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Slovenia: Severance pay/redundancy compensation

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Slovenia

Phase:

Management

Type:

Severance pay/redundancy compensation

Last modified: 07 June, 2019

Native name:

Zakon o delovnih razmerjih (ZDR-1)

English name:

Employment Relationship Act (ZDR-1)

Article

79 and 108

Description

An employer who cancels a **permanent employment contract** for a business reason (including cases of collective dismissals, that is at least 10 workers in companies with 21-99 employees, at least 10% in companies with 100-299 employees or 30 dismissals in larger firms) is obliged to pay the worker severance pay. The basis for the calculation of severance pay shall be the average monthly salary which the worker received during the last three months before cancellation. The worker is entitled to severance pay amounting to:

- one-fifth of the wage basis for each year of employment with the employer if the worker has been employed with the employer for more than one and up to ten years,
- one-quarter of the wage basis for each year of employment with the employer if the worker has been employed with the employer for a period from ten to twenty years,
- one-third of the wage basis for each year of employment with the employer if the worker has been employed with the employer for a period exceeding twenty years.

The amount of severance pay may not exceed tenfold the average monthly salary which the worker received during the last three months before cancellation, unless otherwise stipulated by a branch collective agreement. In proceedings of compulsory settlement, the worker and the employer may agree in writing about the method and the form of paying severance pay or a reduction of the minimum statutory amount of severance pay if due to the payment of severance pay the existence of a larger number of jobs with the employer would be jeopardised.

The employer must pay severance pay to the worker upon the termination of the employment contract unless otherwise provided by a branch collective agreement.

A worker whose **fixed-term employment contract** has been terminated is also entitled to severance pay, except in cases when a worker has replaced a temporarily absent worker, performed seasonal work for less than three months in one calendar year or performed public works/job in the frame of active employment policy.

In the case of termination of a fixed-term employment contract concluded for a period of one year or less, the worker is entitled to severance pay in the amount of one fifth of the wage basis (i.e. average monthly salary of a full-time worker during the last three months prior to the termination of the employment contract). If the fixed-term employment contract exceeded the period of one year, the worker is entitled to severance pay increased by a proportionate part of severance pay for each month of work (i.e. 1/5 of wage basis + 1/12 of 1/5 of wage basis for every month employed beyond one year of employment).

Comments

The regulation on severance payments was considerably modified by the last labour reform (the 2013 amendment of the Employment Relationship Act). With the aim to reduce the segmentation of the labour market and differences in labour costs of various types of employment contracts, social partners agreed to lower severance payments for permanent employees and to introduce severance payments for fixed-term employees who had not been entitled to such payments before. The intention of this measure was supposedly to avert employers from hiring workers on fixed-term contracts. However, the results were mixed; the measure has stimulated employment for indefinite periods, but also employment on the basis of civil contracts.

Cost covered by

Employer

Involved actors other than national government

National government only

Thresholds

Company size by number of employees:


21

Number of affected employees:

10

Sources

 [EMCC - Legal framework for restructuring](#)

 Jokay, K. (2006), Slovenia Country Dossier, Study on restructuring in new Member States, Joint Project of European Social Partner Organisations

 [Zakon o delovnih razmerjih \(ZDR-1\) \(SL\)](#)

 [Employment Relationship Act \(ZDR-1\) \(EN\)](#)

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