successor of League of the Socialist Youth of Slovenia (ZSMS – *Zveza socialistične mladine Slovenije*) as the Liberal-democratic Party (LDS – *Liberalno demokratska stranka*). Renamed and merged in 1994 with Democratic Party of Slovenia (DSS – *Demokratska stranka Slovenije*), Socialist Party of Slovenia (SSS – *Socialistična stranka Slovenije*) and Greens – Ecological-social Party (ZESS – *Zeleni – Ekološko socialna stranka*).	1990
	SD	Social Democrats (*Socialni demokrati*)	Social-democratic	Successor of League of Communists of Slovenia (ZKS). Renamed in 1990 into Party of Democratic Reform (SDP – *Stranka demokratične prenove*). Merged in 1993 with parts of DeSUS, Socialist Party of Slovenia (SSS – *Slovenska socialistična stranka*), Social Democratic Union (SDU – *Socialdemokratska unija*), Workers' Party of Slovenia (DSS – *Delavska stranka Slovenije*) into United List of Social Democrats (ZLSD – *Združena lista socialnih demokratov*). Renamed into SD in 2005.	1993
	Zares	For Real – New Politics (*Zares – Nova politika*)	Social liberal	Founded by runaway LDS members.	2007
Pensioners	DeSUS	Democratic Party of Pensioners of Slovenia (*Demokratična stranka upokojencev Slovenije*)	Single-issue		1991

Source: Guardiancich (2009: 178).

Table 5.
National Assembly composition and 21 Sep. 2008 electoral results

List of candidates	NA seats	Number of votes	Percentage
Social Democrats (SD)	29	320,248	30.45 %
Slovenian Democratic Party (SDS)	28	307,735	29.26 %
Party for Real (Zares)	9	98,526	9.37 %
Democratic Party of Slovenian Pensioners (DeSUS)	7	78,353	7.45 %
Slovenian National Party (SNS)	5	56,832	5.40 %
Slovenian People's Party (SLS) and Youth Party of Slovenia (SMS)	5	54,809	5.21 %
Liberal Democracy of Slovenia (LDS)	5	54,771	5.21 %
Hungarian and Italian national minorities	2		

Source: http://volitve.gov.si/dz2008/en/rezultati/rezultati_slo.html, accessed on 12 November 2010.
Total electorate: 1,696,437; total votes: 1,070,523; turnout: 63.10%.

2.3 The Pahor I government

The Pahor I coalition government (Table 6) was composed of four centre-left parties: the Social Democrats (SD), the Party for Real (Zares), the Democratic Party of Pensioners of Slovenia (DeSUS) and the Liberal Democracy of Slovenia (LDS). Armigeon et al. (2010) code them as social-democratic, liberal, pension and liberal, respectively.

Table 6.
Cabinet composition of Pahor I
(investiture on 21 Nov. 2008)

Party	Parliamentary seats and share	Cabinet posts and share
Social Democrats (SD)	29 (32.2%)	10 (52.6%)
Party for Real (Zares)	9 (10.0%)	4 (21.1%)
Democratic Party of Slovenian Pensioners (DeSUS)	7 (7.8%)	3 (15.8%)
Liberal Democracy of Slovenia (LDS)	5 (5.6%)	2 (9.5%)

Source: Fink-Hafner (2009: 1108).

In order to explain the executive's response to the challenges of the financial crisis, the following paragraphs delineate the coalition parties' economic and social platforms, as inferred from their programmes and electoral manifestoes for 2008.

The foremost characteristics of the centre-left government were the divergence in the views of the four coalition partners, and the fact that DeSUS formed part of the outgoing SDS-led government. Hence, the Coalition Agreement 2008-12 (SD, Zares, DeSUS, and LDS, 2008) could not be but a relatively vague social-liberal document giving guarantees to all partners (e.g. the retention of cabinet posts to DeSUS), despite the condemnation of the fiscal policies of the outgoing centre-right coalition by the SD, Zares and the LDS (see Annex 1 for the individual party histories and socioeconomic views).

In the preamble, the document envisions a strong role for social dialogue (advocated mainly by the LDS): "Active social partnership and a strong civil society are for the coalition members the basis for legitimate and professionally thought over solutions." (SD, Zares, DeSUS, and LDS, 2008: 3). Furthermore, the coalition sought to break with Janša's adversarial approach and find a legislative solution for the 'informal' role of the Economic and Social Council:

> In order to devise wholesome economic and social policies, the active role of the Economic and Social Council will be fundamentally strengthened, as the forum where to negotiate broad agreements for our developmental perspectives. With the consensus of the social partners we will adopt the Act on the Economic and Social Council, which will allow for its undisturbed operation. (SD, Zares, DeSUS, and LDS, 2008: 4)

The economic section of the programme followed almost verbatim the Social Democrats' manifesto by introducing a mechanism for automatic stabilization (in relation to forecasted real GDP growth and Euro-area inflation), an independent evaluation commission and new facilities for the absorption of EU funds. The simplification and restructuring of the tax system made it as well into the programme, as did the gradual and transparent privatization of state-owned enterprises. As for the restructuring of the management of pension funds within the state-owned *Kapitalska družba* (KAD), its pension assets would be transferred to IPDI, generating additional guarantees for future benefits (probably due to the presence of DeSUS, mandatory financing by the budget was added to the financing by contributions from earnings, originally featured in the SD programme). The possibility of privately managing pension plans within KAD disappeared (SD, Zares, DeSUS, and LDS, 2008: 6-9).

Of course, the social security part of the manifesto had to accommodate the greatest ideological divergences, especially with respect to pension reforms, which overshadowed the rest (SD, Zares, DeSUS, and LDS, 2008: 31-2; Delo, 16 January 2010). Apart from containing a series of measures to favour activation and greater social contributions coverage, the paragraphs pertaining to the pension system remained vague if not mildly populist. This represented a significant contrast to the deep restructuring recommended by Zares. The programme stated that pension system modernization is needed and that early exit has to be gradually eliminated. Minimum pensions would be raised, also through *ad hoc* increases, at least to poverty thresholds and indexed to GDP growth; in any case, indexation of the stock of pensions would not exceed the growth of the stock of wages (no mention of whether net or gross).

Any mention of higher retirement ages, equalization of eligibility conditions or mandatory funding disappeared from the programme. The emphasis was put on supplementary schemes for increased coverage, greater tax deductions and the possibility of introducing individual plans without minimum return guarantees.

Hence, the agreed upon coalition programme suffered from the pivotal role played by the single-issue pensioner party DeSUS. The document abandoned most proposals for pension modernization put forward by the coalition partners. Together with external pressures, the need to act resolutely and fast, as well as overall amateurishness during negotiations with social partners, the internal divisions within the Pahor I government coalition posed insurmountable problems to the legislative success of the 2010 pension reform.

3. Social partners and social pacts

Among post-socialist countries, Slovenian social partners (in particular trade unions) strengthened their socio-economic role during transition. They represent both public and private employees, but their influence has been steadily declining (information on membership is not entirely reliable), as union density dropped from roughly two-thirds in the early 1990s to 44.3 per cent in 2003. Employers' associations are prominent as well; however, they played a relatively modest role in the context of the 2010 pension reform, similar to their involvement back in 1997-99. Thus far, Slovenia has well developed social dialogue. The Economic and Social Council (*Ekonomsko-socialni svet*, ESC) wields disproportionate power with respect to socio-economic legislation. Concertation started after the transformational recession, as shown by the yearly/biannual social pacts (see Annex 3 for an overview).

3.1 The trade unions

In Slovenia there are seven trade union confederations (union centrals). Five are encompassing: Alliance of Free Trade Unions of Slovenia (*Zveza svobodnih sindikatov Slovenije*, ZSSS), Confederation of Trade Unions of Slovenia, Pergam (*Konfederacija sindikatov Slovenije Pergam*, KSS Pergam), Confederation of Trade Unions ´90 of Slovenia (*Konfederacija sindikatov ‘90 Slovenije*, Konfederacija ‘90), Confederation of New Trade Unions of Slovenia, Independence (*Konfederacija novih sindikatov Slovenije*, KNSS Neodvisnost), Confederation of Trade Unions of the Slovenian Public Sector (*Konfederacija sindikatov javnega sektorja Slovenije*, KSJS). Two are limited to certain professions: Trade Union of Engine Drivers of Slovenia, Alternative (*Sindikat strojevodji Slovenije*, SZS Alternativa) and the Association of Workers Trade Unions of Slovenia, Solidarity (*Zveza delavskih sindikatov Slovenije*, ZDSS Solidarnost).

The labour movement is split along pro- and anti-communist lines. To the left, the ZSSS is the largest labour organization in the country and is the successor of the Slovenian section of the former Yugoslav trade union. The other leftist unions, Pergam and Konfederacija ‘90, seceded from the ZSSS during the transition. As for the right, Demos created in the early 1990s Independence, Confederation of New Trade Unions of Slovenia. Finally, in 2006, seven public employee unions, including the largest Education, Training and Science Union (SVIZ), formed KSJS, the majority of whose members are civil servants (see Annex 2 for details on each trade union confederation).

As for the pension expertise within these unions, a short glance at Pergam and ZSSS is instructive. Pergam had a team of two to three lawyers working on pensions who regularly consulted with external experts. Being the largest union, the ZSSS had a team of eight people working on pension reforms (mainly lawyers and economists) under the Executive Secretary Lučka Böhm. During the collection of signatures for the referendum against the ZPIZ-2, more than 100 people collaborated.

Despite adequate staffing, the labour unions’ weakness during the 2010 pension reform legislative process was remarkable. First, membership was rapidly declining, despite alleged evidence to the contrary (Table 7). There is no legal right for the Slovenian government to ask the unions to declare their members. Thus, according to State Secretary (for social dialogue) Miloš Pavlica, these numbers were grossly inflated. The ZSSS probably has no more than 200,000–250,000 members, including pensioners, Pergam 70,000 and KSJS around 70,000–75,000. The others are marginal, with 5,000–15,000 members, and probably no longer qualify as proper confederations.

Second, the financial crisis generated an internal legitimacy crisis. Employees have bypassed the unions on several occasions, organizing wildcat strikes and directly bargaining with management. To recoup part of lost credibility, the unions entrenched in their (often too radical) positions, thereby obstructing their capacity to negotiate with the government and the employers (Guardiancich, 2012).

Finally, with regards to the 2010 pension reform, the different unions’ decision-makers were somewhat entangled in a joint decision trap. On 28 November 2009 all trade union confederations demonstrated at a rally in Ljubljana, entitled “For decent salaries and a safe old age”. The decision to demonstrate together as well as all subsequent reform proposals and positions were adopted by the Presidents of all the union confederations (e.g. KSJS, Konfederacija ‘90, KNSS Neodvisnost, SZS Alternativa, KSS Pergam, ZDSS Solidarnost, and ZSSS, 2010). Hence, apart from individual statements, none of the unions had the capacity to table autonomous positions.

Table 7.
Trade unions and membership (2004 and latest)

Association of Free Trade Unions of Slovenia (*Zveza svobodnih sindikatov Slovenije*)	**ZSSS**	**300,000**
Confederation of Trade Unions of Slovenia Pergam (*Konfederacija sindikatov Slovenije Pergam*)	Pergam	87,000
Confederation of Trade Unions of the Slovenian Public Sector (*Konfederacija sindikatov javnega sektorja Slovenije*)	KSJS	73,000
Independence, Confederation of New Trade Unions of Slovenia (*Neodvisnost, Konfederacija novih sindikatov Slovenije*)	KNSS	40,000
Confederation of Trade Unions '90 of Slovenia (*Konfederacija sindikatov '90 Slovenije*)	Konfederacija '90	40,000

Source: European Commission (2008b).
Lukšič (2003) presents the figures for 1997. ZSSS: 435,816; KNSS: 196,000; Pergam: 87,627; Konfederacija '90: 40,000.

3.2 Employers' organizations

During the period 1991-2006, two employers' organizations – the Chamber of Commerce and Industry of Slovenia (*Gospodarska zbornica Slovenije*, GZS) and the Chamber of Craft and Small Businesses of Slovenia (*Obrtno-podjetniška zbornica Slovenije*, OZS) – represented the majority of entrepreneurs due to compulsory membership. In 2006 membership became voluntary and employers' associations' density decreased: the associated employers now employ some 80-90 per cent private sector employees. Since collective agreements require a density threshold of 50 per cent for automatic extension, further declines may be detrimental.

However, the main reason for the weakness of employers' associations during the financial crisis lies elsewhere. Widespread company insolvency and low competitiveness, leading to mass layoffs, forced employers to focus on their own narrow issues (e.g. the level of their social security contributions), further hindering constructive social dialogue (Guardiancich, 2012).

Testifying to the relatively minor role of employers' organizations in the 2010 pension reform is their limited investment in knowledgeable personnel. In fact, only one person was involved at the GZS, Tatjana Čerin, Executive Director for Social Dialogue. More prominent was the participation of the less encompassing Association of Employers of Slovenia (*Združenje delodajalcev Slovenije*, ZDS), which had a team of three people (almost one-fourth of the personnel) dealing with the pension reform.

3.3 The Economic and Social Council and other tripartite boards

The social partners have a dual role in welfare state matters in Slovenia: an advisory role through the Economic and Social Council (*Ekonomsko-socialni svet*, ESC); an administrative role through their own representatives in the tripartite boards of the Institute for Pension and Disability Insurance (IPDI), the Health Insurance Institute of Slovenia (HIIS) and the Employment Service of Slovenia (ESS) (Kopač, 2005).[3] The right-conservative bloc tried to change the composition of these administrative boards to significantly weaken the role of the social partners.

The ESC was created in 1994 within the 'Agreement on the Economy's Wage Policy for the Year 1994', an annex to the Social Pact between Employers, Employees and the Government of the Republic of Slovenia for the Year 1994. The ESC is thus a tripartite

[3] The social partners' influence on the Employment Service is much smaller, because all financial resources are managed at Ministerial level.

body, which is not underpinned by any legal act apart from government regulation. It nonetheless holds disproportionate power: the Parliament only discusses socio-economic legislation that had already been debated by ESC members. The ESC cooperates in the drafting of legislation and gives recommendations; it has the right of initiative (not compulsory) to adopt new laws or amend existing ones; it elaborates opinions and positions with respect to legislative drafts and other documents, as well as to the budget memorandum and to the state budget. The ESC sends its opinions to the National Assembly, the National Council and to the public. Its main areas of concern are: social pacts, social rights and all social insurances, employment and industrial relations, collective agreements, prices and taxes, economic policy, legal security, collaboration with the ILO and the Council of Europe, codetermination, union rights and freedoms.

Originally the ESC had 15 seats, five for each partner. With the subsequent amendments to its operational rules, published in the Official Journal and last modified in 2007, each of the three partners can now have eight representatives (and their alternates). Each national trade union confederation and each employers' association and chamber nominate at least one representative. Currently there are seven employer representatives, and eight representatives each for trade unions and the government. The ESC members elect the President for one year. For 2010, the President was Ivan Svetlik, the Minister for Labour, Family and Social Affairs.

The President chairs the Council and any of the social partners can convene the ESC, which meets at least once a month. The ESC decides at unanimity. Each of the social partners, independently from the number of members, has one vote (so three in total). Usually each partner's representatives come to the ESC with a collegial position. If there is no agreement between the social partners, the ESC decides the deadline for reaching an agreement, which cannot be more than 30 days.

As the ESC is too big a forum for the discussion of legislative details (up to 30-40 persons, i.e. the representatives and their assistants, are present at each meeting), each partner nominates representatives who then convene in smaller working groups for any given issue, and the ESC discusses only the final opinions. This was the case also with the 2010 pension reform.

As mentioned, with respect to pensions, the boards of the Institute for Pensions and Disability Insurance (IPDI) also play an important role in tripartite decision-making. The 1992 Pension and Disability Insurance Act converted the self-governed Community for Pension and Disability Insurance into the Institute for Pension and Disability Insurance, in line with the pre-socialist Austrian tradition. IPDI is almost exclusively responsible for the retirement system. Even though the Institute is subordinated to the Ministry of Labour, Family and Social Affairs, it enjoys relative autonomy. However, it has no active role in the legislative process, apart from giving recommendations (Stanovnik, 2002). The government approves its general director.

The composition of the Institute's executive board and assembly (now committee) has been a major concern for all the partners involved, especially the trade unions. The issue gained prominence after early transition, i.e. the honeymoon period between the unions and the government, was over. After that, the boards' composition changed constantly, i.e. in 1994, 1996, 1999 and 2005. Janša's centre-right government most actively tried to dismantle the socialist establishment. Hence, the long-standing director Janez Prijatelj was ousted after 26 years and replaced by Marjan Papež. Simultaneously, the board and assembly were eliminated and substituted by a committee consisting of 27 members. Its composition is as follows: ten members nominated by the government, six by the trade unions, four by employers' associations, five by pensioners' associations, one by disability associations and one by IPDI employees. The ZPIZ-2, if it entered into force, would have downsized the Committee to 15 members (four representatives of the unions, three for employers, the government and pensioner associations each, and one each for the disabled and for IPDI employees).

4. Pension reforms before 2010: an overview

Since 1991, old-age and disability pensions were almost perennially on the agenda of Slovenian decision-makers. Two major reforms, in 1992 and 1999, marked the period. However, neither was sufficient to fiscally stabilize the system in the longer run. Tables 8 and 9 show the current pension system indicators and projected (no-reform scenario) spending. Table 10 lists the main steps of the reform process; a number of studies (Stanovnik, 2002; Guardiancich, 2009; 2011) provide the political-economy details. Following is a brief review.

With respect to the rules of the public pension system, path-dependence is the norm. The 1992 reform was described by Stanovnik (2002) as “too little, too late”. The 1999 reform stabilized expenditures for a decade but was imbued with complex rules and many exceptions, leading to financial unsustainability in the long run (EPC, 2007) and even, despite the system’s theoretical generosity, to social adequacy problems. If voluntary pensions did not take off in 1992, they became more widespread, due to greater tax incentives after 1999. In December 2008, 56.78 per cent of all insured persons also purchased supplementary insurance (Ministry of Labour, 2009b). This expansion has been largely favoured with the creation in 2004 of the Closed Mutual Pension Fund for Public Employees which insured almost 200,000 employees by the end of 2010.

Before 1992 the interim Demos government led by Lojze Peterle planned some structural changes, but due to internal disagreement the 1992 Pension and Disability Insurance Act (ZPIZ) (Ur.l. RS, 12/92) did not live up to expectations. It also had temporary status, as the National Assembly required further restructuring. A major problem was that the 1992 ZPIZ came after the ‘great abnormal pensioner boom’ (cf. Vanhuysse, 2006) was over and amid rising public pension spending. This was refinanced through higher contributions, reaching 31 per cent of gross wages, equally split between employers and employees. In order to gain in competitiveness, the employer’s share (15.5 per cent) was slashed by 6.65 per cent in 1996. Since then, IPDI’s deficits had to be directly financed through budget transfers. A new reform round became necessary.

Three phases marked the run-up to the 1999 reform. Before 1996 the United League of Social Democrats (ZLSD) controlled the Ministry for Labour, Family and Social Affairs. The Social Democrats quit the coalition in January 1996 due to disagreement on the future composition of IPDI’s assembly and changes in indexation in the 1996 Pension Act (Ur.l. RS, 7/96). Passing this very mild retrenchment package proved particularly difficult (Prijatelj, 1996).

The rupture between the LDS and ZLSD opened a window of opportunity. Premier Janez Drnovšek appointed Anton Rop as new Minister of Labour in order to prepare a thorough pension reform. Given his personal aspirations, Rop spent most of his political capital in the endeavour. Even though the International Financial Institutions were the main ideational source for Minister Rop’s reform vision, through ‘Averting the Old Age Crisis’ (World Bank, 1994) and the joint IMF-World Bank 1995 report ‘Republic of Slovenia: New Challenges Confronting the Social Insurance System’ (IMF, 1995), the two organizations were never directly involved in decision-making. Furthermore, a structural adjustment loan promised by the World Bank was never disbursed.

The White Paper on Pension Reform (Ministry of Labour RS, 1997) was a neoliberal document, recommending the introduction of a mandatory funded pillar and the shift to a point system. These elicited fears of a ‘hidden agenda’ aimed at the gradual elimination of public pension provision. The main trade union ZSSS and, limitedly so, DeSUS adamantly opposed the reforms. Rop withdrew privatization due to fiscal concerns.

Table 8.
Pension indicators for Slovenia (2000-10)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beneficiaries[1]	482,240	492,485	509,083	517,751	523,854	531,075	536,887	543,473	551,258	560,428	573,238
o/w old-age	282,005	287,926	295,304	302,365	308,443	315,092	322,755	332,780	342,992	354,514	368,882
o/w disability	97,804	97,704	97,621	97,433	96,556	96,665	96,116	94,511	93,389	92,123	91,051
o/w family	86,976	84,260	81,688	78,818	76,038	73,254	69,735	65,601	62,624	59,699	57,097
o/w survivors	663	4,617	9,285	13,295	16,789	19,977	22,569	25,913	28,928	32,119	35,631
Insured	839,381	841,478	836,544	834,049	836,668	843,251	854,606	879,090	904,084	894,886	881,992
SDR	0.575	0.585	0.609	0.621	0.626	0.630	0.628	0.618	0.610	0.626	0.650
AP/AW	68.1	66.3	65.9	64.5	63.7	62.7	62.5	61.3	61.6	61.3	59.7
o/w old-age	75.3	73.2	72.8	71.1	70.2	69.1	68.6	67.1	67.1	66.6	64.7
o/w disability	61.1	59.4	59.1	57.6	56.7	55.4	55.1	53.7	53.8	53.4	51.8
o/w family	53.0	51.4	51.1	49.9	49.2	48.0	47.8	46.0	46.3	46.0	44.5
Min pension as % of max pension[2]	–	–	–	9.83	9.69	9.39	9.03	9.04	8.74	8.78	8.51
Revenues[3]	2,393.44	2,734.37	3,058.15	3,270.42	3,476.86	3,660.67	3,851.74	4,064.05	4,479.72	4,653.56	4,804.91
o/w contribution[3]	1,666.93	1,885.98	2,065.52	2,239.27	2,398.78	2,546.27	2,700.47	2,934.04	3,250.76	3,288.51	3,334.66
Expenditures[3]	2,453.29	2,734.24	3,057.98	3,260.15	3,457.50	3,660.14	3,851.74	4,063.60	4,479.72	4,653.56	4,804.91
o/w transfers[3]	2,422.81	2,695.01	3,014.97	3,219.51	3,416.84	3,618.54	3,804.85	4,017.13	4,428.77	4,603.45	4,753.91
o/w pensions only[3]	2,047.46	2,258.34	2,507.23	2,671.66	2,827.29	2,978.00	3,157.21	3,354.93	3,680.76	3,859.25	4,003.56
Deficit/surplus[3]	-59.84	0.13	0.17	10.27	19.36	0.54	0.00	0.45	0.00	0.00	0.00
Pension expenditures as % of GDP	13.27	13.24	13.22	12.98	12.77	12.73	12.40	11.76	12.02	13.18	13.57
w/out health contributions	12.28	12.25	12.20	11.98	11.78	11.67	11.45	10.85	11.11	12.18	12.54
o/w pensions only	11.08	11.00	10.84	10.64	10.44	10.36	10.17	9.71	9.87	10.93	11.30

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
TCR	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35
o/w employees	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
o/w employers	8.85	8.85	8.85	8.85	8.85	8.85	8.85	8.85	8.85	8.85	8.85

[1] The difference between the sum of the three rows below derives from the incorporation of special categories of the military, farmers and public pensioners.

[2] Calculated for January of the following year.

[3] Ministry of Finance.

AP – Average pensions. AW – Average wage. SDR – System dependency ratio. TCR – Total contribution rate.

Source: IPDI.

Table 9.
Pension spending projections (2009-50)
and assumptions (government RS)

	Labour productivity growth	Real GDP growth	Activity rate (15-64)	Share of people aged 65+	Pension spending as % of GDP
2009	3.6	4.5	71.8	16.4	11.06
2010	3.7	3.4	71.8	16.6	11.45
2011	3.6	3.2	71.5	16.6	11.65
2012	3.5	3.1	71.3	16.8	11.74
2013	3.2	3.5	71.7	17.1	11.74
2014	3.2	3.3	72.1	17.5	11.71
2015	3.2	3.2	72.5	17.9	11.82
2016	3.1	3.0	72.8	18.4	11.82
2017	3.1	2.9	73.1	18.9	11.94
2020	3.1	2.6	73.4	20.4	12.29
2025	2.3	1.4	72.6	22.9	13.20
2030	1.8	0.8	71.7	25.3	14.61
2035	1.7	0.7	71.2	27.4	16.17
2040	1.7	0.7	70.8	29.1	17.71
2045	1.7	0.7	71.0	31.0	19.02
2050	1.7	0.8	71.6	32.5	19.97

Source: Ministry of Labour RS (2010b: 8)

The White Paper furthermore envisaged the equalization of retirement age at 65 and elongation of the calculation period to 25 years. As a consequence, the ZSSS staged the greatest demonstration rally in Slovenian history. Due to public hostility – 55 per cent opposed the White Paper and 76 per cent age equalization – the government introduced major amendments. In order to secure the support of junior coalition partners SLS and DeSUS, the former obtained the universal non-contributory national pension for its rural electorate and the latter both indexation to wage growth (later contested due to a horizontal equalization mechanism) and a legal obligation that the budget cover all IPDI deficits. The continuing presence of DeSUS in power created a number of problems, and basically put further reforms off the agenda. Moreover, as token for support, Janša increased indexation to net wage growth in 2005, further destabilizing the pension system's fiscal prospects.

After the 1999 Pensions and Disability Insurance Act (ZPIZ-1) (Ur.l. RS, 106/99), a major concern became the compliance with the Maastricht criteria. In order to facilitate the adoption of the euro, Anton Rop, the new Minister of Finance, unilaterally imposed the conversion of salary increases for the public administration into premia for a quasi-mandatory funded scheme. The Union of State and Social Organs (SDDO) appealed to the Constitutional Court, which found the act unconstitutional. Rop's successor, Dušan Mramor, was more cautious. He launched bilateral negotiations (as government and as employer) with the Education, Training and Science Union (SVIZ), and included all public employees in the Closed Mutual Pension Fund for Public Employees (ZVSPJU). Despite fierce lobbying by the financial service industry, the contract was awarded to the state-owned Pension Fund Management Company (*Kapitalska družba*, KAD).

Table 10.
Main pension reform steps

1992 Pension and Disability Insurance Act (ZPIZ, legislated)

Slight reduction in accrual rates (benefits for a full pension qualifying period limited at 85% of the pension base).

Elimination of pure seniority pensions.

Complex valorization formula due to wage growth freezes in 1990-1991.

Creation of the Institute for Pension and Disability Insurance (IPDI), which substituted the existing 'self-managed community of interest'.

Introduction (inconclusive) of voluntary private fully funded pension schemes.

1994 Amendment to the Pension and Disability Insurance Act (ZPIZ-A, legislated)

Rebalancing of the members of the assembly of IPDI.

1996 Pension and Disability Insurance Act (ZPIZ-B, legislated)

Eligibility restrictions and less favourable indexation.

Decrease in the contribution rate for employers (from 15.5% to 8.85%).

1997 White Paper on the Reform of the Pension and Disability Insurance in Slovenia (rejected by social partners)

Equalization of full retirement age at 65 by 2022.

Introduction of a mandatory funded pillar with 6% contribution.

Change in the defined-benefit formula to a German-inspired point system, or alternatively the elongation of the calculation period from 10 to 25 years, less generous accrual rates and permanent decrements for retiring early.

1999 Pension and Disability Insurance Act (ZPIZ-1, legislated)

Gradual increase of the conditions for acquiring a right to old-age pensions for women (age 58/61 with 38/20 years of qualifying period or age 63 with 15 years of insurance period). By 2022 the reform is phased in.

Bonuses and maluses. Permanent decrement for early retirement if the full qualifying period is not met (35/40 years for women/men). Higher accrual rates for working longer.

Widening of the calculation period from ten to 18 best consecutive average net wages.

Change in the PAYG benefit formula: 38% and 35% of the assessment base for women and men for first 15 years of contributions and 1.5% for every subsequent year.

Different indexation rates. The one for existing pensioners is always lower than the one for new ones due to yearly adjustments of the stock of pensions in function of the eligibility and accrual criteria of new pensioners (transgenerational equity).

Introduction of a state pension to all persons above 65, who lived in Slovenia for 30 years and who do not qualify for a first pillar pension. The benefit is equal to one third of the minimum assessment base.

Reform (delayed by three years) of disability pensions and new cash benefits.

Guaranteed participation in the Compulsory Supplementary Insurance Fund for those categories that qualified for an insurance period with bonus.

Incorporation into the ZPIZ-1 law of the entire bulk of regulations concerning supplementary, voluntary private pensions (pension funds, pension companies and direct providers of pension schemes).

2001 Amendment to the Pension and Disability Insurance Act (ZPIZ-1C, legislated)

Mandatory division between individual and collective supplementary pension schemes.

Collective schemes' regulation relaxed: employers need to include at least 51% of employees instead of 66%.

Clarification of the rules governing the taxation of premia to supplementary pension schemes, thereby advantaging collective schemes.

2002 Creation of a quasi-mandatory funded pillar for the public administration (repealed by the Constitutional Court)

Conversion of salary increases for the public administration (33,000 people) into premia.

5-7 private pension funds.

2003 Creation of a quasi-mandatory funded pillar for public employees (legislated)

Conversion of salary increases public employees (160,000 people) in 2003 into premia.

Flexible premia depending on seniority.

One close-end mutual pension fund, administered by the state-owned *Kapitalska družba*.

2005 Amendment to the Pension and Disability Insurance Act (ZPIZ-1F, legislated)
Indexation brought back to net wage growth.
Elimination of IPDI’s executive board and assembly and their replacement with a committee that penalized the participation of social partners.
2006 Amendment to the Pension and Disability Insurance Act (ZPIZ-1G, legislated)
Adoption of Directive 2003/41/EC on the Institutions for Occupational Retirement Provision (IORP Directive).

Source: Guardiancich (2011).

5. The 2010 pension reform

The main reasons for tabling the 2010 pension reform – beyond obvious fiscal responsibilities vis-à-vis the European Union – were the system’s increasing financial unsustainability (as shown in Table 9, total spending would reach 20 per cent of GDP by 2050), its mind-numbing complexity, the inability to raise the effective retirement age and insufficient incentives to encourage individual and collective private pension insurance. The following paragraphs thoroughly analyse the 2010 package: the technical solutions, the chronology of the reform, and the perceptions of the actors.

5.1 Technical content

The 2010 Slovenian pension reform was chiefly parametric and diluted the most radical proposals (introduction of the Notional Defined Contributions (NDC) or of a point system) that were put on the table at the early stages of social dialogue. Notwithstanding, at the micro level, the reform forces rational individuals to work between 2.5 and 3 years longer for a similar level of pension benefits. At the macro level, the ZPIZ-2 lowers overall pension spending by slightly more than two per cent of GDP by 2050. This means that pension expenditures do not rise for five years and that fiscal sustainability is assured for some 10-15 years, after which a renewed round of reforms will become necessary (Delo, 2 October 2010; Čok, Sambt and Majcen, 2010a; 2010b).

Even though the OECD lauded these significant micro and macro achievements, it still deemed the reform package insufficient to guarantee long-term financial sustainability. In particular, the Paris-based organization decried the excessive generosity (and no actuarial neutrality) of the benefit formula, of valorization and indexation, as well as the discrepancies in the eligibility conditions of men and women.

The details on the substantial changes proposed to the retirement age, the benefit formula and the provision of private pensions follow. See Table 11 for a summary comparison between the 1992, 1999 and 2010 reforms.

Table 11.
Main characteristics of the 1992 ZPIZ, 1999 ZPIZ-1 and 2010 ZPIZ-2

1992 ZPIZ	1999 ZPIZ-1	2010 ZPIZ-2
Eligibility criteria for retirement without maluses		
Men: [1] age = 58, p.q.p. = 40 Women: [1] age = 53, p.q.p. = 35 Men: [1] age = 63, p.q.p. = 20 Women: [1] age = 58, p.q.p. = 20 Men: age = 65, ins.p. = 15 Women: age = 55, ins.p. = 15	Men: age = 58, s.p.= 40 Women: [2] age = 58, s.p.= 38 Men: age = 63, p.q.p. = 20 Women: [2] age = 61, p.q.p. = 20 Men: age = 65, ins.p. = 15 Women: [2] age = 63, ins.p. = 15	Men: age = 60, s.p.= 43 Women: [3] age = 58, s.p.= 41 Men: age = 65, ins.p. = 15 Men: [3] age = 65, ins.p. = 15
Minimum insurance period		
15 years	15 years	15 years
Pension assessment base		
Best 10-year average of net wages	Best 18-year average of net wages	Best 30-year (minus 3 worst years) average of net wages
Accrual rates		
Men: 35% for first 15 years, then 2% for each additional year, up to 40 years of p.q.p.	Men: 35% for first 15 years, then 1.5% for each additional year of p.q.p.	Men: 35% for first 15 years, 1.5% for each additional year up to 25 years, then 2% for each additional year of p.q.p.
Women: 40% for first 15 years, 3% for each additional year up to 20 years, then 2% for each additional year up to 35 years of p.q.p.	Women: 38% for first 15 years, 1.5% for each additional year of p.q.p.	Women: 39% for first 15 years, 1.5% for each additional year up to 25 years, then 2% for each additional year of p.q.p.
Pension indexation		
Growth of net wages	Growth of net wages	60% wages and 40% prices between 2012-15 70% wages and 30% prices after
Minimum pension assessment base		
64% of national net wage	Set nominally	Set nominally
Maximum pension assessment base		
310% of national net wage	4 times minimum pension assessment base	4 times minimum pension assessment base
Early retirement		
Men: age = 55, p.q.p. = 35 Women: age = 50, p.q.p. = 30 and other required conditions[1]	Men: age = 58, p.q.p. = 40 Women: age = 58, p.q.p. = 38	Men: age = 60, p.q.p. = 40 Women: age = 58, p.q.p. = 38

1992 ZPIZ	1999 ZPIZ-1	2010 ZPIZ-2
Deductions for early retirement		
1% for each missing year of insurance. Deductions temporary and lifted when age criteria fulfilled.	Varies between 1.2% and 3.6% per missing year.	0.3% per missing month, up to 18% for 5 years.
Purchase of insurance period		
Employer can purchase (for employee) up to five years, under certain conditions.[6] Employee can purchase years of university study and military service.	Employer can purchase (for employee) up to five years, under certain conditions. Employee can purchase years of university study and military service.	The insured or beneficiary can purchase up to five years; and additionally the years of military service.

Abbreviations: p.q.p. = pension qualifying period; ins.p. insurance period; s.p. = service period.

[1] The increase in pensionable age under the 1992 ZPIZ was gradual, and was completed in 1998. All figures refer to final values.

[2] The increase in the pensionable age and pension qualifying period for women is very gradual. Figures refer to the final values, which will in some cases be achieved in twenty years.

[3] The increase in pensionable age and pension qualifying period for men, and mostly for women is very gradual. Figures refer to the final values, which will be achieved gradually until 2024.

Source: adapted from Stanovnik (2002: 32-3) and ZPIZ-2.

Retirement age

Increasing the retirement age and the pension qualifying period was the most controversial issue during the 2010 pension reform. The social partners did not reach an agreement, because the unions (especially the ZSSS) did not accept any quid-pro-quo to lift their request for retirement without decrements at 58/60 for women/men (later raised to 60 for all) with 38/40 years of service period. Such request was often depicted as an 'anti-reform' by Minister of Labour Ivan Svetlik (Delo, 3 December 2010), as the effective retirement age for men was already almost 62. The ZSSS's pro-referendum manifesto was almost entirely focused on this point, stressing that people who are employed in heavy or unhealthy occupations (and who predominantly start working before 20) are unable to work as long as 41/43 years, for women/men respectively, before retiring.

In general the 2010 reform aimed to simplify the Slovenian retirement system whose complexity dramatically increased with the ZPIZ-1. Stanovnik (2002) wrote in several texts that eligibility conditions for pensioning were obscure, including the terminology.[4] According to experts such as Marijan Papež (Delo, 21 September 2009) and Anjuta Bubnov Škoberne (Delo, 24 April 2010), the existence of overlapping criteria prevented the effective retirement age from significantly increasing (especially for men, due to lower retirement age in case of parenthood). During the period 2000-08 the effective retirement age for women increased by 1 year and 6 months (from 56 years and 1 month to 57 years and 7 months) and for men, by 11 months (from 61 years to 61 years and 11 months) (Ministry of Labour RS, 2009b: 10-11). The ZPIZ-2 went a long way to improve the situation. Significantly, the ZPIZ-2 eliminated the added qualifying period, which means that the years spent in university could be bought back but they would not have counted automatically for eligibility purposes.

As shown in Table 11 and according to Art.27-9 ZPIZ-2, the government prepared five main interventions. First, the statutory retirement age for women was raised from 63 to 65 by 2014, six months per year, with at least 15 years of pension insurance. However, people with at least 20 years of pension qualifying period could retire earlier, until 2014 for men and 2018 for women. Second, retirement without maluses would be possible at 58/60 for women/men with 41/43 years of pension qualifying period (without any purchased period). Here the transitory periods were longer and the two ages would have increased by four months per year until 2017 for men and 2020 for women. Concomitantly the old rule of 38/40 years of pension qualifying period for a pension without decrements at 58/60 required a higher age, increasing by six months per year until 2021 for men and 2025 for women, ultimately reaching 65 for all. Third, early retirement rules still allowed drawing permanently reduced benefits at 60 with 38/40 years of pension qualifying period. The decrement was set at 0.3 per cent for each month missing until 65 (Art.38 ZPIZ-2). The transitory period was until 2014 for men; and until 2017 for women. Fourth, in contrast to the initial intentions of eliminating all measures reducing the pensionable age, the government allowed retirement earlier by eight months for each child born up to the lowest age of 58/60 for women/men. This was an explicit concession by the government coalition to the SLS, as this party represents farmers who often have the largest families. Additionally, mandatory military service continued to fully count towards a reduction in the pensionable age for men. Finally, Art.136 ZPIZ-2 allowed individuals to buy back up to five years of insurance period, plus eventually the years spent in the army.

At the micro level, the ZPIZ-2 would have required a 'standard' person to work two years longer than the ZPIZ-1 for a statutory old-age pension. Due to substantial maluses, a

[4] For example: the service period refers to the period when a person was actually insured. The purchased period refers to the insurance period, which is purchased by the employer or employee (e.g. military service or university study). The insurance period is the sum of the service and purchased periods. The special qualifying period are those years, which are credited, without payment of contributions. The pension qualifying period sums up the insurance and special qualifying periods. Finally, the added qualifying period refers to those years of university study and military service, for which contributions have not been paid. This period counts only towards eligibility and is added to the pension qualifying period. In this case, the accrual rate is zero, significantly lowering the pension for those benefiting of it.

rational person under the ZPIZ-2 should have worked three years longer. At the macro level, both measures would have raised the effective retirement age by two to three years, lowering the aggregate spending levels. However, these would have been offset by bonuses and the possibility of drawing a partial pension upon reaching minimum eligibility (Čok, Sambt and Majcen, 2010a: 19, 34-7).

Pension benefit formula

The benefit formula and other parameters which determine both entry and existing pensions had been parametrically modified by the ZPIZ-2. The original proposals were substantially diluted during negotiations with the social and, especially, coalition partners. Nonetheless, the final result was a tighter contribution-benefit link, still far from being a point system or NDC, also envisaged by the earliest proposals (Ministry of Labour RS, 2009b). The reform included: the recalculation of the benefit calculation formula and the introduction of more effective bonuses and maluses, the elimination of horizontal equity, less generous indexation, and finally the possibility of drawing a partial pension under determinate conditions.

Even though the document on the modernization of the Slovenian pension system (Ministry of Labour RS, 2009b) envisaged a two-step reform of the benefit formula, i.e. the initial elongation of the period for the calculation of the pension assessment base from the average net wage of the 18 best consecutive years to 35 (or even to the whole working life) and then the gradual introduction of either a point system or NDC accounts, the draft ZPIZ-2 law (Ministry of Labour RS, 2010d) reduced this to 34 years and did not foresee a second reform step. The elongation would have happened by 2018, that is, through two-year increases each year (Delo, 28 March 2010). This was of course unacceptable to the unions, especially the ZSSS which proposed 24 years and a transition period of 12 years (Delo, 11 May 2010). The opposition parties SDS and SNS tabled a similar amendment during the Parliamentary debates (Delo, 10 November 2010). Finally the Parliamentary Committee on Labour found a compromise solution: the assessment base in Art.30 ZPIZ-2 calculated on the average net wage of the best 30 consecutive years, from which the three worst are deducted (hence, *de facto* 27 years, although not necessarily consecutive). The period should have increased by one year per year until 2022 (Delo, 15 November 2010).

At the micro level, Čok, Sambt and Majcen (2010b: 3, 6-7) calculated that due to this elongation, the average assessment base would have decreased by 7.8 per cent for men and 6.6 per cent for women with regards to the base scenario (18 years of ZPIZ-1), instead of respectively, 12.1 and 10.5 per cent, respectively, if 34 years were maintained. No individual pensioner’s assessment base would have been more than 10 per cent lower than under the ZPIZ-1. Benefits would have been concomitantly higher.

As for the calculation formula itself, this changed substantially as a natural consequence of all other changes in indexation and valorization. According to Art.37 ZPIZ-2 and as shown in Table 11, the new (gross, i.e. without counting the valorization coefficient, see below) accrual rates would have been: (i) men – 35 per cent for the first 15 years, 1.5 per cent for the next 10 years, two per cent for each additional year of pension qualifying period; (ii) women – 39 per cent for the first 15 years, 1.5 per cent for the next 10 years, two per cent for each additional year of pension qualifying period. To this, one has to add the maluses for early retirement (0.3 per cent less for each month missing to age 65, upon retirement at 60 with 38/40 years of pension qualifying period) and the bonuses. These consisted of the higher accrual rate for later years (two per cent) and the possible fruition of 20 per cent of the early or statutory pension benefit, according to Art.38 ZPIZ-2, after reaching the basic eligibility conditions until 65, if the person remained in a stable employment relationship.

Of course, the effects of all these changes are difficult to disentangle; hence, Čok, Sambt and Majcen (2010a: 11-19) used ideal-type standard pensioners and compared their accrual rates under the ZPIZ-1 and ZPIZ-2. A ‘standard’ male is 58 and has worked for 40 years; the ‘standard’ female is 58 and has worked for 38 years. The simulations confirm the findings regarding the retirement age: it would be rational for an individual (either male or female) to postpone retirement by some three years.[5]

Within the coalition the most controversial issue was lowering indexation, which was, since 2005 Janša's concession to DeSUS, tightly anchored to net wage growth. The original proposal (Ministry of Labour RS, 2010d) was Swiss indexation (50 per cent wages and 50 per cent prices). This was of course unacceptable to DeSUS, which had to cater to its constituency of pensioners. Subsequent negotiations even created a rift between the party (supported by some 15,000 retirees) and the Union of Associations of Pensioners (ZDUS) (which has some 250,000 members among the retired population). In fact, the latter was willing to find a compromise on the lower end of the scale (60 per cent wages and 40 per cent prices), while DeSUS, until the very end and even backtracking on its own concessions, asked for an 80:20 ratio (Delo, 25 November 2010). One reason for such stubbornness was the two budget laws, i.e. for 2010-11 and for 2011-12, which froze the indexation of pensions for 2010 (half of what envisaged in the ZPIZ-1) and in 2011 (one-fourth) as an anti-crisis measure. DeSUS neither voted for the budget 2011-12 nor for the ZPIZ-2 (Delo, 18 November 2010; 15 December 2010).

The final text (Art.106 ZPIZ-2) envisaged indexation based on 70 per cent wages and 30 per cent prices. However, Art.430 ZPIZ-2, a transitory measure, lowered this amount to the ratio 60:40 for the years 2012-15. On a macro level, the 70:30 variant implied a reduction in overall pension expenditures with regards to the base (ZPIZ-1) scenario of circa 2-2.3 per cent of GDP by 2050 (see Čok, Sambt and Majcen, 2010b: 10 and Table 12 on overall macro effects).

Table 12.
Pension spending projections under various Pension and Disability Insurance Act proposals (Institute for Economic Research)

	2009	2011	2013	2015	2017	2019	2021	2025	2030	2040	2050	2060
ZPIZ-1	11.2	11.2	11.4	11.6	11.7	11.9	12.1	13.0	14.4	17.5	19.7	20.2
ZPIZ-2[a]	11.2	11.1	11.0	10.7	10.4	10.2	10.1	10.6	11.8	14.6	16.6	17.0
ZPIZ-2[b]	11.2	11.1	11.1	10.8	10.6	10.4	10.3	10.8	12.0	14.7	16.7	17.0
ZPIZ-2[c]	11.2	11.1	11.2	10.9	10.7	10.6	10.5	11.2	12.5	15.4	17.4	17.8
ZPIZ-2[d]	11.2	11.1	11.2	10.9	10.7	10.6	10.6	11.3	12.7	15.6	17.7	18.2
ZPIZ-2[e]	11.2	11.1	11.2	11.1	10.9	10.8	10.8	11.5	12.9	15.8	17.9	18.3
ZPIZ-2[f]	11.2	11.1	11.2	11.1	10.9	10.8	10.9	11.7	13.1	16.0	18.2	18.7

[a] Military service not deducted, 34 consecutive years to calculate the assessment base, indexation 60:40.

[b] 3/4 of the mandatory military service deducted from the male retirement age, 34 consecutive years to calculate the assessment base, indexation 60:40.

[c] Military service deducted, 30 consecutive years to calculate the assessment base, indexation 70:30.

[d] Military service deducted, 27 consecutive years to calculate the assessment base, indexation 70:30.

[e] Military service deducted, 30 consecutive years to calculate the assessment base, indexation 80:20.

[f] Military service deducted, 27 consecutive years to calculate the assessment base, indexation 80:20.

Note: None of the calculations reflect the final version of ZPIZ-2, due to the fact that: (i) the military service is entirely deducted; (ii) indexation at 70:30 starts only in 2016; (iii) the 27 years are not consecutive. However, variants C and D are closest to the actual legislation.

Source: adapted from Čok, Sambt and Majcen (2010b: 10)

Such change in indexation came together with a notable simplification of the existing pension system: the so-called horizontal equalization was eliminated from the system. The

[5] In fact, early retirement at 60 guarantees an accrual rate (the gross replacement rate with respect to the assessment base) of 68.88 per cent resulting in a pension benefit between 4.9 and 11.4 per cent lower than under ZPIZ-1 for men and between 4.9 and 12.7 per cent for women. Standard retirement at 65 instead guarantees a 94 per cent accrual rate for both and some six years of fruition of the 20 per cent anticipated pension. For standard women, the pension benefit is between 18.8 and 9.0 per cent higher than under ZPZI-1 and for men between 18.8 and 10.6 per cent.

ZPIZ-1 in fact had long transition periods, with each subsequent cohort having lower accrual rates – gradually decreasing from 85 per cent for a full pension to 72.5 per cent – and due to the freezing of pensions in the early 1990s, the pension assessment base was not valorized according to the growth of nominal wages, but according to valorization coefficients, circa 0.77-0.79 of the nominal growth of wages (Stanovnik, 2007: 5-6). The ZPIZ-1 strictly implemented the notion of horizontal equalization, implying that older pensioners should not be advantaged with respect to new ones. Hence, existing pensions were indexed at a lower rate than they should have in order to put them *au pair* with the entry ones. In mid-April 2010, at a meeting of the Expert Working Group (established by the Ministry of Labour), Tine Stanovnik and Boris Majcen of the Faculty of Economics asked for the elimination of this rule, which was duly implemented. Hence, the valorization coefficient would have been fixed at 0.75513, meaning that: (i) there would be no more horizontal equalization and hence older pensions lose value with respect to new ones due to mixed indexation; (ii) the new full gross pension benefit (40 years for men and 38 for women) would be equal to 80 per cent of the assessment base and the net one to 60 per cent, meaning a pure yearly accrual rate of 1.5 per cent for men and 1.58 per cent for women.

Finally, the ZPIZ-2 introduced the possibility of drawing a partial pension. According to Art.40 ZPIZ-2, a person who works part-time (at least four hours per day or 20 per week) and is still socially insured can draw a partial statutory or early pension equal to the percentage corresponding to shorter working hours. Until the age of 65, this benefit is increased by five per cent. In general, the ZPIZ-2 provided a number of incentives to workers to stay employed longer. These were, however, not matched with adequate tax relief for employers retaining older workers. Among others, the GZS proposed to stimulate the employment of elderly workers by lowering the employers' contributory burden by 50 per cent when minimum eligibility conditions were met and to 20 per cent when full conditions were fulfilled (Delo, 1 April 2010).

Private pensions

The ZPIZ-2 introduced several changes to supplementary (voluntary and mandatory) schemes, which can be grouped under three headings: (i) a thorough reform of so-called professional pensions; (ii) several changes to collective supplementary retirement schemes; (iii) technical changes to the pension funds managed by *Kapitalska Družba* (KAD).

Professional pensions are mandatory funded supplementary pension schemes that cover people working under heavy or unhealthy conditions or whose employability after a certain age is not effective (Art.199 ZPIZ-2). A small fund for 41,000 employees, the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ), was established with the ZPIZ-1 and is run by KAD for those occupations that enjoyed an insurance period with bonus (i.e. each year would count up to 18 months towards the insurance period). However, in practice the plan's structure was awkward (defined-benefit with a state guarantee) and the accumulated sums insufficient (due to high fees charged by KAD and low contribution rates). Hence, the whole system needs restructuring.

The new system would have had a higher contribution rate (10.55 per cent, contested by employers, in particular the ZDS), a pure defined-contribution structure with some return guarantee and new eligibility conditions for fruition. Professional pensions would be the only type of pension that maintained the so-called added qualifying period which amounts to a 3-month bonus each year of insurance. A professional pension would be payable to those insured who have achieved a total pension qualifying period of 38/40 years for women/men and have accumulated on the SODPZ account enough money to guarantee a monthly pension at least equal to 80 per cent of the minimum pension assessment base (Art.204 ZPIZ-2). In this case the professional pension would be disbursed until the person qualifies for an early or statutory pension benefit. In case an insured woman/man had been working for one of the professions contemplated by Art.199

ZPIZ-2 for 15/16 years, then the maluses applicable to early retirement are simply lifted. Finally, the list of eligible jobs is outdated and should be replaced soon.

Supplementary pension schemes in Slovenia have been criticized for their limited coverage (less than 57 per cent of the labour force by 2009), low premia paid in (also due to low incentives which foresee a tax exemption up to 5.844 per cent of the gross wage), conservative asset management leading to unspectacular returns, and lack of comparability due to the existence of too many different products on the market. Moreover, the difference between individual and occupational plans was not fully spelled out and the possibility of withdrawing as a lump-sum the whole accumulated wealth after ten years of occupational insurance seriously worried the industry in 2010 (Delo, 12 June 2010b). The government thus decided to introduce various changes, mainly related to eligibility conditions, the content of pension plans and investment strategies as well as to the pay-out phase.

In general pension funds would be allowed to take the form of mutual pension funds, umbrella funds with sub-funds and technical reserves. The carriers can be pension companies, banks (only for mutual pension funds), insurance companies and companies for management (a sort of investment fund company). Eligibility for a supplementary pension was entirely tied to having fulfilled the conditions for an old-age or early pension under the statutory pillar. Earlier fruition would be also possible: the insured person had to be at least 57 years old and no longer insured in the first pillar (Art.219-220 ZPIZ-2).

The content of the pension plans was simplified. Until the reform the pension plan contained a wealth of information, ranging from social and labour rights to technical details. The ZPIZ-2 relegated the latter to the ‘administration rules of the pension fund’, the pension plan containing only the information related to the rights and obligations of the insured person (Art.224 ZPIZ-2).

Major novelties were the rules regarding the investment strategy of supplementary pension funds. Asset management was based on the Act on insurance (Ur.l. RS, 13/00). According to the ZPIZ-2 it would be based on the Act on investment funds and companies for management (Ur.l. RS, 26/05). This means that strict quantitative limits on asset classes would have been relaxed and replaced with the indication of those markets where pension funds can invest (mainly publicly traded assets in the EU and OECD countries) and with rules closer to the Prudent Person Principle. There were of course quantitative limits for investing into the sponsor (five per cent or 10 per cent for connected firms), real estate (10 per cent or 30 per cent for connected properties), derivatives (1 per cent) and other limits in line with EU directives (Art.273-4 ZPIZ-2).

Moreover, pension funds would lead an investment strategy that either guarantees a minimum rate of return or resorts to life-cycle sub-funds (Art.217 ZPIZ-2). The ZPIZ-2 delegated most decisions regarding life-cycle management to the market. The only requirements were to create three different sub-funds with different investment strategies, of which the one aimed at the oldest cohorts had to guarantee a minimum rate of return (Art.324-5 ZPIZ-2). The rest were left to the carrier to decide.

The issue of early withdrawals had been dealt with in two ways. In order to discourage current fund members from taking out their savings as lump sums, the taxation of annuities was halved. Only 50 per cent would be subject to the personal income tax, thereby bringing Slovenian supplementary pensions closer to an Exempt Exempt Exempt (EEE) taxation regime (premia would be still tax exempt up to 5.844 per cent of gross wages, returns on investment would be exempt and annuities partly exempt). With respect to the newly insured, annuitization would instead be mandatory upon retirement and the withdrawal of lump sums allowed only if the accumulated assets do not exceed a total sum of 5,000 euros (Art.221 ZPIZ-2).

Finally, following pressure from the European Commission and the OECD regarding state management of strategic investments, KAD’s role in the administration of its pension funds (all except the abovementioned SODPZ) was redrafted. Due to the fact that one of the funds is the large Closed Mutual Pension Fund for Public Employees (ZVSPJU), Branimir Štrukelj, President of the public employees' union KSJS, obtained the guarantee that any change in status would have to obtain the unanimity of the ZVSPJU board. Nonetheless, in September 2010, KAD was restructured and three of its four funds migrated to an insurance company that will be separated from the state-owned institution.

5.2 Timeline

Although most social partners decry the deteriorating quality of social dialogue in Slovenia, the number of tripartite working groups and their frequent meetings testify to the (at least initial) willingness of the government to build consensus around reforms. Unlike other countries, social dialogue on supplementary pension schemes was not decoupled from that of statutory schemes (only a special negotiating group that met just three times was created within the ESC). This is because the Ministry for Labour, Family and Social Affairs deems the two pillars to be constitutive parts of a social insurance system and hence, all proposals originate from the same Ministry, and there is one law governing both pillars (this was already the case with the ZPIZ-1). Such solution has the disadvantage that whenever a small change is needed, the government has to amend the whole pension law, thereby attracting great attention of the social partners, even when this could be entirely avoided.

In the following paragraphs, an overview of the meetings and fora where the social partners (or, alternatively, experts) met between 25 September 2009 and 15 September 2010 is presented (see Table 14, Annex).

On 5 March 2009 the Ministry for Labour, Family and Social Affairs (MoLFSA) nominated a working group (the Head Steering Committee of Experts) for the preparation of the document on the modernization of the pension system (Ministry of Labour RS, 2009a).[6] The document, which the working group produced, included the analysis of the 2000 pension reform; the evaluation of the current situation and reasons for change; recommendations for the modernization of the pension system as a whole; and the calculation of the effects of each proposed solution.

The working group convened between March and October 2009. Apparently, the government did not follow many of the recommendations put forward by the group in drafting the modernization starting points and documents. Due to internal dissatisfaction, the working group convened again in April 2010. The last meeting seems to have been particularly important. During the meeting, IPDI's Director Marjan Papež recommended the elimination of the inconsistencies regarding early retirement practices, and Prof. Tine Stanovnik tabled the proposal to eliminate horizontal equalization, one of the messiest elements of the 1999 pension reform. Both proposals were eventually adopted.

The Ministry of Labour presented to the public the document 'Modernization of the Pension System in the Republic of Slovenia – Safe Old Age for All Generations' (Ministry of Labour RS, 2009) on 25 September 2009. The starting negotiating points were presented at the 187th meeting of the Economic and Social Council in early October. During the meeting, the ESC established the expert working/negotiating group charged with carrying out the objectives contained in the starting points, as well as the subgroups on disability and supplementary pensions.

The Modernization document envisaged a radical restructuring of the Slovenian pension system through a two-step reform. The first step (2011-15) would introduce drastic parametric changes (then diluted in the ZPIZ-2) such as a higher retirement age (65 for all), the elimination of most assimilated periods (military service, parenthood, university studies), the introduction of bonuses and maluses, Swiss indexation, the elongation of the

[6] The whole group consisted of ten people, including the chair Peter Pogačar (MoLFSA), Dušan Kidrič (Institute for Macroeconomic Analysis and Development, IMAD), Prof. Tine Stanovnik (Institute for Economic Research, IER), Nataša Trček (head of the Department for pension and disability insurance at the MoLFSA) and others. The working group could convene in its plenary or more restricted configurations.

calculation period for the assessment base, and a thorough modernization of supplementary pensions. Even more dramatic was the second step (from 2015 onwards), which would apply to people younger than 55 in 2015 and would entirely reshape the Slovenian pension system. In fact the new design would be multi-pillar, consisting of: (i) a zero-pillar partly financed by contributions and partly by the state budget, guaranteeing a universal income equal to 40 per cent of the Slovenian minimum wage; (ii) a first NDC pillar financed through contributions; (iii) a second occupational supplementary pillar; and (iv) individual savings accounts (Ministry of Labour RS, 2009b: 38-41).[7] The document only to a minor extent took into account the recommendations of the Head Steering Committee of Experts established by the Ministry of Labour.

The first reactions were either cautious, from the side of the unions (Dušan Semolič of ZSSS hinted that retiring at 65 may be impossible for blue collar workers), or fairly negative from the employers, due to the difficulties in employing older workers without further incentives.[8] The opposition party SDS expressed doubts that the reform would ever reach Parliament (Delo, 26 September 2009b).

On top of the lukewarm reception, in September 2009 the Slovenian government passed the budget law for 2010-11, which almost triggered a coalition crisis with DeSUS. In fact pensions (as well as public sector wages) were indexed to only half the amount envisaged by the ZPIZ-1 in 2010, i.e. roughly Swiss indexation (Delo, 30 September 2009). DeSUS finally agreed to the freeze, due to the fact that wage increases for 2009-10 were fictitious: massive layoffs of less skilled workers, most of them earning close to the minimum wage, were artificially inflating average wages in Slovenia. The finalization of the budget laws was 'facilitated' by the European Commission, which started the Excessive Deficit Procedure against Slovenia and urged Slovenia to lower its deficit by 2013 (Delo, 13 November 2009).

From the very beginning, the 2010 pension reform started under a bad omen. On 28 November 2009 seven trade union confederations organized a major gathering (30,000 thousand demonstrators) in Ljubljana to protest against the pension reform and to ask for a higher minimum wage. The European Trade Union Conference (ETUC) was present as well (Delo, 29 November 2009). It was the first major protest under Pahor's centre-left government, which basically led to the radicalization of the pension issue and the entrenchment of the unions in their positions against the reform.

The Slovenian government adopted the Slovenian Exit Strategy 2010-13 in early February, thereby basically confirming, among other structural measures, the pension reform restructuring and multi-pillarization. The unions, particularly the ZSSS, were very critical of the document both with respect to the content and to the procedure. They decried that both the Exit Strategy as well as the structural reforms it envisaged should have been the outcome of thorough social dialogue (Delo, 11 February 2010).[9] A month later the draft Pension and Disability Insurance Act (Ministry of Labour RS, 2010d) was presented to the wider public, following a dozen meetings of the Expert working/negotiating group within the ESC.

The draft ZPIZ-2 reprised most of the solutions envisaged by the Modernization document but significantly dropped any reference to the structural part of reforms, originally scheduled after 2015. The negotiations led to a number of dilutions welcomed by the unions: the equalization of retirement age for women and men was dropped (63/65 instead), and bonuses as well as early fruition of partial pensions were introduced (Delo, 18 March 2010; 28 March 2010).

[7] For summary descriptions, see Delo, 23 September 2009; 26 September 2009a.

[8] ZDS already asked for: (i) lower non-wage labour costs through lower social security contributions; (ii) yearly indexation to prices only; (iii) financial support to retain older workers; iv) tax support for supplementary schemes; (v) greater bonuses for deferred retirement; (vi) the institution of partial retirement.

[9] Similarly negative opinions were voiced by the artisans and self-employed, who argued that imposing a higher contribution base would lead to informalization and contribution evasion (Delo, 24 February 2010).

Nonetheless, the government's attitude and manner of proceeding was widely criticized. The Head Steering Committee of Experts had not been informed of the publication of the draft law; the negotiations with the social partners were chiefly inconclusive; and the employers complained that too many of their proposals had been entirely neglected (Delo, 1 April 2010). Finally, DeSUS voiced its opposition against Swiss indexation, and various MPs, even from the SD, expressed several doubts. As the draft ZPIZ-2 was presented most union confederations immediately threatened to start demonstrations, call for a referendum and a general strike. These threats convinced Premier Pahor to lengthen the time dedicated to public debate and to start direct negotiations (together with Minister of Labour Ivan Svetlik) with the social partners and the Prime Minister.

In contrast to the 1999 experience when Premier Janez Drnovšek effectively unblocked the stalemate with the unions, the direct negotiations with Pahor were assessed as totally unproductive. Dušan Semolič of the ZSSS stated (Delo, 29 April 2010) that "In Slovenia we did not yet have a government, which showed so much indifference towards drafting a social pact."

These meetings unveiled the main leitmotiv of the whole negotiation process: the two main unions ZSSS and Pergam displayed very different attitudes towards reforms and social dialogue. In response to the government's proposals, the ZSSS remained firmly entrenched in its original positions, while Pergam was willing to compromise and find a negotiated solution (Delo, 4 May 2010).[10] The unions handed in to the government an alternative pension proposal, envisaging a lower retirement age (favouring those who start working before 20), stimuli for longer employment with bonuses and lower contributions for employers, longer transition periods, and the retention of certain contributory credits such as for maternity and childcare (Delo, 11 May 2010). In a long technical note (Ministry of Labour RS, 2010c), Minister of Labour Svetlik regarded the unions' proposal as totally unacceptable.

The postponements of the deadline to end the public debate testify that Premier Pahor believed that social dialogue would actually lead to a final compromise on the 2010 pension reform. This proved to be a wrong assumption. In various collective documents (e.g. KSJS, Konfederacija '90, KNSS Neodvisnost, SZS Alternativa, KSS Pergam, ZDSS Solidarnost, and ZSSS, 2010), the unions only slightly modified their original positions.[11]

Further meetings within the Economic and Social Council did not lead to any agreement (Delo, 8 July 2010; 17 July 2010) and the announcement that the restrictive measures adopted for the 2010 budget would have to be reiterated in 2011 soured the already compromised relations with the Democratic Party of Pensioners. The main issue was DeSUS's stubborn attitude regarding pension indexation; DeSUS was willing to accept at most the elongation of 2010 indexation rules (Swiss) to 2011, as well as a minimal 70:30 ratio to be inserted into the ZPIZ-2 (Delo, 20 July 2010). These threats then hijacked the whole reform process.

The social partners' inability to reach a satisfactory agreement led to the radicalization of social dialogue, which at this point had few chances to progress. Pahor himself (Delo, 22 July 2010) said that the government had more than 50 meetings with the social partners and produced circa 300 documents, and thus the social partners could not claim that the government did not invest in social dialogue. He insisted that the final draft of ZPIZ-2, sent to the social partners by the end of July, would be forwarded to Parliament by September,

[10] Notwithstanding the difference in attitude, the unions continued blaming the government because: (i) some of the proposals are tabled due to the OECD, which is for budgetary discipline and in favour of supplementary pillars; (ii) younger cohorts would need more stimuli for employment; (iii) it scares people with the bankruptcy of IPDI.

[11] Among others: retirement without maluses at 60 with 38/40 years of service for women/men, lower retirement age if one started working before 20, a calculation period for the assessment base of 24 years, instead of 34, and various bonuses to delay retirement (permanent 0.4 per cent higher accrual rate for each month beyond the fulfillment of eligibility criteria, temporary fruition of 20 per cent of the pension benefit until 65 and 50 per cent lower contribution rates for employers during that period).

whether an agreement was reached or not. He proposed to even tie the reform to a vote of confidence. In response, the ZSSS started collecting signatures for a referendum (Delo, 27 July 2010) on the question: "Do you support the Pension and Disability Insurance Act approved by the National Assembly?"

The final draft of the ZPIZ-2 included a number of concessions asked by unions and employers, especially in the form of extended transition periods.[12] Nonetheless, the social partners remained sceptical until the end of the legislative process. The more radical union leaders continued to request retirement without maluses at age 60 with 38/40 years of insurance period (claiming also that the Slovenian labour market was not in a position to absorb scores of elderly workers), 24 years of calculation period and better representation within the IPDI Committee. The unions stated that the financing resources could be found through taxes on luxury goods and dividends.

The responses by the employers were rather divided. The GZS was relatively in favour of the reform. In particular, Tatjana Čerin (Delo, 6 August 2010) argued that retiring at 65 and having 41 or 43 years of service are appropriate eligibility conditions: "The pension reform is not meant only for the generation that was born in the 1950s." The ZDS was far more critical, arguing that since contributions would not be lower, then greater stimuli for training and employment of the elderly were needed. Among others, they suggested lowering by 50 per cent the social security contributions for employers after workers turn 60; in order to increase the coverage in the second pillar, tax deductions should be increased and the tax treatment of various pillars harmonized (Delo, 24 August 2010). Finally, coalition partner DeSUS maintained that any indexation ratio below 70:30 was totally unacceptable, as was the total freeze of pension indexation for 2011. Erjavec again threatened that if no compromise were reached, DeSUS would neither vote for the 2011-12 budget law nor for the pension reform in the National Assembly (Delo, 25 August 2010).

Professional pensions were also a cause for concern: the ZDS argued that the 10.55 per cent contribution rate for professional pensions was too high; on 31 August 2010 roughly one thousand demonstrators gathered to protest against Minister of Labour Ivan Svetlik for the lack attention devoted to this issue (Delo, 1 September 2010). A previously less emphasized issue was that the contribution base for minimum wages was raised to 60 per cent of the average Slovenian wage, which elicited major protests from the OZS and the ZDS whose most vulnerable members could go bankrupt as a consequence of this measure (Delo, 1 October 2010; ZDS, 17 September 2010).

In September 2010, the ZPIZ-2 was presented at the National Assembly without the consent of the unions nor of coalition partner DeSUS. While deploring the failure of social dialogue, Premier Pahor and Minister of Labour Svetlik also argued that the reform was necessary and would go a long way towards fixing at least three main problems: the increasing deficits of the ZPIZ, which mean that a debt-to-GDP ratio of 60 per cent may be reached already in 2021; the loss of purchasing power of pension benefits following the implementation of the 1999 reform and ensuing old-age poverty; and malfunctioning professional pensions.[13]

[12] The act returned to a retirement age of 65 for all with at least 15 years of contributions (with exceptions). Childrearing was taken into account by lowering the retirement age of women up to two years. Men and women would retire without maluses at 60 with 43/41 years of service. However, maluses of 0.3 per cent per month were fully retained, as well as the bonuses (20 per cent of your pension benefit after minimum eligibility conditions are met). Horizontal equity was eliminated, fixing the valorization coefficient, and the assessment base would be calculated on the best consecutive 34 years of employment. Indexation was still 60 per cent wages and 40 per cent prices (Ministry of Labour RS, 2010a; Delo, 6 August 2010).

[13] Premier Pahor argued (Delo, 10 September 2010a): "Behind us there is one year of negotiations of the text of the new law with many interest groups, especially with the social partners. We wished to please them with the introduction of bonuses, with taking into account parenthood, with the gradual introduction of the reform, and with putting special attention on individual groups of people, who are disadvantaged. We deplore that the unions understand the current situation of the pension system differently than the government. And that they would like to achieve the objectives with different, according to the government insufficiently effective means, with which it would be impossible to stop the fall of pension benefits, and guarantee that they will in the future be regularly paid and indexed."

The social partners confirmed their opposition (Delo, 10 September 2010b). Dušan Semolič was most outspoken: "The actions of the government are harmful for workers, pensioners and the young, because they do not recognize the real problems. The proposed pension reform is a proven path into poverty." At the political level, most of the coalition MPs supported the reform but also anticipated that the ZPIZ-2 would undergo several revisions during the Parliamentary debate. Opposition party SLS voiced its disapproval to a reform that reached Parliament without the consent of social partners.

The government passed the 2011-12 budgets, confirming lower pension indexation and public sector wage growth (Delo, 29 September 2010b).[14] Although the following discussion in the Assembly partly diluted the freeze, DeSUS did not vote in favour; independent MPs (some ex-DeSUS) stepped in to support the government (Delo, 18 November 2010).

After long insistence of the trade unions, on 1 October 2010, the Institute for Economic Research published the simulations regarding both the micro and the macro effects of the envisaged ZPIZ-2 pension reform (Čok, Sambt and Majcen, 2010a; 2010b; Delo, 2 October 2010). The calculation was based on simulations for the whole cohort that retired in 2009 and whose data had been made available by IPDI. This document appeared definitely too late in the reform process.

During the first reading of the ZPIZ-2 in the National Assembly, several Deputies voiced their disapproval (Delo, 20 October 2010) and three parties gave their conditional support if certain amendments were introduced. The SDS lamented that individual accounts disappeared from the draft. The SLS asked that national pensions (a sort of 0-pillar) be not relegated to social transfers but rather brought back into the pensions law, and that the reduction of retirement age for childrearing be not limited to three children only (due to much higher fertility rates among rural families). Finally, DeSUS reiterated its opposition to the envisaged indexation rules.

At this point, social dialogue entered the final stalemate. The ZSSS representatives squarely refused to participate in further negotiations, saying that the government tabled only minor changes and was not prepared to discuss fundamental issues. An extraordinary meeting of the ESC brought but minor amendments, and Dušan Semolič of the ZSSS posited that Pahor *was not* Drnovšek who managed during the parliamentary debate in 1999 to hammer out a deal with the social partners (Delo, 27 October 2010). Similarly, the employers' associations ZDS and OZS were not assuaged, as the reform would increase the calculation base for contributions of the self-employed, the contribution rate for professional pensions, and would eliminate the possibility of postponing payments (Delo, 21 October 2010). All three measures were viewed as compromising the solvency of several Slovenian enterprises.

At the beginning of November, the final attempts to find a compromise solution with DeSUS on indexation did not bring any tangible results. Karl Erjavec gave the final veto (Delo, 15 November 2010a): "There are no more possibilities. We will not change our decisions. Our five MPs will neither vote for the budget proposal for the next two years nor for the pension reform." This negative stance created a deep rift between DeSUS and the Union of Associations of Pensioners (ZDUS), which instead supported the main points of the ZPIZ-2.

Before the final legislative rush, the Parliamentary committee on labour introduced several amendments to the ZPIZ-2 law (Delo, 15 November 2010b). 70:30 indexation was introduced to partially appease DeSUS. Military service was added to the possibility of buying back more than five years of qualifying period. Most significantly, the calculation of the assessment base was lowered through the formula '30 minus 3' years, and the

[14] At the same time, the National Assembly also adopted the law restructuring KAD (Delo, 29 September 2010a). This followed various OECD recommendations to limit the direct involvement of the state in managing strategic investments. In addition, it dismembers an insurance company that independently will manage three of four KAD pension funds, whereas SODZP remains under KAD control.

transition period lengthened. There were further deductions for the employment of young persons on permanent contracts and of the elderly. The number of members in IPDI's Committee was lowered from 27 to 15 to increase efficiency, against the negative opinion of the unions and employers.

The final readings of the ZPIZ-2 at the National Assembly took place in December, and the pension act needed the external support of opposition party SLS, as DeSUS voted against it (Delo, 15 December 2010a; 15 December 2010b). As the final act of the lengthy legislative process, the National Council, which has the authority to veto legislation passed by the Assembly and force it to vote by absolute majority, opposed and vetoed the ZPIZ-2. The Council, whose members originate in civil society and major domestic interest groups, deplored the fact that the government did not seek a final agreement with the social partners and that it did not consider the problems in the labour market, the health status of elderly workers and the difficult economic situation of employers. This did not stop the National Assembly from reconfirming the Pension Act with the support of the SLS (Delo, 21 December 2010; 24 December 2010).

In no time, the ZSSS collected the required 40,000 signatures to start a referendum against the ZPIZ-2 (Delo, 28 December 2010). Both the National Assembly and the government requested the Constitutional Court to review whether a referendum that undermined the pension reform and led to unconstitutional consequences (non-payment of pensions infringes a human right in the Slovenian Constitution) was lawful. The Court ruled against the government on 14 March 2011, arguing that this was not the only reform possible, and that hence voters were able to decide (Delo, 15 March 2011).

The referendum was scheduled for 5 June 2011. That the Act would be rejected was clear from the start. Additional factors were cited as contributing to this: first, the government's PR campaign (a TV ad in which Urška Čepin, acting as a 'dumb blonde', mocked the views of the opponents of the reform) backfired due to the frivolous and offensive treatment of such a sensitive issue. Second, the opposition party SDS seized the opportunity and tacitly opposed the reforms, betting on early elections (Stanovnik and Turk, 2011: 16-17).

Under such circumstances, the defeat of the government was memorable, but unsurprising: 72.2 per cent voted against (Delo, 6 June 2011). After a few turbulent months, the centre-left executive suffered a vote of no confidence in September of the same year.

5.3 Perceptions on social dialogue

The perceptions of the actors involved in the social dialogue surrounding the 2010 pension reform diverged substantially; however, it can be safely stated that its failure is attributable to mistakes by all three social partners. In particular, the government acted with excessive haste and opened too many social fronts at the same time. The trade unions entrenched themselves into their original positions and radicalized the debate. Finally, the employers' associations were either passive or exclusively focused on their narrow concerns.

The government

The Slovenian government organized in one year of social dialogue almost 50 meetings with the social partners at different levels. It gave in on a number of points (especially the transition periods) in order to find an agreement with the trade unions, without, however, achieving any tangible results.

The government coalition's most outspoken leaders were: Premier Borut Pahor, Minister for Labour, Family and Social Affairs Ivan Svetlik, Minister of Finance Franc Križanič, Minister of Public Administration Irma Pavlinič Krebs, Minister for European Affairs and Development Mitja Gaspari, and Peter Pogačar, Director General of the Directorate for Labour Relations and Labour Rights at the Labour Ministry, and of course, Karl Erjavec, the President of DeSUS. The Slovenian government several times pointed out that pension reforms were absolutely unavoidable, and later that an eventual failure to reach an agreement with the social partners would not halt the legislative process. The government adamantly denied that it did not engage in extensive social dialogue. As Anja Kopač-Mrak, State Secretary at the Ministry of Labour, Family and Social Affairs, stated: “There was a lot of debate and we do not agree with the public opinion that social dialogue is dead.”

Most of the interviewees decried the impossibility of overcoming the resistance of the unions (especially the ZSSS) to raising the service period required for a pension without decrements.

State Secretary Miloš Pavlica (in charge of monitoring social dialogue) was clear on the point:

> The situation is such that the economic crisis led to the radicalization of the unions’ positions. In previous periods, the social dialogue happened in a way as to find common solutions, where each of the partners gave in on something. Concretely during this pension reform process we found ourselves in a situation, where the unions did not want to depart from their original position and it was impossible to find any type of compensation as compromise.

He thought that the reason for such radicalism was the unions’ mishandling of the financial crisis, when the workers circumvented the labour movement and directly asked the employers for certain rights. In a situation of rising unemployment and sharp drop in union membership, the unions felt compelled to radicalize their stances to retain the existing members.

Nataša Trček, Head of the Department for Pension and Disability Insurance at the Labour Ministry, was of the same view:

> Regarding the unions, my opinion is that they were not ready to discuss the pension reform, because they believed that it is unnecessary. Such attitude was even harmful for the other workers. If one looks at the whole process of legislative changes, one can see that the government was by itself slackening the conditions, as the unions were not prepared to constructively discuss those individual questions that were most relevant. Even though we proposed at the beginning a very strict new pension system, with short transition periods, and we ourselves started to give in and this can be seen through the various phases, the unions were not willing to compromise on anything.

As for the employers’ involvement in the pension reform, the government was less critical. Pavlica said: “The employers understand the urgency of this reform. From this point of view they passively supported the government. They did not encourage us, as they have their own agreements with the union and they prefer to avoid confrontation, but they agreed on the reform principles and supported them.” Of course, there had been several problems, especially with the broadening of the contribution bases and some changes that the government introduced unilaterally (on which basis the employers’ associations withdrew their support for a period), and hence the employers’ views were far less sympathetic to the government.

Finally, with respect to social dialogue on supplementary pension schemes, the social partners did not recognize the growing importance of these schemes vis-à-vis statutory pensions. In fact, Andraž Rangus of the Directorate for Labour Relations and Labour Rights said:

> With the social partners we undertook dialogue also with respect to supplementary pension schemes, however, from a professional point of view we were dissatisfied, as this type of insurance has not in Slovenia achieved the importance it should have. There was some interest, but not as much as for mandatory insurance. Way more interested was the financial service industry.

The trade unions

Although all seven trade union confederations demonstrated in November 2009 against the proposed pension reform and drafted several common positions, their attitude towards social dialogue varied significantly. Pergam and the ZSSS verisimilarly represent the two ends of the spectrum: the former sought to find compromises on a number of crucial issues, while the latter got entrenched in its original positions and rarely offered constructive proposals.

The unions' most vociferous leaders were the ZSSS President Dušan Semolič and Pergam President Dušan Rebolj. To a lesser extent, Branimir Štrukelj, President of KSJS, commented several times on the fate of the Closed Mutual Pension Fund for Public Employees, and the President of Alternativa, Zdenko Lorber, took an active role in engaging the government on the reform of professional pensions.

Pergam responded positively to various compromise solutions offered by the government (the various types of indexation and even the partial freeze of pensions in 2010-11). Dušan Rebolj, President of Pergam, even tried to find a way out of the impasse regarding the years of service for a pension without decrements. It proposed an intermediate solution between the government (minimum 41/43 years of service for women/men) and ZSSS (minimum 38/40 years), that is 39/41. However, this got lost in the chaotic process. The ZSSS was instead adamantly opposed to the solutions envisaged by the ZPIZ-2. The main issues were the abovementioned retirement age (they would have perhaps agreed to very different criteria applicable to persons who started working before 20) and the removal from the ZPIZ-2 of the safety supplement and its insertion into social assistance, which according to the ZPIZ crucially lowers the redistributive nature of the pension system. In sum, Dušan Semolič plainly stated that this reform was written by capital against labour, that the ZPIZ-2 was discriminatory against younger cohorts because they will not find enough jobs, against the middle generations as they will not be able to fulfil the conditions for a decent pension, and against pensioners because most solidarity elements have been withdrawn from the system.

Notwithstanding these differences, the unions' perceptions on social dialogue were equally negative. Even Dušan Rebolj stated:

> Social dialogue in Slovenia, and not only with respect to pension reforms, is in this moment at its lowest ebb. The government's argument that dialogue is unnecessary at a time of crisis, because one needs to act swiftly and, hence, there is no time to find intelligent and constructive solutions, is completely wrong. This led to the situation that the ESC, our main consultative body with some weight, does not work. This judgment is mine, of Pergam, and also of employers; it is a common opinion.

Rebolj argues that claiming that social dialogue lasted one year is nonsense. During the first months, the social partners discussed the future of the pension systems (the so-called second or structural reform phase, envisaging a shift to the NDC or a point system, included in the 'modernization' document). However, in the following draft law all these plans were gone, and therefore the debate on parameters basically started after the final draft of the ZPIZ-2 was presented to the public, i.e. only after August 2010.

Unsurprisingly, the representatives of the ZSSS were even harsher and mainly blamed the government for the failure of social dialogue. According to the Executive Secretary of the ZSSS, Lučka Böhm: "In May 2010, at the ESC we had social dialogue on the agenda and we noted that, since Slovenia is an independent state, social dialogue was never at a lower point than now." In addition, she was extremely critical of Minister of Labour Ivan Svetlik, who rarely attended the ESC meetings:

> Negotiations make sense only if they are attended by people who have the authorization to really negotiate. The government did not have these powers; they only had the purpose to stubbornly insist on their original positions. Because of this, I critically mention the absence of the Minister of Labour, who could have had the power to reach an agreement. This absence was very indicative [of the government's attitude].

Finally, the ZSSS drafted a reaction strategy in case the Constitutional Court ruled out a referendum: they would no longer protest and collect signatures against the pension reform, but would directly ask for early elections, a new parliament and a new government coalition.

The employers' associations

Even though the employers' associations have been traditionally less involved than the government and labour in the social dialogue surrounding pension insurance, the 2010 reform elicited unprecedented controversy. The most outspoken leaders with respect to the reform were the Director General of the GZS, Samo Hribar Milič, and the leaders of the ZDS, Secretary General Jože Smole and President Borut Meh (who resigned in late 2010).

In principle, the GZS supported the reform (mainly for fiscal sustainability reasons) throughout the whole legislative process, but complained of the slowness of the process and the lack of tangible solutions to a number of issues. In particular, it found that the government did not provide adequate answers to the following points: fiscal stimuli for employing older workers – the GZS proposed to lower the contribution payable by employers to 50 per cent once the worker meets the minimum eligibility conditions and to 20 per cent once full conditions are met; greater tax deductions to increase the coverage of supplementary pensions – the GZS proposed that premia equal to at least 10 per cent of gross wages be tax exempt, instead of the current 5.844 per cent; reform of the mandatory supplementary (professional) pensions – the GZS condemned the unilateral hike in the contribution rate to 10.55 per cent, which unduly increases nonwage labour costs; failure to introduce a cap on contributions and limiting the ratio between the maximum and minimum assessment bases to 4:1. Finally, the new composition of the IPDI's Committee was unacceptable to both the unions and the employers.

Much more critical towards certain solutions adopted by the government (although less related to the concerns of the ILO), the ZDS withdrew its support to the ZPIZ-2 in mid-September 2010. Its opposition was based on three main disagreements, stemming from the differences between the draft law presented to the social partners at the beginning of August and the law sent to Parliament in September (ZDS, 17 September 2010). First, the ZDS decried the increase of the contributions payable by employers for their employees from the minimum wage to 60 per cent of the last average gross wage in Slovenia. They calculated that for the 42,900 employees on minimum wages in mid-2010, this would cost employers 17.5 million euros on a yearly basis. Additionally, the self-employed saw their contribution bases increased as well, especially the minimum one to 60 per cent of the average gross wage. This would in principle mean a 24 per cent increase, which could lead many self-employed to bankruptcy. Second, the ZDS condemned the fact that the ZPIZ-2 did not foresee either the postponement or the payment in instalments of contributions due, which was a good instrument to give some financial leeway to enterprises during crises. Third, the ZDS argued that increasing the (mandatory) contribution rate for professional pensions to 10.55 per cent of gross wages was neither acceptable nor did it solve the problem of inadequate benefits. Finally, and in agreement with the GZS, the ZDS was very concerned that the government was not aware that the Slovenian economy was unprepared to absorb large scores of elderly workers and that greater stimuli in the form of tax incentives would therefore be needed.

In sum, the employers were too focussed on their narrow interests to interact with the unions during the reform process. However, they shared some of the concerns regarding the sorry state of social dialogue in Slovenia. In particular, the ZDS was extremely irritated that the government introduced various amendments to the ZPIZ-2 without consulting the social partners and agreed with the ZSSS that negotiations were less about fundamental issues and more about marginal details.

The experts

The Institute for Economic Research at the University of Ljubljana was probably most involved in the 2010 pension reform, as three of its scholars, at the request of the trade unions, prepared the calculations of the effects of the ZPIZ-2 on individuals and at the aggregate level. Prof. Tine Stanovnik, a senior figure who collaborated in most pension reforms of the last two decades, was extremely critical of the government. He blamed the Ministry of Labour for neglecting most of the recommendations by the Head Steering

Committee of Experts in preparing the ‘modernization’ document. He found the whole process amateurish, as the government negotiated for months with the trade unions without a sound document showing different reform scenarios through simulations – this document appeared way too late in the process. Nonetheless, Stanovnik praised the government for managing to bring the reform home, against the opposition of the unions. Other colleagues at the Faculty of Economics were less enthusiastic, as they would have preferred more radical solutions.

As the referendum neared, Stanovnik unleashed a sharp attack on the trade unions, especially the ZSSS, accusing them of not negotiating in good faith. First, the original negotiating positions of the unions were in favour of less stringent retirement conditions than the existing ones. Second, union officials have shown a profound lack of understanding of the basic features of the new (and existing) pension legislation. In Stanovnik’s opinion, these factors may signify that the unions had decided to strike down the reform very early on, perhaps already in late 2009 (Delo, 14 May 2011; Stanovnik and Turk, 2011).

Conclusions

The social dialogue surrounding the Slovenian 2010 pension reform failed for a number of interrelated reasons. There is no doubt that all three social partners made cardinal mistakes during the process.

As a consequence of the 2007-09 financial crisis, the government was under extreme pressure from international organizations, notably the OECD and the European Commission, to improve its fiscal position. This led to excessive haste in decision-making on many different structural reforms and very unpopular, albeit temporary anti-crisis measures. The government fought on too many social fronts at the same time, and the situation soon became unmanageable.

The trade unions were also badly hit by the financial crisis: they did not respond adequately and were several times overridden by the workers themselves. This, coupled with falling overall membership and the threat of marginalization led to the radicalization of social dialogue. The unions, in varying degrees, entrenched themselves in their original positions. Ultimately, they fell into a joint decision trap when they agreed to draft common positions together.

Finally, the employers’ associations, which are plagued by widespread firm insolvency and low competitiveness, were very concerned with their own narrow issues. However, they rightly made the government aware that the Slovenian labour market was hardly ready to absorb high numbers of elderly workers. Even though they showed apprehensiveness with respect to the state of social dialogue in Slovenia, they did not help the other social partners in bridging the most divergent positions.

As pointed out in Guardiancich (2012), the collapse of social dialogue in 2010 is doubly negative for Slovenia. On the one hand, the impossibility of forging such an important agreement casts doubts on the viability of neocorporatism *à la Slovène*, in its present form. On the other hand, the postponement of restructuring does all but eliminate the pensions problem; the next government (a centre-right coalition, including DeSUS) will face a more daunting task than Pahor. Moreover, those who really lose out are the current and new pensioners. Frozen indexation will continue to erode their already meagre benefits.

There are several lessons that can be drawn from the Slovenian experience. Social dialogue during crises has to be very transparent, timely and consistent. In these respects, the Slovenian government made three unpardonable faux pas: it presented an excessively radical reform to begin with; it negotiated with the social partners only on the first proposals but not on the (very different) draft laws; it did not provide credible, independent micro simulations until as late as the parliamentary stage of legislation. Additionally, the government has often been accused of excessive arrogance: while negotiating with social partners, while devising the referendum campaign and so on. Pensions are too sensitive and personal an issue not to be approached with extreme humbleness. As an Italian political adage goes: “Pensions are like high voltage cables: anyone who touches them dies.”

Annex 1. Coalition partners in the Pahor I Government

Social Democrats

The leftist SD, the coalition leader in 2008-11, is the successor of League of Communists of Slovenia (ZKS). During the 1990s, it participated to a number of coalition governments led by the LDS under the label United List of Social Democrats (ZLSD). The new Premier, Borut Pahor, led the Social Democrats from marginal successor party to most powerful political player in the country. The party held ten cabinet posts (52 per cent). In its Alternative Government Programme 2008-12 (SD, 2008), the Social Democrats espoused a social-liberal standpoint with respect to economic and social matters.

Their manifesto was extremely critical of the previous, Janša's executive. On the one hand, the entry into the Euro has limited the room for manoeuvre for national economic policy. On the other hand, despite a favourable global economic environment, the right-conservative bloc based Slovenian economic growth on high foreign borrowing. The gross public and private debts grew from 57 per cent to over 100 per cent of GDP between 2004 and 2007. The government was unable to reap the benefits of sustained growth to reduce the public debt and the current account deficits, not to mention tackling longer-term reforms. Hence the main problems of the economy are summarized in: worsening public finances prospects; pro-cyclical public consumption, which increased inflation and weakened the tradable sector; no strengthening of the competitiveness in the non-tradable sector and faulty regulation.

The three main interventions stressed by President Pahor involved public finances, economic growth and social welfare. With respect to economic growth, the programme recommended (SD, 2008: 7): "the gradual and transparent withdrawal of the state from all those enterprises, which remained under state ownership during the process of social ownership transformation, especially where it is appropriate from a long-term developmental view." In particular, it was deemed auspicial to restructure and privatize the management of pension funds within the state-owned *Kapitalska družba* (KAD); and to reorganize its asset management, transferring the property to the Institute for Pension and Disability Insurance (IPDI) as an autonomous capital fund. As for public finances, the manifesto recommended the introduction of a number of rules to pre-determine the nominal, anti-inflationary growth of public spending, thereby generating surpluses in times of economic growth. Among others, SD proposed the institution of an independent agency (as complement to the Institute of Macroeconomic Analysis and Development) that would have elaborated annual and medium-term macroeconomic targets.

The Social Democrats supported the modernization of social welfare, in particular to tackle social exclusion. Among others, the manifesto proposed the extension of pension contributions for temporary and short-term jobs to increase flexicurity. As for pensions proper, SD recognized that Slovenia has dramatic demographic prospects. However, its stance towards reforms was ambiguous (SD, 2008: 50): "Despite the fact that Slovenia was warned by the EU that changes to the pension system are urgent, we estimate that the in 2000 adopted reform still bears fruits and that hence there is still no need for a new reform." They stressed the need to improve the employability of elderly workers to delay their exit and to popularize supplementary pension schemes. SD individuated five problems: insufficient coverage of low-wage workers (supplementary insurance is mandatory only for public employees and coverage equals less than 60 per cent of all insured in the ZPIZ); excessively low premia, compared to first pillar retrenchment; inadequate system of minimum pension guarantees; low comparability of different schemes and insufficient tax deductions. The main proposed solutions were of a technical nature: the degressive application of tax deductions to increasing income levels and the reframing of the minimum pension guarantee to achieve stable long-term returns.

For Real – New Politics

The liberal party Zares was founded in late 2007, by a splinter group of former LDS members. In fact, the President in 2008, Gregor Golobič, served as General Secretary of the LDS from 1992 until 2001. It was the second largest party in the coalition and holds four (circa 20 per cent) cabinet posts. The party's socioeconomic platform is liberal.

As for Zares' concerns with public finances both its electoral and political programmes (Zares, 2008a; 2008b) proposed a thorough reform of the expenditure and revenue sides of the budget. The party recognized that Slovenian public finances were unstable, leading to dramatic increases of the current account deficit. "Our goal is to stabilize public finances during the 2008-12 term of office, so that Slovenia will not have a budget and current account deficit." (Zares, 2008a: 17). The interventions on the revenue side included increased qualifications and staff in the Tax Administration, easier tax collection procedures (installments, single account etc.), and a reorganization of social security contributions. Zares proposed a three-step reform: consolidation of contributors, unification of contributory procedures and harmonization of the contribution bases for all social security aspects.

With regards to the stabilization of budgetary expenditures, Zares recommended various interventions to rein in the runaway spending of the Institute for Pension and Disability Insurance and the Health Insurance Institute of Slovenia. Without any interventions, ageing would increase future spending by 9.7 per cent of GDP (7.3 per cent for pensions, 1.6 per cent for healthcare and 1.2 per cent for long-term care). At the same time, public debt would soar to 190 per cent of GDP. In addition to supporting longer working lives and the progressive elimination of early exit, Zares recommended more encompassing pension reforms than the coalition leader SD.

> The existing system of social transfers, which is the result of long years putting forward partial solutions, is very complex and intransparent, therefore modernization of the system is urgent. It is necessary to at least determine a unitary entry point for the fruition of all social transfers and to restructure the legal basis for the unified recordkeeping of benefits, which will improve the transparency of all kinds of social transfers. (Zares, 2008b: 9).

Finally, Zares aimed to extend and restructure supplementary pensions. It individuated the following weaknesses: unclear separation between individual and collective plans, lack of additional means of financing, and insufficient information provided to the insured. Zares elaborated a clear palette of possible improvements. Among others, it put forward greater tax exemptions, separated for the employers and employees; tax-free annuitisation; unification of regulation for pension providers (there are four providers – mutual pension funds, pension companies, insurance companies, KAD – subject to different laws – Pension and Disability Insurance Act, the Insurance Companies Act – and supervised by different agencies – Securities Market Agency, Insurance Supervision Agency, Bank of Slovenia); the possibility to subscribe to pension plans without a minimum return guarantee and institution of life-cycle funds with partial return guarantees. Finally, Zares wanted to liberalize the provision of mandatory supplementary pensions to public employees (Zares, 2008a: 18-19).

Democratic Party of Pensioners of Slovenia

DeSUS was founded in 1991 and the President is Karl Erjavec. The single-issue party took part in all coalition governments since 1997 (in 2000 it gave external support to the centre-right government of Premier Andrej Bajuk). This qualifies it as one of the most successful pensioner parties in the world (cf. Hanley, 2007). Owing to its pivotal role in coalition governments, DeSUS often prevented even slight changes to the country's retirement system. For example, during PM Janša's Government, DeSUS threatened quitting the executive and obtained retroactive wage indexation of old-age pensions, greater tax exemptions and prevented the reorganization of KAD (DeSUS, 2008: 3-4). In PM Pahor's cabinet, DeSUS appointed three Ministers (15 per cent of all).

DeSUS is overtly populist and describes itself as not ideologically committed: "Our members and voters have different ideological views, what unites us are the projects that are defined in our programme. DeSUS is not only a party for pensioners, but also it is a party for all offended and humiliated people, who are, unfortunately, more numerous by the day." (www.desus.si).

Not unexpectedly, DeSUS's programme was the weakest among the four regarding the Slovenian economic prospects. Neither the party nor the electoral programmes seriously took into consideration the deterioration of Slovenian public finances (DeSUS, 2008; 2009). On the contrary, the party programme denied the allegations that the pension system threatens budgetary stability: "Notwithstanding population ageing, increasing old-age dependency, longer periods of pension fruition, the share of GDP earmarked for pensions in the last decade did not increase either in Slovenia or in the EU." (DeSUS, 2009). As a palliative, DeSUS proposed flexibility in employment of older people and pensioners, which would have increased contributions to the pension system and reduced its expenditures.

As for its social platform, DeSUS dedicated the greatest part of its electoral programme to social security, and in particular to pension-related issues. *In primis*, DeSUS committed to a real increase in pension benefits by 10 per cent during the period 2008-12. This would have been achieved via benefit indexation to net and not gross wages; stabilization of the replacement rates for the full qualifying period; increased annual supplement; elimination from the IPDI of those social transfers that should be tax-financed; broadening of the contribution base to all forms of employment. The ultimate goal was to reach an average net replacement rate of 70 per cent for old-age pensions and 65 per cent for all.

DeSUS decried the dual indexation mechanism introduced by Art.151 ZPIZ-1 in 1999 (the party unsuccessfully challenged it in front of the Constitutional Court, which upheld the norm in 2003). The article introduced an element of horizontal equalization, which reduced the yearly adjustments of the stock of pensions in function of the eligibility and accrual criteria of new pensioners (Kidrič, 2002: 4, 6). DeSUS staunchly advocated the limitation of the applicability of said rule (DeSUS, 2008: 6). Finally, DeSUS opposed the sell-off of state property. In particular, it wanted to retain and increase the control over the assets owned by KAD, by transferring them under the direct management of the ZPIZ.

Liberal Democracy of Slovenia

The LDS is the successor of League of the Socialist Youth of Slovenia (ZSMS), more moderate and reformist than the League of Communists of Slovenia (ZKS) during socialist times. As a moderate centre-left party, it ruled under Premiers Janez Drnovšek and Anton Rop almost uninterruptedly between 1992 and 2004. Possibly due to the individualistic (and technocratic) nature of its members, it almost disintegrated after being defeated in 2004. The party played a minor role in the SD-led coalition under President Katarina Kresal, as it held only two Ministries, which is less than one tenth of all members of the executive. The party's platform remained liberal, with some neoliberal traits, such as a differentiated wage bargaining or support for mandatory funded pensions.

Having been the most powerful party in Slovenia for more than a decade, the LDS prepared an encompassing electoral and party programme for the 2008-12 legislature (LDS, 2008). Similarly to SD and Zares, the Liberal Democrats accused Janša's centre-right government of chiefly mismanaging the macroeconomy: "Despite some initial attempts, and possibly due to their failure, the current government did not adapt the macroeconomic framework to the needs of a modern competitive economy, thereby worsening the competitive edge of Slovenia, especially in those sectors that the government influenced the most." (LDS, 2008: 7).

With respect to public finances, again the LDS criticized the SDS government for not having been able to seize higher tax revenues (due to sustained growth) to adjust the budget in the longer term. Moreover, it decried the unfinished tax reform, the antiquated Act on public finances, which generates public consumption exceeding 40 per cent of GDP, the inability to fully absorb funding provided by the European Union, failed privatization of inefficient state-owned enterprises and the *de facto* absence of the state in wage bargaining.

The rising public debt was one key concern in the LDS programme (LDS, 2008: 26-7). Among other measures they proposed to reduce inflation by limiting public spending for defence and some infrastructure and to introduce (similarly to SD) so-called automatics stabilizers, which would again limit public spending and promote anti-cyclical fiscal policy. Additionally the LDS suggested to reduce a number of fixed costs, and rationalize all social transfers. On the revenue side, they supported a thorough reform of the tax system and increased taxes on luxury goods. Interestingly, the Liberal Democrats supported nonlinear social pacts, where wage growth is proportional to productivity growth with the possibility for underperforming enterprises to opt out and with a greater involvement of the state in negotiations.

The LDS was one of the few parties that emphasized social dialogue as key to achieve a high degree of flexicurity: "It is necessary to prevent [the development of] forms of capitalism, which imply the exploitation of workers and their abuse for the benefit of the owners of capital. We will promote the social responsibility of enterprises with concrete actions. In order to achieve this aim, social dialogue is essential." (LDS, 2008: 84-5). Being the 1999 Pension and Disability Insurance Act LDS's brainchild, the party programme stated that the reform was a step into the right direction but that it was not followed by any further improvements, in order to delay the exit from the labour market of older workers, to increase the coverage of supplementary pensions and to render the system fiscally sustainable in the long term.

As for the postponement of the exit from the labour market, LDS espoused a liberal point of view: equalization of the retirement age and other eligibility condition for men and women, the introduction of mechanisms to increase the statutory retirement age and the liberalization of labour activity before and during retirement (no employer contributions for people beyond the statutory retirement age, increased bonuses, partial retirement). With respect to funded and supplementary pensions, the LDS did not renege on its previous conviction that financing diversification as well as the introduction of a mandatory funded pillar could be beneficial. Finally, it proposed to clearly separate individual from collective pension schemes, to restructure tax subsidies and to allow for individual pension plans without minimum return guarantee requirements (LDS, 2008: 87-9).

Annex 2. Slovenian social partners

Trade unions

Successor trade union ZSSS is Slovenia's largest and most influential. During the 1990s, it witnessed substantial changes in the organizational structure. Decision-making within the umbrella organization was decentralized, giving sectoral trade unions an independent role in the confederation. In 2008, ZSSS consisted of 22 member unions, organized on a sectoral, regional or professional basis: 60 per cent of members are employed in industry (metal, chemical, food and textile), 30 per cent in services (retail, hotels and restaurants) and, the remaining, 10 per cent in the public sector. ZSSS maintained its primacy during the transition. ZSSS used to have formal ties with the United List of Social Democrats (now Social Democrats, SD), as the union's longstanding president Dušan Semolič appeared on the party's list.

Pergam, alongside Konfederacija '90, the other leftist union, started by organizing workers in the paper and printing industries, but it soon penetrated other sectors, and especially the public sector. It consists of eight member unions and it is currently the second largest organization after ZSSS. The current president is Dušan Rebolj. Konfederacija '90 has its majority in the coastal region, it consists of 22 member unions (organized on sectoral, regional and professional principles). Membership is equally split between industry and services: the union's strength compares to that of Independence. Boris Mazalin heads the union.

The main right-conservative union, Independence, Confederation of New Trade Unions of Slovenia (KNSS) was in the early 1990s the second largest confederation. Back then it represented 10 per cent of all trade union members. Now, its strength compares to that of Konfederacija '90. KNSS consists of ten member unions, whose affiliates mainly work in industry. The current president is Drago Lombar.

Finally, the public employee union KSJS represents members working in the health, education, cultural and science sectors (some 45 per cent of public employees are members of the KSJS). It is the third most powerful union in Slovenia. The president, Branimir Štrukelj, has retained his post after the merger of its six constituent unions.

Employers' organizations

The Chamber of Commerce and Industry of Slovenia (GZS) was during early transition, the only employers' organization, representing all entrepreneurs, thereby playing an important function that facilitated social dialogue. In mid-2004 it had 64,000 members, however, due to voluntariness this number is now lower. The president is Stojan Binder.

The Chamber of Crafts of Slovenia (OZS) represents independent craft workers and small and medium enterprises. In 2006 it had 47,000 members, most of them operating in transport, construction and personal services (hairdressing, dress-making and cosmetics). Currently it is chaired by Štefan Pavlinjek.

The Association of Employers of Slovenia (*Združenje delodajalcev Slovenije*, ZDS) was founded in February 1994 following the advice of the ILO and the International Organization of Employers (IOE). In 2006 it had 1,400 members. Throughout the pension reform, until December 2010, the head of ZDS was Borut Meh. ZDS has 11 Sectoral boards, for various types of firm activities, an Assembly and a Management board. These organs decide on the official positions.

In June 1994, the Association of Employers for Craft Activities of Slovenia (*Združenje delodajalcev obrtnih dejavnosti Slovenije*, ZDODS) was established. In 2006 it counted more than 3,000 members, mainly in manufacturing, construction and transport. The president of ZDODS is Milan Škapin.

Annex 3. Social pacts

Slovenia has a long tradition of social pacts that the social partners draft every year or two (Table 8; for details, see Stanojević, 2010). These specify their mutual obligations. Moreover economic, social and wage policy are collectively negotiated.

Table 13.
Content of Slovenian social pacts

	Agreement on income policy 1994	Social pact 1995	Social pact 1996	Law on income policy 1997-1998	Agreement on income policy 1999-2001	Agreement on income policy 2001-2003	Social pact 2003-2005	Social pact 2007-2009
Income policy	X	X	X	X	X	X	X	X
Min wages		X	X	X	X	X	X	X
Prices		X	X				X	X
Taxes		X	X				X	X
Employment		X	X				X	X
Vocational training							X	X
Safety and health at work							X	X
Public finance		X	X				X	X
Social security		X	X				X	X
Pensions		X	X	Pension reform			X	X
Healthcare							X	X
EU integration; S&T; R&D; competitiveness			X				X	X
Social dialogue and ESC	X	X	X				X	X

Source: adapted from Stanojević (2010).

During the period 1994-96, the social partners signed three annual pacts, which promoted restrictive income policies and the creation of a centralized collective bargaining system. At the request of trade unions, the Associations of Employers of Slovenia and the Labour Ministry a tripartite macro concertation process was established in 1994 through the Economic and Social Council, as a *quid pro quo* for wage restraint. With it, the weak centre-left government included unions and employers into the policy formation process.

The run-up to the accession to the EU and EMU started with the unsuccessful attempt to draft a comprehensive pact. Notwithstanding, the unions tacitly agreed to restrictive income policy in 1997-98, in order to de-index the economy. The radical White Paper pension reform proposal triggered mass demonstrations in March 1998 and blocked the drafting of a social pact for 1999. A year later, the agreement on the new labour code elicited much less controversy than pensions, and an Agreement on Income Policy for 2001-03 was also successfully hammered out.

In 2003, a three-year comprehensive social pact followed, with a markedly European content: disinflation was given top priority and had to be achieved through wages lagging behind productivity growth. Tax and healthcare reform plans were spelled out in detail. Social pacts were a source of legitimation for Janša's government as well. A three-year pact (2007-09) focused on restrictive income policy, the need to reduce public spending and lower nonwage labour costs to improve competitiveness, as well as to flexibilize the labour market.

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