

Summary

An improvement was observed in the labour market situation between 1995 and 2005. The employment rate of the population aged 15-64 rose by 4.3 p.p. in this period. At the same time, the youth employment rate (population aged 15-24) fell on account of the higher rate of participation of young people in education. Employment rates of other age groups rose (notably for older people, thanks to the pension reform). Both measurement methods indicate a drop in unemployment. The number of people registered as unemployed fell, although this was significantly linked to the reviewing and cleaning of records and to the incompatibility of the unemployment status with inclusion in certain active employment policy programmes. The ILO unemployment rate also fell. However, several problems persist: the proportion of the long-term unemployed remains large, as does the proportion of unskilled unemployed people and unemployment among young people.

The structure of employment has changed in favour of the service sector in the last ten years. However, Slovenia still significantly lags behind the EU average in terms of the proportion of people employed in those services with the potential to offer employment to older and less educated people – notably health care and social work. The proportion of people employed in manufacturing remains relatively high, particularly in low-tech industries.

The increase in the employment rate for highly skilled people in 1995-2005 and its high level compared to the EU average indicate that education is a significant determinant of the situation in the labour market. Education is also an important underlying factor in the pay gaps observed. Calculations of relative wages depending on the level of attained education show that the relative earnings of workers with higher education rose in 1998-2002 regardless of sector of employment (the only exception was the public sector, where the relative earnings of professionals dropped in 2002).

The institutional regulation of the labour market in Slovenia underwent only partial reform in 1995-2005. The labour market requires more comprehensive reforms. The main changes implemented in 1995-2005 were the following: i) the reduction of employment protection and legalisation of work agencies; ii) shortening of periods of entitlement to unemployment benefits; and iii) reform of the pension system. Analyses show that the first change, which made employment legislation less restrictive, reduced the difference existing between permanent and temporary workers in terms of how their employment relationship tends to end. The second change has increased the probability that an unemployed person will find work in a given period. And finally, the pension reform has underpinned the rise in the average retirement age and hence the significant increase in the (extremely) low employment rate of the population aged 55-64. The increase in particularly temporary employment and the weak response of employment to stronger economic activity suggest that permanent employment is still fairly protected and employers are still careful when hiring new employees. In addition to costs of hiring and firing, this is partly due to the high fiscal burden on wages. To make employment more responsive to economic growth, the labour market should undergo further reform, however not only in the area of employment protection. The increased flexibility, measured as the share of part-time and temporary employment to total employment, has strongly affected young people. Data do not confirm the opinion that the share of temporary employment in Slovenia is exceptionally high - Slovenia is ranked only slightly above the EU average according to this indicator. The level of part-time employment is,

on the other hand, very low in Slovenia.

Slovenia's expenditure on active labour market policy has been relatively low in the last few years compared to other countries. The structure of this expenditure shifted in favour of training programmes on account of employment incentives in the private sector in 1995-2005. In order to make active employment policy more efficient, these programmes should be evaluated by means of independent scientific research methods. Active employment policy programmes should be reorganised into thematic schemes with clearly defined aims. The currently fragmented programmes would thereby be integrated into coherent schemes, more stably funded and better targeted at the needs of both the employers and the unemployed.

Key words: employment, unemployment, earnings, active labour market policy