Chapter 2

Opportunities: The Slovenian labour market and policy environment

This chapter discusses some key features of the policy environment in Slovenia, to help understanding of current labour market outcomes and activation policy challenges and of the large impact of the recent recession. These features include among other things the relatively high minimum wage; legally required or tax-exempt allowances paid to employees; and non-standard forms of work and their regulation. The chapter looks at how these issues as well as benefits and benefit conditionality may interact, e.g. the minimum wage may encourage the use of fixed-term contracts, while benefit entitlements from fixed-term contracts encourage repeat unemployment. The chapter also describes the social and labour market reform path Slovenia has followed since its independence and the recent partial breakdown of social dialogue.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This chapter describes some key features of the institutional and political background in Slovenia, to help understanding of current labour market policy issues: these include the breakdown of social agreement and wage restraint after adoption of the euro in 2008, and falls in union membership and collective bargaining coverage. It discusses some issues that fall outside the scope of the next two chapters but remain important for labour market and activation policy more broadly. These include the minimum wage; allowances paid to employees (some of which are not taxed and/or have undefined status in relation to the minimum wage), which are tending to obscure policy analysis and social dialogue, and involve some economic distortion; and non-standard forms of work and their regulation. The chapter also looks at how these issues as well as benefits and benefit conditionality may interact, e.g. the minimum wage may encourage the use of fixed-term contracts, while benefit entitlements from fixed-term contracts encourage repeat unemployment.

A brief history of Slovenian labour market policy

Slovenia's gentle post-socialist transition

From the time it declared its independence from Yugoslavia in 1990 until the beginning of the global recession in 2008 Slovenia was one of the most successful of the post-socialist transition countries and featured both strong economic growth and a comparatively high standard of living. It was also amongst the first of the onetime Eastern Bloc territories to enter the European Union, the first of these newcomers to preside over the EU and the first to enter the Eurozone. As described by Hrast and Raker (2015):

> *…in the transition period in the 1990ies, contrary to some other post-socialist countries, Slovenia did not experience a so called 'welfare gap' (Kolarič et al., 2009, 2011). Instead, the country's welfare reforms followed a gentler path, maintaining strong state involvement in the provision of services and in regulating the economy through state ownership of a many companies and banks. Bohle and Greskovits (2007) claim that the Neo-corporatist regime established after Slovenia's independence has exhibited a firmly institutionalised balance between marketisation, i.e. liberalisation, privatisation and market-oriented institution building, and social protections (based on a welfare system and economic protectionism) and that this balance differs markedly from the Neoliberal brand of capitalism that emerged concurrently in the Baltic and Visegràd states.*

As often in Nordic countries, the Slovenian labour market, characterised by social partnership and a large government sector, achieved positive labour market and social outcomes with high employment, low unemployment and low levels of income inequality. However, it cannot be assumed that tripartite governance is uniformly successful as, for example Austria's older-worker employment rate has at times been far below the EU 28 average, because the social partners too often solved labour market adjustment problems by transferring workers to disability and early retirement benefits. Guardiancich (2011) argues that Slovenia developed a thick web of political checks and balances, with a moderately pluralist party system and powerful social partners, especially the Association of Free Trade Unions of Slovenia (ZSSS). Although on the positive side Slovenia avoided the social disruption that ravaged post-socialist countries, on the negative side, there were repercussions on the type of capitalism and on policymaking procedures that Slovenia developed:

> *Slovenia revelled in insider privatisation… A national economic elite formed through the appointment of politically loyal cadres in top economic positions and the creation of quasi-state-owned investment funds following the Ownership Transformation Act… Slovenian politicians were forced into lengthy and cumbersome negotiations, had problems in facing organised interest groups. A perennially quarrelling and factionalist political class exhausted, after two decades, the initial advantages and failed to implement structural reforms. The result is widespread immobilismo, the exacerbation of the insider-outsider problem and agenda-hijacking by some interest groups… the single-issue, Democratic Party of Pensioners of Slovenia took part in all coalition governments since 1997 (in 2000 it gave external support to Premier Andrej Bajuk). This probably qualifies it as the most successful pensioner party in the world. Owing to its pivotal role in coalition governments, DeSUS more often than not prevented even slight changes to the country's retirement system.*

The impact of the global financial crisis

The recession from 2008 was a setback for political governance, social partnership, economic outcomes and the welfare system, but at first each area could perhaps too easily blame its problems on developments in the other areas. As described by Hrast and Rakar (2015), it put the country's well-developed social systems under increasingly significant pressure:

> *...Slovenia faced one of the most pronounced recessions in the OECD... Its GDP growth rate after 2008 was negative, and the country has been slower to recover than others in the EU-28… The government's gross national debt (as a share of GDP) has risen sharply, growing from 22% of GDP in 2008 to more than 80% of GDP by the last quarter of 2014 (IMAD, 2015). The crisis has revealed critical weaknesses in Slovenia's pre-crisis economic performance, structural inconsistencies within its welfare system and the country's limited ability to innovate (OECD, 2011). This has forced its government to take significant steps to restructure the welfare system, while restructuring has in turn produced discontent amongst Slovenia's citizenry.*

The social partners and their institutional role

Slovenia has a long tradition of social partner regulation of the labour market and guidance of broader social and economic policy. However, in the 2000s, the membership of union and employer organisations and the coverage of employees by collective agreements began to decline. Social agreements on disinflationary wage policies helped Slovenia to qualify for membership of the Eurozone in 2007, but this consensus broke down and positions polarised around topics such as the minimum wage, employment contracting and pension reform, which are more controversial and influenced also by political pressures, popular opinion, and economic analysis.

Unions

As described by Guardiancich (2011), Slovenian trade unions strengthened during transition, securing a uniquely firm socioeconomic role among post- socialist countries. They are at the same time key civil society representatives as well as defenders of the state bureaucracy. Nevertheless "…the labour movement split along pro- and anti-communist lines. The successor union ZSSS retained one third of the labour force, maintaining its primacy during the last two decades… Other left-leaning unions, i.e. Pergam and Konfederacija '90, distanced themselves from ZSSS."

More than half of all public sector employees are members of the Confederation of Trade Unions of the Public Sector, KSJS, created in 2006 with 81 000 members (39 000 of them in the Education, Science and Culture Trade Union: www.sviz.si/eng/). However, overall union density has fallen sharply, from 44% in 2003 to 22% in 2013 (Ignjatović and Mrčela, 2015).

Employers

As described by Guardiancich (2011), on the employer side:

> *During 1991-2006, two employer organisations – the Chamber of Commerce and Industry of Slovenia (Gospodarska zbornica Slovenije, GZS) and the Chamber of Craft and Small Businesses of Slovenia (Obrtno-podjetniška zbornica Slovenije, OZS) – represented all entrepreneurs due to compulsory membership. Since 2006, membership has been voluntary and employer associations' density decreased, as they now employ some 80-90% private sector employees. Since collective agreements require a density threshold of 50% for automatic extension, further declines may be detrimental.*

Collective agreements

Despite falls in union membership, in 2005 still 96% of employees were covered by collective agreements. Collective agreements at industry level can be extended by the minister of labour to all the companies in an industry if the union signing the agreement is representative and the employers in the employers' association employ more than half the employees in the industry. In 2005 all employers had to be members of chambers of commerce and industry, but the 2006 Collective Agreements Act provided that only employers or employers' associations with a voluntary membership could sign collective agreements. According to one source (www.worker-participation.eu/National-Industrial-Relations/Countries/Slovenia/Collective-Bargaining) still around 90% of employees are covered by collective bargaining, due the use of extension mechanisms. However, the European Company Survey reports a decline in coverage rate from 90% in 2009 to 78% in 2013 (Mrčela, 2015). Another source, the Wage Dynamics Network survey, reports that in 2013 "68.8% of firms apply collective agreements to at least some of their workers... and these firms employ 79.4% of all workers" (although this survey covers approximately 300 000 workers, not including agricultural, self-employed and non-profit entities where coverage would tend to be lower), but coverage has decreased only slightly compared to 2006 (Jemec and Vodopivec, 2016).

Although firms' survey responses indicate that around 20% of employees are not covered by a collective agreement, it seems likely that in about half these cases the employees are in a firm that (although not actively engaged in bargaining) is legally subject to an extended collective agreement that could in principle be enforced by the labour inspectorate. At the same time, since extension procedures are only in place for certain sectors of activity, plausibly 10% of employees (in addition to managers, who in any case have individual agreements) are not covered even in principle.

The institutional roles of the social partners

After the transition recession was over, Slovenia started a long tradition of concertation. The social partners drafted every year or two a social agreement outlining their mutual obligations and broad guidelines for the direction of labour market policy and reforms. Collectively-negotiated social agreements on economic, social and wage policy, notably agreements on disinflationary wage policies, played a crucial role in satisfying the Maastricht criteria and subsequent euro adoption (Banerjee, Vodopivec and Sila, 2013).

Guardiancich (2011) describes the social partnership institutions:

> *The social partners have a dual role in welfare state matters in Slovenia: i) an advisory role through the Economic and Social Council (Ekonomsko-socialni svet, ESC); ii) an administrative role through their own representatives in the tripartite boards of the Institute for Pension and Disability Insurance, the Health Insurance Institute of Slovenia and the Employment Service of Slovenia… In general, the New Right tried to change the composition of these administrative boards to significantly weaken the role of social partners. As for the ESC, this has 15 seats, five for each partner. The Council is not underpinned by any legal act, apart from government regulation, but it nonetheless holds disproportionate power: the Parliament only discusses socioeconomic legislation that had already been debated by ESC members.*

However, since 2009, this tradition of concertation has largely broken down. Some elements have been revived, but the government more often has to decide.

The breakdown of dialogue and the blockage of necessary reforms

Prior to the recession, at the political level, as Guardiancich (2011, 2012) explains:

> *..the real break with the socialist past happened only with the ascendancy in late 2004 of Janez Janša, leader of the conservative Slovenian Democratic Party (SDS). The Slovenian New Right fully applied its imperative policymaking style and adversarial stance to uproot the ruling socio-economic elites, among others the so-called rdeči direktorji (red directors). Despite four years of heightened domestic political confrontation, the country successfully integrated into the European Union, adopted the Euro, and presided over the European Council.*

Despite the good intentions of government, since 2009 social dialogue has been erratic and attempts at reviving the tradition of social agreements have been ineffective. The 2007-09 social agreement was, according to the employers, initially agreed upon under favourable economic conditions, and therefore by 2009 needed a substantial update. The starting points of the social agreement were presented to the Economic and Social Council only in November 2009. The measures included restrictive income policy, reduced public spending, and lowered non-wage labour costs to improve competitiveness and introduce more flexibility into the labour market. "In order to convince the unions to continue negotiating, the Government guaranteed that the minimum wage would be valid for all workers (also those not covered by collective agreements), and withdrew the idea of a packaged solution... with such grim prospective, in the face of the multiple structural reforms ahead, the National Assembly unanimously approved the Minimum Wage Act on 14 January 2010." (Guardiancich, 2012). However, since then the minimum wage has been the topic most disputed between the social partners.

In 2010 and 2011, the government attempted to pass reform legislation on other matters (regulation of mini-jobs, pension reform, etc.) but this legislation either was withdrawn due to popular protests organised by particular interest groups, or was actually passed but then later defeated in a referendum. As the severity and depth of the recession – which had at first been partly masked by employment policy measures delaying layoffs – became clear, a consensus around the need for crisis measures emerged in 2012. Speculation that an international bailout would be needed to recapitalise the banking system – itself still largely state-owned – peaked only in late 2013.

The tradition of social agreements was partly revived from 2012 onwards when Janez Janša's executive gained approval for short-term savings measures as well as the Starting Points for the Social Contract 2012-16. A tangible breakthrough was achieved in May 2012 by passing the Public Finance Balance Act (ZUJF) – a super-law that modifies as many as 39 other laws - and amendments to the state budget and public sector collective agreement which reduced wages by 8%.

Following six years without a valid agreement, and after over a year of negotiations, Slovenia's social partners signed a new Social Agreement for 2015-16 in February 2015. However, the various stakeholders failed to reach a meaningful consensus on the direction for necessary reforms, and thus this Social Agreement arguably offers little substantive guidance. Its most specific, notable provision stipulates that the government will not increase nominal tax revenue in 2015 (although this does not rule out redistributing the tax burden, e.g. via the introduction of a real estate tax). Regarding areas that may be relevant for activation policy, the Social Agreement mentions the following actions to be taken:

- Identifying the causes for the low employment rate of older workers and conducting an impact assessment of recent legislative changes; based on this assessment, developing further measures that will contribute to longer labour market attachment for older workers.
- Strengthening the role of the social partners in the implementation of active labour market policy measures.
- Creating a mechanism for the promotion and effective training of workers and the unemployed.
- In the area of active labour market programmes, conducting a comprehensive analysis of the efficacy and efficiency of the measures implemented in the 2007-13 Financial Perspective (expenditures until 2015); on this basis, in consultation with the social partners, developing active labour market policy measures which aim to facilitate and encourage faster entry into the labour market for young people and other disadvantaged groups, with a particular emphasis on the long-term unemployed, the elderly and persons with disabilities.
- Evaluating the institution of temporary lay-offs, with the possibility of increasing the involvement of the Employment Service of Slovenia.
- Preparing a proposal to establish a severance pay fund.
- Reforming policies regarding the employment of pensioners.

One of the most contentious issues – relating to the minimum wage – was left out of the final Social Agreement for 2015-16, and in September 2015 the labour unions submitted into parliamentary procedure reforms to exclude bonuses for unfavourable working hours from the definition of the minimum wage, and the coalition government passed this into legislation. On 27 November, all but one of the employer associations withdrew from the social agreement on the grounds that the change represents a violation of the social pact, stating that it undermines trust among social partners and prevents the continuation of social dialogue (Lukic, 2016; www.sloveniatimes.com/employers-withdraw-from-social-pact-after-minimum-wage-hike).

Erratic policy developments in 2010-11

The government in 2010 planned to pass four major reforms: the 2010 Minimum Wage Act, the Labour Market Regulation Act (which deals with benefits and active labour market programmes, ALMPs), the Employment Relationship Act (which deals with employment protection legislation, EPL) and the Mini-Jobs Act which sought to regulate fixed-term work and particularly student work. These reforms were negotiated as a package but "following the protests of the unions… with the great irritation of all employers' associations, the four laws were treated separately… Whereas the two acts increasing security (Minimum Wage Act and the Labour Market Regulation Act) are now in force, those promoting greater flexibility were either withdrawn (Employment Relationships Act) or defeated at a referendum (Mini-Jobs Act)." (Guardiancich, 2012). A similar development was that in 2010 the government bypassed the tripartite Economic and Social Council to legislate a new Pension and Disability Insurance Act (PDIA-2), but the union association ZSSS gathered the 40 000 signatures necessary to hold a referendum on the whole Act, and a large majority voted against the reform.

Ticar (2014) remarks that the Employment Relationship Act as enacted in September 2010 was changed three times and voted as a wholly new law in March 2013. Stropnik (2013) says that in the field of social assistance "we could speak of a comprehensive policy design only if we include - besides the relevant legislation in force - the new/amended legislation that was first passed and then rejected in the referendums in 2011, and those important pieces of legislation that had been drafted several years ago but have not yet been submitted."

The labour market programme response to the crisis in 2010-11

In 2009 and 2010, Slovenia introduced two measures aimed at limiting job-losses due to temporary, negative demand shocks (Kajzer, 2010):

- Partial Subsidising of Full-Time Work Act (January 2009), which allowed firms to reduce full-time working hours from 40 to 32 hours per week (upon agreement with the representative trade unions) and entitled them to receive subsidies of up to EUR 120 per worker per month (thus not fully compensating firms for the decrease in hours worked, even for workers being paid the minimum wage).
- Partial Reimbursement of Payment Compensation Act (May 2009), which reimbursed firms which placed workers on forced temporary leave and provided funds for training such workers. Up to half of a firm's workers could be placed on temporary leave at a time, and firms were required to pay 85% of the workers wage for the duration of the forced leave (half of which was then reimbursed to the firm).

Funding for these measures was available through to March 2011 and September 2011, respectively. The measures were utilised fairly extensively in sectors where the impact of the economic crisis was most immediate, and arguably stemmed job losses in the short-term, but their broader effects have not been studied in detail. The measures may have only postponed the necessary labour market adjustment and caused labour hoarding (Kajzer, 2010). Expenditure on labour market training and direct job creation was also increased in 2009 and increased further in 2010, but it fell in 2011 and again in 2012 (source: OECD/EC database on labour market programme expenditure and participants), and in these years the employment rate declined somewhat further.

After the onset of the economic crisis, Slovenia increased the generosity of unemployment benefits (UB) and relaxed eligibility criteria (in January 2011; ZUTD). Generosity was reduced again as part of the 2012 fiscal consolidation package (ZUJF). The 2011 reform decreased the minimum employment period required for UB eligibility to nine months in the preceding two years (previously, the requirement was 12 months in the preceding 18 months). An analysis of the 2011 law by Dolenc et al. (2012) showed that it significantly increased unemployment benefit generosity in practice, especially for younger workers and women.

Policy developments after 2012

In December 2012, the Slovenian National Assembly passed a revised pension reform, which from 2013 applies to a progressively increasing proportion of new claims. The April 2013 labour market reform (Employment Relationships Act) reduced the disparity in firing costs between fixed term and permanent contracts (see Box 2.1 below).

In order to reduce the relative tax advantages of hiring workers via student employment agencies, in June 2012 the concession fee paid to the agencies was increased from 12% to 23% (an additional 2% being earmarked for the construction of student dormitories), and in February 2015 mandatory social security contributions were applied to student earnings. Student work retains its appeal to employers as an extremely flexible form of employment.

The post-2012 policy developments are described in more detail below.

Causes of the depth of the recession

Slovenian analysts blame current labour market and social problems on the recession and call for additional measures to relieve social distress. However, it is important to assess the likely causes of the depth of the recession. Although the recession has bottomed out and some recovery has taken place, in 2015, GDP was still 4.5% below its 2008 level, the employment rate was 3.4 points below its peak level of 68.6%, and the unemployment rate was still close to 10% rather than 5%. This has happened despite the massive use of fiscal stimulus and stabilisers, reflected in the increase of the debt/GDP ratio (only about 10 points of the increase being attributable to the recapitalisation of major banks). The continuation of a recession that started in 2009 is likely to reflect structural more than cyclical factors. This section outlines the main candidates.

Industrial structure and management

According to Guardiancich (2011), Slovenia prior to 2004 suffered delayed privatisation, inefficient buy-outs, hybrid Privatisation Investment Funds and quasi-state funds, and excessive gradualism in the development of financial services, which "show Slovenian policymakers will continue managing state-owned enterprises. This generated distrust towards institutional investors, kept foreign owners out of the country, and created powerful yet inefficient majority shareholders of the Slovenian enterprise sector."

Although a right-wing government was elected in 2004, public opinion soon turned against plans to privatise and liberalise markets, and instead of introducing structural reforms policy veered towards economic populism. "The global financial meltdown then exacerbated all the negative traits of the Slovenian economy and its unresolved structural problems."

Banking sector crisis

The banking-sector crisis arguably originated in excessive optimism about economic growth following EU and Euro Area accession and poor governance of state-owned banks and lax lending standards. Much of the credit went to the construction sector, and this exacerbated the boom-bust cycle. Loans to the corporate sector declined continuously after 2010, with the sharpest fall in 2014, tending to forestall recovery (Bank of Slovenia, 2016a; 2016b).

High minimum wage

As discussed below, since it was increased in 2010 the ratio of the minimum wage to the average wage in Slovenia has been among the highest in Europe. This may have partly reduced total employment directly, and partly increased segmentation as employers became more cautious about hiring low-paid workers on a permanent contract; as outlined below, segmentation may in a less-direct way also reduce total employment.

Labour market dualism

Labour market dualism is regulated by the social partners through collective agreements and by employment protection legislation, and it is influenced by tax and benefit incentives. Excessively strict regulation of non-standard forms of work can reduce employment, because many potential workers do not want a full-time permanent position, and in rigid labour markets older or displaced workers find it difficult to re-enter employment, and this in turn encourages the provision of early retirement benefits. But an artificially high incidence of non-standard work can also reduce employment. Temporary workers, in particular, suffer repeat unemployment and are first out in a recession. Keeping in mind that both the causes and the consequences of labour market dualism are complex, factors increasing labour market dualism in Slovenia have been:

- In the 2000s and 2010s, union membership has sharply declined, which makes it more difficult to enforce wage restraint on "insiders" through national social agreements.
- In the 2000s, student work increased, as employers (and students) increasingly exploited its exemption from regulation and taxation.
- The minimum wage increase of 2010 and the associated labour costs make employers more reluctant to hire on permanent contracts.

Factors reducing labour market dualism include the 2013 labour market reform, which increased the cost of fixed-term contracts relative to permanent contracts, and activities of the labour inspectorate which suppress inappropriate forms of non-standard work.

Benefit coverage of repeat unemployment and long-term unemployment

Adaptation to benefit system parameters can be a long-term process. Repeat unemployment with a benefit claim in Canada increased for 10 to 20 years after a 1971 unemployment insurance reform (Riddell and Kuhn, 2010). After the introduction or easing of access to assistance benefits, their caseloads often started at a low level but then increased rapidly for 15 years or more (OECD, 2003). Effective public employment service management and interventions in Slovenia have slowed any increases in benefit dependency of this kind, but may not have prevented them entirely:

- The 1998 cuts in unemployment insurance (UI) durations did not affect short (three month) benefit claims based on 12 months of contributions. Employers and employees have probably to some extent adapted to the employment conditions for benefit coverage. In 2011, the reduction of the minimum contribution requirement to nine months increased the incentive for temporary or seasonal work with a three-month break.
- The current minimum income level is seen as inadequate (Stropnik, 2013). From 1993 to 2001, the guaranteed minimum income level (social assistance) was very low and social assistance beneficiaries were not really pulled out of poverty. Following amendments to the Social Assistance and Services Act 2001, minimum income levels were gradually increased. From 2001 to 2005 the caseload more than tripled despite relatively strong economic conditions. In 2006 time-limited unemployment assistance paid as an extension to UI benefits was replaced by financial social assistance, which itself was normally time-limited (OECD, 2009a). A reform in 2007 which increased behavioural obligations, and a reform in 2012 changing the asset tests, were followed by short-term falls in the caseload, but by 2015 the total number of recipients was again slightly higher than in 2005. Social assistance is rarely now described as temporary, and the share of long-term claims in the total has increased, while also some very-long-term unemployed are covered by partial disability insurance benefits rather than social assistance.

Trade-offs and feasibility of policy measures

As discussed below, quantitative estimates for the impact of the minimum wage hike (IMAD, 2012; Laporšek et al., 2015) suggest it is at least partly responsible for the fall in employment. In this way, the minimum wage could be a factor increasing long-term unemployment among low-productivity workers. But it may also motivate the use of non-standard contracts, which increases short-term unemployment. In principle, activation measures, raising worker motivation and productivity, could counteract the increase in long-term unemployment and stricter regulation of non-standard contracts could counteract the increase in short-term unemployment, restoring full employment at the new higher minimum wage. However, policy advisers need to assess the operational and political feasibility of different measures and advise politicians and the public about the trade-offs. For example, strict regulation of all fixed-term contracts is a blunt instrument if the problem it tackles is specific to low-wage workers.

The minimum wage increase

The minimum wage was arguably high before the 2010 increase: OECD (2009b) argued that "Although the minimum wage has declined relative to the average wage in recent years, it is still fairly high by OECD standards. The ratio of the minimum wage to the average wage should not increase and preferably be further reduced in order to improve the employment prospects of the low-skilled young workers". However, early in 2010 it was decided to increase the minimum wage by 23% by 2012 at the latest, with also an indexation mechanism. Most of the increase was in place by 2011, with further 5% increase from 2011 to 2013 while average earnings hardly changed, but since 2013 average earnings have increased marginally faster.

The impact of the minimum wage on the structure of earnings

The number of minimum wage recipients increased from about 20 000 in the years 2005 to 2009 to about 45 000 by mid-2010 and further to 50 000 in 2013, but fell back to 37 000 by September 2015. The number of minimum-wage workers in the public sector increased from near zero in 2009 to 8 600 in 2015, while the number in the private sector had fallen back to about 28 000 (Ignjatović and Mrčela, 2015) and data for March 2016 show a further decrease to 23 000, which is not much higher than in 2009. The decrease may reflect slight increases in average earnings relative to the minimum wage since 2013, or statistical quirks given that minimum wage status is reported by employers and legislation does not exactly define which allowances and bonuses should be included.

According to data from the Pension and Disability Insurance Institute of Slovenia, the minimum wage hike created a spike at the bottom of the wage distribution, with a large number of workers close to the new minimum wage level (Laporšek et al., 2015). However, employers are obliged to pay social insurance contributions corresponding to the legal monthly minimum wage. They could increase the base for social insurance contributions to the level of the minimum wage, or slightly above, by including more expenses and bonuses in the wage as observed by Ignjatović and Mrčela (2015), or by increasing the formal but reducing the informal part of the total wage as discussed below.

For large employers and their employees, collective agreements are implemented reliably, and following the increase in the minimum wage "In sectoral collective agreements of the private sector the lowest basic wage is determined according to nine different tariff classes ranging from the lowest I. simple work to the highest IX. extremely important and most demanding work. However, the first five or more tariff classes in many of these collective agreements are squeesed into one because the employer is not allowed to pay lower wages than the statutory minimum wage." (Kovačič, 2014).

For small firms, the impact may be quite different as compared with larger firms if they underreport income from sales and use the concealed income from sales to pay employees partly in cash. OECD (2004) notes evidence for under-declaration, citing an assessment that "envelope salaries" exist in practically all of the CEE countries, although sometimes only in particular sectors, and that this is the largest component of undeclared work in some countries. When the minimum wage is declared for tax purposes but true wages are higher, the authorities may increase the minimum wage not mainly for reasons of employment policy but in order to increase tax receipts, and the higher minimum wage may increase the employer and employee social security contribution payments with less impact on the true level of wages. Along these lines, Feldina and Polanec (2012) cite an official estimate that in Slovenia the informal economy was 8.3% of GDP in 2007 with the largest contribution coming from underreporting of output, and they estimate that job destruction caused by minimum wage hikes was lower in small sole proprietorships which tend to be more involved in informal economic activities. Small firms may also have greater flexibility for including expenses or making adjustments to allowances and bonuses, which are more difficult for large firms covered by collective agreements.

Employment impact of the minimum wage increase

Analysis by economists of the minimum wage increase was generally pessimistic:

- Lindič (2011), analysing a smaller minimum wage increase that took place early in 2008, using data up to December 2009, estimated that it had a negative effect on employment in real estate, renting and business activities, which was the industry sector with the highest share of minimum wage employees (over 6%) prior to the 2008 increase.
- OECD (2011) commented "Overall, the decision to increase the minimum wage… reveals how much more weight Slovenia's social consensus model places on equity considerations in wage determination than on efficiency. Indeed, the main argument raised to justify the hike in the minimum wage was to operate an adjustment with the cost of living... Now that Slovenia is a member of the euro area, the focus of the authorities and social partners will need to shift if Slovenia is to maintain its competiveness".
- IMAD (2012) predicted a negative employment impact from the increase in the minimum wage: "the significant increase in the minimum wage also contributed to job loss. In the short term around 5 000 persons are estimated to have lost work due to the higher minimum wage, and in the long term around 17 000." The latter figure corresponds to about 2.5% of dependent employment (1.2% of the population of working age).
- Laporšek et al. (2015) estimate that for a "sub-minimum" group of individuals (probably over 50 000) with wages below the new minimum at the time of its introduction, the probability of staying employed one year after the minimum wage increase was reduced – in a sense that arguably allows for a causal interpretation – by about 6%, with also some reduction for those earning slightly more. This finding is consistent with the Institute of Macroeconomic Analysis and Development's (IMAD) estimate for the short-run employment impact.
- Stoviček (2013), although not quantifying the impact, warned that *"...the minimum wage can even prove counterproductive if it is set so high that efficiency costs become large. While the minimum wage may increase the probability of working-poor households escaping poverty, it may also increase the probability of non-poor households entering poverty due to a loss in employment or a decline in hours worked. As the main reason for poverty is unemployment (45% of unemployed persons are at the risk of poverty in Slovenia), an excessive increase in the minimum wage, which aims to reduce in-work poverty but actually raises unemployment, may even contribute to the risk of poverty.*"

The employment rate for ages 15-64 fell by over five percentage points (about 8%) from 2008 to 2013 and recovered by nearly two percentage points from 2013 to 2015, leaving a net fall to 2015 of about 3.5 percentage points, the largest net fall after Denmark and four Eurozone crisis countries, Greece, Ireland, Portugal and Spain. With cyclical recovery some optimism has returned, but the outcomes remain consistent with the predictions of a (modest) negative impact.

Substitution towards non-standard forms of employment

A high minimum wage may provoke a shift away from regular full-time employment towards temporary or part-time employment, as employers comply with the minimum wage but take more care to pay only for the hours of work that they most need, or they shift to non-standard forms of employment which escape the minimum wage or lower labour costs in other ways (e.g. reduced social insurance contributions, other labour rights and restrictions on termination). For example:

- Among OECD countries with high minimum wage ratios over 20% of employment is temporary in the Netherlands; about 30% of part-time work is involuntary in Australia, 40% in France and 60% in Portugal (OECD Employment Database);
- In Poland, which had the highest minimum wage in terms of relative labour costs (according to Stoviček, 2013), 20.9% of workers in 2010 had civil law contracts not subject to the minimum wage or many of the regular social insurance contributions and worker rights (Clauwert and Schomann, 2013); in Chile and Turkey, with the highest ratios of the minimum wage relative to median earnings, 20% or 30% of dependent employment is informal (Jütting and Laiglesia, 2009; OECD, 2013).

In some cases, the authorities reduce employer costs for minimum-wage workers intentionally (e.g. exemptions from social insurance contributions for employers of young people or new hires of young unemployed are provided as a labour market measure). In other cases, the (unintended) artificial usage of contracts that offer reduced costs is tolerated to some extent, as arguably has been the case with student work in Slovenia.

Non-standard work

Non-standard forms of work include part-time work, temporary work (fixed-term contract work and temporary agency work – although Slovenia also has a specific legal status for student work some agency workers have a permanent contract), and self-employment, including “bogus” self-employment when an employee is paid through a contract for services. Several types of labour regulation and their enforcement, as well as the structure of non-wage labour costs, and entitlements to in-work and out-of-work benefits can influence the incidence of particular types of non-standard employment.

Active labour market policy needs to achieve placements primarily into regular work, which provides benefit coverage in the case of involuntary layoff and at the same time supports benefit sanctions in cases of voluntary quit. Other forms of work either are not covered by benefits, or if they are covered they are likely to pay benefits out of proportion to contributions:

- Benefits act as a subsidy to temporary contracting combined with short unemployment spells particularly because in the case of temporary contract employment, it is difficult to enforce conditionality. If a claimant could have got a new temporary (or a permanent) contract, but claimed benefit instead, this is de facto not documented and a sanction for voluntary quit is applicable in theory but not in practice. Also, jobseeker requirements are limited due to the principle that job search should be mainly independent in the initial phase of unemployment; and since inflows are high, the Employment Service of Slovenia lacks resources to intervene effectively in each case. Repeat temporary contracts, which allow UI to be combined with employment on a long-term basis subject to the defined contribution requirements, are difficult to control.
- Part-time work, by heads of household who need full-time work to achieve a minimum income level, involves similar problems: if the part-time earnings are not deducted from benefits, part-time status is subsidised, and in theory the PES can oblige part-time workers to take a full-time job but in practice this is difficult.
- For the self-employed and informal workers, the PES lacks reliable short-term information even about employment status and earnings, and in most countries the PES provides basic information services but no cash benefits. Self-employed workers with low earnings are often not entitled to assistance benefits until they have closed their business completely.

Except for informal work, most types of non-standard work have some real business and labour market function and fit the preferences of certain workers, so an effective labour market policy aims to keep the incidence of non-standard work at a reasonable level rather than eliminate it completely. This implies offering regular work as the main solution for workers who are not making an adequate income from temporary work, part-time work or self-employment.

Where the incidence of non-standard work is low, a large proportion of vacancies may still be for temporary jobs, but unemployed workers should most typically get work experience through several short contracts and after some time take a permanent and stable job. Where the incidence of temporary work is high, many unemployed workers are rotating in and out of temporary contracts for years before starting a permanent job: the temporary contracts can no longer be seen as useful work experience, the unemployment is anticipated and not exactly involuntary, and the labour market settles into a bad equilibrium with high unemployment, high benefit costs and ineffective activation measures.

A better equilibrium can be promoted partly by direct activation measures but also by some other measures that promote regular employment contracts – regulating non-standard contracts and taxing their identified costs (e.g. costs for the benefit system), and ensuring that regular contracts are competitive for employers - not giving insiders too-high minimum wages or employment protection. Arguably labour market policy in the Nordic countries was most successful in terms of keeping unemployment low when they combined relatively strict employment protection with national-level wage agreements: wage agreements kept their industries competitive, maintaining employer demand for labour despite the potential costs of retaining less-productive workers implied by employment protection. However, consensus around wage agreements is not always achievable at national level, and when national agreements exist they can become difficult to enforce at local level.

Student work

Student work was introduced in Slovenia in 1959 and could be described as a form of temporary agency work where there are three parties: students and pupils as workers, employers, and agencies (student services) which act as mediators between students and employers. A student must be referred by a student service before the start of work. In this relationship, student services receive a large concession fee (formerly 14%, increased to 25% in June 2012), the student only needs proof of student status, and employers do not have to go through lengthy procedures to hire or fire workers. Until recently neither students nor their employers had to pay pension, health or other social insurance contributions, making student workers much cheaper than regular full-time workers (Ignjatović and Mrčela, 2015; Suklan and Golob, 2015; Šušteršič et al., 2010)

Temporary employment in Slovenia for 15-24-year-olds mainly takes the form of student work, although for 25-29-year-olds it more often takes the form of fixed-term contract work (Kajzer, 2013; Ignjatović and Mrčela, 2015). In 2013 the share of temporary employment in total employment for young people aged 15-24 stood at 73.2%, the highest incidence in the EU (IMAD, 2014). For comparison, the incidence of temporary contracts among the total population is only marginally higher in Slovenia than the OECD average (see below).

In 2008, student services issued 1 180 000 receipts for 84 258 616 hours of work: this is equivalent to about 5% of employment on a full-time equivalent basis, consistent with it being the main employment status for 10% or 15% of workers if the work is part-time. "Second, these jobs do not guarantee basic social security rights, and are subject to very low taxation (14%). Third, a precondition for eligibility is to be enrolled as a student in university, de facto prolonging the time spent in undergraduate studies (the average peaked at 6.8 years). Fourth, given the limited number of universities, student jobs create regional employment disparities. Fifth, employers who employ students have an unfair advantage over firms that do not. Finally, student services get a huge slice of the cake (37.5% of the concession fees; some EUR 15 million) and their spending record is not spotless…" (Guardiancich, 2012). Students have many benefits, including state-funded tuition fee waivers for over 80% of students, subsidies for living expenses (meals, accommodation, transportation and cultural activities), state scholarships and the flexibility of student work. The in-study benefits that are not tied to progress of studies and the shortage of workplaces for youth attract "fake students", who would not normally go into tertiary education, estimated to be as high as one third of tertiary students (Šušteršič et al., 2010; Eurydice, 2011).

Against the background described above, a major reform of student work was attempted with the 2010 Mini-Jobs Act, which restricted the new mini-jobs to students, the unemployed (who inform the employment service of their activities, which can earn them up to EUR 200 gross per month), the retired and other inactive persons, capped mini-job work at 60 hours per month for a given individual, limited total hours of mini-job work for larger employers, and required the payment of social security contributions. However, the Student Organization of Slovenia (ŠOS) and ZSSS collected votes for a referendum, in which this law was defeated.

In autumn 2014, student work was partly regulated in the framework of additional austerity measures and of the balancing of the 2015 state budget by amendments to the Public Finance Balance Act. According to the new regulation, implemented on 1 February 2015, and following the principle that "any work counts", social security contributions are paid on student work; this has eliminated the major characteristic that made it the most precarious form of temporary and occasional work. Student work is now taken into account in the calculation of the pension and disability insurance period: the student is credited one month of insurance period for each 0.6 Slovenian average wage in earnings from student work. As well as an 18% concession fee on student work, employers have to pay 8.85% in pension contributions and 6.36% in healthcare insurance contributions, and students will have to make a 15.15% contribution to the pension system. The student minimum hourly wage rate (EUR 4.50 or EUR 3.80 net of pension insurance) is about 10% below the regular minimum wage (Stropnik, 2015).

According to the labour force survey, the share of student work in total employment increased continuously from 0.9% in 2000 to 3.8% in 2009 and 2010 before falling to 2.5% in 2013, due probably to the recession and the 2012 increase in the concession fee. The number of persons performing student work according to the labour force survey declined from 37 000 in 2009 and 2010 to 23 000 in 2013, but recovered to 31 000 in 2015, possibly due to supply-side factors (the minimum wage for student workers has increased, and the pension reform creates an incentive for students to make pension contributions) and employer demand factors (substitution away from fixed-term contract employment). However, students are working fewer hours than before, due perhaps to the increase in employer cost and more-effective limitation to occasional and temporary work (Ignjatović and Mrčela, 2015).

Fixed-term contract work

In Slovenia in 2015, according to the national labour force survey, 12.8% of employees had a fixed-term contract. Including other contractual situations, 17.8% of employees had a contract of limited duration, above the European average of 14.2% (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_etpga). According to unpublished administrative statistics, inflows to registered unemployment with an unemployment insurance (UI) claim based on expiry of a fixed-term contract have greatly increased since the 2000s, from around 14 000 in 2005 and 11 000 in 2006-08, to 15 000 annually in 2009-11, 21 000 in 2012 and 23 000 in 2015. Total inflows to registered unemployment in 2015 were about the same as in 2005, so these UI claims have also increased sharply as a share of total inflows. This is likely to reflect in some combination employer response to the increased minimum wage and regulatory changes, learning effects (adaptation of contracting behaviour to the UI contribution requirements), and the relaxation of contribution conditions for unemployment benefit entitlement in response to the recession. From 2011, only nine months of employment in the last 24 months are required for a repeat claim. If a worker repeatedly claims three months of benefit with a replacement rate of 80% after nine months of work, the UI payments total about 27% (=80%/3) of the wage payments, which may be seen as a relatively large public subsidy.

Slovenia's April 2013 labour market reform increased regulation and taxation of fixed-term contracts and slightly reduced them for permanent contracts (Box 2.1). In the first year after these changes, rates of transition into permanent jobs from fixed-term contracts and unemployment increased. However, the net and longer-term impact remains uncertain, and the use of several forms of non-standard work increased again in 2015.

Box 2.1 **The 2013 labour market reform**

Slovenia's revised Employment Relationships Act of March 2013 restricted the use of fixed-term contracts by requiring severance payments upon contract termination, increasing the employer UI contribution rate for fixed-term contracts (although the increase was small, from 0.06% of earnings to 0.30%), and limiting the maximum duration of fixed-term contracts for the same work position to two years. At the same time, for permanent contract notices and severance pay requirements for layoffs were eased, and employers were exempted from UI contributions for the first two years.

A Working Group for Monitoring the Effects of Labour Market Legislation reported in 2014 that in the short term the legislative changes had contributed to achieving the stated goals of reducing labour market segmentation and increasing flexibility, to a limited extent. The changes stimulated the employment of younger workers (those under 30 years) on indefinite contracts, but not older workers (those over 55 years). Labour market flows – from employment to unemployment, and vice versa – increased, consistent with increased flexibility. However, the report cautions that the decrease in the share of employment via fixed-term contracts – one of the stated goals of the reforms – may have come at the expense of an increase in employment via alternative forms of flexible employment: student work and contracting via sole proprietorships.

In terms of specific suggestions for future reforms, the Working Group (2014) report recommends:

- Analysing how to improve the inclusion of displaced workers in employment services during their notice periods (a new stipulation in the Labour Code, which gave workers on notice the right to use employment services, was little used).
- Examining measures that could increase participation in the newly-instituted work schemes for retired workers, including the possibility of mentoring programmes that link retirees and younger workers.
- Examining a unified framework of financial incentives for the employment of younger and older unemployed workers (social contribution waivers and subsidies), re-evaluating the existing social contribution waivers for older workers which are not targeted at the unemployed.
- Examining the tax benefits of alternative forms of work commonly utilised by employers, e.g. student work and contracting with sole proprietors.

A Bank of Slovenia survey following the enactment of the 2013 reforms found that their perceived effects amongst employers were relatively small (Schnattinger et al, 2015). In an ad-hoc survey of 1 285 firms, only 14% reported that the reforms had affected their hiring or firing policies. For those that were affected, the intended decrease in labour market segmentation seems to have been achieved. The survey also queried firms regarding obstacles to hiring workers on permanent contracts. Amongst successful firms which had increased employment in recent years, the most important factors cited were i) taxation of labour and ii) uncertain macroeconomic conditions, followed by iii) a lack of suitably skilled workers and iv) the inability to unilaterally lower wages in the event of shocks (Jemec and Vodopivec, 2016). High firing costs and hiring costs were next in terms of relevance, out of a total of ten possible factors. Less than one tenth of firms reported that they had to resort to worker dismissals in response to the increase in the minimum wage, but almost a quarter of firms reported that they hired fewer workers.

The revised Act also introduced indefinite-term employment with temporary work agencies, limiting the number of temporary agency workers to 25% of the final user's total employment but excluding workers employed by the agencies from the quota (Ticar, 2014). This is seen as a decrease in restrictions on the use of temporary work agencies. The 2013 labour market reform reduced the OECD index of the strictness of employment protection legislation against individual dismissals from 2.39 to 1.99 and it also reduced the index for temporary contracts from 2.50 to 2.13, because the decrease in restrictions on the use of temporary work agencies (particularly in cases where the workers are employed by the agency under a permanent contract) outweighed the increased restrictiveness on fixed-term contracts. These two index values are now both close to an unweighted OECD average (Vodopivec at al., 2016).

Temporary work agency work

Ignjatović and Mrčela (2015) report that according to administrative reports the number of workers provided by agencies increased from 9 898 in 2009 to 15 198 in 2013. These annual data overstate the numbers employed in a given month, and Lukic (2016) reports that the number of people employed by or through temporary work agencies (TWA) increased from 6 819 in October 2013 to 14 937 in October 2015, an increase roughly from 1% of dependent employment to 2%.

Ignjatović and Mrčela (2015) state that the temporary worker is insured against all labour risks (unemployment, health, pension, etc.) and the "temporary worker's rights also include the right to use the benefits that the client company provides to its own workers". The TWA may pay meal and travel allowances based on the worker's travel to the client company place of work.

Self-employment

The share of self-employment in total employment increased from 9.9% in 2008 to 12.6% in 2011 (Lukic, 2016), partly due to the sharp fall in dependent employment. However, there was also a fall in self-employment incomes which according to Ignjatović and Mrčela (2015) corresponds with the increased activity of the Employment Service of Slovenia offering a subsidy (a grant of EUR 4 500 if the person remains self-employed for at least two years) for becoming self-employed. Due to concerns about the impact on poverty this subsidy was abolished in 2014. Lukic (2016) reports a further slight increase in self-employment in 2014.

The use of civil law contracts (contracts for service) is prohibited if the relationship between the employer and the independent contractor has elements of an employment relationship. The number of violations of this sort detected by the labour inspectorate increased in the 2010s reaching 237 in 2014, but this may reflect increased enforcement activity, and "the reference on the growing trend and share of bogus self-employment in the Slovenian labour market is only anecdotal" (Ignjatović and Mrčela, 2015). The 2013 Employment Relationships Act extended employment protection rights to sole proprietors whose revenues at a single client exceed 80% of their total.

Undeclared work

Despite a generally high quality of public governance, Slovene literature identifies a significant incidence of grey economy work. Indeed the Social Contract for the 2015-16 period (ESC, 2014) refers to "The crisis of values in Slovenian society, which manifests itself disrespect for laws and regulations, corruption, undue accumulation of wealth by individuals, growing inequalities, a systematic destruction of enterprises, the transferring of cash to tax havens, and the evasion of tax and social security contributions".

Feldina and Polanec (2012) note that the official estimate for the share of informal economy in Slovenia, 8.3% of GDP in 2007, is significantly higher than the corresponding values for established market economies (e.g. 6.5% in neighbouring Austria in 2004) and lower than the corresponding values for the majority of transition economies (e.g., 15.3% in Hungary in 2004; 9.5% in Estonia in 2000).

Only a fraction of the informal economy in financial terms represents undeclared work, but undeclared work even with low earnings becomes costly when by supplementing benefits it increases replacement rates to around 100%, increasing the incentive for repeat UI claims and long-term social assistance benefit claims. Although undeclared work has probably declined in at least some sectors of the economy since the 1990s, undeclared work by social assistance recipients may have become a more significant issue as assistance benefits are no longer conditional on the contribution record or effectively time-limited. Ignjatović and Mrčela (2015) note that "strong dependence on the activity status and the high at risk-of-poverty rate for unemployed people are somewhat alleviated by the strong involvement of household/family/relatives assistance in different activities (food, clothes, care) and the relatively high share of undeclared work in local communities". Agencies delivering activation programmes encounter reluctance to take work which they attribute primarily to undeclared work.

Slovenia is perhaps an example of good practice in terms of tackling undeclared work, since information systems allow linking of administrative records to detect inconsistencies, and many measures have been introduced over the years:

- A taper was introduced in the 1990s because the difference between low wages and the minimum income has acted as a strong disincentive to look for work. Tapers are also considered an incentive for social assistance beneficiaries to try to find work in the formal economy. This is particularly important in countries with a relatively large grey economy. (Stropnik, 2013a).
- Unions supported more severe sanctions for the informal economy, but had some reservations regarding the Prevention of Work and Hiring Labour in Informal Economy Act (2011), which contributed to its rejection in a referendum … This led analysts to conclude that this reflects "their short-term interests, neglecting possible medium- and long-term positive consequences for employment and the employed". (Stropnik, 2013a).
- The recently-enacted Prevention of Undeclared Work and Employment Act (Official Gazette of the Republic of Slovenia, No. 32/2014) and the new Labour Inspection Act (Official Gazette of the Republic of Slovenia, No.19/2014) tighten the state's relationship towards offenders in the labour market. "*Slovenia has been facing problems of high unemployment and low law enforcement for quite some time. Labour rights violations and, equally, unemployment rates increased during the evolution of the crisis. Therefore, the state wanted to liberalise labour legislation on one and improve its enforcement on the other hand*." (Ticar, 2014).
- A "personal supplementary work" voucher, which costs EUR 9 per months, was introduced in 2015. The voucher should be purchased for or by individuals who work as domestic helpers, and individuals who produce art and craft products or harvest and sell forest fruits and herbs. Their annual personal income from personal supplementary work may not exceed two average monthly wages for the preceding year. Individuals must be registered with the relevant national agency and are under these circumstances insured for work injury and occupational disease, and recognised for entitlement to pension and disability insurance.
- From 2016, cash transactions in the economy are more strictly controlled through a requirement to use fiscal cash registers, which is expected to increase VAT income by EUR 70 million per year (Vidmar, 2015).

Tax and social insurance contribution rates

In Slovenia, total tax revenue since 2011 has been about 37% of GDP, higher than in the Czech Republic, Slovak Republic and Poland but lower than in several other European countries. Social security contribution revenues are relatively high, representing about 15% of GDP and 40% of total tax revenue (among the highest levels, together with the Czech Republic, Slovak Republic, Poland and several other European countries).

However, unemployment insurance (UI) contribution rates are low at 0.14% of salary for the employer and 0.06% for the employee. With a combined contribution rate of 0.2%, UI contributions covered less than 25% of expenditure in the 2000s and only about 8% in 2011-13. From 2011-13, UI expenditure totalled about 0.8% of GDP and social assistance and disability benefit payments to the registered unemployed were probably about the same amount. By 2015, UI claims had fallen, but the number of registered unemployed on other benefits had increased.

Many other countries partly fund UI benefits through general taxation and this is not necessarily problematic. A principle that UI benefits should be wholly funded from contributions, at least on average over the cycle, arguably has some symbolic or ideological impact on system management, but it can be negative (e.g. when workers think that the contributions "entitle" them to benefits without conditionality) or positive (e.g. when areas of unwarranted cost growth attract attention, and are intensively analysed and debated). If low UI contribution rates in Slovenia are concealing the true cost of the benefits from stakeholders, but nevertheless promoting an entitlement mentality, reform is desirable. Contribution rates could be raised to cover costs while also emphasising some version of a principle stated in the Swiss unemployment insurance law (and applied by courts, when assessing appeals against benefit sanctions). "The insurance benefit claimant must, with the assistance of the competent employment office, undertake everything that can reasonably be expected of him to prevent unemployment or shorten it". (www.admin.ch/opc/fr/classified-compilation/19820159/, Article 17).

In Slovenia, revenue from income taxes as a percentage of GDP is below the OECD average, but about the same level as in Visegrad countries. Revenue from property taxes is particularly low, 0.6% of GDP in 2013 whereas the OECD average is 1.9% (OECD, 2015). Property tax reform should be pursued as one measure that could slightly shift the tax burden away from labour.

Seniority allowances

Older-worker employment rates tend to be high in countries with flexible labour markets, where workers find it easier to change jobs and average earnings peak in middle age and fall for the 55-59 and 60-64 age groups. Against this background, seniority allowances, which increase indefinitely with years employed, are a likely cause of low older-worker employment rates in Slovenia.

Strategies encouraging firms to retain incumbent older workers encounter employer resistance on labour cost grounds. Some policy measures focus on this cost issue. For example, in Japan an older worker's unemployment benefit entitlement can be paid to the firm as a subsidy for retaining them past the company standard retirement age; in Korea, the government promotes a "wage peak" system where wages can decline after age 55; in the 2000s, the Netherlands reduced employer social security contributions for workers hired after age 50, or retained by same employer after age 55.

The Employment Relationships Act 2013 specifies that "The amount of the seniority bonus shall be laid down in a branch collective agreement". Kump (2008) reported that the allowance was 0.5% of basic salary for each year of service, and OECD (2009a) reported that it was previously mandated at a minimum 0.5% per year of service. This percentage still applies in most private sector agreements, although the public sector agreement now specifies 0.33% for each completed year of service (www.mp.gov.si/fileadmin/mp.gov.si/pageuploads/mp.gov.si/zakonodaja/angleski_prevodi_zakonov/Collective_Agreement_070311.doc). Vodopivec (2014) finds that in 2001 workers aged over 50 enjoyed a 18% wage premium, reflecting mandated seniority pay, but their relative marginal productivity had fallen since 1994, and was no longer higher than for younger workers. He concludes that mandated seniority pay may play an important role in hindering the employability of older workers in Slovenia.

New hires are entitled to a seniority allowance based on their previous years employed (which are documented from pension contribution records or similar) at the rate defined in their new employer's collective agreement, so this bonus increases the employer cost of a new hire of an older worker relative to a younger worker. Employer reluctance to hire older workers may lock them into their current job even when they are dissatisfied with it. In a 2011 survey, in Slovenia 46% of workers strongly agreed "I am satisfied with my job" (EU average: 69%) and 72% strongly agreed that they "wish to retire as soon as possible" (EU average: 43%). Older workers with tertiary education or higher were more often satisfied with their job, but still relatively anxious to retire (Damjan et al., 2016).

In 2003, annual new hires of 55-64-year olds totalled only 2% of the stock of 55-64-year old workers, compared with an EU average of 5%, rising to about 8% in Denmark and the United Kingdom. By 2014 Slovenia's older-worker hiring rate had increased to 4%, closer to the European average of 6% (www.oecd.org/els/emp/OW2014.xlsx). This might reflect increased layoffs of older workers in the recession. At the same time, it might indicate that Slovenia's labour market is becoming less rigid. When the wage for new hires can be individually negotiated, any obligation to pay seniority allowances is not such a significant constraint. To facilitate retention in current jobs under collective agreements, seniority bonuses could be capped after a certain number of years, in line with private-sector practices for tenure-related pay bonuses in other countries.

High labour costs for older workers also increase the employer's incentive to dismiss them, at ages where extended unemployment benefit and related entitlements represent a route into early retirement. The employer needs to lay them off for incompetence, since if they quit they will not be eligible for benefits. This clearly happened in 2010 and 2012 when inflows to unemployment peaked with 10% of inflows being due to "worker incompetence", and coinciding with peaks in first-time requests for calculations of pension eligibility (MDDSZ, 2016).

Travel and meal allowances

Along with the seniority allowance and an annual holiday bonus, meal and travel allowances are an important component of wages in Slovenia. Meal and travel allowances (unlike other allowances) are not taxable. Perhaps as a legacy from the operation in former Yugoslavia of co-operative enterprises in a quasi-market environment but under worker self-management, important features of these allowances in Slovenia are internationally exceptional:

- The allowances are paid to the employee directly with their regular salary, not as reimbursements of actual costs (e.g. travel passes), direct purchases (e.g. meal vouchers) by the employer, or as allowances that can be claimed by employees in their tax returns.
- The Employment Relationships Act requires employers to pay these allowances, whereas such employer payments in other EU countries are not required by law (Korpič-Horvat et al., 2009), although the rates of allowances can vary depending on the employer's collective agreement.

In some other OECD countries, the tax system provides quasi-fixed deductions that nominally represent work-related costs, but direct reimbursements of actual commuting costs by the employer or the regular costs of meals as a cash payment are treated largely as a taxable salary. In New Zealand, meal allowances are non-taxable only when the employee has worked two hours of overtime on the day of the payment (www2.deloitte.com/nz/en/pages/tax-alerts/articles/collective-agreements-and-employee-allowances.html). In the United Kingdom, employers may provide luncheon vouchers (spent only in restaurants) but the ceiling on tax relief available for them was not updated since 1948 and was abolished in 2013, i.e. employer funding of the vouchers is treated as taxable salary https://en.wikipedia.org/wiki/Meal_voucher; HMRC, 2012). In France, by contrast, employer contributions to the cost of meal tickets – which can be spent on fruit and vegetables and prepared meals, or in restaurants – are tax exempt up to EUR 5.37 per working day, not including holidays, or around EUR 1 200 per year.

As regards travel costs, the Italy, Spain and the United Kingdom provide no income tax reduction for commuting costs; in Ireland (only in the case of a travel pass paid by the employer) and the Netherlands public transport costs can be deductible; Germany provides an (employee) tax allowance of EUR 0.30/km of the simple distance between home and workplace regardless of the mode of transport or total distance, and also a reduced (15%) employer tax rate if an employer pays a travel allowance (up to this limit) to employees. Several more European countries allow deduction of car costs at a similar rate but only if public transport is not available (ECF, 2014; EY, 2015). In France, travel allowances for home-to-workplace commuting are tax exempt up to the value of 50% of the cost of cheapest method of public transport (only reimbursements of the cost of travel passes, not individual tickets), on up to EUR 200 per year of employer contributions to petrol costs (if the employee voluntarily uses their own car). The whole cost (based on distance and standard kilometric rates) of travel by car is tax exempt if the public transport option is unavailable: however, this excludes situations where home and workplace are in the same transport region (the Ile de France which covers more than half the area of Slovenia is counted as a single transport region: www.service-public.fr/particuliers/vosdroits/F19846), and cost savings from car-sharing are not allowed (www.urssaf.fr/portail/home/employeur/calculer-les-cotisations/les-elements-a-prendre-en-compte/les-frais-professionnels/les-frais-de-transport.html). Another factor is that several countries (e.g. Austria, France, Sweden) provide a fixed tax allowance or deduction for commuting costs or the overall costs of employment or they disallow itemised claims below a certain threshold, so that only taxpayers with lengthy or expensive commutes gain by itemising their commuting distance or costs (ECF, 2014).

Level of the allowances

In Slovenia, the consolidated Regulation on the tax treatment of reimbursements and other income from employment dating from 2006 and 2008 (www.pisrs.si/Pis.web/pregledPredpisa?id=URED4359) limits tax deductibility to:

- Meal allowance: EUR 6.12 for each day an employee is present at work for four hours or more.
- Travel allowance: if the habitual residence is more than 1 km from the place of employment, the cost of public transport; plus, if the closest station(s) for the public transport are more than 1 km from the habitual residence and/or the place of employment, EUR 0.18 for each full kilometre of travel to the closest stations. If the employee "for justified reasons" cannot use public transport, the allowance is EUR 0.18 per full kilometre according to normal minimum road links.

Since 2014, employers have to report the amount of exempt meal and travel allowances, along with their reports of withholding tax on salaries paid. Under the Employment Relationships Act, the allowances are to be paid under the conditions and in the manner determined by collective agreements, or the collective agreement for comparable activities. Court decisions have confirmed that the employer must reimburse the costs of adequate meals during working time.

In 1996, in a typical-case calculation travel allowance payments totalled 2.3% of employer labour costs, or 3.7% of gross earnings (therefore, a higher percentage of net earnings) for a secretary, a lower-paid employee (OECD, 1997). In 2010, travel allowance payments averaged EUR 834 per year, about 4.7% of average gross earnings or 5.8% of median gross earnings (SORS, 2013a). In 1996 typical-case calculations, travel allowances were determined as 60% of the cost of public city transport (OECD, 1997). According to 2012 information, transport allowances covered 60-80% of the cost of public transport, and some collective agreements fixed the allowances for commuting distances over 2 km by car at 8% of the cost of petrol; Guardiancich, 2012; Unilang, 2012). In the 1996 typical case calculations cited, meal allowances were five times the size of travel allowances but in the 2010 statistics they averaged nearly the same. Travel and meal allowances together may therefore amount to over 10% of net earnings on average and 15% for lower-paid workers, with considerable variation across individuals.

Meal and travel allowance payments are not strongly correlated with gross earnings by occupation or firm size. By level of educational attainment, annual payments increase in absolute terms but fall sharply as a proportion of gross earnings (EUR 1 306 or 11.6% of gross earnings at less-than-secondary level, EUR 1 723 or 6.3% of gross earnings at tertiary level). They therefore increase the employer cost of low paid work relative to gross earnings, but reduce the combined (employee plus employer) tax rate on low-paid work relative to labour cost.

Administration, incentives and interaction with the minimum wage

General incentives

The tax-exempt status of travel allowances in principle subsidises employees' use of their own time and other resources for commuting. In depressed regions it increases incomes and it may reduce unemployment, although it also reduces the incentive for businesses to locate in the depressed regions, rather than for example in Ljubljana. It is open to some tax evasion, where an employee lives not far from their workplace but is registered at a distant address (e.g. their parents' home). For employers who precisely comply with specified principles of calculation, as employees relocate and petrol prices change each month, travel allowances also involve administration costs.

Part-time work

Travel allowance payments might increase the employer cost of part-time (more precisely, part-day) work relative to full-time work, if two part-time workers replace one full-time worker and the employer pays a travel allowance to both workers. The incidence of part-time work in total dependent employment in Slovenia has increased from about 3.5% in 2000 to 7% in 2014, which is higher than in several other CEE countries, but remains far below the OECD average. The proportion of part-time work under a regular employment contract seems to be considerably lower than this, since about a third of all part-time work is student work (SORS, 2013b) for which meal and travel allowances are not paid.

Interactions with the minimum wage

The statistical concept of annual gross earnings in Slovenia does not include meal and travel allowances (SORS, 2013a). Average meal and travel allowances for a worker with less-than-secondary education in 2010 (EUR 1 306) were 14.5% of an annual gross minimum wage in 2011 (after the 2010 increase). These allowances are normally payable in addition to the minimum wage (although according to Ignjatović and Mrčela, 2015, there are "known cases where some employers also include various bonuses belonging to the worker from work…in the prescribed minimum wage").

Feldina and Polanec (2012) identify minimum-wage workers as those with a total annual gross wage within EUR 5 of the minimum, so that people who are paid a seniority or other allowance in addition to a basic wage at the minimum rate are by definition not minimum-wage workers. On this basis, the incidence of minimum-wage work is close to zero in firms with 30 or more employees, but it reaches 6% to 7% for sole proprietorships with 1-3 employees. Other studies (Schnattinger et al., 2015; Laporšek et al., 2015) allow more variation above the minimum, and therefore identify more people as minimum-wage workers, but they do not at all mention the treatment of allowances.

In the case of employees not covered by any collective agreement, paying some employees more as a regular wage and less as a seniority or meal allowance (or perhaps, other expense) may to some extent be legitimate. In the dispute over the 2015 Act Amending the Minimum Wage Act (which requires that bonuses for night shifts and work on Sundays and public holidays should be paid as compensation additional to the minimum wage), a "hidden agenda" for both employers and unions may be the prospect that the authorities will supervise and enforce other bonuses and allowances, whereas currently the *de facto* main requirement is payment of taxes on at least the minimum wage.

Making meal and travel allowances taxable, at the same time as incorporating them with other allowances into the minimum wage, would clarify social dialogue, limit possible associated tax evasion, and rebalance the incentives for long commutes. Short of this, the size of the allowances treated as tax-exempt might be further standardised. The 2012 Public Finance Balance Act (ZUJF) reduced the meal allowance in the public sector to EUR 3.52 (www.sloveniatimes.com/sweeping-changes-on-the-table), well below the current limit on tax deductibility (see above).

Statistical basis of the minimum wage increase legislated in 2010

The 2010 increase in the minimum wage was a response to the findings of a study which identified the minimum cost of living in Slovenia as EUR 562.02 per month (Stropnik et al., 2009; Stropnik, 2013a; Ignjatović and Mrčela, 2015). In 2009 the net minimum wage (about EUR 460 net per month) was only about 82% of the minimum costs of living, and it was also below the 2007 at-risk-of-poverty threshold (about EUR 495). "As a consequence of all this, and in order to maintain a work-incentive ratio between the minimum wage and the minimum income after a foreseen increase in social transfers, in March 2010 we witnessed the biggest increase in the minimum wage in Slovenia ever (by 23%), to EUR 734 gross (Minimum Wage Act 2010), or EUR 562 net". More specifically, in negotiations between the social partners, the net minimum wage of EUR 562.07 was set at the minimum cost of living estimated from the spending of the 20% of non-agricultural households with the lowest incomes (Stropnik, 2013b).

An expenditure survey would not directly identify the items of expenditure covered by meal and travel allowances (a worker's itemised travel expenses can legitimately be far different from their travel allowance, e.g. if they car-share or bike). Workers with less than secondary education in 2010 received meal and travel allowances averaging EUR 109 per month from their employer (SORS, 2013a), which suggests that minimum cost of living, net of these allowances when they are paid, would have been around EUR 453 per month, which was covered by the net minimum wage even before the increase.

International comparisons and the at-risk-of-poverty rate

When wage statistics do not include meal and travel allowances but labour costs do include these allowances the ratio of the minimum to the average wage in labour costs terms will exceed the ratio in gross earnings terms (assuming that the allowances do not vary strongly with the wage).

At the same time, ratios between the minimum wage and household incomes will be understated, since bonuses and allowances are recorded as income in household income statistics. Inconsistent treatment of these allowances between the numerator and denominator of various minimum wage ratios can account for extreme variations in Slovenia's position in international comparisons of the minimum wage. Stoviček (2013) reports that the ratio of minimum wage to average earnings in 2011 was 0.49 in terms of gross earnings, slightly higher than in any other EU country, and 0.52 in terms of labour costs, much higher than in any other EU country (the next-highest ratio was 0.44 in Poland). Stoviček (2013) also reports that the ratio of the net income of the minimum wage-worker to the at-risk-of-poverty threshold was 0.98, the fourth-lowest ratio among the 18 EU countries. Stoviček attributes the difference to Slovenia's relatively-equal income distribution (which reduces the ratio of average to median incomes), but this factor could only explain a fraction of the difference: Slovenia's ratio is about 30% above the EU average in labour cost terms and 10% below the EU average relative to the at-risk-of-poverty level. Two further factors likely to be involved are:

- Family (child) allowances in Slovenia are relatively high, which reduces the disposable income of a single-person minimum-wage household relative to (equivalised) median disposable income.

- In several other countries with a relatively-high minimum wage, labour costs for a minimum-wage worker are reduced by subsidies (e.g. reductions in employer social security contribution rates target on minimum-wage workers).

However, the most important factor is likely to be that the at-risk-of-poverty threshold is calculated as 60% of national median equivalised disposable income after social transfers including meal and travel allowances, whereas the calculated net income of the minimum-wage worker excludes these allowances. Reworking Stoviček's estimates to include average allowances, the net income of a minimum wage worker in 2011 may have been nearly 1.2 times the at-risk-of-poverty level, the third-highest ratio in the EU (after the Netherlands and the United Kingdom) or not much lower.

Support for education and training

Education and training are key determinants of productivity and competitiveness at the national and individual levels. They are a key factor increasing individual productivity. Investment in worker skills can help companies to adapt to high labour costs. At the national level, GDP per hour worked only recovered to its 2008 level in 2015, and even partial restoration of previous growth rates would do much to resolve macroeconomic problems. Since 2006, the Slovene Human Resources Development and Scholarship Fund (HRDSF) has become the central public institution promoting youth education and skills, workplace skills development and human resources management at company level.

Scholarships

In 2006 the HRDSF took over the programmes of the former Science and Education Foundation, a public fund established by the Slovene Government in July 2001. Through the HRDSF, Slovenia provides the resources for the development and mobility of its intellectual capital, funding studies by Slovenes abroad and by foreigners in Slovenia, and supporting the international mobility of students and researchers from and to Slovenia (www.culture.si/en/Slovene_Human_Resources_Development_and_Scholarship_Fund). The scholarships include funding for the best students in the country to study at foreign universities, with an obligation to return to the country and be employed in Slovenia for at least as many years they have received scholarship support. Over 2008-14 HRDSF disbursed over EUR 100 million in scholarships for tertiary and post-graduate education and over EUR 10 million for co-financing of company scholarships. The European Social Fund (ESF) co-funds further company scholarships through Single regional scholarship schemes implemented by regional development agencies (RDAs) (EUR 14.7 million) (HRDSF, 2015).

In the 2015-19 period, MDDSZ and the ESF will provide up to EUR 1.2 million to fund up to 1 000 scholarships of EUR 100 per month for youths training for undersubscribed professions. Priority areas with an anticipated gap between labour demand and labour supply related to the retirement of qualified workers include handcraft, computer science, mechanical engineering, electrical engineering, food processing, construction, forestry, wood processing, chemical technologies and services (hotel management, catering and chimney sweeping). The shortage fields will be determined yearly by the responsible ministry in co-operation with the social partners and youth representatives (www.cedefop.europa.eu/en/news-and-press/news/slovenia-scholarships-shortage-occupations).

European Social Fund and national funding and programmes

Of the ESF 2007-13 planned funding for Slovenia (EUR 756 million), more than 20% was allocated to the human resource development and lifelong learning function (EUR 165 million). It may be noted that 2007-2013 funding supported expenditure into 2014 and 2015. Of the 2007-13 funding mediated by MDDSZ (EUR 404 million), the largest share was implemented by the Employment Service of Slovenia. By this route, the ESF provided about half (or more, in some years) of the total funding for ALMPs; the balance has varied significantly by year, with mainly government funding of job-creation measures and ESF funding of other measures (see Chapter 4).

In the coming years, ESF funding will be somewhat lower. The MDDSZ 2014-20 Operational Programme totals over EUR 600 million EUR for employment, supporting transnational labour mobility, social inclusion and the fight against poverty. This includes about EUR 180 million from the ESF and EUR 56 million from the European Regional Development Fund (ERDF). The Employment Service of Slovenia implements programmes targeted at the unemployed and the more-recent European Youth Employment Initiative (EUR 9.2 million for 2014-20, with matching ESF funding), while HRDSF has the key role in implementing programmes targeted at employed persons and young people in school.

HRDSF non-scholarship programmes

In addition to its disbursements for university scholarships, over the period 2008-15 the HRDSF ran eight human resources development programmes. The earliest and largest HRDSF programmes in terms of ESF funding were Practical Training with Work (with EUR17.7 million disbursed to end 2014), Qualification and Training of Employees (company training, EUR 11.0 million), and Reducing the Education Deficit (completion of secondary education and the retraining of adults, EUR 9.9 million). Programmes implemented from 2010 or later include Diversifying the School Programmes (EUR 3.7 million), Lifelong Career Guidance for Companies and Employees (EUR 3.5 million), Competence Centres for Human Resources (EUR 5.6 million), and Youth Mentorship, for a total of over EUR 70 million of ESF funding from 2007 or 2008 to end 2014. The investment in human resources managed by the HRDSF in these areas exceeded EUR 80 million in 2015, reflecting the build-up of programmes and co-funding.

Among the 2007-15 ESF-funded programmes, Practical Training with Work, where vocational and technical school children implement projects on employer premises, cost about EUR 700 per participant on average and the Qualification and Training of Employees cost about EUR 300 per participant.

HRDSF programme content and implementation

The number of grant applications approved by the HRDSF per programme ranged from over 10 000 for Practical Training with Work, applicants being mainly small employers offering places to children in vocational education, to 19 for the Competence Centres for Human Resources, which were industry centres promoting collaboration between companies by exchanging expertise, defining competences and assisting companies with the design and organisation of their specific training courses. Lifelong Career Guidance for Companies and Employees, with 370 approved applications, provided support at company level to human resources departments to engage with employees and invest in their development. Companies were encouraged to open up opportunities and set the right challenges for staff, and measures delivered included profiling, career plans, training in personal and career development and "soft" skills.

The first and largest of the employee development programmes, Qualification and Training of Employees, provides co-financing for companies to set up training courses with more employees participating longer-term than would normally be the case. The content of training may vary widely, e.g. emotional intelligence, building relationships and management of stress for sales workers; or the management and retrieval of documentation, for workers manufacturing technical equipment. This programme from 2011 was called the Training and Education Programme (UIZ 2011), which started with two calls for applications for company training of all employees, but narrowed the third call down to the co-financing of training for employees aged 50 or older, women who completed only primary school education and the disabled. Targeted measures to foster employability and job mobility contribute, in Slovenia as in other countries, to ongoing increases in older-worker employment rates.

The 2013-15 Youth Mentorship programme subsidised the hiring of 464 young workers, usually as their first job, to work with a skilled mentor for 6-12 months. At end 2015, 93% of the young workers were still employed. High cost, averaging EUR 6 700 per mentee participant (based on expenditure to end 2015), limited the participant numbers. A key objective of this programme was "the effective transfers of "secrets" or specific knowledge between employees… [b]y transferring knowledge internally, a company preserves, captures, improves and uses all of the available knowledge in order to achieve progress in terms of competitiveness and growth" (HRDSF, 2015).

Key findings and recommendations

Slovenia maintained effective social partnership arrangements through its gentle post-socialist transition and a period of national focus on the goal of EU and Euro Area membership in 2004 and 2007. However, the recession from 2009 was deep and cast a long shadow, exacerbated by structural problems that had not been fully addressed, the 2010 minimum wage hike, and social and political conflict over this change, employment regulation, and reforms to tackle growing pressures on the welfare state. Necessary reforms of employment regulation and pensions were subsequently implemented, and some labour market recovery is now under way. The minimum wage, high in international comparison, has probably led to some job loss and employer preference for non-standard forms of work, which avoid the potential cost of regular permanent contracts. Investments in skills, raising productivity, are essential to maintain cost competitiveness. As social assistance has become more like a long-term unemployment benefit, it needs to be managed appropriately. Other structural challenges persist, at least partly, calling for further reform. The rest of the report looks in depth at reform needs and possible policy solutions in relation to Slovenia's activation policy.

References

Banerjee, B., M. Vodopivec and U. Sila (2013), "Wage setting in Slovenia: interpretation of the Wage Dynamics Network (WDN) survey findings in an institutional and macroeconomic context", *IZA Journal of European Labor Studies*, 2013, Vol. 2, No. 9, http://izajoels.iza.org.

Bank of Slovenia (2016a), "Economics and Financial Developments", January, https://www.bsi.si/iskalniki/reports.asp?MapaId=1730.

Bank of Slovenia (2016b), "Economics and Financial Developments", April, https://www.bsi.si/iskalniki/reports.asp?MapaId=1730.

Bohle, D. and B. Greskovits (2007), "Neoliberalism, embedded neoliberalism and neocorporatism: Towards transnational capitalism in Central Eastern Europe", *West European Politics*, Vol. 30, No. 3, pp. 433-466.

Clauwaert, S. and I. Schömann (2013b), *The Crisis and National Labour Law Reforms: A Mapping Exercise. Country Report: Slovenia*, www.etui.org/Publications2/Working-Papers/The-crisis-and-national-labour-law-reforms-a-mapping-exercise.

Damjan, K. et al. (2016), "Active and Healthy Ageing for Active and Healthy Old Age: WP3 analytical report of the AHA.SI project", Institute for Economic Research, Ljubljana, www.staranje.si/sites/www.staranje.si/files/upload/images/analytical_report.pdf.

Dolenc, P., S. Laporšek, V. Špruk, Matija Vodopivec, Milan Vodopivec, B. Zupančič (2012), "Empirical Analysis of the Effects of the Labor Market Regulation Act", paper presented at the 22nd Statistical Days, Radenci, Slovenia, November, www.stat.si/StatisticniDnevi/Docs/Radenci%202012/prispevki/Dolenc%20-%20ZUTD.pdf.

ECF – European Cyclists' Federation (2014), "Commuting: Who pays the bill? Overview of fiscal regimes for commuting in Europe and recommendations for establishing a level playing-field", www.eltis.org/sites/eltis/files/trainingmaterials/141117-commuting-who-pays-the-bill_2.pdf.

ESC – Economic and Social Council (2014), *Social Contract for the 2015-2016 Period*, www.ess.si/ess/ess-eng.nsf/economic-and-social-council/social-agreement-for-the-period-2015-2016.

Eurydice (2011), "Student Fees and Support", Chapter 3 in: *Modernisation of Higher Education in Europe 2011: Funding and the Social Dimension*, http://eacea.ec.europa.eu/education/eurydice/documents/thematic_reports/131en.pdf.

EY – Ernst and Young (2015), "Response to consultation on tax treatment of expenses of travel and subsistence for employees and office holders (Department of Finance, Ireland)", www.ey.com.

Feldina, A. and S. Polanec (2012), "Underreporting and Minimum Wage", *LICOS Discussion Paper*, No. 324/2012, https://feb.kuleuven.be/drc/licos/publications/dp/dp324.

Guardiancich, I. (2012), "The case of Slovenia", in Guardiancich, I (ed.), *Recovering from the Crisis through Social Dialogue in the New EU Member States: The Case of Bulgaria, the Czech Republic, Poland and Slovenia*, www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_203443.pdf.

Guardiancich, I. (2011), "Slovenian Social Policy in a Consensual Political System: The Dilemmas of a Delayed Transition", in Stambolieva, M. and S. Dehnert (eds.), *Welfare States in Transition: 20 Years after the Yugoslav Welfare Model*, Friedrich Ebert Stiftung, Sofia, http://library.fes.de/pdf-files/bueros/sofia/08711.pdf.

HMRC – Her Majesty's Revenue and Customs (2012), *Luncheon Vouchers: Repeal of Relief*, www.gov.uk/government/uploads/system/uploads/attachment_data/file/192150/ots_luncheon_vouchers.pdf.

Hrast, M. and T. Rakar (2015), "The Future of the Slovenian Welfare State and Challenges to Solidarity", Paper prepared for the Annual ESPAnet Conference: The Lost and the New Worlds of Welfare, 3-5 September, Odense, Denmark, https://blogs.kent.ac.uk/welfsoc/files/2015/05/Draft_Paper_FilipovicHrastRakar.pdf.

HRDSF – Human Resources Development and Scholarship Fund (2015), *With the Development of People – We Prosper: Collection of Programmes, Projects, Experience and Ideas* (available in Slovene via https://ec.europa.eu/epale/sl/resource-centre/content/z-razvojem-ljudi-uspevamo).

Ignjatović, M. and A. Mrčela (2015), *Reducing Precarious Work Through Social Dialogue: Slovenia, Draft Version October 2015*, European Commission, www.research.mbs.ac.uk/ewerc/Our-research/Current-projects/Reducing-Precarious-Work-in-Europe-through-Social.

IMAD – Institute of Macroeconomic Analysis and Development (2015), *Development Report 2015*, Ljubljana, www.umar.gov.si/en/publications/development_report.

IMAD (2014), *Economic Issues 2014*, Ljubljana, www.umar.gov.si/en/publications/economic_issues.

IMAD (2012), *Development Report 2012*, Ljubljana, www.umar.gov.si/en/publications/development_report.

Jemec, N. and M. Vodopivec (2016), *Labour Market Adjustment During the Crisis in Slovenia: Firm-Level Evidence from the WDN Survey*, www.ecb.europa.eu/home/pdf/research/wdn/WDN_Country_Report_SL.pdf.

Jütting, J. and J. de Laiglesia (eds.) (2009), "Is Informal Normal? Towards more and better jobs in developing countries", OECD Development Centre, OECD, Paris.

Kajzer, A. (2013), "Slovenia: Young people and temporary employment in Europe", www.eurofound.europa.eu/observatories/emcc/comparative-information/young-people-and-temporary-employment-in-europe.

Kajzer, A. (2010), "Can Simple Subsidy for Shorter Working Hours Efficiently Preserve Jobs in an Economic Crisis without Causing Labour Hoarding?", Mutual Learning Programme Peer Reviews, Paris, 27-28 September, http://ec.europa.eu/social/BlobServlet?docId=10550&langId=en.

Kolarič, Z., A. Kopač and T. Rakar (2011), "Welfare states in transition: the development of the welfare system in Slovenia", in S. Dehnert and M. Stambolieva (eds), *Welfare States in Transition: 20 Years after the Yugoslav Welfare Model*, Friedrich Ebert Foundation, Sofia, pp. 288-309, http://library.fes.de/pdf-files/bueros/sofia/08711.pdf.

Kolarič, Z., A. Kopač and T. Rakar (2009), "The Slovene welfare system: gradual reform instead of shock treatment", in K. Schubert, S, Hegelich and U. Bazant (eds), *The Handbook of European Welfare Systems*, Routledge, London: New York, pp. 444-461.

Korpič-Horvat, E., B. Tičar and R. Bohinc (2009), "The Salary System in the Private Sector in the Republic Slovenia", *Organizacija*, Vol. 42, No. 4, July-August.

Kovačič, H. (2014), "Slovenia: Changes to wage-setting mechanisms in the context of the crisis and the EU's new economic governance regime", Eurofound, www.eurofound.europa.eu/observatories/eurwork/comparative-information/changes-to-wage-setting-mechanisms-in-the-context-of-the-crisis-and-the-eus-new-economic-governance.

Kump, N. (2008), "Slovenia", in *Adjustment Capacity of Labour Markets of the West Balkan countries (Country Studies – Vol. II)*, European Economy Economic Papers No. 346, http://ec.europa.eu/economy_finance/publications/publication_summary13372_en.htm.

Laporšek, S., M. Vodopivec and M. Vodopivec (2015), "The Employment and Wage Spillover Effects of Slovenia's 2010 Minimum Wage Increase", Proceedings of the Australasian Conference on Business and Social Sciences 2015, Sydney (in partnership with *The Journal of Developing Areas*), www.aabss.org.au/system/files/published/000911-published-acbss-2015-sydney.pdf.

Lindič, M. (2011), "The impact of the irregular minimum wage increase on wages, employment and average hours paid (case study for Slovenia)", *IB Revija* 4/2011, www.umar.gov.si/avtorski_prispevki/ib_revija.

Lukic, G. (2016), *Annual Review of Labour Relations and Social Dialogue Slovenia*, Friedrich Ebert Stiftung, www.fes-socialdialogue.org/news-list/e/annual-review-of-labour-relations-and-social-dialogue-slovenia-2015.

MDDSZ – Ministry of Labour, Family, Social Affairs and Equal Opportunities (2016), *Bela knjiga o pokojninah* (White Paper on Pension System Development), Ljubljana, April, www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/dpd/2Bela_knjiga_o_pokojninah.pdf.

Mrčela, A. (2015), "Slovenia: Working life country profile", www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/slovenia/slovenia-working-life-country-profile.

OECD (2015), *Revenue Statistics 1964-2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/ctpa-rev-data-en.

OECD (2013), *Economic Surveys: Chile, 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-chl-2013-en.

OECD (2011), *Economic Surveys: Slovenia, 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-svn-2011-en.

OECD (2009a), *OECD Reviews of Labour Market and Social Policies: Slovenia*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264068995-en.

OECD (2009b), *Economic Surveys: Slovenia, 2009*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-svn-2009-en.

OECD (2004), "Informal Employment and Promoting the Transition to a Salaried Economy", *Employment Outlook 2004*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2004-7-en.

OECD (2003), "Benefits and Employment, Friend or Foe? Interactions between Passive and Active Social Programmes", *Employment Outlook 2003*, OECD Publishing: Paris, http://dx.doi.org/10.1787/empl_outlook-2003-6-en.

OECD (1997), *Labour Market Policies in Slovenia*, OECD Publishing, Paris.

Riddell. C. and P. Kuhn (2010), "The Long-Term Effects of Unemployment Insurance: Evidence from New Brunswick and Maine, 1940-1991", *Industrial & Labor Relations Review*, Vol. 63, No. 2.

Schnattinger et al. (2015), "Results of the 2014 Wage dynamics network survey in Slovenia", Banka Sloveniji, Prikazi in analize 2015:1, Ljubljana, www.bsi.si/en/publications.asp.

SORS – Statistical Office of the Republic of Slovenia (2013a), "Earnings (by the Structure of Earnings Survey), Slovenia, 2010 – Final Data", *Rapid Reports*, No. 3/2013, www.stat.si/doc/statinf/si-3placeporaziskovanjuostrukturiplace2010.pdf.

SORS (2013b), *From Traineeship to Retirement*, Ljubljana, January 2013, www.stat.si/doc/pub/07-RP-127-1301.pdf.

Stoviček, K. (2013), "Minimum wages in Slovenia: Reducing employment but not poverty?", *ECFIN Country Focus*, Vol. 10, No. 4, June, http://ec.europa.eu/economy_finance/publications/country_focus/2013/cf-vol10_4_en.htm.

Stropnik, N. (2015), "Improved regulation of student work in Slovenia", Flash report, ESPN, http://ec.europa.eu/social/keyDocuments.jsp.

Stropnik, N. (2013a), "Assessment of the implementation of the European Commission Recommendation on active inclusion: A Study of National Policies: Slovenia", EU Network of Independent Experts on Social Inclusion, http://ec.europa.eu/social/keyDocuments.jsp.

Stropnik, N. (2013b), "Minimalni življenjski stroški in minimalni dohodek" (Minimum cost of living and minimum wage), Institute for Economic Research, www.arhiv.ds-rs.si/sites/default/files/file/dokumenti/posveti/20130513-sociala/Nada_Stropnik.ppt.

Stropnik, N. et al. (2009), "Minimalni življenjski stroški" (Minimum costs of living), Inštitut za ekonomska raziskovanja (Institute for Economic Research), Ljubljana.

Suklan, J. and T. Golob (2015), "Student work in Slovenia", in J. Stroulhal (ed.), *Proceedings of the 4th International Conference on Economics, Law and Political Science*, Rome, 7-9 November, www.wseas.us/e-library/conferences/2015/Rome/EPLS/EPLS-21.pdf.

Šušteršič, J., B. Nastav and T. Kosi (2010), "Ekonomski vidiki študentskega dela" (Economic Aspects of Student Work), Faculty of Management Koper, University of Primorska, www.sizad.si/resources/files/Ekonomski_vidiki_studentskega_dela_POROCILO.pdf.

Ticar, L. (2014), "Recent developments of labour legislation in Slovenia within the context of economic crisis", International Society for Labour and Social Security Law, http://islssl.org/wp-content/uploads/2014/08/Slovenian-National-Report.pdf.

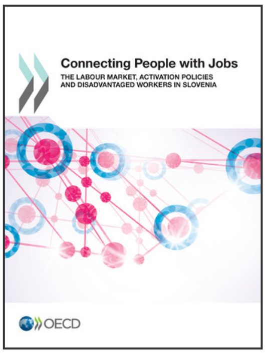
Unilang (2012), "Re: Minimum monthly wages in Slovenia", blog post, http://forum.unilang.org/viewtopic.php?t=37252.

Vidmar, N. (2015), "Tackling Undeclared work in Slovenia: Legal Frame and Main Goals", Ministry of Labour, Family, Social Affairs and Equal Opportunities, www.ijf.hr/upload/files/file/ENG/GREY-conf/vidmar.pptx.

Vodopivec, M. (2014), "Equal Pay for Equal Work: Wage and Productivity Differentials during Slovenia's Transition", *Eastern European Economics*, Vol. 52, No. 5, pp. 87-110.

Vodopivec, M., S. Laporšek and M. Vodopivec (2016), "Levelling the Playing Field: The Effects of Slovenia's 2013 Labour Market Reform", *IZA Discussion Paper*, No. 9783, Bonn, ftp.iza.org/dp9783.pdf.

Working Group (2014), "Report of the Working Group for Monitoring the Effects of Labour Market Legislation in 2013", IMAD, Ljubljana.



From:

Connecting People with Jobs: The Labour Market, Activation Policies and Disadvantaged Workers in Slovenia

Access the complete publication at:

https://doi.org/10.1787/9789264265349-en

Please cite this chapter as:

OECD (2016), "Opportunities: The Slovenian labour market and policy environment", in *Connecting People with Jobs: The Labour Market, Activation Policies and Disadvantaged Workers in Slovenia*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264265349-6-en