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# Slovenia: Partial subsidies of full-time work and partial reimbursement of payment compensation

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## Background and objectives of the report

The global economic crisis hit Europe in mid 2008 and also had a considerable impact on the region's labour markets. Although almost all Member States have seen a decrease in gross domestic product (GDP) in the wake of the crisis, measures to protect labour markets from the effects of this have had varying success.

The reduction of working time has played a major role in lessening the impact of lowered production output on employment levels, and this project aims to investigate short-time working and temporary layoff schemes which have been used as a means of avoiding redundancies by many Member States during the recession.

To do this, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) conducted an in-depth analysis of public short-time working and temporary layoff support schemes available in nine Member States (**Austria, Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Poland** and Slovenia) during the recent economic crisis, supplemented by an analysis of **ProAct**, a regional support scheme in Wales (Eurofound, 2010). An emphasis was placed on those Member States offering public income support instruments for two types of reduced working time: those linked to a social security element, such as publicly supported social security contributions or dismissal protection during or after a period of short-time working or a temporary layoff; and those linked to a training element, such as a requirement to undertake training during non-worked hours in order to receive income support, or to receive an enhanced level of public financial support. The analysis encompassed a wide geographical mix and covered both short-time working and temporary layoff schemes.

This is one of the individual country reports describing its national public support scheme. It is based on a literature and document review, as well as on qualitative semi-standardised interviews with national stakeholders conducted in the spring and summer of 2010. The main objective is to provide as detailed a description as possible of the characteristics and working methods of the scheme, and to assess its short-term effectiveness.

A comparative analysis of the individual schemes forms the thematic part of the ERM Annual 2010 – **Extending flexicurity – The potential of short-time working schemes**. This is supplemented by a secondary analysis of European data on short-time working and temporary layoff schemes, and an assessment of the relationship between short-time working and flexicurity.

## General information on the schemes

Before the economic crisis hit Slovenia, there were no support measures for short-time working or temporary unemployment. In fact, the Employment Relationship Act stated that if an employer could provide only short-time work to full-time employees, the company was still obliged to pay the full-time wage, with the worker retaining all rights and benefits related to full-time status (European Commission, 2010).

In November 2008, when the economic crisis started to hit Slovenia, a ministerial crisis team was formed, comprising representatives of the:

- Government Office for Development and European Affairs;
- Ministry of Finance;
- Ministry of the Economy;
- Ministry of Labour, Family and Social Affairs;
- Ministry of Higher Education, Science and Technology.

The team wanted to work out ways to mitigate the effects of the recession and it introduced measures targeted at the labour market, lifelong learning, social security and sustainable development.

They established government support for reduced working time, based on examples from other EU Member States (Government of the Republic of Slovenia, 2010a and 2010b).

The reason for bringing in this support was that the team felt the two most difficult problems for companies to overcome in the short term were a reduction in liquidity and a sharp drop in orders.

This done, the government now aimed at:

- diminishing the consequences of the global economic crisis;
- continuing to maintain jobs;
- encouraging workers to improve their qualification levels;
- improving companies' competitiveness (Employment Service of Slovenia, 2010).

Two laws were passed to support workers affected by working time reductions.

The first was the law on partial subsidies of full-time work (Official Journal of the Republic of Slovenia, No. 5/09, 40/09, 57/09) which was approved by parliament in January 2009. It was one of the few measures directly aimed at maintaining employment in Slovenia (European Commission, 2010).

This was initially successful, but as the crisis continued and companies needed more support, recommendations from employers' and employees' organisations led to the law on partial reimbursement of payment compensation for temporarily laid-off workers (*Zakon o delnem povračilu nadomestila plače*, ZDPNP) in May 2009 (Official Journal of the Republic of Slovenia, No. 42/09). The law was created with the help of the Public Employment Service and discussed twice by the Economic and Social Council of Slovenia (ESSS).

The Employment Service of Slovenia (ZRSZ) is responsible for the implementation, administration, monitoring and evaluation of the laws (European Commission, 2010) as well as giving information and advice to interested employers. Companies wanting the subsidy have to apply to ZRSZ, describing the company's business situation and why working hours have to be reduced/deferred (EIRO, 2009b). Before making the application, employers have to consult their company's works council or, if one does not exist, the employees' council/workers' assembly. ZRSZ estimated an average of 15 days to evaluate applications. For companies granted the subsidy, payment should be made within 45 days for partial subsidies of full-time work (*Zakon o delnem subvencioniranju polnega delovnega časa*, ZDSPDČ), and within 30 days for partial reimbursement of payment compensation. In practice, these payments are paid more quickly (on average within 34 and 27 days, respectively).

The employers can apply both schemes in their company, but it is not possible to include the same workers in both schemes at the same time. Rather, some workers can be temporarily unemployed, while others are doing short-time working, or the workers can be included first in short-time working and afterwards in temporary unemployment.

## Characteristics of the schemes

### Eligibility, duration and extent of income support

#### *Partial subsidies of full-time work*

The partial subsidy, for companies temporarily reducing working time, aims at maintaining the maximum number of jobs by reducing the cost of labour. The government intended to preserve employment-related workers' rights and to ease the pressure on open unemployment (Government of the Republic of Slovenia, 2009b).

Private employers as well as cooperatives (except in agriculture) are eligible if they experience a drop in demand for products or services by up to 20% (EIRO, 2009b). However, this '20%-criterion' was not explicitly mentioned in the law and there was also no time defined in which this decrease should happen.

The government will partially subsidise wages of full-time workers (including those on fixed-term contracts), but not those of part-time and temporary agency workers or management, in case companies have to reduce working time by four hours per week (that is, to 36 hours). The subsidy amounts to €60 per employee and month for a duration of up to six months (which can be extended to a total of 18 months).

If there is an explicit written agreement between the employer and the trade union representatives at company level on reducing the weekly working hours by a further four hours (that is, to 32 hours), the government will provide an additional €60 per employee and month (hence, €120 in total) (European Commission, 2010).

Working time reductions between four and eight hours a week are also possible, resulting in different subsidy amounts, as Table 1 shows.

Table 1: *Partial subsidies of full-time work by working time reduction*

Working hours per week	Public subsidy per employee and month (€)
36	60
35	75
34	90
33	105
32	120

Source: *European Commission, 2010*

The subsidy is paid to the employer who is not legally obliged to pass it on to the employees. The company is also free to reduce workers' wages by up to 10%.

While receiving the subsidy, employers are not allowed to request workers to do overtime or pay bonuses to the management (Employment Service of Slovenia, 2010; Government of the Republic of Slovenia, 2009a; European Commission, 2010).

The scheme started in January 2009. The deadline for submitting an application for the subsidy initially was 30 September 2009, which was subsequently extended to 31 March 2010. The measure was due to expire by 30 September 2010, with payments effected until 31 December 2010.

### *Partial reimbursement of payment compensation*

The law on partial reimbursement of payment compensation stipulates that eligible employers – private employers as well as cooperatives (except in agriculture) – can place up to 50% of their workers (including part-time and fixed-term workers, but not temporary agency workers or management) on a ‘temporary waiting for work’ scheme during which training has to be provided.

A company is not eligible for this if:

- it made a loss of more than half its basic capital value during the previous 12 months;
- the value of its property is lower than the sum of its financial liabilities;
- it was in the process of insolvency/bankruptcy proceedings or closing down;
- the affected workers cannot work, but are still effectively employees (EIRO, 2009b).

The employees are entitled to 85% of their monthly full-time wage (averaged over the previous three months). If they were on short-time working before this temporary unemployment, then their payment is calculated on their last full-time wage. In this way, the pay of 50% of affected workers is covered by the government (with a minimum payment of about €350 per month, up to the maximum unemployment benefit of about €1,000 per month). Employers cover the pay of about 35% of workers (Government of the Republic of Slovenia, 2009b; European Commission, 2010; EIRO, 2009b). If the compensation is lower than the statutory minimum wage, the difference is covered by the employer and the government (50% each) (Government of the Republic of Slovenia, 2009b; EIRO, 2009b).

Employers can apply for a subsidy lasting for a minimum of three months. This period can be extended three times by another three months, up to a maximum of 12 months, so that the company can receive the subsidy for either three, six, nine or 12 months. Each individual worker, however, cannot be on the scheme for more than six months (although this can be prolonged by six months in case of changed circumstances).

While receiving the subsidy, employers cannot hire staff for particular jobs without explaining why these jobs cannot be done by the temporarily unemployed workers.

### **Security aspects of the schemes**

In Slovenia, employers can postpone payment of social security contributions for two years. They do not have to tell employees that they are doing this. However, companies are legally obliged to pay social security contributions during the period in which they receive these new public subsidies.

During payment of the partial subsidies for full-time work, social security contributions are paid on the basis of the reduced working hours, with the basis for calculation being the previous full-time wage during the partial reimbursement of payment compensation.

During the time a company receives either or both of these public subsidies, it cannot lay off any employees without repaying the benefits (Employment Service of Slovenia, 2010; European Commission, 2010).

Periods of short-time working/temporary unemployment are considered as normal working time when calculating the qualifying period for unemployment benefits. In case of unemployment after a period of reduced working hours, unemployment benefits are calculated on the basis of the reduced wage, while in the case of workers unemployed after being temporarily laid off, benefits are based on the full-time wage previously earned.

## Training element of the schemes

### *Partial subsidies of full-time work*

The stimulus package has led to the Slovenian government encouraging employees, whose hours have been reduced, to obtain new skills and qualifications in their spare time (Government of the Republic of Slovenia, 2009b).

### *Partial reimbursement of payment compensation*

Temporarily laid-off workers receiving compensation are required to participate in training for at least 20% of the time they are off (Government of the Republic of Slovenia, 2009b; EIRO, 2009b). The government covers training costs of up to €500 per worker, co-funded by the European Social Fund (ESF) (85%). This financial support is only available for those who are temporarily laid off.

The type of training courses are not specified; any can be taken as long as they have a professional, occupational or vocational theme. Employers are obliged to present a training plan, but it can be outlined in a comparatively superficial way.

The government has earmarked €9.5 million to help pay for training during temporary layoffs in 2009–2011 (Government of the Republic of Slovenia, 2009b; European Commission, 2010).

## Monitoring of the schemes

Employers receiving subsidies for short-time working or temporary unemployment are legally obliged to submit monthly reports to ZRSZ giving the number of employees on short-time working or in temporary unemployment (European Commission, 2010). ZRSZ compares the reports with the contract signed for the financial aid. It also cross-checks this information with data from the ministries of health and social insurance or the tax authorities to ensure the law is being carried out effectively. Up until spring 2010, the service needed to query data with employers in about only 5% of cases.

ZRSZ also visits companies to check documentation. It had expected to visit 10% of those receiving partial subsidies for full-time work and 5% of those receiving partial reimbursement for payment compensation. As of spring 2010, the actual visits amounted to 13% and 4%, respectively (Employment Service of Slovenia).

ZRSZ visits 10% of those companies receiving training support and another 10% are monitored by the Ministry of Labour, Family and Social Affairs.

In turn, ZRSZ is regularly audited by the Ministry of Labour, Family and Social Affairs. Between the implementation of the short-time working/temporary unemployment support and spring 2010, ZRSZ has been audited three times.

## Transparency of the schemes

The Ministry of Labour, Family and Social Affairs and ZRSZ provide information about the support schemes on their websites and offer a free telephone helpline and email support for employers coping with short-time working and temporary unemployment (Government of the Republic of Slovenia, 2009b). The hotline, specifically established for the two support packages, will be maintained for other provisions in the Active Labour Market Policy. .

ZRSZ, in cooperation with the Chamber of Commerce and the Chamber of Crafts, conducted 36 training sessions/presentations nationwide to inform human resources managers about the support packages and how to apply. In addition, it provided four specific training sessions for employers in Ljubljana and Maribor, which focused on dealing with the payment of the subsidy.

## **Assessment and lessons learnt**

When the crisis hit Slovenia in the fourth quarter of 2008, the first reaction of companies was not to extend fixed-term contracts and to reduce other forms of flexible employment. However, the subsidies and the unions' support for this measure led to employers preferring to reduce the hours of full-time workers (including giving temporary leave) rather than resorting to dismissals. Employers also wanted to retain core staff, ready for an economic upswing (European Commission, 2010).

The subsidies for short-time working and temporary unemployment were introduced only in the government's second stimulus package which was deemed as cautious and too slow by many of those involved. Furthermore, the regulation has been criticised (European Commission, 2010; EIRO, 2009a) because:

- establishments that are doing well and those that are experiencing difficulties can both opt for a shorter working week and hence receive subsidies;
- the short-time working subsidy is too small;
- the subsidies are taxable, reducing the net amount for employees;
- the obligation of the employer not to dismiss workers in the contracted period is seen as a difficult commitment during the crisis.

Those employers receiving subsidies felt the partial subsidies of full-time work were not flexible enough, as workers included in the scheme need to be identified in advance and subsequent changes are not possible (while rotation, replacement or substitution is possible for the temporary unemployment support). However, employers did appreciate the simplicity of the application forms and the monthly payment requests, and also the prompt payments. Employers also felt the transition from short-time working to temporary layoff support was simple.

Employers thought the required 20% of non-worked hours spent on training was too much, difficult to organise and the costs were too high.

Trade unions criticised the short-time working support because employers are not obliged to pass on the subsidy to affected workers. Consequently, they feared that the measure does not protect workers' standard of living and allows for abuses, as it does not prevent pay cuts (EIRO, 2009a). However, they like the temporary unemployment support because it is higher than unemployment benefit would be and training costs are supported. Nevertheless, trade unions feel the subsidies will merely postpone, not prevent, layoffs until the end of the obligatory period during which no dismissals are allowed (EIRO, 2009a).

In spite of this, the measures are generally thought to have been successful. The interest and acceptance of companies is high, as can be seen from the high number of applications (about 1,100 for each scheme).

As of spring 2010, the assumed number of saved jobs has reached the set targets (European Commission, 2010). ZRSZ considers these jobs to have been kept for the future as, so far, only a few bankruptcies among supported companies have taken place. However, trade unions point out it is too early to tell whether these jobs will be sustainable as there is no full economic recovery yet and Slovenia still has a high unemployment rate.



Trade unions appreciate employers having to pay social security contributions while receiving the subsidy as this enhances workers' security. They also like the fact that temporarily unemployed workers' pension entitlements will not be reduced (EIRO, 2009a) as social security contributions are paid on the basis of full-time employment, while the reduction during short-time working is only marginal and in any case preferred to full unemployment.

The combination of training and income support for non-worked hours is appreciated by all stakeholders as it keeps workers active and in touch with the company (most of the training measures are conducted in-house). However, they criticise the fact that the regulations do not determine which training programmes are adequate (EIRO, 2009b). It is possible, for example, that workers are not receiving skills training, but instead getting lectures on subjects such as workplace security, which are legally required anyway. Furthermore, there is a general lack of a lifelong-learning culture in Slovenia, and older and low-skilled workers have shown little interest in training.

The subsidies are considered as a flexicurity tool: workers maintain their job, although they have to temporarily accept a lower income. The employer saves costs in difficult economic times and retains workers (with their skills and experience) for the economic recovery (EIRO, 2009b). Both employers' and employees' representatives appreciate the opportunity to avoid layoffs and retain their workforce (European Commission, 2010; Slovenian Employers' Association, 2009). The government felt the subsidies to support reduced working hours were a suitable crisis measure but should not be continued in recovery. They are looking forward then to fostering additional employment, for example by enhancing employment subsidies.

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