

Effects of restructuring at regional level and approaches to dealing with the consequences

Mura, Slovenia



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Abstract

Up to 2000, Mura was one of Slovenia's flagship companies, manufacturing high-quality wearing apparel and providing economic stability in Pomurje, the region of Slovenia with the least favourable economic and social situation. For over a decade since, however, the company has struggled in a highly competitive globalised textile industry. Unsuccessful attempts to save the company culminated in bankruptcy in October 2009. In August 2011, the only remaining healthy daughter company was bought by a new owner, saving the jobs of 1,500 Mura workers.

Around 2,500 workers were made redundant following the bankruptcy, and as of October 2013, around 600 of these remain without work, representing a core of hard-to-place, long-term unemployed. Since Mura did not have an extensive local supplier structure, and as it had been struggling over several years, the knock-on effects on the regional economy and business were not extensive. Short-term negative effects of Mura's bankruptcy were partially compensated by new employers coming to the region. Effects on working and living conditions in the region, including public income and service provision, did not change dramatically. In 2013, a new wave of redundancies was instigated, with the loss of around 300 jobs.

Regional and company-specific context

Main characteristics of the region

The Pomurje region has the least favourable economic and social situation of all Slovenian statistical regions. The region has the highest rate of unemployment; the highest youth unemployment rate; the lowest GDP and income per household; the lowest share of employed in research and development; the lowest share of population with higher education; the lowest number of students per capita; the lowest number of students with place of permanent residence in the region where they study; and the lowest increase of population with a higher education degree in the previous 10 years (Toplak, 2013).

Pomurje, or 'Mura region' (which is administratively treated as the Pomurska statistical region),¹ includes two historical regions: Prekmurje and the Prlekija subregion. Prekmurje is a geographically, linguistically, culturally and ethnically defined region that lies between the Mura River in Slovenia and the Rába Valley (the watershed of the Rába) in the most western part of Hungary. It maintains certain specific linguistic, cultural and religious features that differentiate it from other traditional Slovenian regions. Pomurje represents 6.6% of the area of Slovenia and has 117,615 inhabitants (5.7% of Slovenia's population); it borders on Hungary, Austria and Croatia. The administrative and commercial centre of the region is the town of Murska Sobota.

In comparison to other Slovenian statistical regions, Pomurje has an unfavourable, work-intensive sectoral structure. Due to its landscape and good agricultural conditions, Pomurje is characterised by intensive farming, with more than 10,000 people working in the agricultural sector in 2012. Pomurje traditionally is not an industrial region. Around 17,400 workers (as of 2012) are employed in a few bigger companies, mainly in traditional sectors such as textiles, food processing and metalworking. In 2012, the share of industrial production, at 34.5% of total employment, was the same as the national average, while the share of agriculture employment was much higher, at 20.1% compared to a national average of 8.4%. In comparison to the rest of Slovenia, Pomurje has a weakly developed (private) service sector. Transport and tourism have only developed in recent years. Tourism is currently the fastest-growing sector in Pomurje due to both the well-developed spa tourism as well as agro-tourism related to wine routes (Zavod RS za zaposlovanje, 2012). Since 2007, the sectoral composition of Pomurje has not changed significantly. Agricultural sector employment decreased until 2010, after which it stabilised. The situation was similar in the manufacturing sector, where the declining trend hit the bottom in 2011 and has been slowly recovering since then. The share of public service employment was stable until 2011, and from 2011 to 2012, it increased by 5 percentage points.

Table 1: Sectoral composition of the Pomurje region

	2008	2010	2012
Population (in thousands)	122	120	119
Employed (in thousands)	60	53	51
Share of agriculture, forestry and fishing employment	20.4%	19.6%	20.1%
Share of manufacturing employment	36.1%	35.8%	34.5%
Share of private services employment	22.3%	22.4%	18.9%
Share of public services employment	20.2%	20.5%	24.7%

Source: Statistical Office of the Republic of Slovenia (SORS), 2014

Economic activity in Pomurje is characterised by low value added per employee. Pomurje has the lowest GDP per capita of all the statistical regions in Slovenia, amounting to 65.9% of the Slovenian

¹ There are no administrative regions yet in Slovenia due to long-running professional and political debates about the number and size of these regions. Since 1995, 12 statistical NUTS 3 regions have been used in Slovenia for data collection and analytical purposes. Since 2002, these statistical regions have also been used in regional policy and programming documents as development NUTS 3 regions until the establishment of administrative regions is completed (ESPON, 2013).

average. GDP per capita in Slovenia grew from the beginning of the 2000s until 2009, when it fell as the effects of the financial crisis began to be felt. During the same period, Pomurje experienced slower growth than Slovenia, a similar drop in GDP in 2009, but a slightly better recovery than the Slovenian average after 2010.

Figure 1: GDP development



Source: Statistical Office of the Republic of Slovenia, 2013

Pomurje also has the worst labour market situation of all the Slovenian regions. At the end of September 2013, Pomurje had 8,222 unemployed. The registered unemployment rate of 16.7% is the highest by far among all the statistical regions, exceeding the national average by 4.1 percentage points. The number of unemployed dramatically increased in 2009, although since 2010 the trend has shown a decline (SORS, 2013), and – in 2010 to 2013, the number of registered unemployed in Pomurje decreased faster than in Slovenia as a whole. The demographic structure of the registered unemployed in Pomurje reflects the unfavourable labour market situation of the region. For example, 46.8% of unemployed do not have professional education (more than 10 percentage points above the national average). The average length of unemployment is 33.2 months (21.7 months at national level), and 51.6% of all unemployed are long-term unemployed. In addition, the share of older unemployed (over 50 years old), at 36.9%, is higher than the national average (34.9%). Disabled unemployed represent 23% (in Slovenia as a whole, it is 15.4%) ((Zavod RS za zaposlovanje, 2012). Educational attainment and qualification levels are also among the lowest in Slovenia. In 2012, the lowest share of population with higher education (15.2%) was registered in Pomurje, 7.3 percentage points below the national level. Pomurje also has the highest share of population with primary school or lower education only (31.1%), 7.8 percentage points above the national level, and the lowest number of students per capita (in 2008/2009, there was one student per 26 inhabitants; in 2009/2010, there was one student per 25 inhabitants) (Marjetič and Dobnikar, 2010). However, the educational structure in Pomurje has improved slightly since 2010, when the share of the population with primary school or lower education only began decreasing and the share of the population with higher education began increasing.

Income characteristics of the regional population also reflect the disadvantageous position of Pomurje. The differences in household income (net disposable income) are, however, much smaller than that in GDP between regions. Nevertheless, the Pomurje region has the lowest index value, at 85.6 (€9,008) (Slovenia = 100). While there are no data available enabling the comparison of poverty levels between statistical regions, the Social Work Centre Murska Sobota (SWC) calculates that the poverty level in Pomurje is somewhat comparable to Slovenia's average. According to its assessment, the situation now is comparable to or even worse than the situation in 2008–2009 (when Mura went bankrupt and measures to deal with redundancies were implemented) due to increased costs of living. The number of recipients of social assistance in cash (social allowance) remained stable, but SWC detects an increase in emergency social assistance recipients, similar to what happened in 2009.

Since Slovenia is a small country with less-developed regional political structures, regional policy is very much shaped by national-level actors. Thus, just national-level business support and labour market support instruments run by the government have been available, with one exception, which will be presented later in the report.

Main features of the company

Before restructuring, in the period from 1970 to the 1990s, the Mura company was one of Slovenia's flagship companies. Mura² belongs to the clothing industry sector, more specifically NACE Rev. 2 14.1: manufacture of wearing apparel, except fur apparel. Mura's beginnings go back as far as 1925. During the 1970s to the 1980s, Mura was a renowned trademark and company in the area of former Yugoslavia, providing employment to more than 6,000 workers. Mura was – and still is – Europe's largest manufacturer of clothing apparel. Due to the opportunity to exploit currency differences in the early 1990s, Mura could provide reputable cash inflow and comparatively high wages and as such was considered to be an 'institution', providing regional stability. As long as its financial situation allowed, Mura was engaged in social terms both locally and regionally. It has sponsored the local infrastructure, schools, kindergartens, sports and cultural events, different societies, sports clubs and so on. Because Mura provided well-paid jobs, many people opted to go to work for it straight out of primary school. And by having a good training centre where people with low or no qualifications were intensively trained in a three- to four-month period, Mura was able to train people for a few specific work operations. To a certain extent, Mura was a demotivational factor for education in the region, as was confirmed by many interviewees.

Mura's history can be summarised as a long stretch of growth (until the end of the 1990s) followed by a period of restructuring. During its growth period, Mura's main business always revolved around contract manufacturing of wearing apparel, whereby the company remained bound to the region. Mura has had its own retail network selling its branded clothing, which was mainly developed in the republics of former Yugoslavia, a branch company in Germany and an unsuccessful attempt to open a company in the US. Corporate power was concentrated in the parent (holding) company in Murska Sobota. After Slovenia gained independence and in the context of the transition to the market economy, Mura has been owned by several stakeholders, in which financial funds and state funds have been the most important. Mura's growth peaked in the 1990s, when it was selling its production facilities to other contract manufacturing businesses in the republics of former Yugoslavia.

During the period of restructuring (2000 until recently), Mura went through a major ownership change and many management and organisational changes. Since Mura's bankruptcy in October 2009, the remaining parts of Mura are owned by AHA skupina d.o.o. (AHA Group), a family-owned company. After the restructuring period there were few additional changes in the top management, but the management team always retained one owner. AHA Mura d.o.o. is a member of AHA skupina d.o.o. (holding), comprising five more subsidiaries located in Slovenia, Croatia and Serbia organised in three divisions: furniture, plastics and lifestyle.

Mura's business could not be described as international, although it relies heavily on exports. Mura has had its own retail chain in Slovenia and in some major cities in the republics of former

² When referring to Mura, the parent company before restructuring, or any subsequent companies that remained after the restructuring of the Mura parent company, are meant.

Yugoslavia. However, most of its production capacity – more than 80% – has always been allocated to contract manufacturing (for example, Hugo Boss, Escada, René Lezard) for mostly German partners. Before the restructuring event, Hugo Boss AG was a major business partner, and it remained the only business partner at the time of Mura's bankruptcy. A significant share (70%) of contract manufacturing was so-called simple contract manufacturing, where a partner basically only leases the production minutes and provides everything else, including raw and supplement materials. Thus, suppliers of raw and supplement materials for Mura were never considered as very relevant. The suppliers were sought at national level, in Italy and in Germany.

Mura was a technologically advanced, high-volume (more than 2 million garment pieces per year) clothing manufacturer. They were the first company in the former Yugoslavia to introduce an IBM mainframe in the production process in 1969. Computerised production enables companies to plan production operations in detail, down to the workplace level, which in turn enables a detailed productivity planning and performance assessment. Mura also used computer-guided pattern multiplication, optimisation and pattern cutting as well as high-quality sewing machines and steam irons. The know-how level was high, which can be deduced from two knowledge-transfer projects in the 1980s (in Egypt and Russia) and the practice of prototyping the entire collection for Hugo Boss.

Another key element that helps to understand the Mura restructuring is its organisational culture. Productivity was always at the forefront, thus the production strategy has always been rooted within the company. Instead of monetary units, everything is perceived through production minutes. Competition among different organisational units within Mura was also always present, as was the authoritarian management style (operational production management), with characteristic top-down communication and an organisational culture shaped accordingly.

Mura's workforce is predominately female, the average age is high and workers are from the local population. In late 2013 there were around 1,200 employees, in contrast to 'the golden age' of the mid-1990s, when there were more than 6,000 employees. This is a workforce with a low level of qualifications that is nevertheless highly skilled (specialised for specific work process operations), where workers are in the middle or later stages of their careers. In 2008, 45% of Mura workers had completed basic education only, and 81% of the workers had vocational education or less; 46.7% were 40 to 50 years old and 22.9% were older than 50 years (Mura d.d., 2009). They tend to stay with Mura, since fluctuation in employment due to personal reasons has never been an issue. In the so-called 'golden age', employee turnover was low because of the well-paid jobs, and later it was low because workers did not have any viable employment alternatives due to the specific nature of their work and due to their uncompetitive labour market position. Due to the physically intensive work, many Mura employees suffer from work-related illnesses and disabilities, which makes absence from work due to health reasons an important issue.

Since it is a big company, the rights of organised work at Mura have always been respected. Before, during and after the restructuring event, all forms of workers' participation foreseen by legislation have been respected and actively exercised. There was always an active trade union, workers council and board-level representation at Mura. According to all interviewees, both workers' representatives and management, the cooperation has always been active and constructive.

The restructuring event

The restructuring at Mura took place over a relatively long time period and took two major forms: internal restructuring and bankruptcy, resulting in a change of ownership. An exact start and end date as well as the duration of the restructuring event are difficult to determine. Problems at Mura began a couple of years after Slovenia gained independence (1991), when Mura had to make the transition from the planned to the market economy. In the period after 2000 it became apparent that Mura needed to restructure in order to survive the financial burden of a costly labour-intensive and production-oriented business strategy in a highly competitive globalised textile industry. Up until the bankruptcy in October 2009, a couple of manager groups tried to restructure Mura internally with different measures and state financial aid. In little more than 10 years (2004–2014), around 3,700 jobs have been cut, mainly through layoffs and retirement. From Mura's peak in the mid-1990s, the workforce decreased by around 5,000 workers by 2014. Mura's bankruptcy in October 2011 was no surprise. The company's problems were well known to its workers, trade unions, the local community, suppliers and customers. Nevertheless, in 2014 the situation is still critical, according to AHA Mura plans, media reports and interviewees' statements. AHA Mura now employs around 1,200 workers, but current developments indicate that the new owner faces similar challenges and problems as the company did before.

Background and drivers

The Mura restructuring was the result of the interplay of three different driving forces: the market, political concern, and internal factors. The initial and most important restructuring trigger was the changing market, since Mura was not well prepared for the highly competitive textile market. An additional problem that Mura constantly faced from the late 1990s was a lack of liquidity. This slowly but steadily contributed to the company's increase in indebtedness. Liquidity problems resulted from a costly workforce and a business model that mainly focused on low added-value contract manufacturing. Unfortunately, the Mura management did not take advantage of the prosperous 1990s period by channelling cash flow into long-term development of own brands and reducing the dependence on contract manufacturing. Instead, the profits went into wage increases and social benefits as well as social investments in the region. As a consequence, Mura had to steadily reduce the workforce as well as the wage levels from 1994 onwards and received state aid in order to survive through the period from 2000 to 2009. An additional problem at the time was the bankruptcy of Mura's subsidy, the Westmur GmbH in Germany in 2002. The bankruptcy allegedly resulted from failures of the German management and insufficient managerial control by the parent company. The Westmur GmbH bankruptcy eventually cost Mura €5 million (according to one interviewee for this study, costs were even as high as €18 million). Mura also decided not to take the case to the court due to high costs and the risk of losing the lawsuit.

The Slovenian government acknowledged the difficult situation of the textile, clothing, leather and footwear industry at the end of the century, and between 2000 and 2009 there were several high-level government visits to Mura as well as a few high-level social partner meetings to discuss Mura's future.

A third driver of the Mura restructuring process was the company's management. Until the bankruptcy in October 2009, there were several attempts to restructure internally in order to solve the company's difficulties.

The restructuring process

Main actors, their interests and motivation

Institutional structures are not well developed at regional level, and hence national actors are active in restructuring at regional level. Recognising the traditional importance of the clothing, leather and footwear industry in Slovenia as well as the key role of these labour-intensive industries for the local economy, the national government was an important actor. However, the national government's interest and ability to support the troublesome industry gradually declined over time. Since the support measures related both to industrial policy measures as well as activities aimed at dealing with

the social consequences of restructuring through active employment policy measures, two ministries were particularly involved: the Ministry of Economic Affairs (under different names) and the Ministry of Labour, Family and Social Affairs.

Workers were always actively involved throughout the restructuring process. Workers' representatives on the Mura board, in the Mura trade union and in the works council were – and still are – important actors in the restructuring process. In line with legislation, the trade union used all the available instruments to gain influence, including approaching local media and local politicians. Interviewees noted that workers have been a constructive partner, participating in the decision-making processes and taking a role that is backed by the legislative framework. Nevertheless, judging by certain restructuring outcomes (for example, the bankruptcy process left the disabled workers of the Mura company without severance pay), it seems that the decision-making process and consequent events did not address the workers' interests, which created controversy. These workers recently lost their lawsuit at first instance in the labour court.

The management interests are more difficult to determine, especially in the last two turbulent years before the bankruptcy, when managerial changes were quite frequent.

In the interplay of different stakeholder interests under given financial conditions, it is difficult to present a simple conclusion as to who played the decisive role in determining the timing of the main restructuring measures and the decision about the specific form of restructuring, including the bankruptcy. According to some interviewees, the government's decision to cease financial support played the crucial role. Other interviewees indicated the importance of top management and other economic interests. In addition, the decisions made during the restructuring process were highly influenced by existing employment relationships and social security legislation, the company's poor financial performance and Slovenia's growing fiscal problems after 2008. Throughout the restructuring process, many different options were not only discussed but also tried out by different groups at the top of management.

Anticipation, planning and preparation measures

Government studies on the economic situation carried out in 1999 already determined that the sectors with the strongest need for restructuring were labour-intensive industries (mostly textiles, clothing, leather and footwear). Against the background of Slovenia's economic situation, the government concluded that in order to halt negative trends in textiles, clothing, leather and footwear manufacturing, intensive investment was necessary. Three priority investment areas were identified in this context: technological development; product development and marketing; and the modernisation of work organisation in parallel to an adaptation of employment structures. At that time, it was recognised that industrial restructuring and modernisation would inevitably result in a further reduction of the workforce due to the increase in productivity. However, solving the problems of redundant workers was not considered as part of company aid packages. The preparation of measures thus incorporated the simultaneous implementation of measures intended to deal with social consequences of restructuring through active employment policy measures. Company aid packages have to be in line with the *acquis communautaire*, meaning that financial help could not be used in order to expand production capacity and that it should adhere to the rules of distributing state aid for processing industries. On this basis, the government launched the programme for the adjustment of the Slovenian textile and clothing industries, which was implemented between 2000 and 2003 and from which Mura received financial support (Forjan, 2003). To a lesser extent, Mura also utilised other support mechanisms offered by the state throughout the restructuring period.

The Mura restructuring is characterised by low levels of planning and coordination. It is difficult to give an accurate assessment of how much certain events can be ascribed to a planned and coordinated effort and how much to decisions and activities that resulted from unexpected developments and pressures. A historical overview of the restructuring events (presented in the next section) indicates that the closer to the bankruptcy, the higher the dynamic of introduced changes. However, from 2002 to 2006, Mura did follow a prepared restructuring plan, which was also a condition of receiving state financial aid. A certain level of stakeholder coordination was also undoubtedly present because the bankruptcy had been expected for a long time – governmental delegation visits to Mura seemed to be

an annual event and certain activities to deal with the restructuring event's consequences were put in place before the restructuring event itself. Social partners also discussed Mura's uncertain future. On the other hand, several interviewees expressed the opinion that corporate governance was weak and that a common vision on how the company could survive did not exist. The government also did not have a strategic plan related to Mura. Even the new company owner indicated that it had serious problems obtaining relevant information in order to make suitable decisions at the time of acquiring the company. The extent of explicit or formal planning and coordination among different actors thus seems to be low or non-existent.

During the restructuring period, the main business partner, Hugo Boss, was always present, but other smaller local suppliers were left to their own devices. Mura never had many business partners or suppliers. Hugo Boss was constantly there for Mura, even during and after the restructuring. At the time of the bankruptcy, only Hugo Boss remained, providing 90% of Mura's business at that time. Mura had only a few suppliers from Slovenia, who were also in financial problems or already bankrupted. There were also few local subcontractors providing services such as security, cleaning or surroundings maintenance. One interviewee expressed the opinion that nobody really thought about those suppliers and subcontractors at the time of bankruptcy.

Implementation and management of the restructuring process

The Mura restructuring displays the characteristics of informal implementation. The restructuring period begun around 2000 and is still ongoing. During this period Mura faced one major ownership change, few changes of top management, one major state support intervention, a couple of organisational changes and attempts to change the business model. Those events are listed chronologically below. While a written restructuring plan existed at least for the period 2002 to 2006, the course of restructuring development indicates the informal character of implementation.

Table 2: Restructuring events at Mura

Date	Restructuring events
1996–2000	90% of production capacity allocated to contract manufacturing for foreign partners
1999–2002	Government prepares measures helping textile, clothing, leather and footwear industry
September 2002	New chairman of the managing board
2002	Introduction of a restructuring programme after receiving state financial aid
2003	Introduction of a lean production project and technology modernisation
2003–2005	Divestment period: one production unit in Gornja Radgona was rented to Escada (foundation of EPAS d.o.o.) and the production unit in Gornji Petrovci was sold to René Lezard (foundation of RLS MODA d.o.o.). Both companies are still operative.
August 2004	Transformation and reorganisation of Mura: the marketing profit centre was spun off into MURA EHM d.o.o., while the production profit centre and support services remained in the parent company. Some of the other organisational units were either merged or became profit centres.
2005	Foundation of daughter company MURA-EHM d.o.o., responsible for development and marketing of Mura trademarks
June 2007	New chairman of the managing board and new managing board
April 2008	New chairman of the managing board
December 2008	Foundation of three new daughter spin-off companies: M – Energetika d.o.o. (energy provider), M – AIKS d.o.o. (automated production of patterns) and Mura – Unikat d.o.o. (tailor-made clothing)
February 2009	Foundation of three additional daughter spin-off companies: Mura – Moška oblačila d.o.o. (male clothing), Mura – Ženska oblačila d.o.o. (female clothing) and Mura in partnerji d.o.o. (remains of contract manufacturing)
May 2009	New chairman of the managing board
June 2009	Mura management board determines the capital increase attempt to be unsuccessful
	Mura management meets representatives of the Ministry of Labour, Family and Social Affairs and of the regional employment office Murska Sobota to discuss the preparation of active employment policy measures

October 2009	Mura d.d. (parent company) declared bankrupt
2009	Bankruptcy of Mura spin-off daughter companies Muralist d.o.o.* (October 2009), Mura Moška oblačila (October 2009), Mura ženska oblačila (October 2009), Mura – Unikat (December 2010) and M – AIKS (April 2011)
2009–2011	Remaining active Mura d.d. daughter companies: Mura EHM (from December 2010 under compulsory settlement) and Mura and partnerji d.o.o.
29 August 2011	Mura in partnerji d.o.o. was bought by AHA Mura, a member of AHA group holding. With the acquisition, AHA Mura had bought 60% of immovable property and equipment for 1,500 workers from the bankruptcy estate.

* Muralist was Mura's sheltered workshop for workers with disabilities, established in 1995.

Analytically, one can divide the process of restructuring at Mura into three periods: 2000–2007, 2007–2011 and the period after 2011.

Between 2000 and 2007 Mura received state aid, managed to stabilise its financial situation and business operations and introduced restructuring measures. In 2002, Mura was already indebted and was not being able to pay taxes and social contributions. Turnover was low, costs were on par with turnover, and the depreciation expense and operating expense from the revaluation of tangible and intangible fixed assets was also low. In 2003, Mura received state financial aid of €10 million, which was used to cover its debt to the state and suppliers and to finance restructuring activities.

Restructuring activities focused on optimising production, optimising organisational structure, divestment and measures aimed at strengthening Mura trademarks. During this period, around 1,400 jobs were lost, with some of the redundant workers finding jobs in newly established companies. Seventy-nine workers were reassigned to RLS Moda d.o.o. and approximately 200 found work at EPAS d.o.o. EHM Mura was established in order to strengthen the position of Mura's trademarks; however, the trademark ownership remained at the parent company.

The 2007–2011 phase can be described as a period of accelerating crisis, characterised by frequent management changes and ill-fated attempts to fix the company. In late 2008 and early 2009, some daughter companies were established as spin-offs with the aim of saving the healthy parts of the company. It is important to note that Mura and partnerji d.o.o. was established in order to continue the business contracts (with Hugo Boss) with around 500 employees. These daughter companies were established with minimal required initial capital. Frequent management changes in this period were related to controversy, conflicts, inappropriate management and the questionable function of the supervisory board and even political interests and pressures to get additional state aid. In October 2009 Mura was bankrupted, with successive bankruptcy of Mura's insolvent daughter companies (Mura male clothing, Mura female clothing, Mura – Unikat, Muralist). After the Mura bankruptcy, the core management team and official receiver took over the control of the company. Nevertheless, during the bankruptcy Mura never stopped production. Management at that time undertook consultations with Hugo Boss immediately after the bankruptcy (24ur.com, 2013). Mura – Unikat and M – AIKS managed to survive into 2010 and 2011, while Mura EHM went into compulsory settlement. On 29 August 2011, Mura in partnerji d.o.o., the only remaining healthy daughter company, was bought by AHA Mura, a member of the AHA Group holding. With the acquisition, AHA Mura had bought 60% of immovable property and equipment for 1,500 workers from the bankruptcy estate. Interestingly, it was a former Mura worker and workers' representative who made a proposition to AHA Group management to buy what had been left of Mura.

The acquisition of healthy parts of Mura was financed mainly through external support – more specifically, by the bank loan used primarily to buy part of Mura's real estate and equipment, repay creditors and transfer workers. The purchase itself was mostly financed by the bank and partially by private capital. On the other hand, the measures to deal with the consequences were financed by the European Globalisation Adjustment Fund (EGF) and will be discussed later. The ownership transfer to AHA Mura took place on 29 August 2011. The whole acquisition was worth €10 million. AHA Group initially sought €10 million bank credit, but it was not successful. In the end, the operation was financed by a €6 million bank loan, €2 million own investment (AHA Group investment and private capital investment) and a €2 million non-refundable grant for foreign investment provided by the government. The credit was given by NLB d.d. bank, the biggest Mura creditor. The credit conditions

required money to be spent for the acquisition of the property and debt repayment and thus could not be used to get additional funding. Although initially the new owners were interested in being the credit guarantors with their own assets, the bank disagreed and demanded that the whole AHA Group be a collective guarantor. This initiated later and current liquidity problems of AHA Mura, since the AHA Group is struggling to find additional credit.

Effects of restructuring

Effects for the company and its workforce

Broadly speaking, the changes introduced by the new owners addressed company strategy and internal communication. Both the technical organisation of work as well as production itself have not been the focus of change. The company strategy, however, changed considerably in order to try to gain added value. AHA Mura strives to move away from the contract manufacturing business, instead focusing aggressively on marketing (for example, setting up a webpage and fostering an active approach to clients), risk reduction, ways to increase average retail prices (for example, exploring new sales channels and launching attempts to get licensing), cost control and the introduction of business decision management solutions. With this business strategy, AHA Mura is expanding to new markets and striving to close in on the production chain by increasing the number of business clients to around 40 wholesale clients. Retail represents an even smaller share (10%). In late 2013, Hugo Boss was taking up 40% of production capacity, which translates into 600 clothes per day. AHA Mura produces around 1,500 clothes daily, which adds up to around 100 million production minutes per year.

Although the former Mura management were initially kept on board, the internal communication problems resulted in management replacement and the introduction of new management practices. The initial problem faced by the new owner was the absence of data required for managerial work, which was already detected in the 2002–2007 restructuring attempt, as well as the absence of business decision management IT solutions. This problem can also be ascribed to employees' low functional flexibility and to a deeply rooted production-oriented mentality supported by the central IBM production control information system. Tensions first emerged when the owners asked for daily operations data (which were not available at the time), which took almost six months to get, only to disclose that management had disguised the actual state of affairs. Inability to overcome these challenges also represented the reason for two top management changes that occurred under new ownership.

The restructuring saved 1,200 jobs, while the employees' conditions have not changed. After acquisition, AHA Mura either received (from Mura in partnerji d.o.o) or reemployed 1,500 former Mura workers. No training was needed since these were former Mura workers who were used to the production machines and processes. In 2013, a new wave of dismissals on the grounds of redundancy and involving around 300 employees hit AHA Mura. In late 2013 it seemed that AHA Mura's workforce had stabilised at around 1,100–1,200 employees. Wages remained at similar low levels as before the restructuring.

At the end of 2013, AHA Mura was still facing serious liquidity problems as well as (known) human resource problems. Due to a volatile market, there is little guarantee that contractors will buy the requested number of produced units (for example, in 2013 contractors bought on average 23% fewer units than initially requested and consequently planned for). Production capacity, on the other hand, is difficult to adapt to such changes due to the low flexibility of labour regulation in Slovenia and work organisation, which in turn brings high fixed production costs. In addition, banks in Slovenia are reluctant to give further credit to AHA Mura. Together with the initial acquisition debt, this leads AHA Mura down the path of already known and seen liquidity problems and other related problems (not paying contributions for pension and disability insurance, for instance). Human resource management problems are related to work disability issues, disability quotas and absenteeism, which contribute to personnel costs and are one reason why AHA Mura has such a high debt to the state.

The long restructuring period resulted in a feeling of insecurity and mistrust among Mura's workers, which when combined with low educational levels and a production-oriented mindset result in low work flexibility and resistance to change. Almost all interviewees expressed the opinion that the new management or those implementing measures to deal with the restructuring consequences coming to Pomurje from central Slovenia have been met with distrust and disbelief from the local population, which often manifested as active resistance to change. The same happened to the new owners, who were welcomed as 'the great disturbance'. Interestingly, even the trade union calls attention to the resistance to change, which is still present. One element frequently mentioned by interviewees as a change inhibitor was the long-running authoritarian management style that was characteristic of Mura.

Limited knowledge of foreign languages has also been expressed as a change inhibitor as well as the low education levels of Mura workers and Mura's tendency (before restructuring) to take care of almost all aspects of their employees' lives (including food, transport, even filling out personal tax declarations). According to the new owners, those change inhibitors are difficult to overcome when dealing with such numbers of workers in such a short time period.

Effects on the region

Economic effects

Since Mura did not have an extensively developed local supplier structure, the knock-on effects on the regional economy and business have not been extensive. The regional economic structure, business performance and regional competitiveness have been affected, but not to a great extent since Mura was always on the brink of failure throughout the restructuring period. A few local subcontractors lost their business with the company, but they were able to compensate for the loss elsewhere since they were well aware of Mura's liquidity problems and were anticipating a worst case scenario. Effects on public service provision were visible in public transport, which was no longer required to such an extent as before. The entire fleet of buses that provided transport for Mura workers has been withdrawn (retired or rerouted where possible). In the second half of the 1990s, when Mura first announced that it would cease the employment of new workers, the textile technician vocational programme was discontinued in the vocational school in Murska Sobota. The municipality's public income loss amounted to around €100,000 per year due to the inability to recover the real estate tax and due to increased social transfers. The quality of services of public interest has not been affected by the restructuring process. The time lag of effects is difficult to assess, since all stakeholders, with the exception of workers, were anticipating the worst case scenario.

Labour market and social effects

Restructuring Mura has produced extensive short-term negative effects on the local labour market. A few interviewees stated that the worst economic effect was produced by the declining numbers of Mura employees, which affects the welfare of many people and families. Short-term effects of Mura's bankruptcy on regional employment and the labour market are obvious, as is the contribution effect of around 600 hard-to-place long-term unemployed. At the time of the bankruptcy there were 2,446 redundant Mura workers registered at the regional employment office in Murska Sobota – 79% of them were female, 53% of them had primary education or less only and 75% of them were 40 years or older (Regional Employment Office Murska Sobota, 2012). As of October 2013, 611 redundant Mura workers remained registered as unemployed – 80.7% of them are female, 52% are over 50 years old (95.3% are over 40 years old), 58.1% have primary or lower education only and 41.2% of them are disabled workers (Regional Employment Office Murska Sobota, 2013). The remaining core of redundant Mura workers thus represents hard-to-place long-term unemployed who are waiting to reach the retirement eligibility criteria.

Short-term negative effects of Mura's bankruptcy have been partially compensated for by new employers coming to the region. The medium- and long-term development of the regional labour market could not solely be ascribed to Mura's restructuring or EGF-financed measures. Shortly before the bankruptcy, three new employers came to Pomurje: Wolford (September 2009), Carthago (2008) and Xal svetila (2008). In addition, Mura in partnerji also had workforce needs, resulting in 190 people leaving the unemployed register to take up employment. In Wolford, an Austrian high-end clothes maker producing hosiery and lingerie, 65 unemployed people found a job. Carthago, the German producer of high-end motor homes, provided jobs for 146 unemployed people in 2011. Xal lighting provided employment for 16 unemployed people and ARCONT, the biggest producer of housing units in Europe, provided jobs for 171 unemployed people in 2011.

To a lesser extent, Mura also contributed to a worsening of the social situation in the region. Effects on working and living conditions in the region, including public income and service provision, have not changed dramatically. Interviewees at SWC expressed the opinion that living conditions today are comparable to those in 2008–2009. The quality of life was better in the 2008–2009 period because the costs of living have increased since then due to a general worsening of the economic situation in

Slovenia. The number of recipients of social assistance in cash has not increased to such an extent, since, luckily, quite often a family breadwinner either remained employed or managed to find new employment. The impact of Mura's restructuring is felt to a greater extent through social climate change, leaving the region mired in mistrust and pessimism. According to many interviewees, the employees trusted and had faith in Mura 'til the bitter end.

Migration has also probably been stimulated by Mura's bankruptcy, but again not to a great extent. Public employment service interviewees expressed the opinion that a disproportionate tendency of the Pomurje population to work across the border in Austria could be ascribed solely to the Mura restructuring. The bankruptcy happened well before the free movement of workers came into effect, so the initial mobility impetus only came in 2011, when the transition period for the free movement of workers with Austria elapsed. Nowadays, these daily work migrations to Austria are an important factor contributing to lower unemployment rates in the region.

Approaches to dealing with the regional consequences

Overview and broad concepts

Measures taken for the reintegration of redundant Mura workers in the labour market included a set of immediate measures. They came into effect after the Mura bankruptcy, although the preparation and coordination activities started a few months before the bankruptcy. This in turn also allowed the exercise of early information and exchange on restructuring activities. During 2010 and 2011, redundant Mura workers participated in numerous labour market integration measures:

- The highest participation number has been recorded for activities implemented by two labour funds that are explained below in detail.³ In 2009, 2,648 redundant workers participated in those activities, 496 participated in 2010 and 303 participated in 2011. 33% of participants found employment or have taken part in other active labour market policy (ALMP) measures.
- 380 participated in programmes of institutionalised training.
- 284 participants took part in work trials.
- 196 participants received assistance in planning a professional career and job-seeking activity.
- 189 redundant workers were included in public works.
- At the end of 2009, the regional employment office of Murska Sobota (henceforth referred to as REO-MS) issued the public invitation for subsidising the employment of redundant workers due to bankruptcy. Mura Unikat d.o.o. and Mura in partnerji d.o.o. applied and consequently employed 473 former Mura workers.
- In November 2011, REO-MS approached all the regional employers they had already been collaborating with to respond to an invitation to an active employment policy retraining programme (training at working post) for redundant Mura workers. 233 former Mura workers participated as well as 70 employers. According to one interviewee's opinion, this programme was not as successful as retraining programmes usually are (60–70% reintegration rate after the training).
- Redundant Mura workers have also been offered self-employment subsidies. Despite the encouragement from the labour funds and a financial incentive of €4,500, only two workers used this measure. One reason for the low participation rates might be very demotivated, apathetic redundant workers.⁴ A second reason might be the fact that this was the only measure redundant workers were not referred to, thus leaving the participation decision at a personal level.

Those activities have been financed either through active employment policy funds or through EGF. EGF funds were used to finance activities of two labour funds (Labour fund Prekmurje and Regional labour fund for Pomurje) from October 2009 till July 2011 as well as REO-MS training at working post activity (from December 2011 till April 2012) and the self-employment subsidies measure (Ministry of Labour, Family, Social Affairs and Equal Opportunities 2012).

In addition to the measures presented in this section, the Social Work Centre Murska Sobota (henceforth referred to as SWC-MS) was also extensively involved in providing social security support. Social support measures were also provided by the Murska Sobota municipality.

Main actors, their interests and motivation

It is difficult to determine the motivation for the selection of the particular set of measures. It appears that all providers maximally exploited the possibilities within their scope of work, powers, obligations

³ According to The Employment and Insurance Against Unemployment Act (Official Consolidated Text), 2006, the labour funds are legal persons in private law, subject to the regulations governing institutions established for the purpose of implementing the measures of the active employment policy. The labour fund's participants shall be the unemployed persons or those long-term redundant workers for whom it may be expected that in the long term it will not be possible to provide employment for them. Under 2010 labour market legislation change (the Labour Market Regulation Act, 2010), the labour funds will be transformed into foundations.

⁴ Additional explanations are given in the section describing problems encountered during the implementation of measures.

and jurisdiction. It is also difficult to unambiguously determine who decided on the final package of measures. But it was the Ministry of Labour, Family, Social Affairs and Equal Opportunities (henceforth referred to as the Ministry) that coordinated the efforts of all providers of measures and also applied for the EGF. However, all providers (two labour funds, REO-MS and SWC-MS) have been actively involved in the preparation and implementation design of measures. Both labour funds actively cooperated in preparing the workshops' content that they later uniformly implemented. REO-MS and SWC-MS, on the other hand, stayed within their regulation framework and only adapted their mode of implementation. Regional authorities were not involved in the preparation and planning phase, but they participated in the implementation phase.

Key factors that affected the selection and format of measures to deal with the effects and consequences of the Mura bankruptcy were local environment limitations (regional specifics, as described in the first part of the report) and Mura workers' practically non-existent labour market flexibility. Labour funds proposed the measures and form of their implementation, departing from their previous experience and understanding of local regional specifics. Interestingly, in late spring and summer 2009 almost everyone (REO-MS, SWC-MS, media, Mura) seemed to be certain that the Mura bankruptcy was inevitable, although the bankruptcy was only officially announced on 18 October 2009. Many coordinating, preparatory and information activities related to the effects and consequences of the Mura bankruptcy took place before the bankruptcy was officially announced. Providers of measures (that is, one labour fund, SWC and REO-MS) were thus integrated at very early stages, since it was obvious that REO-MS simply did not have enough resources to cope with so many redundant workers. However, the element of strategic planning in the preparation of approaches to deal with the potential effects and consequences of the regional restructuring was missing, as was confirmed by one interviewee, who stated that there were no specific goals or performance indicators set when measures were decided. There was only one commonly shared goal, namely to re-employ and help as many redundant Mura workers as possible. Interviewees shared the opinion that the coordination and communication have been quick and effective. This is also the reason why, according to many interviewees, the implementation of activities went smoothly despite the high number of redundant workers.

Detailed description of measures taken

Immediate or emergency measures

In this section we present a detailed description of some of the measures presented in the 'Overview and broad concepts' section above. The emphasis is on measures outside the active employment policy catalogue, namely early information exchange on restructuring and organisational activities to cope with the sheer amount of redundant workers. Measures promoting mobility have not been proposed, since at the time of bankruptcy there were almost no options available in the Pomurje region.

Early information exchange on restructuring has been the domain of REO-MS and SWC-MS. SWC-MS contacted the Mura workers before the official bankruptcy in order to inform workers as soon as possible. REO-MS and SWC-MS visited Mura workers in July 2009. SWC-MS presented them with the information leaflet, while REO-MS provided the information on the registration process. When workers received the job contract termination they also received a folder with information and all the necessary forms and a fixed date to go to the employment office as well as referral information for labour fund workshops.

Implementing the measures demanded additional organisational activities in order to cope with the amount of redundant workers. The registration of redundant workers had begun on 22 October and finished on 5 November 2009. The employment office first registered redundant workers to enable them to obtain their rights from the unemployment insurance. After the motivation workshop, an employment plan was prepared. Then the employment office made a list of the unemployed and communicated it to the labour fund. In this first set of activities, labour funds helped REO-MS with administrative work related to the process of attaining the unemployment status. Labour funds also took over supporting activities, including informing, data taking, motivation workshops and preparing the employment plan. Motivation workshops were implemented in two three-hour sessions and

included some additional topics dealing with psychological aspects of unemployment, job-seeking, CV writing and information on the active employment policy programme. Approximately 20% of the redundant Mura workers took part in these workshops. Later on, REO-MS mainly took care of referrals of Mura workers to programmes implemented by two labour funds and referrals to other active employment policy measures as well as administrative work related to unemployment benefits. SWC-MS also planned their work in advance. Preparations included some changes in the organisation of work in extending working day hours. The first social aid was at that time provided by 16 CSD (Centre for Social Services) employees (usually there are only three). The SWC-MS opening hours have been prolonged from 07:00 to 18:00. The Ministry also approved the employment of two additional workers (for a fixed time period) and additional funds.

Labour fund activities

In the period before the Mura bankruptcy, it was believed that the redundancies could be handled solely by the labour fund of Pomurje, which had already worked on the Mura redundancies issue in 2008. At that time, the coordinated activities came from the Ministry to look for an additional provider – the Prekmurje labour fund. The labour funds' share of work was divided in the ratio of two-thirds (1,200–1,300 redundant workers handled by the Pomurje labour fund) to one-third (650–700 redundant workers were handled by the Prekmurje labour fund). After the programme officially started, the first group of participants (around 500) began in the second half of 2010. A second round of activities started in the first half of 2011 and ended in June 2011, together with the project termination. The 2010 workshops were less demanding because they were more information oriented, with a focus on explaining their rights to the unemployed and the processes related to exercising those rights. They were basically information/motivation workshops. The 2010–2011 workshops, on the other hand, were more job search oriented. The implementation of the workshops was the sole responsibility of the labour funds. REO-MS joined the dialogue only if the unemployed failed to join the workshops.

First, all participants went through a general workshop where redundant workers have had the opportunity to express their needs, concerns and situations, thus giving the programme providers information about their target population. The workers were then allocated to groups on the basis of similarities (similar difficulties, workers before retirement, disabled workers). A mentor was allocated to each group, which met once a week for three months. These weekly workshops followed the fundamental job search methodology.

In addition to these workshops, two parallel activities took place. The first one revolved around neurolinguistic programming. During two three-day workshops, redundant workers were helped to solve their negative attitude, turning them into positive approaches to the situation, positive communication and psychic stability. Workers who were missing communication skills have been sent to this workshop. Workers with health problems, partial disabilities and those with an extremely negative attitude towards life have been sent to a therapist to teach them healthier lifestyles. These two workshops really made a difference according to one interviewee, since the participants have been given something that changed their mindsets. Participants stopped focusing on their limitations and started focusing on opportunities instead.

The next labour fund activity that took place in 2010–2011 was an adapted ALMP job club programme. Redundant workers who were younger and more active could voluntarily join meetings taking place three to four times a week where job search counselling took place. Counselling was complemented with two weeks of active job search followed by a one-week break for a period of five months. Job club participants were divided into groups in order to stimulate group work.

The fourth activity was the active potential employer search, which was the task of one labour fund employee. First, redundant workers' employment profiles were gathered and later the responsible labour fund employee started actively approaching employers by phone. This resulted in the creation of the bulletin board where the realistic requirements presented by employers were presented. Labour fund mentors simultaneously encouraged redundant workers (if their job profile fitted) to give it a try.

A final set of activities was the organisation of two mini employment fairs where different employers presented themselves. For instance, a farming consulting company presented the opportunities in the farming sector as well as the required changes related to changed work status (social insurance).

In addition to their regular activities, the SWC-MS also took over the role of a public works programme provider. SWC-MS developed different public works programmes together with the Murska Sobota and other neighbouring municipalities, which were announced and partially funded by the REO-MS. SWC-MS also cooperated with the Murska Sobota municipality by distributing available financial aid funds. Cooperation with Karitas and Red Cross was also put in place by distributing the required forms and accompanying information to the redundant workers.

Two more activities related to the Mura bankruptcy need to be mentioned. The Murska Sobota municipality took 100 children of redundant Mura workers to summer seaside holidays. Although humanitarian activity is traditionally a field of activity for SWC, two events were intended specifically for the unemployed in Pomurje. The Slovenian ballet artist society organised a humanitarian ballet gala evening. The money raised was distributed among redundant Mura and Pomurka (bankrupted food processing company) workers. Furthermore, the actor Zorica Fingušt Fatur presented her own monodrama, *Lonely woman*, to redundant workers.

A number of challenges were addressed during the implementation of the measures:

- Handling redundant workers requires registration as well as the submission of an employment benefit application. Since it was not possible to handle all the redundant workers in the time required to stay within legal boundaries due to the sheer amount of redundant workers, a few solutions have been developed. First, REO-MS received help from REO Maribor and REO Ptuj. Second, a model supporting mass decision-making on employment benefit entitlement was developed. Third, in order to get the money to the redundant workers as fast as possible, exceptional payment periods have been determined together with the Ministry. Fourth, labour funds were integrated in the process of registering redundant workers. SWC-MS approached similar challenges by carefully planning and adapting their work activities.
- Because similar measures were implemented simultaneously by REO-MS and labour funds, there were some isolated instances where the hard-line administrative approach of REO-MS clashed with the soft-line unemployment treatment approach advocated by the labour funds. Because it was not possible to provide full coordination and information among providers, a few awkward situations developed that were handled on the spot. For instance, there were a few cases where redundant workers actively participated in the labour fund workshops, but REO-MS assessed that this or that specific case should be referred to the public works programme.
- It was a challenge to cope with the expectations of redundant workers to receive information on almost all aspects of life, since labour funds are the reference point and guidance for people going through life-changing events. Among other things, participants have been taught how to interpret media information and were provided with information on the ongoing pension reform, new social legislation, new labour market regulation and so on. Similar challenges have been pointed out by SWC-MS. These examples represent cases when narrowly focused specialist orientations are challenged by the expectations and needs of receiving all the support in one place.
- Another challenge faced by the labour funds was to apply a personal approach despite the sheer number of participants in order to gain their trust and rebuild their self-image and life energy. Redundant workers experienced fear and uncertainty. Their life needed to be redirected after 20 or 30 years of the same daily routine. Redundant workers also behaved as an atomised group (each for himself), fighting an inner battle with negativism and many (un)realistic obstacles. To surmount these obstacles – especially the resistance to change – an individualised personal approach was needed, coupled with the group support principles.
- The government decided that the social situation of redundant workers will be addressed through extraordinary monetary support according to existing legislation. This generated dissatisfaction because redundant workers have been treated the same way as other recipients. The need to provide proofs of expenditures, papers and so on was sometimes perceived as degrading.

Effects achieved by the measures have been detected and expressed in the numbers of re-employed people and through perceptions of how the redundant workers' attitudes have changed. No impact assessment-type evaluation has been conducted. However, labour funds made two annual self-evaluations. Re-employment figures have already been presented above. Here, we present rough estimates of the job club activities' effects. The employment rate of the job club achieved over 40%, although most of the redundant workers only had vocational education and were over 40 years old. The successful completion of the programme has been defined as 'when a person included into the labour fund either got employed, got included into job training, formal education or an active employment policy programme during the period of joining the labour fund and three months after concluding with the labour fund activities'. The positive effects were (predominantly) seen when people attending workshops dropped their negative attitude and actively began participating in a group. Most of the participants left the workshops with positive experiences.

After the EGF-sponsored activities ended, there were no more specific measures available to redundant Mura workers. The remaining redundant workers and the recent redundant workers of AHA Mura use existing social security instruments or are taking part in projects funded through other channels (that is, social entrepreneurship projects). The labour funds wanted to continue their activities in the form of a holistic help centre linking all the relevant actors in a welfare state in such a way that the centre can guide people through welfare and social security mechanisms. The adoption of a new labour market regulation in 2011 now requires the labour funds to transform into foundations. This meant that the funder must provide €50,000 of initial capital, which must remain permanently deposited as well as change their foundation sources. This in turn discouraged labour funds from further activities, since they have lost the possibility of receiving state funding. There was also no initiative to continue even with a changed set of measures when the EGF funding expired.

Longer-term, strategic measures and initiatives

Almost simultaneously to the EGF-financed activities dealing with the Mura bankruptcy, the Act regulating development support to the Pomurje region in the period 2010 to 2015 (henceforth referred to as the Pomurje development Act) was adopted in November 2009 (the Act Regulating Development Support to the Pomurje Region in the Period 2010–2015, 2009). Mura's restructuring notably influenced the preparation of this Act. As a long-term strategic measure, the Act introduced the following development support measures:

- a programme to foster the competitiveness of the Pomurje region in the period 2010 to 2015;
- employment incentives;
- tax relief for investments;
- priority treatment of programmes and projects in Pomurje competing for funds from national programmes.

The programme to foster competitiveness includes the following instruments: supporting the preparation and implementation of development projects in the region, initiatives for corporate investment and the creation of new jobs, promotion of human resources development, social entrepreneurship, and measures supporting the (re-)vitalisation of the regional economy to attract foreign and domestic investors. The programme must be implemented by 2015 and the total amount of funds available is €33 million. However, interviewees' opinions differ as to how much the Pomurje development Act affected the consequences of the Mura restructuring. The influx of other companies into the region could be ascribed to other reasons, since many of the companies came to Pomurje before or almost simultaneously to the adoption of the Act. There is no general regional policy towards Pomurje.

The municipality of Murska Sobota also introduced some measures that were (indirectly) related to the Mura case in order to improve the economic situation in the region. In 2005, they provided 50 hectares of developed land to new investors. Although it was less than initially expected, this investment generated more than 300 jobs up to mid-2013. The land development has been financed from the municipality budget. The municipality also tries to keep the costs of public services (predominantly municipal utility services) at the lowest levels possible.

Only a few measures and projects have been developed to support the non-profit sector and employment in this sector. Public works have been developed in collaboration with SWC-MS and the municipalities. They were financed through active employment policy and not through EGF. Although it does not represent a massive employment channel, the 'Mura nas povezuje' (Regionalni sklad dela za Pomurje, 2013) social entrepreneurship project has also been established. It employs 10 hard-to-place redundant Mura workers (older females and disabled). The project has a duration of 25 months and it was co-financed by the Ministry and by the EU. Project activities encompass collecting, sorting and processing second-hand clothing, manufacturing new unique (patchwork) clothing, developing an own brand and retail through e-tailing or virtual storefronts.

Elements of good practice and lessons learned

Interviewees had difficulties outlining or identifying elements of good practice and lessons learned. They expressed either very specific or very general views of what they have learned. The comments ranged from a lack of control and managerial responsibility in the context of quick managerial changes to comments that the state should sell their shares in companies or the importance of bringing in somebody from outside the project. A few comments also addressed the disproportionately low state support in comparison to other Slovenian companies and the absence of corporate governance leaving too much power to centres of political power that make decisions according to their narrow interests. On the other hand, interviewee responses showed opinion incoherence. One interviewee thought that the bankruptcy process was a possible example of good practice, while another interviewee saw it as the major obstacle to successful restructuring. Thus, it is difficult to draw any useful general conclusions concerning good practice and lessons learned.

Nevertheless, analysis points to the following elements of good practice:

- support of the regional public employment services by the same services in other regions, labour funds and the social work centre (that is, coordination and mutual support);
- the national government devoted additional HR and organisational flexibility to the social work centre to cope with the huge number of redundant workers;
- flexibility in administrative decisions and payments for redundant workers.

On the other hand, the following are lessons learned:

- it was difficult to provide comprehensive information to workers due to the diversity of fields of interest and narrow expert knowledge in the institutions;
- it was difficult to provide personal support due to the huge number of affected workers and their mistrustful attitude;
- there was no sustainable financing of measures after EGF funding stopped;
- there was a lack of financial sources at the regional level.

Recommendations from the key actors involved

Interviewees' recommendations have mainly been expressed in a very general way; one example is that the Mura restructuring should have taken place much earlier. Two interviewees expressed the opinion that the EGF could have been even more effective if its criteria for expenditure had been greater within the context of available labour market measures. Other interviewees expressed the need for general support on social security issues within the employment system, where one can quickly get general information or help without the need to visit various specialists. Third, support needs to be provided for every viable form of employment. The current system in Slovenia practically ignores farming and social entrepreneurship.

Commentary and conclusions

The Mura bankruptcy story has two sides. On the one hand, there have been more than 10 years of struggle and many unsuccessful attempts to save a once financially healthy and technologically advanced wearing apparel manufacturing company, while on the other hand, workers with practically non-existent labour market flexibility have been successfully reintegrated into the labour market. Since AHA Mura is on the brink of bankruptcy again, it seems that the negative aspects considerably outweigh the few elements that represent good practice. This was evident during interviews, where a pessimistic climate could be felt.

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Annex: Interviewees

Interviews with the following institutions and organisations were carried out between November 2013 and March 2014:

- Owner, AHA Mura/AHA Group
- Former general manager, Mura
- Ministry for Labour, Family and Social Affairs
- Municipality of Murska Sobota
- Regional Employment Office Murska Sobota
- Mura Regional Development Agency
- Labour Fund of Pomurje
- Labour Fund of Prekmurje
- Trade union of the Mura Group
- Textile and leather industry trade union
- Social Work Centre

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