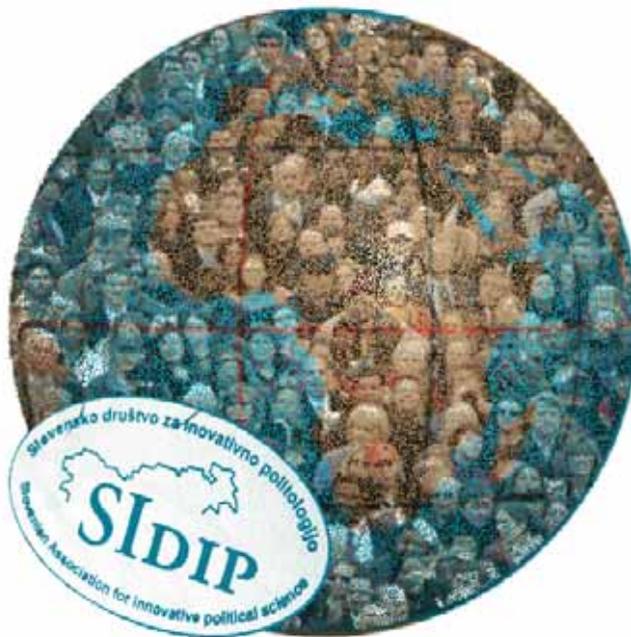


Innovative Issues and Approaches in Social Sciences



Volume 1 Number 2 May 2008

SIDIP

ISSN 1855-0541

Innovative Issues and Approaches in Social Sciences (IIASS)

Publisher:

Slovensko društvo za inovativno politologijo - SIDIP
Slovenian Association for Innovative Political Science – SIDIP

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IIASS is exclusively electronic peer reviewed journal that is published three times a year (initially in January, May and September) by Slovenian Association for Innovative Political Science – SIDIP and it is available free of charge at [Http://www.sidip-org/iiass](http://www.sidip-org/iiass)

Scope:

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Perspectives on the Political-Economic Transformation of Slovenia: A Review Article

Paul Phillips¹

Since Slovenia's entry into the EU there have been a number of books published evaluating the political and the economic results and the issues raised in the transition process. These analyses come from widely different perspectives, both political and economic, and with highly differentiated foci ranging from the transformation of political institutions and cultural values, to the impact of transition on managerial practice and economic competitiveness. Two of these books are restricted to political, philosophical and value issues; two to essentially microeconomic institutional and organizational issues.

In reading and comparing these volumes, I am reminded of the proverbial parable of the five blind men and the elephant. Each man in turn approaches the elephant, feels around the animal and describes what he found. The first runs into the animal's trunk and describes the elephant as like a huge snake. The second walks to the other end of the animal and grabs its tail and describes the elephant as like a rope. The third runs into its leg and describes the animal as like the trunk of a tree. The fourth runs into the elephant's body and describes it as a huge, rough, elevated pipe while the final blind man runs into its tusk and describes it as a long curved smooth metal bar, sharpened at one end.

All of the men were, of course, quite right; and yet largely wrong or (perhaps more correctly) incomplete. It was a matter of how they approached the subject and what they focused on. So it is with this new crop of books analysing the transformation of the Slovenian political and economic system and the challenges to the system raised by the particular process of transformation that Slovenia chose.

Perhaps the best place to start is with *Democratic transition in Slovenia*, a collection edited by Sabrina Ramet and Danica Fink-Hafner, of twelve

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essays on conflict and change in the social, philosophic and ideological values of Slovenian society before, during and after the transition. The central focus of their attention is an assessment of the evolution of “civic culture” during the transition, “the general tendency during the time of alterations in the values of Slovenian society ..., changes that we believe are not entirely coherent.” (p. 30)

The nature of the transformation of the values and the contest for domination of the new value system between traditional clerical values associated with pre-World War II Slovenian society and contemporary liberal-pluralist values, particularly in respect to education, culture and the media, and mediated through the egalitarian socialist values of the Communist era, is the core of the discussion in the essays. The dominant theme of this contest is summed up in the concluding essay by Matjaž Klemenčič, “Slovenia between Liberalism and Clericalism,” when he writes: the book “takes as its starting point the proposition that a society’s political culture is a crucial determinant of its politics and that one can identify a civic culture which is supportive of democracy. The rivalry between liberals and clericals in Slovenia is a struggle to define the content of the dominant political culture.” (p. 277)

The first section of the book attempts to situate contemporary Slovenia within the European value system. The conclusions by Ola Listhaug and Kristen Ringdal are particularly interesting in that they find Slovenian values more or less “nondistinct” from general European values, and without any appreciable imprint of its Roman Catholic heritage, but sharing with other post-Communist countries “a fairly intense belief in state intervention to create equality.” (p. 70) This implies that on the egalitarian issue, socialist values have to some extent triumphed, at least to date, not only over traditional clerical values but also over liberal, individualistic values more common to western Europe.

The conflict between clericalism and liberalism in public values is discussed in some detail in parts 3 and 4 of the collection, in particular with respect to culture, the media, education, gender equality and homosexuality. Generally speaking, liberalism has prevailed. For instance, on the issue of abortion Milica Antič writes, “in spite of the strong participation of the right-wing parties, the Catholic Church, and the pro-life movement, the right to an abortion was successfully defended.” (“Gender Equality in Slovenia,” p.

226) Or as Roman Kuhar notes on the Slovenian education reforms in his essay on homosexuality and contemporary values, "Slovenia set a clear line, defined in the constitution, that separated the church from the state and declared that the public schools should be neutral in religious matters." He further comments on the general decline of the influence of the Catholic church in Slovenian society. p. 240)

Though the success of liberalism in defining the emerging value system in Slovenia is a common theme to the articles in this collection, there are problems with the thesis. One, that I have already noted, is the frequent references to the tempering of liberal values with socialist values inherited from the communist period. This is perhaps made most explicit by Antič (though it also appears in many of the other contributions) when she writes:

There has been some continuity of the old values that developed under Socialism in the form of gender equality in education, a positive attitude to gender equality, women's continuous presence in public life, abortion rights, [and] the importance of women's paid employment ... (p. 229)

The second problem, and a more serious one, is the identification of democracy with liberalism despite the editors' assertion that "liberalism is distinct from democracy.... Where democracy is about institutions, rules, and procedures ... liberalism is about values." (p. 3) However, the editors then define liberalism in terms of "embracing the rule of law, respect for individual rights, tolerance, respect for the harm principle, equality, and the neutrality of the state in religious matters" which seem to me to embody institutions, rules and procedures integral to democracy. Further they fail to distinguish between various forms of liberalism, individualism, (economic) neoliberalism, libertarian liberalism, social liberalism and pluralism.

The problem of equating democracy with liberalism is well recognized by Sandra Hrvatin in her essay on the media. Neoliberalism, leading to corporatist control, in fact creates structures and institutions inimical to real democracy. "The main trait of Slovenian media today is an extraordinarily high concentration; consequently, media discourse is being 'corporativized,' that is, media content reflects the interests of media owners and the biggest

advertisers.” Further, “public debate is shaped not by the media but by advertisers. Democracy of advertising and the market journalism of today proceed not from citizens’ need for information but from the consumer preferences of media users.” (p. 184)

Furthermore, neoliberalism and the primacy of individual over collective rights is not conducive to equality either in access to, or realization of, opportunity. This can be illustrated by legal challenges in the US, under the guise of protection of individual rights, to affirmative action programs to improve the education and employment opportunities for disadvantaged minorities. In short, the concept of liberalism has become so broad and inclusive that it has ceased to be a particularly useful tool of social analysis. Clearly, in Slovenia’s case, ‘liberalism’ has been tempered by a healthy dose of social democratic (collectivist) values and the field of conflict over values has been as much between the liberal-social democrats and the neoliberals, at least in the economic spheres, as it has been between clericalism and social liberalism in the social and political spheres. I would think that this is the real meaning behind the editors’ comment that changes in Slovenia during the transition are “not entirely coherent.”

Rudolf Rizman, in his (sole author) book *Uncertain Path: Democratic Transition and Consolidation in Slovenia*, covers much of the same territory, the values and politics of democratic transition, as does the Ramet and Fink-Hafner collection, but from such a different perspective that the terrain is as different as the elephant’s trunk is from its tusk. Where the Ramet and Fink-Hafner collection uses the lens of a rather ill-defined liberalism, Rizman looks through the eyes of, for lack of a better term, ‘civil society anarchism’, a perspective most associated with the celebrated American critic and friend of Rizman’s, Noam Chomsky. Furthermore, Rizman is more concerned with a theoretical understanding of the *process* of democratization, with all its indeterminacies, and the unique characteristics that made the Slovenian transition and outcome different from those in other post-communist transition countries. In addition he also wants to explore the determinants of the *consolidation* of democracy in transitional societies which, he suggests is not, by any means, a sure thing.. At the same time, he attempts to do so without falling into he calls two pitfalls; “retrospective determinism,” assuming what did happen was predetermined, and “presentism,” retroactively applying current views to those in the past. (p. 17)

His basic theoretical framework on the transition to democracy is taken from three different viewpoints, the “modernist explanation” associated with S. M. Lipsett, the “transitional explanation” provided by Dankwart Rustow, and Barrington Moore’s “structural explanation,” though he suggests that the three to some extent have converged. Moreover, he argues, no single explanation will suffice:

[T]here is is not just one post-Communist path, but many. It would be unrealistic to expect that a one-size-fits-all theory could apply to twenty-eight countries ... that are presently struggling with their authoritarian legacies. (p. 16)

The question is, what determines that path and, perhaps more importantly, what determines whether the transition to democratic institutions consolidates and does not result in systemic recidivism and the emergence of alternative authoritarian institutions?

Rizman makes a number of suggestions. Like Ramet and Fink-Hafner he stresses the centrality of values. “The abnormality of post-Communist politics is best exemplified by politics that are dictated by values *alone*, and not by interests.” (p.16, emphasis added). However, the values themselves are to a significant extent embedded in the historical experience and the nature of the previous system including the degree of pluralism that had developed under the previous system. Rizman further argues that consolidation of democratic institutions is path dependent, the more peaceful and consensual the transition process, the greater the probability of a successful democratic consolidation. (p. 18) Finally, he argues that international factors – foreign influences and impulses, the broader international framework – also play a major role influencing the outcome of the democratic transition. (p. 18)

With this theoretical framework, Rizman goes on to chronicle the emergence of Slovenia as an independent, liberal democratic state whose immediate roots lay in the international crisis of Communism in the 1980s culminating in the breakup of the Soviet Union. However, one underlying theme of his analysis is the ethnic homogeneity of the Slovene people and the resulting national identity that saw Slovenia as one of the European

nations and not a mere subdivision of the South Slav peoples within the Yugoslav nation. Moreover, the leadership of the Slovene Communists had itself become increasingly liberal or, perhaps more accurately, social democratic in both economic and political terms in the economic “crisis” in Yugoslavia in the latter half of the 1980s culminating in the official adoption of political pluralism with multi-party elections in 1990. In this regard, the Slovene political elite were in conflict with Serbia which dominated Yugoslav politics and which wanted to revert to a more centralized, state dominated economic regime to combat the crisis, thus exacerbating the conflict with Slovenia and feeding its desire for independence.

Rizman divides the transition process into three periods, the first the period of establishing political pluralism and the capitalist market economy and which was presided over by the short-lived, right of centre DEMOS coalition. The second period he argues was marked by the consolidation of democracy and entry into the European Union and was presided over by the Liberal Democrats. The third is the present stage when neo-liberal economics and globalization are threatening social cohesion and “the fundamentals of [the] present welfare state in Slovenia.” (p. 76) At the same time, a political realignment appears to be taking place.

Paralleling the change in political society is change in civil society, from a political opposition in the previous regime, to non-aligned interest groups involved with issues raised by the “socioeconomic transformations” engendered by neo-liberalism and globalization. (p. 82) Much of the rest of this volume is taken up with a discussion of these changes in civil society including the declining role and influence of the intellectual who had played such an important part not only in the previous Communist system but also in the oppositional civil society leading to the transition.

One chapter is devoted to the role of the Catholic church and religion in Slovenian post-Communist society. Although the church did not take part in the opposition to the Communist system prior to the transition, choosing rather to accommodate itself to the more liberal Slovenian state, it did attempt to re-assert its authority after the abandonment of the socialist regime. As Rizman notes, “the Church did not object to the totalitarian nature of communism – it rather envied the Communist Party’s control! – but rather to its atheist character.” (p. 111) The attempt to reimpose Catholic values and controls, however, failed (as the articles in Ramet and

Fink-Hafner also note) for a number of reasons elaborated on by Rizman. One was the discrediting of the Church by its collaboration with the fascist Axis powers during the Second World War and, for this and other historic reasons, the Church was not identified with the national identity in post-war Slovenia as it was, say, in Poland. Secondly, Slovenes, while nominally Catholic, were not willing to trade one authoritarian system for another. Thirdly, the values and policies that the Church articulated were in opposition to modernity, were anti-secular and totalitarian and closely akin to those of the radical (neo-fascist) right, all of which values were opposed by the majority of Slovenians who supported the separation of church and state and a secular society. (pp. 111-115)

Indeed, the connection between the Church and the radical right – “this strange affinity [that] carries a potential that is not good for an unfolding of democracy in a modern, secular state” (p. 133) – has a special interest for Rizman who has written widely on the threat rightwing extremism poses to contemporary European society. In *Uncertain Path* he devotes an entire chapter to this threat to democratic consolidation in post-Communist Slovenia recounting, in some detail, three instances when radical right politicians attempted to mobilize paramilitary force and create a “state of emergency” that would justify overturning the constitutional government.

The issue joining the Church and the radical right was opposition to the democratic secular state and the liberal social values this reflected. For the anti-Communists and the Church:

There was a “vacuum” to be filled after the fall of communism; that is, there was no longer an obvious enemy with whom to struggle. Communism had ideologically constructed a visible target in the image of a “class enemy” (capitalist) and hostile international (imperialist) forces. After the demise of communism, the radical Right filled the gap with a new list of enemies: immigrants, ethnic and other minorities, liberal and internationally oriented intellectuals, the nouveau-rich Communists ... and politicians who do not care about the national interest enough. (p. 119)

In this regard, the Slovenian radical right shared the same xenophobic views and values espoused by Le Pen in France, Haider in Austria and the other European ultra-rightists.

Though in the final analysis, Rizman concludes that there are “good reasons to believe that democracy will eventually succeed” in Slovenia (p. 136), he strikes a more pessimistic tone when he talks of the potential for the rise of “authoritarian and intolerant forms of political development.” One factor is the rise in inequality, a result of the market economy and globalism. Another is the “trend toward aggressive ethnocentrism among young Slovenes ... leading to even more explicit Slovene provincialism.” (p. 135) This, I must admit, I find hard to reconcile with my own experience in Slovenia. A couple of years ago I attended a concert by the Serbian singer, Djordje Balasević, at Križanke, along with an overcapacity crowd of mostly young people, the vast majority, I would guess, under the age of thirty. The incredibly enthusiastic reception by the audience who stood for the whole four-hour concert and joined in the singing, in Serbo-Croat, at every opportunity would seem to belie any anti-Serb or Yugoslav xenophobia among young people, at least among those who crammed into the stadium theatre. Of course, such limited anecdotal evidence is not enough to refute Rizman’s contention, but does provide a reason to question it.

The final chapter, aptly entitled “In Lieu of a Conclusion,” is really an exploration of the meaning of ‘democracy and democratic consolidation,’ ‘transition’ and ‘exceptionalism’ in the context of the Slovenian experience. Nevertheless, he does ultimately conclude that there are “strong grounds for optimism for Slovenia’s trajectory toward full and viable democracy.” (p. 156)

Economic Analysis

Though coming from different perspectives, these two political volumes are generally in substantive agreement despite their somewhat different focus. The same cannot be said of the two edited collections dealing with transitional economic issues and processes. There hasn’t been any economic surveys comparable to these political tomes (if we exclude the useful, but now somewhat dated, World Bank collection, *Slovenia: From Yugoslavia to the European Union*, published in 2004 but based on data ending in 2001-2002, and our own work, the latest version of which, *Japan and Slovenia*, was published in 2006 and based on data up to 2005.).

The two economic collections, in contrast to the political studies, deal with more micro aspects of the adaptation process. They deal with particular areas of the Slovenian economy, more specifically, the first with human resource management including labour market and social policy adjustment; the second with competition, structural change and innovation. In some areas, the books overlap, most notably when dealing with structural change and labour market adjustment, but again from quite different points of view. The former approaches the subject from a liberal-social democratic, labour-management perspective; the latter from a neo-liberal, free market perspective. It is not surprising, therefore, that the conclusions and analyses in the two volumes differ quite markedly.

HRM's Contribution to Hard Work, edited by Ivan Svetlik and Branko Ilič, is a collection of articles by sixteen authors but with a common theme; the need for a new orientation in human resource management from one of work intensification, the policy that was successful in maintaining economic growth and welfare in the first decade of the transition, to one of "smart work" to sustain its economic development within an emerging knowledge-based EU economy. The title of the collection, however, may be slightly misleading, but the issue it addresses is familiar, the flexibility of labour in a transitional economy, in this case Slovenia, as it attempted to respond to the challenges of global competition, 'Eurification', and the 'knowledge economy.'

The conundrum facing the authors is laid out by the editors in the introduction. During the transition process Slovenia was able to remain competitive and to post impressive growth rates in labour productivity despite having not only highly regulated external labour markets, but also quite rigid internal labour markets. The average annual real growth rate in labour productivity between 1993, when Slovenia began its recovery from the economic depression resulting from its break from Yugoslavia, and 2004 when it entered the EU was 3.7 per cent. At the same time, the Slovenian unemployment rate fell steadily and stood significantly below the average rate in the EU through most of this period. In 2004 when Slovenia entered the EU, its unemployment rate was 6.3 per cent compared with the average EU rate of 9.1 per cent, Germany's rate of 9.5 per cent and France's 9.6 per cent.

The Slovenian success, they argue, came from intensification of work and 'unfriendly' forms of flexibility, fixed term contracts that discriminated against younger workers. (Svetlik and Ilič, p. 7) However, they also contend that work intensification and other detrimental employment flexibility practices have reached their limits and that future competitiveness will depend, not on simply increasing numerical flexibility which, as in France, is deemed politically unacceptable, but in developing functional flexibility or "smart work" – this is the tie to HRM – and in promoting flexicurity which is defined by the authors as "secure flexibility which, besides economic efficiency, also considers the social security of flexible employees." (p. 419) As the editors write in the "Foreword":

[The] main message is that, unlike in the first decade of transition to the market economy, the strategy of economic and social development cannot be successful if it continues to be based on increasing the intensity of work and unfriendly forms of employment flexibility. Such a strategy has exhausted its potentials ...

... A shift from intensive to smart work is necessary which, in turn, demands a radical rescheduling of human resource management ... Human resources should be brought into the centre of managerial practice with the accent on the active role and direct participation of employees in order to develop and mobilise their intellectual potential. (p. 7)

HRM's Contribution to Hard Work is the end result of research at the Institute for Social Sciences in the Faculty of Social Sciences at the University of Ljubljana, in conjunction with thirty other European research institutions in the CRANET network surveying human resource management practices and policies in Europe. The Slovenian survey, sent to 539 mainly medium- and large-sized organizations, including a number in the public sector, was conducted in 2001 and covered most areas of human resource management. The results allowed the researchers the opportunity not only to analyse Slovenia's experience and policies, but also to compare them systematically with most other European countries. This book was the result of this internal and comparative analysis.

Under the previous socialist self-management system, enterprises and most public services were, at least in theory, worker controlled and managed, though the workers did not 'own' the companies which were formally socially owned. One result of this system was virtually absolute job security, especially in Slovenia where unemployment was historically very low. Even when unemployment began to climb in the economic crisis of the 1980s, it was largely confined to young workers, new entrants to the labour market. For practical purposes, numerical flexibility was non-existent. All this changed in 1988 when Yugoslavia formally abandoned social ownership and worker self-management though in practice very little changed in the immediate aftermath.

For Slovenia, the critical date in the transition from self-management to a capitalist labour market was 1991 when the republic declared its independence from Yugoslavia. However, the legacy of self-management and a resurgent union movement forced the new government to adopt legislation which resulted in a highly regulated labour market including costly and restrictive redundancy rules, universal and centralized collective bargaining, and co-determination institutions at the enterprise level and a corporatist Social and Economic Council at the national level. Furthermore, privatisation proceeded very slowly and facilitated a high degree of worker ownership while a significant proportion of enterprises remained under effective public ownership by the fact of their being transferred to state pension and development funds. During this privatisation process, most enterprises also remained under the same managers that directed the firms in the communist era.

Thus, the transition in the economy from a socialist self-managed market economy to a capitalist, privatised market economy occurred under conditions of a rigid, regulated labour market, high wages (relative to other transitional countries), and low numerical flexibility. By the time of the CRANET survey in 2001, a full 70 per cent of all workers were employed on open-ended contracts with virtually guaranteed job security. As Stanojević concludes in his seminal contribution to the *HRM* collection, "within the Slovenian system external numerical flexibility is hindered more than in other EU and transitional countries." (p. 161)

Furthermore, Stanojević argues, Slovenia did not exhibit the high internal flexibility and employee participation in decision making that could help

employers compensate for the external rigidity as occurred under German style “diversified quality production.” (pp. 157, 161 ff.) How could Slovenian companies, caught between highly competitive foreign markets and a rigid regulated, labour market, and prevented from recourse to lower wages and a numerically flexible labour force by political and institutional forces, survive? Stanojević answers his own question. The exclusion of workers from participation in strategic planning, the strengthening of management’s powers in a fordist organisation of production and increased *indirect* participation by labour through oppositional unions rather than collaborationist workers councils meant that firms responded to competition through work intensification, in particular, recourse to extensive use of extended work hours, shift work, weekend work and overtime. (pp. 174-5) The unions co-operated, however, in order to preserve jobs and maintain high wages. “Oppositional workers’ collective representations actively participated in the struggle for companies’ survival. Not only did they support the work intensification regimes *but they included their own mechanism in those regimes: the mobilisation capacity of trade unions was transformed into an entrepreneurial resource.*” (p. 177. Emphasis added) Some element of numerical flexibility has been introduced to the labour market by the fairly extensive use of fixed term contracts, indeed more extensive use than in other EU and transitional economies. However, fixed term work, which generally pays lower wages, is largely restricted to new entrants to the labour market, thereby disproportionately affecting young workers. In short, as Svetlik notes in his introduction, this effectively created a ‘dual’ labour market, disadvantaging young workers with negative effects on motivation, career paths, and family formation. (p. 16)

In the early stages of the transition, numerical flexibility in the form of downsizing and redundancy was also facilitated by the promotion of early retirement and soft access to unemployment compensation and welfare which encouraged displaced workers to enter the informal sector. In any case, the inactive population rose significantly reducing unemployment but adding significantly to the obligations of the pension, health and social security systems.

Svetlik groups Slovenia along with Austria, Germany and Italy in the Central and Southern European model of (“low intensity”) human resource management which, in comparison with other parts of Europe, pays little attention to internal human resource management and where employers

rely on indirect means of communication (i.e through unions and works councils) rather than direct involvement and contact with individual workers. This traditional and bureaucratic form of industrial relations produces “a lack of direct communication ... which erodes the possibilities of knowledge dissemination and the achievement of synergy based on the combination of knowledge”; or what another writer in the collection, Matej Makarovič, refers to as organizational social capital, conditions “that enables individuals and collectivities to achieve their goals on the basis of mutual trust and cooperation.”. (Svetlik, p. 20; Makarovič, p. 190) The reliance on increased work intensity rather than functional flexibility, multi-skilling, and direct communications (‘brawn and not brain’) for enhancing competitiveness, in their view, is simply not sustainable in a globalized ‘knowledge economy’. What is sustainable, is flexibility through increased internal training, career development paths, and space and temporal flexibility (home-work, tele-work, weekend work, compressed work weeks, flexihours and part-time work.)

One of the more interesting contributions to this collection is by Kramberger, Ilič and Kohont, in large part because it explicitly rejects the neoclassical labour market model as a measure of entrepreneurial success in favour of an institutional, post-Keynesian model which stresses the *effectiveness* of corporate organization over the more narrowly defined *efficiency* of neoclassical economics. Effectiveness is here defined as dynamic growth in output or market share, diversification, Schumpeterian innovation and investment as measured by the growth of employment, sales, assets, and product quality, variety and customer service. Effective firms are ‘price makers’, not ‘price takers.’ “Effectiveness is oriented to long-run and [neo-classical] efficiency to short-run results.” (pp. 107-108)

This emphasis on the long-run leads to the necessity of the development of an HRM strategy, currently missing in Slovenia, aimed at improving “the effectiveness of enterprises by strengthening organisational growth and thereby boosting the economic and hence market power of Slovenian enterprises in global markets.” (p. 150) Such a strategy would necessarily concentrate on functional flexibility, career path internal labour markets, intensified training programs, and worker involvement in decision making.

The particular weakness of worker involvement in decision making in Slovenia is emphasized by Nadoh and Podnar: “[E]mployees in Slovenia at

lower hierarchical levels are mostly not included in problem-solving pertaining to the organisational strategy and financial results of the organisation. At most, they are included in decisions relating to the organisation of work – but this also is very limited.” In fact, Slovenia, despite its history of self-management, has lower levels of participation than the rest of the European countries in the CRANET group. (p. 234) Furthermore, though Slovenian organisations rank fairly well in terms of the extent of training (i.e. the number of workers in training or retraining), the training is deficient in that it concentrates on ‘putting out fires’ – meeting immediate skill shortages – rather than on more complex and strategic development training aimed at producing the functional flexibility required to adapt to changes in the global economy. (Kopač and Trbanc, pp. 305, 312)

Numerous authors in this collection point to the failure in the Slovenian transition for the percentage of part-time workers to grow and for the consistently low level of part-time work among women compared to the rest of Europe, despite the shift from a goods-producing to a service economy. This, of course, has contributed to the numerical inflexibility of the labour market and, for these authors, is considered detrimental to women because of the double-burden of full-time waged and home work. What they don't explicitly consider is that, in North America, at least, part-time work is a major contributor to female poverty. On the other hand, they do recognize that ‘unfriendly (numerical) flexibilisation of work,’ including part-time work, designed to meet the needs of employers, contributes to insecurity and ‘dual’, discriminatory labour markets typical of developing countries. However, as Mrčela and Ignjatović and Černigoj Sadar note in their articles, this merely points to the necessity of flexicurity which combines flexible, ‘family friendly’, employment with individual social security, including generous unemployment benefits and social welfare provisions. (Mrčela and Ignjatović 2006; Černigoj Sadar 2006)

There are other topics covered in the collection relating to HRM practice in Slovenia (such as the role of monetary and non-monetary rewards in innovation and HRM in public administration) but the primary focus of the book is on explaining the economic success of the transition despite both a rigidly regulated external labour market and an inflexible internal labour market. The answer, which is documented by the results of the CRANET survey, lies in the intensification of work and the creation of a secondary market of young, fixed-contract workers. This, the authors argue, cannot

continue and given the political environment that precludes numerical flexibility, they turn their analytic spotlight on the institutions of internal functional flexibility and macroeconomic social security for a way out of the dual-inflexibility box. In doing so they add a whole new dimension to the labour market flexibility debate.

The forty or so authors represented in the collection edited by Janez Prašnikar, *Competitiveness, Social Responsibility and Economic Growth*, are also interested in how Slovenia can restructure and adjust to increased competition in a globalizing, knowledge based economy. However, their focus is quite different and is compartmentalized into four somewhat diverse topic areas denoted by the four sections of the collection. The first section establishes what is the dominant issue in the collection, "Increasing Competitiveness Through R&D and Innovations." The second section, "Structural reforms, Stabilization and Social Cohesion in Slovenia" covers some of the same territory as does the HRM study, though in a much less unified way. The third section, "The Innovative Firm," takes a much more micro approach to innovation at the firm level while the final section, "Social Corporate Responsibility," attempts, in my opinion not very successfully, to link social responsibility to corporate innovation.

The unifying theme in the collection is in assessing and implementing the "Lisbon Strategy," the strategy adopted by the EU in 2000 designed to make Europe "the most competitive economy by 2010" through liberalized markets for goods, services, people and capital (Prašnikar, p. 4), in this volume with specific application to Slovenia. The theoretical perspective behind the Lisbon Strategy is neoliberalism. This is clearly stated by Prašnikar in the introductory chapter.

It is precisely the exaggerated institutionalization in all areas, which is a consequence of the tendency towards predictability and people's preference for low risk taking, is a weak point of Continental Europe.... Free entry and greater competitiveness are some of the key instruments for decreasing the prevalence of many different rules.... Free entry in all areas will lead to greater competitiveness and hence to increased productivity. (p. 7)

Arnold Boot, in the second chapter “EU and Economic Growth,” is equally explicit: “institutional rigidities [and current practices] are the prime source of difficulty when implementing reform in general, particularly in Europe.... [and] explains in large part the difficulties that Europe has relative to the USA. The USA is less institutionally organized, and is more driven by markets.” (p. 20) The basic assumption behind this conclusion is that the USA’s superior productivity performance in recent years has been propelled by neoliberal market competition.

The problem is that the Lisbon approach hasn’t worked, according to the Sapir and Kok reports conducted midway through the Lisbon Strategy’s projected term and discussed in some detail by Prašnikar and Boot. Further, as a result of these reports, the EU adopted a “Revised Lisbon Policy” in 2005 which emphasized a more narrowly focused attention to individual country reforms and, more specifically, to increasing each country’s R&D (to 3% of GDP, two-thirds from the private sector), more innovation, greater investment in human capital and more rapid industrial and labour market restructuring. All of this would take place within an increasingly integrated common European marketplace and within the neoliberal confines of the Stability and Growth Pact regulating individual country macroeconomic policies.

I have some difficulty in accepting this diagnosis of Europe’s apparent weakness relative to the US. Firstly, there have been sufficient studies providing evidence that it is precisely the tightness of European monetary and fiscal policies relative to the US low interest, loose money, and more recently, massive government (particularly military) spending policies and budget deficits, to suggest that the problem, and not the solution, is the Stability and Growth Pact and the European Central Bank’s obsession with inflation. Secondly, there are recent studies that suggest that because of outsourcing and offshoring, US productivity growth has been significantly overestimated. However, the third, and perhaps most persuasive factor questioning America’s relative performance has been the recent difficulties in the US economy with the collapsing housing bubble, the subprime mortgage debacle and resulting credit crunch, the massive growth of consumer, corporate, government and international debt, and the rapidly diminishing international value of the US dollar, raising the possibility of a “hard landing” (major recession) or, at best, a major slowdown for the US economy in 2008.

This is not, however, the place to assess America's current economic woes. On the other hand, they do bring into question the underlying thesis of this collection that it is the institutional structures characteristic of Europe relative to the neoliberal markets of the US that explains Europe's relatively sluggish economic and productivity growth, particularly given Europe's – and Slovenia's – more recent economic and productivity performance. In short, the analysis of the book may have been overtaken by events, though we won't know for sure until the recent downturn in the US economy plays itself out.

Nevertheless, the EU and Slovenia's substandard record on R&D and innovation comes under scrutiny in the last two contributions to the first section of the collection, Hugo Erken, Victor Gilsing and Andre van Hoorn's "Internationalization of R&D within Small Open Economies – The Dutch Case," and Janez Prašnikar and Patricia Kotnik's "Innovation and R&D in a Technology Follower Country: The Case of Slovenia." Prašnikar and Kotnik note that the Lisbon goal calls for a doubling of Slovenia's R&D expenditure but that current attention to R&D and innovation by the market sector is clearly insufficient and is directed primarily at improving existing products to secure market share. The result is that "industry structure changes slowly due to a small number of technological companies." Furthermore, the lack of technological "outsourcing" implies a low level of import of external innovation. (pp. 85-86)

The question of the proper macroeconomic policy for Slovenia entering the EU and the ERM2 is addressed by Velimir Bole and Dušan Mramor in "'Soft Landing' in the ERM2: Lessons From Slovenia," the opening selection in the second section of the book. In this chapter, Bole and Mramor do not deal with the Lisbon Strategy as such, but rather with bringing Slovenia's macroeconomic policy regime and performance into harmony with Europe's such that Slovenia met the Maastricht and exchange rate stability conditions for entry into the European Monetary Union (EMU). This is a quite excellent account of the "landing phase" (2000-2004) during which Slovenia adapted its economic institutions and policies to those of the EU while attempting to lower inflation and interest rates to the Maastricht criteria levels; and of the "intermediate phase" (2004-2007) which required exchange rate stability as a condition of EMU entry. How the 'soft landing' and EMU entry were achieved despite significant fiscal and exogenous

shocks, the diminishing scope for monetary and exchange rate policy with EU convergence, and an “inadequate non-tradable sector market structure” (p. 98) are described in some detail. The success of these policies, they ascribe to two basic principles, no ‘offsetting’ between main macroeconomic equilibriums and a high co-ordination of monetary and fiscal policy. (p. 115)

While the chapter is, to my mind, the high point in this collection, it does suffer from one major deficiency, an almost complete disregard for the role of the tripartite social and economic accord between the unions, employers and the government that made the fiscal and monetary policy workable. Without the social and economic agreement it is highly doubtful that the ‘soft landing’ and the structural changes that were required could have been achieved without negative effects on the performance of the economy and possible social unrest. In other words, it was precisely the use of ‘institutional rigidities’ and not unrestricted markets that made the transition to the EU relatively ‘seamless.’

Most of the remaining chapters in the second section deal with the degree of integration or harmonization of Slovenian capital and labour markets with the general European model. Generally, they provide evidence that, although integration and harmonization is proceeding, vestiges of the previous system remain in Slovenia, such as a low integration of the retail banking sector, a higher incidence of taxation on labour and less on income and capital, a numerically inflexible labour market (a neoliberal fixation), and the concentration of productivity growth in the large established firms and not through the reallocation of finance and resources to small, innovative firms. In the case of financial markets, the negative effects of international integration are also noted; as, for instance, “mergers and acquisitions conducted by foreign companies represent a serious threat to the Ljubljana Stock Exchange in the future since merged and/or acquired companies are usually delisted.” (Silva Deželan and Marko Košak, “The Development of the Single European Market for Financial Services and its Effects on Slovenia,” p. 133)

The general impression one gets from these examples is that the Lisbon Strategy has not had much effect in significantly penetrating or altering Slovenian institutions and that the usual neoliberal culprits, worker protection, welfare provisions, unions and government policies, are

responsible for blocking change. Moreover, given Slovenia's continuing high economic and productivity growth rates, it is difficult to find much significance in this analysis.

This is not true, however, of the chapter in this section by Mojmir Mrak, Vasja Rant, Igor Gabrijelčič and Sebastjan Gergeta, "Key Challenges of Slovenia in Implementing EU Cohesion Policy In the New Financial Perspective." There concern here is with the impact of EU budgetary decisions on the decidedly non-neoliberal Common Agricultural Policy (CAP) and cohesion policy expenditures, the latter designed to support convergence of the less developed new member states with the older EU states as called for under the Lisbon Strategy. The context of this discussion was the 2005 decision under the UK presidency to cap EU expenditures, almost half of which go to the CAP and a third to cohesion programs. (p. 178) The authors conclude that:

The main "victim" of the political deal was the Lisbon strategy with large cuts in Competitiveness expenditure, both in relative and absolute terms.... Agricultural subsidies (the first pillar of the CAP) were only cosmetically decreased... Most of the reduction under Natural resources heading are therefore due to rural development (the second pillar of CAP), which is the more 'progressive' part of EU agricultural policy. (p. 179)

Slovenia, by completing negotiations during the UK presidency, however, was able to obtain convergence financing based on 2000-2002 statistics rather than those of 2001-2003 by which time Slovenia's income had risen to more than the 75% of EU GDP benchmark for less-developed status. Had Slovenia been considered under the later statistics it would not have been eligible for the same structural and cohesion fund resources, a potential loss of 40 % of cohesion funding. (pp. 180-181) Thus, Slovenia was able to capture a significant pool of funds to finance implementation of the Lisbon Strategy with regard to social cohesion. The challenge facing Slovenia then becomes absorbing these funds productively and handling the fiscal implications of supporting domestic

expenditures, meaning restructuring the budget “in order to provide enough room for cohesion related expenditure in the new financial perspective.” (p. 192)

The final two sections of the book are more highly theoretical and deal primarily with models of innovation within individual firms and with models connecting innovation to corporate social responsibility. Thus, although they connect to the first two sections with their mutual concern for innovation and technological development, they are little concerned with the economic or political effects of Slovenia’s transition and integration into Europe and, therefore, are of less interest to the larger question which concerns us in this review.

Concluding Comments

The four volumes assessing the political and economic aspects of Slovenia’s transition and the challenges that this process has raised for the consolidation of democracy and for continued economic development are all useful contributions to the subject, though some more than others. The Ramet/Fink-Hafner collection is particularly useful in tracing the ‘values competition’ that pervaded the political transformation but is weakened by utilization of a rather amorphously defined “liberalism.” Rizman avoids that problem by focusing on the conflict between social liberalism and the radical right. He is more concerned with the challenges coming out of the transition process and, in particular, with the rise of a radical right coalition of economic neoliberalism and autocratic clericalism and the threat that such a political force poses for the consolidation of democracy.

The two ‘economic’ volumes are not focussed on the transition process *per se*, though the Svetlik/Ilič collection comes closest to such an analysis with its perspective on changes on the management and utilization of labour and the problems posed by that process for future economic development. It is particularly effective because of the consistent unifying theme that pervades the whole work, the role of work intensification and age segmentation in the labour market in making the economic transition successful. Nevertheless, from an HRM perspective this poses a major challenge to continued economic progress in a global, knowledge-intensive economy. In a sense, the Prašnikar volume also focuses on that challenge to the extent that it assesses the Lisbon Strategy as a policy framework for

promoting a knowledge-based, innovative economy. However, despite some very good individual chapters, this collection, unlike the others, lacks a pervasive theme and, to the extent that the neoliberal model provides the theoretical analytic framework, it leaves the analysis ungrounded in the real economy and in European and Slovenian institutions.

Still, if we can go back to the original analogy of the blind men and the elephant, the four perspectives do give us a fairly good overall impression of what the elephant looks like, though with some pieces missing and others not well defined.

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