

INDUSTRIAL RELATIONS DEVELOPMENTS IN SLOVENIA AND THEIR IMPACTS ON INEQUALITY

by Branko Bembič

Slovenia features a relatively coordinated economy and a neo-corporatist industrial relations system, which came under increasing strain in the mid-2000s. After describing the period of establishment of the Slovenian industrial relations system, as well as the emerging pressures on it, the article presents a range of developments in the areas of flexibility and security, and their impacts on inequality in the post-2008 period. As social dialogue at national level broke down and pressures from international actors strengthened the hand of capital and government, the power of trade unions proved crucial for balancing the demands for flexibility with some security measures. Given the unequal resources of sectoral unions, the integration of various levels (company, sectoral, and national) of trade union structures was essential for the fight against inequality.

La Slovenia possiede un'economia relativamente coordinata e un sistema di relazioni industriali di tipo neo-corporativista, il quale è stato sottoposto a pressioni sempre crescenti a partire dalla metà degli anni Duemila. Dopo aver descritto il periodo di formazione del sistema di relazioni industriali sloveno e le pressioni cui esso è stato sottoposto, il presente articolo affronta gli sviluppi verificatisi nelle aree della flessibilità e della garanzia del posto di lavoro, nonché il loro impatto sulla disuguaglianza nel periodo post-2008. A seguito della rottura del dialogo sociale a livello nazionale e del rafforzamento, su pressione degli attori internazionali, della posizione del capitale e del governo, il potere dei sindacati si è rivelato decisivo per il raggiungimento di un compromesso tra le richieste di flessibilità, da un lato, e le misure a garanzia del posto di lavoro, dall'altro. Considerata la ripartizione diseguale delle risorse a disposizione dei sindacati di settore, l'integrazione dei vari livelli (aziendale, settoriale e nazionale) delle strutture sindacali è stata di fondamentale importanza per la lotta contro la disuguaglianza.

1. INTRODUCTION

Due to its gradual transition from self-managed socialism to capitalism, a comparably small role of foreign investors in privatisation, a developed welfare state, and an 'inclusive' industrial relations system, Slovenia is often considered a coordinated market economy, a kind of neo-corporatist exception among post-socialist countries (cf. Bohle and Greskovits, 2012; Feldmann, 2007). Since the mid-2000s, this model has gradually eroded and, as the crisis broke out in late 2008, it has been exposed to increasing pressures. The article presents the main features and trends in the field of industrial relations in Slovenia with

respect to developments in flexibility and security and their outcomes in terms of various aspects of inequality.

We begin by presenting the main developments in the field of industrial relations in Slovenia. We go on to examine the outcomes of industrial relations developments in the post-2008 period in terms of the balance between flexibility and security, as well as inequality. Next come two case studies illustrating the impact of industrial relations on various aspects of flexibility, security, and inequality between different groups of workers. The final section concludes.

2. DEVELOPMENTS IN INDUSTRIAL RELATIONS AND SOCIAL DIALOGUE

2.1. *Industrial relations and social dialogue at national level*

Slovenia features one of the lowest levels of income inequality in the EU, recording an income quintile share ratio of 3.6, a Gini coefficient of disposable income of 0.245, and a gender pay gap of 8.1% in 2015 (Eurostat), which could to a large extent be explained by the structure of industrial relations (cf. Schulten, 2002; Salverda and Mayhew, 2009; Keune and Vandaele, 2013). This section presents the development of industrial relations in Slovenia with regard to the selected dimensions of flexibility and security and their outcomes in terms of inequality.

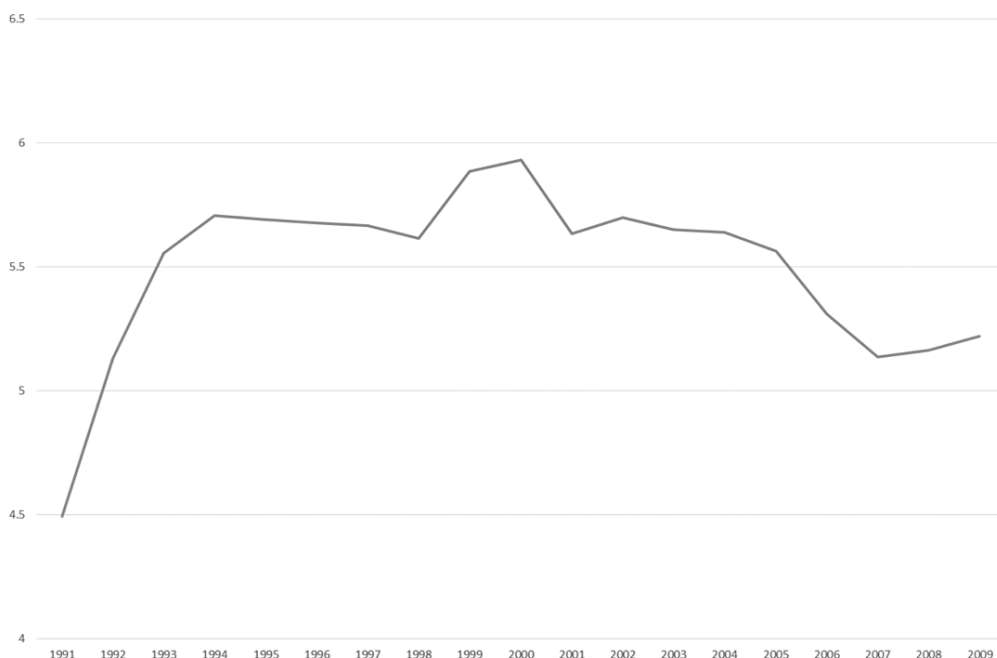
The first phase of transition was marked by the strong mobilisation of Slovenian organised labour in the early 1990s (cf. Crowley and Stanojević, 2011). The other important actor was the emerging national bourgeoisie mainly composed of the top management of formerly self-managed enterprises that needed to appropriate what used to be social property in order to become a proper capitalist class. We present the evolving pattern of Slovenian industrial relations in the context of the changing balance of forces between these two sides.

The first compromise between these two major social forces was struck in the area of privatisation (1992) that favoured managers and workers over foreign bidders (cf. idem; Simoneti *et al.*, 2004). This was followed by the establishment of the tripartite Economic and Social Council (ESC), which was demanded by organised labour in the first social pact in 1994. A series of other pacts followed, regulating a wide array of areas in which flexibility measures (wage restraint) were traded against security-oriented reforms, the most important being the establishment of the minimum wage, the pension reform of 1999, and the Employment Relationships Act (*Zakon o delovnih razmerjih*) of 2002. The balance of forces also materialised in the exchange rate policy (cf. Bole, 2002) and in social policies (cf. Crowley and Stanojević, 2011). The outcomes of these compromises – most importantly the establishment of ESC in 1994 and the introduction of the minimum wage in 1995 – put a brake on increasing wage inequality (see Figure 1) at the beginning of the transition process, when the egalitarianism of the socialist period broke down (cf. Stanovnik and Verbič, 2012).

In a relatively short period following the EU accession (2004-2008), the conditions for compromise eroded significantly. Some of the processes dissolving the basis for compromise, for instance a decline in workers' ownership and its concentration in the hands of domestic non-financial companies (cf. Damijan *et al.*, 2004; Prašnikar *et al.*, 2015), had been progressing for some time. Furthermore, as companies found themselves under increasing competitive pressure, they resorted to work intensification and working

time flexibility (cf. Stanojević, 2006). The government's attempt at flexibility-oriented neoliberal reforms without negotiating them within ESC also heralded that the era of class compromises was drawing to a close. The unions were pushed into opposition, but they successfully resisted the most controversial reform elements that threatened to sharply increase inequality (cf. Stanojević, 2015).

Figure 1. Gross wage income quintile share ratio (Slovenia, 1991-2009)



Note: the figure depicts the D80/D20 ratio calculated for gross wages. Data include all employees whose wage earnings exceeded the general tax allowance, as well as (unadjusted) earnings of part-time workers. Data were collected on a yearly basis and do not indicate the time span in which the wage income was created within a given year, which means that even those that worked for only a few months in a given year are included, provided that their earnings exceeded the general tax allowance (cf. Stanovnik and Verbič, 2012). Source: Stanovnik and Verbič, 2012.

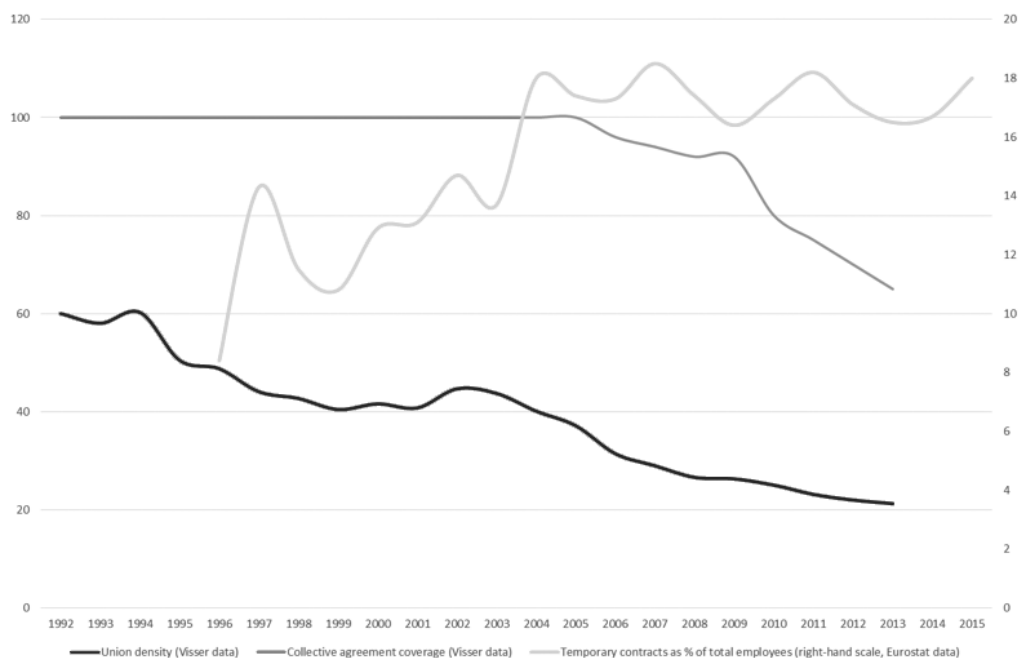
Another unfavourable development from the point of view of work-related inequality in the 2004-2008 period was an acceleration in the trend of precarisation (for a definition, cf. Kalleberg and Hewison, 2013). Temporary employment (Figure 2) increased considerably. Ballooning of flexible but precarious working arrangements after 2004 not only contributed to the increase in wage inequality – the share of low-wage earners is much higher among workers on fixed-term contracts (Table 1) – but also inequality in terms of integration in social security systems, employment security, and access to social dialogue (cf. PRECARIR, 2016). Unfortunately, during the same period, the Slovenian unions were faced with an abrupt decline in membership rates (Figure 2) and thus with a depletion of power capacities to tackle the challenge posed by the increase in precarious work.

Table 1. Share of low-wage earners in Slovenia by type of employment

| | 2006 | 2010 | 2014 |
|------------|-------|-------|-------|
| Permanent | 14.8 | 12.42 | 14.52 |
| Fixed-term | 31.21 | 29.96 | 32.89 |

Source: Eurostat.

Figure 2. Collective agreement coverage, trade union density, and share of temporary employees (Slovenia, 1992-2015)



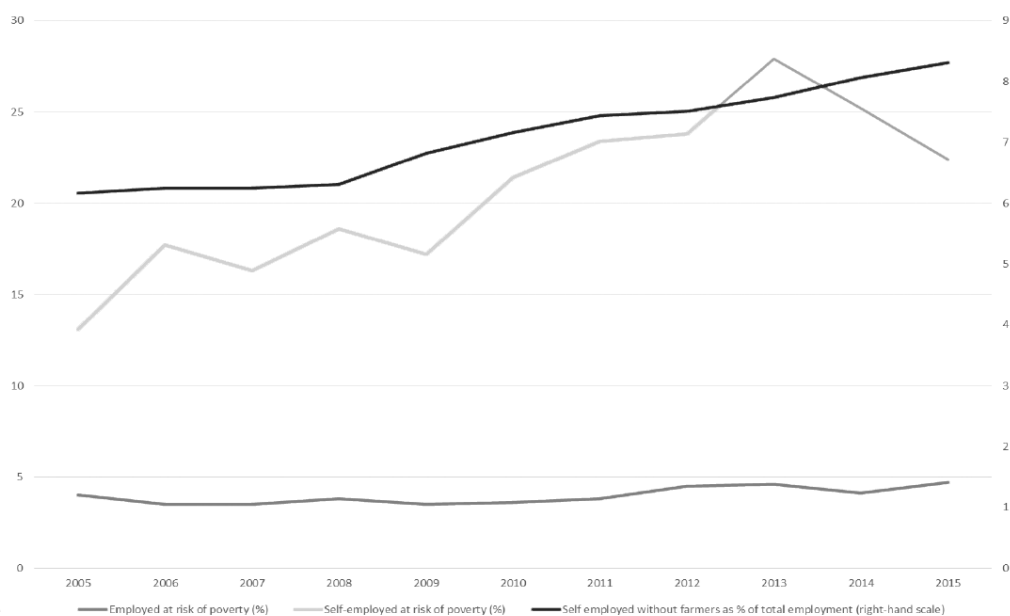
Sources: Visser, 2015; CRJM, various issues; Eurostat.

The period of prolonged crisis (2008-2013) saw a further enfeeblement of Slovenian neo-corporatism as the crisis severely restricted the room for compromise. With radicalisation of both capital and labour, achieving a consensual decision became increasingly difficult, pushing the government into avoidance or narrowing of social dialogue (Stanojević and Kanjuo-Mrčela, 2016). The position of the domestic capitalist class changed, as it is now firmly in control of certain sections of the economy and it thus does not need a direct alliance with labour anymore. Rather, its priorities concern further increases in flexibility and the strengthening of state support for private business financed in part by proceeds from privatisation (cf. GZS *et al.*, 2013). Organised labour that was faced with severe losses in terms of membership since 2003 also radicalised its positions. At least at national level,

the threat with popular mobilisation (e.g. referendums) still enables unions to defend certain positions in tripartite negotiations; however, while social dialogue institutional arrangements remain largely unchanged, labour's influence is incomparable with the 1990s (cf. Stanojević, 2015; Stanojević and Kanjuro-Mrčela, 2016).

Precarisation of work advanced further during the post-2008 period. Apparently, agency work became much more widespread lately, but there is a lack of reliable data. Self-employment spread quickly after the first wave of the crisis as the State heavily supported conversions from unemployment into self-employment (cf. PRECARIR, 2016), which, however, only rarely meant exit from poverty. As Figure 3 shows, the share of those at risk of poverty among the self-employed increased after 2008 more or less in step with the increase in self-employment.

Figure 3. Self-employment (Slovenia, 2005-2015)



2.2. Collective bargaining at sectoral and company level

Multiemployer collective bargaining is for the time being – at least formally – firmly established in Slovenia, but according to some interviews it is to a large extent sustained due to the fact that it provides concessions in terms of flexibility to employers (see Section 3.2).

Collective bargaining in Slovenia was relatively centralised and highly inclusive from 1990 until 2005. With mandatory membership in the main employers' organisation and the two peak-level agreements for the public and the business sector, complemented by

sectoral and company-level agreements (Figure 2), the coverage was almost total. The general collective agreement for the business sector was abolished in 2005 and today only industry (and company-) level agreements remain. In addition, the main employers' association turned from a mandatory into a voluntary organisation in 2006, which led to a radicalisation of its positions as it had to compete for members (Stanojević and Klarič, 2013, pp. 222-3). These developments reduced the scope for solidaristic wage policy while the coverage rate of collective bargaining has decreased significantly (see Figure 2), especially in the post-2008 period. Since 2008, the negotiated agreements tend to be increasingly reduced in scope as well as in duration. Moreover, the strength of social dialogue varies strongly across branches of industry, remaining almost intact in some sectors and virtually disappearing in others (Stanojević and Kanjuo-Mrčela, 2016).

The developments described probably contributed to the widening of disparities in working conditions and wages between different industries in the private sector. The ratio of the highest to the lowest wage by activity increased from 1.85 in 2000 to 2.46 in 2007 (UMAR, 2016, p. 65). While in certain sectors there are barely any low-wage workers, the depressed construction sector and some service sectors feature large shares of those earning two thirds or less of the national median gross hourly earnings (Eurostat).

Unions are growing weaker at company level, as argued by Stanojević and Kanjuo-Mrčela (2016, p. 482) and confirmed by the interviewees. Opt-out clauses are allowed for by some sectoral collective agreements, but sectoral unions are trying to prevent their disordered use. Still, the swelling of the 'reserve army of the unemployed' and increased employment insecurity, not least due to the expansion of precarious forms of employment, brought about a major shift in the balance of power in favour of capital. All in all, it appears that national-level trade union confederations that are still able to mobilise people around contentious issues related to certain minimum standards gained in influence compared to increasingly weaker company-level unions (idem, pp. 470 and 482).

3. FLEXIBILITY, SECURITY, AND INEQUALITY DEVELOPMENTS IN THE POST-2008 PERIOD

After the mid-2000s, the threat of rising inequality was gradually piling up: decentralisation of collective bargaining from national to sectoral level, decreasing coverage, a decline in the power of trade unions, and increasing precarisation probably all worked in the direction of increasing inequality. In addition, economic policies that undercut domestic demand during the crisis (cf. Bole *et al.*, 2015), leaving exports as the only source of economic growth, reinforced the trend towards a low-paid and precarised service sector that supports the competitiveness of the export sector by providing low-cost services. This section presents the main post-crisis developments in Slovenia as regards their flexibility and security elements and their outcomes in terms of inequality.

3.1. Major developments in relation to flexibility and security in the post-2008 period at national level, and outcomes in terms of inequality

Anti-crisis measures

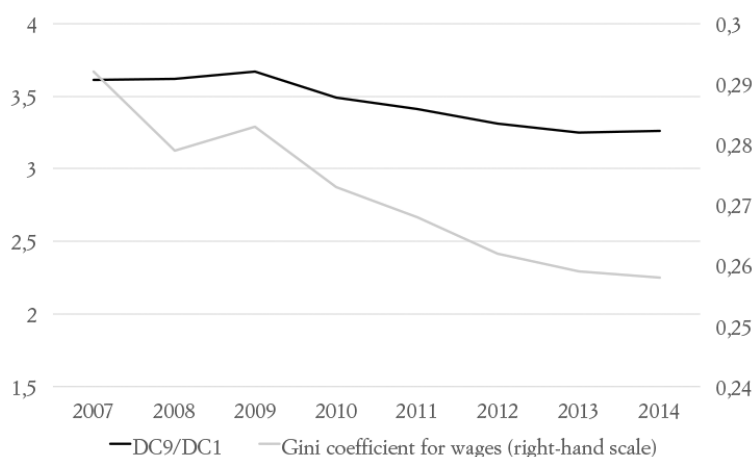
Similarly to most EU Member States, after the first wave of the crisis had hit in late 2008 and 2009, the measures enabling companies to reduce working hours and to place temporarily redundant workers on 'forced temporary leave' were adopted. Social partners

were only briefed on the first measure, which they backed anyway, while the second measure was coordinated in the framework of ESC (Kavčič, 2014; Mandl, 2010). The measures included elements of employment security and income security while providing for functional flexibility, working time flexibility, and labour cost flexibility.

Increase in the minimum wage

A wave of wildcat strikes developed in the manufacturing sector as the first blow of the crisis brought growing hardships for workers in 2009. Articulating the pressure from below, union confederations called for an immediate increase in the national minimum wage. In early 2010, the government gave in and the minimum wage was increased by some 23%, despite the fact that the measure was not agreed within ESC. The increase in the minimum wage undoubtedly contributed to the reduction in wage inequality after 2009 to a considerable extent (see Figure 4).

Figure 4. Wage inequality (Slovenia, 2007-2014)



Source: UMAR, 2016.

The achievements of the minimum wage in terms of distribution between labour and capital were, however, much more modest, as the wage share was in 2015 slightly below its 2009 value, although higher than in 2008 (cf. AMECO). More importantly, as Srakar and Verbič (2015) warned, the level of inequality is probably underestimated as the data in most analyses do not include some of the widespread atypical employment arrangements, which tend to have a much higher incidence of low pay than regular ones.

Mini-jobs and the Labour Market Regulation Act (Zakon o urejanju trga dela)

After the hike in the minimum wage, the government adopted a peculiar interpretation of social dialogue, according to which either solutions have to be found with some kind of

a settlement or, if this cannot be achieved promptly, the State has the responsibility to take unilateral action. Thus, the cabinet that decided to meet the demands posed by capital (cf. Kavčič, 2014, pp. 42-3) submitted a package of neoliberal reforms to Parliament without the unions' consent. The most controversial was the proposed introduction of mini-jobs featuring many similarities to the German mini-jobs (cf. MDDSZ, s.d.; ZSSS, s.d.). Employers' organisations supported the introduction of mini-jobs while unions responded by raising public opposition to the law and demanding that the law be submitted to a referendum. The Mini-Jobs Act (*Zakon o malem delu*) was, together with the other two reforms, rejected by a wide margin in a wave of referendums in 2011, which eventually brought down the centre-left government. A part of the same reform package was made up of the Labour Market Regulation Act (ZUTD), which featured several elements on both the flexibility and the security sides. ZUTD was discussed within ESC and, although consensus was not achieved, it was not submitted to a referendum.

The Mini-Jobs Act promised enhanced flexibility to employers but lacked any compensation in terms of security. Although resisting the introduction of mini-jobs did not increase equality directly, it certainly prevented a further increase in pay inequality as well as inequality in terms of employment security. Moreover, since mini-jobs would probably have been disproportionately used in traditional service sectors that are definitely female-dominated, this measure was likely to increase segmentation along gender lines.

Austerity measures

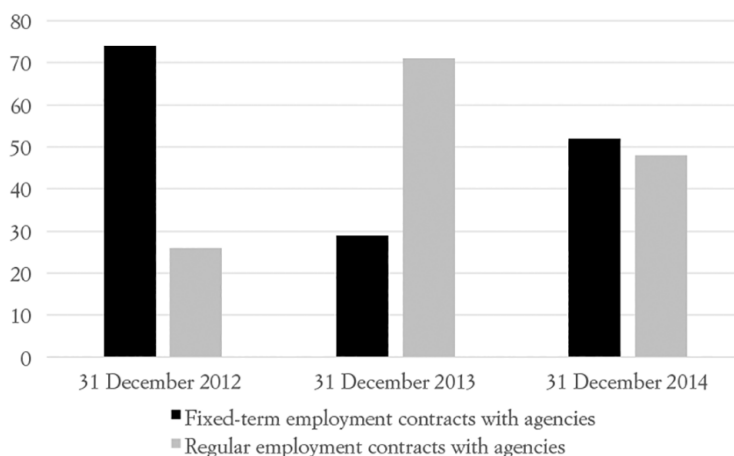
After the defeat of the previous centre-left government in a wave of referendums, the sovereign debt crisis started in earnest, raising fears of foreign bailout with strong conditionality imposed. These developments strengthened the leverage of international actors – EU institutions, the Organisation for Economic Co-operation and Development (OECD), and international financial markets. The European Commission's recommendations became *de facto* binding as its signals towards financial markets were of utmost importance (cf. Damijan, 31 May 2013). The European Commission's 'compulsory management' strengthened the position of the new centre-right government in its relationships with trade unions. With support from the employers' organisations in ESC, the government tabled austerity measures that were rather harsh by Slovenian standards. Public-sector unions organised a general public-sector strike, which resulted in two agreements (UL RS 38/12 and UL RS 40/12) ensuring that public-sector wage cuts were lower and the curtailment of social rights milder than originally announced. Moreover, a labour market reform (see below) and a pension reform similar to the one that had been rejected by referendum in 2011 but with some minor concessions to organised labour was passed in 2012. Social dialogue in ESC was strongly conditioned by external factors, which worked in favour of employers and the State. With the government often simply imposing downward flexibility, social dialogue during this period was little more than mere 'concession bargaining', as Stanojević and Klarič (2013) rightly underscore.

The 2013 labour market reform

The basic rationale of the 2013 labour market reform lies in desegmentation by flexibilisation of regular employment, as well as in the introduction of new measures to increase the security of workers in precarious arrangements as well as to disincentivise the use of these forms of work. The labour market reform was shaped in social dialogue, which ensured that the side of capital as well as the side of labour found its solutions acceptable.

In practice, the reform brought at least some desegmentation effects, although they might turn out rather short-lived and weak. The desegmentation effects were most notable for youngsters (15-29 years old), among whom fixed-term contracts are most widespread, as their incidence decreased in the years following the reform (cf. UMAR, 2016). Another area in which the reform appears to be effective was the quota restriction for agency workers on fixed-term contracts. As depicted in Figure 5, the share of regular (open-ended) contracts of temporary agency workers increased significantly in the first year after the reform, but then levelled off at 50% (cf. MDDSZ and UMAR, 2015).

Figure 5. Share of temporary agency workers with permanent and fixed-term employment contracts before and after the 2013 labour market reform in Slovenia



Source: UMAR and MDDSZ, 2015.

In sum, although the reform of 2013 did not succeed in reversing the trend towards the expansion of non-standard and precarious work (cf. PRECARIR Report, Slovenia, 2016), the increase in precarious forms of employment would probably have progressed faster than it actually did if the reform had not been implemented.

Reregulation of student work and redefinition of the minimum wage

During the economic recovery period after 2013, the main developments related to the combination of flexibility and security were the reregulation of student work in 2014 and the legal redefinition of the minimum wage. The largest part of temporary employment in the 15-24 age group – the highest in the EU – consists of the extremely flexible form of non-standard work: student work. Its reregulation included tighter integration into social security systems and the establishment of a minimum hourly rate. The reform can be considered an achievement in terms of its effects on inequality. It was coordinated together with the Student Organisation (*Študentska organizacija Slovenije*), and social partners were consulted.

Trade unions' attempts include the redefinition of the minimum wage¹ in the social pact, however to little avail. At a later stage, the seven confederations changed tack and launched a campaign for a new law. The campaign was largely successful and in late 2015 the Parliament endorsed the initiative without a single vote cast against the motion. This, however, prompted three of the four employers' organisations that were signatories of the social pact to withdraw.

To sum up, after 2008 the room for manoeuvre within social dialogue at national level was severely narrowed and was determined by trade unions' mobilisation power, on the one hand, and the leverage afforded to the government and the capital side by external factors, on the other. Given the increasing pressures from both internal and external factors, the countervailing power of organised labour was of decisive importance for balancing demands for flexibility with some degree of security. With the exception of the beginning of the period, the results of the efforts to sustain social dialogue were quite meagre. In those rare cases in which social dialogue yielded results (e.g. the labour market reform of 2013), the outcomes appear more significant on the side of flexibility than on the one of security. Finally, while social dialogue was essential for readjustments of flexibility and security elements at national level, trade unions' vertically integrated power, which allowed for the articulation of different levels (company, sector, and national level) of organised labour's activity, was of vital importance for the push towards more equality (e.g. minimum wage increase and rejection of mini-jobs).

3.2. Collective bargaining adjusting the flexibility and security balance, as well as tackling inequality in the post-2008 period

Sectoral collective bargaining differs substantially across industries, which makes it impossible here to provide a comprehensive general account of developments at this level. Rather, we will first examine the main regulatory changes structuring the conditions for flexibility, security, and thus inequality outcomes of collective bargaining; we will then observe the results in collective agreements of selected industries (see Case Study 1).

Since 2000s, the collective bargaining system in Slovenia went through a process of gradual decentralisation from the national level towards the sectoral level (see above), which took place in a relatively 'organised' (Keune and Vandaele, 2013) manner – the higher-level (sectoral) agreements still determine the minimal standards from which lower (company-) level agreements could in principle not deviate in a way that would be disadvantageous for workers, except when explicitly allowed by the higher-level agreement. Finally, in certain areas, the Employment Relationships Act allows social partners at sectoral level to negotiate, in collective agreements, deviations *in peius* from the law. The 2013 labour market reform enlarged this 'autonomy of contracting parties', which prompted a wave of renegotiations of collective agreements (cf. Stanojević and Kanjuo-Mrčela, 2016).

¹ The sectoral collective agreements usually set a considerable part of basic wages at a level far below the value of the minimum wage. Although the employer is bound by law to pay out wages that cannot be lower than the legally mandated minimum wage, the pay supplements stipulated by law and by collective agreements do not add to the minimum wage but to the basic wage, which means that, in most cases, they do not count at all until the sum of basic wage plus pay supplements exceeds the minimum wage level. Thus, until the minimum wage was redefined, only overtime pay was added to the value of the minimum wage, while other allowances and supplements were added to the value of the basic wage agreed in the collective agreement. With the redefinition, some extra payments related to unfavourable distribution of working time were excluded from the minimum wage and now have to be added to the value of the minimum wage (cf. MDDSZ, s.d.).

Many collective agreements in the private sector entail provisions on opt-out clauses, and the majority of sector-level agreements in the private sector make use of provisions allowing the abovementioned deviations from the law. The evidence collected suggests that deviations from the law enable unions to trade them against various security provisions in other areas of the 'bargaining package' and sometimes even to use them in order to bring employers' organisations to the bargaining table (see Case Study 1).

Due to the fact that basic wages negotiated in collective agreements are far below the statutory minimum wage, unions do not strive for more wage equality but rather for an overall increase in basic wages. Besides basic wages and allowances, collective agreements typically provide for other pecuniary benefits that enhance workers' income security, for instance, solidarity allowances paid by the employer, and severance payments upon retirement.

The right of workers to training and education is guaranteed by law, but most sectoral collective agreements contain further provisions regarding the financing of education and training as well as time off for exams or attendance of lectures. These provisions in principle apply to all (including non-standard) workers.

There is a variety of provisions relating to working time, aimed at enhancing 'combination security', i.e. the ability of workers to combine their job with other commitments (cf. Wilthagen and Tross, 2004). Most sectoral collective agreements stipulate additional days of annual leave and paid leave on the occurrence of certain events (e.g. marriage or childbirth), as well as of unpaid leave. Some collective agreements reinforce combination security by increasing the predictability of working time, or contain provisions granting, for instance, parents of school-aged children, single parents, and workers with family members with disabilities stronger rights related to working time and place of work.

Some collective agreements also provide for paritarian commissions tasked with monitoring reasons justifying fixed-term employment arrangements in the company, as well as with proposing measures aimed at regularising their employment status. Such collective agreements thus provide company-level trade unions with a lever for enhancing equality of access to formal open-ended employment. However, in relation to provisions explicitly aimed at addressing employment inequality, one has to bear in mind, first, that the sectoral trade union has to be strong enough to push for their insertion into the collective agreement concerned (see Case Study 1) and, secondly, that such provisions are nothing but a dead letter if the company-level union is not capable of enforcing them (see Case Study 2).

4. CASE STUDIES

4.1. Case Study 1: Collective bargaining from the viewpoint of flexibility, security, and wage inequality in the collective agreements of the trade and metalworking sectors

The case study first illustrates how sectoral collective agreements provide for readjustment of flexibility and security elements by taking a closer look at the collective agreements of the metalworking and trade sectors (UL RS 24/2014 and UL RS 6/2015) – a large part of the latter consisting of low-paid and precarised retail trade. We will focus on retail trade when making comparisons with the metalworking industry. In addition, the differences in wage developments in both sectors will be examined from the perspective of inequality issues.

Employment conditions and social dialogue in the two sectors

Our choice of sectors reflects the difference in conditions that prevailed in various sectors of the economy in the post-2008 period. The two sectors (metalworking and retail) operate in different *demand regimes*, which appears to be of critical importance for their performance in the post-2008 period. The metalworking sector – one of the core industries of the Slovenian export sector – depends mainly on external demand, which dried up abruptly in 2009 but grew steadily thereafter. Trade, on the other hand, constitutes the largest part of the market service sector oriented to the domestic market, which suffered two heavy blows on the demand side in the post-2008 period: first, with the spreading of the crisis from export sectors and construction throughout the economy and, second, with the enforcement of the austerity measures that curtailed domestic demand in 2012. These differences in demand conditions on the product markets are in turn reflected in the demand on the respective labour markets of the two sectors, with the metalworking sector experiencing a deeper fall in employment during the crisis, but also regaining the employment levels faster (SURS, LFS data). Furthermore, following Boyer's (2014) typology, metalworking constitutes an example of the so-called 'polyvalent stability' regime, where the workforce is versatile and possesses firm-specific skills, while firms are exposed to strong international competition. The opposite is true for trade (especially retail trade), which operates in the so-called 'market flexibility' regime, characterised by companies in search of external flexibility that demand more basic and easily transferable skills.

Table 2. Employment conditions in metalworking, trade, and retail in Slovenia

| | Metalworking | Trade | Retail trade | National average |
|--|--------------|--------|--------------|------------------|
| Open-ended employment contracts (regulated by the Labour Code) | 86.7% | 81.9% | 79.2% | 83.2% |
| Fixed-term employment contracts (regulated by the Labour Code) | 11.2% | 10.6% | 11.8% | 11.9% |
| Part-time employment contracts (regulated by the Labour Code) | 1.4% | 6.1% | 7.3% | 5.1% |
| Other forms of work – mainly student work (not regulated by the Labour Code) | 1.4% | 7.4% | 9% | 5% |
| Self-employment – excluding farmers (not regulated by the Labour Code) | 4.6% | 8.2% | 5.7% | 8.1% |
| Average wage (monthly, €) | 1,476 | 1,395 | 1,184 | 1,540 |
| Value added per employee (yearly, €) | 36,362 | 36,720 | 30,626 | 39,463 |

Note: rows 1-4 display LFS data. Row 5 displays register data. All data relate to 2014. Row 7 refers to companies, cooperatives, and sole proprietors only.

Source: SURS.

Both characteristics, that is, different demand regimes and skills requirements, have an impact on the structural power resources of workers (cf. Silver, 2003) in the two sectors, which is in turn reflected in the level of wages and incidence of atypical employment (Table 2) as well as in the bargaining position of sectoral trade unions. The main metalworking

union enjoys a density rate some three times higher than the largest union in the trade sector and is capable of industrial action (if necessary), which does not hold in the case of the largest union in the trade sector. According to a representative from an industry-level trade union whom I interviewed in late 2016, the main motivations for employers to get involved in collective bargaining in the trade sector are concessions extended to the employers themselves in the form of deviations (see Section 3.2 above) and the use of collective agreement provisions in place of internal acts (which pulls sources of potential conflict out of the company).

Finally, the attitudes of the sectoral unions towards flexibility and security issues differ considerably. The evidence collected reveals that the unions in the export-oriented metalworking sector are always negotiating with one eye on the need for competitiveness of the firms in their sector. Hence, in many areas, they perceive flexibility adjustments as benefitting *not only companies but workers as well*. For instance, when discussing the extended reference period for temporary redistribution of working time, the representative from the union of the metalworking sector explains: ‘We did it on purpose because during fluctuations the employer will not have to resort to layoffs. The worker will stay at home and make it up later [...] This was on the top of the employer’s agenda, but, at the end of the day, of ours too. [...] And it is better this way than if we did not accept it, because the employers would then have a temporary surplus of staff or they would resort to layoffs.’ (Interview with a trade union representative, October 2016)

The trade union in the trade sector perceives flexibility and security readjustments rather differently – flexibility arrangements are seen as pure trade-off that has to be compensated with some other parts of the bargaining package. However, as employers are reluctant to make concessions on the issue of wages, the union is not willing to cede ground on flexibility issues: ‘We are merchants, everything is on sale. And if you do not want to give in on wages, you’ll not get the deviation and you can shoot yourself!’ (Interview with a trade union representative, December 2016)

Collective agreements in the two sectors

In this section we present the rearrangements of flexibility and security elements in the two sectoral collective agreements. The so-called ‘autonomy of the contracting parties’ – strengthening the flexibility elements in the areas allowed by law in return for certain elements of security – was amply used in both collective agreements. Consistent with the findings of previous research (cf. Ibsen and Mailand, 2011; Marginson and Galetto, 2016; Marginson, Keune and Bohle, 2014) is the observed emphasis on internal flexibility in both collective agreements. In both of them, deviations *in peius* from the law took place in the same areas, but not to the same extent. Provisions related to *external flexibility*, *working time flexibility*, *functional flexibility*, and *procedural flexibility* figure more prominently in the collective agreement of the metalworking sector. The collective agreement for the trade sector allows for more *flexibility in the area of wage/labour costs* with regard to severance payment, which is, however, of minor importance. The metalworking sector appears stronger in terms of *employment security*, *income security*, and *access to social dialogue*, while the collective agreement for the trade sector stands out only in terms of provisions on *combination security*.

The ample use of both flexibility and security elements in the two agreements offers rather strong support for the claim that collective bargaining can significantly adjust the combination of flexibility and security to sectoral circumstances. Industry-level collective bargaining enables firms to pursue flexibility in the areas where it matters most to them,

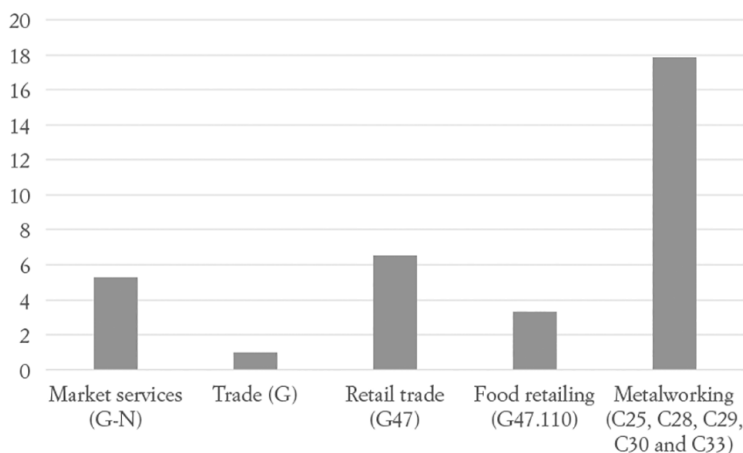
given the sectoral specificities, and it allows trade unions to provide for various elements of security. The case of the metalworking sector is particularly instructive. The collective agreement allows that companies' request for flexible deployment of labour (due to fluctuations in demand for their products) is met by means of working time flexibility (time accounts) and functional flexibility (relaxing job demarcation) instead of external numerical flexibility. This in turn increasingly stabilises employment and strengthens workers' employment security. Such a shift from external flexibility to internal flexibility allows companies to hoard labour and thus retain their skilled workers, which is probably the reason why firms in this sector are more prone to investing in workers' skills – the collective agreement for the metalworking sector is much stronger in the field of training and education than the collective agreement for the trade sector.

Where there is no bipartite social dialogue or dialogue is weak, however, workers and firms must rely on law provisions, which means both less security and less flexibility. According to the literature, trade unions might hesitate to engage in negotiations over flexibility and security when, due to the power imbalance, the downside risk is too great (cf. Marginson, Keune and Bohle, 2014; Marginson and Galetto, 2016). In the metalworking sector, where business conditions are good and workers have stronger structural power due to the favourable situation on the sectoral labour market and specific skills requirements, trade unions and employers' organisations have been willing and able to strike more comprehensive deals than their counterparts in the depressed trade sector, where unions are comparatively weaker.

Wage developments in the two sectors

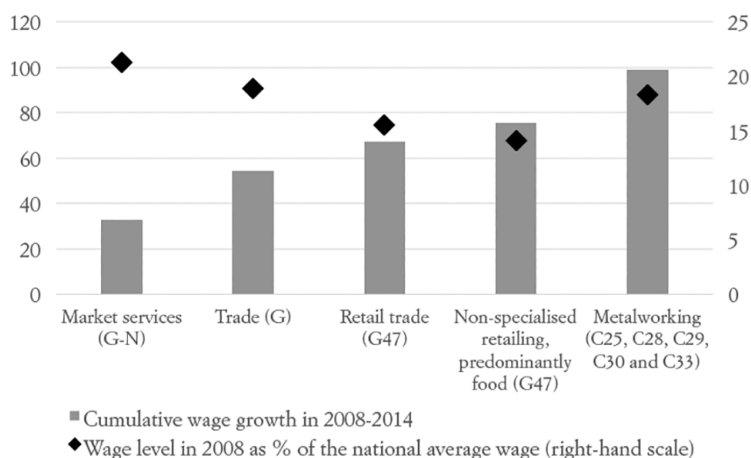
The most interesting developments took place in the area of wages. As the rate of increase in basic wages in the 2008-2015 period was either of the same magnitude for all the pay grades (metalworking) or higher in the lowest grades (trade), the collectively agreed basic wages provided for a relatively balanced growth across the pay grades *within each of the two sectors*. Looking at *wage inequality between the two sectors*, the situation is, however, more complicated. The structural power of the unions of the metalworking sector was clearly reflected in the higher growth in negotiated basic wages in that sector (15% across pay grades) as compared with the trade sector (22% and 16% in the two lowest pay grades and 9%-11% in other pay grades). Still, the difference in growth rates of negotiated basic wages between the two sectors was much lower than the difference in *cumulative nominal growth of gross value added per employee*, which we depict in Figure 6 separately for the whole market service sector (activities from G to N based on the Statistical Classification of Economic Activities in the European Community – NACE), for the trade sector, for the retail sector, for its lowest paid segment (food retailing), and for the metalworking sector. Clearly, the cumulative increase in nominal value added per employee in the 2008-2014 period was very low in all of the presented service sectors and subsectors (selling mainly on the depressed domestic market squeezed by austerity measures), while it was much higher in the export-oriented metalworking sector (serving the booming German automotive industry). Were wages only to follow the growth in value added per employee, the differences in cumulative wage growth in 2008-2014 between the metalworking sector and the trade sector would be much higher than the differences observed in negotiated wages. In other words, collective bargaining by itself reduced inequality to some extent.

Figure 6. Cumulative increase in gross value added per employee (Slovenia, 2008-2014)



Source: SURS.

Figure 7. Cumulative increase in nominal wages in 2008-2014, and wage level in 2008 in Slovenia



Source: SURS.

The actual developments of wages in the observed sectors and subsectors, nonetheless, differed substantially both from negotiated wages and from growth in value added. As Figures 6 and 7 show, while wage increases in the metalworking sector were approximately in line with productivity growth, in the selected service sectors (except for the whole market service sector) during the 2008-2014 period wage developments were completely unrelated to cumulative growth in gross value added per employee: since it was fuelled by

the increase in the minimum wage (see above), the *strongest* wage growth was observed in the *lowest-paid* segments. In fact, within the service sector, the growth in wages in the 2008-2014 period becomes increasingly stronger with disaggregation from market services, where the average wage is relatively high, to its lowest paid segments such as food retailing; the latter features the largest share of workers earning a minimum wage, which strongly increased during the 2010-2012 period (Section 3.1). To sum up, while sectoral collective bargaining provided for equality in terms of wage growth within the sectors, the increase in wage disparities between the lowest and highest-paid sectors was tempered only by imposing minimum standards (minimum wage) at national level.

The same holds for equality of access to formal full-time open-ended employment. While the unions of the metalworking sector are able to secure some provisions referring to the regulation of atypical employment, trade unionists in the trade sector are too weak to secure by themselves the necessary solutions to inequality in employment status. The national campaign against mini-jobs should thus be understood in a similar way as the increase in the minimum wage – it upheld certain minimum standards that some weaker industry-level unions would probably be unable to defend by themselves.

Conclusion

The case study showed that collective bargaining in Slovenia indeed provides for significant adjustments of flexibility and security elements in accordance with sectoral specificities, although these rearrangements seem more encompassing where social partners are strong and business conditions are good. Furthermore, while collective bargaining can foster equality at sectoral level, national-level actions and policies are crucial in order to deal with disparities between sectors and to reduce inequality.

4.2. Case Study 2: The potential effects on inequality of an inclusive union strategy, and the role of social dialogue and collective bargaining in the electrical industry in Slovenia

This case study presents the industrial relations outcomes for temporary agency workers in terms of equality in a company operating in the electrical industry in Slovenia. To be clear, the situation presented is not typically found in Slovenian companies – our intention is to point out what a good practice could look like.

We examine an export-oriented company that employs some 1,100 workers in Slovenia and another 500 in subsidiaries abroad. Workers in production are relatively easily replaceable as assembly work is mostly broken into simple tasks. The value added per employee is below the average level of the branch, and wages are slightly above the minimum wage.

The company is unionised with a density level exceeding 60% of the total workforce. A works council is operational, and union-nominated members are well represented. Three of the six members of the company's supervisory board are appointed by the works council. All workers' representatives collaborate and hold meetings every week.

Provisions for flexibility, security, and equality in collective agreements

The sectoral collective agreement provides for several elements that enhance flexibility (e.g. an increase in the quota of temporary agency workers from 25% to 35% or night shifts for women) but there are also substantial improvements in terms of security, as well as provisions strengthening equality. The latter range from clauses aimed at ensuring

more favourable working time arrangements for specific groups of workers (e.g. adults with family members that need assistance and help), to the stipulations mandating the establishment of paritarian committees to monitor the expansion of fixed-term contracts, as well as advancing proposals for their conversion into permanent contracts.

The company-level collective agreement entails further provisions upgrading combination security, stipulates additional days of annual leave, and sets a specific order of priority for collective redundancies with a view to affording some protection to certain groups of workers (e.g. single parents). Furthermore, the agreement specifies the design and functioning of the paritarian committee for working time and temporary employment, which found its way into the company collective agreement through the sectoral one. Finally, the agreement contains a quota restriction on all non-standard employment arrangements, such as agency work, fixed-term employment, and part-time work, which is set at 10% of the workforce but can be increased to 15% under special conditions.

Agency workers and the union

The company began to use temporary agency work in 2009, when the quota restriction was already set out in the company collective agreement but not yet in applicable legislation. During the first months of their work, the company tried to put agency workers in an unequal position compared to regular workers with regard to annual leave and payment of holiday allowances. Temporary agency workers turned to the union, which promptly intervened, successfully demanding equal treatment guaranteed by law. This intervention convinced agency workers that the union is a trustworthy institution and encouraged them to join (cf. Matoz, 2016). The union subsequently pushed for the regularisation of agency workers' employment status by resorting to the paritarian committee envisaged in the collective agreement. According to the first arrangement reached with the company management, the agency workers in the company were offered a permanent contract with the user company after three months of work at the premises. In this way, some 100 agency workers became employed directly with the user firm. After the 2013 labour market reform had introduced a quota restriction for temporary agency workers, a new compromise was struck according to which the firm demands that the agency offer agency workers a permanent contract. Importantly, temporary agency workers also enjoy the same opportunities as to education and skills development. As promotion is dependent on skills development, temporary agency workers are promoted according to the same criteria as regular workers.

Finally, the union in the company has recently reformed its governance structures with the aim of reflecting the presence of temporary agency workers in the workforce. The internal rules have been adjusted, reserving two of the 15 seats for the representatives elected by agency workers from among themselves. Agency workers' representatives enjoy the same legal protection and benefits as the other union representatives.

Findings and discussion

The evidence collected indicates that the union in the company treats temporary work agencies in an exclusionary way (quota restriction) while adopting an inclusionary approach towards their workers. Agency workers in the company examined are treated equally with workers employed with the user company in every aspect except for employment security. Even as regards employment security, the union pushes for their immediate employment on a permanent basis.

What could explain the position of agency workers in the studied company? Firstly, the trade union's approach was in part influenced by the competitive threat posed by the presence of precarious workers, to which it responded by struggling for equal treatment: 'When they [i.e. the management] once try with less and see that it works, then it will also work with a little less, and even less, you know. We are lowering the standards by that, you know, because then they will say: 'Look, she works for € 400 and you for € 600.' We'll shoot ourselves in the foot by thinking like that.' (Interview with a trade union representative, December 2016).

Despite a decisively inclusive policy of the sectoral union towards agency workers, company unions often do not adopt such an inclusive approach towards the competitive threat of precarious workers – the inclusiveness of the union's approach is thus subject to *strategic choice*.

Nevertheless, once the political choice to include temporary agency workers was made, tools and power resources had to be in place in order to avail of them. Since production workers do not possess scarce skills that would grant them structural power (cf. Silver, 2003), they had to rely on associational power. But while membership rates were an essential precondition for any union action, the causation goes both ways: the union was able to unionise agency workers only by standing up for them and their rights. Finally, legislation and collective bargaining were both necessary conditions for action, as they provided the *tools* that the union had at its disposal. Firstly, from the very first intervention that ensured equal treatment, the union in the company could count on the law. Secondly, it was the collective agreement that provided for the establishment of the paritarian commission the company-level union could avail of. The provision of tools and the availability of capacities on the part of the sectoral union were *conditiones sine quibus non*, albeit not sufficient for achieving good outcomes in terms of equality. But the converse also holds. As argued by our respondents, several practices that strengthen equality started in some companies, were taken over by the sectoral union, and were included in annexes to the sectoral collective agreement applying to all companies in the sector. Hence, not only does sectoral collective bargaining establish minimum standards, but it also serves as a channel for the transfer of best practices and as a force for enforcing them in the whole sector. Again, articulation between different levels or vertical network embeddedness (cf. Lévesque and Murray, 2010) seems to be an absolutely necessary element for equality outcomes.

Conclusions

The case study points to a best practice for achieving good outcomes in terms of equality of access to formal open-ended employment. We find that the legislative framework and collective bargaining were of crucial importance for providing the company-level trade union with capacities to bring about improvements in terms of equality. We also find that collective bargaining can serve in this regard as a channel for the transmission of best practices.

5. CONCLUSIONS

The aim of this chapter was to provide an overview of Slovenian industrial relations in view of their effects on flexibility and security and, finally, their outcomes in terms of inequality, with special focus on developments during the post-2008 period.

Social dialogue in Slovenia functioned well at national level in the 1990s, but virtually collapsed after 2008. Any room for compromise narrowed significantly after 2008, and several rearrangements of flexibility and security elements were not achieved consensually. In these circumstances, the State often bypassed social dialogue, reducing it to a mere briefing of social partners on the reform processes. Enfeeblement of tripartite social dialogue, coupled with trade unions' weaker bargaining position, brought about rather unbalanced outcomes in terms of security and flexibility. When social dialogue took place in a meaningful way, a compromise was achieved that ensured more balanced outcomes, but even in these cases the final outcomes were more significant on the side of flexibility than on that of security.

Sectoral collective bargaining still constitutes the main level of bipartite dialogue and can bring about major rebalancing of flexibility and security at sectoral level. In order to fight inequality and overcome power disparities among workers in different sectors, however, trade union action and social dialogue in general must be coordinated at various levels (company, sector, and national), as both of our case studies illustrate. Trade union action and collective bargaining at company level can bring about favourable outcomes in terms of equality for precarious workers, but here too the interaction between different levels is a necessary condition for success.

REFERENCES

- BEMBIČ B., STANOJEVIĆ M., HRŽENJAK M., IGNJATOVIĆ M., BREZNIK M. (2016), *PRECARIR Project Report*, Slovenia. Bratislava: CELSI. Available at: <http://www.celsi.sk/en/publications/research-reports/>.
- BOHLE D., GRESKOVITS B. (2012), *Capitalist diversity in Europe's periphery*, Cornell University Press, London-Ithaca.
- BOLE V. (2002), *Disinflation and Labor Market Distortions: Lessons from Slovenia*, The wiiw Balkan Observatory Working Papers 020. Available at: <http://www.wiiw.ac.at/disinflation-and-labor-market-distortions-lessons-from-slovenia-dlp-3306.pdf>.
- BOLE V., MENCINGER J., ŠTIBLAR F. IN VOLČJAK R. (2015), *So banke odvečno breme, ki ga je treba prodati, dokler so še banke?*, "Gospodarska gibanja" (479), pp. 6-27.
- BOYER R. (2014), *Developments and Extensions of 'Régulation Theory' and Employment Relations*, in A. Wilkinson, G. Wood, R. Deeg (eds.), *The Oxford Handbook of Employment Relations*, Oxford University Press, Oxford, pp. 114-55.
- CROWLEY S., STANOJEVIĆ M. (2011), *Varieties of Capitalism, Power Resources, and Historical Legacies: Explaining the Slovenian Exception*, "Politics and Society", 39(2), pp. 268-95.
- DAMIJAN J. P. (2013), *Prisilna uprava iz Bruslja*, "Večer", May 13.
- DAMIJAN J. P., GREGORIČ A., PRAŠNIKAR J. (2004), *Ownership Concentration and Firm Performance in Slovenia*, LICOS Discussion Paper 142/2004, Katholieke Universiteit Leuven. Available at: <http://feb.kuleuven.be/drc/licos/publications/dp/dp142.pdf>.
- FELDMANN M. (2008), *The Origins of Varieties of Capitalism: Lessons from Post-Socialist Transition in Estonia and Slovenia*, in B. Hancké, M. Rhodes, M. Thatcher (eds.), *Beyond Varieties of Capitalism: Conflicts, Complementarities and Institutional Change in European Capitalism*, Oxford University Press, Oxford, pp. 328-50.
- GZS [Gospodarska zbornica Slovenije – Chamber of Commerce and Industry of Slovenia], Association of Employers of Slovenia, Slovenian Chamber of Commerce, The Chamber of Craft and Small Business of Slovenia and The Managers' Association of Slovenia (2013), *Kisik za gospodarstvo*, Ljubljana. Available at: http://www.gzs.si/slo/skupne_naloge/za_uspesno_slovenijo/62214.
- Ibsen C. L., Mailand M. (2011), *Striking a balance? Flexibility and security in collective bargaining*, "Economic and Industrial Democracy", 32(2), pp. 161-80.
- KALLEBERG A. L., HEWISON K. (2013), *Precarious Work and the Challenge for Asia*, "American Behavioral Scientist", 57(3), pp. 271-88.
- KAVČIČ F. (2014), *Ekonomsko-socialni svet 2004-2014*, Uradni list, Ljubljana.

- KEUNE M., VANDAELE K. (2013), *Wage regulation in the private sector: moving further away from a 'solidaristic wage policy'?*, in J. Arrowsmith, V. Pulignano (eds.), *The transformation of employment relations in Europe: institutions and outcomes in the age of globalisation*, Routledge, New York, pp. 88-110.
- LÉVESQUE C., MURRAY G. (2010), *Understanding union power: resources and capabilities for renewing union capacity*, "Transfer: European Review of Labour and Research", 16(3), pp. 333-50.
- MANDL I. (2010), *Slovenia: Partial subsidies of full-time work and partial reimbursement of payment compensation*, Eurofound, Dublin.
- MARGINSON P., GALETTE E. (2016), *Engaging with flexibility and security: Rediscovering the role of collective bargaining*, "Economic and Industrial Democracy", 37(1), pp. 95-117.
- MARGINSON P., KEUNE M., BOHLE D. (2014), *Negotiating the effects of uncertainty? The governance capacity of collective bargaining under pressure*, "Transfer", 20(1), pp. 37-51.
- MATOZ M. (2016), *Sindikat si sam postavlja pravila!*, "Delavska enotnost", 75(24), p. 15.
- MDDSZ [Ministrstvo za delo, družino, socialne zadeve in enake možnosti – Ministry of Labour, Family, Social Affairs and Equal Opportunities] (s.d.), *Primerjava nemškega Sistema 'mini job' in Zakona o maled delu*. Available at: http://www.mddsz.gov.si/si/delovna_podrocja/trg_dela_in_zaposlovanje/malo_delo/primerjava_minijob_malo_delo/.
- MDDSZ, UMAR [Urad za makroekonomske analize in razvoj – Institute of Macroeconomic Analysis and Development] (2015), *Drugo poročilo Delovne skupine za spremljanje učinkov sprememb v regulaciji trga dela*, Ljubljana.
- PRAŠNIKAR J., DOMADENIK P., KOMAN M. (2015), *Skrivnost državne lastnine v Sloveniji*, EF, Ljubljana. Available at: http://webv3ef.ef.uni-lj.si/_documents/wp/Skrivnost_drzavne_lastnine_v_Sloveniji.pdf.
- SALVERDA M., MAYHEW K. (2009), *Capitalist economies and wage inequality*, "Oxford Review of Economic Policy", 25(1), pp. 126-54.
- SCHULTEN T. (2002), *A European Solidaristic Wage Policy?*, "European Journal of Industrial Relations", 8(2), pp. 173-96.
- SELAN A. T. (2014), *Prilagoditev plač in spremembe plačne neenakosti v Sloveniji v obdobju krize*, UMAR, Ljubljana. Available at: http://www.umar.gov.si/publikacije/posebne teme/publikacija/zapisi/prilagoditev_plac_in_spremembe_placne_neenakosti_v_sloveniji_v_obdobju_krize/.
- SILVER B. (2003), *Forces of Labor: Workers' Movements and Globalization Since 1870*, Cambridge University Press, Cambridge.
- SIMONETI M., ROJEC M., GREGORIČ A. (2004), *Privatization, Restructuring and Corporate Governance*, in M. Mrak, M. Rojec in C. Silva-Jáuregui (eds.), *Slovenia: From Yugoslavia to the European Union*, The World Bank, Washington D.C., pp. 224-43.
- SRAKAR A., VERBIČ M. (2015), *Dobrodkovna neenakost v Sloveniji in gospodarska kriza*, "Teorija in praksa", 52(3), pp. 538-53.
- STANOJEVIČ M. (2006), *Mobilising Human Resources to Improve Work Intensity*, in I. Svetlik, B. Ilič (eds.), *HRM's Contribution to Hard Work, A comparative analysis of human resource management* Peter Lang, Bern, pp. 157-81.
- STANOJEVIČ M. (2015), *Sindikalne strategije v obdobju krize*, "Teorija in praksa", 52(3), pp. 394-416.
- STANOJEVIČ M., KANJUO-MRČELA A. (2016), *Social dialogue during the economic crisis: The impact of industrial relations reforms on collective bargaining in the manufacturing sector in Slovenia*, in A. Koukiadaki, I. Távara, M. Martínez Lucio (eds.), *Joint regulation and labour market policy in Europe during the crisis*, Etui, Brussels, pp. 441-97.
- STANOJEVIČ M., KLARIČ M. (2013), *The impact of socio-economic shocks on social dialogue in Slovenia*, "Transfer", 19(2), pp. 217-26.
- STANOVNIK T., VERBIČ M. (2012), *Porazdelitev plač in dohodkov zaposlenih v Sloveniji v obdobju 1991-2009*, "IB Revija", XLVI(1), pp. 57-70.
- UMAR (2016), *Poročilo o razvoju*, Ljubljana.
- VISSER J. (2015), *ICTWSS Data base. Version 5.0*, Amsterdam Institute for Advanced Labour Studies AIAS, Amsterdam.
- WILTHAGEN T., TROS F. (2004), *The concept of 'flexicurity': a new approach to regulating employment and labour markets*, "Transfer", 10(2), pp. 166-86.
- ZSSS [Zveza svobodnih sindikatov Slovenije – Association of Free Trade Unions of Slovenia] (s.d.), *Malo delo – gola dejstva*. Available at: <http://www.zsss.si/malo-delo-gola-dejstva-kaj-nam-ponuja-vlada-z-malim-delom-in-kaj-lahko-od-malega-dela-pricakujemo/>.