

Chapter Four

► HOUSEHOLDS, WORK AND FLEXIBILITY Country Contextual Reports

SLOVENIA

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INTRODUCTION

This is a companion study to the analysis of HWF survey for Slovenia (Sicherl, Remec, 2002). Its purpose is to complement the analysis of the survey with the description of the country context to understand better the results of the survey.

Slovenia is a small country by size (about 20,000 km² in area) and population (just below 2 million inhabitants) at the crossroads in Central Europe, where people and cultures of the three main groups of European nations meet, i.e. those of German, Roman and Slavic origin. This richness and diversity of cultural and historic experience is an important asset in Slovenia's potential for further economic and social development. Being on the sunny side of the Alps and at the same time by the Adriatic sea, a combination of alpine, Mediterranean and continental climate and landscape provides, despite the small size of the country, preconditions for a wide range of choices regarding economic activity and lifestyle (Sicherl, Kukar, 1996).

The country context is first explained in terms of the major developments in the economy during the transition decade towards the market economy on one hand, and the first decade of an independent state after the dissolution of Yugoslavia. The results of these developments represent the starting position, from which economic and social policies have to search for new directions to address the existing problems as well as

to prepare Slovenia to become a member of the EU. The background trends are then examined for population, active population, employment and unemployment, atypical forms of employment, place flexibility and distribution of households.

In the second chapter labour market policies are described. The new Law on labour relations, which just passed the second reading in the Parliament, is an important step in codifying this domain that has been long overdue. Existing collective bargaining and wage determination arrangements are presented, followed by active and passive measures of labour market policy. National Employment Action Plan for the years 2000 and 2001 further discusses the four-pillar employment policy, connecting it to the policy in the EU.

The third chapter discusses social policies related to family and work. Housing policies and trends are rather specific in Slovenia, with a very high share of residents living in their own dwellings, as a repercussion of the previous arrangement in the self-management system. Taxation policies with high taxation rates on labour do not stimulate employment and are one of the impediments for more vigorous and flexible employment patterns. Social policies related to family discuss the trends over the last 10 years for social assistance, parental leave, parental allowance, birth grant, child benefit and childcare.

1. BACKGROUND TRENDS

Over the last decade there have been three developments that are most relevant to the discourse on flexibility. First, the high level of employment and job security in the earlier system with predominant social ownership of capital in business activities, with the exception of agriculture, has left a strong influence on public opinion about the rights of workers and the expectations about the security of employment. Secondly, the fall in production and even a more drastic fall in employment during the transition depression have

changed the situation in the labour market dramatically. The adjustments to the new situation were not systematically facilitated by government policies. Active measures to support employment and fight unemployment were introduced rather late and the legislation on flexible work options is still rigid. Thirdly, new impetus for further steps in this direction is coming with the efforts that Slovenia would as soon as possible prepare itself to fulfil the conditions to join the EU as a full member.

1.1. Transition decade

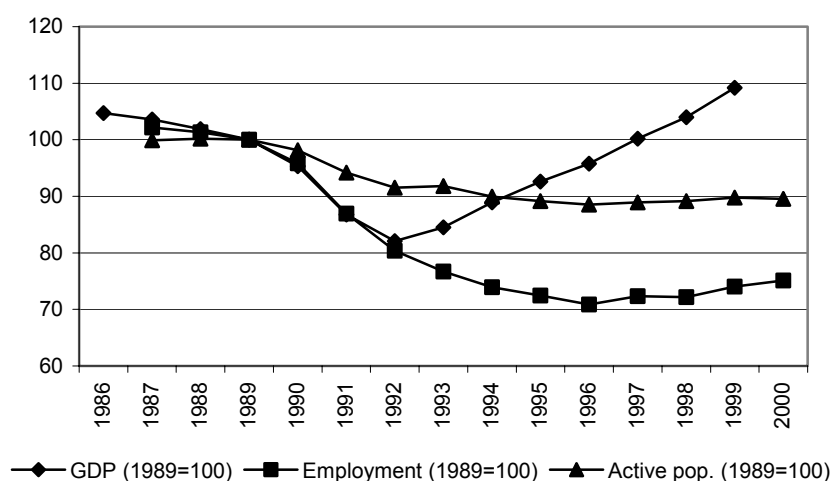
Slovenia has endured the simultaneous and superimposed shocks of economic and political transition and disintegration of the former Yugoslavia rather well. After 1989 all transition economies experienced a drop in production. However, the severity of the decline as well as the speed of the recovery was very different. The decline in Slovenia was less than 20 per cent at the trough of the transition depression in 1992. Since 1993 the economy has been recovering and the GDP has been increas-

ing annually by 3 per cent to 4 per cent. The recovery was reasonably successful and in 1998 the GDP again reached the pre-transition level. Slovenia has succeeded in becoming an open and export orientated economy, with European Union representing its largest export market. Table 1a and figure 1 show the developments in the 1990s as compared to the previous peak situation during the 1980s, when deterioration due to the inefficiency of the old system started to become apparent.

Table 1a. Index for GDP, employment and active population (1989=100)

| Year | GDP | Employment | Active population |
|------|-------|------------|-------------------|
| 1986 | 104.7 | | |
| 1987 | 103.6 | 102.2 | 99.9 |
| 1988 | 101.9 | 101.3 | 100.2 |
| 1989 | 100.0 | 100.0 | 100.0 |
| 1990 | 95.3 | 95.9 | 98.2 |
| 1991 | 86.8 | 87.0 | 94.2 |
| 1992 | 82.1 | 80.4 | 91.5 |
| 1993 | 84.5 | 76.7 | 91.8 |
| 1994 | 88.9 | 73.9 | 90.0 |
| 1995 | 92.6 | 72.4 | 89.2 |
| 1996 | 95.8 | 70.9 | 88.5 |
| 1997 | 100.2 | 72.3 | 88.9 |
| 1998 | 104.0 | 72.2 | 89.2 |
| 1999 | 109.2 | 74.0 | 89.8 |
| 2000 | | 75.1 | 89.6 |

Source: For GDP WIIW database, for employment and active population Table 1.c.

Figure 1. Index of GDP, employment and active population (1989=100)

Source: Table 1b

However, the changes in the labour market were much more profound. The situation with respect to employment opportunities over the last decade has changed radically. While the recovery in GDP started already in 1993, the recovery in employment started only in 1999. The 1989 level of GDP was reached in 1997, and the peak level of 1986 in 1998, which means that the transition decade in

terms of the overall volume of activity cost Slovenia between 8 and 12 years of decline and stagnation. On the employment side the situation is much below the pre-transition levels. Employment in 2000 was only at 75 per cent of the 1989 level, and even active population was only at 90 per cent of the pre-transition level.

Table 1b. Magnitude of development gaps between Slovenia and the EU15, Austria, Ireland, Finland, Spain, Portugal and Greece as measured by time distance in years (Slovenia=0, for time distance: – time lag of Slovenia, + time lead of Slovenia)

| Indicator | EU15 | AUT | IRL | FIN | ESP | PRT | GRE |
|---|------|-----|-----|-----|-----|-----|-----|
| 1 GDP per capita (ppp) | -18 | -20 | -7 | -17 | -7 | -1 | 1 |
| 2 GDP per employed | -17 | -15 | -8 | -9 | -12 | 5 | 0 |
| 3 Exports per capita | -3 | -10 | -12 | -8 | 5 | 8 | 15 |
| 4 Imports per capita | -2 | -12 | -10 | -5 | 4 | 2 | 8 |
| 5 Share of working population | 8 | 7 | 10 | 8 | 6 | 7 | 7 |
| 6 Life expectancy (female) | -12 | -9 | -2 | -10 | -18 | -1 | -11 |
| 7 Infant survival rate | 0 | -2 | 4 | -6 | 3 | 4 | 3 |
| 8 Telephones per capita | -12 | -12 | -2 | -17 | -4 | -2 | -9 |
| 9 Mobile phones per capita | 0 | -1 | -1 | -3 | 0 | -1 | 0 |
| 10 Internet hosts per capita | -2 | -2 | -1 | -4 | 1 | 2 | 3 |
| 11 Cars per capita | -8 | -7 | 5 | 0 | -1 | -2 | 9 |
| 12 Emissions CO ₂ per capita | 6 | 26 | 19 | 29 | -1 | -2 | 5 |

Source: Sicerl P. (2001a), Distance in time between Slovenia and the European Union (An example of possible visualisation of time distance results), Working Paper, SICENTER, Ljubljana

As development is by its nature a long-term and multidimensional phenomenon, in addition to static comparisons at a given point in time special emphasis should be given to a dynamic aspect that is presented by time distance as a new statistical measure in comparative analysis. A special category of time distance, S-distance, measures distance (proximity) in time between the two points in time when the two compared countries reached a specified level of the indicator X. For a detailed description of the time distance methodology as a generic measure of disparity, see e.g. Sicherl (2001b). The novel time distance methodology offers a new insight to the problems, an additional statistical measure, and a presentation tool for policy analysis and debate expressed in time units, readily understood by policy makers, media and general public.

Comparing time distances between Slovenia and the EU15 average around 1998 across 12 selected indicators shows that for 5 indicators the time lead of the EU15 is about 10 or more years, for 5 other indicators the time lead of the EU15 is 3 or less years, and for 2 indicators Slovenia is ahead of EU15. It should be mentioned that the degree of disparities might be very different in static terms and in time, for details see Sicherl (2001b). Furthermore, comparison between Slovenia and Spain, Portugal and Greece across 12 selected indicators shows that Slovenia for the 12 selected indicators does not differ significantly

from these countries. Looking at time distances, for approximately the same number of cases Slovenia has an advantage in comparison with these countries, or is lagging behind, respectively. On the basis of these selected hard indicators, Slovenia undoubtedly belongs to this group of three EU countries. Although in general terms Slovenia is nevertheless one of the best placed candidate countries, in terms of employment situation the transition decade took a heavy toll.

The transition from planned to market economy was marked by the privatisation of former social property and major restructuring of companies, which have undergone an organizational and technological modernization in order to reduce costs and improve competitiveness in the EU markets. Introduction of a market economy, a decline in economic activity and the loss of markets in former Yugoslavia have led to a large reduction in the number of people being employed and the size of the active population in the country. In industry there were two types of job losses:

- jobs lost owing to elimination of unprofitable production units,
- job cutting aiming at raising productivity.

Both involved the elimination of economic and technological labour surpluses, which was made possible by the relaxation in labour legislation at the beginning of the nineties (Pirher et al., 2000).

1.2. Demographic and labour market trends

In the last decade Slovenia's population of approximately two million inhabitants has been practically stagnant due to low birth rates and net migrations, while the population has been ageing. However, there were dramatic changes with the respect to the employment situation. As in all socialist countries before transition, Slovenian participation, activity and employment rates were very high, whereas during the transition, the labour force contracted, employment declined and unemployment increased substantially.

1.2.1 Population

At the beginning of the nineties Slovenia also found itself in a phase of demographic transition. Population growth rate stopped ten years earlier than it had been predicted in projections done in the eighties. Since the early eighties, birth rate has not been high enough to maintain the population and it is still falling slowly. The birth rate has already reached the lowest levels found in the EU. The reasons for low birth rate are mainly eco-

nomic. The two basic reasons are the lack of accommodation for young families and the problem of employing women that are expected to have children in the future. Net population growth resulting from migrations has also retarded. Given the constantly declining death rate, the proportion of population classified as elderly is growing. In comparison to other European countries this proportion was relatively low in Slovenia in previous decades. This was due to large losses of those generations who lived during the two world wars and who experienced a major wave of emigration after the Second World War. Various demographic projections indicate that the number of people aged over 65 will continue to grow, but the growth will slow down in the period from 2004 to 2012. This involves a less numerous generation born between 1939 and 1947. The working age population (aged 15-64), which stopped growing from 1992 to 1995, is set to grow until 2004, when it will begin to fall again, first slowly and then rapidly. The influx of young people will continue to fall, as the number of children aged under 15 will continue to decline rapidly (Pirher et al., 2000).

Internal migration mobility in Slovenia is significantly lower than in the EU, which is related not only to tradition and culture, but also to the volume, structure, exploitation and accessibility of the housing stock. The privatization of state-owned flats at the beginning of the nineties contributed to the fact that about 90 per cent of households now reside in flats owned by household members, their parents or relatives. A large share of flats occupied by their owners combined with a modest supply of private, social and non-profit flats limits the mobility of labour force (National Development Plan of Slovenia 2001-2006).

The Ljubljana urban region is the most developed part of the country and differs from the rest of Slovenia by favourable demographic conditions. From 1981 to 2000, population growth in this region was twice as fast as the national average. This was mainly due to the immigration of relatively young labour force and it is not surpris-

ing that the population ageing index in this region is below the national average. Furthermore, in terms of economic potential, corporate sector's performance and GDP per capita, Ljubljana urban region is above the average. This region is as well characterized by higher productivity and profitability, better infrastructure, better geostrategic position, better schooling system, more opportunities of further education and greater human capital (National Development Plan of Slovenia 2001-2006).

1.2.2 Active population, employment and unemployment

The labour force *participation rate*, as a proportion of labour force in the total working age population, was nearly 70 per cent in 2000. The labour force participation rate in Slovenia is still above the EU average, mainly due to the high participation of women and people aged 25 to 50 years. Low participation rates among young people between 15 to 25 years of age show an increasing enrolment of young people in education (Ministry of Economic Affairs, 2000).

In 1987 the *activity rate* (persons in employment as percentage of age group 15-64) from registered sources was 80.5 per cent for men and 63.4 per cent for women (SORS in Pirher et al. (2000)). This activity rate was in 1987 higher only in Denmark, for all the other EU12 countries the activity rate was lower than in Slovenia. The higher number of retirements between 1988 and 1992 and, in part, the extension of schooling radically reduced the level of the active population after 1987. The activity rate for men fell much more than the activity rate for women. The former fell from 80.5 per cent in 1987 to 73.8 per cent in 1993 and to 66.9 per cent in 2000. The activity rate for women fell from 63.4 per cent in 1987 to 56.5 per cent and increased slightly to 58.3 per cent in 2000. The current low activity rate should rise again slightly, but will still be well below the level in 1987.

The fall of *active population* in the range of about 100,000 persons, the decline of about

210,000 persons in employment, and about 250,000 of employed persons in companies and organizations in the period 1987-1997 was a great shock to a society that was used to a great security of permanent working places and substantial social benefits. The loss of the Yugoslav market after the disintegration of the former Yugoslavia and the dislocations in the transition process dramatically changed the employment situation.

The largest drop in *employment* occurred between 1990 and 1993, whilst economic recovery and growth after 1993 did not lead to any growth in employment – it was mainly a jobless growth. It was not until 1997 that the level of employment and the active population stopped falling. The achieved economic growth has not been high enough to enable the necessary job creation.

Table 1c. Active population in Slovenia by registered sources 1987-2000
yearly average in 000

| Time | Employment in companies and organizations | Employed in small private sector | Farmers | Other self-employed persons | Persons in employment by registered sources | Registered unemployment | Active population by registered sources |
|------|---|----------------------------------|---------|-----------------------------|---|-------------------------|---|
| 1987 | 838 | 30 | 59 | 33 | 960 | 15 | 976 |
| 1988 | 831 | 31 | 61 | 35 | 957 | 21 | 979 |
| 1989 | 820 | 31 | 61 | 36 | 948 | 28 | 977 |
| 1990 | 786 | 32 | 58 | 39 | 915 | 45 | 959 |
| 1991 | 713 | 33 | 57 | 42 | 844 | 75 | 920 |
| 1992 | 659 | 33 | 56 | 44 | 792 | 103 | 894 |
| 1993 | 629 | 37 | 56 | 47 | 768 | 129 | 897 |
| 1994 | 606 | 42 | 56 | 49 | 752 | 127 | 879 |
| 1995 | 594 | 48 | 56 | 52 | 749 | 122 | 871 |
| 1996 | 581 | 54 | 56 | 54 | 749 | 120 | 865 |
| 1997 | 593 | 58 | 40 | 54 | 743 | 125 | 869 |
| 1998 | 592 | 61 | 41 | 52 | 745 | 126 | 871 |
| 1999 | 607 | 64 | | | 759 | 119 | 877 |
| 2000 | 616 | 68 | | | 768 | 106 | 875 |

Source: Statistical Office of the Republic of Slovenia, ESS and Health Insurance Company of Slovenia, in Pirher et al., (2000), for 1999 and 2000 IMAD, Slovenian Economic Mirror, No 8-9, Aug-Sep 2001.

Structural adjustments in the transition period changed the employment structure mainly through the growth in employment in services and declining employment in agriculture and manufacturing. Despite job losses in manufacturing, the share of employed people in this sector was still high in comparison to the EU countries, while the share of employed in services was still below the EU average in 1998. This sector continues to have unexploited potential for job creation to absorb the labour shed by manufacturing or agriculture (Ministry of Economic Affairs, 2000).

Considering the *foreign workers' population*, the majority of all valid work permits (96 per cent) in 1998 were issued to foreigners from former Yugoslavia. The structure of workers has remained practically unchanged. The majority of work permits (over 60 per cent) were issued for unskilled or semi-skilled workers, while less than 5 per cent of all work permits were issued for those with higher and university education. Otherwise, (cheap) labour force from less developed countries does not pose any serious threat for Slovenian workers, since Slovenia only presents transitional country for the emigrants, while their

final destination is predominantly Western Europe.

Registered unemployment surged from below 2 per cent in 1987 to over 15 per cent of the active population in 1993 and fell to about 12 per cent in the year 2000. According to the ILO methodology, which excludes registered unemployed that are counted as persons in employment and registered unemployed that are not actively searching for work, the unemployment rate in Slovenia at 7 per cent in 2000 is still below that of the EU15 average. Generally, there are discrepancies between the two main sources of statistics on labour market: registered sources and labour force surveys (LFS). However, both show drastic changes over that period.

The majority of unemployed are long-term unemployed and low skilled job seekers. Furthermore, there was a withdrawal of many long-term unemployed from the labour market, looking for work in the informal economy or relying on family support or social welfare assistance.

The main burden of reduction and restructuring employment in Slovenia was borne by pension and disability insurance. For a number of workers *early retirement* was the solution which helped them and the enterprises to overcome the shock, but that meant an increase of about 150,000 additional retired persons (15 per cent of all insurance payers) between 1988 and 1992 and a tremendous long-term burden for the economy. The number of new old age and disability pensioners, which in the first half of eighties was on average around 1.8 per cent of the active population, began to grow rapidly in absolute and relative terms in 1988. It reached a peak in 1991, when 42,000 people, 4.6 per cent of the active population, took retirement because of old age or disability. Many of these retirements were premature, involving the purchase of working time, and Slovenia thus obtained a large number of relatively young pensioners. The total number of pensioners in this period grew by over a third, with their proportion of the population as a whole growing from 16.7 per cent in 1987 to 22 per cent in 1992.

Due to legislative changes, which extended the normal retirement age, in 1993 retirements decreased, and even dropped below the normal level because of the early retirements in previous years. Thus after 1993 the growth in the number of pensioners and the drop in the active population settled. The large-scale retirement in the transition period also caused a deterioration in the ratio between the number of pensioners and the number of insurance payers.

This is the background against which the debate and statistics on flexible work in Slovenia are to be understood. It is not a stable systematic effort to exploit the potential benefits of more flexible arrangements, but a reaction to the changing conditions.

1.2.3 Atypical forms of employment

When the situation in Slovenia is compared with the participating EU countries, the share of *temporary jobs (contract of limited duration, fixed-term employment)* is at about 12 per cent of employment broadly comparable with the shares in the Netherlands and Sweden. Also the gender distribution of temporary jobs is quite similar to that in the Netherlands and Sweden.

On the one hand, temporary work brings about higher labour market flexibility, but on the other hand it reduces the social security of employees. It could be said that a limited duration contract in Slovenia represents a way for employers to avoid the high cost of redundancy, thus transferring a part of their commercial risk to their employees. For this reason, fixed-term employment became a dominant form of new employment in the nineties, enabling employers to adapt staffing level to actual conditions in their markets. Over 70 per cent of new employment is of limited duration and this share still shows a moderate growth. Consequently, the proportion of new unemployment owing to those whose fixed-term employment has ended is increasing. In 1997 this became a leading cause of the new unemployment flow, its share of over 30 per cent overtook redundancy and first-time job seekers. Since the av-

erage length of fixed-term employment is relatively short, ranging between six and seven months, increasing numbers of people are moving between employment and unemployment. Throughout the nineties the outflows from unem-

ployment did not exceed the inflows to unemployment, leaving the level of registered unemployment more or less unchanged (Pirher et al., 2000).

Table 2a. Share of persons in employment with temporary job (contract of limited duration, per cent)

| | Slovenia | EU15 | Netherlands | Sweden | UK |
|------|----------|------|-------------|--------|-----|
| 1991 | | 9.2 | 7.0 | 7.7 | 5.0 |
| 1992 | | 9.4 | 8.3 | 8.3 | 5.2 |
| 1993 | 6.3 | | | | |
| 1994 | 7.1 | | | | |
| 1995 | 7.5 | 10.0 | 9.3 | 11.0 | 6.3 |
| 1996 | 8.4 | 10.2 | 10.0 | 10.8 | 6.5 |
| 1997 | 10.9 | 10.6 | 9.9 | 11.3 | 6.7 |
| 1998 | 11.5 | 11.0 | 10.6 | 12.0 | 6.5 |
| 1999 | 11.2 | 11.3 | 10.5 | 12.6 | 6.2 |
| 2000 | 11.5 | 11.4 | 11.9 | 13.1 | 6.2 |

Source: For Slovenia 2000 SORS, Rapid Reports, No 202, July 2001, for 1999: SORS, Rapid Reports, No 146, July 2000, for earlier years: SORS, in Pirher et. al. (2000), European Commission (2001).

Table 2b. Share of employees with temporary job (contract of limited duration, per cent)

| | Slovenia | | Nederland | | Sweden | | UK | |
|------|----------|--------|-----------|--------|--------|--------|------|--------|
| 2000 | 13.8 | | 14 | | 14.7 | | 6.7 | |
| 2000 | Male | Female | Male | Female | Male | Female | Male | Female |
| | 12.9 | 14.8 | 11.5 | 17.2 | 12.3 | 16.9 | 5.9 | 7.7 |

Source: For Slovenia 2000 SORS, Rapid Reports, No 202, July 2001, Eurostat, European social statistics – Labour force, survey results 2000, Luxembourg 2001.

The relationship between temporary work and permanent work opportunities varies according to qualifications and occupations. The number of temporary job openings is smaller for well-educated or highly qualified people, since it is in the employer's interest to employ such personnel for a longer period of time in order for their on-the-job training to be fully utilized. In terms of gender, the share of women amounts to 52.2 per cent of all workers employed in temporary jobs, while the share of women in total permanent employment is 46.8 per cent. A demand for temporary jobs has a seasonal character; in spring and autumn there is an increased demand for temporary work, along with a generally increased de-

mand for labour. The most frequent duration of temporary jobs are to be found in three groups: less than 3 months (30.0 per cent of the total), between 4 to 6 months (30.2 per cent) and between 10 to 12 months (29.6 per cent) (Verša, 1999).

The scope of *temporary and occasional job placement activities (TWA)* is limited, particularly due to the existence of agencies which provide placements for secondary school and university students and operate under significantly more favourable tax conditions. The legal framework for TWA has not been fully defined, especially concerning the status of persons employed through TWA¹.

Temporary employment, part time and informal employment are the main reasons for differences in various employment and unemployment statistics in Slovenia, and the differences between the level of registered unemployment and the level of unemployment as obtained through labour force surveys using internationally comparable methodology.

On the other hand, the share of persons *working part time* is much lower, in Slovenia about 6 per cent (according to the definition of the Statistical Office) against 18 per cent for the EU15 average, while Sweden and UK have the values

above 20 per cent and the Netherlands more than 40 per cent. As far as part time is concerned, Slovenia is very different from the three participating EU countries not only in a much lower level of part time employment, but especially in the gender distribution of part time employment. In Slovenia the share of persons in employment working part time is very similar, male 5.3 per cent and female 7.8 per cent, while for the EU15 average the male share is a comparable 6.3 per cent, while the female share is 33.7 per cent, in the Netherlands even 70.6 per cent.

Table 3. Share of persons in employment working part time (per cent)

| | Slovenia | | EU15 | | Netherlands | | Sweden | | UK | |
|------|----------|--------|------|--------|-------------|--------|--------|--------|------|--------|
| 1991 | | | 13.9 | | 33.1 | | 24.2 | | 22.6 | |
| 1992 | | | 14.5 | | 34.6 | | 24.8 | | 23.3 | |
| 1993 | 5.3 | | 14.7 | | 35.0 | | | | 23.3 | |
| 1994 | 5.4 | | | | 36.4 | | | | 23.8 | |
| 1995 | 5.7 | | 16.0 | | 37.5 | | 25.2 | | 24.3 | |
| 1996 | 6.7 | | 16.4 | | 38.1 | | 24.6 | | 24.8 | |
| 1997 | 7.2 | | 16.9 | | 38.2 | | 24.4 | | 24.9 | |
| 1998 | 7.3 | | 17.3 | | 39.0 | | 23.8 | | 24.7 | |
| 1999 | 6.1 | | 17.6 | | 39.8 | | 23.7 | | 24.8 | |
| 2000 | 6.5 | | 17.7 | | 41.1 | | 22.6 | | 25.0 | |
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female |
| 2000 | 5.3 | 7.8 | 6.3 | 33.7 | 19.3 | 70.6 | 10.7 | 36.3 | 9.0 | 44.5 |

Source: SORS, Labour Force Surveys, Rapid Reports, various numbers; For EU Countries for 1997, Eurostat, Labour Force Survey, results 1997 and 1998 in Eurostat yearbook, A statistical eye on Europe, various editions; and SORS, Statistical yearbook, various years; for 2000, Eurostat, European social statistics – Labour force, survey results 2000, Luxembourg 2001, European Commission (2001).

Data for Slovenia in the table comparing Slovenia with participating EU countries are based on the definition of the Statistical Office of Slovenia, which in the LFS uses the criteria for part time as working less than 36 hours per week. This is not necessarily the same definition as in some other countries where this limit is set at a lower level. So the number of persons with explicit contracts of employment with shorter working hours is considerably lower than that based on the criteria used by SORS (Kramberger, A., Ignjatovič, M. (2000)). The large difference between male – fe-

male situation with regard to part time work in Slovenia and the three compared EU countries means that policy orientation, favourable child care arrangements and social legislation enabled Slovenia to maintain the equal opportunity situation with regard to gender employment that prevailed in the earlier system.

It seems that in Slovenia part time employment manifests itself mostly as an individual strategy of employment. The most frequent reasons for part time employment are illness, handicaps and part retirement. In many cases such per-

sons get additional income from social security sources (Verša, 1999). The regulations with respect to part time employment and retirement rights are rigid and do not stimulate either the employers or the workers for such arrangements. This is a serious obstacle for the use of part time employment as a tool in general rather than in the individual cases mentioned above.

1.2.4 Place flexibility

The distribution of work places has several dimensions. From the point of an individual it is important to consider a distance between the place of work and his/her home on one hand and the distribution of places of his/her work activity (at home, in one place, at several places, etc.) on the other. From the local, regional or national development point of view, it is relevant to study the spatial distribution of working places in relation to places of residence (Sicherl P., Remec M., 2000).

The dispersion of population and its settlement in Slovenia is rather high, while the working places are much more concentrated in towns. This means that there is substantial daily commuting to work. A high percentage of workers daily commute to a place of work outside of the locality in which they live. According to SORS there were, at the end of 1999, 38.7 per cent of people employed in different municipalities than the municipality of their residence. Obviously, the greatest difference is between urban and rural areas. The majority of the employed from urban areas work in the same place as they reside. In contrast, the majority of the employed from rural areas work in a place other than their settlement. Labour migrations are usually limited to short distances, so they take place mostly between neighbouring municipalities. The municipality of Ljubljana is the only one that attracts labour force from the whole territory of the region. Besides that, it extends its gravitational pull to other regions, especially the Gorenjska region. The gravitational area of the municipality of Ljubljana comprises 30 per cent of the territory of Slovenia and 38 per cent of the total

population. There are only four other regional centres of employment (Maribor, Celje, Novo mesto and Murska Sobota), while all other municipalities with job concentration remain local centres only (Dolenc, 2000).

Moving (migrating) to another settlement does not seem to be an acceptable solution for the Slovenians. There may be several elements that could explain such an attitude. The percentage of people who reside in their own dwelling is very high in international comparisons, which is very beneficial for the welfare of the population, but is seemingly a detriment to the willingness to move or migrate to another settlement. On the other hand, there is a high degree of tolerance to commute to a different location to work, which to a certain degree increases the flexibility of people with respect to the place of work even if they do not wish to move or migrate to a different settlement (Sicherl P., Remec M., 2002).

According to Sicherl and Remec (2002), only a small percentage of people (about 6 per cent) work at home. In interviewing enterprises it has been found that teleworking can be performed in almost one half of enterprises which have Internet access. Approximately one half of these enterprises already use teleworking. Internet connects their employees to their enterprise and they can work from home at least a few hours per month. However, in most cases teleworking is restricted to one or two persons in the enterprise (RIS, 1999).

1.2.5 Households

Table 4 indicates the distribution of families with respect to children in 1991 census (a new population census will take place in April 2002). In Slovenia the prevailing pattern of families with children is a family with one or two children; families with three or more children represent less than 10 per cent of the total in table 4.

In the census the household size is very evenly distributed between sizes of 2, 3 and 4 members in the household, each of these classes encompassing more than 20 per cent of the households. Single member households and households

with 5 or more members are less frequent. As expected, there is a smaller household size in urban settlements. Also, in a given settlement households without agricultural holding have a larger

share of single member households, while households with agricultural holding have a larger share of households with five or more members (31 per cent of such households).

Table 4. Families by number of children, 1991 census

| | Number | 1 | 2 | 3 | 4 | 5+ |
|------------------------------------|---------------|-------|-------|------|------|------|
| | | 47.0% | 43.3% | 7.9% | 1.4% | 0.4% |
| Married couples without children | 109594 | - | - | - | - | - |
| Married couples with children | 325622 | 39.6% | 49.4% | 9.0% | 1.5% | 0.5% |
| Mothers with children | 85214 | 70.1% | 24.7% | 4.2% | 0.7% | 0.2% |
| Fathers with children | 14095 | 66.9% | 26.4% | 5.3% | 1.1% | 0.3% |
| Unmarried couples without children | 4966 | - | - | - | - | - |
| Unmarried couples with children | 12408 | 60.5% | 32.3% | 5.6% | 1.0% | 0.6% |
| Total | 551899 | | | | | |

Source: SORS (2001), Statistical Yearbook of the Republic of Slovenia 2000, Ljubljana.

Table 5. Households by size, urban and other settlements, 1991 census

| | Agricultural holding | Total | 1 | 2 | 3 | 4 | 5+ |
|-------------------|----------------------|--------|-------|-------|-------|-------|-------|
| Total | Yes | 156531 | 11.2% | 19.3% | 17.8% | 20.8% | 30.8% |
| | No | 483664 | 20.2% | 21.5% | 22.5% | 26.5% | 9.3% |
| | Total | 640195 | 18.0% | 21.0% | 21.4% | 25.1% | 14.6% |
| Urban settlements | Yes | 19347 | 10.4% | 22.3% | 22.9% | 26.0% | 18.3% |
| | No | 330773 | 20.4% | 23.1% | 23.4% | 25.2% | 7.9% |
| | Total | 350120 | 19.9% | 23.0% | 23.4% | 25.3% | 8.5% |
| Other settlements | Yes | 137184 | 11.4% | 18.9% | 17.1% | 20.1% | 32.6% |
| | No | 152891 | 19.8% | 18.1% | 20.6% | 29.3% | 12.4% |
| | Total | 290075 | 15.8% | 18.4% | 18.9% | 24.9% | 21.9% |

Source: SORS (2001), Statistical Yearbook of the Republic of Slovenia 2000, Ljubljana.

2. LABOUR MARKET POLICIES

2.1. The new Law on labour relations

A labour market policy is at the moment in the phase of transition from the previous system to the new labour law. In general one can say that changes in the labour market laws and policies have been overdue. A considerable amount of legislation is still based on the Yugoslav legislation from 1989, i.e. before the Slovenian independence. The first draft of the new Labour Law was pre-

pared in 1997, while the expert discussions had started already in 1995. An important aspect of the discussions on labour issues was the establishment of the tripartite Economic-Social Council at the national level, bringing together representatives from the government, employers and labour unions. Obviously, the discussions between partners on the new labour law have taken several years to come

to the present version, agreed upon by the social partners. Additionally they took about six months of negotiations to agree upon the present compromise solution. This means that though it has taken quite some time, the agreement among the social partners is an important achievement of the negotiations. Among about ten issues that were most controversial in discussion among social partners, the duration and conditions of fixed contracts were the prominent cases of dispute.

The compromise reached after lengthy discussions among the social partners was confirmed in the Parliament. The new Law on labour relations passed the second reading in the Parliament; it is expected to be passed in 2002. In this way, Slovenia has been rather late in changing its employment legislation, but it has now been successful in reaching the agreement among social partners. Both representatives of employers and labour unions stress that they are satisfied with some aspects of the new law and dissatisfied with others, but both have made a strategic decision to compromise and reach a social agreement, and look at the proposed new law as a result of successful negotiations among social partners.

The new law introduces several solutions, which are directed toward greater flexibility. A particular section of the proposal of the new law deals with various special circumstances in the work contracts. Five of them are specified: fixed term employment, temporary employment agencies, part time employment, contract for work at home and contract for managers (Drzavni zbor, 2001). In the proposal of the new law among the most important arrangements from employers' perspective are lower severance pay and shorter notice period for no-fault individual dismissals, which intend to lower costs of laying off workers and enable easier entry and exit from a current job. The new law also arranges part-time work and work at home (Glas gospodarstva, 2001). Similarly, the Slovenian Chamber of Commerce emphasises the importance of easier entry and exit regulations and possibilities with respect to fixed term employment. The labour unions em-

phasise that the new law stimulates both labour unions and employers to engage in social partnership also at the collective negotiations at the branch and enterprise level. It is also hoped that parliamentarians will understand the importance of social partnership and social peace, and that they will not hinder the compromise that resulted from several years of negotiations among the social partners (Nova delavska enotnost, 2001).

On the other hand, there is still some rigidity, which presents obstacles for a more flexible adjustment to the changing situations. The duration of a fixed contract will still be limited. According to the new labour law, an employer cannot make more consecutive fixed-term contracts with the same worker for the same job for the period that is longer than two years, except in special cases foreseen in the law (e.g. managers, foreigners). A break shorter than three months does not count as a discontinuation of a mentioned two-year period. An employer also has to quote an objective reason for a fixed term employment, which is sometimes hard to justify. Taking into account the number of the unemployed in Slovenia and comparing this arrangement with some EU countries, it seems to be too restrictive. In addition, some workers might lose their jobs, because the employers would not be allowed to renew the contract with the same person. According to the opinion of some economists, fixed-term contracts should not be restricted at all.

In the negotiations the association of employers asserted that fixed term contracts should be extended up to three years, while labour unions agreed to the period of two years only, that was then accepted in the proposal of the new law. However, some exceptions to that rule have also been agreed upon, besides those mentioned above, employers who employ a small number of employees are not to be bound by this rule if such an exemption is previously agreed with the labour union and included in the collective agreement of a given branch. As far as the restriction on overtime work is concerned, the proposal of the new law

limits it to 20 hours per month and 180 hours per year.

As stated earlier, fixed contracts arrangements are much more important in Slovenia than part-time employment. The reasons why part-time employment is a much less favoured form of flexible employment are diverse. On the one hand, the level of income in Slovenia is not so high that part-time employment would bring a satisfactory income. There are several other obstacles, not that much on the level of the basic labour

legislation, but rather on the level of rules in the tax regulations, banking conditions for securing a loan, and similar obstacles. One could say that the several responsible government ministries, responsible for coordinating such policies and for developing them in the direction that would support and motivate both workers and employers towards a greater expansion of mutually agreeable flexible arrangements, have undertaken hardly any serious attempts in the past.

2.2. Collective bargaining and wage determination

After decades of socialist self-management, collective bargaining was reintroduced in 1989. Today the collective bargaining practice in Slovenia is similar to those found in the EU countries. Collective bargaining is highly centralized and occurs at three levels: central level, branch level and company level. Since wage policies are being negotiated at two levels, separately for the private (market) sector and for the public sector, there are two national general collective agreements. The national and branch agreements include provisions for the level of a basic wage rate for nine-tariff groups with different skills and education requirements. It is expected that in the future, with decentralization of the bargaining system, branch agreements and bargaining at the company level will gain greater importance (Ministry of Economic Affairs, 2000).

From 1997 on there have been wage agreements that tried to slow down the expansion of wages. Due to the still high level of inflation, the agreement is also specific about the indexation procedure to be taken into account in salary negotiations.

2.2.1 Unionization rate and coverage of workers by collective agreements

According to a survey on trade union membership, the unionization rate in Slovenia is around 42 per cent and is similar to the rates of Austria, Italy, the United Kingdom, Portugal and Luxembourg. In most countries the percentage of work-

ers covered by collective agreements is higher than the trade unionization rate. The coverage depends on the share of employers belonging to employers associations, the share of employees belonging to unions and if the legislation allows collective agreements to be extended to non-union employees. In Slovenia membership in the Chamber of Commerce and collective agreements are obligatory. Therefore, nearly every Slovenian worker is covered by collective bargaining agreements (Ministry of Economic Affairs, 2000).

2.2.2 Minimum wage and wage dispersion

Social partners (employees, employers and government) introduced minimum wages in Slovenia in 1995 as a result of increased wage inequality in the early years of transition. The period from 1993 to 1998 witnessed a decrease in income inequality as Gini coefficient dropped from 0.2716 in 1993 to 0.2434 in 1998 (Stanovnik, 2001). Measured by inter-decil ratio², wage dispersion is around 3.3.

The minimum wage covers all full-time workers. It is corrected for 85 per cent of the inflation rate and adjusted for gross domestic product growth rate in the previous year. The minimum wage equals to approximately 52 per cent average wage in manufacturing (Ministry of Economic Affairs, 2000).

Considering gender equality, women on average earn 11.1 per cent less than men, mostly owing to the smaller number of women on top positions as well as the fact that women on average

choose to work in sectors with lower wages. Since in other European countries the wage difference between the genders is considerably higher (for example around 30 per cent in Sweden), we cannot say that the position of women in the Slove-

nian labour market is seriously underprivileged. However, further steps for ensuring equal opportunities have to be taken, especially concerning some aspects of discrimination of women (National Development Plan of Slovenia 2001-2006).

2.3. National Employment Action Plan for the years 2000 and 2001

The implementation of EU directives has been successful and the 1998 EU directives have been incorporated in the National Employment Action Plan for the years 2000 and 2001, which was prepared in 1999. The National Employment Action Plan is based on four pillars:

- improving employability,
- developing of entrepreneurship,
- increasing adaptability of companies and employees and
- ensuring equal employment opportunities.

EU guidelines No.1-19 have been taken into account in structuring the report.

The evidence on implementation of the above mentioned four pillars can be seen in programmes carried out by the Employment Service of Slovenia (ESS). We deal with that in detail under active labour market policy in Section 2.6.

In our case it is of special interest that in the field of promoting adaptability of enterprises and employees, the key role was assigned to the de-

velopment of active social partnerships. Partnerships will try to ensure a suitable balance between the needs of enterprises to introduce modern organisation of work and flexible relations between employers and employees, and the need to ensure suitable safety levels of employees – at entrepreneurial, sector and at national level. The safety of employees will have to be ensured mostly by the development of a higher level of knowledge and abilities of employees, which will also increase their flexibility. Under pillar III, increasing adaptability of companies and employees, the action plan emphasises the importance of reaching an agreement among social partners, at sectoral and entrepreneurial level, and to adjust the existing legislation to enable the introduction of flexible types of work, contributing to the increased competitiveness of companies and increased labour market flexibility by assuring the safety of employees at the same time (Ministry of Labour, Family and Social Affairs, 2000).

2.4. The Employment Service of Slovenia (ESS)

The Employment Service of Slovenia (ESS) is the central implementation institution of the employment policy. It was suggested that the implementation of the objectives of the National Employment Strategy would demand a change in the role of the bodies in charge of carrying out tasks at the national level, and a consolidation of the regional and local levels. While the key institution for implementing active employment policy is the Employment Service of Slovenia, the analysis has shown that the organisation is overloaded with too many and too dispersed activities, the result of a process of adding ever more

tasks to those for whom it was traditionally responsible. The main work of the Employment Service must be focused on the placement of unemployed, on guidance and counselling, and on the implementation of employment programmes and unemployment assurance schemes. This implies that a complementary network of specialised non-public institutions is needed to contribute to carrying out the employment policy both with regard to linking labour market demand and supply and to the management of labour market programmes (Grootings P. (ed.), Dominkus D., Ivančič A., Kluzer F., Pirher S., Svetlik I. (2002)).

The latest legal changes brought about a new emphasis on active labour market measures in the work of the ESS. At the same time the obligations of the registered unemployed have become more clearly defined as well. The ESS now prepares 'back-to-work plan' for each unemployed person

and monitors job-searching activities of the unemployed as well as the implementation of agreements from the back-to-work plan. This goes along with a stricter supervision of the status of unemployed.

2.5. Passive labour market policy – unemployment insurance schemes

The rights of unemployed persons are regulated by the Law on Employment and Unemployment Insurance. Under the law, the rights guaranteed by the unemployment insurance include: unemployment benefit (UB), unemployment assistance (UA), reimbursement of transport and relocation expenses, rights to health insurance and to retirement and disability insurance.

The Law on Changes and Additions to the Law on Employment and Unemployment Insurance of October 1998 brought significant changes in this field, which include:

- an extension of the minimum insurance period as a condition for receiving unemployment benefit;
- a reduction of the maximum period of receiving unemployment benefit;
- changes to the system of extending rights to elderly recipients or those who need insurance for a period up to a maximum three years before retirement;
- prolongation of the period of receipt of unemployment assistance up to a maximum of 12 months;

- a more direct link between the receipt of unemployment benefit or assistance and stricter obligations regarding active job search, acceptance of an appropriate job and participation in active employment policy programmes.

A special sub-law specifies the cases and circumstances where the award of unemployment benefit or unemployment assistance may be immediately terminated. UB is income related and a person can get it if he or she is jobless through no fault of his or her own and if he or she was employed for a period of at least 12 months in the 18 months prior to unemployment. A person becomes entitled to the UA if his or her right to the UB or his employment following a trainee period of less than 12 months have ended, and he or she meets income conditions (up to 80 per cent of guaranteed wage per family member) and property limits. These changes have resulted in a gradual decrease in the number of recipients of UB and in a gradual increase of recipients of UA (Grootings (ed.), 2002).

2.6. Active labour market policy

As a consequence of major structural changes in the Slovenian economy, new programmes for promoting employability were launched at the beginning of the nineties. These include co-financing new workplaces and promotion of entrepreneurship. Owing to the sharp economic recession as a consequence of lost markets, a programme of preserving productive workplaces was also introduced. Since the beginning, the number

and contents of programmes have changed several times and have been adapted to the conditions on the labour market. These involve subsidies to companies employing disabled persons, awareness raising programmes and assistance offered to unemployed people for planning their professional career and psychosocial rehabilitation programmes for long-term unemployed.

The combination of economic growth in the last few years and the effects of active employment policy programmes have led to a reduction of unemployment rate and an increase of persons in employment. Expenditures and the number of participants involved in employment programmes indicate that the main focus of the employment policy has been given to stimulating employability. In particular education and training programmes as well as public works have a direct positive effect on reducing the number of registered unemployed people, as people involved in these programmes are registered to be in education and employment. Nevertheless, this is mainly statistics, while the real effect of active market labour programmes still needs to be determined. Employability and lifelong learning will continue to be the principal goals of the programmes. This will also include the promotion of self-employment. In addition, the programmes in the future are likely to be more oriented on investment in human resources for employees and employers.

There is still a problem of unemployment structure. About 60 per cent of people are long-term unemployed, of whom 47 per cent without education and 50 per cent elderly people. Through the years the structure of unemployment has remained almost the same.

Despite a relatively low share of the State budget earmarked for the implementation of employment programmes (about 0.35 per cent of GDP), Slovenia has managed to develop a whole range of active employment policy measures. As regards the share between active and passive forms of labour market policy, Slovenia is close to the countries with the most favourable ratio in this respect. In 2000, there were 63005 persons involved in employment programmes. 54942 of them were unemployed, of whom 40 per cent were employed in job-subsidy schemes (public works, on-the-job training, refunding of employers' contributions etc.). The other 9063 participants were redundant workers and disabled workers in sheltered workshops.

The above mentioned employment programmes are designed to achieve the following common goals (Pirher et al., 2000):

- to develop people's working abilities and to adjust them to structural changes in order to encourage economic growth in the future;
- to improve employment possibilities of marginal groups and to contribute to social equity;
- to stabilize employment in a period of recession and to remove labour bottlenecks in the period of economic prosperity.

In the following subsections we present employment programmes carried out by the ESS (according to Pirher, 2000 and Grootings (ed.), 2002).

2.6.1 Education and training programmes

The objective of these programmes is to promote the employment of unemployed persons and to reduce labour market structural discrepancies. In 2000, 28298 persons participated in education and training programmes. 59 per cent of them were women, 49 per cent of people were under 26 years old, 31 per cent were first-job seekers and 34 per cent were long-term unemployed. In the last three years the overall exit rate into regular employment from education and training programmes has been between 45 per cent and 49 per cent. The prevailing type of employment is, however, temporary employment.

Educational and training programmes include:

- assistance in career planning and job-seeking in the form of intensive workshops, which last from 12 hours to 3 months;
- job clubs, in which the unemployed spend 4 hours per day for a period up to three months;
- functional training programmes to acquire additional vocational skills and knowledge, which last from a few days to a maximum of 7 months;

- on-the job training programmes and work trials, which take place in companies and last from 1 to 6 months;
- 'Programme 5000'³, aimed at young unemployed people under 26 years of age who have not completed vocational education in order for them to acquire a formally recognized certificate of education or qualification.

Owing to the executed programmes, a positive change in the attitude of the participants towards the problem of unemployment can be noted. Individuals have a more active role in the search for employment, increased self-esteem and improved knowledge and skills, thereby having more possibilities for a new employment.

2.6.2 Public work programmes

The first public works started in 1991 and since then the number of these programmes as well as the number of participants has increased. These are programmes for employment and training long-term unemployed or difficult-to-employ groups. The participants are employed part-time (30 hours per week), and the difference to full-time employment (40 hours) is spent on training and active job searching. Participation in the programme lasts up to one year and can be prolonged if no suitable or appropriate job is available.

In 2000, 10474 persons were enrolled in more than 2100 different public work programmes. 58 per cent of the participants were women, 38 per cent of them were over 40 years old, and one third were without vocational qualifications and about a half of them were long-term unemployed. Prior to participation in public works almost two thirds of the unemployed were receiving unemployment benefit, unemployment assistance or social welfare assistance. The exit rate into regular employment was 28 per cent in 1999. Some public work programmes (especially in the area of social security and tourism) have exceeded the scope of public works and are now operating as a regular activity creating new jobs.

2.6.3 Self-employment promotion programme

Self-employment facilitation programmes include information, business training, advice and lump-sum subsidies or refunding of contribution when becoming self-employed. The programmes also provide advice and financial assistance for the establishment of co-operatives. The objective is to promote entrepreneurship and to support a creation of new workplaces in the small business sector. In 2000, 1682 unemployed persons became self-employed and 10 co-operatives were co-financed. The ESS also cooperated with the Small Business Promotion Centre in some projects aimed at developing entrepreneurship among women, young people and those who could establish small home-based businesses. This program started in 1991 and since then 23470 people have become self-employed.

2.6.4 Refunding of contributions to employer

Refunding of contributions is made to employers who take on unemployed persons from the following target groups: long-term unemployed, unemployed people over 50, recipients of unemployment benefit or assistance and first-job seekers who have been unemployed for more than 6 months. Employment in this programme lasts up to three years with the amount of subsidy being gradually decreased and it is also linked to the unemployment rate in the local labour market. Under this scheme, which started in 1998, 14441 persons were employed by the end of 2000.

2.6.5 Programmes of subsidizing jobs in non-profit activities

Disabled people, long-term unemployed and people over 45 whose employment in public works has expired can participate in this programme. The duration is three years during which the amount of the monthly subsidy is gradually lowered from 80 per cent to 40 per cent of the minimum wage. The programme started in the middle of 2000 and by the end of that year 127 people had been placed in a job within the programme.

2.6.6 Restructuring projects in companies

These projects include training and re-employment of redundant workers and unemployed persons which is funded from Labour Funds. Labour Funds were established at local and regional level by employers and other partners who have to guarantee at least 30 per cent of their own resources. The remainder can be claimed from the national budget through the mediation of the ESS.

2.6.7 Training for the disabled

The ESS subsidises part of the costs for each employed disabled person. The amount of subsidy depends on the degree of disability. The scheme also includes training and employment programmes for the disabled, which include occupational rehabilitation, subsidies of new jobs for the disabled and help with the costs of adapting work places for people with severe disabilities. In 2000, 142 sheltered workshops received monthly subsidies for 5840 employed disabled persons, 930 unemployed disabled persons participated in special rehabilitation training programmes and additional 1232 persons participated in regular education and training programmes. 287 disabled were employed by co-financing and subsidizing the work places for persons with handicaps, while 900 found employment in public work pro-

grammes. To assist more than 17000 unemployed disabled persons, the ESS employs special counsellors, who referred 4628 persons to additional medical counselling services.

2.6.8 Estimated funds involved in financing employment policy

IMAD in its Autumn Report 2001 (IMAD, 2001d) provided an overview of the estimated funds involved in financing the individual pillars of the employment policy and passive employment policy measures of the past few years. Funds for passive employment policy decreased due to amendments in the regulations. It is also mentioned that it is too early to assess the effectiveness or ineffectiveness of the new approach because Slovenia is still only beginning to implement the new integrated approach. The most important active employment policy programmes continue to be the programmes for improving employability, where the main role is still played by ESS. For the second pillar, promoting entrepreneurship, Small Business Development Centre is becoming more important. Furthermore, IMAD assesses that Slovenia, like in the most EU member states, is to a relatively lesser extent implementing guidelines under the third pillar, encouraging the flexibility of businesses and employees.

Table 6. Estimated funds involved in financing employment policy programmes by individual pillars (as per cent of gross domestic product)

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|--|------|------|------|------|------|
| I. Improving employability | 0.22 | 0.23 | 0.28 | 0.40 | 0.30 |
| II. Promoting entrepreneurship | 0.06 | 0.05 | 0.05 | 0.05 | 0.09 |
| III. Encouraging the flexibility of businesses and employees | 0.15 | 0.03 | 0.05 | 0.02 | 0.01 |
| IV. Equal employment opportunities | 0.03 | 0.04 | 0.03 | 0.05 | 0.04 |
| 1. Total (I-IV) | 0.47 | 0.35 | 0.41 | 0.52 | 0.44 |
| 2. Funds for passive employment policy | 0.72 | 0.88 | 0.89 | 0.79 | 0.58 |
| 3. Total funds for employment policy (1+2) | 1.19 | 1.23 | 1.31 | 1.31 | 1.02 |

Source: IMAD (2001d), source of data: Ministry of Labour, Family and Social Affairs, 2001

3. SOCIAL POLICIES RELATED TO FAMILY AND WORK

3.1. Housing policies/trends that might affect regional flexibility and inequality⁴

The 1991 Housing Act (HA) provided the legal frame for the sale of the social housing stock to sitting tenants; some 2/3 of this stock were sold either outright or through loan arrangements. Needless to say, this sale was performed at well below market prices. The housing tenure structure, with a dominant share of owner-occupied housing thus shifted even further toward owner-occupied dwellings. According to the 1998 Household Expenditure Survey, some 84 per cent of households live in owner-occupied dwellings, 8 per cent live in (mostly) separate housing units, owned by their parents or relatives dwelling, whereas only some 7 per cent households live in rented apartments. These rentals are non-profit, social rentals, rentals for profit and company rentals; the prevalent form is non-profit rentals. We note in passing that the difference between non-profit and social rentals is mostly in the income status of the tenant; recipients of social assistance are – in principle – entitled to social rentals, whereas there are – in principle – no income constraints in applying for a non-profit rental.

The sale of the social housing stock had a strong regional dimension. Thus in the Ljubljana metropolitan area and in the coastal regions (Koper, Nova Gorica) a very high percentage of the social housing stock was sold, whereas regions particularly strongly hit by the transformation depression (coal mine districts, steel-works districts) experienced a much lower percentage of the housing stock actually sold.

Concurrently with the Housing Act, the Government introduced the National Housing Fund (NHF) also in 1991. The fund performed a vital and pivotal function, as it was the only instrument for carrying out housing policy and providing housing finance in the 1990s. Its initial capital was formed through the allocation of a fixed percentage (20 per cent) of the purchase price of the social housing stock, whereas additional capital was provided through occasional grants from the cen-

tral government budget. The actual lending policy of the NHF was (and still is) strongly biased toward financing of the purchase or construction of owner-occupied dwellings; less than 15 per cent of all loans have been disbursed to non-profit housing associations for the construction of non-profit rentals.

In March 1999 a National Housing Saving Scheme was introduced on the initiative of the NHF; the rationale for this new savings instrument was the desire to move housing finance for owner-occupied dwelling construction out of the NHF, so that the NHF could concentrate on the financing of non-profit rentals. Most of the savings within the National Housing Saving Scheme is in small amounts and for the minimum time period, which is five years. In the first 1999 scheme, some 90 per cent opted for five years and only 10 per cent for a ten-year saving period. Most of this saving is in small monthly amounts, so it is very much open to doubt whether depositors will really want to take out a loan at the end of the savings period; it is quite conceivable that a majority of depositors regard the National Housing Saving Scheme as a convenient savings instrument.

Commercial banks also offer housing loans; mortgage lending was introduced in 1998, but with little success. It is to be noted that Slovenian mortgage banking still lacks a secondary mortgage market. Also, the real estate registry is in the process of modernization; as yet it does not provide the lender with the necessary legal security.

Though dwelling construction has somewhat decreased during the transition, this cannot be regarded as proof of a widening housing gap. The economic transition had a remarkably minor impact on housing construction in the individual sector – this is mostly for owner-occupied dwellings. A larger decrease occurred in construction of dwellings for rent. This is most probably caused

by the fact that the new participants in this area of housing provision – housing non-profit associations and municipalities – are weak participants, with the institutional setting still in disarray. Because of denationalization procedures, which are

still dragging on, there are few available building sites in urban areas; as for municipalities, their planning capabilities and prerogatives remain quite weak.

3.2. The tax system, taxation policies and their relevance to the labour market

3.2.1 Personal income taxation

Slovenia first introduced a personal income tax in 1991, with major changes being adopted by 1994. At present, a new personal income tax law is in preparation; the new law was necessitated by a ruling of the Constitutional Court, which declared (in 1996) that certain articles do not conform to the constitution. At issue were tax allowances for children (dependents) and these were deemed »too low«, i.e. »insufficient« to cover the cost-of-living of children. The new law will thus have to significantly raise the tax relief for children and also, quite conceivably, raise the value of the basic tax relief for all taxable persons. At present, the tax relief is in the form of a tax allowance, but the new law will most probably change this and grant tax relief in the form of tax credits. Since, in all likelihood, the value of these tax relief schemes will increase considerably, this could pose a threat to tax revenues from this income source. In order to compensate for this loss of tax revenue, the Ministry of Finance is contemplating a broadening of the tax base. How this might be done is somewhat unclear, though it seems that the prime candidates are pensions and student income. In the current system, only pensioners with high pensions, or pensioners with other sources of income have to file their tax return – and pay tax. As for student income, at present a quite considerable amount (40 per cent of gross average national wage) is tax exempt. Considering the standard tax allowance (11 per cent of gross average national wage) this in effect means that students whose income is less than 51 per cent of gross average national wage do not even have to file a tax return. There is little doubt that this non-taxable

or low-taxable income source was subject to considerable fraud, with students providing 'cover' for various types of contract work performed by others.

It is uncertain whether this concocted solution (broadening the tax base and increasing tax relief schemes) will prevent a downslide of personal income tax revenues, as increasing the tax burden for certain income groups is hardly a viable option. In view of these difficulties in reconciling tax relief schemes and required tax revenues, it is not surprising that the Ministry of Finance is preparing the new legislation with less than full enthusiasm.

3.2.2 Tax burden

With regard to the tax burden, measured as the effective tax rate (personal income tax and social security contributions as percentage of gross wages), the tax burden of low-income persons is low and comparable to that of other European countries. With regard to high income (more precisely: high wages), the situation is quite different. Thus, the marginal effective tax rate for high wages is among the largest in Europe, and surpasses 60 per cent. The reasons for this are clear: a high marginal income tax rate of 50 per cent, coupled with high social security contributions, which are not capped; the employee contribution rate is 22.1 per cent.

In assessing the overall tax burden on labour, one must also take into account the employers social security contributions, which are currently 15.9 per cent. There is also a differentiated (and very progressive!) payroll tax. To sum up, the tax burden on labour (in the formal economy) is very high.

This fact is well known to policymakers. Tax changes in 1996 attempted to decrease the tax burden for low-income groups. These changes were strongly motivated by a desire to improve the competitiveness of labour intensive industries (footwear, textiles etc), which were burdened with high labour costs. Thus:

- a. the employer social security contribution rate decreased from 15.5 per cent (of gross wage) to 8.85 per cent;
- b. a progressive payroll tax was introduced, with a zero rate for low wages and a 15 per cent rate for very high wages;
- c. excise duties were increased, in order to fully compensate for the decrease in tax revenues caused by the decrease in the employer social security contribution rate.

As the draft law on the personal income law was nowhere in sight, the parliament passed a law on additional tax relief in 2000, which further reduced the tax burden of the very low-paid

3.3. Pensioning and the labour market

The early years of transition, particularly the years 1991 and 1992, were marked by a very sharp increase in the number of pensioners and decrease in the number of active insured persons. Early retirement schemes provided a massive exit from the labour market, under extremely favourable conditions (low and only temporary reductions in pensions). Early retirement conditions have tightened since the mid nineties; in spite of this, the strong pressure for retirement as soon as eligibility conditions are met is a standard feature of the whole decade of the nineties. The 1999 Pension and disability act, in force since January 1, 2000 has tightened eligibility conditions, decreased the value of pension (by decreasing the accrual rate) and provided incentives for 'late' retirement and disincentives for 'early' retirement. The 'eligibility boundary', named full pensionable age, is 63 for men and 61 years for women. This means that (for men) working past 63 will result in larger pension accrual rates. It is difficult to predict how these

workers, i.e. those that earn less than 45 per cent of the average wage.

To sum up: legislative action in the field of personal income taxation has been very much concerned with decreasing the tax burden of low-paid workers: the 'broader' picture, i.e. decreasing the tax burden on labour, has not really been dealt with.

3.2.3 Capital income taxation

The tax burden on capital is light. This is caused not only by a low statutory corporate income tax rate (25 per cent) but also by various quite generous tax incentives and tax relief schemes. This will change somewhat, and a new law on corporate income tax will considerably reduce the tax incentives, particularly those for investments. Unlike the law on personal income tax, which is still very much on the drawing board, the new corporate income tax law is virtually completed and will be presented to the parliament in 2002.

important statutory and legal changes, introduced in the pension system, will actually change pensioning patterns and produce desired results, i.e. less pressure on pensioning and a longer period of activity. First, there are numerous exemptions to the fairly harsh eligibility rules; second, the transition period required for the system to reach the final parameter values is quite long, unreasonably so (for some parameters it is even 20 years).

The success of this strategy, prolonging the active period and prevention of early pensioning, does not only depend on the pension system, but to a very large degree also on the labour market and employment opportunities, as well as pay and employment flexibility for the age groups above 50 years of age. It is documented (Stanovnik, 2001) that only persons with high wages stay in the labour market after the age 50, i.e. that wages do not decrease in the elder age groups. This is a strong proof of the existing wage rigidity of the labour market in Slovenia.

3.4. Social policies related to family: Trends over the last ten years⁵

3.4.1 Social assistance

Means-tested financial assistance to individuals who need social assistance - available also to those capable of work - was introduced in 1979. In 1992, the Social Assistance and Services Act was adopted, preserving the principles but decreasing the income threshold (minimum income level) by about 16 per cent, reducing in this way the number of eligible persons. The act differed for: a) persons permanently unable to work and those above 60 years of age, for whom social assistance was the only source of income, and b) persons who were - for reasons beyond their control - temporarily unable to secure sufficient minimum means for themselves and their families. The benefit level for the first group of beneficiaries amounted to 60 per cent of the guaranteed wage, while for the second group it amounted to the difference between their own (family) income and the level of the guaranteed minimum income, which was:

- 29 per cent of the guaranteed wage for children up to the age of 7,
- 34 per cent of the guaranteed wage for children aged 7-14,
- 42 per cent of the guaranteed wage for children from age 15 to the completion of their regular schooling,
- 52 per cent of the guaranteed wage for adults.

Except for a very low benefit level that only covered the costs of poor nutrition, the problem was in the benefit linkage to the guaranteed wage, which was not suitably indexed. The guaranteed wage used to be the lowest possible pay for a full-time job in Slovenia. Since it had lost its connection to the labour market, it has remained a basis for determining the level of some social benefits. Until the mid 1997 the government had a discretionary right to adjust the guaranteed wage level, and during that period the real value of the guaranteed wage decreased considerably. It amounted to 43 per cent of the average gross wage in 1991

and to only 24 per cent in 1997. Since the mid 1997 the guaranteed wage has been adjusted once a year according to the consumer price index (as a rule, by 85 per cent of the rise in consumer prices). In August 2001, the guaranteed wage was at the level of 21.4 per cent of the average gross wage.

The Social Assistance and Services Act was amended in April 2001. The new benefit levels will have been gradually implemented from September 2001 to January 2003. The new minimum income for a family is obtained by multiplying the basic amount of the minimum income (34,842 SIT in 2001) by the weighted number of family members. A weight for the first adult in the family is 1, for every other adult 0.7, and 0.3 for every child below 18 years or an older child in regular schooling whom the parents are obliged to maintain. In the case of a single parent family, the minimum income is increased by 0.3 of the basic amount of minimum income.

A person or a family is not eligible if disposing of savings or property surmounts the level of 24 minimum wages. Of course, not all property is taken into account.

The eligibility may be conditioned by signing a contract between the centre for social work and the beneficiary on active addressing of the beneficiary's socio-economic problem, in which his/her activities and obligations (inclusion in medical treatment, etc.) as well as the termination of entitlement to social assistance in case of an unjustified failure to carry out the contract are defined.

In case of a change in the own income of the beneficiary or his family, the new level of their income is determined for the three-months period starting with the first calendar month in which the change in own income has occurred. However, in order to stimulate the work effort of the beneficiary, not all income earned in this three-months period is taken into account. Casual income and periodical income generated on the basis of an employment contract concluded in the same period of time are not counted as own income in the first three months following their receipt, while in

the subsequent three months only half of their amount is taken into account.

3.4.2 Parental leave

Until the end of 2001, the total leave associated with childbirth in Slovenia (parental leave) was normally one year (365 days) long, of which three months (105 days) could be used exclusively by the mother (maternity leave). Either the mother or the father could use the remaining nine months (child care and protection leave), either as 260 days of a full-time leave or as 520 days of a half-time leave combined with a part-time work (half of the normal working hours per day). In case of multiple births, the child care and protection leave was by three months longer for each additional child; in case of a birth of a handicapped child it was prolonged until the child was 15 months old; in case of a premature birth it was prolonged for as many days as pregnancy had been shorter than 260 days.

All this is included also in the new Act on Parenthood Protection and Family Benefits (2001), which was put into force in the beginning of 2002. Additionally, some novelties were introduced.

- Child care and protection leave is extended by 30 days if, at the birth of a child, parents already look after at least two children below age of eight, by 60 days if they look after for three children, and by 90 days if they have of four or more children.
- The parents are allowed to use part of the childcare and protection leave (up to 75 days) until the child is below eight years old.
- If the mother is a student below the age of 18, one of the grandparents is allowed to use this leave.

The Act on Parenthood Protection and Family Benefits also introduced the right to a paternal leave, lasting 90 days. Fathers are obliged to use at least 15 days during the maternity leave, while the remaining 75 days can be used until the child's age of eight. However, due to budget constraints, this right will be introduced gradually: 15

days in January 2003, further 30 days in January 2004, and the rest of 45 days in January 2005.

Wage compensation, to which those covered by health insurance are entitled during their absence from work during the maternity leave and the child care and protection leave, amounts to 100 per cent of the average monthly gross wage of the entitled person during the 12 months prior to the leave. New limits for the wage compensation were introduced in January 2002: the minimum of 55 per cent of the minimum wage and the maximum of 2.5 times the average wage in Slovenia (the upper limit is not applied for the compensation during the maternity leave).

In case of unused child care and protection leave, there is a possibility to obtain the non-received amount of wage compensation (up to five monthly wage compensations) through payment for childcare services, payment of the housing rent or a housing purchase.

During the first 15 days of the paternity leave, the father will be entitled to a 100 per cent wage compensation, while for the remaining 75 days he will only be paid the social security contributions based on the minimum wage.

After parental leave, a return to the former job is guaranteed.

3.4.3 Parental allowance

Since 1994 (according to the 1993 Family Benefits Act), a parental supplement has been granted to persons who are not eligible for the insurance-based wage compensation during the parental leave. Until the end of 1993 the benefit was called social assistance to mothers and eligibility was limited to female secondary school- and university students and the registered unemployed. Housewives and some farmers were excluded. The benefit was received for 84 days.

Since 1994, a mother is qualified if she:

- is a national of Slovenia and
- has a permanent residence in Slovenia and
- is not receiving any wage compensation.

In 2002, the Act on Parenthood Protection and Family Benefits introduced new conditions,

namely that a child must be a national of Slovenia as well, and that the father must not be receiving the parental leave wage compensation. The father is qualified if the mother dies, abandons a child, is not able to live and work independently, or if she, during the period of entitlement, enters into employment or self-employment.

The duration of entitlement is 365 days. Parental allowance amounts to 35,000 SIT per month (at 2001 prices).

3.4.4 Birth grant

Birth grant can be either an in-kind or a cash benefit. A mother or other person who looks after a child makes the choice. The value of the birth grant depends on the price of goods included in the kit and is adjusted by the index of retail prices of goods included in the kit. However, if bought at market prices, these goods would cost about 40 per cent more. Due to that, most parents (about two-thirds) opt for an in-kind benefit, even more so since 1995 when the third alternative of the package contents was introduced.⁶ The cash benefit is the average cost of goods included in the three alternative kits.

Compared to the previous regulation, the 1993 Family Benefits Act (passed in December and thus implemented only in 1994) denied a *birth grant* to parents having temporary residence and working in Slovenia. Until November 1994, a mother who had permanent residence in Slovenia had held the right. The right was then transferred to a child born in Slovenia, and the father's permanent residence in Slovenia counts as well as the mother's. The argument for this change was that, in Slovenia, there are mixed marriages where a woman, according to regulation on foreigners and nationality, can obtain neither permission for permanent residence in Slovenia nor the Slovenian citizenship. The child's father, however, is a Slovenian national with permanent residence in Slovenia, which, as a rule, holds for a newborn child as well. Due to that, it was not considered fair that such couples be denied birth grants for their new-borns.

The benefit amounts to 50,000 SIT (at 2001 prices).

3.4.5 Child benefit

In the whole post World War II period, child benefit has been a selective benefit targeted on low-income families and, since 1994, on middle-income families as well. Until the end of 1993, children in families with the per capita income up to 43 per cent of the average net wage in Slovenia were entitled to receive it. Since 1994 the benefit level depends on the average monthly family income per capita as a percentage of the national average wage.

Following the adoption of the Family Benefits Act in December 1993, in the period from May 1994 to April 1995 child benefit was granted to children from families with the per capita income up to 50 per cent of the average gross wage of all employed persons in Slovenia (both in the previous year). Children in the lowest income bracket (up to 25 per cent of the average wage per family member) were entitled to a child benefit amounting to 22 per cent of the guaranteed wage as compared to 7 per cent of the guaranteed wage received per child in the highest income bracket (45.1 per cent-50 per cent of the national average wage per family member).

In the period May 1996-April 1999 income threshold was raised to 110 per cent of the national average gross wage per family member. As a consequence, the number of children receiving child benefit increased by 70 per cent. Child benefits remained the same for the lowest income brackets, while those for children from medium-income families (i.e. those with income per a family member amounting to 35 per cent-50 per cent of the average wage in Slovenia) were increased. Child benefit was also introduced for children from families receiving an income of 50 per cent-110 per cent of an average wage per family member, and it amounted to 7 per cent of the guaranteed wage. These changes asked for a 52 per cent increase in the child benefit funds.

The next amendments to the Family Benefits Act were implemented in May 1999. They were

intended to regulate the entitlement to child benefit until the passing of the Act on Parenthood Protection and Family Benefits. Several major novelties were introduced:

- lower income threshold (average income per family member): 99 per cent instead of 110 per cent of the average wage in Slovenia,
- a dependence of the child benefit level on the birth order of the child (1st, 2nd, 3rd and subsequent),
- higher benefit levels (by 38 per cent on average), particularly for children in families with the lowest income and children of higher birth orders,
- considerably bigger differences among benefits at different income levels,
- two more income brackets including the one up to 15 per cent of the average wage per family member.

Starting in January 2002, the Act on Parenthood Protection and Family Benefits is in force. It introduced several novelties. The right to a child benefit is now held until the child reaches 18 years (before, it was 15), as well as for the period in which the child continues with full-time education, i.e. for as long as the child enjoys the status of a primary school pupil, a secondary school, or an undergraduate university student, provided the child is less than 26 years old. If the university studies last five or six years or if the child did not

complete regular schooling within the prescribed period due to prolonged illness, or injury, or the undertaking of military service during schooling, the right to a child benefit may be extended by the length of the period for which education was extended for such reasons.

Further on, starting from January 2003, child benefits for pre-school children who are not included in subsidized childcare programmes will be by 20 per cent higher. This measure is meant for compensating for a part of the costs of informal childcare arrangements or a part of the opportunity costs for a parent taking care of a child at home. Also to be introduced (in January 2004) are 10 per cent higher child benefits for children in the single parent families as compared to those for other children.

The new act introduced a large-family supplement as a universal transfer to families with three or more children. Eligible are families with three or more children below the age of 18 or older, if fulfilling the age and status conditions for the entitlement to a child benefit. In order to qualify, parents and children must be citizens of Slovenia and have the same place of permanent residence. The large-family supplement is paid once a year and amounts to 70,000 SIT at 2001 prices. It will be implemented gradually, with the benefit level amounting to 25,000 SIT in 2002 and 50,000 SIT in 2003.

Table 7. Child benefit (2001 prices)

| Income per family member, as a percentage of the average wage of all the employed persons in Slovenia in the previous year | Average monthly income per family member in 2000 (SIT) | Child benefit according to a child birth order (SIT per month) | | |
|--|--|--|---------|---------|
| | | Child 1 | Child 2 | Child 3 |
| up to 15% | up to 28,750 | 17,639 | 19,403 | 21,167 |
| from 15% to 25% | from 28,750 to 47,917 | 15,081 | 16,669 | 18,256 |
| from 25% to 30% | from 47,917 to 57,501 | 11,495 | 12,848 | 14,200 |
| from 30 % to 35% | from 57,501 to 67,084 | 9,055 | 10,349 | 11,642 |
| from 35% to 45% | from 67,084 to 86,251 | 7,409 | 8,644 | 9,878 |
| from 45% to 55% | from 86,251 to 105,418 | 4,704 | 5,880 | 7,056 |
| from 55% to 75% | from 105,418 to 143,752 | 3,528 | 4,704 | 5,880 |
| from 75% to 99% | from 143,752 to 189,752 | 3,058 | 4,234 | 5,410 |

Source: Act on Parenthood Protection and Family Benefits, 2001.

3.4.6 Childcare

Since the end of the 1970s, pre-school childcare services have been widespread and highly subsidised in Slovenia. The high level of availability along with affordability of organised childcare has been an important precondition for extensive female employment, which, in socialism, was considered as one of the elements of equality of sexes. Throughout almost the whole of the socialist period, public day-care centres were the only legitimate, formally organised and subsidised providers of pre-school childcare. Family day-care (guest families) existed as well, but was legal only if associated with day-care centres and allowed only for children up to three years.

Even during the hardest transition years, Slovenia has managed to retain most of its advantages and achievements in pre-school childcare attained in the socialist period, while also rather successfully reforming services according to principles of the market economy. In the 1990s changes were gradually introduced. The first private day-care centres were already established in 1991, although it was only in 1996 that the new Pre-school Childcare Act was enforced, formally allowing for private institutions/programmes.⁷

In the school year 2000/2001, 56.6 per cent of pre-school children were included in childcare in 814 day-care centres (14 of them private), 91.3 per cent of them in programmes lasting 6-9 hours per day. Grouped by age, the share of children aged 1-2 attending day-care centre programmes was 29.1 per cent, while it was 70.9 per cent for those aged 3-6. The existing childcare facilities almost fully meet the demand for pre-school childcare. 1.9 per cent of children whose parents applied for a place in the day-care centre were rejected in the school year 1999/2000.⁸

Childcare services in Slovenia are widely affordable due to high subsidies from public sources. Not much has changed in the size of the public subsidy for pre-school childcare during the transition period. While the average subsidy amounted to 75 per cent of the costs per child in 1990, it decreased to about 69 per cent in 1998. All

approved programmes of public and private day-care centres/providers are entitled to a subsidy.

Since January 1998, at least 20 per cent of the price, including costs of education, care and meals, and excluding investments and maintenance costs, has been covered by local communities; this is a basic subsidy. The parent fee amounting to 80 per cent of the costs is thus considered as full payment; parents of about 4 per cent of children pay it. In these families, the gross monthly income per family member is over 110 per cent of the average gross salary in Slovenia.

Additional subsidy amounts to 10 per cent-70 per cent of the price, depending on the income per family member as compared to the average salary. Not only the current income, but also a family's property is taken into account, however not in an explicit way. The local community has a discretionary right to judge if the declared income reflects the real socio-economic position of a family. In exceptional cases, the tax authorities or a social work centre may be asked to offer evidence on other facts and circumstances reflecting the real socio-economic position of a family, which are then considered by the local community in determining the level of the parent fee. The local community may not only increase the fee, but also lower it to families whose position is worse than could be judged from their declared income.

The basis for fees paid by parents of children with special needs is the same as for other children in the same age group. If more than one child from a family attend the subsidised childcare programme, the fee for older children is decreased by one income group. Families on social assistance and those with income per family member below 25 per cent of the average salary are exempt from paying fees altogether (in this group there are about 4 per cent of all children attending organised childcare). The pre-school educational programme in the year before the start of schooling is free of charge for all children.⁹ If a local community decides to allocate more funds to childcare, it may lower parent fees.

However, it is not necessary that the fee should be equally lowered to all income groups.

The above rules concerning parent fees apply only for (public and private) day-care centres that perform the public service; other licensed private providers (6 out of 14 private day-care centres) may charge parents as they wish. However, since

they are also entitled to a high public subsidy (amounting to 85 per cent of funds, per child, received by those private day-care centres that perform the public service) it is not necessary that parent fees for similar programmes differ considerably.

CONCLUSION

The past decade was a decade of extraordinary changes encompassing two major developments. First, with the dissolution of the former Yugoslavia, Slovenia became an independent state and in the first years a high priority was given to establish the political and economic institutional framework. On the economic side, the transition from the self-management socialist system to a market capitalist system brought about dramatic changes, especially in the field of employment, with a large increase in unemployment. While the production level of 1989 was recovered by 1997, employment in 2000 was still at 75 per cent and even active population only at 90 per cent of the pre-transition levels, respectively. This is an important factor to understand the background situation of present policy choices and developments in Slovenia. The population of Slovenia is stagnant. As far as atypical forms of employment are concerned, in Slovenia the share of temporary jobs (contracts of limited duration) is at about 12 per cent of employment, broadly comparable with the EU average. But part time work is not an important form of atypical employment, as distinct from the EU. Slovenia is in general development terms one of the leading candidate countries and according to a set of selected indicators does not significantly differ from the group of the three EU countries, Spain, Portugal and Greece.

As far as labour market policies are concerned, the most important recent change is the draft of the new Law on labour relations, which passed the second reading in the Parliament. The Ministry of Labour, Family and Social Affairs succeeded in mediating the discussions on the draft

legislation so that an agreement among the social partners was achieved. This is a very important achievement considering that the first draft of the new Labour Law was prepared already in 1997, but has not until now been agreed upon in the tripartite Economic-Social Council. Both representatives of employers and labour unions have made a strategic decision to compromise and reach a social agreement on the draft of the law. The new law brings about several solutions directed towards greater flexibility; among them regulations with respect to fixed term employment, temporary employment agencies, part time employment, contracts for work at home and contracts for managers. It should also enable easier entry and exit from a current job and stimulate both labour unions and employers to engage in social partnership also at the collective negotiations at the branch and enterprise levels. However, there are still obstacles for a more flexible adjustment to the changing situations (e.g. the duration of fixed contracts will still be limited).

National Employment Action Plan is following the EU guidelines and the arrangements with respect to active labour market policy measures are discussed in the report. The most important are the programmes for improving employability, though a whole range of other measures are also being introduced. It is too early to assess the effectiveness of these measures, as Slovenia is still only beginning to implement the new integrated approach.

Social policies related to family and work represent an important part of the country context as related to work and flexibility. Housing do-

main remains with a very high percentage of ownership by occupants, new construction is beset with administrative obstacles. The tax burden on labour is very high, and that on capital light, which is not helpful for greater flexibility in the labour market. Social policies related to the family

show a high concern for this domain, with a varied set of benefits. Not only are childcare services in Slovenia broadly available, they are also widely affordable, due to high public subsidies. This allows for a high share of women in employment as one of the distinctive characteristic of Slovenia.

NOTES

1. For a more detailed treatment of temporary work agencies see IMAD, *Slovenian Economic Mirror*, Oct.2001, No 10, vol.VII.
2. Defined as the average wage of the 10 per cent of wage recipients from the highest wage group compared to the average wage of the 10 per cent recipients from the lowest wage group.
3. 'Programme 5000' is jointly initiated by the Ministry of Labour, Family and Social Affairs and the Ministry of Education, Science and Sport, with a budget adopted annually by the government.
4. Sections 3.1, 3.2 and 3.3 were written by Professor Tine Stanovnik of the Institute for Economic Research in Ljubljana
5. Section 3.4 was written by Dr. Nada Stropnik of the Institute for Economic Research in Ljubljana
6. The first two alternatives include the most essential goods for a newborn child, while the third one includes goods for an older child and is thus preferred for children of higher birth orders.
7. The term 'private' is used in the meaning of 'non-public'. It encompasses private firms and physical persons, as well as different forms of voluntary and other non-governmental organisations.
8. It does not mean that those children were not placed in any day-care centre; they just could not be included into a particular day-care centre where their parents first applied. It might also be that the same child was counted as having been rejected several times if his/her parents had repeatedly applied in day-care centres with no vacancies.
9. 25 per cent of all children in childcare attend the pre-school educational programme.

ABBREVIATIONS

- ESS – Employment Service of Slovenia
- LFS – Labour Force Survey
- NHF – National Housing Fund
- SORS – Statistical Office of The Republic of Slovenia
- UA – Unemployment assistance
- UB – Unemployment benefit

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