



# From victory to victory to the final retreat

## Changing balance of class forces in the Slovenian transition

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### RESUMEN

El artículo presenta el equilibrio cambiante de las fuerzas de clase en la transición eslovena desde el socialismo autogestionario hacia el capitalismo. En primer lugar, examina la consolidación del compromiso inicial entre clases que determinó las bases de este proceso, así como su consolidación institucional en aspectos como las privatizaciones, la política macroeconómica, el estado del bienestar y las relaciones industriales. A renglón seguido, se describirá la erosión de las condiciones de los compromisos en los períodos subsiguientes y el progresivo debilitamiento de las organizaciones de la clase trabajadora. Finalmente, proponemos una explicación en términos del par conceptual operaísta de la composición técnica de la mano de obra y la composición política de la clase trabajadora.

**Palabras clave:** Eslovenia, equilibrio de fuerzas de clase, burguesía nacional, composición técnica de la fuerza de trabajo, composición política de la clase trabajadora.

### RESUM

L'article presenta l'equilibri canviant de les forces de classe en la transició eslovena des del socialisme autogestionari cap al capitalisme. En primer lloc, examina la consolidació del compromís inicial entre classes que va determinar les bases d'aquest procés, així com la seva consolidació institucional en aspectes com les privatitzacions, la política macroeconòmica, l'estat del benestar i les relacions industrials. Tot seguit, es descriurà l'erosió de les condicions dels compromisos en els períodes subsegüents i el progressiu debilitament de les organitzacions de la classe treballadora. Finalment, proposem una explicació

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en termes del parell conceptual operaista de la composició tècnica de la mà d'obra i la composició política de la classe treballadora.

**Paraules clau:** Eslovènia, equilibri de forces de classe, burgesia nacional, composició tècnica de la força de treball, composició política de la classe treballadora.

#### ABSTRACT

The article presents the changing balance of class forces in the Slovenian transition from self-managed socialism to capitalism. We begin by examining the consolidation of the initial class compromise that set the major course of this process and its institutional solidification in the areas of privatisation, macroeconomic policy, welfare state, and industrial relations. This will be followed by an account of the erosion of the conditions for compromise in the subsequent periods and the weakening of working class organisations. Finally, we propose an explanation in terms of the operaist [workerism] conceptual pair of technical composition of labour force and the political composition of working class

**Key words:** Slovenia, Balance of class forces, national bourgeoisie, Technical composition of the labour force, Political composition of the working class

## Introduction

The Slovenian transition can roughly be divided into three periods: the period of the formation and consolidation of the so-called Slovenian pattern (1991-2004), the short period of economic boom after the integration into the European Union, and the period of the crisis. We begin with some preliminary observations. Firstly, the transition from self-managed socialism to capitalism in Slovenia differed to a certain extent from other East European countries, as the type of capitalism that emerged in the first period could be characterised as a Coordinated Market Economy in the Varieties of the capitalism school<sup>2</sup>, or a Neo-corporatist type of capitalism.<sup>3</sup> The main institutional characteristics of the Slovenian transition are a slow privatisation process, in which internal and state ownership played a strong role, while foreign direct investment (FDI) had a weak presence; a relatively centralised and encompassing collective bargaining covering a large share of workforce and developed institutions of the so-called social partnership; a reasonably welfare state; and, finally, a set of macroeconomic policies, which did not completely comply with the advices of international institutions such as International Monetary Fund (IMF) and the World Bank (WB). We attempt to interpret the process of transition in terms of balance of class forces and the state as a condensation of balance of forces<sup>4</sup>.

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<sup>2</sup> Feldman (2008); Buchen (2006): p. 74–75

<sup>3</sup> Bohle and Béla Greskovits (2012); Stephen Crowley and Stanojević (2011)

<sup>4</sup> Poulantzas (1978): p. 98

## Class compromise and its outcomes (the 1991-2004 period)

Looking back at the time when Slovenia seceded from Yugoslavia, we can – somehow retroactively – observe two camps, each of which advocated a specific approach to transition. In the first camp, there were advocates of the so-called shock therapy. Its main pillars were a price stabilisation programme supported by a fixed exchange rate, a balanced budget, and centralised privatisation. The other camp, which gathered the so-called gradualists, opted instead for a flexible exchange rate and decentralised privatisation. Although the controversy over the most suitable approach to transition took place mostly between academic economists, it had a clear political background. More specifically, the shock therapy was mostly supported by a minority of domestic economists with the assistance of foreign advisors and parts of the right-wing intelligentsia as well as certain political parties taking part in the first centre-right government, anxious of breaking all ties with the socialist past. For the purposes of our analysis, we will call this group *the comprador bourgeoisie*. The gradualist approach was, on the other hand, mainly supported by the majority of domestic economists, backed by what we will call *the emerging national bourgeoisie* and by the *working class* organised by the trade union movement.

This characterisation requires some explanation. It is sometimes asserted that, in contrast to advanced capitalist societies, the class structure in the capitalist periphery is rather difficult to identify, since peripheral social formations are more “structurally heterogeneous” due to pre-capitalist modes of production surviving forms, differences in their pre-capitalist social formations, their colonial past, etc<sup>5</sup>. At the outset of transition, there did not exist a class of large landowners in Slovenia. The working class constituted the predominant share of population, although many of them combined wages as their main source of income with small scale agricultural production<sup>6</sup>. In addition, there were some foundations for petty bourgeoisie elements on the basis of petty commodity production already developed in the self-management system. Thus, the class structure was somehow similar to that existing in the “advanced” capitalist social formations, with the very important exception of the absence of a capitalist class<sup>7</sup>. In order to establish capitalist relations, the once socially owned means of production had to find a new owner, which, beside the state, could be achieved

<sup>5</sup> Alavi (1982): p. 297; Becker (2016)

<sup>6</sup> Jaklič and Hribernik (2010): p. 17

<sup>7</sup> This claim requires a serious qualification. Namely, in the absence of a capitalist class, waged workers did not constitute a proper capitalist working class, marked as it is by exploitation by capital

either by selling them to the “metropolitan bourgeoisie” or by establishing a domestic capitalist class.

Thus, by referring to the *emerging national bourgeoisie*, we denote the top management of formerly self-managed enterprises, which was becoming increasingly powerful with successive doses of liberalisation and growing financial autonomy of firms in the period of self-managed socialism. During the socialist period, the Slovenian political authorities mostly supported the demands for a greater autonomy of firms and increasing reliance on market mechanisms put forward by this group, for such autonomy clearly benefited the economy of the Slovenian republic for the simple reason that the most successful companies – in other words, the companies which were able to capture the largest portions of the value produced – were located on Slovenian (and Croatian) territory<sup>8</sup>. Hence, this group was, along with some other social groups, such as academic economists and middle-ranking party cadres, also the advocate of the sovereignty of the regional, that is, republican economy conceived as a national economy. Therefore, at the outset of the process of transition, this group was ideologically well consolidated as an expounder of national interest, which was understood in terms of autonomy over income and capital. However, this social group essentially needed ownership over the means of production in order to *become (national) bourgeoisie*. However, in order to achieve this goal, the prospective domestic capitalists needed an ally, for they were politically much too weak to appropriate what used to be the social property. In turn, this paved the way for a *compromise with the working class*.

Indeed, the decisive battles in the transitional years were fought out by the working class. In Slovenia, as well as in most of other parts of Yugoslavia, a massive strike wave developed by late eighties, as the country went through a deep economic crisis. At the beginning of nineties, the reformed trade union movement, which struggled for membership in the new environment of trade union pluralism, began to support and to organise these strikes<sup>9</sup>. The strike wave in Slovenia culminated with the warning strike of 1992, when the government attempted to reduce inflation and improve the competitiveness of the national economy by unilaterally freezing wages<sup>10</sup>. The warning strike was enormously successful, as the workers rallied around trade unions. The country was paralysed, while worker collectives organised union meetings and protest assemblies. Also, the main

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<sup>8</sup> Prinčič (1999): p. 29, 56

<sup>9</sup> Stanojević (2001)

<sup>10</sup> Crowley and Stanojević (2011)

traffic lines, such as highways and airports, were blocked for several hours, and the supply of electricity power was interrupted<sup>11</sup>.

The immediate consequences of the strike were the fall of the centre-right government and a large increase in wages and social transfers, which actually helped to pull the economy out of depression, as it provided a significant boost to domestic demand. Boosting the domestic demand produced another important effect. In particular, the relative prices of the non-tradable sector started to increase relative to the tradable sector; that is, the sector which is heavily exposed to the foreign competition<sup>12</sup>. We will return to this development in the discussion of the exchange rate policy.

The successful strike did not only consolidate the working class under the leadership of the unions, which were virtually the only credible working class organisations, but the mobilisation of the working class in these early years of transition also had a profound impact on the institutional landscape of Slovenian capitalism. Not surprisingly, and in line with our hypothesis on the compromise between emerging national bourgeoisie and the working class, the first concession to organised labour after the 1992 warning strike was the privatisation legislation. At the beginning of the transition, there were two opposing conceptions of privatisation. The first conception envisaged that the choice on the most appropriate privatisation technique should be left to the companies themselves, while entailing relatively generous discounts for employees. The other approach, proposed by the foreign advisor Jeffrey Sachs, the prime minister of the centre right government, Lojze Peterle, and Igor Umek, called for a centralised privatisation process controlled by the state, a massive conversion of enterprises into joint-stock companies, and a free distribution of shares to citizens through government-managed privatisation investment funds. The controversy was essentially about the control of the economy. While including concessions to the working class that posed demands for workers' ownership in companies already in 1990, backing them with demonstrations and other actions<sup>13</sup>, the first approach implied that the control of enterprises should stay firmly in the hands of the incumbent management, that is, the emergent national bourgeoisie, until it would be able to amass enough financial resources for the buy-outs of the firms. The second proposal, on the other hand, pursued a different strategy, as it attempted to sever all the ties with the legacy of self-management and placing the centre-right government firmly in control of the economy<sup>14</sup>.

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<sup>11</sup> Vrhovec (2002): pp. 15–36

<sup>12</sup> Bole (1997): pp. 245–246; Kračun (2006): p. 70

<sup>13</sup> Vrhovec (2010): pp. 7, 18–19

<sup>14</sup> Mencinger (2006): pp. 67–68; Simoneti, Rojec, and Gregorič (2004): pp. 229–230

Soon after the warning strike, a compromise was struck with the passing of the *Law on the Transformation of Social Ownership*, which allowed several techniques of privatisation, but left the decision on the appropriate method to the companies themselves. This was, nonetheless, combined with distributive method of privatisation by issuing vouchers to all citizens, while a lot of the property ended in parastatal funds. However, in exchange for vouchers, managers, workers, and their families were given a considerable part of shares, while the Law also allowed for internal buy-outs with considerable discounts. Parts of the companies could also be sold in public offerings, public tenders, and public auctions. Given the opportunity for an internal buy-out and distribution of shares to insiders, workers and managers obtained the majority of them in many of the profitable small and medium-sized labour-intensive firms, while the larger profitable companies combined the internal distribution of shares with public auctions. In addition, a large part of the property ended in the hands of the state<sup>15</sup>.

The law on privatisation clearly reflected the balance of forces that was consolidated through the transitional class alliance between the working class, organised around trade unions, on the one hand, and the emerging national bourgeoisie, on the other. The emerging bourgeoisie clearly benefited from the law on privatisation, which enabled managers to stay in control over companies and oversee the process of their privatisation. In addition, as the state and parastatal funds became the majority owner of a large chunk of the economy, managers gained a precious time to appropriate the enterprises for themselves. The workers, on the other hand, could hope to retain some influence in the management of the enterprises – after all, these, in a sense, remained “their companies” for a while, although in a capitalist and not socialist meaning of the word.

Working class mobilisation and its alliance with the emerging national bourgeoisie also shaped the welfare state in Slovenia. Early retirement schemes, relatively generous compensation for the unemployed, and the institute of minimum wage were put in place in early nineties. Further, the Social and Economic Council (ESC), where the tripartite dialogue takes place at the peak level, was established. ESC covers a wide array of issues, from social policy to labour law, and allowed unions to extract significant concessions in return for their moderation when it came to income policy<sup>16</sup>. These early institutional achievements produced significant effects on the material conditions of the working class. For instance, the social pacts and the establishment of the minimum wage were a crucial instrument for taming the increasing wage inequality that opened up at the begin-

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<sup>15</sup> Mencinger (2006): pp. 61–72; Simoneti et al. (2004): pp. 230–232

<sup>16</sup> Crowley and Stanojević (2011): pp. 280–281; Stanojević and Krašovec (2011): pp. 236–248

ning of the transition process, when the egalitarianism of the socialist period broke down<sup>17</sup>.

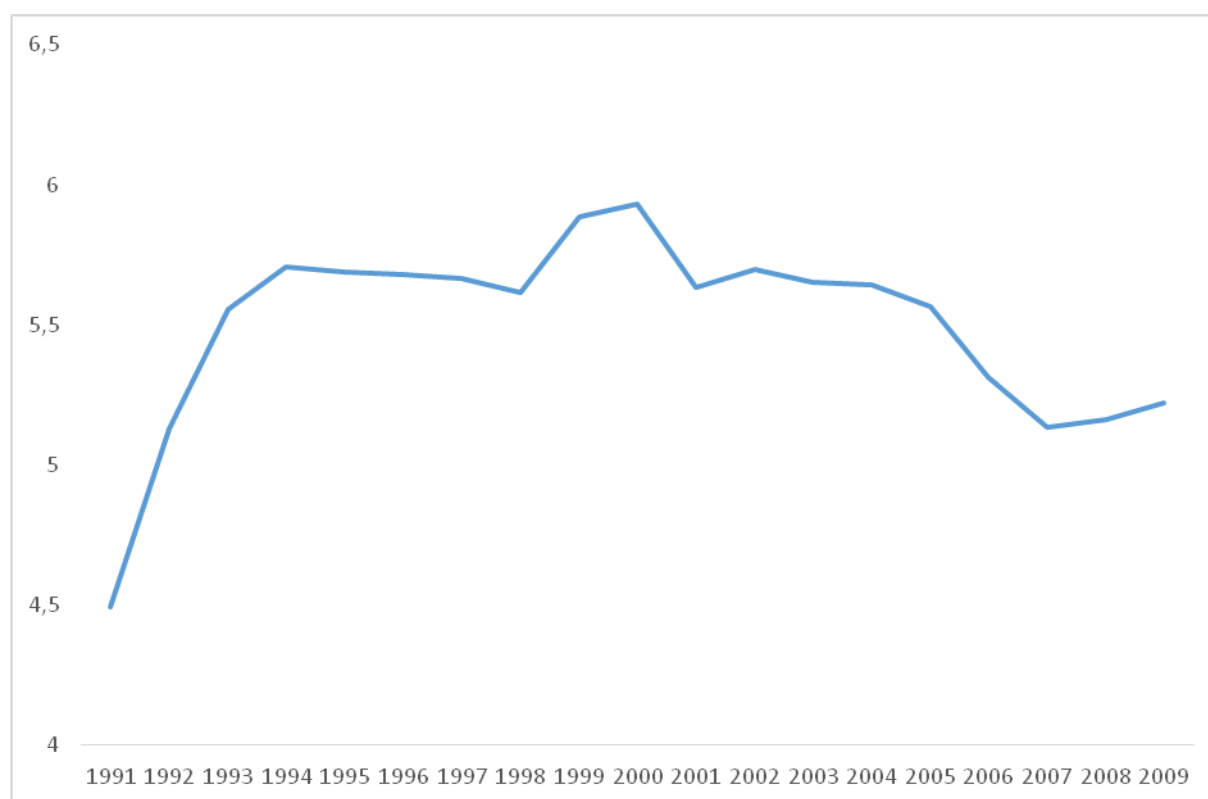


Figure 1: Wage income quintile share ratio, Slovenia<sup>18</sup>

Another peculiarity of the so-called Slovenian “exceptionalism” was that most of other Eastern European economies followed the development path in which the leading role was performed by foreign capital, mostly in the form of FDI. This was, for example, the case in the Višegrad group, which is – due to dependence on massive foreign direct investment by the countries composing this group – sometimes being said to represent the third variety of capitalism, a *dependent market economy*<sup>19</sup>. The labour mobilisation, however, precluded such a path in Slovenia: firstly, because the privatisation model adopted favoured insiders and

<sup>17</sup> Stanovnik and Verbič (2012): p. 65

<sup>18</sup> Tine Stanovnik and Verbič (2012): pp. 57-70. The figure depicts D80/D20 ratio calculated for gross wages. The data include all employees whose wage earnings exceeded general tax allowance, and also include (unadjusted) earnings of part time workers. The data were collected on a yearly basis, and do not indicate the time span in which the wage income was created within a given year, which means that even those who worked for only a few months in a given year are included, provided that their earnings exceeded the general tax allowance. Thus, data are not comparable with similar measures for other countries, and are used here only for the illustration of the developments of wage inequality in Slovenia

<sup>19</sup> Vliegthart and Nölke (2009)

somewhat excluded bidders from abroad; secondly, the strength of organised labour was reflected in relatively high wages which made Slovenia less appealing to the foreign investors; and finally, the measures used by the Bank of Slovenia to stem the inflow of foreign capital in order to retain control over the supply of money deterred FDI as well.

Besides privatisation, the macroeconomic policy was one of the most hotly contested fields during the transition years. As we mentioned before, the domestic shock therapists aided by foreign advisors pressed for a fixed exchange rate that would, as they argued, perform the role of a nominal anchor and would show the government's commitment to stability. However, this solution was not even feasible, as at the time of secession from Yugoslavia, foreign reserves could only cover around four days of imports and Slovenia could not count on foreign assistance, as it was not yet a member of the IMF<sup>20</sup>. In turn, this means that a more or less pure float was, at the very beginning, the only viable solution.

The rapid growth of exports, underpinned by a favourable starting exchange rate that promoted a rapid growth of exports while imports were stagnating due to a deep recession and scarcity of foreign currency, replenished foreign reserves relatively quickly<sup>21</sup>. The Central Bank, nevertheless, did not adopt a fixed exchange rate, but sought to prevent the real appreciation of the exchange rate by means of a policy of controlled depreciation of currency, coupled with sterilisation of foreign exchange inflows. This policy was pursued until Slovenia entered the ERM II<sup>22</sup> in 2004, and it was a source of never ending disputes, which, nonetheless, quite clearly reveal the way the transitional class compromise crystallised into a macroeconomic policy.

According to the critics of the adopted policy, the tendency toward real appreciation of the currency – a higher domestic inflation rate relative to the inflation rates of developed capitalist economies – was a consequence of the famous Balassa-Samuelson effect, and was, in terms of bourgeois economics, an equilibrium phenomenon that can be observed in all transition economies as a normal part of the so-called catching-up process. Distinguishing between the tradable sector, which is exposed to the competition from abroad – for example manufacturing – and the non-tradable sector, which is relatively sheltered from the impact of foreign competition – for instance, a large part of services –, the

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<sup>20</sup> Kračun (2006): p. 234

<sup>21</sup> Bole (1997): pp. 242-243

<sup>22</sup> ERM II (EU's Exchange rate mechanism) can be described as the waiting room for EU countries before they join the Eurozone. During their stay in the ERM II, acceding countries retain their national currencies, but the exchange rate against euro is only allowed to fluctuate within set limits



Balassa-Samuelson model explains higher inflation in the “catching-up” process as follows. Prices in the tradable (export) sector are determined on the world market while wages in this sector are driven by increases of the productivity of labour – according to neoclassical marginal productivity theory, the faster the growth of labour productivity, the higher are wage increases. However, the argument went, in the non-tradable sector, which is composed mainly of services and where the growth of productivity is much slower than in the capital-intensive export sector, wages are also increasing as their growth follows the wages in the export sector, due to labour market equalisation of wages in the two sectors. In addition, as wages in non-tradable sector increase faster than productivity, the relative prices in this sector increase in comparison with prices in the tradable sector, which pushes up the general price level – that is, inflation accelerates.<sup>23</sup> Thus, the critics of central bank’s policy claimed that, if the central bank depreciates the currency in order to enhance the price competitiveness of the export sector on foreign markets, it will only fuel domestic inflation, as domestic companies simply incorporate the changes of the exchange rate into their pricing behaviour<sup>24</sup>. Fixing the exchange rate would, conversely, reduce inflation, as it would slow down the growth of prices and, consequently, wages in the export sector, which could, finally, anchor the prices of the non-tradable sector.

The arguments of advocates of the adopted policy of controlled depreciation of currency, on the other hand, clearly reveal the class alliance supporting central bank’s policy. Namely, while they accepted the argument that, in presence of Balassa-Samuelson effect, fixing the exchange rate would indeed be the most appropriate policy, they argued that the dynamics of relative prices of tradable and non-tradable sector was precisely the opposite. It was the companies in the non-tradable sector where competition was weaker, they contended, that were able to increase their prices and accommodate the wage demands of powerful trade unions. In other words, it was the high growth of wages in the non-tradable sector – which was a product of the strength of unions – that was spilling over to the tradable sector – and not vice versa –, as the demonstration effect forced the unions in the export sector to chase the wages in the non-tradable sector<sup>25</sup>. In addition, they claimed that fixing the exchange rate would further distort the relative prices, as it would affect the export sector without much influence to the non-tradable sector, which was considerably less responsive to exchange rate shocks<sup>26</sup>.

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<sup>23</sup> For the Balassa–Samuelson model: Asea and Corden (1994): pp. 191–200

<sup>24</sup> Coricelli, Jazbec, and Masten (2004)

<sup>25</sup> Bole (2002a); Bole (2002b): pp. 25–40

<sup>26</sup> Bole (2003)

Strong labour movement organised by trade unions was, in this manner, one of the main explanatory factors in this account. One could speculate that fixing the exchange rate would probably cause grave problems in the export sector and, consequently, swell the reserve army of the unemployed. This could in turn substantially erode the power organised labour in both sectors. Indeed, on few occasions trade unions explicitly demanded that the central bank supports the export sector. However, besides the deleterious effects on unions, fixing the exchange rate would also destroy the export sector, which was not only the most propulsive sector of Slovenian economy, but also the material base of the *emerging national bourgeoisie*. Thus, the adopted policy consolidated the existing balance of forces by providing a safety valve for the problems of competitiveness, given the strength and wage demands of organised labour.

### The transient nature of working class achievements

We should not nurture any illusions regarding the achievements of organised labour during the transition period, as these were concessions that did not fundamentally change the condition of the working class that was merely a junior partner in the alliance with the emerging national bourgeoisie. Some concessions proved more to the service of the interests of the emerging national bourgeoisie than to the working class itself. For example, at the time of conclusion of the formal process of privatisation, when the workers in the aggregate were probably the most important group of owners<sup>27</sup>, it was probably the very attitude of workers towards the enterprises as “their companies” that greatly facilitated the restructuring of the private sector – in face of the credit rationing on the part of banks – and kept the export sector afloat, despite growing competitive pressures from abroad<sup>28</sup>. A research on the sample of some 130 large and medium sized Slovene companies in the second half of the 1990s has shown that the influence of management within the firms was not undermined, but was actually stronger in the companies owned by workers<sup>29</sup>. Furthermore, it was precisely during the period following the formal conclusion of privatisation that the onslaught on the labour share in the added value captured by the manufacturing sector took place. The labour share, calculated as the *real unit labour costs* in manufacturing, decreased by some 15 percentage points between 1995 and 2000 (SURS, own calculations) – a period when workers in the aggregate were the largest investor group in the private economy. Simply put, it seems that workers’ ownership enabled the companies to finance their operations, to a large extent,

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<sup>27</sup> Pavlič, Gregorič, and Prašnikar (2004)

<sup>28</sup> Domadenik and Prašnikar (2004)

<sup>29</sup> Prašnikar and Gregorič (2002)

with retained profits; that is, unpaid surplus labour squeezed from these workers-owners' labour power.

In addition, many of these concessions were of a rather transitory nature. The ownership structure established after the first wave of privatisation was never meant to last in any case<sup>30</sup>. At the turn of the century, the phase of consolidation of ownership was already in full swing. The ownership share of "insiders" fell but only the share of workers decreased dramatically, while the share of managers actually expanded. Far more important than direct ownership stakes of management was, however, the trend toward increasing concentration of ownership in the hands of domestic non-financial companies, which was the main channel through which management appropriated enterprises<sup>31</sup>. Thus, while workers were the largest investor group in more than half of companies in a sample involving 150 large and medium sized enterprises in 1998, by 2002 their share dropped to a mere 18 percent, while the share of companies controlled by domestic non-financial firms trebled from 11 percent to more than a third of companies in the sample<sup>32</sup>. Once the ownership was consolidated, the new majority owners begun to demand a solid return on their newly acquired equity capital as well<sup>33</sup>.

Among the different areas of the transitional compromise, the macroeconomic policy represented a case of unmitigated success for the working class. It is true that the current account stayed roughly in balance throughout the transition period. The main macroeconomic cost was a somehow higher inflation rate, but other goals, such as economic growth, export competitiveness, and employment, were considered by far more important. Nonetheless, from the perspective of the working class, the exchange rate policy offered only a partial relief of competitive pressures, as companies were able to offer relatively secure employment and to pay out wages in face of sharpening of international competition only by resorting to heavy intensification of work. This exchange of stable employment and secure wages for increasing work intensity that took place between management and workers – a micro compromise, defined by Stanojević as "survival coalitions"<sup>34</sup> – was perhaps just the other side of the coin of workers' ownership discussed above: workers were employed in "their" companies on stable jobs paying out decent wages, while the management got a free hand to set the organisation of

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<sup>30</sup> Zajc (2007)

<sup>31</sup> Prašnikar, Domadenik, and Koman (2015)

<sup>32</sup> Damijan, Gregorič, and Prašnikar (2004)

<sup>33</sup> Lahovnik (2008): p. 69

<sup>34</sup> Stanojević (2004); Stanojević (2010): pp. 127–128, 136–137

business in a manner that supported the process of restructuring and a gradual consolidation of ownership.

## 2004-2008: The erosion of compromise

In a relatively short period time following the accession into the European Union (EU) and the European Monetary Union (EMU), which preceded the crisis, the conditions for compromise eroded significantly. However, the full effects of this erosion were, at least in part, masked by a strong economic upswing.

The power of working class organisation eroded steadily in face of what one might call “the competitive restructuring of national social capital,” which took place during the process of European integration of the Slovene national bourgeoisie after 2000<sup>35</sup>. Two processes associated with this transformation become relevant at this point. Firstly, the management of individual capitals responded to the steady increase of the competitive pressures with flexibilisation of the peripheral segments by resorting to temporary employment (as well as some other forms of non-standard employment) in order to retain the cost competitiveness when confronted with swings in demand for their products. The process of precarisation, in terms of the so-called non-standard employment arrangements, accelerated steeply, especially during the economic upswing after the formal accession to the EU and European Exchange Rate Mechanism (ERM) II in 2004 (figure 2). Precarisation of work poses a double challenge for the trade unions. On the one hand, the unionisation of precarious workers is difficult, as they work under “the implicit threat mechanism;” that is, the threat that the employer will not extend the contractual relation with the employee, should the latter not provide the flexibility required by the former, which often includes a tacit renouncement of the right to unionisation<sup>36</sup>. As Gumbrell-McCormick points out, on the other hand, trade union membership of precarious workers is relatively short lived, and achieving and sustaining a certain unionisation rate with a precarised workforce is, therefore, much more resource intensive than with workers in regular employment<sup>37</sup>. Thus, precisely at the time of increasing precarisation of work, which demands a redistribution of resources from core to peripheral union

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<sup>35</sup> We use Marx’s concept of “total social capital,” which should not be mistaken with Bourdieu’s notion of “social capital.” Marx’s concept refers to the sum of *individual capitals* (firms): “each individual capital forms only a fraction of the total social capital, a fraction that has acquired independence and been endowed with individual life, so to speak, just as each individual capitalist is no more than an element of the capitalist class”: Marx (1993): p. 427

<sup>36</sup> De Stefano (2009)

<sup>37</sup> Gumbrell-McCormick (2011)

members<sup>38</sup>, the Slovene unions were faced with an abrupt decline in membership rates (Figure 2) and, consequently, with a depletion of power capacities to face the challenge.

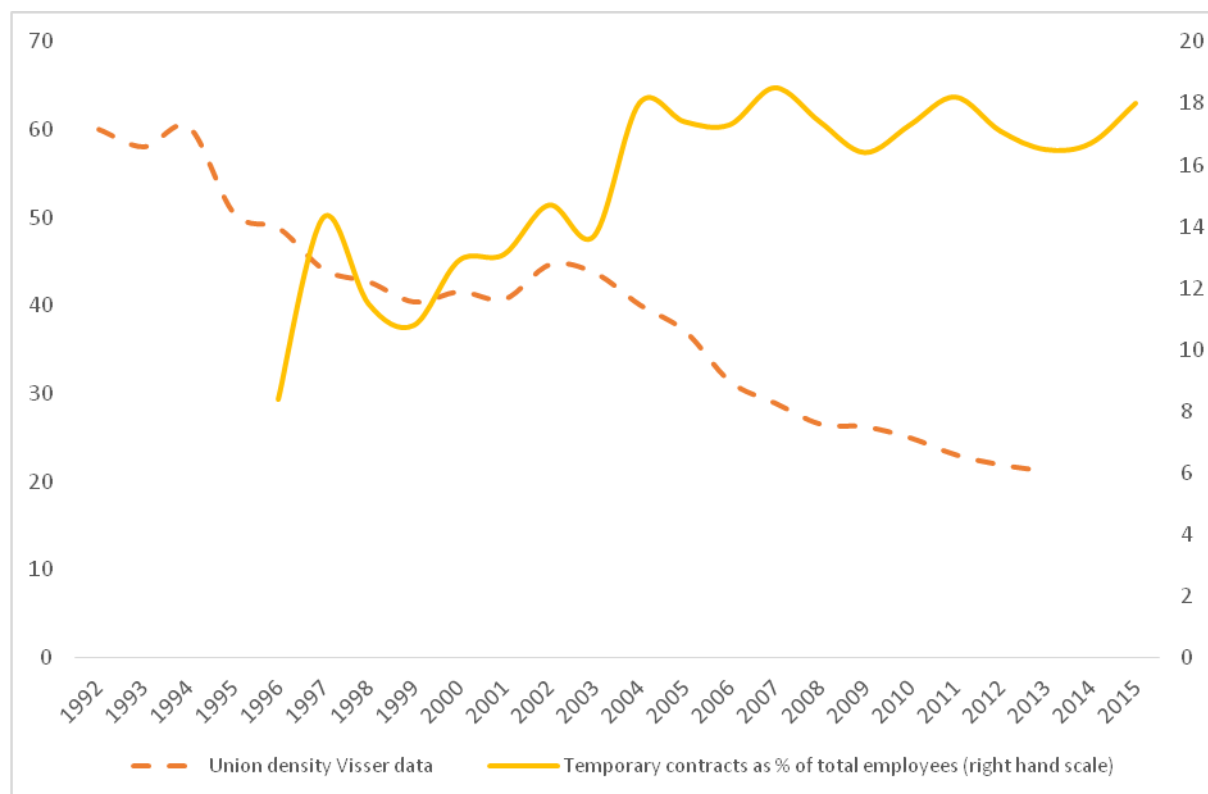


Figure 2: Union density and temporary employment as share (%) of total employees<sup>39</sup>

A second, and probably even more important process than the expansion of non-standard forms of employment, was the growing divergence in wages and working conditions between sectors. During the second half of the nineties, wages in certain traditional service sectors (the precarised sector<sup>40</sup> in the figure 3), in which a rather basic skill level are demanded from employees, more or less matched the level of wages in the manufacturing industry. However, relative wages in these traditional service sectors declined steadily thereafter, and by mid-2000s they were, on average, 10-15% lower than in the manufacturing sector (figure 3). In addition, the share of temporary employment (as well as some other precarious forms of work) became particularly entrenched in these increasingly

<sup>38</sup> Heery and Abbott (2000)

<sup>39</sup> Visser (2015); Eurostat

<sup>40</sup> “The precarised service sector” depicted in figures 3 and 4 includes the hospitality industry, land transport, retail trade, temporary agency work, private security industry, and industrial cleaning. The classification of economic activities changed during the observed period, and in order to provide a closer match between the two time series we slightly rearranged the activities. For details please see the notes to the figures

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precarious service activities. The opening of this gap can be, at least in part, explained by what we called above “the competitive restructuring of the national social capital.” As depicted in figure 4, while the period from late nineties to mid-2000s saw an increase in the share of employment of this increasingly precarised service sector, the share of employment in the manufacturing industry contracted in the observed period. This contraction of manufacturing employment was, however, almost totally accounted by the disappearing of the worst paid – though relatively well unionised – and technologically less demanding manufacturing activities, such as textile and apparel industry, etc., as these industries relocated to other, low-wage countries. On the other hand, technologically more demanding (and better paid) branches more or less increased employment in absolute terms *pari passu* with the overall increase in employment, and, thus, retained their relative share in total employment. From this perspective, it might be said that the manufacturing sector shed its precarious part, while traditional services – which now assume the role of a provider of flexibility and low cost services enhancing the cost competitiveness of the all-important export sector – expanded, by growing more and more precarious.

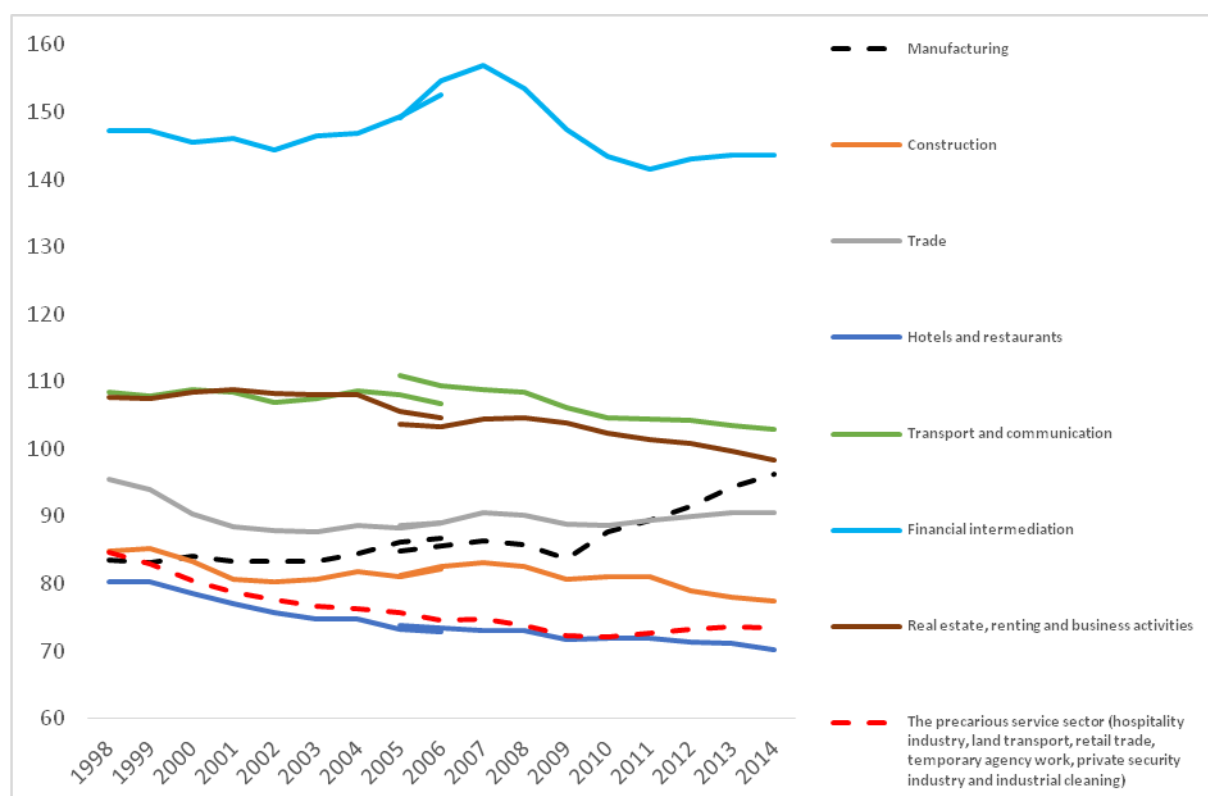


Figure 3: Wages in sectors of business economy relative (%) to national average wage (=100)<sup>41</sup>

<sup>41</sup> Calculation of the author. Sources: Eurostat and SURS. Breaks in time series in 2005 and 2006 are due to changes in statistical classification of economic activities. For the time series from 1998 to 2005 the following NACE Rev. 1.1 categories apply: (D) for manufacturing, (F) for construction, (G) for trade, (H) for hotels and restaurants, (I) for transport and com-

An important effect of this competitive restructuring was that, due to a widening gap in terms of wages and working conditions between well unionised manufacturing and an increasingly precarious segment of services, the established collective bargaining structure was increasingly hard to sustain. During the 1990s, and until 2005, collective bargaining in Slovenia was centralised and highly inclusive with two separate peak-level agreements, one covering the public and the other the business sector. Since the membership in the main employer organisation was mandatory, the coverage was almost total, which established minimum standards for *all employees*. In other words, the trade unions imposed formalised working class solidarity through the general collective agreement for the private sector. However, in 2005, the major employer organisations cancelled the general agreement for the private sector during the process of negotiation of the new agreement in order to persuade the trade unions to accept their lines. But in contrast to a similar move in 1997 that provoked a unified and rather fierce response on the part of organised labour, this cancellation was not opposed by all the trade union confederations, as the largest one was not even involved in the negotiations and instead argued for industry level agreements<sup>42</sup>. That is, fearing that a *general* collective agreement would act as a deadweight on their position in *sectoral* bargaining process, the strong manufacturing unions that were able to win relatively favourable sectoral collective agreements grew increasingly opposed to the peak level agreement. Collective bargaining was thus decentralised to the sectoral level in the period after EU accession, reducing the scope for “solidaristic wage policy”<sup>43</sup> across the private sector, while some sectors were left without any agreement whatsoever.

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munications, (J) for financial intermediation, (K) for real estate, renting and business activities and (H+I60+G52+K74.5+K74.6+K74.7) for the precarious sector; for the time series from 2005 to 2014 the following NACE Rev.2 categories apply: (C) for manufacturing, (F) for construction, (G) for trade, (I) for hotels and restaurants, (H+J58+J59+J60+J61+J63) for transport and communications, (K) for financial intermediation, (L+M+N+J62) for real estate, renting and business activities, and (H49+G47+N78+N80+N81) for the precarious sector

<sup>42</sup> Trtnik and Drole (2005); Dnevnik (2005)

<sup>43</sup> Schulten (2002)

## B. BEMBIČ – FROM VICTORY TO VICTORY TO THE FINAL RETREAT

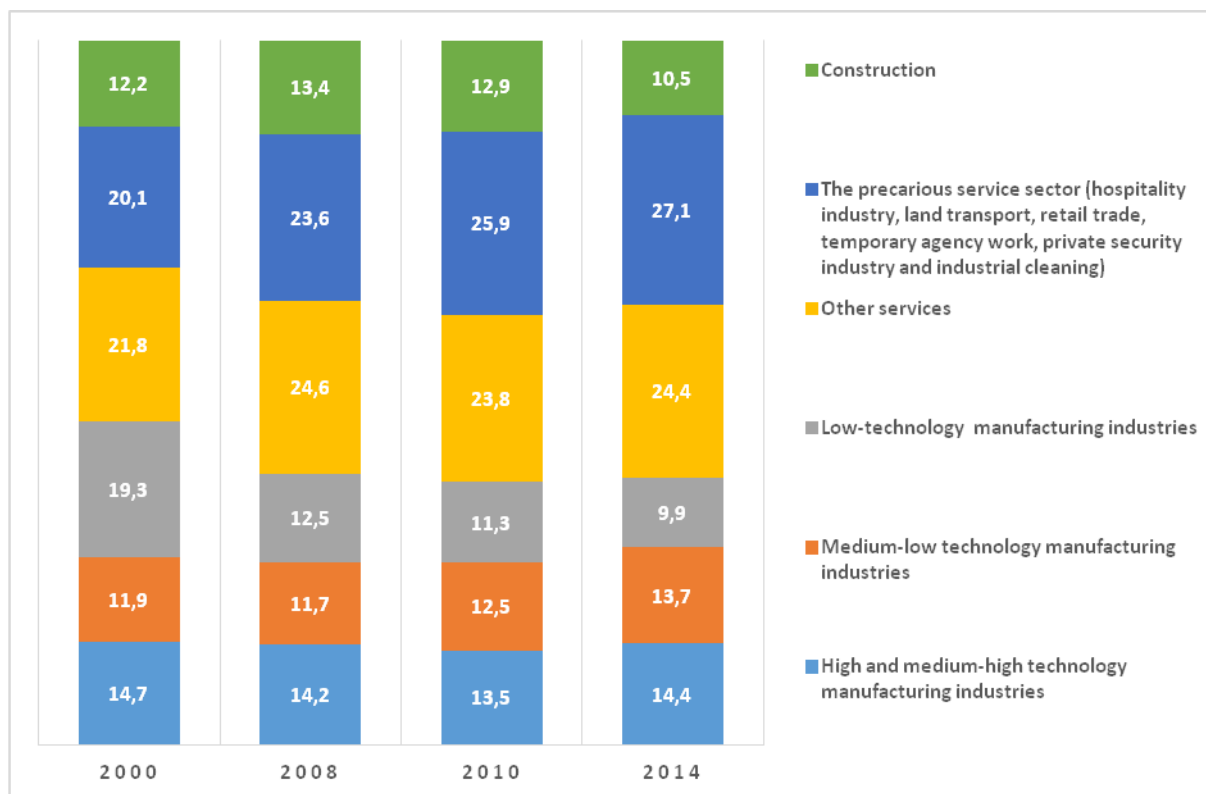


Figure 4: sectoral composition of labour power – shares of employees (%), business economy.<sup>44</sup>

Another far reaching consequence of the competitive restructuring was its impact on the unionisation rate, as manufacturing industry, which constitutes the traditional base of unions, was contracting (i.e. the virtual disappearance of several low-technology branches), while the precarious service activities, where union organisation is much harder to build and sustain, simultaneously expanded. These changes in sectoral composition, coupled with other developments, such as the expansion of temporary employment and other precarious forms of employment as well as proliferation of small business, probably contributed a lion share to a steep decline in overall unionisation rate.

Beside changes in the power of the working class organisations, the political stance of the domestic capitalist class has also changed. Despite the privatisation process was not yet completed, as some of the major companies were still owned by the state, the completion of the formal process of conversion from social ownership (that prevailed in self-managed socialism) to capitalist ownership, and subsequent processes of concentration and consolidation of ownership in a large part of the now private economy, firmly established the national bourgeoisie as the dominant social force. By a kind of a historical irony, the more entrenched the indigenous capitalist class became, the paler was its national char-

<sup>44</sup> Source: Eurostat; NACE rev. 1 for years 2000 and 2008; NACE Rev. 2 for years 2010 and 2014. See note to Figure 3 for detailed composition of the “precarious sector”



acter. With the accession to the EU and the euro area, the national bourgeoisie secured itself two material conditions for its reproduction: the unrestrained access to the single market, which is vital for the manufacturing sector in a small economy, and the ability to tap the torrent of the euro area financial resources. However, while it could be said that the national bourgeoisie (which grew increasingly less national) benefited by integrating into the single market and the common financial market<sup>45</sup>, the working class hardly shared any of these gains. Instead, what the labouring masses got was an even heavier burden of supporting the national competitiveness by work flexibilisation and worsening working conditions.

One of the early signals of the changed environment was a new government's approach to "social partnership" in 2005 – most notably, the attempt at neoliberal reforms that featured, among other things, the flat-tax rate (that, nevertheless, was never accepted) –, which signalled that the era in which the domestic capitalist class was willing and able to forge compromises was drawing to a close. The reforms were not negotiated at the peak level tripartite institution (ESC), and the unions were pushed into opposition, although they closed ranks and fought back in the winter rally of 2005, deflecting the reform of the tax system that aimed at instituting a flat-tax rate and threatened to sharply increase inequality<sup>46</sup>. Also, following legislative changes, the main employers' organisation turned from a mandatory into a voluntary organisation in 2006, which led to radicalisation of its positions as it had to compete for membership<sup>47</sup>. Last but not least, with the integration into EMU, the exchange rate policy that was an important safety valve for relieving the tensions between the two classes, was phased out while, at the same time, the competitive pressures gradually intensified.

### **The crisis and its effects (the post-2008 period)**

Given the transitional balance of forces, the *comprador bourgeoisie* was marginalised in the first decade and a half after the transition. It is quite obvious that the vision of a liberal type of capitalism and the weak welfare state that this fraction offered were not very appealing to workers, nor were, of course, demands for a break-up of the so-called domestic interest networks and arguments in favour of foreign ownership, embraced by the emerging national bourgeoisie that was consolidating its ownership stakes in the once self-managed companies.

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<sup>45</sup> Lavrač and Majcen (2006): pp. 9–14; Deželan and Košak (2006): p. 121; Potočnik, (1998): pp. 19–24

<sup>46</sup> Stanojević (2015).

<sup>47</sup> Stanojević and Klarič (2013): pp. 217–226

The first generation of macroeconomists schooled in post-socialist years emerged in the early 2000s. By that time, capital was already an increasingly influential social force<sup>48</sup>, and this group of intellectuals gained in prominence. They were concerned by the (alleged) decline in competitiveness of the national economy, which was, according to their diagnose, a consequence of a too gradual transition that not only reduced the social costs, but also preserved the established interest networks, which were more preoccupied with distributional struggles instead of productive activity<sup>49</sup>. Nonetheless, this new generation of comprador bourgeoisie was too weak to impose its neoliberal vision by directly confronting other social forces. Hence, they laid their hopes in what they called an exogenous shock, or, more concretely, the accession to the EU and the Eurozone, which could shake the existing balance of forces and clear the way for their vision of economic and social arrangement. Nevertheless, until the crisis hit the country in late 2008, their opinion was that “moving away from gradualism has [...] been 'too gradual'”<sup>50</sup>. The chances of success for their political programme, however, improved radically during the crisis. This section depicts the crisis developments and their effects on balance of class forces in Slovenia.

The specific development of the crisis in Slovenia was tightly linked to the process of debt build-up after the country entered the ERM II in 2004. By entering the ERM II the interest rates started to converge towards the levels that prevailed in the Eurozone, which, in turn caused the migration from bank deposits to (mostly foreign) capital market instruments and stimulated outward foreign direct investments<sup>51</sup>. Besides, this was a time when the government decided to privatise a large portion of its portfolio, which was considered the last phase of privatisation and, thus, the final step in consolidation of the Slovene national bourgeoisie. The management of the largest corporations that were still owned by the state saw the historically low interest rates and the government decision for privatisation as a window of opportunity to appropriate the enterprises by means of management buy-outs.

The economic activity during the 2004-2008 period surged due to buoying foreign demand and domestic investment. The government further fuelled domestic demand by investment in roads and by adopting a tax reform that caused a drop in government revenues without any changes in government spending. Finally, by redeeming a large portion of domestic debt and converting it into foreign debt, the government poured additional liquidity into banks. Coupled with booming

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<sup>48</sup> Drenovec (2005): p. 19

<sup>49</sup> Rojec, Šušteršič, Vasle, Bednaš, and Jurančič (2004)

<sup>50</sup> Šušteršič, Rojec, Bednaš, and Vasle (2008): p. 33

<sup>51</sup> Trobec (2012): p. 31-33

capital and real estate markets, which increased the value of collaterals and falling interest rates, these developments pushed credit growth to non-financial corporations to unprecedented heights, on average 35% per year, while the credit to deposit ratio which amounted to 1 in 2004 surged to 1,6 by 2008<sup>52</sup>.

As the surge in credit activity was mostly financed by large inflows of cheap credits from abroad, the banks became strongly exposed to the risks associated with the re-financing on international financial markets, while the non-financial corporations became vulnerable to risks associated with refinancing their stock of credit with domestic banks. Both risks materialised with the eruption of crisis from 2008 onwards, when the international financial markets closed for Slovenian banks and demand for exports fell abruptly<sup>53</sup>. The government measures – such as a guarantee scheme that enabled banks accessing foreign financial markets and another guarantee scheme for non-financial corporations, which aimed at transcending the problem of estimating their creditworthiness in face of collapsing value of collaterals – eased the credit crunch in 2009. In the first half of 2010, the recovery was under way, but, at the beginning of the second quarter, the Bank of Slovenia imposed harsh capital requirements for banks. The banks reacted by restructuring their portfolio shifting from credits to non-financial companies to government securities and to companies that were able to provide collaterals covering a large portion of credit. Further, they started selling the property, restricting the new credits to non-financial companies and refinancing the old ones. As credit growth became negative in the third quarter of 2010, the problems of non-financial corporations exacerbated and the number of bankruptcies was mounting<sup>54</sup>.

Many Slovene capitalists, especially owners of large enterprises, were merely titular owners, for they had little capital beyond that obtained by means of credit. Hence, the losses accumulated in the banks' balance sheets in the form of non-performing loans. As the non-performing loans piled up, it became clear that banks would need considerable capital injections from the state<sup>55</sup>. At the same time, the public debt grew steadily as tax revenues were falling, while expenditures were increasing during the crisis. Not surprisingly, the centre-left government launched a fiscal consolidation programme which was to a certain extent agreed with trade unions. In addition, the government tried to push through neo-liberal structural reforms of the labour market and pension system that were heavily opposed by the trade unions and were consequently rejected in a wave of

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<sup>52</sup> Bole (2008)

<sup>53</sup> Trobec (2012): pp. 31–33

<sup>54</sup> Prašnikar and Koman (2015): pp. 33–34

<sup>55</sup> Senjur (2012): pp. 3–5

referendums in 2011. This, in turn, brought down the centre-left government. By the early 2012, all the major rating agencies downgraded the Slovenian sovereign credit rating, citing the stalling of the reform process, piling the of nonperforming loans in the banking sector, and the problems with fiscal consolidation. Following these developments, coupled with a general deterioration of financing conditions on European financial markets, the interest rates on public debt surged<sup>56</sup>.

After the early parliamentary elections in December of 2011, the centre-right government was formed. It was impossible, however, to form a coalition without the votes of a small liberal party composed mostly of comprador elements. A position in government could not come at a better time. Biding their time for two decades, the comprador bourgeoisie finally got their exogenous factor. Since it is a part of the Eurozone, Slovenia issues its debt in a currency beyond its control, which, in turn, means that it is much more exposed to the whims of the international financial markets. This, in turn, strengthened the position of European Commission vis-à-vis domestic actors in Slovenia, since the former's signals to financial markets regarding the government's economic policies could decisively impact the latter's ability for refinancing the public debt. Nevertheless, the financial markets, as well as the European Commission, demanded more or less the same as Slovene compradors, that is, a ruthless fiscal consolidation entailing cuts in the public sector, a quick resolution of the problems in the banking sector, a large-scale privatisation, neoliberal structural reforms, and less democracy in regard to fiscal policy. In sum, as problems of re-financing government debt became a burning issue, and the threat of Troika taking charge of the country and imposing the cure worse than the ill itself loomed large, the comprador bourgeoisie found themselves in a position in which, even in case of political defeat, their programme was simply bound to win.

A law imposing harsh austerity measures, including cuts in public sector wages and a reduction of welfare state, was passed. By sharply reducing domestic consumption, this law sent the economy spiralling into a new contraction. But the worse the economy fared, the better for the comprador bourgeoisie – for as long as the economy was in turmoil, the country was under the informal protectorate of financial markets and international agencies such as European Commission, the IMF, and so forth. Curiously enough, the measures adopted could hardly be defended on grounds of fiscal consolidation. For example, while austerity was demanded from the working class, the government opted for a cut in corporate tax rate, which, as remarked by the Bank of Slovenia – certainly not a leftist or-

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<sup>56</sup> UMAR (2012): pp. 25–26

ganisation –, was even before the cuts below the Eurozone average<sup>57</sup>. The cut alone reduced the tax revenues by 0,5 percent of GDP on a yearly basis<sup>58</sup>. Even worse, the government decided for a costly bad bank, which was promoted as a solution for the problems of the banking sector, although the same effect could be achieved by direct recapitalisation, which would, however, demand much less money from the public purse<sup>59</sup>. That is to say, a transfer of nonperforming loans to a state agency was arranged, which was financed by state guaranteed bonds, thus further increasing the government debt. As a matter of fact, by requesting an external valuation of the value of non-performing loans, the European Commission made sure that the loans transferred were greatly undervalued, which enormously enlarged the hole in the banking sector that the state had to make up. The bad bank acquired non-performing loans with a 70 percent discount and is able to show profits by cheaply reselling them to private investors, who are the final beneficiaries of the deal<sup>60</sup>.

### **Convergence of national and comprador bourgeoisie**

We mentioned above that the material conditions for the transitional alliance between the working class, organised around the trade union movement, on the one hand, and the emerging national bourgeoisie, on the other, were gradually eroding during the 2000s, as the strength of working class declined and the national bourgeoisie progressively consolidated its position and realised the goals for which it needed the compromise. In the period after 2008, however, this alliance is decisively a thing of the past as the material conditions for such alliance are no longer met.

The process of privatisation, which was the pillar of the transitional cross class alliance, is, as far as the national bourgeoisie is concerned, a done deal. Put bluntly, the domestic capitalist class got what it could. True, many of the management buy-outs of the largest state owned companies attempted in the second half of 2000s went sour, leaving behind unpaid debts that had to be made up by the state, and today many of those companies are either bankrupt or sold to foreign investors for peanuts. That is not to say, however, that the project of creating a Slovene national bourgeoisie completely failed. Indeed, there are numerous medium sized or even large companies that were successfully privatised before the crisis struck.<sup>61</sup> Many of them are successful exporters pertaining to the metal sector with a more or less diversified customer base. Thus, from the point of view

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<sup>57</sup> Bank of Slovenia (2012): pp. 48–50

<sup>58</sup> Bank of Slovenia (2013): p. 43

<sup>59</sup> Bole (2012): p. 18

<sup>60</sup> Štiblar (2015): pp. 4–27

<sup>61</sup> Prašnikar (2015)

of privatisation, the national bourgeoisie has little interest in alliance with the working class.

More to the point, if the state is to retain its ownership stake in certain companies considered of key importance for the development of certain “strategic” branches of industry, it will need capital in order to finance their further development<sup>62</sup>. These funds have to be collected either by taxes or, at least partially, by privatisation. In addition, the bourgeoisie demands state support in form of export subsidies by means of subsidised interest rates, tax relieves, and subsidies for purchases of technological equipment, lower prices for the use of infrastructural facilities, strategic investment by government, etc. Nonetheless, by no means the bourgeoisie is willing to finance these expenditures by taxes. Quite the contrary, they demand lower tax rates and social contributions. Thus, at this day, the bourgeoisie in Slovenia urges the government to speed up privatisation process and to *allow for a greater role of “strategic investors from abroad”*. As it seems, there is a broad consensus on industrial policy that companies from branches that are not considered strategic, such as food industry or apparel, are to be either sold or left to themselves, while government, with tacit support of both bourgeois fractions, aims at developing other sectors with a so-called higher technological content. Beside privatisation, bourgeois economic programme from 2013 identified other ways of relieving the funds necessary for financing the government support of private business. One such source seems to be a further redistribution from public sector wage bill, the health system, and other government expenditures. Finally, there are demands for lowering the value of labour power by eliminating the paid lunch time and for further labour market flexibilisation by means of mini-jobs. Such strategies and proposals, of course, do not sit well with the working masses<sup>63</sup>.

In short, not only has the working class in Slovenia dealt with many heavy blows in the past decade, but its transitional ally switched sides swiftly, converging towards the positions of the comprador bourgeoisie. Hence, a crucial question: in what shape are the working class organisations in Slovenia today? Are they capable of withstanding the assault of a unified bourgeoisie?

### **Working class organisations**

At a first sight, one could argue that trade unions, that were by far the most important organisation of the working class throughout the transition years, are in a relatively good shape today. Indeed, after the social dialogue all but collapsed

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<sup>62</sup> Mramor (2015)

<sup>63</sup> Chamber of Commerce and Industry of Slovenia, et. al. (2013)

in the post-2008 period, the trade union movement displayed a considerable capacity for mobilisation of the large segments of population in and position themselves as a crucial link in the wide reaching popular alliances. For instance, in the midst of the crisis, the Slovene trade union movement managed to institutionalise the outcome of a wildcat strike in a major exporter (Gorenje), achieving a 23% increase in national minimum wage in 2010. Moreover, trade unions successfully deflected the government's attempt to introduce a new form of precarious working arrangement (the mini-jobs), by organising a wide coalition of resistance that included students and pensioners. Even in time of a major strain, they were able to trade the European Commission's demands for flexibilisation of regular workforce for significant concessions for the precarious workers. It is important to note that all these actions assumed a class character – not only because they involved the whole working class, but because they disproportionately benefited the *weakest segments of the working class*.

While these achievements at the national level seem real enough, the problems begin to surface as soon as one turns from the national level to the sector and company level – it is there that the resistance to exploitation and repression is most difficult to organise. We mentioned the large disparities in power of industry level trade unions and the gap in wages and working conditions that opened between the core manufacturing industries in the export sector and the increasingly precarious traditional service sector. Although the national level campaigns successfully imposed some minimum standards that benefited weaker segments of workers and their trade unions, government policies, technological developments, and even collective bargaining at the sector level tend to reproduce the divergence in working conditions and wages between the sectors<sup>64</sup>. The economic policies during the crisis are a case in point: while in 2009, measures subsidising short-time working and temporary forced leave, which aimed at preservation of employment by enabling the companies to retain the experienced workforce with firm-specific or industry-specific skills benefited mostly companies and workers in the manufacturing sector, the austerity measures adopted in the midst of debt crisis in 2012 impacted in the first place the domestic market oriented services, including activities we summed under the heading of “precarised service sector,” that, in turn, passed the pressure on their workers, while leaving the export oriented manufacturing relatively intact. Furthermore, technological developments leading to deskilling of work in large traditional service sectors (such as retail trade<sup>65</sup>), while demanding investment in firm-specific skills in leading export sectors (for example, in the metalworking industry<sup>66</sup>), also act as centrifugal forces

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<sup>64</sup> See figure 3 for increasing wage gap between respective sectors

<sup>65</sup> Grugulis and Bozkurt (2011)

<sup>66</sup> Stanojević (2016)

by underpinning divergence in employment regimes, stabilising the employment in core manufacturing branches and exposing workers in traditional service industries to the regime of market flexibility<sup>67</sup>. Finally, since these differences in business environment and employment regimes structure the terrain on which trade unions from respective sectors operate and, thus, their bargaining power takes place, the gap tends to be reproduced at the industry level collective bargaining. Thus, while some stronger manufacturing unions are still able to bring their counterparts in the employers' organisation to the bargaining table and achieve a satisfactory agreement by threat of industrial action, extending particular concessions to capital – which, according to the law, can be negotiated only in the collective agreement – seems to be one of the main instruments for retaining the sectoral collective agreements in several branches of traditional services<sup>68</sup>.

Unions grew increasingly weak at the company level as indicated by a precipitous decline in unionisation rate since the first half of 2000s. The crisis pushed unions further into defensive positions, as swelling of the reserve army of the unemployed and increased employment insecurity, not least due to expansion of precarious forms of employment, brought about a major shift in the balance of power in favour of capital<sup>69</sup>. Precarisation of work (increasing share of temporary and other non-standard jobs in companies) also takes its toll on the capacity of unions to organise resistance, as precarious workers often try to prove themselves by working harder than the regulars, which exposes the latter to the pressures from the labour market and intensifies competition for jobs. This in turn precludes the establishment of ties of solidarity within the workers' collective, because the regular workers often perceive the precarious workers as unfair competition<sup>70</sup>. Moreover, the shop stewards sometimes do not strive to organise precarious workers, although the branch union officials urge them to do so, as this involves extra work, while the turnover of precarious workers is much higher<sup>71</sup>.

There is, besides some anarchist groups, another working class organisation that sprang out of a group of theoretical circle of young students of Marxist theory, further consolidated in political actions and finally assumed a more institutionalised form of a party, Initiative for Democratic Socialism (IDS). Forging a coalition (the United Left) with another two left wing parties, IDS successfully participated on parliamentary elections in 2014 and managed to enter the par-

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<sup>67</sup> Boyer (2014)

<sup>68</sup> Union official, interview by the author. January 3, 2017, transcript

<sup>69</sup> Union official, interview by the author. April 22, 2015, transcript; Stanojević and Kanjuo-Mrčela (2016): p. 460

<sup>70</sup> Union official, interview by the author. April 22, 2015, transcript

<sup>71</sup> Stanojević (2016): p. 25



liament. In June 2017 two of the coalition parties merged into a new party, the Left. These developments brought some notable changes into the parliamentary sphere. In the first place, the positions of the coalition's presence and its positions in the parliament probably caused other left leaning parliamentary parties to radicalise their positions or at least slowed down to some extent their further drift towards the neoliberal centre. Furthermore, the coalition radicalised some of the legislative proposals made by the trade unions – such was the case of campaign for the redefinition of minimum wage –, which, in turn, made the proposals of the trade union movement more acceptable. Finally, it seems that IDS successfully rehabilitated the term “socialism” in public debates. Nevertheless, it has to be admitted, that neither the parliamentary coalition nor any of its constituent parts made any significant progress in terms of organising the working masses into the working class as a political force.

If our analysis is at least approximately correct, we can make the following general observation regarding the working class organisations in Slovenia: while “at the top” working class organisations are relatively strong – trade unions are capable of mobilising the people around important political issues at the national level, they still have some influence on labour, social policies, and legislation through the structures of social partnership, and in the parliament there is a party that declares itself as the working class party – the working masses are fragmented, disorganised, and left to spontaneous economism.

It goes without saying that such a “top heavy” structure of working class organisation is rather unsustainable. First of all, regulation of the labour market and social policy through the social dialogue and collective bargaining requires institutional power of the working class, which is but a solidification of past social compromises<sup>72</sup> that have to be either constantly defended by the working class<sup>73</sup> or they become dependent on the support of the state. But as the power of working class dwindles, the latter becomes the case, which is, of course, hardly sustainable in the longer term. Nor is in the long term sustainable the current trend of deunionisation. As for the new parliamentary party on the left, it has to be taken into account that, even if it would be able to win the parliamentary majority – which is unlikely for the foreseeable future –, it would soon have to face the fact that, in the social formations where the capitalist mode of production is dominant, the satisfaction of the material interests of *any class* depends on the prior satisfaction of the interests of capitalist class<sup>74</sup>. In face of such a formidable

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<sup>72</sup> Dörre, Holst, and Nachtwey (2009): p. 37

<sup>73</sup> Mrozowicki, Bembič, et. al. (forthcoming)

<sup>74</sup> Przeworski (1985)

structural obstacle, the struggle for the realisation of socialist goals has virtually no chances of success if not supported by a well organised working class.

In sum, if our analysis is approximately correct, the main challenge of working class organisations in Slovenia seems rather clear; that is, to organise the ordinary working people into a working class as a political force that could not only defend the transitional exceptionalism, but to fight for a radical alternative. Such an organisation is, unfortunately, precisely what the working class organisation failed to achieve in the period following the great mobilisation at the outset of transition. It is beyond the scope of the present article to inquire how could such an organisation be achieved. From a historical point of view, however, the interesting question is the following: how to conceptualise the steady erosion of working class power in Slovenia during the past decades? It is to this question that we turn in the last section of this article.

### **An attempt at explaining the shifting balance of forces**

Declining power of the working class seems to be a rather universal feature of the neoliberal era. Thus, the observed decline of the working class in Slovenia should by no means come as a surprise. However, there seem to be some peculiarities in the Slovene developments. Firstly, as Stanojević<sup>75</sup> pointed out, Slovene neo-corporatism had a rather peculiar timing, for it evolved and prospered in the so-called neoliberal era. This peculiarity indicates that important factors were involved, which did not emanate from the (neoliberal) international environment, but rather from within the social formation. According to Stanojević, these factors are the strength of the political left and trade unions at the outset of the transition, while we tried to complement this account by pointing to the precarious position of the emerging domestic capitalist class and the ensuing class compromise. Viewed from this perspective, the crisis of the Slovene neo-corporatism is, at least in part, a product of its inherent contradictions: its success depended on its usefulness for the project of creating the national bourgeoisie, but as soon as this project was realised, neo-corporatism became obsolete from the standpoint of the domestic capitalist class, now firmly integrated into the framework of European capitalism.

Our second point is, however, that the decline working class power was a rather gradual process: the Slovene labour movement lost no watershed struggles, such as was the *Miners' strike* in the UK, it was never confronted with any backlash similar to *la Marcia dei quarantamilla* in Italy, and it even successfully de-

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<sup>75</sup> Stanojević (2010): p. 108

flected the reforms similar to the German *Hartz* reforms. Instead, we can observe a gradual erosion of power, especially since early 2000s. This continuous, systemic corrosion of working class power, without any decisive, momentous battle being lost is, in our view, best theorised by operaist [workerist] conceptual pair of *technical composition of labour power* and *political composition of the working class*. According to the operaist theory, the political unity of the working class is not achieved automatically, and its form is never given once and for all, but has to be recomposed every time a successful wave of workers' struggles forces capital to respond with a technological or organisational leap, by which it attempts to divide and fragment the unity of the working class and bring it under political control<sup>76</sup>. Technical composition refers to the historical specific ways in which capital moulds the labour power according to the requirements of the process of accumulation of capital; that is, a specific manner in which labour power is fragmented and managed in order to be subjected to capital and exploited. Workers are, however, not necessarily reducible to variable capital – they might establish themselves as a collective political agency insofar as in their struggles they politicise the technical composition spontaneously imposed by capital and achieve a political unity; that is, achieve a class composition, which is also historically specific as it corresponds to a given technical composition of labour power<sup>77</sup>.

If the historical account we presented in this article is correct, the working masses in Slovenia achieved the political composition of the working class, organised around the reformed trade unions, as they responded to the attempt made by the comprador bourgeoisie after the secession from Yugoslavia, and dismantling of the self-managed socialism to turn them instantly into a labour power totally separated from what used to be socially owned means of production and treat them as mere human material malleable according to the competitive requirements of the national social capital by administrative measures, such as the wage freeze or fixed exchange rate. The successful resistance of workers hinged, at least in part, on the compromise with the emerging national bourgeoisie.

Immediately after this recomposition, however, a myriad of decentralised actions on the part of capital a more or less by spontaneous process of corrosion of the established class composition and fabricating a new composition of labour power took place. A process of competitive restructuring of the national social capital accelerated during the process of integration of the Slovene national bourgeoisie into European capitalist class, by which they secured for themselves a free ac-

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<sup>76</sup> Alquati (1975): p. 225

<sup>77</sup> Bologna (1991): p. 23; Močnik (2011): pp. 188-199; Mohandesi (2013)

cess to the European single market, while it exposed the working class to sharpening of capitalist discipline in terms of wage restraint and flexibilisation of work. In particular, the changes in sectoral composition of national social capital under an ever more demanding competitive environment gave a boost to centrifugal forces within the trade union movement, as the developments in wages and working conditions in the restructured export oriented manufacturing, on the one hand, and increasingly precarious traditional services sectors, on the other, diverged widely. In addition, relocation of production in traditionally well organised, but technologically less demanding sectors of manufacturing, and the simultaneous expansion of precarised parts of the service sector where union organisation is traditionally much weaker, diminished the associative power of workers. Finally, the intensification of competitive pressures on individual capitals brought about by the European integration of capital greatly impeded union actions at the shop-floor level, while precarisation of work, by which management sought to strengthen the cost competitiveness of the companies, eroded the unity of workers' collectives from within and obstructed the regeneration of union membership. With the decline in working class power, formal institutions of social dialogue at the national and sectoral level that once underpinned the class composition became a vehicle for concession bargaining – a seemingly unavoidable result of decomposition of the working class into a pliable mass under the decaying social effects of processes under the command of capital.

Whether the working class will be able to recompose into a new political composition cannot be, of course, known in advance. It looks, however, that after the integration of what used to be the national bourgeoisie into European capitalist class, breaking the spell of the existing technical composition of the labour power requires new alliances. To be sure, there hardly seems to be any alternative whatsoever to the organisation of the working masses within the (national) social formation. However, insofar as an alternative is to be sought to the existing neoliberal competitive struggle between national social capitals, in which disorganised and malleable working masses in each of the respective national formations perform the role of the key "adjustment variable," a successful political re-composition of the working class is possible only to the extent that it transcends national borders and becomes international.

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