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Zagrebačka 30, 52100 Pula (Croatia)
+385 (0)52 377-047, fax: +385 (0)52 377-013
e-mail: fet-ric@unipu.hr

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IMPLEMENTATION OF FLEXICURITY IN SLOVENIA

Suzana Laporšek

Suzana Laporšek
Faculty of Management, University of Primorska, Koper, Slovenia
suzana.laporsek@fm-kp.si

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ABSTRACT

Flexicurity remains an important policy instrument in the EU and will be especially important in the changing economic and labor market environment, characterized with changing nature of work and development of new forms of work.

Purpose. This paper examines the implementation of flexicurity policies in Slovenia and compares them with the EU countries.

Design/methodology/approach. As there is no uniform measure of flexicurity, the analysis is structured in accordance with four elements of flexicurity policies, developed within the EU, and suitable indicators: (i) flexibility of contractual relations; (ii) lifelong learning; (iii) active labor market policies; and (iv) social protection system. Analysis uses descriptive statistics for last available years and compares these data with crisis year 2010. Data for international comparisons were obtained from the European Commission, Eurostat and Organization for the Economic Co-operation and Development, Statistical Office of the Republic of Slovenia and the Employment Service of Slovenia.

Findings and Implications. Slovenia has in the past already performed labor market reforms that relate to flexicurity components, yet there is still room for improvement. These are especially needed in the field of lifelong learning and expenditures for active labor market policies, where Slovenia is at the tail of the EU countries. In the front of flexibility, a significant decline in the employment protection was noticed with the last legislative change in 2013, which aimed at reducing segmentation and increasing labor market flexibility. In the front of social protection, Slovenia is among the EU countries with the most generous social systems, which, on the other hand, create high work disincentives.

Limitations. This study focuses only on the presentation of the recent indicators of flexicurity components, which is one of its major limitation. Future research should study in more detail the effects of flexicurity on labor market, reconsider the importance of flexicurity in assuring decent work and develop a more comprehensible measure of flexicurity.

Originality. The paper adds to the existing literature on Slovenia by giving an overview of recent developments of flexicurity concept, pointing on the areas that require policy response.
1. INTRODUCTION

Flexicurity aims to find a right balance between labor market flexibility and employment and social security. Although the development of the flexicurity policy in the European union (EU) has been challenged with the outbreak of the economic and financial crisis, it seems to undergo a revival since 2012. According to the latest EU Council Recommendation in 2018, labor market reforms should include the following flexicurity policies: (i) reliable labor contracts that provide flexibility and security for employees and employers; (ii) quality, efficient and inclusive lifelong education and training systems; (iii) effective active labor market policies (ALMPs); and (iv) sustainable and adequate social protection systems (Bekker, 2018).

This paper aims to give an overview of the implementation of flexicurity policies in Slovenia and compares them with the EU countries. As flexicurity policies are complex, we focus our analysis on representative labor market indicators for each flexicurity component. The paper adds to the existing literature on Slovenia by giving an overview of recent developments of flexicurity concept, pointing on the areas that require policy response, especially in times of changing labor market, characterized with an increase of new forms of employment and calls for decent work.

In order to present performance of Slovenia and the EU Member States in implementing flexicurity approach we rely on descriptive statistics for last available years and compare these data with crisis year 2010. Data for international comparisons were obtained from the European Commission, Eurostat and Organization for the Economic Co-operation and Development (OECD); additional data for Slovenia were collected at the Statistical Office of the Republic of Slovenia (SORS) and the Employment Service of Slovenia (ESS).

The rest of the paper is organized as follows. Section 2 gives a literature review, followed by a presentation of labor market situation in Slovenia. Section 4 gives a detailed overview of flexicurity implementation using representative variables. Section 5 provides discussion and section 6 concludes.

2. LITERATURE REVIEW

In this section we discuss the development of the flexicurity concept in the EU, followed by a brief overview of empirical studies in the area.

2.1. The concept of flexicurity and its re-definition in the European Union

The concept of flexicurity emphasizes that flexibility and security should not be perceived as contradictory, but as complementary and mutually supportive (European Commission, 2007). It could be best described as a system of joint and mutual risk management for workers and employers (European Expert Group on Flexicurity, 2007).
Flexicurity was first employed in the Netherlands in the mid-1990s, as part of the labor reform aimed to increase flexibility in labor market by easing the rules for dismissal and rules for starting a temporary work agency on one hand and, at the same time, to generate a higher level of security for employees in flexible jobs on the other (Wilthagen and Tros, 2004; Keune and Jepsen, 2007; see also Laporšek and Dolenc, 2011, 2012). Simultaneously, the idea of flexicurity entered into political language through the speeches and interviews of sociologist Hans Adriaansens. He defined flexicurity as "a shift from job security towards employment security" (Tangian, 2006) and suggested compensating a decreasing job security by improving employment opportunities and social security (Tangian, 2006). The concept of flexicurity was soon taken up also by other countries, for example Germany (see Klammer and Tillmann, 2001; Leschke, Schmid and Griga, 2006), Belgium (see Sels et al., 2001), Denmark (see Madsen, 2003), eastern and central European countries (see Cazes and Nesporova, 2003, 2006) and of course by the EU (Wilthagen and Tros, 2004).

Finding balance between flexibility and security has been present in the EU policy discourse since 1993 and became an important part of policy discussion in 2006. In 2007, the EU introduced common principles and pathways to flexicurity. The document defined flexicurity as "an integrated strategy to enhance, at the same time, flexibility and security in the labor market" (European Commission, 2007) that could be implemented through four policy components: (1) flexible and reliable contractual arrangements; (2) comprehensive lifelong learning; (3) effective ALMPs; and (4) modern social security systems. The EU’s concept of flexicurity was criticized, mainly from academics and trade unions, for its norms and (in)ability to lead to balanced practices (see Bekker, 2018; Bekker and Mailand, 2019).

The development of flexicurity concept in the EU has become heavily challenged with the outbreak of the economic and financial crisis. The EU’s crisis emphasis on austerity measures and structural reforms has reduced attention to the 'security' component of flexicurity. The security components began to strengthen again from 2012 onwards as a response to increased unemployment rates and poverty (Bekker and Mailand, 2019). The flexicurity re-entered the EU policy discourse in 2015 with the Five Presidents’ Report on completing the European Monetary Union, which confirmed that the standards for labor markets should combine security and flexibility, developed through elements of flexicurity (European Commission, 2019a). The subsequent Council Recommendation on the economic policy of the euro area between 2015 and 2018 specified in more detail the nature of labor market reforms. According to the 2018 Council Recommendation on the economic policy of the euro area (Official Journal of the European Union 2018/C 179/01), the labor market reforms should aim at:

(i) reliable labor contracts that provide flexibility and security for employees and employers, combined with adequate support during transitions, while avoiding labor market segmentation;
(2) quality, efficient and inclusive lifelong education and training systems;
(3) effective ALMPs;
(4) sustainable and adequate social protection systems that contribute to social inclusion and labor market integration throughout the life cycle and are responsive to new types of employment and employment relationships;
(5) smooth labor mobility across jobs, sectors and locations;
(6) effective social dialogue and wage bargaining at the appropriate level according to national specificities;
(7) shifting taxes away from labor, particularly for low-income earners and second earners.

As shown above, all four "old" flexicurity components have remained, although some of them revised (see also Bekker, 2018). For example, components (1) and (4) have changed significantly - the importance of social aspect has strengthened to resemble the new developments at the labor market related to labor market segmentation and development of new forms of work. Furthermore, three important areas of labor market reforms have been pointed out - labor mobility, social dialogue and wage bargaining, and taxing wages.

2.2. Empirical studies on the effects of flexicurity policies

Most of the empirical studies focuses on estimating the effects of individual flexicurity components on labor market outcomes. Despite extensive literature on the effects of employment protection legislation on labor market outcomes, no consensus has been reached on the direction and magnitude of the effect (see Vodopivec, Laporšek and Vodopivec, 2017). Most studies find insignificant and/or negative effects of rigid EPL on the level of employment, and no effect on unemployment (see Boeri, 2011, and Betcherman, 2012, for review of studies). Empirical findings are more conclusive on the effects on labor market dynamics, mostly showing that strict regulations negatively affect worker and job flows and thus labor market transitions (see, for example, Kugler, 1999; Micco and Pages, 2006; Autor, Kerr and Kugler, 2007; Bassanini et al., 2010; Cingano et al., 2010; OECD, 2010; and Haltiwanger, Scarpetta and Schweiger, 2014). Similar conclusion can be derived from study by Vodopivec, Laporšek and Vodopivec (2017) for Slovenia, who studied the effects of a 2013 labor market reform, aimed to make permanent contracts less restrictive and fixed-term contracts more restrictive. Using matched employer-employee database covering all Slovenia’s labor market participants authors found that the reform increased the probability of accessing permanent jobs via transitions from both fixed-term jobs and unemployment, and improved the accessibility of permanent jobs for both young and old workers.

The effects of lifelong learning programs have been subject of less research, mostly pointing that high participation in lifelong learning positively associates with
high employment and low long-term unemployment (see, for example, Jenkins et al., 2003; European Commission, 2006; Dieckhoff, 2007).

The effects of ALMPs have been intensively analyzed and summarized in several meta-analyses, including, for example, Card, Kluve and Weber (2010, 2017), Kluve (2010) and Crépon and van den Berg (2016). In a recent meta-analysis of Card et al. (2017), which contains 857 impact estimates from 207 program evaluation studies worldwide, authors found that (1) on average, ALMPs effects on labor market outcomes are close to zero in the short run, but become more positive 2-3 years after the end of the program; (2) the time profile of the effects varies by type of program, being larger for programs that emphasize human capital accumulation; (3) effects are larger for females and participants who enter the program from long term unemployment; and (4) ALMPs are more likely to show positive impacts in a recession.

As regards the passive labor market policies (PLMPs) they tend to have an ambiguous effect on labor market performance. On one hand, they have an important role in protecting the standard of unemployed, whereas on the other, they can lead to job matching inefficiency, reduced job search intensity and motivation of unemployed (see Fialová and Schneider, 2009; Laporšek and Dolenc, 2012).

Laporšek and Dolenc (2012) have analyzed the relationship between flexicurity policy components and labor market performance in 20 EU countries over the 1990-2008 period. They found that expenditures for ALMPs and participation in lifelong learning positively associate with labor market outcomes, due to their positive effects on human capital of workers. In contrast, generous PLMPs negatively associate with unemployment-employment transitions. Less explicit are results regarding the relation with the EPL strictness. Moreover, Laporšek and Dolenc (2011) also analyzed the relationship between flexicurity and labor productivity in the EU countries, reporting of positive relationship. Moreover, they pointed on considerable differences in labor market flexibility and security across EU countries, with the new member states being at least successful, showing rigid labor market regulation at very low security of employees. Noja (2018) focused on the relationship between flexicurity and labor productivity in the Central Eastern European (CEE) countries. She found that increasing flexibility through additional temporary and fixed-term contracts, enhancing participation in education and training, along with higher expenditures for ALMPs and prospects for job transition to higher employment security, had positive effects on labor productivity in the CEE countries.
3. LABOR MARKET SITUATION IN SLOVENIA - BRIEF OVERVIEW

Employment rate in Slovenia has in 2016 reached above the EU average - in 2018Q3 the employment rate in the age group 20-64 was 75.9%, which is 2.4 percentage points above the EU average. Slovenia is recording an increase in the employment rate from 2014 (Figure 1.) and it has in 2018 for the first time reached the EU 2020 target, according to which the employment rate should achieve 75% by 2020 (see Laporšek, Franca and Arzenšek, 2018a, b).

Figure 1.: Employment rate in Slovenia and the EU-28, age group 20-64, quarterly data for 2008Q1-2018Q3, in %

Note: Data are not seasonally adjusted. Labor Force Survey data.
Sources: SORS, 2019; Eurostat, 2019.

Among the EU countries, in 2017 the highest employment rates in the age group 20-64 years were recorded by Sweden (81.8%) and Germany (79.2%), followed by, interestingly, Estonia (78.7%) and Czechia (78.5%), countries that recorded one of the highest growths in employment rates compared to 2010. In contrast, employment rates are particularly low in Greece (57.8%), Italy (62.3%), Croatia (63.6%) and Spain (65.5%). Compared to 2010, the employment rates increased at most in Hungary (for 13.4 percentage points), Malta (for 12.9 percentage points) and Baltic countries (for 11.9 percentage points in Estonia, 11.7 in Lithuania and 10.5 percentage points in Latvia). Only in Cyprus and Greece the employment rates fell compared to 2010 (for 4.2 and 6 percentage points, respectively). In Slovenia, the employment rate increased for 3.1 percentage points compared to 2010, which is slightly below the EU average (3.6 percentage points). Among EU countries only nine have reached the EU 2020 employment target in 2017.
A closer look at Slovenia shows that employment rate is higher for men (79.8% in 2018q3; women 71.6%), although the gap is decreasing in last years. One of the problems of the Slovenian labor market is age segmentation, which is reflected in low employment rates among young and old people (Laporšek, Franca and Arzenšek, 2018a, b). Figure 3. shows employment rates by individual age groups in Slovenia and the EU average for 2017 and change in employment rates by individual age groups compared to 2010. Employment rates are the highest in age groups 35-44 years (89.2%) and 45-54 years (86%) and are above the EU average. Compared to 2010, the employment rate increased in both age groups - for 0.7 percentage points in the 35-44 age group and for 4.6 percentage points in the 45-54 age group. Among young (25-34 years of age) employment rate amounted 82.6% in 2017, which is 5.9 percentage points above the EU average, whereas the employment rate among the youngest (15-24 years of age) was 34.7%. The employment rate is, also in international perspective, particularly low among older people - the employment rate in the age group 55-64 years amounted 42.7% in 2017 (the EU average 57.1%) and is even lower for women, as they retire earlier. Among the EU countries, Slovenia is at the bottom with regard to employment rate of older people; lower employment rates can be found only in Croatia and Greece. Nevertheless, compared to 2010, the employment rate of older people remarkably increased - for 7.7 percentage points.
As regards unemployment, we observe a step decline in the number of registered unemployed after the crisis - their number has dropped to 78,474 in 2018. A more in-depth analysis of the characteristics of unemployed (see Table 1.) shows that the share of unemployed women among all unemployed increases - their share has exceeded 50% in 2015 - which could be attributed to the improvement of employment opportunities in traditionally men sectors and therefore a decrease in total number of unemployed (and especially men) (see ESS, 2016). Young (old 29 years or less) presented less than 20% of all unemployed in 2018, although they were strongly exposed to the impact of reduced economic activity (in crisis years their share among all unemployed exceeded 25%). In contrast, old unemployed, aged 50 years or more, are the largest group of unemployed. Their share increased markedly in last years, which could be attributed to the fact that they go to unemployment before the pension, and to the fact that younger jobseekers are more likely to be employed in times of economic recovery, meaning that their number in unemployment falls. Moreover, low-educated (with primary education or less) account for about 30% of all unemployed in Slovenia. The share of long-term unemployed, i.e., those who are unemployed for more than a year, is increasing - in 2010 42.5% of all unemployed were unemployed for more than one year, and by 2018 this share increased to 51.7%. This increase mainly reflects an increase in the number of unemployed people with the longest duration of unemployment, i.e., three years or more (see also Laporšek, Franca and Arzenšek, 2018a, b).
Table 1.: The number of unemployed and their characteristics in Slovenia, 2010–2018 (31. 12.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of registered unemployed</th>
<th>/</th>
<th>Share among all unemployed by category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Women</td>
</tr>
<tr>
<td>2010</td>
<td>100,504</td>
<td>/</td>
<td>47.7</td>
</tr>
<tr>
<td>2011</td>
<td>110,692</td>
<td>/</td>
<td>47.0</td>
</tr>
<tr>
<td>2012</td>
<td>110,183</td>
<td>/</td>
<td>47.4</td>
</tr>
<tr>
<td>2013</td>
<td>119,827</td>
<td>/</td>
<td>47.9</td>
</tr>
<tr>
<td>2014</td>
<td>120,109</td>
<td>/</td>
<td>49.7</td>
</tr>
<tr>
<td>2015</td>
<td>112,726</td>
<td>/</td>
<td>51.0</td>
</tr>
<tr>
<td>2016</td>
<td>103,352</td>
<td>/</td>
<td>50.8</td>
</tr>
<tr>
<td>2017</td>
<td>88,648</td>
<td>/</td>
<td>51.2</td>
</tr>
<tr>
<td>2018</td>
<td>78,474</td>
<td>/</td>
<td>50.8</td>
</tr>
</tbody>
</table>

Sources: SORS, 2019; ESS, 2019; own calculations.

Figure 4. presents unemployment rates in the EU countries in 2017 and compares them to 2010 crisis years. Slovenia’s unemployment rate (6.6%) is below the EU-28 average (7.5%). The highest unemployment rates among the EU countries are still recorded in Greece (21.4%) and Spain (16.9%), whereas the lowest in Czechia (2.8%), Malta (3.6%) and Germany (3.7%). Although Slovenia’s unemployment rate is below the EU average, Slovenia ranks in the upper half among the EU countries. Compared to the 2010 crisis year, unemployment rate remarkably increased in Greece (8.7 percentage points), Cyprus (4.9 percentage points) and Italy (3 percentage points), which can be attributed to the longer persistence of economic crisis and weak economic recovery thereafter. In contrast, Baltic countries recorded the highest drop in unemployment rates compared to 2010 (for 11 percentage points in Estonia, 10.6 in Lithuania and 10.5 in Latvia), followed by Ireland (7.6 percentage points) and CEE countries (7.1 percentage points in Hungary, 6.1 in Slovakia, 4.7 in Poland and 4.3 in Czechia), i.e., countries that recorded high economic expansion after the crisis. In Slovenia the unemployment rate declined for 0.7 percentage points, while the EU average is 1.7 percentage points.
4. COMPARATIVE ANALYSIS OF THE FLEXICURITY ELEMENTS - SLOVENIA IN THE EU PERSPECTIVE

In this section we present findings of a comparative analysis of flexicurity in Slovenia and the EU. The analysis is structured in accordance with four elements of flexicurity policies, developed within the EU (see Section 2), and suitable indicators. To date there has been no consensus on the measures of indicators, therefore we mostly rely on partial indicators suitable for the analysis of flexicurity, prepared by the European Commission (2007). The analysis is based on the latest available data for the 2016–2018 period.

The empirical analysis is based on three main sources of data:
- data on strictness of employment protection were obtained from the official OECD database (OECD.Stat, 2019);
- data on other indicators of flexibility and security in the labor market for the EU countries were obtained from the databases of the European Commission (2019b, c) and Eurostat (2019);
- additional data for Slovenia were obtained from statistical database and reports of the SORS (2019) and the ESS (2019).

4.1. Flexible contractual arrangements

One of the most commonly used indicators in economic literature for international comparison of regulations of labor relations and labor market is Employment Protection Legislation Index (EPL), developed by the OECD. The EPL index is compiled from 21 items covering three different aspects of employment protection: (i)
individual dismissal of workers with regular contracts; (ii) additional costs for collective dismissals; and (iii) regulation of temporary contracts. Index values are ranging from 0 (least stringent employment legislation) to 6 (most restrictive employment legislation) (OECD, 2004).

Figure 5. shows values of indicators for protection of permanent workers against individual and collective dismissal, and for regulation on temporary forms of employment. Regarding the protection of permanent workers, the highest EPL values are observed mostly in western European countries - the index reached 3 in Belgium, 2.9 in the Netherlands, Latvia and Italy, followed by Germany and France (2.8). In contrast, in the United Kingdom the indicator’s value was 1.6 in 2014. Low protection of permanent workers is observed also in Estonia, Ireland and Hungary (2.1). Regarding the scope of the employment protection of permanent workers, majority of the EU countries show considerable rigidity in the area of collective dismissal, which is especially evident in Belgium (5.1), Luxembourg (3.9), Italy and Latvia (3.9). Temporary forms of employment are at most rigid in Luxembourg and France (3.8), whereas the most flexible in the United Kingdom (0.5), followed by Sweden, the Netherlands and Ireland (1.2). Slovenia ranks in the lower half among the EU countries with regard to employment protection - indicators’ values for protection of permanent workers amounted 2.4 and 2.1 for regulations on temporary forms of employment.
In 2013 Slovenia adopted a significant legislative change in the field of labor market segmentation and flexibility. The new Employment Relations Act (Official Gazette of the Republic of Slovenia, no. 21/2013) namely reduced the difference in costs between employing a worker under a fixed-term and a permanent contract. For fixed-term workers it introduced severance pay, increased the unemployment insurance contribution rate, and restricted the leeway for contract extensions. For permanent workers it reduced the level of severance pay and the advance notice period and simplified dismissal procedures. Moreover, the new law also allowed more
flexible deployment of workers and introduced the option of monetary compensa-
tion instead of reinstatement (Vodopivec, Laporšek and Vodopivec, 2017). After
the introduction of the new law, the EPL index for protection of permanent workers
against individual and collective dismissal decreased from 2.7 to 2.4, the EPL index
for regulation on temporary forms of employment from 2.5 to 2.1.

Figure 6. gives more detail about individual EPL items for Slovenia and the EU.
Provisions are at most rigid for collective dismissal - the index value for Slovenia
is 3.4, which is above the EU average of 3.1. The EPL index value for protection of
permanent contracts against individual dismissal is largely driven by procedural in-
conveniences, which record high index value both in Slovenia and the EU (2.5). In
contrast, the regulation on difficulty of dismissal and on notice and severance pay are
more flexible in Slovenia than on average in the EU (2 and 1.5 for Slovenia, respec-
tively). Slovenia also records lower index values for regulations on temporary forms
of employment - the index value for fixed-term contracts amounted 1.8, whereas for
temporary work agency employment 2.5 (see also Vodopivec, Laporšek and Vodop-
ivec, 2017).

**Figure 6.** Indicators values for individual EPL items, Slovenia

![Figure 6. Indicators values for individual EPL items, Slovenia](image)

**Notes:**
- The EU average does not include data for Bulgaria, Cyprus, Malta and Romania and refers to data for 2013, with
  exception to Lithuania and Croatia (2015) and Slovenia and the United Kingdom (2014).
- Index values are ranging from 0 (least stringent employment legislation) to 6 (most restrictive employment
  legislation).

**Sources:** OECD.Stat, 2019; own calculations.
One of the major shortcomings of the EPL is the fact that all components of the index cannot be accurately measured (for example, decisions of courts in the event of disputes due to the interpretation of a reasoned dismissal, the estimation of the difficulty of dismissal) (see Kajzer, 2005; Bertozzi and Bonoli, 2009). Therefore, researches use additional indicators to observe the labor market flexibility, as presented below.

The level of flexibility in the labor market is also reflected by the share of fixed-time and part-time employment. There is a high segmentation between workers with permanent contracts and those on fixed-term contracts in Slovenia, by which young workers are at most affected. In 2017, the incidence of temporary employment in Slovenia was 16.8% (data for persons aged 20-64), yet among 25-34 years old the share of workers in temporary employment was 26.6% (the EU average 18.8%). In contrast, only 8.8% of older workers (55 to 64 years of age) worked in temporary employment. In the EU perspective, Slovenia ranks among countries with the highest incidence of temporary employment – the percentage of temporary employees is higher only in the Netherlands (18.2%), Croatia (19.9%), Portugal (21.5%), Poland (25.8%) and Spain (26.4%). The lowest shares of temporary employments are recorded in Romania, Bulgaria and Baltic countries (in all countries the share is below 5%). Compared to 2010, the share of temporary employment increased at most in Croatia (for 7.7 percentage points) and Slovakia (for 3.7 percentage points). On the other hand, the highest decrease in the share of temporary employees was recorded in Latvia, for 4 percentage points.

**Figure 7.** Temporary employees as percentage of the total number of employees in 2017 (left axis) and change in percentage of temporary employees compared to 2010 (right axis), EU countries

Note: Countries are ranked by decreasing share of temporary employees among all employees in 2017. Data refer to persons aged 20 to 64.
Sources: Eurostat, 2019; own calculations.
The incidence of part-time employment in Slovenia, as another form of atypical employment, is low—only 9.6% of all employed aged 20–64 worked part-time in 2017 (the EU average 18.7%). This might be attributed to high participation of women in the labor market (Slovenia namely records one of the highest participation rates of women aged 35–44 in the EU). Among the EU countries, the share of part-time employed is particularly high in the Netherlands (46.6% in 2017), followed by Austria (28.2%) and Germany (26.9%), while being low (below 5%) in Bulgaria, Hungary and Croatia. Again, the most exposed group to part-time employment are young people (15–29 years of age), especially young women (in 2017 the percentage of part-time employed young women in total employment in the EU amounted 31.4% (in Slovenia 30.5%), the percentage of young men yet 16.9% (in Slovenia 15.7%)). This is related to the fact that part-time employment gives women more flexibility and possibility to balance work and family life, yet it puts them in unfavorable position as it hinders their progress and use of their competences and knowledge (Andersen et al., 2008).

Slovenia records a steady increase of employment in temporary work agencies. According to Vodopivec, Laporšek and Vodopivec (2017), the total employment in temporary agencies has increased from 5 thousand in January 2011 to 15.9 thousand in December 2016. Over the same period, the share of permanent employment contracts in temporary work agencies has increased from 5% to 44.5%. This might be attributed to the provisions of the 2013 Employment Relationship Act under which temporary work agency employees are exempt from quotas. Compared to the EU, Slovenia records the highest share of temporary employment agency workers—in 2017, they represented 4.9% of all workers, whereas the EU average was 1.9%.

To summarize, employment protection in Slovenia significantly declined with the 2013 legislative change, which had favorable effects on labor market outcomes. As showed by micro–econometric study performed by Vodopivec, Laporšek and Vodopivec (2013), the legislative change increased the probability of accessing permanent jobs via transitions from both fixed-term jobs and unemployment and improved the accessibility of permanent jobs for both young and old workers. Nevertheless, Slovenia should further address the issue of labor market segmentation, especially with regard to younger workers.

4.2. Lifelong learning

Lifelong learning encompasses all formal, non-formal or informal learning activities, undertaken on an ongoing basis with the aim of improving knowledge, skills and competences (Eurostat, 2019). It is of immense importance in today’s fast-changing working environment, where adults need to continuously improve their knowledge and skills to remain competitive and productive (European Commission, 2017).

Participation rates in adult learning are rather low. As shown in Figure 8., in 2017, only 10.9% of adults in the EU had undertaken any recent learning activity,
which is way below the EU 2020 target of at least 15% of adults (aged 25-64) having taken part in learning. This is only 1.6 percentage points higher than in 2010. Furthermore, there are large differences in participation rates across the EU countries. Adult participation in learning is high in northern and western Europe, by most countries reaching the EU 2020 target. In contrast, participation rates are very modest in some of the EU new member states— in Romania, Bulgaria, Croatia and Slovakia not reaching even 4%. In Slovenia, 12% of population aged 25-64 participated in adult learning in 2017, which is slightly above the EU average. Only a few countries considerably increased adult participation in learning, most of them in northern Europe (Estonia, Sweden, Finland and Malta)\(^1\). In Slovenia, the rate of adult participation in learning substantially declined compared to 2010 (for 4.4 percentage points). Similar decline can be observed also in Denmark and the United Kingdom.

**Figure 8.**: Adult participation in learning in 2017 (left axis) and change in their participation rate compared to 2010 (right axis), EU countries

Notes:
- Adult participation in learning is defined as the share of 25 to 64 year-olds who received formal or non-formal education or training in the four weeks preceding the interview.
- Countries are ranked by decreasing participation rate in 2017.
**Sources:** Eurostat, 2019; own calculations.

One of the important challenges is inclusion of low-qualified adults in lifelong learning. As shown by the European Commission (2018), the situation for low-qualified adults has not changed noticeably since the beginning of the decade— their participation rates at the EU level remain low at 4.3% in 2017.

\(^1\) Figure 8. shows that the adult participation in learning at most increased in France. This data must be taken with caution, as it is lead by a change in measurement methodology (for more details see European Commission, 2018).
Low participation in lifelong learning is one of the weakest points of flexicurity concept in Slovenia. This area should receive a special attention by the Slovenian policy makers, also due to problems related to ageing society and lack of working force.

4.3. Active labor market policies

Expenditures for the ALMPs are rather low in most of the EU countries. As shown in Figure 9., only in Denmark ALMPs’ expenditures exceed 1% of GDP (1.66% in 2016). ALMP expenditures are high also in other Scandinavian countries and in some of western European countries. In contrast, majority of countries that joined the EU in 2004 or later record rather low expenditure rates, being lower than 0.3% of GDP. A noticeable exception is Hungary that devoted 0.88% of GDP to the ALMPs in 2016 and recorded the highest increase in the ALMPs’ expenditures compared to 2010 (for 0.33 percentage points). Slovenia is at the tail of the EU countries, as the expenditures for the ALMPs accounted for 0.16% of the GDP in 2016. As regards the structure of expenditures for the ALMP (see Figure 9.), most of the EU countries earmark a major part of expenditures to training, employment incentives and direct job creation.

Figure 9.: Expenditure for the ALMPs as % of GDP by type of action in 2016, EU countries

Notes:
- Data for France, Greece, Italy and Spain refer to 2015. Data for the United Kingdom are missing. Data for Croatia, Lithuania, Malta, Bulgaria, Cyprus and Romania (marked with grey stripes) present total expenditure for ALMP (data for these countries were collected from the European Commission, 2019b).
- Countries are ranked by decreasing expenditures in 2016.

Sources: OECD.Stat, 2019; European Commission, 2019b; own calculations.
Slovenia should increase expenditure for the ALMP. There are several arguments in favor of this expansion. First, Slovenia lags substantially behind the EU and OECD countries with regard to the public expenditures and participation stocks on ALMPs. Second, as showed by micro-econometric evaluation done by Burger, Vodopivec, Laporshek and Vodopivec (2017), Slovenia’s ALMPs perform rather well judged both by their impact on labor market outcomes and by their cost-effectiveness. These findings are in line with findings in other countries. Moreover, for the ALMPs to be more effective, Slovenia should strengthen activation measures via introducing compulsory participation in ALMPs of unemployment benefit recipients who are still unemployed after a certain period of time (see Vodopivec, Cvornjek, Laporshek and Vodopivec, 2017).

4.4. Sustainable and adequate social protection systems

Slovenia provides a comprehensive social protection system. For unemployed workers, there exist an unemployment insurance program as a part of PLMPs, offering financial support during unemployment. Expenditures for PLMPs in Slovenia are three times higher than for the ALMPs - 0.5% in 2016. This is the case also in other European countries. As shown in Figure 10., expenditures for PLMPs almost reached 2% of GDP in 2016 in France, Spain and Finland. Expenditures present more than 1% also in most of other western EU countries. In contrast, in countries that joined the EU in 2004 or later, PLMPs’ expenditures account for 0.5% or less.

Figure 10.: Expenditure for the PLMPs as % of GDP by type of action in 2016. EU countries

Notes:
- Data for France, Greece, Italy and Spain refer to 2015.
- Countries are ranked by decreasing expenditures in 2016.
Sources: OECD.Stat, 2019; European Commission, 2019b; own calculations.
Slovenia’s unemployed workers can claim unemployment benefits after termination of fixed-term employment or after involuntary termination of employment under the permanent contract. To qualify for unemployment benefits, they must have been employed for at least nine months in the preceding 24 months (for young workers under the age of 30, six months in the preceding 24 months). The potential benefit duration is determined by the cumulative duration of employment engagements preceding the onset of unemployment and age of unemployed. The benefits range from two months for young workers with six to eight months of prior employment to a maximum of 25 months for workers aged 55 or more. They are set at the 80% of the average monthly wage (during the last eight months (of five months if young worker) for the first three months of the unemployment spell, and are reduced to 60% between the fourth and the twelfth month of unemployment, and to 50% thereafter. The benefit paid is subject to an absolute minimum of 350 EUR gross and maximum of 892.50 EUR gross (Labor Market Regulation Act, Official Gazette of the Republic of Slovenia, no. 80/2010, 40/2012, 63/2013, 100/2013). In addition, the ESS pays pension and invalidity insurance contributions for a maximum of one year for unemployed close to retirement.

Those who do not qualify for unemployment benefits may be eligible for social assistance. Financial social assistance in Slovenia is means-tested cash transfer provided to individuals with no income or income below the statutory set basic minimum income (i.e., 392.75 EUR since January 1, 2019). Recipients of financial social assistance are also eligible to an activity allowance, aimed to encourage employment or motivation for work. To be eligible, an individual must be employed or engaged in volunteer work. The level of monthly activity allowance depends on the number of hours worked and it ranges from 102.12 EUR for individuals working 60 to 128 hours per month to 200.3 EUR for individuals working more than 128 hours per month (Ministry of Labor, Family, Social Affairs and Equal Opportunities of the Republic of Slovenia, 2019).  

Unemployment benefits and cash transfers may create work disincentives, especially when coupled with large taxation rates of personal income. Particularly for families with several dependents, such circumstances can create an “unemployment trap” or an “inactivity trap” - disincentives due to non-employment benefits being relatively high compared with expected incomes when working, as well as the “low-wage trap” - disincentives due to additional taxes and of cash benefit reductions taking away most of additional earnings from increased hours worked. An important factor is also a tax burden on labor (Laporšek et al., 2017).

Slovenia records one of the weakest financial incentives to move from unemployment to employment among the OECD and the EU, regardless the family type or wage level. As shown in Figure 11., by employing at the 67% of average wage single person lost 87.1% of the additional earnings due to taxes and reduced benefits in

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2 For more details see Laporšek, Vodopivec and Vodopivec (2017, 2019).
2016 (the EU average was 75.8%), which puts Slovenia in the very top among the EU countries.

Slovenia also faces strong inactivity traps, particularly for low-wage earners. For example, for a lone parents and one-earner married couples (with or without children), 80% of increased earnings were lost when moving from inactivity to employment at the minimum wage in 2016 due to taxes and reduced financial social assistance. For lone parents and one-earner families the PTR was even higher, reaching 85% when moving to employment at the 67% of average wage. At taking a job at the average wage, the PTR declined, however it remained still significant, as it ranged between 42 and 77% (see Figure 12.).

Figure 11.: Participation tax rate for transition into full-time employment at 67% of average wage for persons receiving unemployment benefits at the initial level (during the first three months of the receipt), the EU countries, 2016

Notes: Countries are ranked by decreasing value of the PTR for single person with no children. Data for Cyprus are not available.
Sources: European Commission, 2019c; OECD, 2018; own calculations.
To summarize, Slovenia’s social security system is rather generous. Moreover, families and individuals who are not working have poor incentives to find a job – because for many, “it does not pay to work.” In other words, unemployment benefits and cash transfers, coupled with high tax wedge, create high work disincentives in Slovenia (Laporšek et al., 2019). Slovenia should therefore introduce certain measures to stimulate transition from non-employment to employment, especially for the most vulnerable groups. Following international experience, Slovenia should consider introducing into-work benefits, in-work benefits, or both (for more details see Laporšek et al., 2017).

5. DISCUSSION

There are considerable differences in the level of implementation of flexicurity elements across the EU countries. Scandinavian countries still record at most balanced flexicurity policies, characterized by both rather flexible labor market (especially with regard to temporary employment) and high security of workers. In contrast, the EU countries that joined the integration in 2004 or later, together with Greece, remain weak, especially in the security part of the flexicurity concept. With regard to Slovenia, our main findings are:

- Slovenia ranks in the lower half among the EU countries by the employment protection; the employment protection significantly declined with the last
legislative change in the field of employment relations in 2013, which aimed at reducing segmentation and increasing labor market flexibility.

- Slovenian labor market remains highly segmented between workers with permanent contracts and those on fixed-term contracts, by which young workers are at most affected.
- Participation in lifelong learning is low both in Slovenia and the EU and is way below the EU 2020 target of at least 15% of adults (aged 25-64) having taken part in learning. Moreover, in Slovenia, the rate of adult participation in learning even declined compared to 2010.
- Slovenia records low expenditures for the ALMPs, putting it at the tail of the EU countries.
- Slovenia provides a comprehensive social protection system, offering unemployed workers financial support during unemployment. Nevertheless, unemployment benefits and cash transfers create high work disincentives.

The results of the analysis suggest that the scale of Slovenia’s lifelong learning and ALMPs should be increased. This would not only bring Slovenia closer to the EU/OECD average, but, most importantly, it would have a favorable effect on labor market outcomes, as showed also by Burger et al. (2017). The effect could be even higher if coupled with the more intense development of activation policies for unemployed, especially for the most vulnerable groups of unemployed. Moreover, an overview of social security system offers an additional perspective on the incentives to work in Slovenia – for many individuals who are not working “it does not pay to work.” Labor market reforms in Slovenia should therefore take into account high work disincentives and consider introducing into-work benefits, in-work benefits, or both, as suggested by Laporšek et al. (2017). Further strengthening of the flexicurity idea in Slovenia is needed also due to changes in the nature of work and developments of other forms of work, which often bring forward problem of precariousness. Namely, Slovenia has over the past years recorded a significant growth of new forms of work, with the increase being at most remarkable in the number of self-employed who do not employ any workers and are working mostly for one client. It can be assumed that a lot of these cases are disguised employment relations. All these challenges and policy changes will of course not be possible without a close cooperation of all social partners.

6. CONCLUSIONS

Flexicurity remains an important policy instrument in the EU and will be especially important in the changing economic and labor market environment, characterized with the development of new forms of work. Slovenia has in the past already performed labor market reforms that relate to flexicurity components, yet there is still room for improvement.
This paper aims to examine situation in terms of implementation of flexicurity concept in Slovenia and compare it to the EU countries. The findings point on the need for Slovenia to further invest in development of lifelong learning and ALMPs, where Slovenia lags well behind the EU countries, yet the effects of these programs seem to be beneficial. This is especially important due to generous social protection, which could be spurring transitions from non-employment to employment.

The study gives an up-to-date overview of state of flexicurity in Slovenia and in the EU and therefore upgrades already available studies for Slovenia, done by Laporšek and Dolenc (2011, 2012), and adds to the studies on the EU as a whole. Comparing findings of both this and past studies, we can observe that there has been only little progress and improvements in the implementation of flexicurity concept in Slovenia. A legislative change in 2013 in terms of labor market flexibility had favorable effects on labor market (see Vodopivec, Laporšek, Vodopivec, 2017), whereas there have been no significant improvements in terms of participation in lifelong learning and financing of ALMPs.

This study focuses only on the presentation of the recent indicators of flexicurity components, which is one of its major limitation. Future research should study in more detail the effects of flexicurity on labor market, reconsider the importance of flexicurity in assuring decent work and develop a more comprehensible measure of flexicurity.
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