

The employment-related legal and policy framework for company restructuring in Slovenia

Introduction

Employment redundancies and collective dismissals related to the processes of company restructuring are not particularly new for Slovenia. The transition recession, accompanied by a shrinking of the domestic market due to the disintegration of the former Yugoslavia (Mrak, *et al.* 2004), led to a considerable contraction of Slovenia's production and employment in the early 1990s. The number of employees in the Slovenian corporate sector decreased from 823 000 in 1990 to only 645 000 in 1994 (Vodopivec, 2004: 298). Thereafter, positive growth rates of employment have been reassumed. The country found various means to cope with the problem – early retirement, rather strict employment protection legislation and considerable resources devoted to active labour market programmes were the main features of the employment-related legislation and policy of that period (Vodopivec, 2004).

From the mid-1990s, transition recession-related threats to employment have been gradually swapped for other processes. The increasing pace of company restructuring is one of the trademarks of contemporary economic development all over the world. Technological development and globalisation have put companies under increasing pressure to restructure if they are to cope with competition pressures. Processes of company restructuring are, as a rule, accompanied by changes for employees via the loss and creation of jobs (see, for example, Amiti and Wei, 2004; Antras and Helpman, 2003; Barry and Walsh, 2005; Bartel *et al.* 2005; Bhagwati *et al.* 2004; European Commission 2004, 2005a, 2005b, 2007; Geishecker and Görg 2004; Grossman and Helpman 2002a, 2002b; Panagariya, 2005; Samuelson, 2004). Collective dismissals are, therefore, a frequent by-product of company restructuring. Owing to their important consequences, which are not only of an economic but also of a broader social character, they usually attract the specific attention of the authorities, i.e. specific legal and policy measures are adopted to help overcome the problems of employees involved in collective dismissals.

Table 1 provides a breakdown of job reductions in Slovenia by type of company restructuring both effected and planned for 2002-2011. The Table is based on a sample of 68 cases of company restructuring identified in the Slovenian press. Collective dismissals and job reductions in Slovenia are, by far most frequently and importantly, due to internal restructuring in companies followed by bankruptcy and closure, and off-shoring and de-localisation. Companies therefore undertake internal restructuring and off-shoring and de-localisation (the relocation of production abroad) to cope with competitive pressures. This often leads to the reduction of domestic employment and the loss of jobs. Taking into account that the table below presents just a fraction of the overall employment effect arising from Slovenian company restructuring, i.e. only that part which has been announced in the press, it is obvious that the phenomenon deserves a more detailed analysis if policy-makers are to cope with it.

Table 1 – Breakdown of employment effect by type of company restructuring in Slovenia, 2002-2011¹

Type of restructuring	Planned job reductions		Planned job creation		Cases	
	Number	%	Number	%	Number	%
Internal restructuring	6 117	56.82%	0	0%	27	39.71%
Business expansion	0	0%	5 675	94.82%	18	26.47%
Bankruptcy/closure	2 083	19.35%	0	0%	12	17.65%
Off-shoring/ de-localisation ²	1 790	16.63%	0	0%	6	8.82%
Other	600	5.57%	310	5.18%	3	4.41%
Merger/acquisition	175	1.63%	0	0%	2	2.94%
Relocation ³	0	0%	0	0%	0	0%
Outsourcing ⁴	0	0%	0	0%	0	0%
Total	10 765	100%	5 985	100%	68	100%

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

Notes: (1) Restructuring cases and employment effects are identified by the Foundation through a press review of daily newspapers and the business press. Cases included are those where restructuring has an effect on at least 100 jobs or on 10% of a workforce in companies employing more than 250 people. Each case is reviewed and recorded on a standardised data sheet, which allows for the compilation of statistics comparing countries, sectors and types of restructuring; (2) When the activity is relocated or outsourced outside the country; (3) When the activity stays within the same company but is relocated to another location within the country; (4) When the activity is sub-contracted to another company within the same country.

The aim of this article is to analyse the employment-related legal and economic policy framework for company restructuring in Slovenia, i.e. we are interested in what way and how efficiently Slovenia is coping with the problem of collective dismissals arising from company restructuring. We tackle the problem by analysing the existing legal framework and policy measures and by interviewing the relevant actors in the process, i.e. employees, trade union representatives, labour office representatives, government representatives, etc. Apart from this Introduction and the Conclusions, this article is composed of four parts: the first deals with the legal framework for handling collective dismissals; the second with the economic policy measures which have been specifically targeted towards the relief of the consequences of collective dismissals; the third with the main actors involved in the resolution of the employment-related problems of company restructuring; and the fourth with the economic policy measures for creating new employment.

Legal framework for handling collective dismissals

Collective dismissals as a special type of ordinary dismissal

In Slovenia, collective dismissals are regulated by the Slovenian Employment Relationships Act (OG RS No. 42/02).¹ The solutions in the Employment Relationships Act regarding collective dismissals follow the requirements prescribed by Council Directive 98/59/EC on collective dismissals, by ILO Convention No. 158 and Article 29 of the Revised European Social Charter (Kresal, 2006: 41). Collective dismissals are a special type of ordinary dismissal.² The ordinary dismissal of an individual can be based upon one of three grounds (business reason; reason of incapacity; or reason of fault), whereas collective dismissal needs to be grounded in business reason. Business reason is defined as a cessation of the need to carry out certain work, under the conditions pursuant to the employment contract, due to economic, organisational, technological, structural or similar reasons on the employer side. It is interesting that the former socialist courts of associated labour had taken the position that a decision on the cessation of economic activity can not be an object of judicial review because it is not permissible for a business decision to be adopted by a third person and not by the economic subject itself. This position soon changed and, at least in cases of the obvious abuse of entrepreneurial freedom of decision, the court may review the adequacy of the employer's decision (Aljančič Falež, 2006: 23). Under the Employment Relationships Act, entrepreneurial freedom of decision is restricted especially with the provision that the employer may terminate workers' employment contracts only if the business reason is serious and substantiated and makes impossible the continuation of employment relationships between workers and employer.

The employer who terminates the employment contract due to business reasons has to pay severance pay to the employee. The basis for the calculation of severance pay is the average monthly wage which was received by the employee in the last three months before the termination. The employee shall be entitled to compensation amounting to:

- a. 1/5 of the basis for each year of employment with the employer, if he/she has been employed with the employer for more than one and up to five years
- b. 1/4 of the basis for employment periods between five and fifteen years
- c. 1/3 of the basis for employment periods exceeding fifteen years.

Specific requirements for collective dismissals

Unless otherwise provided for, the same rules apply both to individual and to collective dismissals. Under special provisions on collective dismissals, employers are

- 1 Under the heading 'Termination of a Large Number of Workers Due to Business Reasons' in the section 'Termination of Employment Contract'.
- 2 Under the Employment Relationships Act, the employment contract can be terminated upon the expiry of the period for which it was concluded, upon the death of the worker or the employer-natural person; by a consensual cancellation; by a court judgement; and, most frequently, by ordinary or extraordinary termination. Each contractual party may terminate the employment contract (ordinary termination) and in the cases stipulated by law also without a period of notice (extraordinary termination).

bound to take into account additional substantive and procedural requirements. The substantive requirements define the scope of the legislation on collective dismissals, the content of dismissal programmes, the criteria for the selection of redundant workers and the preferential right to employment of dismissed employees. The procedural requirements determine the employer's obligation to inform and consult trade unions within the employer and to inform the Employment Service.

An employer comes within the scope of legislation on collective dismissals if and when it establishes that, due to business reasons within a period of thirty days, work shall become redundant for:

- a. at least ten employees in an employer employing more than twenty and less than one hundred employees
- b. at least 10% of employees in an employer employing at least one hundred and fewer than three hundred employees
- c. at least thirty employees in an employer employing three hundred or more employees.

An employer who establishes that, due to business reasons within a period of three months, the work of twenty or more employees would become redundant should also come within the scope of the legislation on collective dismissals. The validity of the legislation on collective dismissals does not depend upon the size of the undertaking or upon the sector or group of employees.

The employer must inform the trade unions in the employer of the planned redundancies as soon as possible. The public authority to which employers need to notify their planned redundancies is the Employment Service of Slovenia (Zavod RS za zaposlovanje, www.ess.gov.si). The period for the notification of the Employment Service is not explicitly defined but the employer may not terminate the employment contracts of redundant workers taking into account the dismissal programme prior to the expiry of thirty days from the date of the notification. Council Directive 98/59/EC enables member states to grant the competent public authority the power to reduce or to extend the thirty day period (Article 4), but the Slovenian legislator has not taken advantage of this possibility. In this respect, the ability of the Employment Service of Slovenia to respond properly and individually to the problems and needs raised by a projected collective dismissal is partially limited. After terminating the employment contract, redundant employees have the right to a minimum period of notice amounting from thirty to 150 days, depending on the employee's period of service with the employer.

The employer must also consult on the planned redundancies with the trade unions in the employer.³ The intention of this is to work out an agreement. A minimum period of consultation with trade unions is not specified, but the employer is encouraged to complete consultation as quickly as possible since the Employment Service of Slovenia must also be informed about the consultation which has been carried out with the trade unions. The employer is required to consult on the proposed criteria for the determination of redundant employees, on the possible ways of avoiding and limiting the number of terminations and on the possible measures for the prevention and mitigation of harmful consequences. The employer must inform employees about the

- 3 For the purposes of this Act, the trade union at the employer shall be the representative trade union which appoints or elects the trade union representative (Article 8 of the Employment Relationships Act).

reasons for the projected redundancies, the number and types of worker to be made redundant, the number and types of worker normally employed, the period in which the projected redundancies are to be effected and the criteria proposed for the selection of the workers to be made redundant. Employers are not required to take explicit account of the views of trade unions expressed during the course of consultation. There are also no circumstances specified in the legislation under which employers are required to modify their redundancy plans as a direct result of the consultation, but they shall be obliged to deal with and to take into account the potential proposals of the Employment Service.

Reports on employers' non-compliance with the legislation on collective redundancies are infrequent. The Labour Inspectorate established one violation in 2004 and two in 2005.

Specific provisions on collective dismissals in collective agreements

Some major collective agreements additionally specify criteria for the determination of redundant employees. This especially holds for the *Collective Agreement for the Non-Business Sector of the Republic of Slovenia* (OG RS No. 18/91), which covers all Slovenian employees in the non-business sector. Furthermore, collective agreements in different economic sectors specify a procedure in relation to collective redundancies (for example the *Collective Agreement for Slovenia's Metal Industry* – OG RS No. 108/05; and the *Collective Agreement for Slovenia's Electrical Industry* – OG RS No. 108/05); criteria for the determination of redundant employees (for example the *Collective Agreement of the Publishing and Printing Industry* – OG RS No. 43/00); and the extension of minimum periods of notice (for example the *Collective Agreement for the Construction Industry* – OG RS No. 1/05). Irrespective of their trade union membership, the collective agreement covers all those employees employed by the employer who is bound by the collective agreement where it is signed by one or more representative trade unions. Under a special procedure, the application of a collective agreement covering one or more sectors can be extended, on a decision of the Ministry of Labour, to all employers in the relevant sector (*Collective Agreements Act* – OG RS No. 43/06).

Economic policy measures targeted on the relief of the consequences of collective dismissals

This section analyses the support available for workers who lose their jobs as a result of company restructuring. The main focus is on the support provided by the public authorities and on the statutory obligations imposed on employers. An indication of the importance of collective agreements is also provided. The first part is concerned with the arrangements put in place at the onset of company restructuring in order to assist workers who are about to be, or who have been, made redundant to plan and organise their futures. The second part is concerned with the financial support available both at the time of redundancy and in cases where workers remain unemployed following redundancy.

Support measures for workers losing their jobs

Slovenian legislation is based on the principle of equal treatment between workers losing their jobs because of company restructuring and those losing their jobs individually. However, there are some special measures and practices of public bodies that depend on the scale of the redundancies, on the sector in which the redundancies occur or on the significance of the redundancies for the local environment.

Workers losing their jobs as a result of restructuring typically have access via public bodies to the following:

- a. advice and guidance on career and training options. Whenever workers losing their job decide to register as unemployed at the Employment Service, they have access to consultations at which they receive first-hand information on the content and enforcement of their rights, on the needs of the labour market and the possibilities for education and training options. In cases of planned larger-scale redundancies, workers have access to this information even before the termination of their employment contract
- b. organising and preparing for job interviews. Considering workers' competences, the Employment Service of Slovenia organises two days to three months workshops (job clubs) which, *inter alia*, include support in organising and preparing for job interviews
- c. training or retraining programmes. Access to free or subsidised training and retraining programmes that extend or update skills varies according to workers' competences and their deficiencies with regard to the needs of the labour market
- d. financial and technical assistance to become self-employed or to set up in business. A lump-sum subsidy to promote the new self-employment of redundant workers is an important measure in active employment policy, implemented and monitored by the Employment Service. Non-repayable direct assistance amounts to four minimum wages and is intended to cover wage expenses, social security contributions and payroll tax
- e. financial support for a move to a new locality in order to take up a new job. The Employment and Insurance Against Unemployment Act (OG RS No. 5/91, 12/92, 71/93, 38/94, 69/98, 67/02, 79/06, 107/06) guarantees a right to a refund of transport and removal expenses provided that certain circumstances prevail. In practice, this right is usually not asserted
- f. work funds. An important preventive measure to improve the employability of workers are work funds: private institutions financed out of the central government budget and dispersed across different regions. They are concerned with redeploying or improving the employability of workers in the process of losing their jobs. Their aim is to prevent workers' transiting to unemployment. In co-operation with the local and regional environment, they establish and strengthen connections between the social partners and integrate existing and potentially redundant workers with the labour market. In the beginning, participants take part in a standardised workshop 'Professional career development programme' where they prepare an individual employment plan.

The way in which support is organised and the form that it takes depend on three features. The first is the type and scale of the redundancies and the level of employability of the redundant workers. The Employment Service also adjusts its activity to the burden that redundancies have as regards the local environment. In

some instances, public support is provided 'on site', i.e. where the redundancies are due to take place, with various agencies participating in a 'one-stop shop'. One option for this 'on site' public support is work funds. Another option is the activity of the Employment Service in cases of (planned) larger-scale redundancies, when 'on site' support in the form of consultations, lectures and workshops may be organised. The second is the sector of activity in which the restructuring occurs. Owing to the lower employability of redundant workers in certain sectors, the attention of the public bodies is focused on redundancies in the textile, leather, shoemaking, timber and paper industries. In the third place, if agreement between the social partners concerning the restructuring affects the employment and training opportunities of redundant workers, the engagement of the public bodies is less intensive than in other cases.

Financial support for workers becoming redundant by way of collective dismissals
Workers obtain information on the financial compensation they may receive as a result of redundancy mainly from the Employment Service, employers' human resource departments, trade unions and work funds. The most important procedure in ensuring that workers are fully and properly informed is the right to consultations at the Employment Service, where they receive first-hand information on the content and enforcement of their rights. Every employer who terminates the employment contract due to business reasons has to pay employees redundancy pay, to an amount depending on the employee's average monthly wage and the number of years of employment with the employer (see above). These payments are guaranteed also in the case of company bankruptcies. According to the *Guarantee and Alimony Fund of the Republic of Slovenia Act* (OG RS No. 25/97, 78/06), workers employed by insolvent companies (i.e. companies in the compulsory settlement or bankruptcy procedure) have the right to claim the amount of their redundancy payments (not exceeding the minimum wage) from the public guarantee fund.

Additional financial support for collectively redundant workers over and above that available to workers who lose their jobs individually is available only in special instances. The extent and duration of financial support basically does not depend on the scale of redundancies (individual or collective). This rule has no exception as far as direct public financial support for redundant workers is concerned (for example unemployment benefits). As far as indirect public financial support is concerned, in the cases of larger-scale redundancies the system provides for wage subsidies to employers who employ workers losing their jobs in the restructuring industries (textiles, leather, shoemaking, timber and paper). The amount of the subsidies depends on full- or part-time employment and varies from € 1 250 to € 2 500. Additionally, according to the *Governing the Rescue and Restructuring Aid for Companies in Difficulty Act* (OG RS No. 110/02), the Employment Service of Slovenia and the Ministry of the Economy may co-finance the retraining of workers and subsidise wages to preserve placements. In short, additional financial support may come from the government only in certain cases.

On the other hand, a collective dismissal programme prepared by the employer should also include measures aiming to mitigate the harmful consequences of the termination of employment, such as the assurance of pecuniary aid; the assurance of assistance in starting independent activity; and early retirement pensions benefits (i.e. benefits payable to those above a certain age up until the official age of retirement). In

practice, such additional financial support provided above that available to workers who lose their jobs individually is infrequent.

The main actors involved in the resolution of employment-related problems of company restructuring

A coalition of the main actors

The objective of this section is to identify the role and involvement of the different actors – employers, workers and their representatives, public bodies, etc – in providing consultation and support to workers in the case of collective dismissals. In the case of a threat of major redundancies in general, a coalition of the main actors – the Employment Service of Slovenia with its local or regional offices, work funds, trade unions, local authorities and development agencies and central government departments or agencies – is formed to participate in all phases of the restructuring process as well as to assist in reducing the negative consequences of restructuring and in creating new employment. The cases of Vipav Videm Krško d.d., Tobačna d.d. Ljubljana, Mura d.d. Murska Sobota are particularly illustrative cases of such an approach. Other examples are the programmes for the adjustment of the Slovenian textile and clothing industry and the leather and shoe-making industry to the conditions of the EU internal market which were provided during 2000-2003. The co-ordination of activities is typically taken by those most directly involved, i.e. employers (management) and workers via trade unions and workers councils. They try to involve other actors – employment offices, authorities, development agencies – as much as possible.

Employers

Employers normally tend to consult their employees about planned restructuring before making a public announcement. Consultations with the other actors involved (trade unions, employment offices, local development agencies and authorities and, in the most prominent cases, also central government) are usually managed by the company management but in close co-operation with trade unions, workers councils and other actors.

Employers usually try to find alternative employment in co-operation with other employers, local employment offices and private employment agencies in the region. A representative example of such co-operation is the case of the clothing company Mura d.d. European Fashion Design,⁴ where a number of redundant workers were re-employed by smaller employers in the region who received financial support from

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

the Active Employment Programme, funded by the central government and managed by the Employment Service of Slovenia.

In some instances, employers search for a solution to their restructuring problems with the help of private employment agencies. Private employment agencies (e.g. Adecco H.R. d.o.o. Slovenija), possessing concessions granted by the Ministry of Labour, Family and Social Affairs, can employ redundant workers and lease them back to the employer who is thus unburdened of the risks and duties deriving from labour legislation.

Local and regional employment and development offices and local authorities

Local and regional employment offices would normally be consulted prior to public announcements of planned restructurings. They take an active part in the process of providing support measures for workers losing their jobs. As a rule, redundant workers are entitled to unemployment benefits managed and paid out by local employment offices. Local employment offices also offer advice and guidance on workers' individual career and training options and on the financial and technical assistance available to those becoming self-employed. Additionally, in some instances, they may organise job interviews with potential employers and training programmes that extend workers' skills. The involvement of local/central authorities depends on the 'size' of the problem. A representative example of such co-operation is the case of Vipap Videm.⁵ Trade unions and employment offices were involved in this case right from the very beginning so as to co-ordinate activities. Other cases are the programmes for the adjustment of the Slovenian textile and clothing industry and the leather and shoe-making industry to the conditions of the EU internal market during 2000-2003.

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

That some members of the Slovenian parliament are also local officials (either members of municipal councils or mayors – currently, 18 out of 90 members of parliament are also mayors of municipalities) facilitates a good exchange of information between local and central government in restructuring cases.

Education and training bodies are not directly involved in efforts to expand employment opportunities or to attract new employment; they are involved only indirectly at the initiative of the authorities and employment offices. For instance, employment offices inform workers of their education and training options and may also subsidise the training and retraining programmes that are available. One of the pro-

- 5 Vipap Videm Krško d.d. is Slovenia's largest paper manufacturer. In 2006, the company closed its cellulose pulp unit for environmental reasons. The background to this decision is a sharp increase in taxes on environment-intensive production due to the enforcement of European Directive 96/61/EC concerning integrated pollution prevention and control (IPPC). In closing down the cellulose plant, 366 jobs were lost. Of that number, 191 employees with permanent contracts lost their jobs, while another 34 contracts were terminated with the closing down of the unit. For the remaining 141 employees who were also dismissed, it is expected that about 116 will be re-employed elsewhere in the region while 25 will not be. Therefore, the assessment is that the local town of Krško will face an altogether net loss of approximately 250 jobs.

grammes in the Active Employment Policy for 2006 was 'Training and Education'. Employers also provide money for training.

Workers' representatives and trade unions

Workers' representatives (workers councils and workers' representatives on the supervisory board or board of directors) and trade unions (organised at the company, regional or national level) try to negotiate as good a set of terms and conditions for redundant workers as possible. In the case of the tobacco factory Tobačna d.d. Ljubljana, where in 2004 around 250 workers became redundant because of the closure of tobacco production, employer and worker representatives agreed on severance pay that was higher than the minimum compensation foreseen by the Slovenian Employment Relationships Act. The case of Tovarna Sladkorja Ormož d.d.⁶ is similar.

Trade or professional associations

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

Economic policy measures for creating new employment

The objective of this section is to analyse the measures taken by the public authorities to try to ensure that new jobs are available in areas where restructuring and redundancies are occurring. These are policies on development and restructuring in the broadest sense. Slovenia runs a number of policies which are concerned with the employment impact of company restructuring. Efforts of the public authorities or agencies to

- 6 Tovarna sladkorja Ormož d.d. (Sugar Factory Ormož) will be closed down because of the new EU regulation of the sugar market, intended to reduce the price of sugar in the EU, now being much above world prices. EU offers compensation in the amount of € 22m to stop production in the factory. The money will be partly used to pay the shareholders and partly to pay compensation to redundant employees for their dismissal. An agreement between employees and the owner defines the compensation for dismissal, which is considerably higher than in similar cases in Slovenia. The law says that compensation should be half of monthly gross salary for each year of employment within a company, up to a maximum of ten years. However, the collective agreement for the food industry is much more favourable for employees. It says that an employee will receive one full monthly gross salary for each year of employment if the activity in which he/she is employed is completely abandoned in Slovenia. This is the case with the Sugar Factory Ormož. This means that employees with the factory for 25 years will receive compensation to the amount of 25 current monthly gross salaries. Additionally, current wages will be increased by 27% and this will be taken as the basis for the calculation of the compensation.

attract new jobs to locations where major redundancies occur take on a number of different modalities and the response to restructuring is the explicit or implicit subject of a number of policy documents.

Active Employment Policy Programme

Two out of five measures in the *Active Employment Policy Programme for 2006* ('Training and education' and 'Employment incentives') define 'surplus workers in industries under restructuring' or 'employees in sectors under restructuring' as a target group. Access to training and retraining programmes, subsidised by public funds, varies according to workers' competences and their deficiencies with regard to the needs of the labour market. Operators of training and education activities are selected in the public tender process from among different agencies and institutions. Funds for the re-employment of such employees are channelled to companies via the Ministry of the Economy within the programme for the assistance of companies in the process of restructuring. The Programme for 2006 disbursed subsidies for 7 210 people under its 'Employment incentives' measure; for 5 400 people under its 'Direct creation of new jobs' measure; and for 42 750 participants under its 'Training and education' measure. The Programme for 2006 defined, as one of its priority areas, the reduction of differences between regions via the stimulation of employment in regions with an above-average unemployment rate in such a way that 70% of all Active Employment Policy funds were directed to regions with above-average unemployment rates (Pomurska, Zasavska, Podravska, Spodnjesavska, Savinjska and Koroška regions). The total amount of money spent on the Programme in 2006 was approximately € 81.4m. Of that, the money disbursed through the 'Employment incentives' measure was approximately € 15.5m while a further approximately € 25.9m was disbursed through the 'Direct creation of new jobs' measure (www.mddsz.gov.si/en/).

In November 2006, the Slovenian government adopted a new programme – *Active Employment Policy for the period 2007–2013*, as well as an *Implementation Plan for 2007 and 2008*. As far as the restructuring process is concerned, the most important measures in the programme are 'Training and education' and 'Employment and self-employment incentives' (furthermore, the programme contains two other measures, i.e. 'Counselling and job search assistance' and 'Social inclusion enhancement'). Among others, the target group in the 'Training and education' measure is employees losing their jobs. One of the activities in the 'Employment and self-employment incentives' measure is focused on preserving placements, especially in companies being in a restructuring process in accordance with the *Governing Rescue and Restructuring Aid for Companies in Difficulty Act* (see further below).

Promotion of Entrepreneurship and Competitiveness

In July 2006, the Slovenian government adopted its Programme of Measures for the Promotion of Entrepreneurship and Competitiveness policy document for the period 2007–2013. The Programme is planned to disburse € 94m in 2007 and € 878.3m in the whole 2007–2013 period. *Inter alia*, the Programme includes:

- a. a 'Promotion of entrepreneurship and business friendly environment' measure, which is planned to create 1 200 new jobs by the end of 2013

- b. a 'Promotion of SMEs by equity and credit sources' measure, which is planned to create 1 000 new jobs by the end of 2013 (www.mg.gov.si/en/).

The objective of the previous Programme of Measures, for the 2002-2006 period, was to increase economic efficiency and international competitiveness via the attaining of an economic structure comparable to that of the EU, improving the competitive capacity of enterprises, reducing the productivity lag and creating balanced economic capacity across the country. It offered employment subsidies in:

- a. a measure on 'Promoting new domestic investment', providing co-financing of salaries related to new jobs (for a maximum of two years)
- b. a measure on 'Promoting investment in SME development', providing loans at lower than market rates for salaries
- c. a measure on 'Promoting creation and growth of innovative small enterprises', providing financial resources on favourable terms in the early phase of enterprise operation to pay for salaries (for a maximum of two years).

The total amount of money spent on programme activities in 2001–2003 was approximately € 70m.

'Greenfield' foreign investors are eligible for the co-financing of the costs of the creation of new jobs – the employment of new workers related to the investment (gross wages for two years). In addition, in 2000-2005, the Public Agency for Entrepreneurship and Foreign Investment co-financed the entry costs of new foreign investors to the tune of approximately € 12.6m. A total of 4 135 new jobs have been created by investment projects co-financed by this amount (www.japti.si).

Rescue and Restructuring Aid for Companies in Difficulty

The Ministry of the Economy has a Sector for Enterprise Rehabilitation and Restructuring, whose mission is to assist companies involved in restructuring. Its activities are based on the *Governing Rescue and Restructuring Aid for Companies in Difficulty Act* (OG RS No. 112/05) and the *Decree* (OG RS No. 13/06) based on it. To receive assistance, a company should prepare a restructuring strategy part of which must refer to the programme to resolve the issue of surplus employees and to provide a programme of training and education for employees. State aid can be carried out in different ways, for example in the form of a loan, a subvention, an interest rate subsidy, a guarantee, a financial investment or as a deferral of taxes or contributions payments. A well-known example is the case of the € 10m restructuring state aid provided to the clothing company Mura d.d. European Fashion Design. The basic feature of the programme of internal restructuring is to reduce disposable capacities and increase productivity, both in order to rationalise and transform the company 'from a production into fashion enterprise'.

Sectoral programmes for adjustment to the conditions of the EU internal market

In the 2000–2003 period, Slovenia had two specific sectoral programmes to handle the problems of restructuring:

- a. programme for the adjustment of the Slovenian textile and clothing industry to the conditions of the EU internal market in 2000-2003
- b. programme for the adjustment of the Slovenian leather and shoe-making industry to the conditions of the EU internal market in 2000-2003.

Other – non-governmental – actors are only indirectly, or in some instances directly, involved in activities towards the creation of new employment. Thus, sectoral or industry bodies are indirectly involved in efforts to expand employment opportunities and to attract new employment via their efforts to develop a particular sector. Typical of this sector-oriented approach were these programmes for the adjustment of the Slovenian textile and clothing industry and of the leather and shoe-making industry to the EU internal market, which were prepared with the heavy involvement of the sectoral bodies within the Chamber of Commerce and Industry of Slovenia. Recently, a number of sectoral clusters (for example, in the car components sector, tool-making production, etc.) have been organised. They may play a useful role in the future.

Regional development programmes

In 2006, the Government Office for Local Self-Government and Regional Policy invited applications in a number of regionally-specified employment-related projects (promotion of training, education, employment and self-employment, promoting new investments in micro-enterprises, co-financing investment in human resource development, etc.) in various less-developed regions (www.svlr.gov.si).

Conclusions

This article has analysed the employment-related legal and economic policy framework for company restructuring in Slovenia. It is interested in the way in which, and how efficiently, Slovenia is coping with the problem of collective dismissals arising from company restructuring. This was carried out by analysing the objectives and results of the legal and policy measures which have been instituted and by interviewing the relevant actors in these processes, i.e. employees, trade union representatives, labour office representatives, government representatives, etc. The article deals in particular with the legal framework for handling collective dismissals, with the economic policy measures specifically targeted to relieving the consequences of collective dismissals, with the main actors involved in the resolution of the employment-related problems of company restructuring, and with the economic policy measures aimed at the creation of new employment. The overall conclusion is that Slovenia does have specific legal provisions to handle collective dismissals as well as a number of economic policy measures, with considerable resources, targeted both towards the relief of the problems of, and the re-employment of, employees hit by collective dismissals due to company restructuring.

The Slovenian legislation is based on the principle of the equal treatment of workers who lose their jobs because of company restructuring and those losing their jobs individually. However, there are some specific measures and practices of the public bodies that depend on the scale of the redundancies, on the sector in which these occur or on their significance for the local environment. The dismissal programme for redundant workers involved in collective dismissals also comprises measures to mitigate the harmful consequences of the termination of employment, such as the assurance of pecuniary aid, the assurance of assistance for starting an independent activity and the purchase of pensions insurance for the period.

A trademark of the Slovenian way of handling collective dismissals seems to be that, in the case of the threat of major redundancies, a coalition of the main actors –

the Employment Service of Slovenia with its local or regional offices, work funds, trade unions, local authorities and development agencies and central government departments or agencies – is formed to participate in all the phases of the restructuring process as well as in assisting in the reduction of the negative consequences of restructuring and the creation of new employment. The co-ordination of activities is typically taken on by those that are most directly involved, i.e. employers (management) and workers via trade unions and workers councils. They try to involve other actors – employment offices, authorities, development agencies – as much as possible.

Slovenia has a number of policy measures which aim at the creation of employment opportunities, including programmes within the Active Employment Policy and within the Sector for Enterprise Rehabilitation and Restructuring of the Ministry of the Economy. In 2000-2003, Slovenia also had two specific sectoral programmes to handle the problems of the restructuring of the textile and clothing industry and of the leather and shoe-making industry. Apart from that, a number of measures within the Ministry of the Economy's Programme of Measures of Entrepreneurship and Competitiveness specifically target the creation of new jobs.

References

- Aljančič Falež, V (2006) 'Odpoved pogodbe o zaposlitvi iz poslovnega razloga večjemu številu delavcev (Termination of employment contract from business reasons to larger number of employees)' *Delavci in delodajalci (Employees and Employers)* 1/2006.
- Amiti, M and S. J. Wei (2004) 'Fear of Service Outsourcing: Is It Justified?' *IMF Working Paper* WP/04/186. Washington, D.C: International Monetary Fund.
- Antras, P and E. Helpman (2003) 'Global Sourcing' *NBER Working Paper* 10082 (November). Cambridge, MA: National Bureau of Economic Research.
- Barry, F and F. Walsh (2005) 'Gains and Losses from Sectoral Relocation: A Review of Theory and Empirics. Re-location of production and jobs to CEE countries – who gains and who loses?' *Joint workshop of HWWA – Hamburg Institute of International Economics and Vienna University of Economics and Business Administration, Hamburg*, 16th-17th September.
- Bartel A, S. Lach and N. Sicherman (2005) 'Outsourcing and Technological Change' *NBER Working Paper* 11158 (February). Cambridge, MA: National Bureau of Economic Research.
- Bhagwati, J, A. Panagariya and T. N. Srinivasan (2004) 'The Muddles over Outsourcing' *Journal of Economic Perspectives* 18(4): 93-114.
- European Commission (2004) *Employment in Europe 2004* Brussels: DG for Employment and Social Affairs.
- European Commission (2005a) *Delocalisation: Which challenges for the EU economy?* ECFIN(REP)50760/05. Brussels: DG Economic and Financial Affairs.
- European Commission (2005b) 'Challenges arising from a closer integration of manufacturing in the world economy in the context of globalisation' Issues for discussion by ECOFIN ministers. ECFIN/EPC/EFC(2005)REP/50171, Brussels: Economic Policy Committee.

- European Commission (2007) *Factor Mobility in the Global Economy: Policies for Growth in an Interconnected World* ECFIN/EPC(2006)REP/56235. Brussels: Economic Policy Committee.
- Geishecker, I and H. Görg (2004) *International outsourcing and wages: Winners and losers* mimeo.
- Grossman, G. M and E. Helpman (2002a) 'Outsourcing in a Global Economy' *NBER Working Paper* 8723 (January). Cambridge, MA: National Bureau of Economic Research.
- Grossman G. M and E. Helpman (2002b) 'Integration versus Outsourcing in Industry Equilibrium' *The Quarterly Journal of Economics* 117(1): 85-120.
- Kresal, B (2006) 'Termination of Employment Relationships: The Legal Situation in Slovenia' available at: http://ec.europa.eu/employment_social/labour Law/docs/report_slovenia_en.pdf
- Ministry of Labour, Family and Social Affairs (2006a) *Programme of Active Employment Policy for 2006* Ljubljana.
- Ministry of Labour, Family and Social Affairs (2006b) *Programme of Active Employment Policy for 2007-2013 and implementation plan for years 2007 and 2008* Ljubljana.
- Ministry of Economy (2000a) *Programme for the adjustment of the Slovenian textile and clothing industry to the conditions of EU internal market in 2000–2003* Ljubljana.
- Ministry of Economy (2000b) *Programme for the adjustment of the Slovenian leather and shoe-making industry to the conditions of EU internal market in 2000–2003* Ljubljana.
- Ministry of Economy (2002) *Programme of Measures for the Promotion of Entrepreneurship and Competitiveness in 2002–2006* Ljubljana.
- Ministry of Economy (2006) *Programme of Measures for the Promotion of Entrepreneurship and Competitiveness in 2007–2013* Ljubljana.
- Mrak, M, M. Rojec and C. Silva-Jauregui (eds.) (2004) *Slovenia: From Yugoslavia to the European Union* Washington, D.C: The World Bank.
- Panagariya, A (2005) *Defending the Case for Free Trade. Testimony to the U.S.-China Economic and Security Review Commission on The Economic Underpinnings of Globalization* available at <http://www.Columbia.edu/~ap2231/>.
- Samuelson, P. A (2004) 'Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization' *Journal of Economic Perspectives* 18(3): 135–146.
- Vodopivec, M (2004) 'Labor Market Developments in the 1990s' in: M. Mrak, M. Rojec and C. Silva-Jauregui (eds.): *Slovenia: From Yugoslavia to the European Union* Washington, D.C: The World Bank, pp. 292–314.

Act Governing Rescue and Restructuring Aid for Companies in Difficulty, OG RS No. 110/02, 91/05, 31/07.

Employment Relationships Act, OG RS No. 42/02.

Collective Agreements Act, OG RS No. 43/06.

Employment and Insurance Against Unemployment Act, OG RS No. 5/91, 12/92, 71/93, 38/94, 69/98, 67/02, 79/06, 107/06.

Guarantee and Alimony Fund of the Republic of Slovenia Act, OG RS No. 25/97, 78/06.

Act on Chambers of Commerce and Industry, OG RS No. 60/06.

Collective agreement for the non-business sector of the Republic of Slovenia, OG RS No. 18/91.

Collective Agreement for Slovenia's Metal Industry, OG RS No. 108/05.

Collective Agreement for Slovenia's Electrical Industry, OG RS No. 108/05.

Collective Agreement of the Publishing and Printing Industry, OG RS No. 43/00.

Collective Agreement for the Construction Industry, OG RS No. 1/05.

www.ess.gov.si, Employment Service of Slovenia

www.japti.si, Public Agency for Entrepreneurship and Foreign Investment

www.mddsz.gov.si/en/, Ministry of Labour, Family and Social Affairs

www.mg.gov.si/en/, Ministry of Economy

www.svir.gov.si, Government Office for Local Self-Government and Regional Policy