

INTEGRATION OF WORK AND LEARNING

COUNTRY REPORT ON SLOVENIA

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TABLE OF CONTENT

| | | |
|----------|---|-----------|
| 1 | About slovenia | 1 |
| 2 | Labour demand in the 1990s | 3 |
| 2.1 | Institutional Change..... | 3 |
| 2.2 | From a Planned to a Market Economy | 4 |
| 2.3 | Change of Production and Technology..... | 5 |
| 2.4 | Combined outcomes..... | 6 |
| 3 | Mismatching issues – structural unemployment..... | 8 |
| 4 | Reforms and policies | 11 |
| 4.1 | Employment policy..... | 12 |
| 4.2 | Education and training policy | 13 |
| 4.3 | The reaction of employers | 14 |
| 5 | Implications for the integration of work and learning..... | 15 |
| 6 | References | 17 |

1 ABOUT SLOVENIA

For those not familiar with this relatively new country on the European map a short description is needed in the introduction. More detailed information can be found elsewhere (Svetlik, ed., 1992; Fink-Hafner, Robins, eds.,1997).

Slovenia is situated between Italy, Austria, Hungary and Croatia. It is a small country covering an area of a little over 20,000 km². The landscape is dominated by valleys and mountains covered with forests and woods. Only about 10 per cent of the area can be cultivated.

The population of Slovenia is nearly two million. Over 90 percent are Slovenians. They live in dozens of small towns representing a polycentric and non-aggressive pattern of urbanisation. The capital is Ljubljana with about 300,000 inhabitants.

The geographic location contributes to the Central European character of Slovenian culture. The main religion is Catholic. Slovenian language has developed into a modern language since the 16th

century, when Slovenian Protestants created their own translation of the Bible. Each of the consecutive periods such as Illumination, Romanticism, Realism and Modernism provided new pieces of literature and the arts. Slovenians obtained their first complete university only in 1919. Before then they studied in Vienna, Prague, Bologna and other centres.

Slovenia became an independent state only in 1991 when Yugoslavia fell apart. Its territory belonged to the Austro-Hungarian Empire up until the end of World War I, when Yugoslavia was formed. However, parts of Slovenian ethnic territories remained in Italy, which expanded eastwards, and in Austria and Hungary. After World War II, some territory was regained and a number of Slovenians still live in those countries as ethnic minorities.

Slovenians formed the parliamentary monarchy of Yugoslavia after World War I as equal partners with Croats and Serbs. However, in less than 10 years the political regime turned into a dictatorship of the Serbian court. The liberation after World War II raised new hopes and brought about the country's reconstruction and economic prosperity which lasted up to the 1970s. During the 1970s and 1980s, the drawbacks of a planned economy and one-party regime came to the surface. The economic crisis was deepening, economic differences between the Yugoslav republics were increasing in spite of special structural funds aimed at assisting less-developed regions, political tensions intensified and ethnic groups started to blame each other for the crisis. The final reason for the country's break up was the attempt of Serbian leader Milošević to centralise the country and to deprive the ethnic-based constitutive republics of their autonomy.

Apart from the crisis of Yugoslavia as a state there were also political and economic crises related to the communist regime, to which each republic responded in a different way. Slovenia decided for a peaceful transition similar to the Hungarian one. Liberal-oriented party leaders were wise enough to give increasing concessions to the emerging political groups. The Slovenian Constitution was changed in order to enable free elections in 1989. Slovenia had become a parliamentary democracy. The two elections that followed brought different political parties into power. Currently the ruling coalition is composed of the Liberal Democrats, Peoples' Party and Pensioners' Party, while the left and right wing Social Democrats and the Nationalist Party are in opposition.

In spite of political cleavages and ideological disputes in the parliament, it appears that Slovenia has achieved political stability and that more pragmatic issues, such as accession to the EU, social and economic reforms, are at the forefront.

Slovenia left Yugoslavia as the most developed republic. Only 8.2% of the population produced between 17 and 18 percent of Yugoslavia's GDP, 25% of total exports and 33% of exports to hard currency markets. However, Slovenia was in a deep economic crisis in the period 1989 – 1993. It lost most of the Yugoslav markets and many markets in Eastern Europe because of the crises there. In addition, the transition from a planned to a market economy uncovered many nonviable production facilities that had to be closed down and many employees with no real jobs became redundant. As a consequence, GDP and real wages fell drastically and unemployment increased. There was a pressing need for restructuring.

After 1993 the economy has improved significantly. GDP has increased by about 14% and has exceeded 9,000 USD per capita. Slovenia exports over one-third of its GDP, of this nearly two-thirds goes to the EU. Foreign exchange is well balanced, hard currency reserves surpass the debts, the Slovenian currency Tolar is convertible and relatively stable, and the budget deficit is below 2%. Investments, productivity and real wages are increasing. However, inflation and unemployment remain relatively high at about 7 to 8%. The outcome of the restructuring of the textiles, shoe, metal and certain other industries is uncertain. If pension system reform is not speeded up it may cause an increasing budget deficit. Social differences are increasing.

In conclusion: in spite of some difficulties Slovenia is making economic and social progress. Slovenians are looking at the future with modest optimism. They expect EU membership in the first new group of countries, and they are also seeking NATO membership.

2 LABOUR DEMAND IN THE 1990S

To frame the issue of integration of work and learning we must focus on the developments on the labour market. Our attention will be paid first to the changes which have shaped labour demand in the 1990s.

2.1 Institutional Change

During transition three main developments have created new economic and social environments and have generated other factors influencing changes in labour demand. The first and perhaps main development is intensified institutional changes which started at the end of the 1980s. Among the most important features was **the removal of legal barriers to free entrepreneurship**. This resulted in a rapidly growing number of new enterprises of different status, such as those of self-employed, companies with limited liability, shareholding companies and others. There have been some public measures, such as business support centres and subsidies, to accelerate this process.

Foreign firms coming to Slovenia have also contributed to the increasing number of new firms. Their number is relatively small compared to the other CEE countries, partially because of the size of the country and partially because all institutional barriers to foreign capital have not yet been removed. There are attempts to draw a distinction between those that are only for 'quick profit', new-market seekers and those interested in long-term development. It is hoped that the last especially will put an accent on efficiency by means of up-to-date technology, expert knowledge and functional flexibility of labour (Atkinson, 1986) and not only by means of a cheap and flexible labour force.

Another important institutional change is the **liberalisation of employment relations**. From 1989 on there have been stepwise changes enabling employers to make redundancies at a lower cost and in shorter time periods than previously, and enabling more flexible employment arrangements, thereby shifting the risk of business and job insecurity from employers to employees. As a consequence, hidden unemployment in terms of employees not having real jobs has turned into an open one, and new employment contracts have been for limited rather than

for an unlimited periods. While in 1989 there were practically no job-losers among the unemployed registered with the employment offices, their share rose to 56.2% in 1997. 30.2% became unemployed in 1997 because their temporary job contracts had terminated. Employers are obliged to report new jobs to the employment office and in 1997 of all reported jobs over 70% were temporary. The share of temporary jobs is constantly increasing so that first-job seekers practically have no chances of permanent employment at the beginning of their careers (RZZ, 1998).

The third important institutional change is **privatisation**. Compared to other CEE countries it started rather late. However, it was mainly finished by the end of 1997. Decisions on the status of the ownership structure of some infrastructural utility companies such as the railways, post and banks are still to be made.

Privatisation has not only changed the structure of ownership but has implications for the organisational structure of industries and for the attitudes of owners, managers and employees. It has led to the establishment of new firms and to the splitting up of existing ones. There have been so-called by-pass firms, firms established by programme externalisation, by contracting-out procedures, by some employees making themselves self-employed and doing business with the previous employer etc.

One of the specific characteristics of the privatisation model in Slovenia is that it has led to the highest **worker ownership** in comparison to other countries. In 1997, in 67% of all privatised enterprises workers and managers together had a majority share (Kanjuro-Mrčela, 1998). It is difficult to predict long-term developments. However, it seems that this was not merely a trick of managers who needed workers' shares in order to gain majority control over the enterprises. It seems that workers will not try to get rid of their shares as soon as possible. Rather, they will try to stay in the game since they perceive their shares as being a substitute for self-management rights, which they have been mainly deprived of during transition. One can say that ownership-based participation has been substituted for by a work-based one.

Employee ownership may have diverse, although unpredictable, implications for the management of enterprises. They certainly contribute to the commitment and perhaps to the readiness of employees to retrain and invest in their human capital. However, employees may also hesitate about accepting new technologies and may be more interested in sharing than in investing profits.

2.2 From a Planned to a Market Economy

The institutional changes enabled a transition from a planned to a market economy. Organisations have shifted away from the state to the markets as the relevant business environments. This is particularly important for the profit-oriented organisations. Their long-term orientation has in many cases been replaced by a short-term one. For instance, instead of planning and strategically recruiting staff, many organisations count on high labour supply and recruitment directly from the labour market. This can be illustrated by the falling number of scholarships given by organisations to students as their future employees. In 1987/88, employers offered over 30,000 scholarships, while this number fell below 3,000 in 1997/98 (RZZ, 1998).

Under stronger market pressures, management has shifted its philosophy and practice. It has become much more cost conscious than it used to be before the transition. In some cases, it has gone to the extreme by means of outsourcing and so-called disinvestments in equipment and labour without simultaneous entrepreneurial endeavours. The results have been cuts in both production and the number of employees. Quite often, attempts to decrease costs have led to the shrinking of investments in education and training, to downsizing of personnel and educational departments and to firing of experts from the field.

Management has assumed a clear separation between the profit-making function of enterprises and goal-attainment function of public institutions on one hand, and the so-called social function of these organisations on the other. Organisations are no longer expected to pay attention to the social issues of their employees as they used to in the past. That is why they sold off housing stock, holiday and child-care facilities. In cases where management does not draw a distinction between sheer cost and investment in human capital they have even closed HRM departments and training centres.

2.3 Change of Production and Technology

The loss of Yugoslav and Eastern markets made the dilemma of many Slovenian enterprises rather clear: either restructure, downsize or even close down. Any substantial producer can saturate the Slovenian market in just a few days. Other products should be offered to the global market at market prices and at least at an average quality.

All three strategies have been used. The firms that operated in the demanding Western markets before the transition are in the best position. They are accustomed to constant changes of programmes and technology, to quality improvements and cost reduction. During transition, they have obtained ISO international standards of quality if they did not have them before. They also usually pay great attention to improving the knowledge and skills of their workers. In these firms, human resource departments play an important role with the accent on human resource development.

Less lucky are those firms which had to change a great deal or all of their markets. New products and new technologies must be introduced. Workers need more and different knowledge and skills than before. The speed of change is increasing and neither workers nor management are accustomed to it. There is usually a lack of flexibility in the organisation, which can only be increased by a different style of management. If the operation does not succeed, firms must cut production and the number of employees or even close down.

Restructuring quite often starts with cost reduction measures. Firms must find ways to produce at world market prices. Among those ways the reduction of labour costs is accentuated both in terms of raising productivity (increasing output or decreasing the number of work hours needed) and in terms of keeping wages at low levels. Foreign investors as well as Slovenian managers are in particular complaining about wages being too high. It seems, however, that our firms will not be able to compete by means of low wages if the standard of living is to be maintained or

possibly increased. The only viable alternative is high quality production with knowledgeable, well- trained and flexible workers.

2.4 Combined outcomes

There are several combined consequences of institutional change, introduction of a market economy and restructuring. One with a great impact on future development is that the majority of big socialist enterprises have fallen apart and a number of new ones have been established. In the period 1990 – 1994 the number of registered enterprises in the for-profit sector increased three-and-a-half times (SURS, 1995). Although not all firms were actively engaged in business, it is a significant increase. Taking into account the falling number of the active working population in the same period this development means a problematic **fragmentation of industrial structure**. On one hand, we have many new small enterprises which were missing in the past. But, at the same time, we have lost the big enterprises which were the only entities able to concentrate capital and human resources for relatively autonomous industrial development.

As a consequence of fragmentation many research and development groups have been dissolved, engineers have been converted into foreign firms' trade representatives and education and training departments have been closed. Newly-established small enterprises are fighting for their market shares with no resources and time for investment in their human capital. They are too small to form big enough groups of core workers with expertise in different professional fields. In addition, their managers can not compensate for this deficiency themselves. Many see the solution in linking up with bigger firms, usually from abroad. The most industrious of them would develop some complex production segments and would establish balanced interdependence with their partners, e.g. in the electronics industry and in software production. Others remain highly dependent, e.g. in the textiles and shoe industries. They are subcontractors of core European firms and their workers are in the position of a marginal labour force with poor prospects for the development of their skills.

The other combined effect is the **changing structure of economic sectors**. The share of the active working population in services, which before transition used to be below 40% rose to 51.7% in 1997. In the same period, the share of the active working population in manufacturing industry fell to 41.6%, while the share of the active working population in the agricultural sector was only 6.6% in 1997 (RZZ, 1998). Although this change was partially caused by the loss of jobs in agriculture and industry, many workers have shifted to the services sector. There is an increasing need for permanent education and training of the labour force.

The mobility of workers between economic sectors also has a regional dimension also. Regions with a high concentration of heavy industry, such as Maribor, have been particularly effected by the loss of jobs. This may imply an increasing occupational and regional mobility of workers.

Public administration, including health, education, social security and non-privatised firms, have not changed as much as the private sector. The only exception is partial privatisation in terms of private doctors, dentists and private schools, that mainly operate on a contracting-out basis for the public sector. There have been no redundancies, no fragmentation of organisations and no

major changes of a management style. Management of human resources remains in line with the administrative and legal models (Driver, Coffey, Bowen, 1984).

The turbulence of the industrial sector and relatively weak public control have given way to an informal economy and informal work. According to some estimates, between 16.8% and 21.3% of GDP is created in the informal economy (Kukar et.al., 1995). It needs to be emphasised that informal work is not provided only by unregistered production units but also by the registered ones. Many enterprises either do not register their workers or declare lower wages than they are actually paid. Needless to say, these workers are used as the most flexible form of labour with no concern about updating their knowledge and skills. A significant share of informal work is done as workers' second jobs. These workers usually have no time and energy for their personal development.

LABOUR SUPPLY IN THE 1990s

The transition period started with **making workers** who had no real jobs **redundant**. There were increasing numbers of employees flowing into the register of the unemployed because of restructuring and the closing down of firms. In a few years, the supply of labour rose to a high level.

The **high supply of labour** in Slovenia is also caused by the second baby boom wave after World War II coming on to the labour market. Like in most European countries, this effect will continue to be felt throughout the next decade. Later on, one may expect quite the opposite situation since the birth rate has decreased by one-third in the last few years (Malačič, 1995).

The problem of excessive supply would be even more severe had the government not introduced the early retirement scheme and if the younger generation had not stayed on longer in schooling. As a consequence, there has been a significant **drop in the economic activity** of the population. While it was still 68.6% among the population of 15 years and more in 1991, it fell to 59.8% in 1998 (SURS, 1998). The activity rate of the population over the age of 50 is particularly low in Slovenia (Svetlik, 1995). In addition to early retirement, Slovenia led relatively liberal disablement policies in the past. Slovenia has to answer the same question as already addressed by most EU countries, namely of how to reverse this trend (Lonnroth, 1998).

After a few years it became obvious that the early retirement and generous disablement policy could not be continued because of the increasing crisis of the pension and disablement funds. As desirable as it is, increasing youth participation in schooling is also not without problems. There is a lack of facilities and teachers, especially at the post-secondary level.

Slovenia's **population is growing older** as in most European countries. In 1996, 12.6% of the population was over the age of 65. This percentage is expected to rise to 15.2 in 2006 and to 17.3 in 2016 (SURS, 1995). Ageing is also an issue of the labour force, which in addition will be effected by the pension reform. It has been proposed that the retirement age for a full pension be pushed up to 63 years for women and to 65 years for men. The number of older workers will increase significantly in comparison to the present situation. They will have to be trained several times during their working careers even if they are older than 50 years.

The **educational level** of the Slovenian population is **relatively low** compared to the population of our most important economic partners. In 1993, among citizens of 15 years or more only 10.8% had post-secondary education, and 46.7% had less than vocational education. A somewhat better situation was found among the active working population, i.e., 15.9% and 30.1%, respectively (Smonkar, 1994). One of the most crucial problems is that every year about one-fifth of the young generation does not successfully finish at least vocational education either because they do not continue attending school after compulsory education or because they drop out of secondary school. If this does not change it is increasingly likely that Slovenian workers will play the role of a marginal labour force for multinational companies or they will be unemployed.

The share of 19-year olds entering post-secondary education increased from 33% in 1991/92 to 38% in 1996/97 (Kramar, Zgaga, 1997). However, the educational structure cannot rapidly be improved only by means of initial education and training. Life-long and continuous education and training of adults is needed. Unfortunately, this is developing rather slowly. Only in 1998 is the National Programme of Adult Education expected to be prepared by experts (ACS, 1998) and discussed in the Parliament.

The quality of labour supply does not only depend on the level of education but also on the curricula, i.e., the variety and content of programmes offered to students at different levels of the educational system. It also depends on teaching methods, teaching facilities, the number and expertise of teachers. Several changes in this area have been initiated in the middle of the 1990s in order to adjust education to the needs of the economy and society. We deal with some of them later in the text.

3 MISMATCHING ISSUES – STRUCTURAL UNEMPLOYMENT

The characteristics of labour demand can be summarised in the following statements.

- New technologies, new organisations and new employers have created **new jobs** different to the existing ones. On the other hand, some relatively old jobs have died out and contributed to the rising unemployment.
- A shift to a market economy, free entrepreneurship, liberalised labour relations, privatisation, market and technology restructuring has increased the needs for **labour mobility**. This should appear in forms such as occupational, educational, regional, intra-organisational mobility, and mobility between organisations, industries and economic sectors.
- Market pressures and restructuring of production demand, and liberalised labour relations enable greater **flexibility of employment**, representing one of the ways to improve the mobility of labour.
- Transition to a market economy, privatisation and fragmentation of organisations have strengthened management's **belief in market forces**. It is believed that there are enough unemployed workers and first-job seekers on the open labour market, who have the demanded knowledge and skills for new jobs and for the replacement of insufficiently

trained employees. Labour market inconsistencies that set limits on labour mobility have not been sufficiently observed.

- Belief in market forces and fragmentation of organisations have led to the **downsizing of human resources, education and training departments** in organisations. Their abilities to create and maintain internal labour markets and to effectively mediate between the organisations and the external labour markets are seriously limited.
- There are some **exceptions to this pattern**, however. One should mention those enterprises that operate on the demanding international markets and that have restructured continuously. High worker ownership and foreign firms could also influence the style of management in the future.

The labour supply situation can also be summarised as follows.

- **Labour supply has increased** in spite of the fall in the work activity of the population caused by early and disablement retirements and increasing participation in education.
- Slovenia's population, including its **labour force, is getting older**. This trend will intensify due to the pension reform. It will raise the issue of maintaining the work abilities of the older workers.
- **The education level of the labour force is lagging behind that of our main economic partners and competitors**. Increasing participation of youth in initial education cannot itself improve the situation if there is no expansion of adult education. It should be stressed that international economic relations cannot be put on an equal footing with other partners without comparable quality of human resources.
- **Education and training programmes are changing slowly** in terms of their content, teaching methods, adjustment to new technologies and the needs of employers.

If we put labour demand and labour supply side by side the result is far from rosy. It could be described in terms of **structural unemployment**. More precisely: there is a mismatch between labour demand and labour supply caused by high turbulence on both sides of the labour market. Speaking more technically: apart from that unemployment caused by the lack of jobs (deficiency demand unemployment (Keynes, 1956)), there is an increasing number of new jobs for which workers do not have adequate education and skills or which are offered in regions where there are no workers (Addison, Siebert, 1979).

In 1997 there were nearly 134,000 vacancies reported in Slovenia, and there were 125,000 unemployed persons registered with the employment offices. According to the U-V method (Addison, Siebert, 1979), this indicates that there was no deficiency demand unemployment, and that all the unemployment was either frictional or structural. Unfortunately, frictional and structural unemployment has not been separated analytically.

Structural unemployment is indicated by the fact that only 104,469 people found employment in 1997. The Annual Report of the National Employment Office describes the educational,

occupational, age and regional inconsistencies in the Slovenian labour market in 1997. There was a surplus of labour with secondary education or less and a lack of labour with post-secondary education. There was an insufficient supply of workers in various occupations from low to high demanding ones, such as occupations in the construction industry (masons, carpenters), in services (cleaners, salespersons, waiters, cooks), and more demanding occupations (economists, teachers, lawyers, doctors, machinists, electronics and computer engineers). Employers increasingly seek workers who have knowledge and skills of foreign languages, legislation and communications, special technical skills and those who know how to work with computers. They prefer younger to older workers.

Regional differences may be partially inferred with respect to differences in the rates of registered unemployment. They range from 9.5% in the Ljubljana region to 22.6% in the region of Maribor, which was most effected by the crisis in the industrial sector. The average registered unemployment rate at the end of 1997 was 13.9% in the whole country, while the average unemployment rate obtained using the labour force survey was only 7.2% (RZZ, 1998).

If the assumption about increasing structural inconsistencies is correct, one should pay attention to all different forms in which it occurs. Educational, occupational, regional and age inconsistencies have already been mentioned. In addition, quite often these inconsistencies overlap, giving structural unemployment a particularly hard core character. The problem is that this unemployment can hardly be reduced by the labour market mechanism itself because of the increasing discrepancy between technological cycles, which are shortening, and education and training cycles, which are becoming longer. New waves of technology change jobs, which are diversifying and demand permanent and specialised training. In such a situation, the labour market mechanism would function as follows.

- Lack of supply for certain, particularly new, occupations would push wages up.
- Some individuals would try to change their occupations if they had adequate education and skills. They look around for education and training courses which are not yet offered.
- Education and training institutions would gradually develop sought after courses and enrol students.
- Before the first students graduate, there is a new technological cycle generating demand for new and different occupations.

Keynes' macroeconomic measures to increase demand for labour do not help either. They only increase inflation, as was shown years ago (Meidner, 1969). The only remedy which seems effective is education and training. This is evident in the case of educational and occupational inconsistencies. In the case of age inconsistencies it can also help a lot. Old age workers are usually not discriminated against because of a lack of general abilities but because their actual skills have become obsolete, and neither themselves nor their employers try to update them, to change the occupations and to prolong their working careers. As the labour force is ageing and the retirement age is being pushed upwards, it is unavoidable that people over the age of 50 continue with re-education and retraining.

At first glance regional inconsistencies seem to be of a different nature. One would recommend improving the regional mobility of labour. However, several studies in the past did not prove that the measures aimed at increasing regional mobility are successful (Niklasson, 1979). In general, people do not like to move because they would break their social ties, because both parents would have to find another job, because their children prefer attending a chosen school, because houses in the effected areas are cheaper than in areas to move to etc. In addition, the migration of people away from a certain area would have multiplying effects on the loss of jobs in services. The alternative is the mobility of capital. This is clearly shown by the EU structural and social funds, which have substantially improved the situation in countries such as Portugal and Ireland. In spite of the 'Europe without frontiers', there has not been a mass transfer of labour from less to more developed areas.

However, improving the mobility of capital is not a sufficient measure to assist the less developed areas. New investments as a rule demand the rapid restructuring of labour, of which education and training represent the major part. One of the best examples again could be Ireland. And it is no accident that the guidelines on employment policy agreed upon in Luxembourg by the representatives of EU member-countries are focused particularly on the education and training measures. In 9 out of 19 guidelines, education and training is explicitly mentioned (Lonnroth, 1998).

If there is a strong link between structural unemployment on one hand and education and training on the other this does not mean that adjustment of the labour force will happen automatically. The shortening of technological cycles and rapid accumulation of knowledge represent a real challenge to education and training institutions as well as to work organisations. Both should seek new forms to speed up the adjustments between labour demand and supply.

4 REFORMS AND POLICIES

The issues of structural change have been intensively dealt with in Slovenia since the beginning of transition. In the remaining pages, we will focus on those relating primarily to the fields of employment and education. One point which both areas have in common should be mentioned, however. It is the neo-corporatist tripartite model of management, known primarily in those countries with a social democratic and conservative corporatist model of the welfare state (Esping-Andersen, 1990). The ruling political parties were rather hesitant about this solution at the beginning of transition. When the trade unions regained more power, it became obvious that some kind of mediation between labour and capital would be needed. An increasingly repeated answer has been social dialogue and social partnership, which seems to be widely accepted at the EU level. In the field of employment, there is a tripartite body governing the National Employment Office, and employment issues are a regular point of discussion between the social partners at the national level. In the area of education, tripartite bodies have been formed to manage and reform vocational education and training.

4.1 Employment policy

Unlike in other East European countries, in Slovenia there was modest unemployment and there were employment offices before transition. Since unemployment was not a big problem, employment offices mainly dealt with occupational guidance and the provision of scholarships to students entering high school and university. They also dealt with labour market marginals such as disabled persons, ex-delinquents, alcoholics and those without working routines who represented about one-third of the unemployed.

Liberalisation of the labour market, which caused quickly rising unemployment, demanded a radical change to the labour market policy. The old passive measures such as unemployment benefits and social assistance for the unemployed have been more extensively used and many new active measures have been developed in addition to occupational counselling, programmes for the disabled and the subsidising of the employment of graduates. There have been subsidies to create new jobs, employment and training of certain focus groups, training and retraining programmes for the unemployed, public and community works, activation programmes for the long-term unemployed, encouragement, consulting and financial support for the newly self-employed and similar (see more in Svetlik, 1992, and Svetlik, 1997).

At the beginning, there was quite a lot of 'learning by doing' in the creation and implementation of these programmes, including windmill, misplacement and similar effects. Gradually, labour market policy has become more sophisticated and based on evaluations. Many experiences from the developed countries have also been used.

Recently the EU's employment policy has been influencing the changes that have been prepared for the field of labour market regulation. A shift towards active measures is accentuated. There will be less generous passive measures. Unemployment benefits will be conditional on the active involvement of individuals in seeking jobs and in the programmes of active labour market policy. For every unemployed person, a personal employment plan to be fulfilled over the course of time will be made. Public and community works will be extended. People involved in these programmes will be considered temporarily employed and not unemployed. Each individual will have undergo training part of the time. An increasing emphasis is on the education and training programmes. The Ministry of Labour and the Ministry of Education will co-operate in the preparation, implementation and financing of these programmes.

If we refer to the Annual Report of the National Employment Office for 1997 (RZZ, 1998) we can see that, of about 125,000 registered unemployed, over 30,000 participated in different active measures. In addition, these measures were also focused on nearly 10,000 individuals whose jobs were put at risk because of structural change. Of 40,000 people enrolled in the programmes, about 18,000 were undergoing education and training. Over 5,000 were in public works and over 4,000 were subsidised as disabled workers. However, as to money spent for labour market regulation, the ratio between active and passive measures was only 1 to 4 (RZZ, 1998).

The core of active measures is represented by different education and training programmes. They vary from very short activation to full-time study programmes, from highly-specialised to general ones. They are focused on different social groups from drop-outs and the long-term unemployed

of various ages to those who could be retrained in a short period of time for already known employers. It is important to note that several programmes are prepared and carried out in co-operation with employers either for the unemployed or for the employees, whose knowledge and skills have become outdated. This could be one of the starting points for the better integration of work and learning.

4.2 Education and training policy

Two major developments have been under way in this field. The first is the reform of the educational system, pursuant to the new educational legislation of 1996. The core of the reform could be described as the enrichment of the supply of different education and training programmes. The changes that have already been introduced or are in the preparatory phase are the following.

- Compulsory education is prolonged from 8 to 9 years. It starts at the age of 6 and not at the age of 7 as before. In the last three-year period, pupils will choose three elective subjects every year, and Slovenian, mathematics and foreign language will be taught at three levels.
- At the secondary level, the supply of educational programmes has been enriched the most. Apart from school-based vocational education the dual system has been introduced. Vocational gymnasiums now exist as a new possibility in addition to technical high schools. Post-secondary non-university education has been institutionalised in new educational centres.
- At the university level there has been a split between academically and practically profiled programmes. The first should last at least 4 and the second at least 3 years.
- There is ample scope for the establishment of private education and training institutions from pre-elementary to university levels. Newly-founded schools have been partially financed by public money.
- There has been a shift from part-time to full-time master's degree courses meaning that education at this level will be increasingly publicly financed.
- A certification system is being prepared in order to enable individuals, who learn in different ways, to have their knowledge and skills formally acknowledged without attending formal courses.
- The stress has been on raising the quality of education by means of school management training, self-evaluation procedures and by external examination. This goes hand in hand with the increasing autonomy of schools and teachers.
- Participation of high schools and universities in international networks has been promoted.
- A national strategy of adult education is being prepared.

The second process involves curricula reform. This started in 1996 and is expected to be finished by the end of 1998. If the aim of the educational system reform is to create a new framework, i.e. new educational institutions, then curricula reform deals with the content of education. It should update the programmes in terms of teaching subjects and methods. More than 500 experts from schools, institutes and industry have been involved. The main features of curricula reform are the following (NKS, 1996).

- A shift from subject-oriented to goal-oriented curricula planning, which should give more autonomy to schools and teachers, and should enable them to adjust to new technologies and to the demands of students, parents and employers.
- Introduction of new and more diversified methods of teaching, which should make learning more interesting and less tiresome. There should be less time spent on ex-cathedra teaching, and more time devoted to group work, discussions, exercises etc.
- More balanced curricula in terms of a lower stress on memorising and reproduction of facts and increasing attention to the development of learning skills, creativity, aesthetic, social and emotional dimensions of education.

Both developments - educational system and curricula reforms - address the issues of drop-outs, the level and quality of education, school pathology (violence and drugs) and the ability of schools to readily adjust their curricula to the changing demands of society and the world of work. They also reflect the necessity to move in the direction of life-long education.

4.3 The reaction of employers

The reaction of employers to structural unemployment depends on the position of their organisations in the labour market.

- Those organisations which employ a substantial number of core workers and which have formed their internal labour markets are trying to reduce the imbalances between labour demand and labour supply themselves. They maintain their training departments, they have created career and human resource development systems, they invest substantially in education and training, they organise work and management in a way which enables learning-by-doing and the transfer of knowledge and skills between employees etc. These big and medium enterprises, which usually utilise demanding technology and operate in the international markets, are heading towards learning organisations.
- All organisations including the aforementioned are trying to revert to flexible forms of employment and to external labour markets as much as possible. They use flexible arrangements for unskilled manual workers as well as for highly skilled professionals. They rely on sufficient supply in the labour market. However, structural inconsistencies are making them increase wages for workers with the most demanded skills. They also demand that the state assists them in this case, claiming that their own investments would involve unbearable costs.

- The state's policies are increasingly responsive to these demands because the state wants to make public institutions effective and profit-oriented organisations competitive and because it sees no one else helping the unemployed out of their situation. The job which is not done by employers in the external labour market is done increasingly by the state, which is expected to develop its policy in the direction of a learning society.

5 IMPLICATIONS FOR THE INTEGRATION OF WORK AND LEARNING

Structural unemployment is not the only, albeit perhaps the most visible, consequence of the inconsistencies between labour demand and labour supply. In various organisations, there could be a weak matching between the knowledge and skills that workers have and those that are demanded by the existing and coming technologies. The development and utilisation of human resources as well as the utilisation of installed technology are sub-optimal in this case and they decrease the results of work organisations. Where the discrepancy is big enough it may even hinder the introduction of new technologies.

To some extent, structural inconsistencies could be challenged by improving the uncoordinated actions on the side of the educational system, employment system or employers' organisations and their associations. This seems reasonable for instance in the case of initial education and training of youth. They must get as high and as general an education as possible in order to open many different doors to the world of work, and to secure themselves a good basis for retraining that will certainly follow during their work careers. Early specialisation can only increase the risk that by the end of education the acquired knowledge will be already obsolete. However, general education must be complemented by highly profiled knowledge and skills which can be obtained, upgraded and changed in relatively short periods of time. If it is to be effective in the context of the increasing speed of technological change, a co-ordinated action between schools and training centres, employers and employment organisations is needed. Even the so-called standard of general knowledge includes ever new items such as additional foreign languages, informatics, communications and entrepreneurial skills.

The education, industrial and employment policies in Slovenia have been more on separate tracks than in one concerted action. Only recently have some links been established. The respective ministers have started to co-ordinate programmes relating to employment issues. Tripartite bodies of the national level play an important role. There have been some labour market programmes such as subsidies for in-company training, training of unemployed for known employers, public works as a mix of work and training. The last mentioned also involve actions of local communities. However, one should influence the general climate to be more in favour of education and integration of work and learning. One such possibility is the national programmes such as the National Programme of Adult Education that is currently being prepared. One should consider 'good practices', such as the Danish one according to which subsidies are given to those employers who send their employees to longer courses and in the meantime temporarily employ the unemployed. Tax incentives are also missing.

The dual system of vocational education and training has been reintroduced into the educational system. This is the best known example of integration of work and learning. Curricula reform stresses the importance of a problem-solving approach, simulation of life situations in the educational process, importance of the active role of pupils, group work, interaction and communication. These approaches are being used in a growing number of elementary schools, but less at the secondary and post-secondary levels. However, one of the cases presented in our projects describes how a 'learning firm' model has been used in one of the vocational schools. Vocationally-profiled post-secondary schools are also expected to integrate a great deal of practical work.

The array of possibilities also seems vast in work organisations. Some, which are described as our potential cases, declare themselves to be learning organisations. They permanently disseminate the philosophy of continuous and life-long training among the employees. They employ highly-skilled staff in their education and training departments. They are developing systems of human resource development. They increasingly accentuate functional training. Many training courses are created in the organisations and their own experts are involved as trainers. They pay particular attention to the internship of young employees. Less exploited seem to be innovations in work organisation. Some organisations remain relatively hierarchical. They prefer individual to group training and work. They hesitate about delegating authority to the autonomous groups, quality circles etc.

These are some points we shall pay attention to when examining the possibilities of integrating work and learning in our work organisations and schools.

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